

Corporate Governance

Management Organization (As of June 28, 2023)


Directors	1	2	3	4
	Area of Responsibility	Number of Megmilk Snow Brand Shares Held	Period Serving as Director	Attendance at Board of Directors Meetings
	5			6
				6



Masatoshi Sato
Representative Director and President

- 1 Overall management
- 2 3,641 shares
- 3 1 year
- 4 13/13
- 5 4/5
- 6 7/7

Mr. Sato possesses abundant experience and wide-ranging insight as a manager. He is also well-versed in Megmilk Snow Brand's businesses, such as the household products business, and demonstrates leadership as a Chief Executive Officer by clearly setting forth management policies. Accordingly, the Company has determined that he possesses experience and ability befitting the role of Representative Director and President and appointed him to the position.



Tomomi Ishii
Representative Director and Executive Vice President

- 1 Overall management (operations management) and assistant to the President, in charge of General Affairs and Secretarial Dept.
- 2 1,400 shares
- 3 1 year
- 4 13/13
- 5 4/4
- 6 6/6

Mr. Ishii possesses abundant experience and wide-ranging insight as a manager. He is also familiar with fields such as livestock, feedstuffs, and others, and demonstrates leadership as a top manager. Accordingly, the Company has determined that he possesses experience and ability befitting the role of Representative Director and Executive Vice President and appointed him to the position.



Hideki Motoi
Representative Director and Executive Vice President

- 1 Overall management (administration management) and assistant to the President, in charge of Personnel and Internal Audit
- 2 6,690 shares
- 3 7 years
- 4 18/18

Mr. Motoi possesses abundant experience and wide-ranging insight as a corporate manager. He is familiar with fields such as management planning, personnel, finance, information systems, and others, and demonstrates leadership as a top manager. Accordingly, the Company has determined that he possesses experience and ability befitting the role of Representative Director and Executive Vice President and appointed him to the position.



Takehiko Inoue
Director and Managing Executive Officer

- 1 In charge of Production and Production Technology General Manager, Production Dept.
- 2 2,127 shares
- 3 3 years
- 4 18/18

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

- 1 Director and Managing Executive Officer in charge of Dairy Foods Marketing, Milk Beverages & Desserts Marketing, and Functional Food Marketing
- 2 3,933 shares
- 3 2 years
- 4 18/18

Mr. Inaba has experience as General Manager of the Corporate Planning Div. and as a president of a Group company, and is particularly familiar with Group management, the nutrition business, and the dairy foods business. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Ryoichi Sueyasu
Director and Managing Executive Officer

- 1 In charge of International Dept. and Purchasing
- 2 9,244 shares
- 3 1 year
- 4 12/13

Mr. Sueyasu possesses abundant experience in distribution, purchasing, and overseas business, and particularly has handled core responsibilities for the Group's overseas business. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Teiji Iwahashi
Director and Managing Executive Officer

- 1 In charge of Affiliated Company Control, Deputy Manager of General Affairs
- 2 1,614 shares
- 3 1 year
- 4 13/13

Mr. Iwahashi possesses abundant experience in the consumer dairy foods business and milk beverages and desserts business, and he has also handled responsibilities core to Group management. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Kumiko Bando
External Director

- 1 —
- 2 149 shares
- 3 1 year
- 4 13/13
- 5 4/4
- 6 6/6

Although Ms. Bando has not been previously involved directly in corporate management, given her abundance of experience dealing with administrative, consumer, and other issues, she is expected to provide important advice and supervision for our focus on consumers. She also possesses a great deal of experience and knowledge about matters such as human rights, diversity, work-life balance, and contributing to local communities and partnerships. Accordingly, the Company determined that she can provide constructive advice and appointed her as Independent Officer.



Hiroshi Fukushi
External Director

- 1 —
- 2 500 shares
- 3 1 year
- 4 13/13
- 5 4/4
- 6 6/6

Mr. Fukushi has an abundance of multifaceted experience, including overseas and business management experience, research and development experience, and promotion of corporate reforms as CDO. He is expected to provide advice on the growth strategy of the Megmilk Snow Brand Group. The Company also believes that he can provide guidance based on his knowledge as an experienced manager of a company that is making leading efforts toward sustainability, and thus appointed him as Independent Officer.



Shinya Kosaka
Director serving as Audit & Supervisory Committee Member

- 1 Full-time Audit & Supervisory Committee Member
- 2 14,491 shares
- 3 3 years
- 4 18/18
- 5 4/4
- 6 6/6

As Mr. Kosaka has abundant experience in the Management section 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 a Director serving as an Audit & Supervisory Committee Member.



