MEGMILK SNOW BRAND

Megmilk Snow Brand Report 2021

Integrated Report

Make the Future with Milk

Contents

Vision

In this section, we introduce our Corporate Philosophy, which articulates the Megmilk Snow Brand Group's sense of purpose and social mission, its role as a company that "makes the future with milk," its consumer-driven management, and the newly established Charter of Corporate Behavior.

2 Megmilk Snow Brand Group Corporate Philosophy
3 Megmilk Snow Brand Group Charter of Corporate Behavior
5 Megmilk Snow Brand's History
7 Our Ideal Future

Management Message

This section explains how the Group is addressing various changes in the environment affecting it, and the thoughts, principles, and strategies of top management as the Group aims for sustainable growth.

9 Message from the President
17 Message from Executive Officer Responsible for Finance

Highlights

Here, we present financial information related to business strategies and management activities and non-financial information related to our efforts to achieve sustainable growth, for the past five years, in graphic format. The Group's response to COVID-19 is also explained here.

19 Performance Highlights
21 Response to COVID-19

Feature

This section explains the growth strategy for the functional protein MBP®, which helps to extend healthy lives, a key social issue.

23 Outlook for MBP®

Value Creation Strategy

Here, we describe the process we employ to provide customers and the market with the value we create using management resources, as well as the flow from R&D to the sale of products that offer safety and peace of mind, and the strategies and course of each business.

27 Value Creation Process
29 Value Chain
33 Business Overview
34 Main Group Companies
37 Conditions by Business

CSR Material Issues

This section reports our revised CSR policies designed to deliver CSR-focused management and provides the fiscal 2020 results for our KPIs. It also covers initiatives that help to resolve important specific issues and support value creation.

43 CSR Material Issues
45 Milk for Contributions to Food and Health
46 Contributing to Sustainable Dairy Farming
47 Reducing Environmental Impact
51 Realization of a Diverse and Motivating Workplace
55 Contributing to Local Communities

Corporate Governance

This section discusses our approach to strengthening corporate governance, which is the core of CSR-focused management, as well as the mechanisms and activities we employ to fulfill social responsibilities and ensure compliance.

57 Corporate Governance
65 CSR Promotion
66 Compliance
68 Risk Management

Corporate Data

This section reports management results in the form of financial data and financial statements. It also provides corporate and investor information.

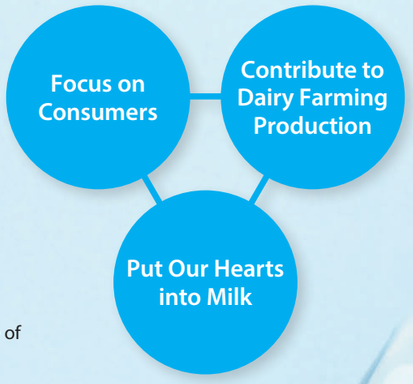
69 Operating Results and Financial Analysis
71 Consolidated Financial Statements
73 Corporate and Investor Information

Megmilk Snow Brand Group Corporate Philosophy

Our corporate philosophy consists of our mission and our corporate slogan, "Make the Future with Milk."

Our Three Missions

The Megmilk Snow Brand Group strives to fulfill our three missions and create new value for milk in order to exist as a company that contributes to society.



Focus on Consumers P.7

The Megmilk Snow Brand Group fully recognizes the importance of the concepts of consumer rights and business responsibilities as outlined in the Basic Consumer Act. Determined to keep our business operations consumer-focused, we are committed to:

- Providing safe and reliable products and services
- Proactively disclosing information
- Embracing consumers' feedback and reflecting it in management
- Establishing a risk management system to rapidly and appropriately respond to unexpected incidents.

Contribute to Dairy Farming Production

The Megmilk Snow Brand Group is based on Japan's dairy farming industry. As trusted partners of dairy producers, we work to strengthen relationships and meet the expectations of producers by conveying the value of milk. Further, by developing new demand for milk and dairy products, we will strengthen the foundation of domestic dairy farming production and contribute to its sustainable development.

Put Our Hearts into Milk

The Megmilk Snow Brand Group believes there is vast potential for milk. By focusing on and remaining dedicated to milk, we will expand the potential and increase the value of milk, and promote milk throughout the world.

Corporate Slogan

Make the Future with Milk

Megmilk Snow Brand Group Charter of Corporate Behavior

The Megmilk Snow Brand Group Charter of Corporate Behavior systematically sets out our philosophy and basic approach for continuously enhancing CSR management to meet social expectations.

Message on the Establishment of the Megmilk Snow Brand Group Charter of Corporate Behavior

Snow Brand Milk Products Co., Ltd., one of Megmilk Snow Brand's predecessors, got its start way back in 1925 with the establishment of the Hokkaido Cooperative Creamery Association, a producers' organization formed by dairy farmers to support their industry. The founders launched the association with the inspiring idea of "a healthy earth ensures human health." This phrase captures core truths: dairy farming strengthens the soil, and the milk and dairy products produced from this rich earth are the ultimate nutritious food that can foster healthy spirits and resilient bodies.

In the years since then, our organization has worked closely with dairy farmers and diversified its product portfolio, mainly in the fields of milk and dairy products. Today, the Megmilk Snow Brand Group is one of Japan's leading comprehensive food manufacturers.

However, our brand lost decades of carefully won trust with consumers due to a food contamination incident in 2000 and a fraudulent beef labeling incident in 2002. We faced a grave crisis, and our very survival was in doubt. Thankfully, with the support of dairy producers, related government bodies and business partners, we were able to overcome many challenges to rebuild. In October 2009, Nippon Milk Community Co., Ltd. and Snow Brand Milk Products Co., Ltd. were merged to form the joint holding company, Megmilk Snow Brand Co., Ltd. Then, in April 2011, three companies were merged to create today's Megmilk Snow Brand Co., Ltd.

The Megmilk Snow Brand Group Corporate Philosophy is to fulfill three missions: "To focus on consumers, to contribute to dairy farming production, and to put our hearts into milk." By creating new value for milk, we will continue to exist as a company that contributes to society. Our corporate slogan, "Make the Future with Milk," sums up all of these aims. We are determined to carry on the spirit of "a healthy earth ensures human health," the aspiration that guided the founding of Snow Brand Milk and the point of origin of the Megmilk Snow Brand Group's corporate philosophy today. With this commitment as our unshakeable foundation, we will continue to be a company that takes responsibility for the future with sincere regret for those two past incidents.

The world around us faces numerous social problems, such as climate change and other increasingly severe environmental problems, poverty and widening disparities, and expanding human rights problems. It is our goal to help solve social issues through the dairy business. We will work to preserve a healthy, prosperous environment and build a sustainable world that can be passed on to future generations. The Megmilk Snow Brand Group has established the Megmilk Snow Brand Group Charter of Corporate Behavior to serve as the guide for our conduct as we seek to achieve these goals.

Keiji Nishio
Representative Director and President
Megmilk Snow Brand Co., Ltd.
June 1, 2021

Megmilk Snow Brand Group Charter of Corporate Behavior

The Megmilk Snow Brand Group respects the letter and spirit of applicable laws and international rules at all stages of the supply chain, in accordance with the Megmilk Snow Brand Group Charter of Corporate Behavior. We act honestly and in good faith, living up to high ethical standards.

1. Sustainably Improving Corporate Value and Resolving Social Issues

The Megmilk Snow Brand Group works to improve corporate value by engaging in business activities to achieve its Corporate Philosophy, while striving to help build a sustainable world by working to solve social issues.

2. Trusting Relationship with Consumers

The Megmilk Snow Brand Group strives to ensure quality management and provide society with effective and safe products and services. Based on Japan's Basic Consumer Act, we recognize consumer rights and our responsibilities as a business operator, and we provide accurate information on products and services and communicate in good faith to ensure consumers' satisfaction and earn their trust. In the event that an accident does occur with a product we have provided, we respond appropriately, with consumer safety as our top priority.

3. Equitable Business Activities

The Megmilk Snow Brand Group maintains a high sense of morals and responsibility, observes corporate ethics, strives to ensure compliance throughout the Group, and carries out business activities based on fair, transparent and free competition. Moreover, we do not tolerate any transactions or relationships with organized criminal groups or other anti-social forces.

4. Fair Information Disclosure and Dialogue with Stakeholders

The Megmilk Snow Brand Group proactively, effectively and appropriately discloses information in a timely manner to earn the understanding and trust of all stakeholders, including consumers, dairy producers and shareholders. In addition, we implement transparent management by engaging in ongoing dialogue with stakeholders in order to raise corporate value.

5. Workstyle Reforms and Enhancement to Work Environment

The Megmilk Snow Brand Group approaches work in a way that raises employees' skills and respects personal attributes, diversity and individuality. Moreover, we build a corporate culture that offers freedom and vitality and establish workplace environments that are motivating and take health and safety into full consideration.

6. Initiatives on Environmental Issues

The Megmilk Snow Brand Group views environmental issues such as addressing climate change, effectively using water resources and appropriately managing waste as shared issues for humankind. We practice environmental conservation by working with everyone in the supply chain to develop environmentally friendly technologies, products and services.

7. Respect for Human Rights

Throughout its supply chain, the Megmilk Snow Brand Group respects basic human rights, bans discrimination on the basis of race, nationality, gender, religion, ideology or other such characteristics, prohibits inequitable treatment such as forced labor, human trafficking and child labor, and strives to provide safe, healthy work environments.

8. Thorough Crisis Management

The Megmilk Snow Brand Group has made thorough preparations for the possibility of emergencies. In the event of emergencies such as fires, natural disasters and accidents, the Group prioritizes human life and then strives to maintain, sustain and quickly restore its business activities. We value the company's assets and respectfully manage confidential information, including personal information.

9. Partnerships with Local Communities

The Megmilk Snow Brand Group actively participates in society and promotes communication at all of its business sites as a good corporate citizen. This helps to build ties of trust and contributes to local community development.

10. Thorough Implementation of This Charter

Those involved in the management of the Megmilk Snow Brand Group embrace as their own role ensuring that the Group lives up to this Charter, taking the lead to ensure that it is fully implemented by all Group companies. In addition, all involved in the supply chain are encouraged to take action based on this Charter.

Megmilk Snow Brand's History

Our Pioneering Spirit, Alive and Well since the Beginning, Drives Progress and Creates the Future

Founders of
the Hokkaido Cooperative Creamery Association

Sentaro Utsunomiya　Torizo Kurosawa　Zenshichi Sato

1925 -

Startup Phase when Company was Launched to Save Dairy Farmers

Our founders put all of their energy into establishing dairy farming in Hokkaido. In 1925, the Hokkaido Cooperative Creamery Association was established by dairy producers to save dairy farming in Hokkaido. The industry was struggling at the time due to the food policies implemented after the Great Kanto Earthquake of 1923. This association was one of the predecessors of Megmilk Snow Brand Co., Ltd. Once a modern factory was built in 1926, the Association began producing and selling Snow Brand Hokkaido Butter on a full scale.

1930 -

Many Long-selling Products Emerged

After the Association began producing and selling butter, the manufacture and sale of infant milk powder, margarine, cheese and other products began in earnest. The products developed at this time still have a loyal following today, and many have become long-term bestsellers.

Snow Brand Milk Products Co., Ltd.
Food Contamination Incident

Snow Brand Food Co., Ltd.
Fraudulent Beef Labeling Incident

2000
2002

Two Incidents

Two incidents that occurred at the Snow Brand Group in 2000 and 2002 shook the public's faith in the safety and security of food. The company's very survival was at stake, and the business was split up in order to rebuild.
P.66

MEGMILK SNOW BRAND

2009 - 2011

Corporate Consolidation and Merger

With substantial support behind it, the company decided to reorganize with the primary goal of restoring customer trust. In 2009, Snow Brand Milk Products Co., Ltd. and Nippon Milk Community Co., Ltd. merged and Megmilk Snow Brand Co., Ltd. was established as a joint holding company. In 2011, Megmilk Snow Brand absorbed Nippon Milk Community and Snow Brand Milk and made a new start as Megmilk Snow Brand. Utilizing the technology and deep commitment to dairy farming and food inherited from our predecessors, as well as the lessons learned from these two incidents, we have built a foundation for sustainable growth.

2017 -

Striving to Become a Future Creation Company with Milk

With our unswerving commitment to milk and dairy technology, we have created products with customers' health in mind, aiming for sustainable growth as a company. We will continue to contribute to society through our products and achieve further growth.

Background of Megmilk Snow Brand's Establishment

Future Creation Company with Milk

Transformation & Renewal

In 2017, the Megmilk Snow Brand Group established the Group Long-term Vision 2026, which sets out its vision for the next 10 years. Based on the Group's corporate philosophy, which is the focal point for all of its activities, the Vision outlines three futures from the perspective of consumers, dairy producers and employees. The Vision calls us to be a "Future Creation Company with Milk." We will implement reforms and make progress as we carry out initiatives to shape a new era. The entire Group will contribute to achieving the Sustainable Development Goals (SDGs) through its business.

[Three Futures]

Contribute to the Future of Dairy Farmers

We will achieve sustainable growth by working together with dairy farmers to enhance the value of milk. In our role as a good partner, we will continue to contribute to the sustainable growth of dairy farmers and the milk industry.

Create the Future of Food with Milk

We will create and utilize the Megmilk Snow Brand's strengths and create and provide value. We will also continue to give people all over the world the joy of eating by drawing out the unlimited potential of milk and manufacturing dairy products.

Create Future Opportunities for Employees

We recognize that people nurture companies and companies can also nurture people. We aim to be a corporate group that makes the most of the individuality and skills of each employee and continues to grow with a diverse workforce filled with a sense of pride and hope.

Consumer-focused Management Based on the Basic Consumer Act

Megmilk Snow Brand Group will work on initiatives based on the Group's four commitments. This reflects the eight basic rights of consumers stipulated in Japan's Basic Consumer Act.

Basic Consumer Act

Fundamental Principles (Eight Basic Rights)

Article 2

(1) When implementing comprehensive policies (hereinafter referred to as "Consumer Policies") with regard to the protection and advancement of the interests of consumers,

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

the Consumer Policies shall be undertaken on the basis of supporting the self-reliance of consumers so that they are able to autonomously and reasonably act to protect and advance their own interests.

Our Response

Responsibilities, etc. of Business Operators

Article 5

(1) Business operators shall have the following duties when providing their goods and services with respect to the rights of consumers, support for their self-reliance and other fundamental principles under Article 2.

(i) Duty to secure the safety of consumers and fairness in transactions with consumers.

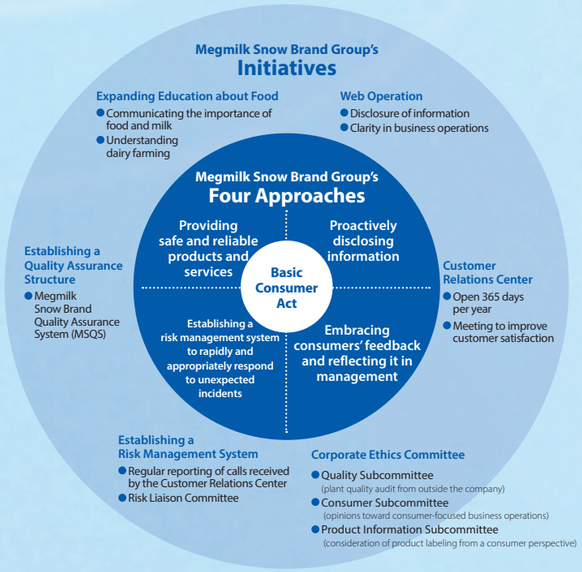
(ii) Duty to provide necessary information to consumers in clear and simple terms.

(iii) Duty to consider the state of consumers' knowledge, experience and the status of their assets, etc. in dealings with consumers.

(iv) Duty to endeavor to establish systems necessary to appropriately and promptly process complaints by consumers, and to appropriately process said complaints.

(v) Duty to cooperate with the Consumer Policies implemented by the State and local governments.

* Numbers added for clarification of content



Contributing to the Achievement of the SDGs

The SDGs are international development goals intended to shape a sustainable world, adopted at the UN Sustainable Development Summit held in September 2015. The SDGs consist of 17 goals including 169 targets intended to end poverty by 2030 and build a sustainable future, and include the pledge to "leave no one behind." The Megmilk Snow Brand Group is working to resolve important CSR issues (material issues) and also to help achieve the SDGs.

CSR Material Issues P.43

(Source) United Nations Information Centre

Message from the President

Keiji Nishio
Representative Director and President
Megmilk Snow Brand Co., Ltd.

Implementing "Transformation and Renewal" with the Changing Times to Create New Value for Milk

Looking Back on One Year of COVID-19

The Megmilk Snow Brand Group views the social changes and changes in consumer demand brought on by the pandemic as an opportunity to create new demand.

In 2020, COVID-19 spread throughout the world, and socio-economic activity took a heavy hit. This affected the dairy industry as well. Elementary and junior high schools throughout Japan closed temporarily starting in March 2020, which ended the supply of milk for school lunches. In early April, the Japanese government declared a state of emergency and requested that citizens limit excursions outside the home, so the sales of products for commercial use declined significantly as well. The challenge was compounded by the upturn in milk production since 2019. We wanted to avoid discarding milk that had nowhere to go, so the entire industry worked together on this issue, and the Megmilk Snow Brand Group also sharply increased the production of butter and fat-free powdered milk.
The government's Plus-One Project to encourage the purchase of milk and dairy products was also effective, and we were able to avoid the worst-case scenario of throwing out milk. However, the rise in COVID-19 cases also had a major impact on operations. There were negative impacts, such as the inability to carry out sales promotion activities face-to-face in stores, but we also made progress with business activities during the pandemic, such as improving the efficiency of operations and promoting workstyle reforms.

At present, milk manufacturers are being asked to fulfill their mission of supplying products, while also responding to changes in the consumption structure during the pandemic. Consumer behavior related to "food scenes" and "purchase channels" is changing compared to before the pandemic. For example, consumer demand is evolving, with demand for immunity-building products, which we saw at the beginning of the pandemic, shifting to demand for a range of functional products. The Megmilk Snow Brand Group views these changes in society and consumer demand as an opportunity to create new demand.

Group Long-term Vision 2026 for Sustainable Growth

We aim to become a "Future Creation Company with Milk" by completing a process of "Transformation and Renewal" by fiscal 2026.

In May 2017, the Megmilk Snow Brand Group announced its Group Long-term Vision 2026, which outlines its ten-year plan for achieving sustainable growth. Based on our Group Corporate Philosophy, the foundation of all our business activities, we titled our long-term vision, "Future Creation Company with Milk," and gave it a focus on three "futures": the future of consumers, the future of dairy farmers, and the future of employees. Our three strategies for achieving this vision are based on the concept of "Transformation and Renewal."

The first is a transformation of our business portfolio. To enable sustainable growth, we must shift to a business portfolio for a new age in which we generate income through multiple businesses. The second is a renewal into a production structure that supports business growth. By linking production structure renewal with business platform

transformation, we will adopt new technology and restructure our production line composition to establish a highly efficient and competitive production line. Lastly, simultaneous to transformation and renewal initiatives, we will evolve Group management. We will make the most of management resources and the value chain to enhance the overall strength of our Group.

We have set targets of 700-800 billion yen in net sales and 30-40 billion yen in operating profit by fiscal 2026, the final year of the Group's Long-term Vision 2026 (targets before adopting the Accounting Standard for Revenue Recognition*). In addition, we plan to make capital investments of about 280 billion yen over 10 years.

* Accounting Standards for Revenue Recognition:
We adopted this accounting standard in April 2021. The main change that would affect the Megmilk Snow Brand Group is that part of payments made to business partners and others previously posted under Selling, General and Administrative expenses will now be treated as a reduction in net sales. As a result, net sales will decline compared to the period before the introduction of the Accounting Standards for Revenue Recognition. The impact on operating profit, ordinary income and net income before income taxes is minimal.

Measures for Growth Strategy

We will pursue our growth strategy with a focus on three initiatives: promoting productivity reform, taking decisive action on business structure reform, and launching the renewal of the manufacturing system in earnest.

Fiscal 2021 is the second year of the Group's Medium-term Management Plan 2022 (fiscal 2020-2022), and the second stage of the Group Long-term Vision 2026. The Group's Medium-term Management Plan 2022 is the stage in which the Group accelerates its transformation, establishes earnings bases, and begins full-fledged renewal of the production structure. The three initiative policies under the plan are: advance productivity improvement reforms, advance business structure reforms, and promote innovation in the production structure. These are shared by all businesses, and the entire Group is working together to pursue them. The management targets for fiscal 2022, the final year of the medium-term management plan are 640 billion yen in net sales (targets before adopting the Accounting Standard for Revenue Recognition) and 22 billion yen in operating profit.

Roadmap for Group Long-term Vision 2026

	First Stage	Second Stage	Third Stage
	FY2017-FY2019	FY2020-FY2022	FY2023-FY2026
Positioning	Begin Transformation	Accelerate Transformation	Toward Renewal
	Start and promote Group management	Strengthen development of Group management	Accelerate and renew Group management
Role	Create multiple earnings bases and maximize cash flow	Establish Group earnings bases	Stable creation of earnings through four business sectors
	Begin renewal of production structure	Begin full-fledged renewal of the production structure	Accelerate production structure innovation

Initiative Policies

1. Advance productivity improvement reforms
2. Advance business structure reforms
3. Promote innovation in the production structure

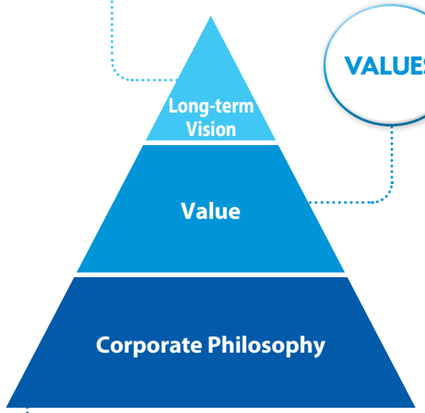
Core Function Strategies

1. Apply business strategy to achieve transformation and renewal to innovate production structure
2. Strengthen manufacturing (*monozukuri*) and create new value
3. Promote Group management to strengthen Group core competency
4. Initiatives to achieve sustainable Group development

Group Long-term Vision 2026 [FY2017-FY2026]

VISION

Outlines our Vision for the Megmilk Snow Brand Group 10 years from 2017.
Specific ideals to achieve our corporate philosophy while changing to reflect current trends.



VALUES

Megmilk Snow Brand Values

The common values embraced by the directors and employees of the Megmilk Snow Brand Group as we act to achieve our long-term vision.

Self-motivated
Start the action.
For your future.

Challenge
Enjoy the challenge.
For your future goal.

Teamwork
Work together.
For our common future.

MISSION

Corporate Philosophy

Outlines the Megmilk Snow Brand Group's reason for existing and our mission in society.
Reflects the basis of our existence, something that doesn't change over time.

Focus on Consumers | **Contribute to Dairy Farming Production** | **Put Our Hearts into Milk**

Make the Future with Milk

<Group Long-term Vision 2026>

Strategy Concept

Transformation & Renewal

- Business Portfolio Transformation — Transformation
- Renewal of the Production Structure to Support Business Growth — Renewal
- Promoting Group Management — Group Management

Basic Strategies

1. Transform our business portfolio to create new growth opportunities and strengthen our earnings bases.
2. Build strategic procurement and production structures for the future (10 years from 2017) to establish a competitive platform.
3. Create new value by engaging in manufacturing (*monozukuri*) grounded in R&D.
4. Respect and take advantage of personnel diversity to create a highly productive organization capable of continuous growth.
5. Utilize Group management resources effectively to maximize our Group competitiveness and core capabilities.

In the dairy products business sector, the new butter building at the Isobunnai Plant in Hokkaido began operating in earnest in April 2021. Moreover, in fiscal 2021 the Ami Plant in Ibaraki Prefecture introduced a manufacturing line for Mini-Portioned Butter and will expand the production and sale of butter for household use overall. We will work to expand sales of cheese with new products that meet the demand for at-home meals and drinking at home, a market that is expected to continue expanding and growing. In particular, in the case of natural cheese, the Taiki Plant in Hokkaido plans to strengthen its manufacturing foundation with the construction of a new wing for the production of Camembert cheese (to be completed in fiscal 2022) and boost sales with the expansion of the Sakeru Cheese production line (to begin operations in spring 2023). Outside Japan, we will strive to steadily generate profits by expanding sales volume at Snow Brand Australia, Udder Delights Australia and Megmilk Snow Brand Indonesia. Particularly, in Megmilk Snow Brand Indonesia, we plan to increase lines in fiscal 2021 to further expand production and sales and enhance profitability.

In the beverages and desserts business sector, we will continue to strategically expand our yogurt business, focusing on functional products. In addition to *Lactobacillus gasseri* SBT2055 yogurt, in January 2020 we launched Nyu-San-Kin Helve (*Lactobacillus helveticus*) yogurt, followed by Kiokukea Yogurt *β-lactolin** in June 2021. We are also making structural reforms to return the milk business, which is at the core of the beverages and desserts business, to profitability by fiscal 2026 so that we can achieve sustainable growth. As a value-added product, in fiscal 2020 we introduced products in new packaging with caps. Also, the MBP Drink, a functional product that is Japan's first shown to raise bone density, was brought to market in March 2021. As the health promotion ambassador for Megmilk Snow Brand, former pro tennis player Shuzo Matsuoka appeared in television commercials targeting women concerned about bone health. This and other promotional activities were aimed at raising brand recognition for MBP®.
The Group Medium-term Management Plan 2022 lays out ways to erase one-third of the loss in the beverages and desserts business.

In the nutrition business sector, we are working to improve the efficiency and expanding the scale of the mail-order business for functional foods. In fiscal 2020, sales of products such as Mainichi Hone Care MBP® steadily increased on the strong e-commerce business and higher interest in health. This has generated operating profit exceeding the initial target. Going forward, we will help to extend healthy lifespans by developing products in order to contribute to food and health through milk, which is one of our CSR material issues. In April 2021, Bean Stalk Snow Co., Ltd. became a wholly owned subsidiary, which will increase management flexibility and allow us to conduct business with speed.

In the feedstuffs and seed products business sector, at the new plant of Hokuren Cooperative–Snow Brand Feed Mills Co., Ltd., a joint venture established by Hokuren Cooperative Feed Mills Co., Ltd. and Snow Brand Feed Co., Ltd., is scheduled to begin operations in December 2021. This will allow the production of high-quality feedstuffs at low cost. In the seed products business, we will further expand sales of grass and vegetable seeds with products developed by our own companies and products developed jointly.

Finally, let me discuss our functional strategies.
The development department facilities at the Milk Science Research Institute, in Saitama Prefecture will be renovated in 2022 and given a new name, "Innovation Center" (provisional name). This is part of our new measures for manufacturing, the foundation of our business strategy. Ever since the company was split up in 2003, the development departments for each business field have been on the same site, but scattered around, and they will now be consolidated at the new center. This will make it possible to strengthen our manufacturing and create new value.

Innovation Center (tentative name)

* This product is produced based on the patent license agreement with Kirin Holdings Company, Limited.

Initiatives to Ensure Sustainable Growth for the Group

We aim to develop dairy farming and help resolve a range of social issues, including the environment and human rights. This will lead to an improvement in corporate value.

The Megmilk Snow Brand Group Corporate Philosophy is to fulfill its missions: "To focus on consumers, to contribute to dairy farming production, and to put our hearts into milk." By creating new value for milk through our business activities, we will continue to thrive as a company that contributes to society.

