

May 25, 2018

Company name: MEGMILK SNOW BRAND Co., Ltd.
 Representative: Keiji Nishio, Representative Director and President
 (Stock code: 2270, TSE 1st Section/SSE)
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New Management Structure in Our Subsidiary (SNOW BRAND SEED Co., Ltd.)
 (For Recurrence Prevention and to Recover Trust)

MEGMILK SNOW BRAND announces today that our subsidiary SNOW BRAND SEED Co., Ltd. (main office: Sapporo; President: Mitsuo Takayama; hereinafter “SNOW BRAND SEED”) has held an extraordinary general meeting of shareholders and a Board of Directors’ meeting and passed a resolution for a new management structure as below.

We take seriously the great inconvenience caused to all our customers, concerned officials and other stakeholders due to the labeling in violation of the Plant Variety Protection and Seed Act and breed falsification. We will strive to prevent the recurrence of this and recover trust under the new management structure.

In addition, we also report on the punishments to officials related to this matter and the state of progress in responding to our customers.

1. New Management Structure of SNOW BRAND SEED (Directors and Auditors) as of May 25

Title	Name	Responsibilities
President	Mitsuo Takayama	Management in general
Vice-President	Koichi Kasamatsu	Assisting the President, in charge of the Management Planning Office and General Manager of the Management Division
Director, Senior Managing Executive Officer	Hiroaki Konishi	General Manager of the R&D Division, in charge of quality assurance and in charge of compliance
Director and Senior Managing Executive Officer	Takashi Kubo	General Manager of the Sales Division and in charge of the landscape gardening business
External Director	Koichiro Oba	
Director	Yasuo Ikeura	

Auditor	Setsuya Omori	
Auditor	Akira Matsuo	
Auditor	Kotaro Yamashita	

*Koichiro Oba is a lawyer (Marunouchi Sogo Law Office) who has been invited to serve as External Director.

*We appointed Hiroaki Konishi as Director from our company to strengthen management control.

*Shinji Iwamida, Director, and Ryota Shiraishi, Auditor, have resigned.

2. Reduction in Officer Remuneration

We take this situation seriously and so we have decided to reduce part of our officer remuneration as below.

(1) SNOW BRAND SEED

We will reduce the monthly remuneration of a total of six officers (e.g. the President, the Vice-President, and the Directors, Senior Managing Executive Officers) by 10% to 30% for two to three months based on their past supervisory responsibilities.

(2) MEGMILK SNOW BRAND

We will reduce the monthly remuneration of a total of four officers (the Representative Director and President, the two Representative Directors and Vice-Presidents, and a Director and Senior Managing Executive Officer) by 10% to 30% for two to three months based on their past supervisory responsibilities.

3. State of Progress in Our Response to Our Customers

We have visited or written to customers and related organizations, centered on the primary sales destinations of 1,257 incidents, to apologize and explain about the state of progress as of May 23. In addition, we are visiting dairy farmers and all our other producers individually to apologize and explain the situation.

(1) Labeling Violations

We have targeted shipments from January of last year for the return and replacement of products with labeling violations. We have contacted customers in all 747 incidents. We have dealt with the return of products for which inventory has been confirmed. The quantity of this was 4,212 kg.

(2) Breed Falsification

We visited customers in all 62 incidents to whom we shipped four items in two breeds acknowledged in the third party committee investigation report to apologize and make a report to them. We are continuing to investigate all the facts and we will respond in good faith.

4. Recurrence Prevention Measures

We will work on the complete implementation of recurrence prevention measures based on the recommendations of the third party committee investigation report under the management

structure we have now reformed. First, we will promptly launch a compliance committee as an advisory body of the Board of Directors and a labeling subcommittee as an expert committee of that. We will invite experts outside the company to join the compliance committee and labeling subcommittee as members. The labeling subcommittee will also incorporate legal checks with eyes from outside the company. In addition, we will work to reform our corporate culture. We will do this through ongoing workplace discussions at all our business sites centered on the compliance office that has already started this activity.