Ikuo Nishikawa
External Director, Audit & Supervisory Committee Member

- 1 Audit & Supervisory Committee Member
- 2 2,376 shares
- 3 7 years
- 4 18/18
- 5 5/5
- 6 7/7

Although Mr. Nishikawa has not been previously involved directly in corporate management, he 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.



Akito Hattori
External Director, Audit & Supervisory Committee Member

- 1 Audit & Supervisory Committee Member
- 2 1,289 shares
- 3 5 years
- 4 18/18
- 5 4/5
- 6 7/7

As Mr. Hattori 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.

Board of Directors Skill Matrix

Name and Role	Position	Corporate Management Management Strategy	Global	Financial Accounting	Legal Affairs Risk Management	Consumer Perspective Sustainability	Sales Marketing	Production and Technology R&D SCM	Dairy Farming and Procurement Agricultural Management Foundation	Personnel Management and Labor Relations Human Resources Development
Masatoshi Sato	Representative Director and President	●				●	●		●	
Tomomi Ishii	Representative Director and Executive Vice President	●					●		●	
Hideki Motoi	Representative Director and Executive Vice President	●		●	●	●				●
Takehiko Inoue	Director and Managing Executive Officer					●		●		
Satoshi Inaba	Director and Managing Executive Officer	●					●			
Ryoichi Sueyasu	Director and Managing Executive Officer		●				●	●	●	
Teiji Iwahashi	Director and Managing Executive Officer				●		●			
Kumiko Bando	Director (External)				●	●				●
Hiroshi Fukushi	Director (External)	●	●			●	●	●		
Shinya Kosaka	Director serving as Audit & Supervisory Committee Member	●		●	●		●			
Ikuo Nishikawa	External Director serving as Audit & Supervisory Committee Member			●						
Akito Hattori	External Director serving as Audit & Supervisory Committee Member				●					

Executive Officers

Managing Executive Officers

Masato Koitabashi
In charge of Dairy Farming

Yoshihiro Kawasaki
In charge of Research & Development Center for Dairy Farming, Deputy Planning, Products Development, Milk Science Research Institute, Quality Assurance

Seiji Tobe
In charge of Research & Development Center for Dairy Farming, Deputy General Manager in Charge of Dairy Farming (General Manager in Charge of Research & Development Center for Dairy Farming)

Seiki Hori
In charge of Administration and Logistics, and Deputy Manager of Personnel

Takashi Mori
In charge of Corporate Planning Div. (General Manager, Corporate Planning Div.)

Seiki Todaka
In charge of Accounting and IT Planning, and Deputy General Manager responsible for Public Relations & Investor Relations

Fumi Hatamoto
In charge of Sustainability, Public Relations, and Investor Relations, General Manager responsible for Affiliated Company Control (General Manager, Sustainability Promotion Dept.)

Yoshirou Ohta
In charge of Supervising Household Products Division, National Chain Store Sales, Deputy Manager of Household Products Dept., Marketing, Hokkaido Headquarters (General Manager, Hokkaido Headquarters)

Tomihiko Tagawa
In charge of Institutional Foods Dept.