While the world is experiencing astounding economic growth, we are also seeing a wide range of social problems, including severe environmental problems like global warming and climate change, widening disparities leading to poverty

Transforming the Business Portfolio by Business Field (fiscal 2021) P.37

Dairy Products Business	● Expand highly profitable consumer dairy products ● Accelerate cheese business overseas expansion
Beverages and Desserts Business	● Expand ratio of functional products ● Profitability for milk and milk-based beverages
Nutrition Business	● Expand scope and profits for functional foods ● Create new growth opportunities
Feedstuffs and Seed Products Business	● Create efficient supply structure for feedstuffs ● Expand sales of grass and vegetable seeds

Performance Indicators

	Group's Medium-term Management Plan 2019	Group's Medium-term Management Plan 2022			Long-term Vision
	FY2019	FY2020	FY2021	FY2022	FY2026
	Result	Result	Plan	Target	
Net sales (billion yen)	613.4*1	615.1*1	570.0*2	640.0*1	700-800*1
Operating profit (billion yen)	17.9	19.7	20.5	22.0	30-40
Operating margin (%)	2.9*1	3.2*1	3.6*2	3.4*1	4.3-5.0*1
EBITDA (billion yen)	34.1	35.6	37.8	41.0	—
				Target	
Capital Expenditures (billion yen)	Approx. 64 (3-year total)	26.6	24.0	Approx. 86 (3-year total)	Approx. 280 (10-year total)
ROE (%)	7.1	8.1	—	8% or higher	8% or higher
Equity ratio (%)	47.3	49.0	—	50% or higher	50% or higher
Payout ratio (%)	22.3	18.1	27.0	20-30%	30% or higher
Interest-bearing debt (billion yen)	69.3	79.3	—	Approx. 78	—

*1 Figures before introduction of Accounting Standards for Revenue Recognition *2 Figures after introduction of Accounting Standards for Revenue Recognition

and discrimination, human rights problems such as child labor, and an ultra-aging society. We will address these social issues by further promoting the Group's CSR management based on our corporate philosophy and contribute to a sustainable society. To this end, we established the Megmilk Snow Brand Group Charter of Corporate Behavior in June 2021 to lay out our basic approach. P.3

In the preamble to the Charter, we clearly state that the Group, which is nearing the 100th anniversary of its founding (as of the establishment of the Megmilk Snow Brand Group Charter of Corporate Behavior), will carry on the sustainable spirit expressed in the expression *Kendo Kenmin* (a healthy earth ensures human health),* which has been passed down throughout our history. Society asks that companies continue to change to meet the demands of the times. Just as our founders helped Japan's dairy farms and started the company for a healthy land and people, those of us living in the present day will use this charter to guide our behavior. At the same time, we will contribute to the development of dairy farming and help to resolve social issues, including the environment and human rights. We think this will lead to improvement in corporate value.

* "A healthy earth ensures human health" is an expression used by Torizo Kurosawa, one of the founders of the Megmilk Snow Brand Group. It expresses his view that dairy farms strengthen the soil, and that the milk and dairy products produced from this rich earth are the ultimate nutritious food that can foster healthy minds and resilient bodies.

Initiatives on CSR Material Issues

We will work to balance economic value and social value as we help to achieve the SDGs and work to cultivate a mindset that focuses on resolving social issues.

The general context of CSR, including the SDGs and ESG investment, has changed dramatically over the past 10 years. The CSR material issues identified by the Group in 2018 seek a balance between economic value and social value, while aiming to contribute to sustainable development goals (SDGs).

Below we have described our CSR material issues.
The first is "milk for contributions to food and health."
In an ultra-aging society, we utilize Megmilk Snow Brand's functional ingredients and expertise and offer various products and services to extend healthy lifespans. We work hard to develop products that draw out milk's power to the maximum extent so that we can contribute to everyone's health.

Our next material issue is "contributing to sustainable dairy farming." The Megmilk Snow Brand Group, which was born and has grown together with dairy farms, uses the milk produced by dairy farmers without waste and adds value when selling it. In addition, in order to ensure the maintenance and development of Japan's dairy production foundation, we work to provide management and technical support and foster understanding among consumers so that the management of dairy farms is sustainable, with reference to Japan's new basic policy on modernizing dairy farming and beef cattle production.

Our next material issue is "reducing environmental impact." In 2019, we set key performance indicators (KPIs) for themes related to building a recycling-oriented society, such as addressing global warming, sustainable use of resources, and the food loss problem. In March 2021, we set additional numerical targets for the efficient use of water resources.

We calculated the current status at Group companies for environment-related KPIs in order to generate adequate results. In August 2021, we set indicators to manage companies with particularly significant impact on the environment and began to manage progress in the Group overall P.43.

Our last material issue is "people and society." We seek to provide a workplace in which diverse people can thrive, and we also contribute to local communities as part of our business activities while interacting, collaborating and harmonizing with local communities. When we established the Megmilk Snow Brand Group Charter of Corporate Behavior, we also established the Megmilk Snow Brand Group's Human Rights Policy. In order to protect the human rights of all people in our business activities, we identified human rights risks in our supply chain, including internal harassment and discrimination, and endeavor to prevent and reduce human rights violations P.54.

In October 2020, we began conducting a survey of business partners in our supply chain on sustainability issues such as the environment and human rights. By confirming the status of our initiatives, we are more aware of the wide range of risks we face in our business activities and are able to promote CSR procurement, which raises society's sustainability.

The CSR Committee that I chair regularly manages progress on the KPIs and discusses our responses so that we can achieve our targets for the CSR material issues outlined above. In addition, beginning in fiscal 2020, we started the Megmilk Snow Brand Group SDGs Action Awards to recognize particularly impressive programs undertaken by Group companies and workplaces P.66. This is intended to encourage individual employees to think deeply about the SDGs and consider what they can do themselves.

Going forward, we will foster a mindset focused on resolving social issues while taking advantage of opportunities for CSR Group activities P.65.

To All of Our Stakeholders

We will continue our work to help build a sustainable world, holding close the spirit of "a healthy earth ensures human health." We give these words a more contemporary interpretation as we consider the role we should play.

In June 2020, the Megmilk Snow Brand Group signed the UN Global Compact to deepen its work to help build a world that leaves no one behind, as pledged in the SDGs, and contribute to a sustainable world. We will take up the 10 principles in the four areas of human rights, labor, environment and corruption prevention as we further pursue sustainability for society and companies.

We sincerely request the understanding of all our stakeholders for the course we have charted for the Megmilk Snow Brand Group, and we ask for your continued support.

September 2021

Keiji Nishio
Representative Director and President

Message from Executive Officer Responsible for Finance

Working Together as a Group to Improve Expertise, Effectively Utilize Management Resources, and Leverage Corporate Functions

Takao Nakashima
Managing Executive Officer
Megmilk Snow Brand Co., Ltd.

Looking Back on the Group's Medium-term Management Plan 2022

In fiscal 2020, the food industry was affected in varied ways depending on their sales channels. Commercial products dropped significantly while demand for home-based meals increased due to the declaration of a state of emergency during the COVID-19 pandemic, requests to refrain from going out and shortened restaurant business hours. Amid these changes in the environment, consolidated net sales increased by 0.3% year on year to 615.1 billion yen, and consolidated operating profit increased by 9.9% year on year to 19.7 billion yen, exceeding fiscal 2019 figures, making for a good start to the first year of the Group's Medium-term Management Plan 2022.

The Medium-term Management Plan 2022, the second stage of the Group Long-term Vision 2026, is a stage for accelerating transformation, establishing Group earnings bases, and marking the beginning of renewal of the production structure. In order to achieve the targets of consolidated sales of 700 to 800 billion yen (before the application of the Accounting Standard for Revenue Recognition) and consolidated operating profit of 30 to 40 billion yen for fiscal 2026 (ending March 2027) set in the Group Long-term Vision 2026, we will make necessary investments for growth and return to shareholders with an awareness of the cost of capital, while maintaining and improving financial soundness based on the foundation of stable financial management established in the first stage.

Financial Strategy in the Group's Medium-term Management Plan 2022

The Medium-term Management Plan 2022 lays out financial targets with a good balance of capital efficiency, financial stability and shareholder returns, aiming for ROE of 8% or higher, consolidated equity ratio of 50% or higher, interest-bearing debt of 78 billion yen or less, and a dividend payout ratio of 20–30%. The Finance Division will continue to work hand-in-hand with the Group to achieve the targets of the Medium-term Management Plan 2022.

Capital Efficiency

Investment projects will be carefully examined, with capital costs always in mind. In fiscal 2020, ROE was above the target, at 8.1% (up 0.1 points over the previous fiscal year), and we will continue to improve capital profitability through transformation of our business portfolio and renewal of the production structure to support business growth, which are strategies in the Long-term Vision 2026. This Vision forecasts about 280 billion yen in capital investment over 10 years, and we will constantly monitor capital efficiency so that we can achieve ROE of 8% or higher, our financial target going forward.

Financial Stability

We believe that maintaining financial stability—in other words, observing financial discipline—is essential so that we can make the necessary investments for our growth and continue with stable management and dividend payments. The equity ratio has continued to increase each year, reaching 49.0% at the end of March 2021 (up 1.7 points over the previous year), and we will continue to work to maintain and improve financial stability. On the other hand, the balance of interest-bearing debt, another indicator, went over the target of 78 billion yen as a result of increasing liquidity on hand due to the uncertain impact of the COVID-19 pandemic. However, this overage is only temporary, and we will continue to flexibly procure capital as needed, while conducting financial management and capital administration that contributes to stable management.

In terms of investments, we do not expect to use equity financing,* which could dilute our stocks, and we plan to continue to procure capital through our internal reserves and taking on debt as needed.

* A means of raising capital by issuing new shares or convertible bonds that results in an increase in equity (shareholders' equity).

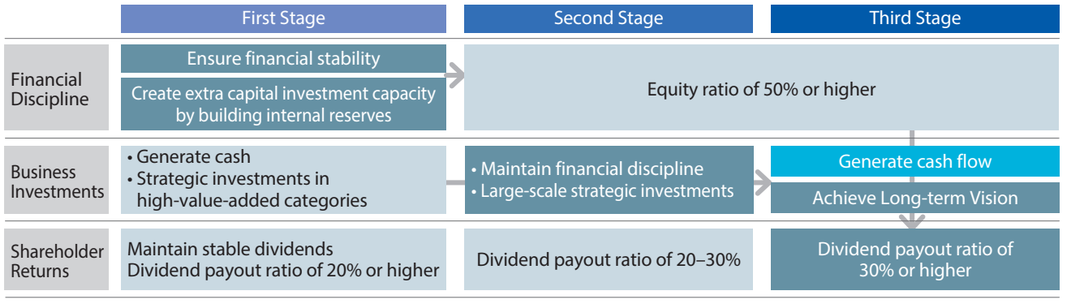
Shareholder Returns

During the period covered by the Group's Medium-term Management Plan 2022, we will prioritize stable, ongoing dividends and will maintain a dividend payout ratio of 20-30%. In the Long-term Vision 2026, if the equity ratio trends stably at levels of 50% or higher while we make necessary business investments, we intend to raise the dividend payout ratio to 30% or higher.

Cash Flow Distribution Policy

The Long-term Vision 2026 lays out an approach that divides the cash flow the Group generates into three areas: internal reserves (financial discipline) to maintain financial stability; business investment for growth; and shareholder returns. For the Medium-term Management Plan 2022, the second stage of the Vision, we plan to use revenue from operating cash flow to build a new butter building at the Isobunnai Plant, a new building for camembert production at the Taiki Plant, and to expand the Sakeru Cheese production line, covering about 86 billion yen in capital investments.

The dividend forecast for the fiscal year ending March 31, 2022 has been increased by 10 yen per share to 50 yen per share, taking into account the sales and profit forecasts and the outlook for the financial situation. If the equity ratio remains stable at 50% or higher going forward, we will raise the dividend payout ratio to 30% or higher without waiting for the third stage, in order to enhance shareholder returns.



Delivering Sustainable Growth and Higher Corporate Value

With the management environment changing at a dizzying pace, we are determined to reform productivity without getting stuck in preconceived notions. This will ensure that we can achieve transformation of our business portfolio, renewal of the production structure to support business growth, and evolution of Group management, all of which are strategic concepts in the Long-term Vision 2026. Corporate functions will play a major role in achieving this. The Finance Division will work hand-in-hand with the Group to improve expertise, work to utilize management resources and leverage corporate functions with the aims of achieving sustainable growth, raising corporate value, and contributing to the SDGs.

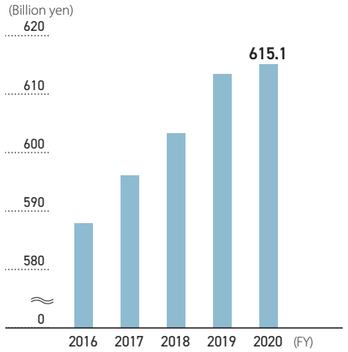
Performance Highlights

Details on CSR Initiatives https://www.meg-snow.com/english/sustainability/
ESG Data https://www.meg-snow.com/english/sustainability/esgdata/

Financial Information [Consolidated]

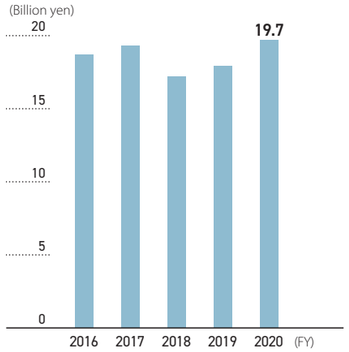
Net Sales
¥615.1 billion

Net sales continue to increase. In fiscal 2020, sales in the Dairy Products business grew due to higher demand for at-home meals, with a 1.7 billion yen increase over fiscal 2019.



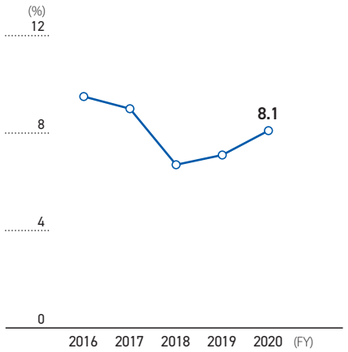
Operating Profit
¥19.7 billion

In fiscal 2020, operating profit rose for a second straight year, attributable to an increase in sales volume for household products in the Dairy Products business, better efficiency in using advertising and promotional funds, and a decrease in fixed costs, among other factors.



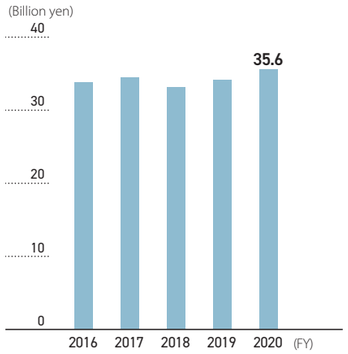
ROE (Return on Equity)
8.1%

In the past, special losses on natural disasters and impairment losses in the Feedstuffs and Seed Products Business lowered net profit for the fiscal year and also pushed down ROE. However, net profit has increased for two straight fiscal years now, and ROE has also improved.



EBITDA*
¥35.6 billion

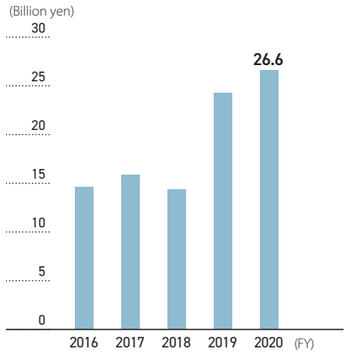
Similar to operating profit, EBITDA grew in fiscal 2020, reaching a record high for Megmilk Snow Brand on a consolidated basis.



* Earnings before interest, taxes, depreciation and amortization

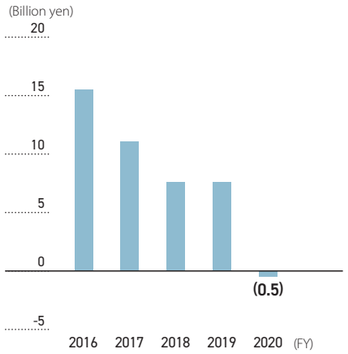
Capital Expenditures
¥26.6 billion

In fiscal 2019-2020, capital expenditures increased significantly due to the construction of new buildings for butter production at the Isobunnai Plant, which is a strategic investment.



Free Cash Flow*
−¥0.5 billion

Free cash flow declined due to an increase in cash flow used in investing activities resulting from capital investments.

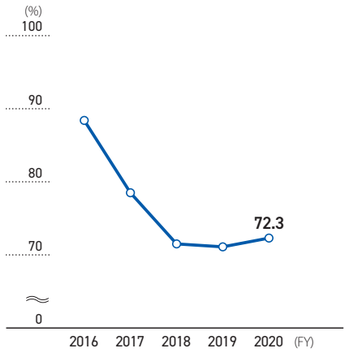


* Cash flow from operating activities + cash flow from investment activities.

Non-Financial Information [Megmilk Snow Brand Co., Ltd., Non-Consolidated]

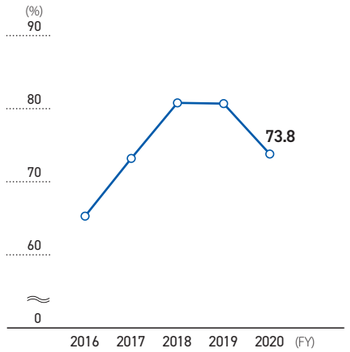
Overtime Work Reduction
(Non-Managerial Employees, Compared with First Half of Fiscal 2015)
72.3%

Overtime work increased slightly due to supply/demand adjustments resulting from the impact of COVID-19, as well as the start of new lines at plants. We will continue to work to improve labor productivity by pursuing operation reforms.



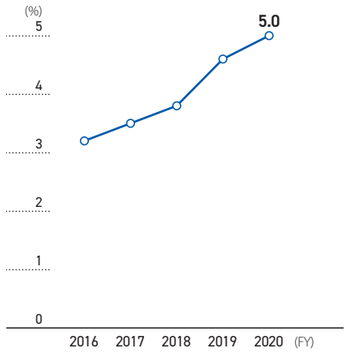
Paid Leave Acquisition Rate
(All Employees)
73.8%

Opportunities to use paid leave declined due to voluntary restrictions on excursions and travel limitations due to the pandemic. As a result, the paid leave acquisition rate fell compared to fiscal 2019.



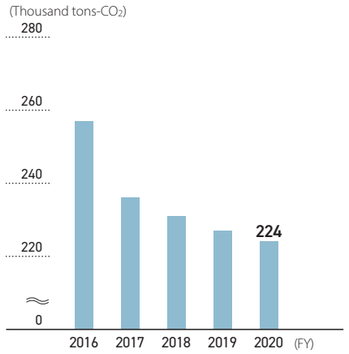
Rate of Women in Management Positions
5.0%

We promote the engagement of women as part of our efforts to ensure human resource diversity and help employees maximize their potential.



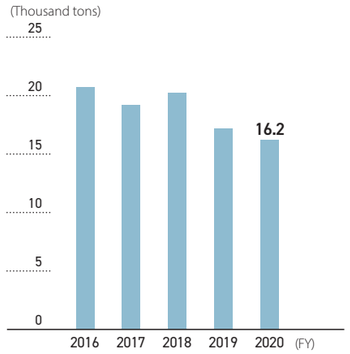
CO_2 Emissions
(Scope1, 2)
224 thousand tons- CO_2

We have worked to stabilize plant operations and are switching from heavy oil to gas as a fuel source, and these efforts are reducing CO_2 emissions.



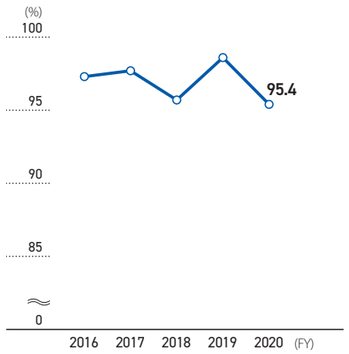
Waste Product Emissions
16.2 thousand tons

The discharge amount for sludge decreased due to upgrades to the drainage treatment facility and improved processing capacity.



Waste Product Recycling Rate
95.4%

In fiscal 2020, some of the waste resulting from the end of production at a plant could not be recycled, and as a result, the recycling rate declined compared to fiscal 2019.



Response to COVID-19

Basic Approach

The Megmilk Snow Brand Group is dedicated to preventing the spread of COVID-19 among its employees and ensuring their safety. Moreover, the Group has established a business continuity system and strives to provide a stable supply of products so that customers can obtain safe, reliable products. The Group is committed to fulfilling its social responsibilities as a food manufacturer. We feel a sense of mission to make every attempt to prevent the spread of COVID-19, while maintaining our supply chain for milk from the dairy farmer to the table. Going forward, we are all working together so that not a single drop of the high-quality milk produced by dairy farmers is wasted.

System

Since COVID-19 first began spreading, the Group has responded based on its guidelines for responding to infectious diseases. Subsequently, on March 4, 2020, we decided to set up a COVID-19 Response Headquarters to address the global spread of the disease (on March 11, the WHO announced that it was a pandemic). Since then, the headquarters has taken the lead in our response.

COVID-19 Response Headquarters

The headquarters is made up of all of the full-time directors and the head of relevant administrative departments. It can make decisions promptly as an organization without having to discuss matters with the Board of Directors. However, the response made by the taskforce is reported at subsequent Board of Directors meetings.

Business Impacts

Negative Impacts

- Decrease in demand for milk for school meals
- Lower demand for raw materials and commercial products from restaurants, hotels and souvenir shops
- Increase in inventory of raw materials and commercial milk products
- Restrictions on marketing activities

Positive Impacts

- Increase in demand for household products due to stay-at-home demand
- Creation of new demand due to widening variety of meals at home
- Strong e-commerce business due to rise in percentage of time spent at home
- Establishment of workstyle reforms such as work-at-home and remote meetings

Going All Out to Prevent Infections While Maintaining Plant Operations

As factories continued operating under the regular work system, even during state of emergency periods when COVID-19 cases were rising, the Group took a wide range of countermeasures including constant use of masks, sterilization of shared spaces, ventilation and social distancing in offices and cafeterias, and suspension of factory tours. Many schools closed during the state of emergency period, so we lost demand for milk for school meals, but we were able to avoid milk disposal by increasing the production of dairy products.

Thorough handwashing as usual

Temperatures taken on entering building

Social distancing is maintained in cafeteria as well

— Major Steps Taken by Megmilk Snow Brand Group —

Society

Contributions to Society

As part of the Sapporo Urban Development Partner Treaty that Sapporo City and Megmilk Snow Brand Hokkaido headquarters have, we provided milk and yogurt drinks to public health centers and hotels housing people with minor symptoms to express our appreciation and gratitude for their hard work. We also provided milk to 18 universities in Hokkaido through the Hokkaido Youth Support Project , a platform for supporting students.

Donations

- 7,020 bottles of Megumi SP Gasseri strain yogurt drink (100 g) and others, donated to workers at Sapporo City's public health centers
- 5,640 cartons of LL Hokkaido Milk 200 ml, donated to hotels in Sapporo housing people with minor symptoms
- 3,528 cartons of LL Hokkaido Milk 200 ml, donated to Hokkaido Youth Support Project

Consumers

STAY HOME Support Project

The Group collected the most interesting content on our website and put it on a special STAY HOME support project page to make it at least a little more fun to spend time at home. We also ran a social media campaign on the Group's official Twitter and Instagram pages in which participants could win a box of milk products.

Program Supporting Body Building with Professor Tanimoto's Exercise and Milk Products

The Megmilk Snow Brand Group created its own original physical training video, supervised by Michiya Tanimoto, an associate professor at Kindai University known for his expertise in physical training who has appeared on TV many times.

Employees

Work-from-Home Program

Since states of emergency were declared in Japan, workers at offices around the country have essentially been working at home, and operations requiring a supply of products like production, distribution, customer response, and operations for which it is determined that a supervisor in each department must go to work in person, are carried out with the minimum number of employees working in person. The Group also gave at-home workers the extra IT equipment needed for at-home work.

Intranet Campaign to Share Fight against COVID-19

An Intranet site was launched to help employees to support each other and get through the difficulties of the pandemic. As it became clear that the pandemic would last longer than expected, employees sent messages and shared techniques for getting through work and daily life. The site became a tool that employees could use to easily share tips.

The Potential to Change the Future of Bones

Outlook for MBP®

With the average human lifespan growing longer, the Megmilk Snow Brand Group is focusing on extending healthy life expectancy. The Group is using the functional protein MBP®, discovered in its many years of milk research, to help people stay healthier longer, thereby addressing a major social issue.

Social Issue

- Extending Healthy Living in an Ultra-aging Society
- Improving Quality of Life (QOL)

The percentage of people age 65 and older in Japan's overall population (elderly rate) is expected to exceed 30% in 2025, and the increase in the elderly rate is projected to continue rising thereafter. To respond to this situation, the Megmilk Snow Brand Group has designated "contributing to extending healthy life expectancy" as one of the CSR material issues it will address. The Group is carrying out research and development, product development and information sharing to help extend healthy life expectancy through milk.

In order to extend healthy life expectancy, it is important that people avoid falling into situations in which they need assistance or caregiving. Yet the main reason that people are designated as in need of assistance or caregiving are impairments to the locomotory system, including broken bones. In other words, preserving healthy bones is critical to extending healthy lifespans.

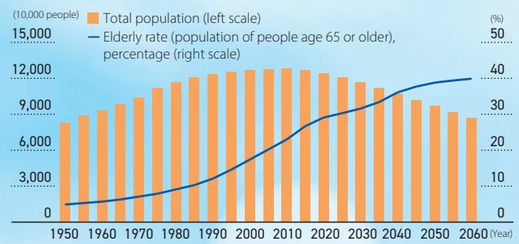
Causes of Designation as a Person in "Need of Assistance" or in "Need of Caregiving"

	Women		Men
1st	Impairments to locomotory system* (31.4%)	1st	Vascular brain disease (26.0%)
2nd	Dementia (19.5%)	2nd	Dementia (19.5%)
3rd	Weakness due to age (13.9%)	3rd	Impairments to locomotory system (13.9%)

* Locomotory system impairments:
Total for broken bones and falls, joint diseases, and damage to the spinal cord

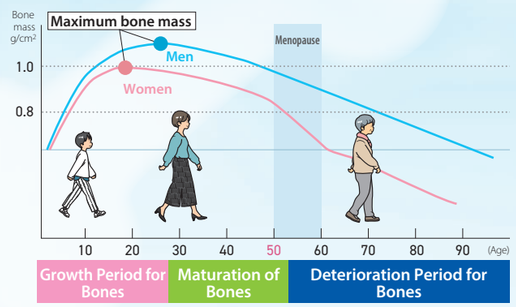
(Source) Comprehensive Survey of Living Conditions, 2019 (Ministry of Health, Labour and Welfare)

Trends in Japanese Population and Future Estimates



(Source) Prepared using the 2016 Annual Report on Health, Labour and Welfare (Ministry of Health, Labor and Welfare)
(https://www.mhlw.go.jp/wp/hakusyo/kousei/16/backdata/01-01-01-02.html)

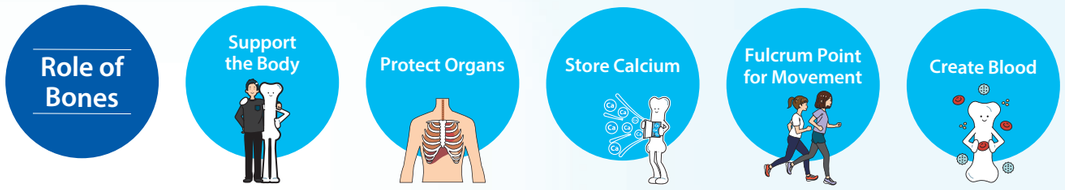
Changes in Bone Mass due to Age



(Source) Yoshiki Seino, et al., *Kusuri no chishiki* Vol. 43 No. 10 (1992), Hokendo Jinsha Inc. (partly revised)

Bone Mass Declines from a Peak in the 20s, and Women in Particular Need to be Careful.

Bones have Five Important Roles, and It is Important to be Aware of Bone Health on a Daily Basis.