Hiromi Tamura
Senior General Manager, Kansai Regional Sales Headquarters

Takuya Inoue
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

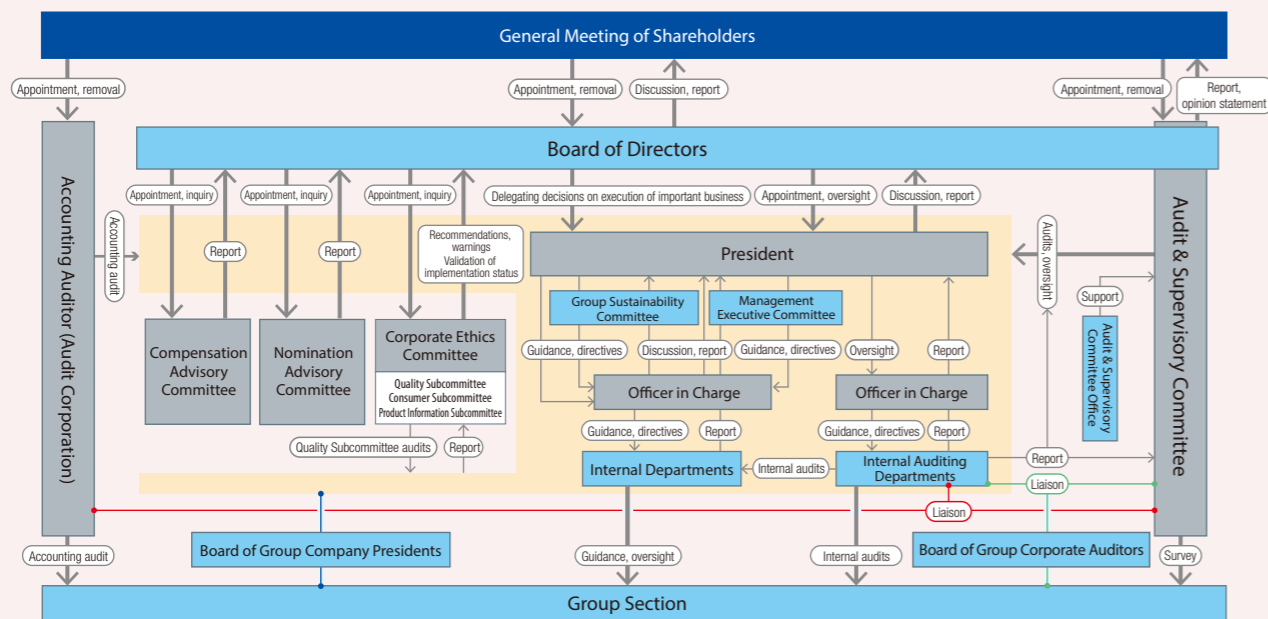
Ibaraku Co., Ltd. Toshiyuki Kitagawa	SI System Corporation Toshio Itabashi	Greenservice Co., Ltd. Yu Shibata	Cresco Corporation Fuminori Miyazaki	Kohnan Oils and Fats Mfg. Co., Ltd. Takahiro Shibata	Chesco Ltd. Hiromi Uchida
Chokuhan Haisou Co., Ltd. Yuji Kuramochi	Nichiraku Machinery Co., Ltd. Hitoshi Hatamoto	Belle Neige Direct Co., LTD. Tomohide Yoshikawa	Michinoku Milk Co., Ltd. Atsushi Yamamoto	Mitsuwa Distribution Industry Co., Ltd. Shigeru Yamaguchi	Yatsugatake Milk Industry Co., Ltd. Hiromichi Ichikawa
Snow Brand Kodomo-no-Kuni Ranch Wataru Sugino	Snow Brand Seed Co., Ltd. Koichi Kasamatsu	Snow Brand Parlor Co., Ltd. Toshihiro Nakamura	Bean Stalk Snow Co., Ltd. Shigeru Watanabe	MEGMILK SNOW BRAND Business Solution Co., Ltd. Yasuo Takeda	

Corporate Governance Basic Policy

Our basic policy is to enhance our corporate value by ensuring transparency in management, strengthening oversight functions from outside the Company, and establishing a management structure that can respond swiftly to changes in the market. In accordance with this basic policy, we actively work to strengthen governance in order to fulfill all our responsibilities to our shareholders

and stakeholders. Furthermore, as a Company with an Audit & Supervisory Committee, we have established a Board of Directors and an Audit & Supervisory Committee as stipulated in the Companies Act. We have also adopted an executive officer system in which individual business execution is delegated to executive officers, including executive directors.

Corporate Governance Organization Chart



Board of Directors

The Megmilk Snow Brand Board of Directors consists of 12 directors (including three directors also serving as Audit & Supervisory Committee Members). Among the total, four are external directors (including two Audit & Supervisory Committee Members). In addition, in accordance with the provisions of the Articles of Incorporation and resolutions of the Board of Directors, the majority of important business execution decisions are delegated to the directors, with the exception of legal matters. This system allows the Board of Directors to concentrate on matters stipulated by law as well as particularly important decisions on management basic policies and supervising the execution of business by executive officers. In principle, the Board of Directors meets once a month and as needed. The Board met a total of 18 times in the fiscal year ended March 31, 2023.

Management Executive Committee

The Management Executive Committee, consisting of the Representative Directors, the executive officers in charge of each topic, and the heads of headquarters departments, has been established as a body to discuss important matters related to business execution.