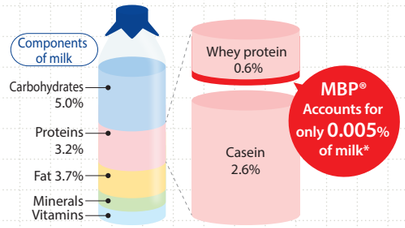


R&D for MBP®, Raising Bone Density*

* Bone density is bone mass per unit area

What is MBP®? Rare Proteins Contained in Milk

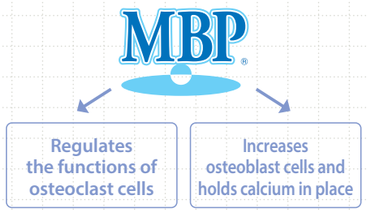
After much effort, research exploring the components in milk that strengthen bones led to the discovery of a functional protein, which was named milk basic protein, or MBP®.



* MBP® content: About 10 mg per container of about 200 ml milk (the MBP® content of milk changes depending on the season and region)

Bone Metabolism and Functions of MBP®

Bones are regenerated over about three years. Osteoclast cells destroy old bones and osteoblast cells create new ones to regenerate bones. MBP® is a protein that plays a useful part, directly affecting these two types of cells. By increasing osteoblast cells, which grow bones, MBP® makes it easier for calcium to adhere to bones, and also regulates the function of osteoclast cells and prevents calcium from dissolving from bones.

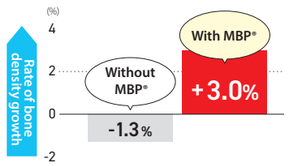


Functions of MBP®, Raising Bone Density

Its ability to raise bone density was confirmed in a study in which a drink containing MBP® was consumed. This study on the role of MBP® in increasing bone density was conducted with 33 healthy adult women (20s-50s). The group that consumed 40 mg of MBP® a day was shown to have increased bone density of the radius (the larger of the two bones of the forearm) by an average of 3% after six months.

Drinking 40 mg of MBP® for Six Months

Scientifically Confirmed to Increase Bone Density by an Average of 3.0%



(Source) Biosci. Biotechnol, Biochem. Volume 66, pages 702-704, 2002 data; 33 women in their 20s-50s were divided into two groups and one group given MBP® took 40 mg a day for six months.
• There are individual differences in the results.

Results of R&D

1999	Function confirmed in adult women
2000	Function confirmed in adult men
2005	Increase in bone density verified in menopausal women
2006	Increase in bone density verified in tests targeting female university students
2007	Improved bone regeneration function confirmed in elderly people
2009	Recovery in bone density growth function through bisphosphonate confirmed in patients with rheumatoid arthritis
2014	Function in promoting healing of fractures confirmed in mice
2015	Function in promoting growth of bones in long axis direction confirmed in growing mice

Behind-the-Scenes with MBP® Research

Research to identify the component in milk that makes bones strong began in 1989. We discovered relatively early on that the component that makes bones durable was in whey, but it was extremely difficult to identify what this component was. The public is not very familiar with the term "osteoporosis," and the limited number of research methods meant that it was a real challenge to produce results. I'm really impressed that management at this time understood this and let our research continue.
Both management and researchers firmly believed that a secret was hidden in milk. It was this MBP® research that really made our corporate slogan, "Make the Future with Milk," come true.

Hiroaki Matsuyama
Quality Assurance Dept.
Bean Stalk Snow Co., Ltd.
Involved in bone and MBP® research for about 20 years

Growth Strategy for MBP®

Growth Opportunities and Market Environment	Main Strategies	Targets
● Increase in elderly rate ● Greater health awareness and interest in improving quality of life (QOL) ▶ Expanded not only within Japan, but also in other Asian countries	① Raising Awareness about Bones ② Increasing Awareness of MBP® ③ Expanding Sales of Related Products	Resolution to Social Issues Growth for Megmilk Snow Brand Group Using MBP® to increase bone density among people of all ages and to help promote health ▶ Extend healthy life expectancy in an ultra-aging society • Improved profit rate due to shift in allocation of management resources to high-value-added products • Creation of cash flows for sustainable growth

① Raising Awareness about Bones

● Launch of Website "Stories about Bones"

This website provides content that will raise interest in bones among many people, including a dialogue between Masahiko Harada, the manager of Megmilk Snow Brand's Ski team, and Shuzo Matsuoka, Megmilk Snow Brand's Health Promotion Ambassador. We will augment this content going forward.

https://www.meg-snow.com/hone-goodstory/ (in Japanese)

● Seminars and Nutrition Consultations by Nutritionists

The Group is involved with bone health seminars and other initiatives to extend healthy life expectancy and raise QOL. One example is the bone density measuring sessions held every year in Tachikawa City, Tokyo together with Bean Stalk Snow Co., Ltd. and Megmilk Snow Brand under the Health Project Partnership Agreement. Megmilk Snow Brand Group nutritionists give nutrition consultations on bone health.

Bone health seminar

Nutrition consultation in Tachikawa City

② Increasing Awareness of MBP®

● Website "Bone Labi" Launched

https://www.mbp-labo.com/ (in Japanese)

● Corporate Displays and Seminars Held at Places where Doctors and Other Experts Participate

"Bone Labi," a website that discusses MBP in detail

Display at the Annual Meeting of the Japanese Association of Rehabilitation Medicine

Virtual display at Health Expo Kyoto 2020

③ Expanding Sales of Related Products

● Launch of MBP Drink Product for Retail Stores

MBP Drink

Food with Function Claims

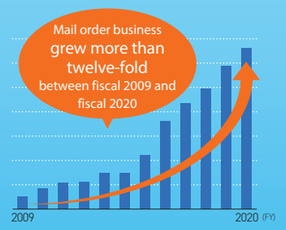
- Notification number: E529
- Notification label: This product contains milk basic proteins (MBP). MBP are reported to have the function of raising bone density.
- Component contributing to functionality: Milk basic proteins (MBP)

This product is not intended to diagnose, treat, cure, or prevent any disease. Unlike Foods for Specified Health Uses, this product has not been individually evaluated by the Secretary-General of the Consumer Affairs Agency.

We recommend a balanced diet based on a staple food, a main dish and side dishes.

● Expand Subscription Mail Order Business

Trends in sales volume for MBP®-related products, including Mainichi Hone Care MBP®



Mainichi Hone Care MBP® Blueberry Flavor

Foods for Specified Health Uses

- Contributing components: MBP® (20 μg as cystatin)
- Authorized labeling: This product contains MBP® (milk basic protein), which increases bone density, and is an appropriate drink for those who are worried about bone health.
- Note of caution on intake: Excessive consumption will not cure diseases or further promote health. We recommend drinking one per day.

We recommend a balanced diet based on a staple food, a main dish and side dishes.

Raising Corporate Value by Solving Social Issues with MBP®.

The difference between the average lifespan and healthy lifespan for Japanese people is said to be nine years for men and 12 years for women. As the population ages and the number of one-person households increase, there are demands for this gap to be bridged and QOL raised so that people can live fulfilling lives for as long as possible. I want MBP®, the result of long years of research, to help lengthen healthy life expectancy. The MBP Drink launched this spring is Japan's first drink type and a functional product that raises bone density. In addition to proactively promoting this product, we will carry out initiatives to share with people the importance of bones. We will promote understanding of the functions of MBP® and raise corporate value by expanding sales of this high-value-added MBP Drink.

Teiji Iwahashi
Managing Executive Officer
In charge of Marketing, Dairy Foods Marketing, and Milk Beverages & Desserts Marketing
Megmilk Snow Brand Co., Ltd.

Ryoichi Sueyasu
Managing Executive Officer
In charge of International Dept., Functional Food Marketing and Purchasing
Megmilk Snow Brand Co., Ltd.

Develop Products that Contribute to Health and Expand Sales

In part due to few opportunities to leave home during the COVID-19 pandemic, in fiscal 2020 subscription users of the mail order business, which sells the special health product Mainichi Hone Care MBP® and others, grew by more than 10% over fiscal 2019. Many customers have been very pleased, telling us that their bone density has improved. We feel like we have had a good response to further growth and our efforts to solve social issues. Aging societies are not only an issue for Japan, but will concern other Asian countries in another 10 to 20 years. Although still small in scale, we are exporting MBP®-related products through local companies to Taiwan and Hong Kong and also sell milk powder for adults that contains MBP®. The Megmilk Snow Brand Group will all work together to develop products that contribute to health and build up sales.

FOCUS Support for Meijo University Women's Ekiden Team

The Megmilk Snow Brand Group provided MBP®-related products and milk products, which will help maintain the condition of the athletes' bones, to Meijo University's women's *ekiden* (long-distance relay) team, which won the All Japan University Women's Ekiden race for the fourth straight year in 2020. This activity began after joint research in 2015 showed that MBP was effective in preventing stress fractures. At the 29th Annual Meeting of the Japanese Society of Clinical Sports Medicine, held in November 2018, Megmilk Snow Brand gave a presentation on how MBP improves the bone quality of female long-distance runners.

Value Creation Process

At the Megmilk Snow Brand Group, we apply our corporate philosophy to help build a sustainable society by engaging in business activities that make the most of our Group's strengths. By achieving our Group Long-Term Vision 2026, we will maximize the corporate value of the Megmilk Snow Brand Group and secure a future of sustainable growth.

Management Resources

Natural Capital
Growth capacity based on the sound foundation of the natural environment and its ecosystem services

Intellectual Capital
Strengths in R&D, production technology and quality management required to provide safe, reliable products

Human Capital
Forward-thinking people who are determined to grow

Manufacturing Capital
Procurement, plant and logistics network for the raw milk and other ingredients that go into making safe, reliable products

Financial Capital
Sound financial position and fund-raising capacity to support corporate activities and drive growth investment

Interpersonal Capital
Trust and relationships with stakeholders

Use of Management Resources

Megmilk Snow Brand Group Business Activities

Four Business Sectors P.33

Dairy Products | Beverages and Desserts | Nutrition | Feedstuffs and Seed Products

Medium-term Management Plan

Environmental, Social and Governance (ESG) Initiatives

R&D	Procurement	Production and Logistics	Marketing and Sales
P.29	P.30	P.31	P.32

Value Chain

Management Environment

- Diversification of consumer values
- Shift from decrease in volume of raw milk production in Japan to increase
- Expansion of Japan's dairy product market
- Expansion of global dairy product consumption
- Progress of dairy globalization through free trade, etc.

Social Issues

- Declining birth rate and aging population and reduction in working population
- Extending healthy lifespans
- Improving quality of life (QOL)
- Environmental problems such as climate change
- Changes in lifestyle and work styles

Social Issues Recognized as Changes in the External Environment

Procurement Process

Plant Oil
Milk Producers' Group
Dairy Farmer
Raw Milk
Juices
Cheese and Other Imported Dairy Products

Outputs

Milk
Milk beverages
Yogurt
Butter
Cheese
etc.

Consumer Market

Financial Performance (FY2020)

Consolidated Net Sales	Consolidated Operating Profit	ROE
¥615.1 billion	¥19.7 billion	8.1%

Value Provided

Economic Value

Target of Long-term Vision

Consolidated Net Sales	Consolidated Operating Profit	ROE
¥700–800 billion	¥30–40 billion	8% or higher

* Figures do not reflect application of Accounting Standards for Revenue Recognition. If applied, figures would be expected to decrease by about 10%.

Social Value

CSR Material Issues

- Milk for Contributions to Food and Health
- Contributing to Sustainable Dairy Farming
- Reducing Environmental Impact
- Realization of a Diverse and Motivating Workplace
- Contributing to Local Communities

Our Ideal Future

Group Long-term Vision "Future Creation Company with Milk"

Three Futures

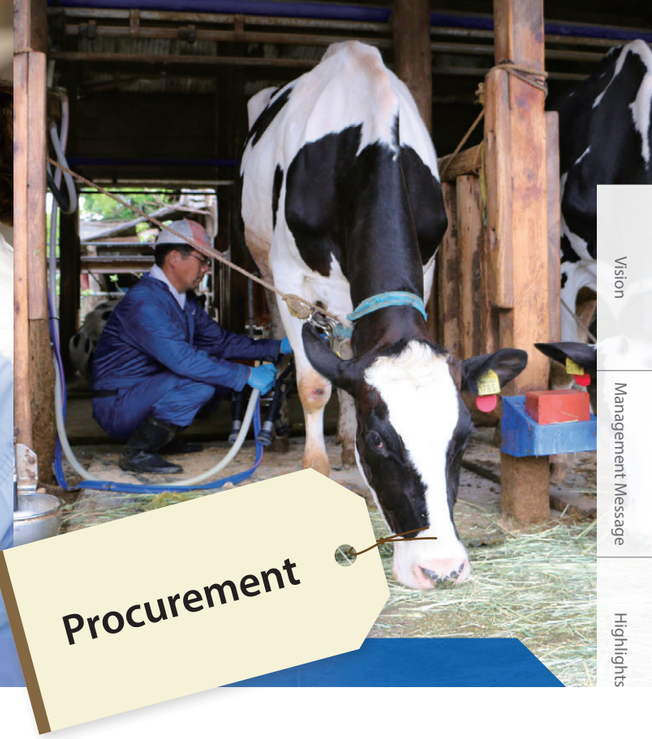
Consumers
Create the Future of Food with Milk

Dairy Farmers
Contribute to the Future of Dairy Farmers

Megmilk Snow Brand
Create Future Opportunities for Employees

Reinvestment

Value Chain



R&D System

Megmilk Snow Brand's R&D organization consists of the Milk Science Research Institute, the Product Development Department, and the Research & Development Planning Department. The Milk Science Research Institute consists of three research centers: the Development Center in Saitama, the Sapporo Research Laboratory in Hokkaido, and the Cheese Research Laboratory in Yamanashi. As a central player in R&D for dairy manufacturers, each laboratory aims to pursue the value and potential of milk and use its results to develop innovative new products to provide delicious tastes and flavor to customers. Milk has many possibilities that we have not yet uncovered. We will draw out this latent potential and create new value for milk.

Milk Science Research Institute

Sapporo Research Laboratory

Cheese Research Laboratory

Research and Development Results

With the aim of continuing to create new value with milk, we carry out research on delicious taste and health. We also conduct research on reducing environmental impact. Below, we introduce some of this research.

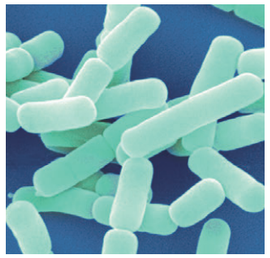
● Research on Delicious Taste

We take advantage of our research on food processing, food rheology and lactic-acid bacteria in our product development and also explore the interrelation between the texture and the taste of food. This is what ensures that we always bring "the deliciousness and the pleasure of food" to our customers. In the case of Snow Brand Hokkaido 100 Sakeru Cheese, Plain, in the process of stretching and chilling cheese while the proteins in cheese were not completely broken down, we succeeded in creating a string cheese that breaks apart easily. Our string cheese products include both a plain string cheese as well as a selection of varieties with different seasonings.

Snow Brand Hokkaido 100 Sakeru Cheese, Plain

● Research on Health

We conduct research on the health functions of milk and lactic acid bacteria that can help to maintain and enhance the health of our customers, from young people to seniors, with MBP®, Gasseri SP strain (*Lactobacillus gasseri* SBT2055), and Nyu-san-kin Helve (*Lactobacillus helveticus* SBT2171), among others.


Lactobacillus gasseri SBT2055

● Research to Reduce Environmental Impact

We are researching ways to reduce environmental impact as much as possible. We are able to do this by reducing plastic use with lighter containers and transportation containers for yogurt and margarine, which then reduces CO_2 emissions during transportation. We are also cutting food loss by extending expiration dates.

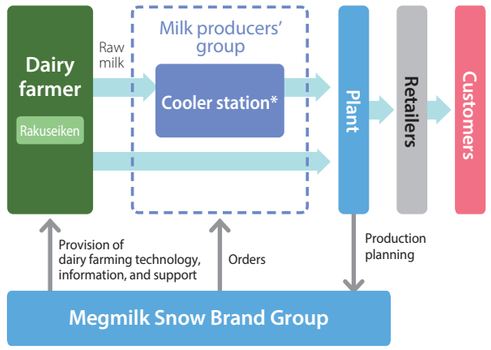
Examples of products with extended expiration date

From Dairy Farms to the Table

We add value to the high-quality milk produced by dairy cows carefully raised by dairy farmers by processing it to create a wide range of products and delivering them to our customers' tables. In addition, we are striving to carry out studies and research on livestock management technology for diversifying dairy farm management, as well as popularize these technologies.

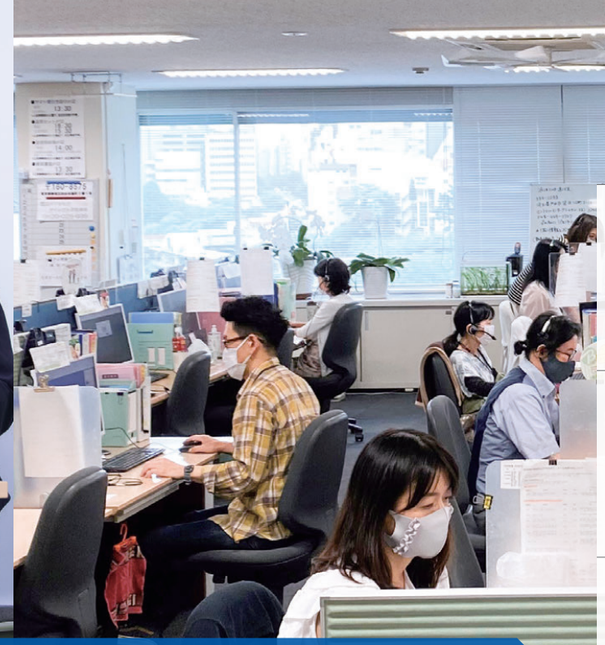
Dairy cow reception facility (Ibaraku Co., Ltd.)

Flow of Milk from Dairy Farms to Consumers



* A cooling facility where raw milk received from dairy farmers is temporarily stored.

Production and Logistics



Marketing and Sales

Quality Assurance

We are not only dedicated to providing our customers with safe and reliable products. We also proactively reflect consumer feedback in operations, and practice consumer-focused management that ensures a trusted, high-quality system. With this in mind, we have outlined the following Quality Assurance Policy.

Quality Assurance Policy

1. Apply the standards of a consumer-focused quality assurance system and ensure compliance with laws and internal standards to provide safe and reliable products.
2. Disclose appropriate information to prove worthy of the trust we receive from customers.
3. Reflect consumer feedback to pursue satisfactory quality.
4. Establish a risk management system to ensure rapid, appropriate responses.

Quality and Hygiene Management Based on Our Unique Quality Assurance System (MSQS)

We have developed the MEGMILK SNOW BRAND Quality Assurance System (MSQS), our own quality assurance system that incorporates the concepts behind ISO 9001*1 and HACCP,*2 which are global quality management methods. We use this system to thoroughly implement quality control and manage sanitation.

*1 Refers to international standard quality management system.
*2 Hygiene management method for ensuring food safety.

Initiatives to Ensure thorough Quality Maintenance and Sustainable Distribution

The distribution department has affiliations with business partners and distribution companies so that it can deliver products safely and reliably from the factory to customers. Every attention is paid to distribution quality during transportation. By carrying out yearly distribution quality inspections of all distribution companies, we strive to ensure safety and peace of mind.
We have pledged our support for the Fair Distribution Promotion Campaign,*3 which aims to solve social problems such as a shortage of truck drivers, and we have submitted a declaration of voluntary actions to achieve sustainable distribution.

*3 This campaign encourages companies to provide a fairer work environment in which the productivity of truck transport improves, cargo efficiency rises, and drivers who are female or over the age of 60 are able to work. The aim of the campaign is to ensure the stable transport of goods needed by consumers and in industrial activity and contribute to economic growth.

Guidelines for Initiatives

We will strive to improve distribution through mutual understanding and cooperation with business partners, distributors and other relevant parties to ensure highly productive distribution and achieve work-style reforms.

Essential Initiatives in Declaration of Voluntary Actions

- **Attention to Legal Compliance**

We will take the necessary steps so that our business partners' distributors can comply with labor laws and laws related to trucking businesses.

- **Clarification of and Compliance with Contracts**

We will clarify the contracts related to transport and operations other than transport, such as cargo handling and cargo inspections, and will ensure compliance while cooperating with business partners, distributors and others involved.

Initiatives by Megmilk Snow Brand under Declaration of Voluntary Actions

1. Improve distribution and cooperation
2. Use palettes effectively, etc.
3. Extend lead time
4. Suspend or halt operations during irregular weather

Marketing

This department identifies customers' health issues and needs and develops campaigns and shopping area proposals designed to contribute to better health. More people are spending time at home due to work-at-home and voluntary restrictions on excursions. To support those trying to improve their health in their kitchens and living rooms while at home, we use leaflets and videos in stores to introduce ways to eat high-protein, low-sugar foods such as cheese and yogurt.
Moreover, we proactively develop and sell products that improve health, such as the MBP Drink, to help extend healthy lives. In order to build awareness of products and brands, we use digital media such as the Internet and social media, in line with changes in consumers' lifestyles, as well as advertising centered on TV and newspapers.

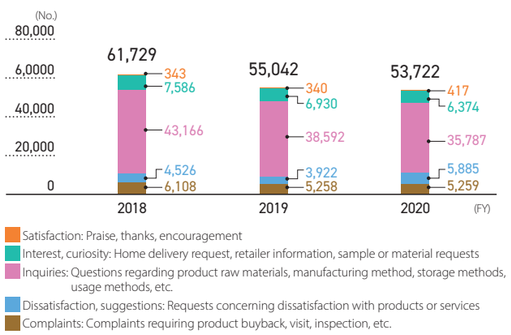
Commercial for MBP Drink

Customer Relations Center

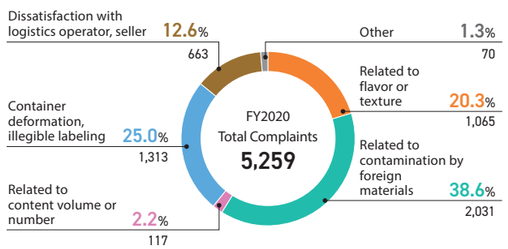
Process for responses at Customer Relations Center (in Japanese)
https://www.meg-snow.com/customer/center/system/

Our Customer Relations Center is open year-round. Customer complaints are addressed promptly together with the regional staff and the Quality Assurance Department. Customers' valuable opinions are passed on to the relevant divisions so that they can be reflected in corporate activities to promote better product development and clearer product labeling. In addition, relevant departments hold monthly meetings on improving customer satisfaction with the aim of improving products utilizing customer opinions.

Customer Relations Center Feedback Received



Details of Complaints Received



Business Overview

Dairy Products Business

Butter, margarine, cheese, condensed milk, skim milk, etc.

Dairy Products

- Representing the history of the Megmilk Snow Brand Group, this business sector includes butter, which we have produced since our founding, as well as other products such as cheese and margarine. We have many profit-driving products, and the market, especially for cheese, is expected to grow in coming years.
- We have numerous long-selling products, and our main products have a top share of the market.

Beverages and Desserts Business

Milk and milk beverages, yogurt, fruit juice and vegetable juice, soft drinks, desserts, etc.

Beverages and Desserts

- This business sector handles products such as milk, milk beverages, yogurt, juices, and desserts. With a vast product line, we deliver nutrition and enrichment to the dietary lifestyles of our customers.
- As health consciousness grows among consumers, we are expanding our highly profitable product lineup with a focus on functional foods, including yogurt, with offerings such as Gasseri SP Strain Yogurt and Nyu-San-kin Helve Yogurt. MBP Drink is another new focus, as a functional food categorized as a milk beverage.

Nutrition Business

Powdered milk including infant formula, functional foods, etc.

Nutrition

- This segment focuses on powdered milk including infant formula and functional food products developed from research into expanding the value of milk. Our functional food products are mainly products containing the milk protein MBP®, which the Company discovered as a component in milk that is beneficial to bone density.
- This business responds to increasing interest in health awareness across a wide range of age groups and is expected to see significant growth in the future.

Feedstuffs and Seed Products Business

Feedstuffs, seeds (grass, feed crops, vegetables), landscaping, etc.

Feedstuffs and Seed Products

- Among our business sectors, this one is most proximate to dairy farming. It focuses on operations by Snow Brand Seed Co., Ltd. that support milk production and environmentally friendly agriculture.
- The feedstuffs business provides blended feed matched to the needs of each specific region. The seed products business is engaged in grass breed improvement and grows numerous types of high-quality seeds.

[Consolidated]	Net Sales (¥ billion)	Net Sales Composition (%)
Dairy products (dairy products segment)	262.3	42.6
Beverages and desserts (beverage and dessert segment)	274.4	44.6
Nutrition* (dairy products segment)	19.1	3.1
Feedstuffs and seed products (feedstuffs and seed segment)	43.3	7.1
Other (other segment)	35.0	5.7

(Note) Figures are before the application of the Accounting Standard for Revenue Recognition.
* The nutrition business segment is included in the dairy products business segment.

[Consolidated]	Operating Profit (¥ billion)	Operating Profit Composition (%)
Dairy products (dairy products segment)	13.6	68.4
Beverages and desserts (beverage and dessert segment)	4.1	20.7
Nutrition* (dairy products segment)	—	—
Feedstuffs and seed products (feedstuffs and seed segment)	1.1	5.6
Other (other segment)	1.0	5.3

(Note) Segment income is adjusted with operating income in the Statements of Income.
* The nutrition business segment is included in the dairy products business segment.

Main Group Companies

Japan

Business: ●Dairy Products ●Beverages and Desserts ●Nutrition ●Feedstuffs and Seed Products ●Other

Business			Spotlight	
Ibaraku Co., Ltd. ●			**Obtaining FSSC 22000 Certification**	
Established	January 1959	Manufacturing and sales of milk, milk beverages, yogurt, and desserts	In order to obtain FSSC 22000 certification, we launched the FSSC Secretariat in fiscal 2019, established a full-fledged system in April 2020, and acquired certification on February 19, 2021, after much debate and discussion amidst working to upgrade employee skills.	
Capital	117 million yen			
Group total equity ratio	100.0%			
Head office location	Mito City, Ibaraki			
Representative	Toshiyuki Kitagawa			
SI System Corporation ●●			**Supporting Product Development Tailored to Consumer Trends**	
Established	January 1997	Management of vendor businesses and joint distribution centers, mainly for chilled and frozen foods	In the vendor business, we worked to support product development tailored to consumer trends that have changed due to the COVID-19 pandemic. In the joint distribution business, we worked to relocate the room-temperature Fuji Center and the frozen-temperature Sapporo Center. In addition, as part of our CSR activities, we are engaged in discussions on harassment in each workplace.	
Capital	400 million yen			
Group total equity ratio	100.0%			
Head office location	Shinjuku-ku, Tokyo			
Representative	Toshio Itabashi			
Greenservice Co., Ltd. ●			**Improving Fuel Efficiency and Joint Distribution Work Efficiency**	
Established	November 1980	Management of CVS and chilled centers, fresh milk and pasteurized milk transport, Megmilk Snow Brand order center and shipping warehouse administration	The company, which owns several heavy-duty vehicles, has set the goals of improving fuel efficiency and joint distribution work efficiency in order to prevent global warming as specific measures against climate change as part of its SDG initiatives. In the first year, we held a KPI briefing session for regular employees and all crew members to promote widespread understanding of the goals.	
Capital	30 million yen			
Group total equity ratio	70.0%			
Head office location	Hachioji City, Tokyo			
Representative	Seiji Masaki			
Cresco Corporation ●●			**Promotion of the New Sales Strategy**	
Established	August 1948	Purchase and sales of food packaging materials, ice cream cones, etc.	In fiscal 2020, we promoted the New Sales Strategy introduced in the Medium-Term Management Plan 2022 to acquire new customers and cultivate existing customers, amid restrictions imposed on business negotiations due to the COVID-19 pandemic. We also conducted a nationwide campaign to promote products that reduce environmental impact.	
Capital	38 million yen			
Group total equity ratio	100.0%			
Head office location	Kita-ku, Tokyo			
Representative	Fuminori Miyazaki			
Kohnan Oils and Fats Mfg. Co., Ltd. ●			**Expanding the Commercial-use Soft Cheese Line**	
Established	July 1992	Contracted manufacturing of margarine products, shortening, lard, soft cheese, butter, etc.	In fiscal 2020, we expanded our production line for commercial-use soft cheese, which continues to grow. The slump in consumption of commercial products caused by the COVID-19 pandemic is creating difficult circumstances, but we are preparing for the start of the recovery. We have set the reduction of food loss as a theme of our CSR activities and are doing what we can at home and at work.	
Capital	100 million yen			
Group total equity ratio	51.0%			
Head office location	Kobe City, Hyogo			
Representative	Takahiro Shibata			
Chesco Ltd. ●			**Contributing to Wider Dissemination of the World's Cheese**	
Established	March 1957	Import, manufacturing, processing, and sales of natural cheese, food products, alcohol, and sundries	Since our founding, we have been striving to promote wider dissemination of cheese from around the world based on our corporate principle of contributing to society by providing a rich dietary lifestyle centered on cheese. In the future, we will continue to inform many customers about how to eat and enjoy imported cheese, as well as about food culture.	
Capital	472 million yen			
Group total equity ratio	96.5%			
Head office location	Shinjuku-ku, Tokyo			
Representative	Hiromi Uchida			
Chokuhan Haisou Co., Ltd. ●			**Providing Reliable Quality**	
Established	April 1980	Joint distribution center services business, chilled products distribution business, general freight shipment business	We are working hard in our daily operations to continue to provide all of our customers with reliable quality, which is our corporate philosophy. In addition, we will continue to contribute to environmental conservation, in our modest way, by maintaining the Green Management Certification that all of our offices have acquired.	
Capital	30 million yen			
Group total equity ratio	70.0%			
Head office location	Shibuya-ku, Tokyo			
Representative	Makoto Ogawa			
Nichiraku Machinery Co., Ltd. ●●			**Proposing New Value with Engineering Capabilities**	
Established	April 1954	Design, manufacturing, installation, sales, repairs, and maintenance of plants and machinery mainly for food manufacturing	Under the new normal, food machinery manufacturers are required to not only sell manufacturing equipment but also to propose new value. We will continue to take on the challenge of helping our customers by contributing to their productivity improvement by utilizing our employees' sustainable growth and our growing engineering capabilities.	
Capital	50 million yen			
Group total equity ratio	67.6%			
Head office location	Saitama City, Saitama			
Representative	Masaya Matsunaga			

Business: ●Dairy Products ●Beverages and Desserts ●Nutrition ●Feedstuffs and Seed Products ●Other

Business	Spotlight

Belle Neige Direct Co., LTD. ●

Established	March 1999
Capital	79 million yen
Group total equity ratio	66.6%
Head office location	Chiyoda-ku, Tokyo
Representative	Tomihisa Kakizaki

Mail order business and contracted mail order, advertising agency services

Strengthening Mail Order Functions

In fiscal 2020, we acquired the Privacy Mark and renewed our core and EC systems to improve the usability of our EC site. We also launched a series of new products, including Gasseri SP Strain Capsules and W no Hirameki, and will also develop web promotions in fiscal 2021.

Michinoku Milk Co., Ltd. ●

Established	October 1996
Capital	466 million yen
Group total equity ratio	100.0%
Head office location	Osaki City, Miyagi
Representative	Toshiyuki Namiki

Contracted manufacturing of milk, milk beverages, fruit and vegetable juices, yogurt, desserts, etc.

Starting Consignment of Raw Milk Cooler Station Business

As a part of our contribution to dairy farming, we started the raw milk cooler station business in April 2021. The milk is collected, cooled, stored, and delivered on consignment from local dairy farming groups. Going forward, we will continue to contribute to dairy farming as the Group's only production base in Tohoku.

Mitsuwa Distribution Industry Co., Ltd. ●

Established	January 1954
Capital	450 million yen
Group total equity ratio	100.0%
Head office location	Saitama City, Saitama
Representative	Shigeru Yamaguchi

Wholesale business for daily chilled foods, joint distribution center business

New Joint Distribution Contracts

From September 2021, we will begin taking on new joint delivery orders from drugstores. In the future, we will strive to further expand our business and improve customer confidence. In addition, with the goal of improving employee health, we are working to acquire certification under the Saitama Prefecture Health Management Certification System together with our employees.

Yatsugatake Milk Industry Co., Ltd. ●●

Established	January 1954
Capital	60 million yen
Group total equity ratio	100.0%
Head office location	Chino City, Nagano
Representative	Hitoshi Naito

Manufacturing, purchase, and sales of milk, milk beverages, and yogurt, cheese processing, shipping and handling business

Promoting SDGs and Contributing to People and Local Communities

As a company that promotes the Nagano Prefecture SDGs, we will work to achieve the Group's KPIs through business activities that address CSR material issues. We will contribute to people and local communities by contributing to the promotion of dairy farming and through environmental conservation activities, with an awareness that we are playing a role in the realization of a sustainable international community.

Snow Brand Kodomo-no-Kuni Ranch ●

Established	August 1965
Capital	10 million yen
Group total equity ratio	100.0%
Head office location	Yokohama City, Kanagawa
Representative	Hiroharu Tanaka

Manufacturing and sales of milk, operation of farms, zoos, cafeterias, and shops

Promoting Dairy Education and Maintaining the Natural Environment

As a certified dairy education farm , we run Fureai Farm School, accept students for practical training, and hold regular hands-on milking sessions. We also place importance on interacting with animals other than cows and maintaining natural environments including flower gardens.

Snow Brand Seed Co., Ltd. ●

Established	December 1950
Capital	4,643 million yen
Group total equity ratio	100.0%
Head office location	Sapporo City, Hokkaido
Representative	Mitsuo Takayama

Production and sales of seeds and agricultural products, manufacturing and sales of feedstuffs, landscaping business, seed breed improvement, testing and research

Promoting Increased Production and Use of Self-supplied Feed

We are promoting the increased production and wider use of self-supplied feed (grass and fodder) to avoid dependence on imports and not be affected by dairy farm feed price fluctuations. To this end, we launched sales of *Esajiman* orchard grass (photo), which has high sugar content, copious nutritional yield, and good silage fermentation quality.

Snow Brand Parlor Co., Ltd. ●

Established	April 1961
Capital	30 million yen
Group total equity ratio	100.0%
Head office location	Sapporo City, Hokkaido
Representative	Toshikazu Nagao

Cafeteria and shop management, sales of dairy products, etc.

Developing Business that Contributes to Local Communities

We offer a parfait to support Hokkaido and other products using local ingredients, and are working in cooperation with other Group companies to strengthen our EC channels, introduce products, and conduct delivery business. We are also working to promote deeper understanding of the SDGs by encouraging employees to use less plastic material and paper resources.

Bean Stalk Snow Co., Ltd. ●

Established	August 2002
Capital	500 million yen
Group total equity ratio	100.0%
Head office location	Shinjuku-ku, Tokyo
Representative	Akihiko Uchida

Manufacture and sales of infant formula, stocking and sales of oral health care products, stocking and sale of functional foods, and contracted manufacturing of skim milk and other products

Promoting Sales of Powdered and Liquid Infant Formula

In powdered infant formula, Sukoyaka M1 and Pure had robust sales. In liquid milk, we launched Sukoyaka M1 (200 ml size). In addition, our Gunma Plant acquired the FSSC 22000 certification, an international standard for food safety management systems.

Business: ●Dairy Products ●Beverages and Desserts ●Nutrition ●Feedstuffs and Seed Products ●Other

Business	Spotlight

YBS Co., Ltd. ●

Established	April 1971
Capital	30 million yen
Group total equity ratio	100.0%
Head office location	Chiyoda-ku, Tokyo
Representative	Yasuo Takeda

General building management, security, construction, nonlife insurance services, staffing, sales, management, production quality, and other business support services

Relocation of the Head Office, Initiatives Aimed at the Environment

In August 2020, we relocated our head office from Shinjuku-ku to Chiyoda-ku and improved the work environment. Among CSR activities, we have started reducing paper use by making insurance contract policy clauses available on the web in order to achieve KPIs for CSR material issues such as reducing environmental impact.

Other Group Companies

●**Dairy Products** ●**Beverages and Desserts:** SBS Flec Co., Ltd. ●**Beverages and Desserts:** Kyodo Milk Industry Co., Ltd. / Luna Bussan
●**Nutrition:** Amino Up Co., Ltd. / EN Otsuka Pharmaceutical Co., Ltd.
●**Feedstuffs and Seed Products:** RF Aomori Farm Co., Ltd. / RF Penkel Farm Co., Ltd. / Doto Feed Corporation / Royal Farm, Ltd.

Outside Japan

Business	Spotlight

Udder Delights Australia Pty. Ltd. ●

Established	August 2017
Capital	AU$15 million
Group total equity ratio	100.0%
Head office location	Adelaide (Australia)
Representative	Tadaki Fukusaku

Manufacturing and sales of white mold and blue mold cheese

Expanding Sales with a Focus on Premium Brands

Udder Delight is a premium brand that is sold throughout Australia. In addition to our flagship white mold cheeses, the company is focusing on expanding sales of high-value-added organic and blue mold cheeses. At our cheese factory in the Adelaide Hills, we work closely with dairy farmers to produce richly flavorful products.

Snow Brand Taiwan CO., LTD. ●

Established	December 1992
Capital	NT$7 million
Group total equity ratio	100.0%
Head office location	Taipei (Taiwan)
Representative	Eiichiro Matsumura

Import and sales of powdered milk products for infants and dairy products

Renewal of Powdered Milk Products

In fiscal 2020, the company renewed its baby formula and functional milk powder products. We will keep working to contribute to the health of our customers in Taiwan. As part of our CSR efforts, we continue to donate milk powder to NPOs and public service organizations.

Snow Brand Australia Pty. Ltd. ●●

Established	December 1992
Capital	AU$28 million
Group total equity ratio	100.0%
Head office location	Melbourne (Australia)
Representative	Masayuki Eto

Manufacturing and sales of powdered milk products for infants and white mold cheese, and export and import of raw milk materials

Expansion of Product Lineups

In addition to existing Camembert and Brie products manufactured and sold in Australia, we expanded our product lineup by launching sales of cheese dip in 2020. As part of our CSR activities, we also provide whey produced during the cheese-making process to local dairy farmers.

PT. Megmilk Snow Brand Indonesia ●

Established	May 2012
Capital	US$11 million
Group total equity ratio	52.8%
Head office location	Bekasi (Indonesia)
Representative	Nurjadi Thaher

Manufacturing and sales of processed cheese

Developing a Sales Structure Centered on Commercial Use

We will expand the production line for our growing 2 kg block cheese, and focus on expanding exports to neighboring countries and developing a sales structure centered on commercial use. We look to further expand sales by leveraging our technological capabilities to produce reasonably priced, delicious cheese, as well as our development capabilities to create products that address customer needs.

Other Group Companies

●**Nutrition:** Snow Marketing Sdn. Bhd. / Snow Brand Trading (Shanghai) Co., Ltd. / Snow Brand Hong Kong Co., Ltd.
●**Feedstuffs and Seed Products:** Snow Brand Seed USA, Inc.

(As of October 1, 2021)

Conditions by Business

Dairy Products Business

Business Conditions

Market Environment

- The increase in in-home consumption demand that followed the spread of COVID-19 in fiscal 2020 proved to be a boost for our products for household use. Commercial products were affected differently depending on the sales channel, with some products hurt by the drop in restaurant demand.
- Demand for household butter remained high throughout the year, particularly due to an increase in opportunities for cooking as people spent more time at home in the first half of the year.
- Demand for household use margarine far surpassed fiscal 2019 early in the year, particularly in the first quarter, as bread consumption at home picked up, but it began to flatten out in the second quarter, ending up slightly over fiscal 2019 levels for the year as a whole.
- With the cheese market expanding every year, these products again saw significant growth, driven by cheese for cooking, such as shredded cheese, as demand for home meals expanded.

Risks and Opportunities

Risks

- Raw milk production is currently on an upward trend nationwide, led by higher production in Hokkaido. Production even increased for the first time in eight years in other prefectures in fiscal 2020. However, in the long term, it is on a downturn as dairy farmers leave the business.
- Rising stay-at-home demand due to the impact of COVID-19 and other factors are changing consumer behavior, and future trends are uncertain. School closures have led to a sudden drop in demand for school lunches, resulting in a nationwide milk surplus that has become an issue for the industry.

Opportunities

- With a rise in raw milk production in Hokkaido in recent years, a new building at the Isobunnai Plant, the key plant producing Megmilk Snow Brand's household butter, has begun operating in earnest, and is working to meet this rise in the market's butter demand.
- In light of the increase in raw milk production in Hokkaido, we will capitalize on the strength of dairy products produced in Hokkaido. We aim to use these valuable milk resources to the maximum extent possible while Japan's raw milk production remains solid.

Group Medium-term Management Plan 2022

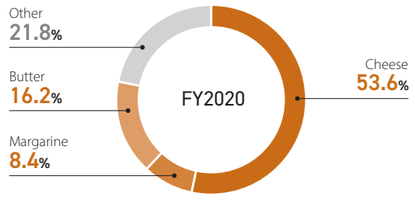
Expand Production and Sales of Consumer Butter

- The new building at the Isobunnai Plant began operating in April, which reinforced supply capacity.
- We aim to strengthen supply capacity by improving the butter production system.

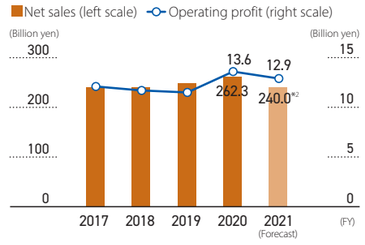
Strategic Expansion of Cheese

- We will strengthen manufacturing facilities to meet growing demand for cheese.
- We will accelerate overseas growth of the cheese business.

Net Sales Composition [Megmilk Snow Brand, non-consolidated]



Net Sales and Operating Profit*1 [consolidated]



*1 Includes Nutrition Business
*2 Net sales in fiscal 2020 and prior years are figures before the Accounting Standards for Revenue Recognition were adopted. The fiscal 2021 net sales forecasts are figures after the adoption of the Accounting Standards for Revenue Recognition.

Share of Japanese Market (fiscal 2020, based on monetary amount for household use) (Source) Intage SRI+

Fiscal 2020 Results

Due to the impact of COVID-19, household products saw major growth, similar to the market, but lower demand for restaurants and travel souvenir snacks led to a decline in the sale of commercial products. In addition to household butter, sales of powdered cheese and cream cheese grew as more people cooked at home. Further, sales of mainstays such as 6P Cheese, Sakeru Cheese and Camembert Cheese increased, and achieved substantial growth throughout the year. Overseas, sales of cheese grew significantly in Indonesia.

Fiscal 2021 Initiatives

We will work to firmly establish this growing demand for household products by proposing more ways to enjoy them. We will also reinforce the butter supply system as the upgraded Isobunnai Plant begins full-scale operations. We will make capital investments at the Taiki Plant to reinforce the supply system for Sakeru Cheese. On the profit side, we forecast lower income in the dairy products business sector as amortization costs post for the Isobunnai Plant. We also plan to strengthen cheese production lines in Indonesia.

Contributions to Achieving the SDGs

Use of Biomass Ink for Packaging

Packaging printed with biomass ink, which uses plant-derived resources for part of the raw materials, is now used for sliced cheese. This reduces CO_2 emissions by about 13% compared to the conventional oil-based gravure ink.

Conditions by Business

Beverages and Desserts Business

Business Conditions

Market Environment

- As people spent more of their time at home due to the spread of COVID-19 in fiscal 2020, household products such as high-volume packages and products for cooking achieved strong growth.
- In the yogurt market, consumer needs for products that build immunity increased. Products for families also grew significantly.
- The sale of milk for school lunches fell sharply due to the impact of school closures nationwide in the first half, but deliveries recovered when schools reopened in June, and sales were solid in the second half.
- Demand for chilled desserts increased substantially in April-May, but slightly exceeded fiscal 2019 levels for the year as a whole.

Risks and Opportunities

Risks

- Raw milk production is currently on an upward trend nationwide, led by higher production in Hokkaido. Production even increased for the first time in eight years in other prefectures in fiscal 2020. However, in the long term, it is on a downturn as dairy farmers leave the business.
- Rising stay-at-home demand due to the impact of COVID-19 and other factors are changing consumer behavior, and future trends are uncertain. School closures have led to a sudden drop in demand for school lunches, resulting in a nationwide milk surplus that has become an issue for the industry.

Opportunities

- We offer products with high nutritional value, so we can support the daily lives of consumers.
- Raw milk intended for use as a beverage that was no longer needed due to the suspension of the supply for school lunches was instead used for processed products, thus avoiding the disposal of raw milk and supporting the supply chain. We will continue to maximize the use of valuable milk resources going forward.

Group Medium-term Management Plan 2022

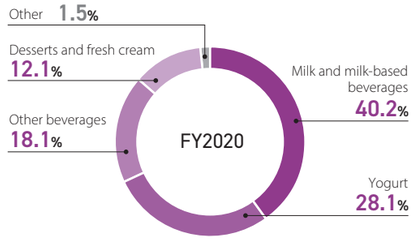
Strategic Expansion of Yogurt and Desserts Business

- By increasing high-value-added products, we will raise the profitability of businesses overall.

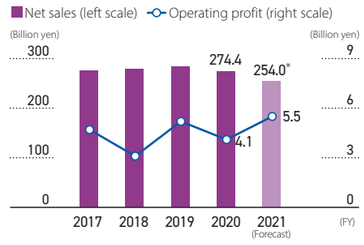
Structural Reforms for Milk Business

- We will strive to expand sales of high-value-added products such as the new MBP Drink.

Net Sales Composition [Megmilk Snow Brand, Non-Consolidated]

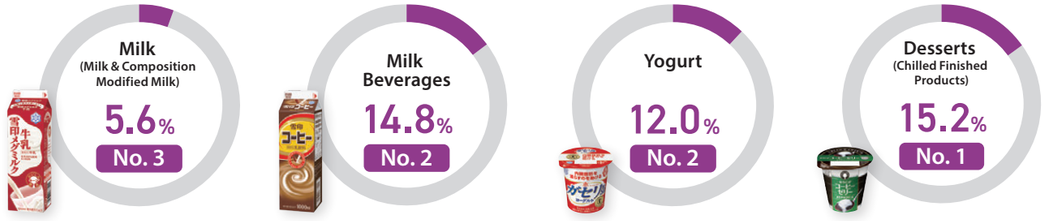


Net Sales and Operating Profit [Consolidated]



* Net sales in fiscal 2020 and prior years are figures before the Accounting Standards for Revenue Recognition were adopted. The fiscal 2021 net sales forecasts are figures after the adoption of the Accounting Standards for Revenue Recognition.

Share of Japanese Market (Fiscal 2020, Based on Monetary Amount for Household Use) (Source) Intage SRI+



Fiscal 2020 Results

The sale of yogurt for families, such as Nachure Megumi Fruit Yogurt and Makiba no Asa, steadily increased with the stay-at-home impact of COVID-19. In contrast, Megmilk Snow Brand's Gasseri SP Strain Yogurt series, which are functional products that help to reduce visceral fat, struggled in the first half of fiscal 2020 as demand shifted to products that build the immune system. However, this skewed demand for immune-building products declined as consumers gradually returned to other functional yogurts. This trend, combined with commercials and other promotional activities, restored sales of the Gasseri SP Strain Yogurt series in the third quarter and beyond. Among milk beverages, sales of high-value-added products such as Mainichi Honebuto MBP®, which was upgraded with a new capped container, struggled due to restrictions on sales activities in stores, but sales are currently recovering. In chilled desserts, individual desserts show substantial gains, surpassing the market's growth.

Fiscal 2021 Initiatives

We will market high-value-added functional products and improve profitability. In particular, we will enhance the promotion of MBP Drink, launched in March, as a product that contributes to bone health. Moreover, we launched the Kiokukea Yogurt *β-lactolin*[*1] in June. This functional food product[*2] contains *β-lactolin*, an active ingredient that helps support memory retention,[*3] which tends to decline with age. We will work with these new products, together with the existing Gasseri SP Strain Yogurt series, to extend sales and expand the business even further.

*1 This product is produced based on the patent license agreement with Kirin Holdings Company, Limited.
*2 Notification number: F458 Notification label: This product contains *β-lactolin*. *β-lactolin* has been reported to support memory retention (the ability to recall memories with cues), which declines with age. Functional ingredient: *β-lactolin* This product is not intended to diagnose, treat, cure, or prevent any disease. Unlike Foods for Specified Health Uses, this product has not been individually evaluated by the Secretary-General of the Consumer Affairs Agency. We recommend a balanced diet based on a staple food, a main dish and side dishes.
*3 Ability to recall things based on prompts

Contributions to Achieving the SDGs

MBP Drink Helps to Lengthen Healthy Lifespan

Food with function claims in the Beverages and Desserts business are products that will help extend healthy lifespans going forward. In particular, the MBP Drink launched in March will enhance the health of bones.

3 GOOD HEALTH AND WELL-BEING

Food with Function Claims

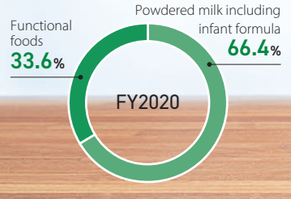
- Notification number: E529
- Notification label: This product contains milk basic proteins (MBP). MBP are reported to have the function of raising bone density.
- Component contributing to functionality: Milk basic proteins (MBP)

This product is not intended to diagnose, treat, cure, or prevent any disease. Unlike Foods for Specified Health Uses, this product has not been individually evaluated by the Secretary-General of the Consumer Affairs Agency.
We recommend a balanced diet based on a staple food, a main dish and side dishes.

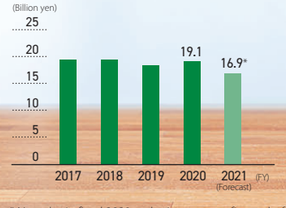
Conditions by Business

Nutrition Business

Net Sales Composition [Consolidated]



Net Sales [Consolidated]



* Net sales in fiscal 2020 and prior years are figures before the Accounting Standards for Revenue Recognition were adopted.
The fiscal 2021 net sales forecasts are figures after the adoption of the Accounting Standards for Revenue Recognition.

Business Conditions

Market Environment

- We expect further growth in functional foods, due to the public's heightened interest in health.
- Japan's market environment for infant products is becoming increasingly difficult as the domestic birth rate continues to decline, particularly as social anxieties over COVID-19 are encouraging people to delay having children.

Risks and Opportunities

Risks

- Ever since the foods with function claims system was launched in 2015, the market for these products has continued to show sharp growth. It has in fact exceeded the market for foods for specified health uses. As more products come out, competition continues to intensify.
- The decline in Japan's birth rate has made the domestic market environment more difficult, and competition with U.S. and European manufacturers in markets outside Japan is intense.

Opportunities

- The need for foods that can claim health effects and functions is high, and we expect further growth in the health food market.
- We can contribute to childcare with our strengths in approximately 60 years of breastmilk research and products tailored to lifestyles.

Group Medium-term Management Plan 2022

Generate Income from Functional Foods Business

- Sales are steadily increasing due to a solid e-commerce business and heightened interest in health, and we are generating operating income that exceeds initial plans.

Strengthen Competitiveness of Powdered Milk Business (Japan/Overseas)

- We will also focus on product development that utilizes the results of long years of breastmilk research, management capitalizing on Group synergies, and the sale of powdered milk for adults as well as children in and outside Japan.

Fiscal 2020 Results

The functional foods business, which relies on direct mail order channels, was able to record significant growth in sales and profit due to heightened health awareness, people spending more time at home due to the pandemic, and a focus on Web-based media. Earnings from childcare products increased with our focus on the sale of Sukoyaka M1, a mainstay product in Japan. At the same time, performance struggled outside Japan, and earnings in the powdered milk business overall fell short of fiscal 2019 levels.

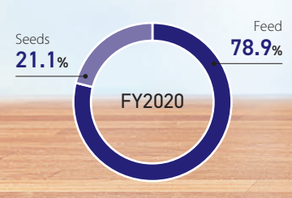
Fiscal 2021 Initiatives

In the functional foods business, we will continue making marketing investments and work to expand sales, while also reinforcing and pursuing ongoing measures with existing regular customers and further strengthening profit. We made Snow Brand Bean Stalk a wholly owned subsidiary and plan to accelerate the growth of the nutrition business in the Group.

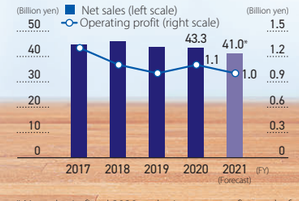
Conditions by Business

Feedstuffs and Seed Products Business

Net Sales Composition [Consolidated]



Net Sales and Operating Profit [Consolidated]



* Net sales in fiscal 2020 and prior years are figures before the Accounting Standards for Revenue Recognition were adopted.
The fiscal 2021 net sales forecasts are figures after the adoption of the Accounting Standards for Revenue Recognition.

Business Conditions

Market Environment

- The international market price for feed grains spiked, and the price of compound feedstuffs in Japan is increasing sharply.
- The need for self-sufficient feed is rising, and feedstuffs production work is increasingly specialized and needs to be outsourced.
- We expect the market for vegetable and green manure seeds to expand due to growing demand for environmentally friendly cultivation and produce grown in Japan.
- Expectations for lawns and greenery are rising due to growing awareness of the environment and interest in nature.

Risks and Opportunities

Risks

- The spike in the cost of compound feedstuffs, which depends on imported raw materials, is putting pressure on dairy farmers.
- The business scale of dairy farms is becoming larger due to the aging population and a lack of successors, and the work is increasingly divided between contractors*1 and TMR Factories.*2

Opportunities

- The need for grass seed with high yields and nutritional value is rising.
- The need for lactic acid bacterium products that enhance the fermentative quality of silage and save labor is increasing.

*1 Organizations that have the agricultural equipment and manpower to take on the harvesting of feedstuffs and other work.
*2 Facilities dedicated to preparing feed that dairy farmers invest in to ensure a stable supply of quality feed and reduce workloads.

Group Medium-term Management Plan 2022

Optimize and Improve Quality for Feedstuffs Business

We plan to improve efficiency and raise quality by establishing Hokuren Cooperative–Snow Brand Feed Mills Co., Ltd.

Strategic Expansion of Seed Products Business

We will reinforce R&D and further popularize our prime grass seed and vegetable seed products.

Fiscal 2020 Results

In the feedstuffs business, the sales volume for compound feedstuffs fell, but the increase in the sales price resulting from higher raw material prices kept the decline in sales modest. Sales declined in the seed products business due to disappointing sales of pasture grass and nursery seed as a result of the COVID-19 pandemic.

Fiscal 2021 Initiatives

Hokuren Cooperative–Snow Brand Feed Mills Co., Ltd., the joint venture with Hokuren Cooperative Feed Mills Co., Ltd., will begin operating its factory in December 2021, and will manufacture high-quality, low-cost feedstuffs. The seed products business will also focus on expanding the sale of pasture grass seed and vegetable seed — both products developed by the Group and products developed jointly.

CSR Material Issues

In 2021, the Megmilk Snow Brand Group revised its CSR policies, updated and added to its key performance indicators (KPI), and expanded the scope of the Group companies to which these apply in order to encompass all of its stakeholders and deepen its commitment to corporate social responsibility (CSR). The Group promotes CSR management and strives to improve sustainability while helping to resolve social issues.

Megmilk Snow Brand Group CSR Policy

All of us in the Megmilk Snow Brand Group pursue CSR management as outlined below in order to achieve sustainable growth together with society through its business activities, in line with the Megmilk Snow Brand Group Charter of Corporate Behavior. This is intended to achieve the Megmilk Snow Brand Group Corporate Philosophy.

1. We identify CSR material issues and designate specific targets, while also regularly disclosing the status of our initiatives.

Process for Identifying CSR Material Issues

1 Identify and Organize Social Issues → 2 Analysis of Candidates for CSR Material Issues → 3 Select Candidates for CSR Material Issues → 4 Dialogues with External Experts → 5 Reconsider CSR Material Issues → 6 Identify CSR Material Issues

2. The CSR Committee and Company Environment Committee meet regularly to establish plans for initiatives related to CSR management, confirm progress with KPI and pursue CSR management on an ongoing basis by using the PDCA cycle.
3. CSR leaders are assigned to the Megmilk Snow Brand divisions and Group companies, and CSR Group activities in which all employees participate are held to ensure thorough compliance and resolve CSR material issues.
4. In order to ensure compliance and resolve social issues for the future, and based on our regret for the incidents caused by the Megmilk Snow Brand Group in the past, activities are carried out with the participation of all employees twice yearly in which participants reaffirm their responsibility in handling food and pledge to fulfill this responsibility.
5. The Code of Conduct has been established within each Group company and efforts have been made to ensure familiarity with these standards in order to translate the Megmilk Snow Brand Group Charter of Corporate Behavior into action.

CSR Material Issues

Details https://www.meg-snow.com/english/sustainability/csr-policy-and-core-csr-issue/

Milk for Contributions to Food and Health

Food and Health

Core Activity Themes: Providing Safe Products and Services

KPI*1	FY2022
75% or more of the food facilities in and outside Japan that manufacture Megmilk Snow Brand products will be certified under an international food safety scheme recognized by GFSI	
FY2020 Results	
93% have earned certification	

KPI*2	FY2022
Number of certified sensory evaluation technicians with the ability to evaluate flavor: **110% or more** (compared to fiscal 2017 levels)	
FY2020 Results	
1,522 28 certified sensory evaluation technicians + 976 at grade 1 + 518 at grade 2 (18% higher than in fiscal 2017)	

Core Activity Themes: Contributing to Extending Healthy Life Expectancy

KPI*1	Every year
Carry out research and development, product development, service provision and information transmission to contribute to the extension of healthy lives through milk	
FY2020 Results	
☐ Presented six research papers at conferences, published five papers ☐ Raised interest in bone care with MBP® advertisements and other efforts ☐ Released products with a focus on functionality, including Ajiwai Low-Salt Cheese with Calcium, MBP Drink, W no Hirameki, and DHA & EPA.	

KPI*2	FY2026
Number of participants in food education activities: **45,000** (annual average)	
FY2020 Results	
9,715 (21.5% of target) Activities were cancelled in the first half due to the COVID-19 pandemic, but in the second half, hybrid activities were carried out online and in-person.	

- New KPI refers to KPI that are new from fiscal 2021.
- KPI achievements: Acquired certification under an international food safety scheme recognized by GFSI, provided R&D and services that help extend healthy lives, supported the operations of Rakuseiken, expanded the area of land planted with feedstuff crop seeds, and collaborated with the local community to help solve social issues were achievements of the Megmilk Snow Brand Group in fiscal 2020, and others were achievements of Megmilk Snow Brand on a parent basis in fiscal 2020. (We plan to begin studies and initiatives on water usage in manufacturing sites and confirmation and evaluation of water risks from fiscal 2021.)

Contributing to Sustainable Dairy Farming

Dairy Farming

Core Activity Themes: Working to Strengthen the Dairy Farming Production Platform

KPI*1	Every year
Provide administrative and technical support for sustainable dairy farm management through operational support for Rakuseiken and the activities of the Research & Development Center for Dairy Farming	
FY2020 Results	
☐ Provided support on four occasions to run a Web-based course on improving management capacity held by Rakuseiken ☐ Held the Japan Dairy Farmer's Research Association Conference online	

KPI*1	FY2030
In order to promote self-sustaining feedstuff dairy farming, increase the area of land planted with Snow Brand Seed feedstuff seeds by fiscal 2030 by 3% compared to fiscal 2019 levels.	
FY2020 Results	
0.2% decrease (compared to fiscal 2019)	

Reducing Environmental Impact

Environment

Core Activity Themes: Preventing Global Warming

New KPI*3	FY2030
CO_2 emissions **50% reduction** (compared to fiscal 2013)	
FY2020 Results	
21.1% reduction (compared to fiscal 2013)	

Core Activity Themes: Sustainably Using Resources

KPI*2	FY2022
Use **100%** environment-friendly raw materials in paper used	
FY2020 Results	
83.6% Rate of use of raw materials friendly to environment	

KPI*2	FY2026
100% Procured from certified palm oil	
FY2020 Results	
20% Certified palm oil usage rate	

KPI*4	FY2030
25% reduction in use of petroleum-derived plastic (basic sales unit) (compared to fiscal 2018)	
FY2020 Results	
1.5% reduction (compared to fiscal 2018)	

KPI*1	Every year
☐ Priority given to use of paper and biomass plastic containers ☐ Encouragement of use of personal cups and bottles in office	
FY2020 Results	
Increase in departments encouraging employees to bring their own cups and bottles to work as an "SDGs Action Awards" activity	

Core Activity Themes: Building a Recycling-based Society

KPI*5	FY2030
30% reduction in waste emissions (compared to fiscal 2013)	
FY2020 Results	
23.8% reduction (compared to fiscal 2013)	

KPI*5	FY2030
Maintain waste recycling rate at **98% or higher**	
FY2020 Results	
95.4%	

KPI*6	FY2021
Food waste recycling rate of **95% or higher**	
FY2020 Results	
83.6%	

KPI*1	Every year
Pursue product development that considers the environment Extend expiration for existing products and new products, actively promote labeling of expiration date by year and month	
FY2020 Results	
☐ Extended expiration for 13 products for household use and 15 commercial products ☐ Began using biomass ink for packaging for all nine sliced cheese products	

New KPI*7	FY2030
9% reduction in amount of water used at manufacturing sites (compared to fiscal 2013)	
FY2020 Results	
Decide on KPI in fiscal 2020 and begin studies and initiatives from fiscal 2021	

New KPI*5	Every year
Confirm water risk at manufacturing sites and assess risk to business continuity	
FY2020 Results	

Realization of a Diverse and Motivating Workplace

People and Society

Core Activity Themes: Diversifying and Developing Human Resources

KPI*2	FY2025
Percentage of female managers of **10% or higher**	
FY2020 Results	
5.0% (as of April 1, 2021)	

Core Activity Themes: Achieving Work-life Balance and Improving Labor Productivity

KPI*2	Every year
Certified as a Health & Productivity Management Outstanding Organizations Recognition Program	
FY2020 Results	
Recognized as a Health & Productivity Management Outstanding Organizations 2021	

Contributing to Local Communities

Core Activity Themes: Partnering with Local Communities

KPI*1	Every year
Work with the Community to Help Resolve Social Issues	
FY2020 Results	
☐ Based on the Hokkaido Comprehensive Partnership Agreement, Snow Brand Parlor Co., Ltd. and Megmilk Snow Brand supported the Work Together! Support Hokkaido Parfait Program by offering parfaits made with Hokkaido ingredients and worked to raise the appeal and increase the consumption of Hokkaido-produced food. ☐ Megmilk Snow Brand's Nakashibetsu Plant offered dairy products free of charge to children's cafeterias, projects to provide meals to impoverished children and planned events to deepen understanding of dairy products.	

[Companies covered by KPI] (partly revised from fiscal 2021)
*1 Megmilk Snow Brand Group *2 Megmilk Snow Brand, Non-Consolidated *3 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. *4 Megmilk Snow Brand / Ibaraku Co., Ltd. / Yatsugatake Milk Industry Co., Ltd. / Bean Stalk Snow Co., Ltd. *5 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. *6 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. *7 Target companies are to be designated in fiscal 2021.

CSR Material Issue

Milk for Contributions to Food and Health

Food and Health

Provide products and services that can be enjoyed safely and with peace of mind by implementing consumer-centered management

Food Education Activities

We support health creation through milk primarily through activities such as food education classes at elementary and junior high schools, various seminars and cooking classes. We also introduced online programs to respond to social changes during the pandemic and address computerization trends in education, and offered effective remote initiatives aimed at extending the healthy lives of consumers throughout the country.

Online food education classes

Developing and Supplying Special Milk for Treatment of Congenital Metabolic Disorders

Special milk is powdered milk for people who were born with the inability to sufficiently metabolize amino acids. Special milk is used in combination with normal milk and food as a method of nutritional therapy to improve symptoms. The Megmilk Snow Brand Group will continue to strive to ensure its quality and provide a stable supply so that patients can depend on being able to continue this nutritional therapy using special milk.

Special Formulas We Produce and Supply

Product		Target illnesses	
Pharmaceutical products (2 products)	Snow Brand Phe-free Milk Compound	Phenylketonuria	Protein / amino acid metabolism abnormality
	Snow Brand Leu, Ile, and Val-free Milk Compound	Maple syrup urinary disease	
Registered special milk (6 products)*	Phe-free synthetic amino acid powder	Phenylketonuria	
	Met-free special formula	Homocystinuria	
	Phe, Tyr-free special formula	Hypertyrosinemia	
	Protein-free special formula	Hyperammonemia	
	Ile, Val, Met, Thr, Gly-free special formula	Methylmalonic acidemia	Organic metabolic syndrome
		Propionic acidemia	
	Lys, Trp-free special formula	Glutaric acidemia type I	

* Manufactured and supplied in accordance with directive by the Special Milk Secretariat of the General Health Center for Women and Children, Imperial Gift Foundation, Boshi-Aiiku-Kai

"Platinum Milk for Balance" Wins Grand Gold Quality Award

Bean Stalk Snow Co., Ltd.'s powdered milk for adults, Platinum Milk for Balance, won the Grand Gold Quality Award in the Monde Selection 2021. Platinum Milk for Balance is a powdered milk that contains many nutritional elements, including protein, calcium, and seven other minerals, and 12 types of vitamins. This product earned the highest rating for ingredients, the scientific rationale, safety, product content, and appropriateness of the labels in the diet & health food category of Monde Selection, an international quality certification organization. This earned the product a Grand Gold Quality Award.

CSR Material Issue

Contributing to Sustainable Dairy Farming

Dairy Farming

Management administration and technical support for dairy farmers

Research and Development Center for Dairy Farming Symposium

— Considering Risk Management for Dairy Farms in Extreme Heat —

The Research and Development Center for Dairy Farming established in 1976 has carried out field research on dairy farming and activities to support dairy farmers, and has held the Dairy Farming Symposium every year since 1978*. Farmers and others involved in dairy farming provide suggestions, knowledge, and information concerning topics ranging from systems and measures to the technologies used on actual farms. The symposiums foster a common understanding of the situation faced by farmers and encourage the use and dissemination of knowledge and technology on farms, thus promoting their success. In fiscal 2020, lectures and group discussions were held about ways of maintaining productivity in terms of facilities, livestock management and breeding management in light of the increasing heat that even Hokkaido, the northernmost part of Japan , now faces every year. Participants considered ways that they could effectively coexist with this heat. The symposium was held online to prevent the spread of COVID-19, but ultimately 218 people applied to participate (number of devices used to join). We will continue to hold this Dairy Farming Symposium and contribute to the sustainable development of dairy farming.

* At that time, the group's name was the Dairy Farming Conference.

Description of Lectures

Lecture 1: Heat adaptation measures (facilities) and acidosis countermeasures
Lecture 2: Impact of heat on dairy cows and countermeasures in terms of feed supply
Lecture 3: Hints for improving breeding results during hot periods

Details (in Japanese) https://www.rakusouken.net/

New Technology for Rejuvenating Pasture Land to Increase Independent Feed Production

— Technology for Companion Planting of Feed Barley and Pasture Grass —

Snow Brand Seed Co., Ltd. worked with Hokkaido to refine technology to rejuvenate pasture land through companion planting of feed barley and pasture grass. This technique was praised by the Hokkaido Agriculture Testing Committee's Results Committee as a new inroad and technique that would be useful in guiding farmers, and recognized as a Hokkaido Reference Material. When feed barley and pasture grass are planted at the same time, the growth of weeds can be curbed without reducing the yield of pasture grass sown in the spring in pasture lands. However, this method has not been widely used since the extent to which weeds can be kept down and how pasture grass settles has been somewhat uncertain. Accordingly, efforts were made to solve issues such as reductions in annual yields of pasture grass due to delays in the timing for sowing, the problem of a lack of operators, and measures to keep weeds in check. In fiscal 2020, (1) the ratios of different grasses used in the mix were adjusted, and (2) efforts were made to establish a routine for the work process for covering the feed barley with soil (seeds are covered with soil after they are sown). This was effective in reducing the risk of damage from birds, improving the effect in curbing weeds, and ensuring a stable supply in the number of stalks of pasture grass. In addition, (3) the work involved in sowing feed barley was reduced and seed waste improved by effectively using equipment to directly sow the seeds without plowing the fields, and (4) efforts were also made to create pasture land with an extremely low number of weeds by treating with chemical herbicides and using companion planting.

Voice

Our Motto: A Drink to Foster, Be Fostered and Connect

I retired from the Ministry of Agriculture, Forestry and Fisheries and married in 2019. My first daughter was born in 2020, and I am currently in charge of administrative work overall for Adachi Bokujo while also managing my home and childcare. The stereotype is that dairy farming comes with long hours and hard work, but there has been much progress in the use of labor-saving equipment such as milking robots and external support organizations such as dairy farm helpers and feedstuff production adjustment. This makes for an environment in which it is easier for women to work. Outsourcing work makes it possible to manage Adachi Bokujo with more flexibility, and my husband and I divide up the work in a way that capitalizes on our respective strengths while exchanging information with Megmilk Snow Brand. If we can build a relationship in which we complement and respect each other, I think we can create a place in which anyone can work actively. I think there are some situations in which it is important for the wife to step back, but in this new Reiwa era, female dairy farmers must also accept their position as managers and be proud of their involvement in dairy farming as they help to further develop the industry.

Naoko Adachi
Dairy Farmer
Shibetsu, Hokkaido

CSR Material Issue

Reducing Environmental Impact

Environment

Contributions to a sustainable society through environment-friendly business activities

Environmental Policy

In 2021, the Megmilk Snow Brand Group revised its Environmental Policy, based on the Megmilk Snow Brand Group Charter of Corporate Behavior, by adding initiatives related to curbing global warming gases and waste and preserving biodiversity, among others. We will strive for business activities in which each individual employee considers the environment, effectively utilize limited resources, and contribute to a sustainable environment.

Megmilk Snow Brand Group Environmental Policy

The Megmilk Snow Brand Group practices business activities centered on milk created in a natural environment and promotes coexistence with the global environment. To achieve this, we have established the Megmilk Snow Brand Group's Environmental Policy, in accordance with the Group's Charter of Corporate Behavior, and strive to effectively use sustainable resources.

1 Legal Compliance

Comply with environmental laws and ordinances as well as voluntary standards, and rapidly respond to legal revisions.

2 Environmental Consciousness

Effectively use limited resources, curb the emission of global warming gases and waste, and continue to recycle and reuse by identifying important CSR material issues and achieving KPI.

3 Increase Environmental Awareness

Promote awareness of environmental conservation among all employees and proactively promote environmental education.

4 Conserve Biodiversity

Conserve biodiversity and contribute to the creation of future society by using resources in a sustainable way in business activities.

5 Disclosure of Environmental Information

Proactively disclose environmental information to promote transparent environmental conservation activities.

Environmental Management Organization

The Company's environmental management is carried out comprehensively via an environmental management system headed by the Managing Environment Director serving as the Supervising Environment Manager, with the President serving as the Chief Environment Officer. By appointing an environmental management manager for each organization, the Company is involving all employees and maintaining an environmental management system that complies with ISO 14001: 2015*.

* International criteria for creating systems to address environmental conservation within an organization

Environmental Management Organization Chart

Chief Environment Officer: Representative Director and President

1. Establish and review environmental policy
2. Implement management reviews (review by management team)
3. Designate Managing Environment Director
4. Convene corporate environment meetings

Supervising Environment Manager: Managing Environment Director

1. EMS general management
2. Approval of Group environmental goals
3. Provide information to Chief Environment Officer
4. Management of corporate environment meetings

Corporate EMS Office Director (General Manager of the CSR Department)

1. Supervision of corporate EMS office administration
2. Assistant to Supervising Environment Manager

Corporate EMS Office (CSR Department Environment Planning Group)

1. EMS management, administration, and external environment inspection response
2. Internal environment audit response

Corporate Environment Meetings

Administration Section / R&D Section / Procurement Section / Production Section / Marketing Section / Logistics Section / Group Section

Committee that deliberates on corporate environmental goals, manages progress, decides on required measures, and confirms that the EMS is functioning appropriately and effectively.

ISO 14001 Certification

The Megmilk Snow Brand Group proactively engages in environmental conservation to reduce the environmental impact resulting from its business activities. To objectively present the results of these initiatives, several group companies have acquired ISO 14001 certification. At present, Megmilk Snow Brand Co., Ltd., Michinoku Milk Co., Ltd., Ibaraku Co., Ltd. and Yatsugatake Milk Co., Ltd. have earned this certification.

Inspection (interviews with top management)

Inspection (Head Office)

Inspection (Metropolitan West Sales Branch Office)

Environmental Audit System

Environmental audits include external inspections conducted by an inspection agency and an internal audit conducted internally. These inspections are used to comprehensively confirm the status of EMS operations and legal compliance. Internal environmental audits at Megmilk Snow Brand Co., Ltd. are a combination of a first-party audit conducted by the Production Department and a second-party audit conducted by the CSR Department. Through the first-party audit, auditors closely familiar with the relevant tasks enable workflow improvements, while the second-party audit involves a legal check from an objective perspective that helps to identify problems.

Internal environmental audit (Sapporo Plant)

Environmental Education

Megmilk Snow Brand Co., Ltd. works to improve environmental awareness using various environmental education systems, including e-learning as well as internal environmental auditor development training conducted by the corporate EMS office and individual education conducted by each department. For position-based e-learning, the Company requires all executives and employees (about 4,100 people) to complete the general education course, and each year there is a 100% participation rate. The previous group training was held online due to the impact of COVID-19.

Environmental training (Head Office)

Procurement Activities to Achieve a Sustainable Society

We will procure raw materials and others with attention to fair trade, social responsibility such as human rights and the environment, and sustainability, in line with the Megmilk Snow Brand Group's Procurement Policies. We also regularly carry out surveys on our business partners' initiatives.

Megmilk Snow Brand Group Procurement Policy

Megmilk Snow Brand Group applies its Group corporate philosophy and the Megmilk Snow Brand Group CSR Policy to take a leading role in working with business partners to promote socially responsible procurement activities and contribute to the realization of an enriched and sustainable society.

1. Legal Compliance and Respect for Social Norms

- Conduct procurement activities that adhere to the relevant laws and respect the social norms of relevant countries.
- Conduct socially responsible procurement activities, including respecting basic human rights and working to improve the labor environment.

2. Ensure Quality and Safety

- Conduct procurement activities that ensure high quality and safety of our products.
- Conduct procurement activities that enable us to provide products at stable and appropriate pricing.

3. Conduct Fair Trade

- Conduct fair trades with business partners.
- Appropriately manage personal information and confidential information related to procurement transactions.

4. Environmental Consciousness

- Dairy farming, the foundation of our business, is only possible with a vast natural environment. To contribute to the realization of a sustainable society, respect biodiversity and conduct environmentally conscious procurement activities.

Survey on CSR Procurement Given to Business Partners

In order to encourage initiatives among suppliers on CSR procurement to raise society's sustainability, we carried out a survey on CSR procurement in October, based on the Megmilk Snow Brand Group's Procurement Policies. We used the CSR Procurement Self-Assessment Questionnaire (SAQ), prepared by Global Compact Network Japan, and received responses to 114 questions covering nine categories, including the environment and human rights, from all 245 of the target companies. We gave feedback on the results, together with a comparison to the company-wide average.

Preventing Global Warming

Introduction of an Ultra-high-efficiency Boiler

Megmilk Snow Brand is also working on energy-saving to reduce fuel consumption in order to reduce its environmental impact. To that end, the Sapporo and Fukuoka Plants have adopted an ultra-high-efficiency boiler that recovers heat by condensing the water vapor contained in the exhaust gas. This initiative is expected to reduce the amount of fuel required for heating water in the boilers, and thus reduce the consumption of city gas by about 3% compared to conventional boilers.

Boilers (Sapporo Plant)

Boilers (Fukuoka Plant)

Energy Conservation at Cooling Facilities

Michinoku Milk Co., Ltd. strives to reduce energy usage by selecting energy-saving equipment for the manufacturing process and changing their operation methods. Cooling facilities run the cooling equipment at night and ice is stored in the heat storage tank while, during the day, "ice bank" cooling facilities are introduced that use this ice to cool down and provide cold storage for products. By updating the ice bank to a high capacity, capacity to store ice at night was improved and it is now possible to operate during the day while the cooling equipment is not running. Moreover, cooling equipment was also updated to an energy-saving type, and is expected to reduce energy use by about 25% over previous levels.

Cooling Facility (Michinoku Milk Co., Ltd.)

Reductions in Electricity Usage by Introducing LED Lighting at Plants

Megmilk Snow Brand Co., Ltd. is proactively introducing LED lighting. About 70% of the interior lighting at the Ami Plant has been replaced with LED lighting, and in fiscal 2020, 451 light fixtures were replaced with LED. At the Horonobe Plant, 557 light fixtures were replaced with LED, completing the switch to LED. Energy usage can be expected to fall about 2% at the Ami Plant and about 1% at the Horonobe Plant compared to previous levels.

LED lighting (Ami Plant)

LED lighting (Horonobe Plant)

Energy Conservation through Improvements to Air Conditioning and Heating Equipment

Megmilk Snow Brand installed an inverter* to the air supply and exhaust fans on its air conditioning units in the disinfecting room at the Noda Plant. Up until then, motors had been revolved entirely with power output, but the ability to set the optimal operating power in terms of climate fluctuations (external temperature, for example) and manufacturing conditions means that energy use is expected to decline about 29%.

*A device that changes the motor's revolution speed during operations.

Noda Plant

Building a Recycling-based Society

Reductions in Polluted Sludge Generated

At Megmilk Snow Brand, the greatest waste byproduct at plants is the polluted sludge emitted from waste water treatment. At the Isobunnai Plant, we updated water treatment facilities and adopted the conventional activated sludge process. This method uses torula yeast, which is particularly good at separating out oil. By separating out more organic material in the pretreatment stage, excess sludge can be limited as we try to limit the volume of sludge. In fiscal 2020, we were able to reduce sludge emissions by about 70% compared to fiscal 2019. In addition, at the Noda Plant, we introduced sludge volume reduction equipment that is able to reduce sludge through autodigestion of sludge by putting conventional activated sludge in a high dissolved oxygen (DO) state for a long period of time.

Wastewater treatment facilities (Isobunnai Plant)

Sustainably Using Resources

Reduction of Plastic Usage

At Megmilk Snow Brand, we aim to reduce the environmental impact by reducing plastic use, and are working to reduce the weight of the plastic used in product containers and packaging. In fiscal 2020, we reduced the weight of external packaging for the Shokkan Kobo series by 10%.

Shokkan Kobo
Torokeru Custard Pudding

Shokkan Kobo
Nameraka Banana Pudding

Recycling Plastic Bottles into Work Clothes

The material used for the work clothes worn at all of Megmilk Snow Brand's 16 plants and Ibaraku Co., Ltd. are made with up to 18-29 used plastic bottles for each outfit. Annually, about 57,000 plastic bottles are used. This reduces the use of new resources when making material, and also leads to the effective reuse of resources, helping to reduce the environmental impact.

Ecology Wear® trademark

Collection and Recycling of Paper Packaging

Megmilk Snow Brand is a member of the Committee for Milk Container Environmental Issues. By working with this Committee and carrying out training and experience-based lessons for employees on recycling milk packages and resource recycling, we can deepen understanding of resource recycling and promote the collection and recycling of paper packaging. Megmilk Snow Brand pursues resource recycling and helps to create a sustainable society.

Mark on paper packaging

Using Forest-certified Paper

With respect to the use of paper, to the extent possible the Megmilk Snow Brand Group is gradually switching to paper from certified forests that are sustainably managed. Paper certified by FSC™ (Forest Stewardship Council™) or PEFC (Programme for the Endorsement of Forest Certification), which are international forest certification programs for responsibly managed forests and their products, is used in packaging for Megmilk Snow Brand Milk and other products. This paper is used not only for product containers and cardboard boxes used for exterior packaging, but also for printing paper, handouts and store promotional materials.

FSC™ certification mark

PEFC certification mark

(Note) This mark is posted with the permission of SGEC/PEFC Japan.

CSR Material Issue

Realization of a Diverse and Motivating Workplace

People and Society

Recognize individuality, respect one another and support diverse workstyles

Workstyle Reforms to Promote Work-Life Balance

The workstyle reforms taken up since fiscal 2016 played a major role even as COVID-19 spread in 2020. In particular, better work efficiency achieved by promoting Web conferencing and introducing IT tools and the telecommuting program introduced in fiscal 2018 helped us avoid turmoil from a sudden increase of at-home work and ensured that employees were safe. In June 2020, we began the New Workstyle Project to consider workstyles going forward in response to changes in workstyles caused by the pandemic. We developed rules to prepare for the arrival of a remote work society (YMR) and began initiatives that would allow employees to work in a way that both raises corporate value while improving employee satisfaction. The Company also continues to make steady progress in reducing overtime work hours (27.7% reduction compared to the first half of fiscal 2015 for non-managerial employees) and raised the percentage of employees using their paid leave (73.7% of all employees used their paid leave, up 22% compared to fiscal 2015).

Introduction of Megmilk Snow Brand Remote Work Management (YMR)

- Establishment and implementation of rules so that operations would not be suspended and productivity would not fall, even if some employees worked remotely (from October 2020)
- Regular monitoring carried out to ensure awareness of changes in the social environment and new issues and to update rules

"New Workstyle" Initiatives

- Improving corporate value and raising employee satisfaction simultaneously
- Aiming for workstyles that employees can choose for themselves to achieve true diversity

Freedom from restraints, ability to choose for oneself

"Anytime, Anywhere, Any Organization, and Any Person"
Any person in any organization can work with energy at any time and anywhere

Phase 0	Phase 1	Phase 2	Phase 3
[By FY2020]	[FY2021-2022]	[FY2023-2025]	[FY2026-2028]
Preparations for new workstyle	**Start of changes**	**New workstyles become daily norm**	**Workstyles continue to change**
Establishment of YMR, enhancement of communication environment, introduction of Office 365, etc.	System in which employees can choose workstyle, introduction of a non-territorial workspace, changes to meeting progression	Movement and operations extend across new offices and organizations tailored to workstyles	Use of AI and robots, remote operation of plants, operation of next-version systems

Human Resource Development

The Megmilk Snow Brand Group conducts human resource education for all Group employees based on the philosophy that people are its greatest assets. As such, the Group provides programs focused on skill development and offers career development support aimed at raising employees who take the initiative in their own work and take up challenges.

Skill Development

We held training to enhance the business skills, mindsets and concepts needed for each role and rank and training aimed at reinforcing specialized knowledge and skills for interested employees on topics such as accounting and logical thinking. These training programs were held online to curb the spread of COVID-19.

Accounting business skill training for interested employees

Career Development

Qualified Personnel department employees provided career counseling, and superiors carried out career planning interviews. We also held special career planning workshops for all employees aged 38, which gave employees opportunities to think about their careers and plot out their future course. In WS Career Support for new managers, employees looked back at their careers and designed their future careers, and also reinforced their own skills so that they could support their subordinates independently design their own careers and grow independently.

Diversity and Inclusion

Promoting Human Resource Diversity, Utilizing Questionnaires

We conduct an employee awareness survey every three years on the diversity of human resources and working styles.
In response to the results of the previous survey in 2019, the Group is working on providing training opportunities to employees interested in learning, ensuring a diverse environment inclusive of employees providing nursing care to family and LGBT employees, and supporting independent career development.

Supporting Work and Home Life Balance for Childcare Leave Takers

We provide programs that support a balance between having/raising children and work. These programs, available to male and female employees taking childcare leave, include systems for remaining connected and carrying out self-development and pre-return interviews during leave. In February 2021, the "Mirai Café for after Childcare Leave" was held online, for female employees who took childcare leave and are now raising preschool age children while working in order to share concerns about balancing work and child-raising and experiences with and ideas on child-raising. In addition, the superiors or department heads of leave-takers complete e-learning modules to better understand the workstyles and methods available to support employees who are raising children. The percentage of male employees taking childcare leave in fiscal 2020 was double that in fiscal 2017.

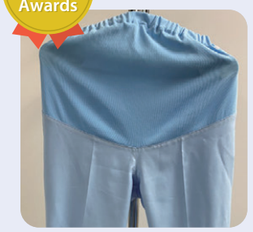
Enhancing the Leadership of Women

To promote further career advancement for women, the Company provided training designed to raise the awareness of women in the workforce of the importance of being proactive while boosting their ability to enhance organizational results. The Company also invited women in the workforce to participate in external training online to boost their careers. This enabled them to gain an awareness of new values that they could not have gained within their own companies and also strengthened the awareness, skills, and thinking techniques these women need to advance their careers. These programs also helped women build their external networks.

e-Learning to Understanding Unconscious Biases and Building a Comfortable Workplace

In addition to all employees already in manager positions, 74 new managers of fiscal 2020 also participated in an e-learning course to learn basic knowledge on unconscious biases and on the consideration and behavior necessary to reduce workplace stress and work in a way that produces better results.

SDGs Action Awards



Maternity work clothes that were proposed

Proposal on Maternity Work Clothes (Noda Plant)

SDGs Action Awards P.66

Maternity work clothes were proposed at the Future Create Sub-Committee, which promotes human resource diversity at the Noda Plant.

As a pregnant woman's waistband expands, they require work clothes in larger sizes. Women who are normally size M change to size 3L, but they remain the same size everywhere but their abdomen. This can be dangerous as the loose parts of their clothing can get caught in manufacturing equipment, and it also becomes more difficult for them to move. With this in mind, maternity work clothes were proposed. Prototypes were ordered several times with the headquarters' production technology department, and efforts were made to expand them to plants throughout the country.

Health Management

Certified as a Health & Productivity Management Outstanding Organization in 2021

In March 2021, Megmilk Snow Brand was recognized as a Health & Productivity Management Outstanding Organization 2021. This initiative recognizes companies that are implementing particularly impressive health management, based on initiatives tailored to local health issues and programs to enhance health pursued by the Nippon Kenko Kaigi.

Megmilk Snow Brand Health Declaration

Details (in Japanese) https://www.meg-snow.com/corporate/health-declaration/

Megmilk Snow Brand Co., Ltd. wants all of its employees to be able to work in good mental and physical health and with plenty of energy. The Company hopes that its employees will lead healthy, fulfilling lives, so that they will need as little nursing care or medical care as possible, not only while working for the Company, but in their later lives. To this end, the Company offers programs that help to maintain and enhance health and actively supports the health of its employees in various ways. Staying healthy, however, requires the consistent practice of good lifestyle habits, and this cannot be achieved solely by support from the company—it is vital that employees have a high awareness of health and take action to sustain and improve their own health. In particular, the impact of daily habits affects the body more and more as the years go by. We sincerely hope that even those with no physical constraints now understand that being healthy today is no guarantee of good health in the future, and that they take independent action to invest in their future health. The Megmilk Snow Brand will continue to be a company that contributes to society while fulfilling the three missions in its corporate philosophy—focus on consumers, contribute to dairy farming production, and put our hearts into milk—all of which depend on the health of each individual employee.

As a company that offers health and the fun of food while creating the future of food, the Megmilk Snow Brand values the mental and physical health of its employees and promotes and supports the initiatives described below so that they can maintain and enhance their health themselves.

(1) The Company will provide information on self-care as well as health counselling and guidance, and it will pursue initiatives to improve health with the aim of preventing lifestyle diseases.
(2) All employees will be given stress checks and the Company will offer care and preventive support related to mental health.
(3) The Company will pursue workstyle reforms to ensure employees' health.

Ibaraki Health Management Promotion Businesses Certification

The Ami Plant and Ibaraku Co., Ltd., which are located in Ibaraki Prefecture, were recognized by the prefecture as Ibaraki Health Management Promotion Businesses for their initiatives taking employee health into account and their health management programs. In November 2020, Ibaraku began a program to encourage its employees to walk by using an Ibaraki Prefecture official app that counts steps. Participants logged an average of 100,000 steps per month and are working to improve their health.

Walking Rally

Mitsuwa Distribution Industry Co., Ltd. held a walking rally in which participants compete over the number of steps logged for three months, beginning in December. 265 employees, nearly all of the company's employees, worked to improve their health. Awards were given to individual employees and workplaces based on the total number of steps counted during the period. Employees stated that, thanks to this program, they even began to walk on days off and that it led to better teamwork in the workplace. The company will be applying for the Saitama Prefecture Health Management Certification Program on the basis of this program within fiscal 2021.

Bone Density Measurement

MBP Drink, a functional heath food that contains Megmilk Snow Brand's proprietary MBP® and raises bone density, was launched in March 2021. The Company took this as an opportunity for employees to think about their own bone health, by having their bone density measured at health checkups.

Bone density measurement

SDGs Action Awards

Fitness Campaigns

Resolving Lack of Exercise with Fitness Campaigns (Noda Plant)

SDGs Action Awards P.66

The Noda Plant offered a fitness program utilizing the health promotion videos supervised by Health and Sports Science Laboratories, Noda Campus Division, Institute of Arts and Sciences, Tokyo University of Science to resolve employees' lack of exercise. The program was held 34 times with a limited number of people in order to prevent the spread of COVID-19, and 173 people, including five cooperating companies within the plant, participated.

Number of times held: **34** Number of participants: **173**

Human Rights

In recent years, corporate activities have become more global, and companies are asked to take specific actions to respect human rights along the supply chain. The Megmilk Snow Brand Group believes that it is extremely important to respect the human rights of stakeholders in order to resolve social issues and grow sustainably with society through its business activities. Following its signing of the United Nations Global Compact in June 2020, Megmilk Snow Brand established the Megmilk Snow Brand Group's Human Rights Policy, in line with the UN's Guiding Principles on Business and Human Rights, in June 2021 in order to implement specific action on human rights issues in its supply chain.

Megmilk Snow Brand Group Human Rights Policy

The Megmilk Snow Brand Group recognizes its responsibility to respect the human rights of all people affected directly or indirectly by its business activities. In order to fulfill this responsibility, the Group has established this Megmilk Snow Brand Group Human Rights Policy, which is based on the Megmilk Snow Brand Group Charter of Corporate Behavior. The Policy guides the Group's initiatives to ensure respect for human rights.

1. Approach to Respecting Human Rights

We respect the human rights enshrined in the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the International Covenants on Human Rights) and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Our efforts to protect human rights are also guided by the United Nations' Guiding Principles on Business and Human Rights. The Megmilk Snow Brand Group has also signed the UN Global Compact.

We forbid discrimination on the basis of race, nationality, gender, religion, or belief, among other attributes; prohibit all forms of unjust treatment including forced labor, human trafficking, and child labor; provide safe, healthy work environments that are free of harassment; and make other efforts to protect human rights.

We respect local laws in the countries and regions in which we carry out business activities. In the event that the human rights recognized by local laws differ from international norms, we will do our utmost to respect internationally recognized human rights principles.

2. Scope of Application

This Policy applies to all Megmilk Snow Brand Group executives and employees. Moreover, we require that all business partners involved with the Group's products and services also respect this Policy.

3. Responsibility to Respect Human Rights

In the event that it becomes clear that our business activities or involvement in the supply chain have had a negative impact on human rights, we will take steps to rectify the situation and fulfill our responsibility to respect human rights.

4. Human Rights Due Diligence

We identify any negative impact on human rights caused by our business activities by performing human rights due diligence, in line with the UN Guiding Principles on Business and Human Rights, and we strive to prevent and reduce any such impact.

5. Dialogue and Discussion

We utilize outside expert knowledge on potential negative impacts on human rights of our business activities, and we also hold dialogues and discussions with related stakeholders.

6. Education and Training

We provide education to ensure that all executives and employees understand and implement this Policy appropriately, and we familiarize business partners with the necessary provisions.

7. Aid

In the event that our business activities are found to have had a negative impact on human rights and our involvement becomes clear, we will provide aid through the appropriate process.

8. Responsible Person

We identify the executive with responsibility for the implementation of this Policy and supervise the status of implementation.

9. Information Disclosure

We disclose the status of our initiatives to respect human rights based on this Policy on the Megmilk Snow Brand website and in our Integrated Report.

Initiatives to Respect Human Rights

When pursuing programs to respect the human rights stipulated in the Megmilk Snow Brand Group's Human Rights Policies, we follow human rights due diligence to identify the risk of human rights violations resulting from business activities and plan for measures to prevent and alleviate such risks. We tailor our programs to global trends in human rights issues and ensure that they are appropriate by receiving advice from Caux Round Table, an organization specializing in human rights issues. As the first step, we were interviewed as part of a human rights risk assessment.

CSR Information Newspaper

This is an information sheet that shares CSR information with employees, raises CSR awareness and expands programs. The CSR Department creates and publishes this monthly, distributing it to all of the Group's approximately 5,300 employees through the Group's CSR leaders. The newspaper contains explanations and case studies on human rights problems and harassment prevention, and helps to raise awareness among employees about respect for human rights.

CSR information newspaper

CSR Material Issue

Contributing to Local Communities

People and Society

Interactions, affiliations and reconciliation with local communities through business activities

Collaboration with Local Communities

Hokkaido Comprehensive Partnership Agreement

The Megmilk Snow Brand Group signed a comprehensive partnership agreement with the Hokkaido Prefectural Government in 2007.* Taking advantage of the technology it has developed in dairy product manufacturing, the Group is working to help revitalize the Hokkaido economy in the areas of dairy farming and food.

* The agreement signed in 2007 was between the Hokkaido Prefectural Government and Snow Brand Milk Products Co., Ltd., Snow Brand Seed Co., Ltd., and Snow Brand Parlor Co., Ltd.

Specific Initiatives

1. Initiatives related to Stimulating Dairy Farming
- Supporting dissemination of cheese manufacturing technology

2. Initiatives related to Food Safety and Reliability, Producer/Consumer Partnerships*
- Support for initiatives related to food safety and reliability for Hokkaido produce

3. Initiatives related to Childcare and Health
- Support for local activities related to childcare
- Support related to food education and health
- Support related to sports promotion

4. Initiatives concerning Promoting Attractive Hokkaido Tourism
- Support related to flower tourism
- World Heritage Sites
- Promotions related to Hokkaido Heritage
- Hokkaido tourism PR at the Megmilk Snow Brand Museum

5. Other Initiatives Deemed Necessary
- Environmental initiatives
- Disaster prevention initiatives
- Cooperation with Hokkaido PR activities

* Local consumers and producers cooperate on the consumption and utilization of local resources and produce to increase regional recycling (flow of people, things, money) and help stimulate the local economy.

Sapporo Urban Development Partner Treaty

Sapporo City and Megmilk Snow Brand Co., Ltd. signed a Sapporo Urban Development Partner Treaty. The Company donates to the Support Hotto Fund based on the number of visitors to the Megmilk Snow Brand Museum to support activities encouraging healthy childrearing.

Collaboration with Miyagi Prefecture

As a company supporting the Smart Miyagi Healthy Citizen Council (unofficial translation), Megmilk Snow Brand is working with Miyagi Prefecture to resolve local issues, particularly by promoting vegetable consumption, reducing salt usage and eradicating metabolic syndrome. In fiscal 2020, a menu that included vegetables along with dairy products and Megumi Gasseri SP Strain Yogurt Drink (100 g) was offered as a lunch menu choice at the Miyagi Prefectural Office cafeteria. We also created a menu using Japanese parsley and cheese, specialty products in the prefecture and shared it on the Miyagi Prefecture and Megmilk Snow Brand websites. We also worked with local companies to jointly develop recipes containing protein and calcium, and shared these at stores.

Japanese parsley hot pot soup with curry flavor

Initiative with Ibaraki Prefecture to Extend Healthy Life Expectancy

Megmilk Snow Brand and the Department of Business Strategy, Ibaraki Prefectural Government are collaborating on a campaign to address the shortage of vegetables and calcium in the diets of many people in Japan. Six times a year, the team develops recipes for a single dish that contains half the daily recommended intake of vegetables (175 grams) and the amount of calcium that is usually missing from the daily Japanese diet (223 milligrams). The plan is to release new recipes once every two months and to serve them as lunch menu items in the cafeteria of the Ibaraki Prefectural Office. The team is also focusing on developing recipe cards for local supermarkets.

Tantan-style milk soup with noodles

Support for Food Bank Activities

Megmilk Snow Brand donated seven types of food products, about 48,000 items totaling about 35 tons, to Second Harvest Japan, a certified NPO that conducts food bank activities for families in need and welfare facilities. These donations included Platinum Milk for Balance, a powdered milk for adults, and LL Hokkaido Milk (1000 ml) and mixed cheese for professional use (1 kg). The food bank was particularly grateful for the highly nutritious milk that didn't require any preparation. In addition, in November 2020, Megmilk Snow Brand Kyushu Regional Sales Office began donating products to the Fukuoka Prefecture Foodbank Conference , an organization that gives food to social welfare facilities and children's cafeterias via local foodbank organizations in the Fukuoka area. The company donated 15 types of products, about 23,000 items totaling about 10 tons, including Snow Brand Hokkaido 100 Cheese Fondue (185 g), LL Hokkaido Milk (1000 ml) and Nachure Megumi Yogurt (400 g). This organization has provided support through local foodbanks to people receiving government support, university students who lost their part-time jobs, and foreign students who couldn't return to their own homes during the COVID-19 pandemic. The Association expressed its gratitude, stating that they were extremely happy to be able to provide milk products for daily use.

Delivering LL Hokkaido Milk (1000 ml)

Environmental Events

SDGs Experience-based Environmental Learning Held at Kyoto Plant

In November 2020, the SDGs Experience-based Environmental Learning, hosted by the Kyoto Nantan Health Center, was held at Megmilk Snow Brand's Kyoto Plant. The event was attended by eight students in the fourth through sixth grades at elementary schools in Kameoka, Nantan and Kyotamba who aim to campaign SDGs in the future. After an explanation of the manufacturing methods for the yogurt and milk produced at the Kyoto Plant, the students studied programs to reduce water use at the factory, purify waste water through treatment, and recycle paper cartons.

Plant head gives overview of plant

Promoting Recycling of Paper Cartons

In November 2020, a farm festival was held at the Snow Brand Kodomo-no-Kuni Ranch. Measures were taken to prevent COVID-19 infection on the day of the festival, and visitors learned about the importance of recycling paper cartons and environmental conservation programs by participating in a stamp rally in which they answered a quiz about paper carton recycling and making "flying discs," where they made things from paper cartons.

Farm Festival

Flying discs made from paper cartons

SDGs Action Awards

Co-sponsoring Children's Cafeteria (Nakashibetsu Plant)

SDGs Action Awards P.66

We co-sponsored a children's cafeteria opened in a hall in the town near the plant. In October 2020, a course on hand-washing was held and games using Sakeru Cheese were played, and in March 2021, children watched an animated movie about making cheese from milk and made cottage cheese. Through these events, children learned about the importance of hygiene and food while having fun.

Corporate Governance

Management Team (As of June 23, 2021)

	Area of Responsibility	Number of Megmilk Snow Brand Shares Held (Shares)	Date of Appointment as Director	Period Serving as Director (Years)	Attendance at Board of Directors Meetings		Reason for Appointment
Keiji Nishio Representative Director and President	Overall management	14,561	June 2013	8	18/18		Mr. Nishio possesses abundant experience and wide-ranging insight as a corporate manager and is familiar with the Company's business including management planning, sales planning, and product planning; he has shown leadership as a top executive by setting forth clear management policies and others. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.
Shigeru Nishibaba Representative Director and Executive Vice President	Overall management and assistant to the President Responsible for General Affairs and Internal Audit	20,158	June 2018	3	18/18		Mr. Nishibaba possesses abundant experience and wide-ranging insight as a corporate manager and is familiar with management planning, marketing divisions, and others; he has shown leadership as a management executive. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.
Hideki Motoi Representative Director and Executive Vice President	Overall management and assistant to the President Responsible for Secretarial Dept. and Personnel	5,160	June 2016	5	18/18		Mr. Motoi possesses abundant experience and wide-ranging insight as a corporate manager and is familiar with fields such as management planning, personnel, finance, information systems, and others; he has shown leadership as a management executive of the Company. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.
Takehiko Inoue Director and Managing Executive Officer	Responsible for Production, and Production Technology	854	June 2020	1	13/13		As Mr. Inoue has abundant and wide-ranging experience in the production division and is particularly familiar with the fields of production technology and production control. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.
Satoshi Inaba Director and Managing Executive Officer	Responsible for Corporate Planning Div., Administration, and Affiliated Company Control	2,754	June 2021	New appointment	—		Mr. Inaba has experience as a president of a Group company and is familiar with the Corporate Planning Division, Group management, the nutrition business and the beverage and desserts business. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.
External Independent Officer Hisa Anan External Director	—	1,684	June 2015	6	18/18		Ms. Anan does not have any conflicts of interest with Megmilk Snow Brand, and the Company determined that she will be able to draw on her background serving in important positions in consumer organizations, such as the Secretariat of the National Liaison Committee of Consumers' Organizations, to supervise the Directors' business execution from the perspective of the consumer, and thus has appointed her as Director.
Shinya Kosaka Director serving as Audit & Supervisory Committee Member	Audit & Supervisory Committee Member	13,787	June 2020	1	18/18		As Mr. Kosaka has abundant experience in the administration division and has extensive and deep knowledge and insight based on his management experience at the Company, the Company determined that he possesses experience and ability befitting an individual who supervises and audits Directors' business execution and appointed him as Director.
External Independent Officer Ikuo Nishikawa External Director serving as Audit & Supervisory Committee Member	Audit & Supervisory Committee Member	1,458	June 2016	5	18/18		Although Mr. Nishikawa has not been previously involved directly in corporate management, he does not have a conflict of interest with Megmilk Snow Brand, and has specialized knowledge and wide-ranging experience regarding finance and accounting as a certified public accountant. The Company determined he is able to draw on his background in the supervision and auditing of Directors' business execution and appointed him as an External Director serving as Audit and Supervisory Committee Member.
External Independent Officer Akito Hattori External Director serving as Audit & Supervisory Committee Member	Audit & Supervisory Committee Member	653	June 2018	3	18/18		As Mr. Hattori does not have a conflict of interest with Megmilk Snow Brand and is well-versed in corporate law as an attorney, the Company determined that he can utilize his highly specialized background in the supervision and auditing of Directors' business execution and appointed him as Director Serving as Audit and Supervisory Committee Member.

Executive Officer

Managing Executive Officer

Masato Koitabashi
Responsible for Dairy

Ryoichi Sueyasu
Responsible for International Dept., Functional Food Marketing, and Purchasing

Yoshihiro Kawasaki
Responsible for Research & Development Planning, Products Development, Milk Science Research Institute, and Quality Assurance

Shigeru Watanabe
Responsible for PR, IR and CSR, and Deputy General Manager responsible for Affiliated Company Control

Takao Nakashima
Responsible for Accounting and IT Planning, and Deputy General Manager responsible for Corporate Planning Div.

Seiji Tobe
Responsible for Research & Development Center for Dairy Farming, and Deputy General Manager responsible for Dairy Farming (General Manager responsible for Research & Development Center for Dairy Farming)

Masatoshi Sato
Responsible for Household Products Sales and National Chain Store Sales, Deputy General Manager responsible for Household Products Division, and Responsible for Hokkaido Headquarters (General Manager, Hokkaido Headquarters)

Teiji Iwahashi
Responsible for Marketing, Dairy Foods Marketing, and Milk Beverages & Desserts Marketing

Seiki Hori
Responsible for Logistics

Tomomi Ishii
Responsible for Institutional Foods Dept.

Toshihiro Nakamura
Senior General Manager, Kansai Regional Sales Headquarters

Yukihiro Yamamoto
Senior General Manager, Kanto Regional Sales Headquarters

Executive Officer

Toshiya Kobayashi
General Manager, Milk Science Research Institute

Main Group Companies (in Japan)
Representative Director and President

Ibaraku Co., Ltd.
Toshiyuki Kitagawa

SI System Corporation
Toshio Itabashi

Greenservice Co., Ltd.
Seiji Masaki

Cresco Corporation
Fuminori Miyazaki

Kohnan Oils and Fats Mfg. Co., Ltd.
Takahiro Shibata

Chesco Ltd.
Hiromi Uchida

Chokuhan Haisou Co., Ltd.
Makoto Ogawa

Nichiraku Machinery Co., Ltd.
Masaya Matsunaga

Belle Neige Direct Co., LTD.
Tomihisa Kakizaki

Michinoku Milk Co., Ltd.
Toshiyuki Namiki

Mitsuwa Distribution Industry Co., Ltd.
Shigeru Yamaguchi

Yatsugatake Milk Industry Co., Ltd.
Hitoshi Naito

Snow Brand Kodomo-no-Kuni Ranch
Hiroharu Tanaka

Snow Brand Seed Co., Ltd.
Mitsuo Takayama

Snow Brand Parlor Co., Ltd.
Toshikazu Nagao

Bean Stalk Snow Co., Ltd.
Akihiko Uchida

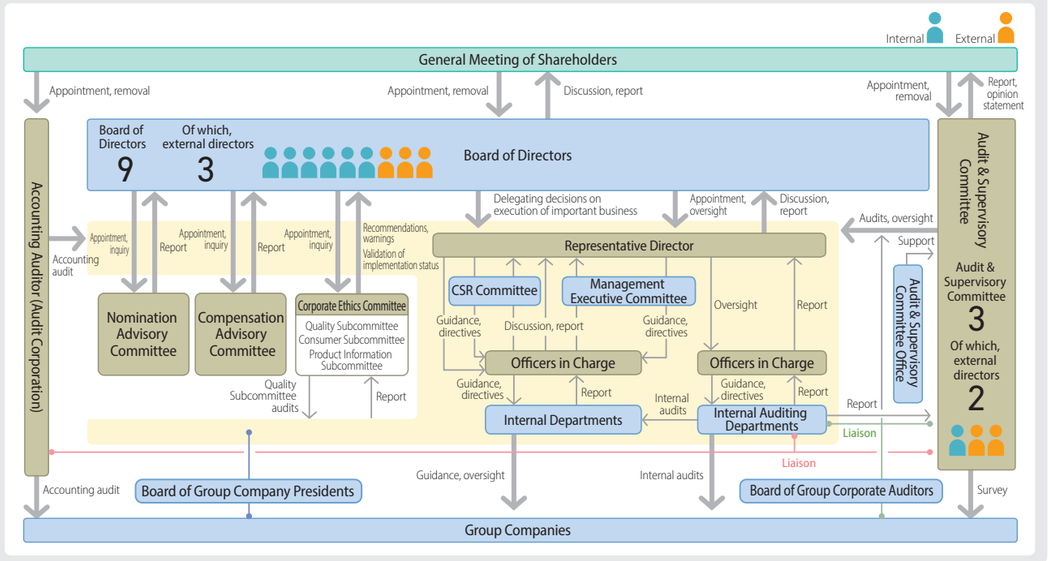
YBS Co., Ltd.
Yasuo Takeda

Basic Policy

Our basic policy is to enhance our corporate value by ensuring transparency in management, strengthening oversight functions from outside the Company, and establishing a management structure that can respond swiftly to changes in the market. In accordance with this basic policy, we actively work to strengthen governance in order to fulfill all our responsibilities to our shareholders and stakeholders. We have adopted a structure as a Company with an Audit and Supervisory Committee in order to strengthen the oversight functions of the Board of Directors and to improve flexibility in the execution of business.

https://www.meg-snow.com/english/investors/corporate-governance/

Corporate Governance Organization Chart (As of April 1, 2021)



Corporate Governance Organization

Board of Directors

The Board of Directors of Megmilk Snow Brand Co., Ltd. consists of six directors (excluding directors also serving as Audit & Supervisory Committee members) and three directors who are concurrently Audit & Supervisory Committee members. Of the total of nine directors, three are external directors. In principle, the Board of Directors meets once per month (twice during months in which there is a quarterly results Board of Directors meeting).

The Company stipulates in its Articles of Incorporation that the Board of Directors may resolve to consign all or a part of the execution of important business (excluding matters outlined in the paragraphs of Companies Act Article 399, Section 13, No. 5). Furthermore, the Company adopted an executive officer system to separate the execution and oversight of business operations. Excluding certain important issues that have a significant impact to management, the Board of Directors consigns the execution of business to executive directors and executive officers to ensure dynamic business execution.

The Board of Directors devises management strategy in accordance with our corporate philosophy. It is the responsibility of the Board of Directors to ensure fulfillment of these strategies; to conduct appropriate evaluations of corporate performance and appropriately reflect the results of those evaluations in decisions regarding personnel serving in corporate management positions; to continuously monitor the effectiveness of the internal control and risk management systems; to consult with the Nomination Advisory Committee in advance when decisions are made over the appointment and dismissal of chief executive officers and to make final decisions based on the results of these consultations; and to ensure appropriate oversight of the plan of succession for the Company's chief executive officer.

In addition, the Megmilk Snow Brand Group endeavors to achieve sustainable growth and improve corporate value by continuing with initiatives aimed at reinforcing the functions of the Board of Directors. These include efforts to improve the quality of discussions at Board of Directors meetings by enhancing communication and the exchange of opinions with representative directors and external directors. This is done by strengthening the flexibility of the execution of supervisory functions due to the shift to a "Company with an Audit & Supervisory Committee" structure in 2016, the establishment of the aforementioned Nomination Advisory Committee and Compensation Advisory Committee, and the holding of meetings of External Directors.

Audit & Supervisory Committee

The Committee aims to establish company supervision that allows for healthy and sustainable growth and meet social trust by supervising the Board of Directors and auditing the execution of directors' responsibilities.

The Audit & Supervisory Committee consists of three members — two external directors and one full-time Audit & Supervisory Committee Member. External directors serving as Audit & Supervisory Committee Members are selected from among experts in fields such as finance, accounting, or legal affairs.

Audit & Supervisory Committee Members attend important meetings, including Board of Directors, Corporate Ethics Committee, and Executive Committee meetings, where they provide opinions and gather information as needed.

The Audit & Supervisory Committee coordinates as appropriate with corporate management and external directors to promote information sharing. Furthermore, the Audit & Supervisory Committee holds regular meetings with the accounting auditor and internal audit department to obtain information beneficial for conducting effective audits. The Audit & Supervisory Committee also conducts effective and efficient audits of all business execution, including business conducted at Group companies.

Nomination Advisory Committee and Compensation Advisory Committee

The Company has set up a Nomination Advisory Committee and Compensation Advisory Committee. These voluntary advisory bodies for the Board of Directors are intended to strengthen the corporate governance system by ensuring the objectivity and transparency of decisions on director appointments and director compensation. They will also enhance the independence and objectivity of the Board of Director's functions and accountability.

The Nomination Advisory Committee consists of three external directors and two executive directors. At the request of the Board of Directors, the Committee considers guidelines and procedures when nominating candidates for director positions, standards for the appointment and dismissal of directors, plans of succession for the Company's chief executive officer (president), drafts of motions for the appointment and dismissal of directors for discussion at general shareholders meetings, and drafts of motions for the appointment and dismissal of representative directors.

The Compensation Advisory Committee consists of three external directors and two executive directors. At the request of the Board of Directors, the Committee discusses guidelines when deciding on compensation for directors, drafts of agenda items related to the compensation of directors for discussion at general shareholders meetings, and the content of compensation and performance-linked compensation, etc., by director level.

Corporate Ethics Committee

Corporate Ethics Committee

The Corporate Ethics Committee was established in 2002 to serve as an advisory body to the Company's Board of Directors and is comprised of external experts, a representative of the Megmilk Snow Brand Labor Union, and internal committee members. The Corporate Ethics Committee holds regular meetings bimonthly, and it serves as an external oversight entity for all aspects of business management. The validation work and recommendations conducted by the Corporate Ethics Committee are applied to the Company's business activities. In addition to regular committee meetings, members of the Corporate Ethics Committee also meet in its three subcommittees.

[Quality Subcommittee]

Audit by Quality Subcommittee (Kobe Plant)

This subcommittee comprises external experts in quality and hygiene management and conducts plant audits and exchanges opinions with employees. Plants draft and implement improvement proposals in response to audit recommendations and issue reports to the Corporate Ethics Committee. During fiscal 2020, audits were conducted at three plants in Japan.

[Consumer Subcommittee]

This subcommittee introduces Megmilk Snow Brand Group's various initiatives to representatives of consumer groups and influential people working on consumer issues, and receives evaluations and opinions from the consumer's perspective. In fiscal 2020, meetings were held using documents in November in order to prevent the spread of COVID-19, and the subcommittee received opinions on the Megmilk Snow Brand Report 2020 (Integrated Report).

[Product Information Subcommittee]

This subcommittee comprises external experts in the field of labeling and applies a consumer perspective while performing strict checks of product package labeling, an important source of information for consumers, to ensure product labeling is easily comprehensible and proper information is being provided. As necessary, the subcommittee also reviews voluntary standards. In fiscal 2020, the subcommittee met six times.

Corporate Ethics Committee "Recommendations Made on Consultation and Key Initiatives in Fiscal 2020 "

Consultation 1 Consumer-focused Management

Recommendation	Initiatives
1. In addition to enhancing dialogue with consumers, strive to provide them with helpful information.	• The Consumer Subcommittee met using documents in order to prevent the spread of COVID-19, and received opinions on the Megmilk Snow Brand Report 2020 (Integrated Report).
2. Continue to listen attentively to consumers' voices, opinions and requests and respond with sincerity	• A meeting on improving customer satisfaction was held and customers' opinions were shared with the related departments as part of efforts to improve products and labeling. • Twenty-one improvements to products were made in response to customer feedback.
3. In product labeling and advertising, appropriately assess the information that consumers want and the information that should be conveyed to them, and ensure accuracy in labeling to prevent consumer errors and misunderstandings.	• Labeling on product packaging, flyers, point-of-purchase advertising, leaflets, videos and other product-related items goes through legal checks based on the respective manuals to look for erroneous labeling and misleading wording that could seem to be pursuing an unfair advantage. • The order of product labeling on the website was revised and information was organized to make it easier for customers to view the screen. In addition, explanations of the method for sorting containers with caps and the "One day's worth" series were added.

Consultation 2 Thorough "Food Safety and Reliability (Quality Management)" and "Corporate Ethics (Compliance)"

Recommendation	Initiatives
1. Thoroughly implement quality assurance education and carry out quality assurance activities with all employees. Improve not only education on sanitation management and manufacturing techniques at plants, but also education related to quality assurance in other workplaces.	• We tested the understanding of quality assurance among all Megmilk Snow Brand and Bean Stalk Snow employees with the aim of understanding quality assurance. • Some training was put off at Megmilk Snow Brand plants and related companies to prevent the spread of COVID-19, but measures to prevent infection were taken to provide training on sanitation, basic training and applications with the aim of enhancing the technical and management levels of individual employees.
2. Share product problems and product and service complaints with employees, and pursue countermeasures that will be effective in terms of product characteristics and the consumer's perspective to resolve quality issues.	• At the monthly meetings held by Megmilk Snow Brand's divisions involved in production, procurement and quality, information on real-life examples of quality problems and programs to verify quality using audits by the Quality Assurance Division. • Quality Management Committee meetings were held every month at factories and confirmed that progress was made on issues based on quality management targets. • Quality management conditions in the refrigerated storage at the product shipment depot were inspected (including 5S activities). • Information on customer opinions was shared with employees via intranet and email.
3. As 5S is the foundation of quality management, continue to participate in activities aligned with 5S guidelines	• At Megmilk Snow Brand plants, 5S inspections were independently carried out. In addition, confirmation and instruction on 5S conditions were given in quality audits at a manufacturing subcontractor. • When the Quality Assurance Division carried out audits of Megmilk Snow Brand plants, the status of improvements to areas that were pointed out in the audit by the Quality Subcommittee was confirmed.
4. Ensure that the entire Group has a thorough understanding of compliance, such as ensuring familiarity with the Code of Conduct at Group companies.	• About 90% of Group companies carried out CSR Group activities and each company's standards of conduct were reviewed.

Consultation 3 Corporate Climate and Energizing the Organization and Employees

Recommendation	Initiatives
1. Raise awareness and take steps to deepen internal communication	• In order to prevent the spread of COVID-19, a video of the president's message and the earnings briefing materials were streamed on the intranet in the first half. The Group management meeting in the second half was held on the internet and videos and materials were shared with employees. • We proactively shared information with employees by setting up an intranet page that provides information on divisions' initiatives during the pandemic, holding remote study sessions on dairy farming conditions outside Japan, and streaming explanatory videos to deepen knowledge of the dairy farming industry.
2. Pursue initiatives so that each employee can achieve the Megmilk Snow Brand Values (self-motivated, challenge and teamwork)	• Opinions were exchanged on the results of employee awareness surveys in CSR Group activities and the programs taken by divisions to deepen understanding of and disseminate the Megmilk Snow Brand Values. • The Group report publishes information on Group activities and best practices to enhance understanding of the Values, with the aim of raising awareness of them further.
3. Raise work productivity to improve work-life balance	• To prevent the spread of COVID-19, the Group held meetings and briefings on the internet, went paperless and introduced IT tools. • At the Metropolitan West Sales Branch Office, a non-territorial office system* was introduced, paper use was reduced, and spaces were designed for better communication in order to promote new workstyles. * A system in which employees do not have their own desks but can freely choose which desks to use.
4. Create an environment in which all employees can perform with energy and pursue diversity	• We held training programs tailored to each job grade for women. Managers also completed e-learning modules aimed at promoting women's participation in the workplace and deepening understanding of LGBT issues. • The Group prepared the Guidebook on Preparing to Balance Work and Caretaking, which provides information on caretaking and points that can be prepared for in advance in order to prevent employees from leaving the workforce because they need to care for family members. The Guidebook was distributed to all employees.

Consultation 4 Other Initiatives to Achieve CSR Policies

Recommendation	Initiatives
1. The Megmilk Snow Brand Group overall will continue with and expand upon initiatives to resolve CSR material issues through business activities in order to achieve its social responsibilities.	• The KPI, "efficient use of water resources," was added. • Data was collected to set the scope of companies to which KPIs related to reducing environmental impact would be applied in preparation for rolling out the KPIs to the entire Group.

Board of Directors' Efficacy Assessment

The Company's Board of Directors conducts an annual self-assessment to ensure and improve the efficacy of the Board of Directors and a summary of the self-assessment results is made public. An overview of the results of an assessment of fiscal 2020 is as follows:

Summary of the Fiscal 2020 Assessment

Assessment Details

All directors (including directors who are Audit & Supervisory Board Members) were given a questionnaire on the following broad topics, and answers were received from all. The Board of Directors Secretariat compiled the questionnaire results and reported to the Board of Directors, where the evaluation results were discussed.

Survey Topics

(1) Structure of the Board of Directors
(2) Director operations
(3) Participation stance
(4) Roles and responsibilities of Board of Directors
(5) Relationship with stakeholders
(6) General overview

Summary of Analysis and Assessment Results

(1) Self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2020.

(2) At the same time, we confirmed that, as described below, ongoing initiatives were taken to improve the issues indicated in the previous year's assessment.

1) Diversity , including specialized fields, of the Board members

The Nomination Advisory Committee continued to discuss diversity, including the specialized fields of the directors making up the Board of Directors.

2) Initiatives to streamline the amount of materials and to further stimulate deliberations

The Board of Directors meeting materials continued to be distributed early. In addition, lively discussions on management were held at the External Directors meetings, Nomination Advisory Committee and Compensation Advisory Committee meetings.

3) Enhanced discussions on Group companies' governance

Reports continued to be made at the Board of Directors meetings on Group companies' earnings and key topics every quarter, and quantitative targets for the Medium-term Management Plan 2022 for each Group company were also reported.

4) Enhanced discussions on plans of succession for the Company's chief executive officer

The Nomination Advisory Committee continued to discuss succession plans for the chief executive officer, and the process was reported to the Board of Directors.

5) Enhanced discussions that take the perspective of stakeholders and address non-financial information

Reports on the activities carried out by the Corporate Ethics Committee continued to be made at the Board of Directors meetings. The management of progress on KPIs for CSR material issues (material issues) was reported to the Board of Directors. In addition, the establishment of the Megmilk Snow Brand Group's Charter of Corporate Behavior was added to the agenda for the Board of Directors meeting.

(3) As a result of this assessment, the following five points were identified as the key issues that the Board of Directors should continue to address.

1) Enhance discussions on the ideal composition of the Board of Directors
2) Make efforts to jumpstart further discussions
3) Augment discussions on governance of Group companies
4) Enhance discussions related to the succession plan for the chief executive officer
5) Increase discussions that address perspective of stakeholders and non-financial information

Future Initiatives

Megmilk Snow Brand's Board of Directors will endeavor to further enhance its efficacy in order to achieve sustained growth and raise corporate value. It will do this by resolving confirmed issues in a process of analysis and discussion of evaluation results and by reviewing its administration based on directors' opinions and other information.

Policies on Decisions on Compensation for Individual Directors

At the Board of Directors meeting held on February 24, 2021, Megmilk Snow Brand decided to adopt the Policy on Decisions on Compensation for Individual Directors and then revised it at the Board of Directors meeting held on June 15, 2021. When a resolution on compensation is made at a Board of Directors meeting, the Compensation Advisory Committee, which comprises a majority of independent external directors, is consulted in advance on the resolution, and a report is received. In addition, the Board of Directors confirmed that decisions on the content of the compensation for each individual director for the fiscal year under question as well as the content of the compensation decided is consistent with the policies on such decisions, and that the report from the Compensation Advisory Committee has been respected. Accordingly, the compensation is consistent with this policy. This policy is described below.

(1) Basic Policy

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

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

The ratio of the base compensation, short-term incentive (cash bonus) linked to performance and long-term incentive (stock-based compensation) is approximately 6:3:1 (in the event that earnings indicators for the performance-linked bonus are achieved).

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

1) Short-term incentive (cash bonus)

This is paid as an incentive in line with the extent to which the Group's consolidated earnings are achieved in each fiscal year. The earnings indicator is the Group's consolidated operating income (initial earnings forecast).

2) Long-term incentive (stock-based compensation)

The earnings indicators linked to performance are EBITDA, ROE and the capital adequacy ratio, which assess improvements in profitability and capital efficiency as well as safety.
When including the portion not linked to performance, the ratio of EBITDA, ROE, capital adequacy ratio and the portion not linked to performance is 3:2:2:3 (in the event that earnings indicators for the performance-linked bonus are achieved).

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

1) Base compensation: The monthly amount is set and paid on the salary payment date for employees.

2) Performance-linked compensation, short-term incentive (cash bonus):
Paid within one month after the completion of the regular general meeting of shareholders

3) Performance-linked compensation, long-term incentive (stock-based compensation):
Paid separately based on internal regulations on stock issuance

(5) Matters related to Decision on Content of Compensation for Individual Directors

The compensation for each individual is resolved at the Board of Directors meeting. When the resolution is made at the meeting, the Compensation Advisory Committee, which comprises a majority of independent external directors, is consulted in advance on the resolution, and a report is received. An Audit & Supervisory Committee Member selected by the Audit and Supervisory Committee may give his/her opinion on compensation for directors who are Audit & Supervisory Committee Members at the general meeting of shareholders.

Total Amount of Compensation in Fiscal 2020

Director Category	Total Compensation (Million Yen)	Total Compensation by Type (Million Yen)			Number of People
		Base Compensation	Short-term Incentive (Cash Bonus)	Long-term Incentive (Stock-based Compensation)	
Directors (excluding Audit & Supervisory Committee Members) (of which external directors)	254 (8)	177 (8)	49 (—)	27 (—)	8 (1)
Directors (Audit & Supervisory Committee Members) (of which external directors)	39 (17)	39 (17)	—	—	4 (2)
Total (of which external directors)	294 (26)	216 (26)	49 (—)	27 (—)	12 (3)

(Note) The table above includes one director (excluding directors who are Audit & Supervisory Committee Members) and one director who is an Audit & Supervisory Committee Member who resigned as of the end of the 11th General Meeting of Shareholders held on June 24, 2020.

Standards for Appointing and Dismissing Officers

The guidelines for nominating candidates for director are as follows. Resolutions by the Board of Directors concerning the appointment of directors are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee's deliberations.

Candidates for director (excluding directors who are Audit & Supervisory Board Members) are appointed based on the prerequisite that they are not subject to any of the reasons for disqualification set out in Japan's Companies Act. The candidate must not only have the excellent character, insight, skills and wealth of experience needed to monitor management overall and supervise the execution of operations, but also possess a high sense of ethics. Candidates for director positions who are Audit & Supervisory Board Members are appointed based on the prerequisite that they are not subject to any of the reasons for disqualification set out in the Companies Act. They are also selected based on whether they can remain independent from executive officers and can remain unswervingly impartial from among a pool of candidates with the excellent character, insight, skills and wealth of experience needed to monitor management overall and supervise the execution of operations, while possessing a high sense of ethics. Furthermore, candidates for director positions who are Audit & Supervisory Board Members shall include one or more people with knowledge of finance and accounting. In addition, the rationale for their nomination is appropriately disclosed in the notice of General Shareholders Meeting, etc.

Directors (including the Chief Executive Officer) shall be subject to a proposal of dismissal in the event that they meet any of the following conditions: acknowledged to have a relationship with anti-social forces subject to criticism by society; caused the Group large losses or hindered the performance of business duties by violating laws, regulations, the Articles of Incorporation, or other regulations of the Group; or caused significant hindrance to the execution of duties, or it is revealed they no longer satisfy the conditions of policies for nomination of candidates. Resolutions by the Board of Directors concerning dismissal of directors (including the Chief Executive Officer) are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee's deliberations. If a proposal of dismissal is approved, the Company shall disclose the information in a timely and proper fashion.

Strategic Shareholdings

The Company does not hold the shares of related parties and business partners unless it determines that there is a strategic need to maintain shareholdings for the purpose of strengthening the Company's business and functions. Every year, the Board of Directors examines the shares of listed companies that the Company owns to verify the qualitative reasons for holding each individual stock (background of purchase, stable supply of raw materials or use of distribution routes, joint development, and other transactional plans, etc.) and the quantitative benefits anticipated from acquisition (confirmation of economic rationale), to comprehensively verify the rationale and need to own these shares. To verify the economic rationale for holding the shares, the Company compares the business revenues, the increase in BPS and dividends of the issuer whose shares have been acquired to the Company's targeted ROE benchmark of 8% and evaluates these factors.

Takeover Defense Measures

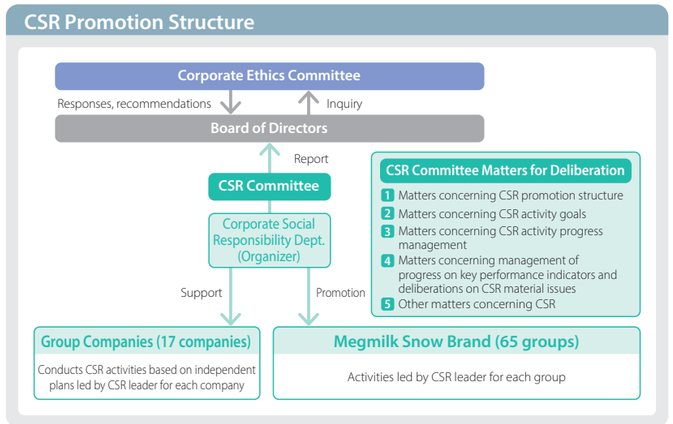
https://www.meg-snow.com/ir/governance/pdf/baishu_boei.pdf (in Japanese)

The Company has introduced a response policy concerning actions involving the mass purchase of the Company's shares (hereinafter, "Takeover Defense Measures"), with the purpose of securing and increasing corporate value and the joint interests of shareholders. The Takeover Defense Measures are valid until the Company's 15th Ordinary General Meeting of Shareholders to be held in June 2024. The Takeover Defense Measures are an advance-warning purchase defense package, which sets out rules concerning large-scale purchases of the Company's shares, including requirements that sufficient information be provided regarding the large-scale purchase from the purchaser and that the Board of Directors evaluate and consider the information and then provide said information to shareholders along with the opinion of the Board of Directors on the large-scale purchase, in order for shareholders to evaluate the large-scale purchase. If sufficient information is provided following these rules, in principle, the Company will allow shareholders to determine to approve or disapprove of the large-scale purchase by public tender offer. However, if the purchaser does not follow the large-scale purchase rules or even if it does follow the large-scale purchase rules but the large-scale purchase could significantly damage the Company's corporate value or the common interests of shareholders, the Company plans to invoke defense measures, including the allotment of stock acquisition rights without contribution.

CSR Promotion

CSR Promotion Structure

The Megmilk Snow Brand Group has established the CSR Committee as a management-level governance entity for promoting CSR throughout the Group. The President serves as chairman, and the committee is comprised of all full-time directors as well as executive officers and the General Manager of the Corporate Social Responsibility Department. In principle, the committee convenes twice per year and confirms progress in achieving groupwide indicators such as KPI. Also, CSR leaders designated within each department and Group company fulfill a central role in activities, including implementing planned CSR Group Activities and communicating CSR-related information.



CSR Group Activities

The Megmilk Snow Brand Group has carried out CSR Group Activities since fiscal 2003 as a means of deepening employees' understanding of CSR and providing opportunities for exchange of ideas. The CSR leaders appointed in each division play the central role in these activities. Fiscal 2020 marked the 18th year of these activities, which are held in each division. All employees participate, regardless of employment type.

In these activities, Megmilk Snow Brand Co., Ltd. focuses on either company-wide standardized themes or themes specific to each division. Among company-wide themes, employees had lively exchanges of opinions on the subjects of how to achieve the Megmilk Snow Brand Group Medium-term Management Plan 2022, looking back at the Snow Brand Milk Products food contamination incident and the Snow Brand Food fraudulent beef labeling incident, the sense of responsibility and ethics as employees of a food provider, and the social issue of environmental conservation.

In addition, in November 2020, the Integrated Report was distributed to all employees to promote understanding and discussion of the corporate stance on and efforts to improve the sustainability of the Megmilk Snow Brand Group. Other Group companies are also conducting CSR Group activities in line with each company's awareness of the issues, with a focus on compliance.

CSR Group activities (Megmilk Snow Brand)

The SDGs Action Awards

The Megmilk Snow Brand Group has been holding the Megmilk Snow Brand Group SDGs Action Awards since fiscal 2020. Under this system, the president, the director responsible for CSR, and the CSR Department select and commend particularly outstanding activities from among efforts to contribute to the realization of the SDGs planned and implemented by each division in the Group. Holding the awards has deepened each employee's awareness and understanding of the SDGs and has led to approaches based on social issues, as well as improved employee motivation generated by objective evaluations of these issues. In fiscal 2020, applications were received from approximately 90% of the Group's CSR Group Activity units, and as a result of a rigorous screening process, 12 workplaces were recognized for outstanding activities at the online awards ceremony in May 2021.

In-house poster about the Awards

Screenshot from the online awards ceremony, showing Megmilk Snow Brand President Keiji Nishio

Compliance

Two Incidents

Snow Brand Milk Products Food Contamination Incident

In the year 2000, there was a food poisoning incident linked to low-fat milk manufactured at the Osaka Plant of Snow Brand Milk Products Co., Ltd. On June 27 of that year, the Osaka Public Health Office received an initial report regarding a consumer suffering from food poisoning. An investigation showed that powdered skim milk had become contaminated after manufacturing due to a power outage at Snow Brand Milk Products' Taiki Plant, and that this powdered skim milk was then used in part to manufacture low-fat milk at the Osaka Plant. The food poisoning was the result of the powdered skim milk containing enterotoxins produced by staphylococcus aureus. The response by Snow Brand Milk Products immediately following the incident was mishandled, and it took time for the company to conduct a product recall and notify consumers and the general public. As a result, 13,420 people suffered from food poisoning. Not only did this incident cause great distrust among consumers regarding milk, dairy products, and processed foods in general, it also had a great impact on society as numerous issues came to light, including the milk industry's interpretation of the Ministerial Ordinance on Milk and Milk Products Concerning Compositional Standards,*1 and the apparent gap with society.

Snow Brand Food Fraudulent Beef Labeling Incident

In the year 2002, there was an incident of fraud in which Snow Brand Food Co., Ltd., at the time a subsidiary of Snow Brand Milk Products, manipulated Japan's national BSE Countermeasures Program*2 to register cheap imported beef as domestically produced beef, thereby fraudulently receiving subsidies through the program. The incident came to light in a newspaper article published on January 23 of that year. In the background of this incident was the BSE outbreak that occurred in 2001, which caused widespread consumer pessimism about beef. This left the entire meat industry faced with excessive inventory. However, the ultimate cause was the unethical thinking of the employees and their supervisors, who instructed them to engage in such practices. Snow Brand Food was forced to dissolve as a company at the end of April that year, three months after the fraud was discovered.

*1 The Ministerial Ordinance on Milk and Milk Products Concerning Compositional Standards is based on Japan's Food Sanitation Act.
*2 Program implemented by the Japanese government to purchase domestic beef prior to herd inspections. The program was implemented in response to an outbreak of bovine spongiform encephalopathy (BSE), a type of disease that affects cattle.

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

[Overview]

An incident involving a violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment came to light in April 2018, triggered by information provided on two occasions by individuals believed to be internal whistleblowers, in August 2014 and July 2017. Snow Brand Seeds conducted internal investigations based on both pieces of information, but due to the large number of labeling violations discovered in the relevant seed products, the company received a Report Collection Order from Japan's Ministry of Agriculture, Forestry and Fisheries in February 2018. To ensure an objective and thorough investigation, a third-party committee was set up. The investigation discovered improper certificate labeling and other violations of the Plant Variety Protection and Seed Act. Additionally, it was discovered that the company had conducted breed falsification and attempted to conceal those acts.

The third-party committee made recommendations for reforms to corporate culture, drastic improvements and restructuring of the governance system, measures to prevent labeling violations and product falsification, more mobility of personnel, activation of a hotline, etc. The company received the report of the third-party committee's investigation and announced it both internally and externally. The contents of the announcement were widely reported through the media, resulting in a significant loss of trust from customers and society.

[Efforts to Prevent Recurrence]

In line with the recommendations of the third-party committee, Snow Brand Seeds formulated specific measures to prevent recurrence, including: (1) reforms to corporate culture and awareness; (2) thorough management of labeling; (3) strengthening internal controls; (4) follow-up on reoccurrence prevention measures and assessment; and (5) thorough prevention of reoccurrence and ongoing initiatives. These were implemented as planned by the end of March 2020. In April of the same year, the company submitted a Report on the Implementation of Reoccurrence Prevention Measures, etc. to the Ministry of Agriculture, Forestry and Fisheries, which was accepted in May of the same year.

In 2020, the April theme of Compliance Promotion Activities, which are held monthly with the participation of all officers and employees, was "activities to prevent the incident from fading from memory." This was based on materials regarding the violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment. The Group reflected upon the incident, and aimed for thorough awareness of compliance to ensure that the same mistakes would never occur again. In future, the company will conduct compliance promotion activities annually in April, the month when the incident was discovered. The Compliance Committee, which was established in 2018 as an advisory body to the Board of Directors, continued to meet in 2020 and has received recommendations on Snow Brand Seeds' initiatives from an outsider's perspective. In 2020, the Product Information Subcommittee, a special subcommittee of the Compliance Committee, will expand its scope to include all products manufactured by Snow Brand Seeds, and will continue to confirm and check labeling, and advance improvements. The company has also administered a test of understanding of the Plant Variety Protection and Seed Act and other laws and regulations to all executives and employees, improved the internal reporting system, strengthened the legal department, and established a seed production management system. These reoccurrence prevention efforts will be maintained in the future.

Activities to Ensure that Incident is not Forgotten and Passing on Accounts of Incident

The Megmilk Snow Brand Group will not forget the food contamination incident at Snow Brand Milk Products and the fraudulent beef labeling incident at Snow Brand Food, and has been holding Days of Pledging to Strongly Recognize and Fulfill Food Responsibility every year since fiscal 2003 in June and January, the respective months in which the two incidents occurred. These activities were held for the 36th time in fiscal 2020. On the occasion of the 20th anniversary of the food contamination incident at Snow Brand Milk Products in 2000, we set the course for future activities on the Days of Pledging to Strongly Recognize and Fulfill Food Responsibility. In June, we decided to hold activities under the theme of not letting the incident fade from memory and remembering it correctly, and in January under the theme of contributing to society as people who are involved with food.

In June 2020, from the standpoint of preventing the spread of COVID-19, we did not have opinion exchanges, but instead conducted viewings of video footage of information on the incidents, titled "Overview" and "Interview Library," and had employees fill out worksheets. In January 2021, we watched the video footage of a lecture by Mr. Ikuro Nakamura, Planning Division, Food Industry Bureau, Ministry of Agriculture, Forestry and Fisheries, on the "SDGs and the Food Industry—The Societal Roles Expected of Megmilk Snow Brand."

Screenshot from the online lecture of Mr. Ikuro Nakamura, Ministry of Agriculture, Forestry and Fisheries

The aforementioned video footage of information on the incidents was produced with the aim of recognizing the essential problems behind the two incidents and continuing to ensure the thorough implementation of food responsibility and corporate ethics, and we are using them in CSR Group Activities, etc. as important documentation to pass down the lessons of the incidents to future generations and as a tool to encourage employees to always consider such incidents personally, to think about them, and to do the right thing.

Risk Management

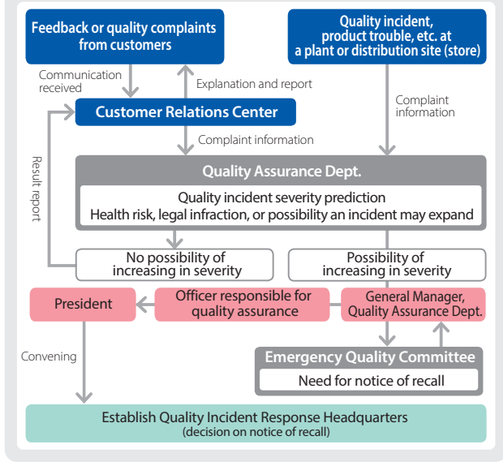
Risk Management Structure

Megmilk Snow Brand addresses incidents and problems with its products and services promptly and appropriately, and it also manages Group companies' risks.

Quality Incident Response

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

Risk Management Structure (Quality Incident Response)



Risk Liaison Committee

In principle, Risk Liaison Committee meetings are held weekly at the Company's head office to manage risks and issues throughout the entire Group. The meetings are attended by the President, Executive Vice President, Audit & Supervisory Committee Members, the respective directors in charge and General Managers of the General Affairs Dept., Quality Assurance Dept., Corporate Social Responsibility Dept., Public Relations & Investor Relations Dept., and Personnel Dept. In addition to product quality, the committee also promotes the rapid sharing of information concerning other trouble and risk incidents, and checks on the response to risk incidents. In fiscal 2020, the meetings among managers responsible for group crises were held using documents due to COVID-19, and the response to any crises were confirmed by the Megmilk Snow Brand Group overall.

Whistleblowing System

The Megmilk Snow Brand Group has established both an internal whistleblowing hotline, the Megmilk Snow Brand Hotline, and an external hotline (attorney) for external whistleblowing consultations, both of which are available to the entire Group. Both hotlines serve to address all matters, not only serious incidents such as legal infractions, violations of internal regulations, and harassment claims, but also issues such as consultation regarding work-related questions and proposals. Whistleblowing claims brought to the hotlines are investigated with a focus on prioritizing the protection and privacy of the whistleblower. We use our internal CSR Information Journal and other media to encourage employees to utilize the hotline.

Installation of Emergency Power Generators

The power outages throughout Hokkaido caused by the Hokkaido Eastern Iburi earthquake in 2018 and other natural disasters such as torrential rains and typhoons have reconfirmed the need to reinforce infrastructure that is critical to society. Accordingly, the Group invested 1.4 billion yen to introduce emergency power generators. This will maintain the plant infrastructure in the event of power outages at the following plants in Hokkaido and enable plant functions to be quickly restored after power returns.

Plants in which Generators have been Installed

- Sapporo Plant (Sapporo City, Hokkaido)
- Okoppe Plant (Okoppe Town, Hokkaido)
- Horonobe Plant (Horonobe Town, Hokkaido)
- Isobunnai Plant (Shibecha Town, Hokkaido)

Plans for fiscal 2021 Betsukai Plant, Nakashibetsu Plant, Taiki Plant

Emergency power generator (Isobunnai Plant)

Operating Results and Financial Analysis (FY2020)

Analysis of Operating Results

Status of Operations

In accordance with the Megmilk Snow Brand Group Medium-term Management Plan 2022, the Group moved forward with initiatives to establish earnings bases in the four business segments of Dairy Products, Beverages and Desserts, Nutrition, and Feedstuffs and Seed Products. In particular, we pursued this via strategic expansion of mainstay products focusing on functional yogurt, as well as other yogurt and cheese products. Another key component of the effort was improving the product portfolio, both with the scale expansion and earnings acquisition obtained from continued marketing investment in the Nutrition business, as well as strategic expansion and maintenance of a foundation for earnings in the Seed Products business. In addition, we endeavored to fortify the Group's comprehensive strengths by optimizing the use of Group management resources and enhancing productivity in the value chain.

As a result, for the fiscal year under review, consolidated net sales were up 0.3% year on year to 615.1 billion yen, operating profit was up 9.9% to 19.7 billion yen, ordinary profit was up 10.1% to 21.6 billion yen, and profit attributable to owners of parent was up 22.6% to 14.9 billion yen.

Net Sales

(1) Dairy Products Segment
(Dairy Products Business and Nutrition Business)

With the impact of the COVID-19 pandemic, in-home consumption demand rose, buoying household products. On the other hand, commercial products hit headwinds as fewer people dined out. The impact was felt differently depending upon the sales channel. Amid this situation, our ongoing efforts to ensure a stable supply delivered performance even with the previous fiscal year for butter products. Aggressive promotional efforts helped drive favorable performance for margarine in the first half, but fourth-quarter sales fell short compared to the high level recorded in that quarter in the previous fiscal year due to the surge in stay-at-home demand. Rising demand for cheese as a household snack and favorable results for Sakeru Cheese and other natural cheese products were among the factors that drove a slight uptick in cheese sales. In the e-commerce business, which has been brisk due to the COVID-19 pandemic, functional foods recorded growth thanks to ongoing marketing investments. As a result of all these factors, net sales in the segment were 262.3 billion yen, up 5.3% over the previous fiscal year.

(2) Beverage and Dessert Segment

The spread of COVID-19 spurred brisk at-home demand for beverages. However, sales at convenience stores and other sites declined as people had fewer chances to go out, and consequently sales declined for milk, milk-based beverages, and other beverages. Sales of yogurt declined, buffeted by the rising impact of attention paid to other products in the market that enhance immunity, and despite our promotional efforts to emphasize the product value of both Gasseri SP Strain Yogurt and Nyu-San-Kin Helve Yogurt. Through efforts to bolster our product lineup, such as by launching new products, as well as rising at-home demand, dessert performance in the segment was favorable. As a result of all these factors. net sales in the segment declined 3.3% year on year, to 274.4 billion yen.

(3) Feedstuffs and Seed Segment

Net sales in this segment fell 0.8% year on year to 43.3 billion yen due to lower sales volume for grass, feed crop seed and feedstuffs, as well as a decline in the landscaping business.

The Other segment, which includes real estate rental and joint distribution center services, contributed 35.0 billion yen, down 4.5%, bringing total consolidated net sales to 615.1 billion yen, a 0.3% increase of 1.7 billion yen over the previous fiscal year.

Operating Profit

Offsetting the impact of increased operating costs, rising sales volumes of household items in the Dairy Products segment, a decline in fixed costs, and efforts to streamline advertising and promotion costs, among other factors, delivered a 9.9% increase in operating profit year on year, to 19.7 billion yen.

Analysis of Financial Status

Assets

Total assets at the end of this consolidated fiscal year were up 28.2 billion yen compared to the end of the previous fiscal year, to 398.6 billion yen. This was primarily due to increases in buildings and structures, machinery, equipment and vehicles, and investment securities.

Liabilities and Net Assets

Total liabilities as of the end of the consolidated fiscal year were up 8.0 billion yen year on year to 200.3 billion yen. This was primarily due to a decrease in accounts payable–other, while loans payable increased with capital procurement.

Total net assets as of the end of the consolidated fiscal year were up 20.1 billion yen year on year to 198.2 billion yen. This was mainly attributable to increases in retained earnings and valuation difference on available-for-sale securities.

Cash Flow Analysis

Cash Flows from Operating Activities

Net cash provided by operating activities was 26.5 billion yen, compared to 24.3 billion yen in the previous fiscal year. The 2.2 billion yen increase over the previous fiscal year was mainly attributable to increases in profit before income taxes and notes and accounts payable–trade, offsetting higher notes and accounts receivable–trade and income taxes paid.

Cash Flows from Investing Activities

Net cash used in investing activities was 27.0 billion yen, compared to 16.6 billion yen in the previous fiscal year. The 10.4 billion yen increase was mainly attributable to an increase in purchase of property, plant and equipment and intangible assets, even though there were higher proceeds from sales of property, plant and equipment and intangible assets.

Cash Flows from Financing Activities

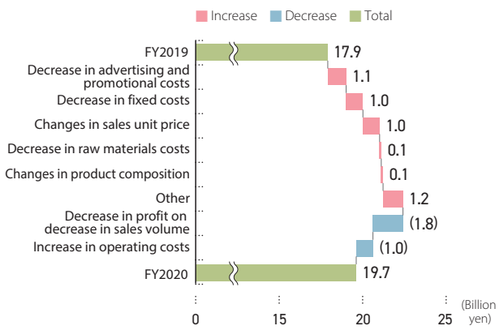
Net cash provided by financing activities was 6.7 billion yen, compared to 6.6 billion yen used in the previous fiscal year. The 13.4 billion yen increase was primarily due to an increase in proceeds from long-term loans payable and a decrease in repayment of long-term loans payable.

Consolidated Net Sales and Operating Profit by Segment

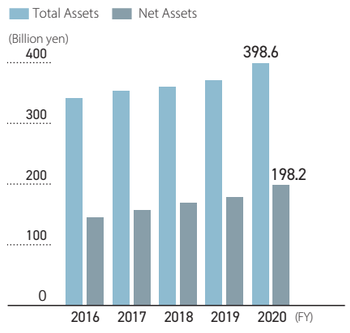
(Unit: billion yen)

	FY2019	FY2020	Change
Net Sales	613.4	615.1	1.7
Dairy Products	249.0	262.3	13.2
Beverage and Dessert	283.9	274.4	(9.4)
Feedstuffs and Seed	43.7	43.3	(0.3)
Other	36.6	35.0	(1.6)
<Reference> Net Sales in Nutrition Business (Reported under Dairy Products Segment)			
Nutrition	18.4	19.1	0.7
Operating Profit	17.9	19.7	1.7
Dairy Products	11.5	13.6	2.1
Beverage and Dessert	5.2	4.1	(1.0)
Feedstuffs and Seed	1.0	1.1	0
Other	0.1	1.0	0.8

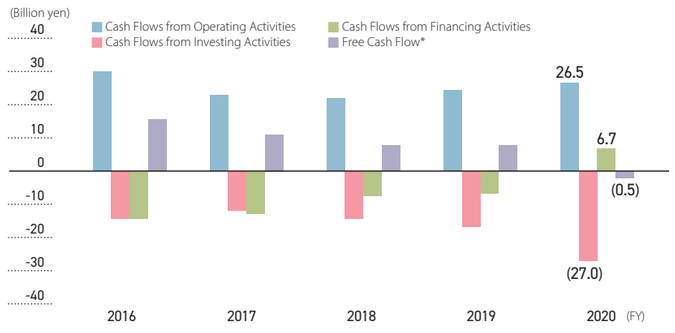
Causes of Net Changes in Consolidated Operating Profit



Total Assets / Net Assets



Cash Flow



* Cash flows from operating activities + cash flows from investing activities

Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	15,536	21,840
Notes and accounts receivable–trade	71,880	71,710
Merchandise and finished goods	42,998	43,881
Work in process	1,044	1,114
Raw materials and supplies	14,954	14,931
Accounts receivable–other	3,505	6,957
Other	1,678	1,657
Allowance for doubtful accounts	(410)	(377)
Total current assets	151,187	161,716
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,497	55,547
Machinery, equipment and vehicles	54,136	60,434
Tools, furniture and fixtures	3,914	4,309
Land	49,910	47,774
Lease assets	4,917	4,230
Construction in progress	11,654	4,981
Total property, plant and equipment	171,031	177,277
Intangible assets		
Lease assets	253	184
Software	1,854	1,859
Right of using facilities	658	608
Goodwill	719	645
Other	241	215
Total intangible assets	3,727	3,512
Investments and other assets		
Investment securities	34,807	44,517
Long-term prepaid expenses	364	277
Net defined benefit asset	2,246	4,024
Deferred tax assets	3,006	3,092
Other	4,317	4,466
Allowance for doubtful accounts	(255)	(234)
Total investments and other assets	44,487	56,143
Total non-current assets	219,246	236,933
Total assets	370,434	398,650

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	55,354	55,002
Electronically recorded obligations–operating	5,436	4,784
Short-term loans payable	16,514	16,409
Current portion of long-term loans payable	1,626	15,623
Lease obligations	910	793
Accounts payable–other	19,843	12,334
Income taxes payable	3,740	3,521
Accrued expenses	7,752	8,019
Deposits received	561	633
Provision for bonuses	5,212	5,293
Other	3,366	6,144
Total current liabilities	120,319	128,558
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	35,129	32,046
Long-term deposits received	4,997	5,018
Lease obligations	5,212	4,502
Deferred tax liabilities	858	5,149
Deferred tax liabilities for land revaluation	3,959	3,815
Provision for directors' retirement benefits	20	20
Provision for gift token exchange	79	68
Net defined benefit liabilities	10,017	9,570
Asset retirement obligations	1,298	1,331
Other	446	312
Total non-current liabilities	72,019	71,835
Total liabilities	192,339	200,394
Net assets		
Shareholders' equity		
Capital stock	20,000	20,000
Capital surplus	17,606	17,607
Retained earnings	125,489	137,941
Treasury stock	(4,961)	(5,355)
Total shareholders' equity	158,134	170,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,747	16,952
Deferred gains or losses on hedges	(88)	(3)
Revaluation reserve for land	8,815	8,570
Foreign currency translation adjustment	(142)	(48)
Remeasurements of defined benefit plans	(2,354)	(449)
Total accumulated other comprehensive income	16,977	25,020
Non-controlling interests	2,982	3,042
Total net assets	178,094	198,255
Total liabilities and net assets	370,434	398,650

Consolidated Statements of Income

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net sales	613,405	615,186
Cost of sales	470,209	472,574
Gross profit	143,196	142,612
Selling, general and administrative expenses		
Selling expenses	106,174	104,499
General and administrative expenses	19,022	18,331
Total selling, general and administrative expenses	125,197	122,831
Operating profit	17,998	19,780
Non-operating income		
Interest income	9	7
Dividend income	748	737
Equity in earnings of affiliates	1,085	1,233
Other	978	1,045
Total non-operating income	2,821	3,024
Non-operating expenses		
Interest expenses	346	410
Compensation expenses	46	166
Other	746	565
Total non-operating expenses	1,140	1,142
Ordinary profit	19,680	21,662
Extraordinary income		
Gain on sales of non-current assets	13	2,678
Gains on sales of investment securities	94	18
Other	—	455
Total extraordinary income	107	3,152
Extraordinary loss		
Loss on sales of non-current assets	2	477
Loss on retirement of non-current assets	1,707	1,486
Impairment loss	576	1,282
Loss on fire damage	550	63
Other	66	349
Total extraordinary loss	2,903	3,659
Profit before income taxes	16,885	21,156
Income taxes - current	5,057	5,589
Income taxes - deferred	(464)	588
Total income taxes	4,593	6,177
Profit	12,291	14,978
Profit attributable to non-controlling interests	126	64
Profit attributable to owners of parent	12,165	14,913

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Profit	12,291	14,978
Other comprehensive income		
Valuation difference on available-for-sale securities	135	6,084
Deferred gains or losses on hedges	65	84
Foreign currency translation adjustment	32	80
Remeasurements of defined benefit plans	(405)	1,869
Share of other comprehensive income of entities accounted for using the equity method	150	167
Total other comprehensive income	(20)	8,286
Comprehensive income	12,271	23,265
(Breakdown)		
Comprehensive income attributable to owners of parent	12,146	23,202
Comprehensive income attributable to non-controlling interests	124	62

Consolidated Statements of Cash Flows

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	16,885	21,156
Depreciation and amortization	16,157	15,917
Impairment loss	576	1,282
Equity in (earnings) losses of affiliates	(1,085)	(1,233)
Amortization of goodwill	92	89
Increase (decrease) in allowance for doubtful accounts	(86)	(53)
Increase (decrease) in provision for bonuses	221	80
Decrease (increase) in net defined benefit asset	(341)	(582)
Increase (decrease) in net defined benefit liability	249	1,062
Increase (decrease) in provision for gift token exchange	(9)	(10)
Loss (gain) on sales and retirement of non-current assets	1,704	(714)
Interest and dividend income received	(758)	(745)
Interest expenses	346	410
Decrease (increase) in notes and accounts receivable–trade	3,271	(137)
Decrease (increase) in inventories	(2,864)	(939)
Increase (decrease) in notes and accounts payable–trade	(3,422)	(231)
Other	(4,024)	(3,693)
Subtotal	26,911	31,656
Interest and dividend income	1,039	1,101
Interest expenses paid	(388)	(393)
Income taxes paid	(3,239)	(5,796)
Net cash provided by (used in) operating activities	24,322	26,567
Cash flows from investing activities		
Payments into time deposits	—	(10)
Proceeds from withdrawal of time deposits	50	12
Payments of loans receivable	(66)	(295)
Collection of loans receivable	44	159
Purchase of property, plant and equipment and intangible assets	(16,705)	(31,122)
Proceeds from sales of property, plant and equipment and intangible assets	100	4,171
Purchase of investment securities	(109)	(17)
Proceeds from sales of investment securities	123	67
Other	(67)	(40)
Net cash provided by (used in) investing activities	(16,629)	(27,076)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(523)	(105)
Proceeds from long-term loans payable	920	12,540
Repayment of long-term loans payable	(3,226)	(1,626)
Purchase of treasury stock	(19)	(394)
Cash dividends paid	(2,708)	(2,705)
Cash dividends paid to non-controlling interests	(2)	(2)
Other	(1,091)	(933)
Net cash provided by (used in) financing activities	(6,651)	6,771
Effect of exchange rate on cash and cash equivalents	9	42
Net increase (decrease) in cash and cash equivalents	1,052	6,305
Cash and cash equivalents at beginning of period	14,303	15,524
Increase in cash and cash equivalents from newly consolidated subsidiaries	168	—
Cash and cash equivalents at end of period	15,524	21,829

Corporate and Investor Information (As of March 31, 2021)

Megmilk Snow Brand Corporate Overview

Corporate name	MEGMILK SNOW BRAND Co., Ltd.
Business	Production and sales of milk, dairy products, beverages, and other foods
Registered head office	1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido
Head office	5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo

Established	October 1, 2009
Representative Director and President	Keiji Nishio
Capital	20 billion yen
Fiscal year closing date	March 31
No. of employees (consolidated)	5,669
Stock exchange listing	Tokyo Stock Exchange, Sapporo Securities Exchange
Securities code	2270
Shareholder ledger trustee	Mizuho Trust & Banking Co., Ltd.

External Ratings

Rating and Investment Information, Inc. (R&I)
(Issuer credit rating announced August 2020)

A-

DBJ Environmental Rating
Under the DBJ Environmental Rated Loan Program, which is carried out by the Development Bank of Japan Inc., Megmilk Snow Brand was in 2016 assessed as being a "company with sufficient environmental initiatives."

DBJ 環境格付 2016

Sompo Sustainability Index
An environmental, social, and corporate governance (ESG) index designed by Sompo Japan Nipponkoa Asset Management Co., Ltd. (SNAM). Megmilk Snow Brand has been selected for inclusion on the SNAM Sustainability Index for ten consecutive years, ever since it was first instituted in 2012.

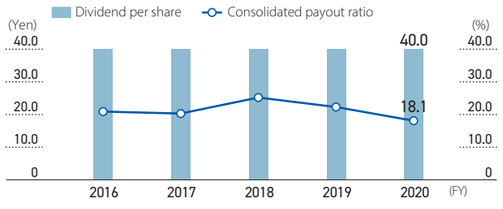
2021 Sompo Sustainability Index

IR Activity Results

(FY)

	2018	2019	2020
Financial results briefings for investors/analysts	2	2	4
Small meetings	11	11	8
Those attended by the president	2	2	2
Individual meetings	117	96	62
Individual investors' briefings	4	6	0

Shareholder Returns

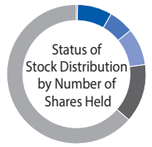


IR Calendar

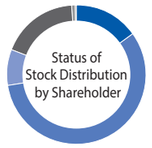
Status of the Company's Stock

Total number of shares ..... 280,000,000 shares
Total number of issued shares ..... 70,751,855 shares
Number of shareholders 44,275

Status of Stock Distribution



100 shares or less	291 thousand shares	0.43%
100 to 999 shares	5,478 thousand shares	8.09%
1,000 to 9,999 shares	3,860 thousand shares	5.70%
10,000 to 99,999 shares	5,911 thousand shares	8.73%
100,000 to 499,999 shares	9,131 thousand shares	13.49%
500,000 shares or more	43,016 thousand shares	63.56%



Individuals	10,222 thousand shares	15.10%
Financial institutions	38,904 thousand shares	57.47%
Other domestic companies	5,724 thousand shares	8.46%
Foreign entities	12,131 thousand shares	17.92%
Securities companies	670 thousand shares	0.99%
Others	37 thousand shares	0.06%

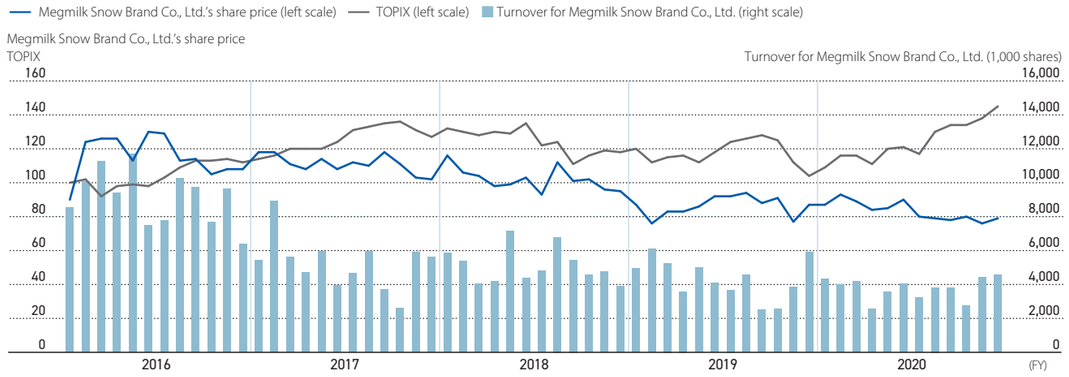
(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although the Company holds 3,061,354 shares of treasury stock, the Company is excluded from the above list.

Major Shareholders (Top 10)

Shareholder Name	Shares Held (1,000 shares)	Investment Ratio (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237	13.64
The Norinchukin Bank	6,728	9.93
The Master Trust Bank of Japan, Ltd. (Trust account)	4,183	6.18
Custody Bank of Japan, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	3,703	5.47
Custody Bank of Japan, Ltd. (Trust Account)	3,490	5.15
STATE STREET BANK AND TRUST COMPANY 505001	1,589	2.34
Megmilk Snow Brand Employee Shareholding Association	1,188	1.75
MUFG Bank, Ltd.	1,083	1.60
HOKUREN Group	1,074	1.58
National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN)	1,008	1.48

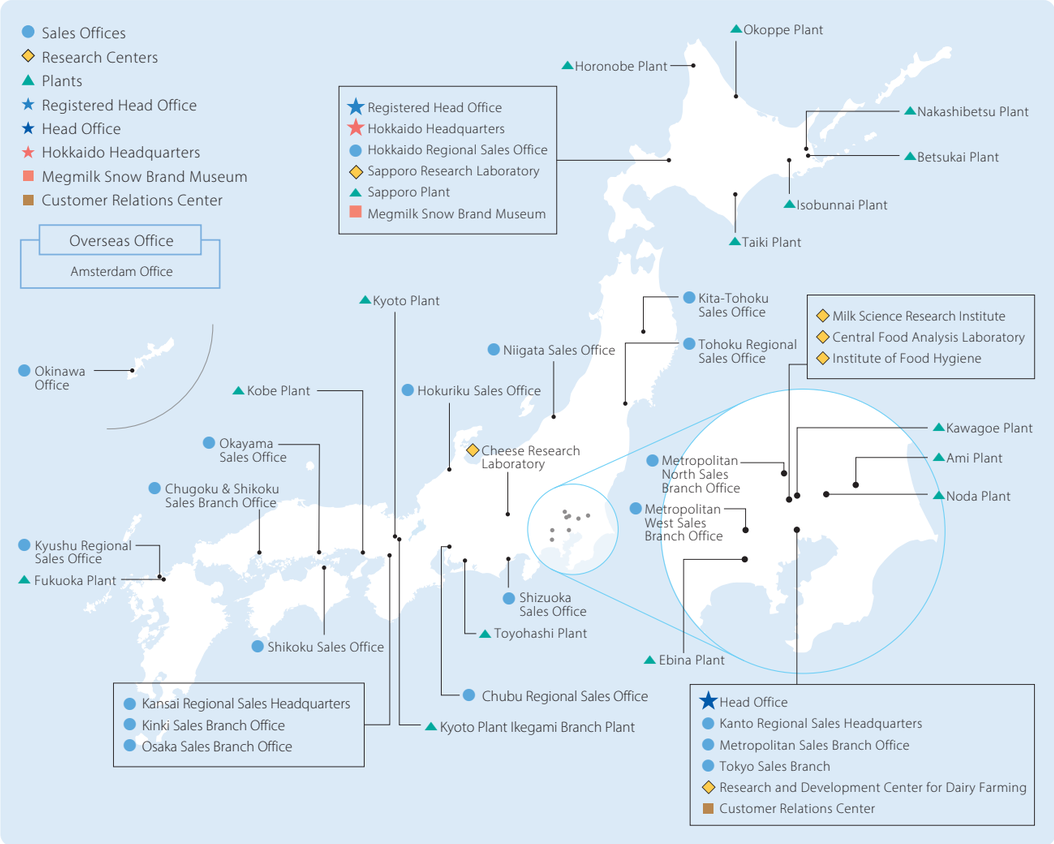
(Note 1) Number of shares displayed rounded off to nearest 1,000 shares.
(Note 2) Although Megmilk Snow Brand holds 3,061,354 shares of treasury stock, the Company is excluded from the above list of major shareholders. Calculations of investment ratio exclude treasury stock.

Trends in Share Price and Turnover

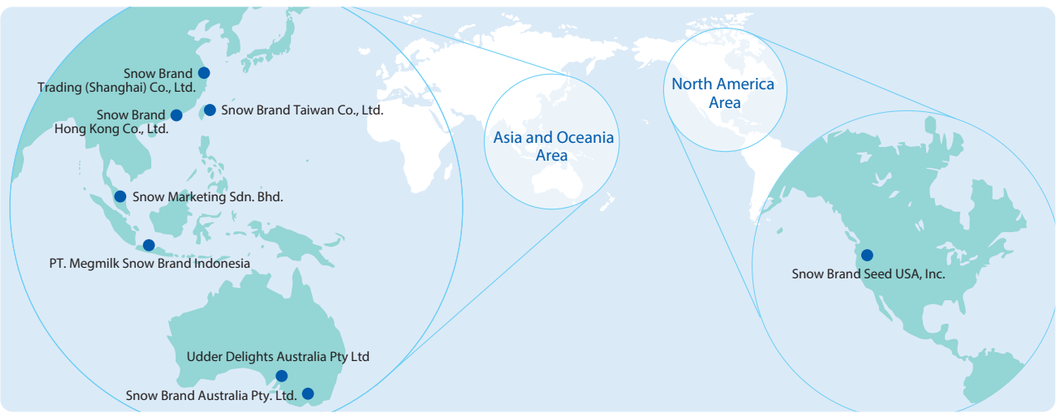


(Note) Trends for the share price and TOPIX are calculated using March 31, 2016 as 100. (Monthly, Based on the closing price)

Megmilk Snow Brand List of Offices



Megmilk Snow Brand Overseas Group Companies



Information Disclosure System

Financial-related Information

Integrated Report

Megmilk Snow Brand Report 2021

The Company consolidates information vital to the Megmilk Snow Brand Group, and conveys its value creation story for sustainable growth.

Website

Investors

- Financial Results
- Financial Results Supplementary Materials
- Fact Sheet

Non-Financial-related Information

Website

CSR Initiatives

- Message from the President
- Megmilk Snow Brand Group CSR Policy
- CSR Material Issues
- ESG Data

Editorial Policy

The Megmilk Snow Brand Group has issued this Megmilk Snow Brand Report to share the Group's approach and initiatives to achieve medium- and long-term sustainable growth in the hope that a broad range of readers, including shareholders and investors, will gain a better understanding of the Group. Please note that the latest financial and non-financial related information, including information that this report could not accommodate, is available at the Megmilk Snow Brand corporate website.

1. We Reflect External Opinions in This Report.
The views and requests of the Corporate Ethics Committee were reflected in preparing this report.

2. Terminology for Managerial Positions
Megmilk Snow Brand Co., Ltd. refers to administrative positions as managerial positions. In this report, "managerial position" is used to standardize the terminology.

Disclaimer
Earnings forecasts and other statements concerning the future in this report are projections made by Megmilk Snow Brand Group based on information available at the time of writing and are not intended as a guarantee that Megmilk Snow Brand Group will achieve these forecasts. Actual business results may differ from the forecasts in this report depending on changes in business conditions and other factors.

Caution
This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Period Reported
FY2020 (April 1, 2020 to March 31, 2021)
Information from other periods is included as necessary.

Report Boundary
The information contained in this report refers to the Megmilk Snow Brand Group (Megmilk Snow Brand Co., Ltd. and its Group companies). However, this report is not a comprehensive indication of all information relevant to applicable companies. Initiatives with no company name listed are initiatives of Megmilk Snow Brand Co., Ltd.

Referenced Guidelines
- International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)
- GRI Standards
- ISO 26000: Guidelines on Social Responsibility
- Guidance for Collaborative Value Creation by Ministry of Economy, Trade and Industry

Publication Period
This issue: November 2021
Next issue: Autumn 2022 (planned)
(This report is published annually.)

Inquiries
Megmilk Snow Brand Co., Ltd.
CSR Department
5-1, Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo
Tel. +81-3-3226-2064 Fax. +81-3-3226-2163

MEGMILK
SNOW BRAND

The cover photo is intended for
illustrative purposes only.

Published in November 2021