Audit & Supervisory Committee

The Committee comprises three directors serving as Audit & Supervisory Board Committee Members, two of whom - the majority - are external directors. The Audit & Supervisory Committee conducts audits of the overall status of business execution, including that of Group companies, utilizing the internal control system. In addition, to ensure the effectiveness of these activities, one full-time Audit & Supervisory Committee Member is elected from among the Audit & Supervisory Committee Members to attend important management meetings to appropriately understand and monitor the status of management execution. The Committee conducts close cooperation with regular exchanges of information and opinions with the Internal Audit Dept., Internal Control Dept., accounting auditor, Representative Directors, and others. To support these activities of the Audit & Supervisory Committee, the Audit & Supervisory Committee Office has been established and assists in the smooth execution of audits and other work.

Nomination Advisory Committee and Compensation Advisory Committee

The Nomination Advisory Committee and the Compensation Advisory Committee are established as voluntary advisory bodies to the Board of Directors, and the majority of their members are independent external directors. Each committee consists of at least three members, the majority of whom are independent external directors. In addition, the chairperson of each committee is elected by resolution from among the Committee members who are independent external directors.

The Nomination Advisory Committee deliberates on the nomination of candidates for directors (including directors who are Audit & Supervisory Committee Members), the executive structure and division of duties, and issues to be addressed as the Nomination Advisory Committee. The Compensation Advisory Committee deliberates on revisions to the executive compensation system including performance-linked compensation under the next Group Medium-Term Management Plan, setting compensation for external directors, and issues to be addressed as the Compensation Advisory 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 including the external directors, a representative of the Megmilk Snow Brand Labor Union, and internal committee members. The Corporate Ethics Committee holds regular meetings bimonthly, and serves as an external oversight entity for all aspects of business management. The validation work and recommendations for the Board of Directors conducted by the 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.



Corporate Ethics Committee

[Quality Subcommittee]

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 2022, audits were conducted at nine plants in Japan, including Group company plants.



Plant audit by the Quality Subcommittee

[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 2022, meetings were held in the Kanto and Kansai areas in December, and we received evaluations of the Megmilk Snow Brand Group's corporate activities as well as feedback on the Group's response to ethical consumption.

[Product Information Subcommittee]

This subcommittee comprises external experts in the field of labeling and applies a consumer perspective while performing checks (external oversight) of product package labeling to ensure it is easily comprehensible to consumers and information is being properly conveyed. As necessary, the subcommittee also shares information about internal labeling rules and reviews and updates the "Voluntary Product Labeling Basic Manual." In fiscal 2022, the subcommittee met six times.



Product Information Subcommittee

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 the assessment of fiscal 2022 is as follows:

Summary of the Fiscal 2022 Assessment

◆ Assessment Details

All directors (including directors who are Audit & Supervisory Committee 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 | (5) Relationship with stakeholders |
| (2) Director operations | (6) Summary |
| (3) Self-assessment | (7) Nomination Advisory Committee and Compensation Advisory Committee |
| (4) Roles and responsibilities of Board of Directors | |

◆ Summary of Results of Evaluation of the Fiscal 2022 Board of Directors Efficacy Assessment

- Self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2022.
- Response to issues identified in the previous fiscal year's Board of Directors efficacy assessment

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

- Continue discussions about the diversity of the composition of the Board of Directors and other topics that will contribute to the achievement of medium- and long-term goals.

The composition of the Nomination Advisory Committee was increased from five to seven members (four independent external members and three internal members), and active discussions were held on the composition of the Board of Directors and issues for future consideration.

- Continue efforts to invigorate deliberations further and enhance discussions related to management strategies.

- Regular report items are now made in writing to use deliberation time effectively.
- Continued early distribution of Board of Directors meeting materials and efforts to provide advance explanations to external directors about important agenda items.
- In addition to implementation of external director meetings, exchanges of opinions with the Representative Directors and external directors, and information sharing with external directors and Managing Executive Officers, active exchange of opinions were held in the process of formulating the new Group Medium-Term Management Plan.

- Augment discussions on governance of Group companies

Reports continued to be made at the Board of Directors meetings on Group companies' earnings and key topics every quarter. In addition, important matters pertaining to Group companies were reported at each Board of Directors meeting.

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

- There were reports in the Board of Directors meetings on the implementation of the Corporate Ethics Committee.
- The CSR Committee has become the Group Sustainability Committee including Group companies, and there were reports in the Board of Directors meetings on its implementation (such as progress on KPIs for material issues).

- Future initiatives

As a result of fiscal 2022 Board of Directors efficacy assessment, the following five key issues were identified as issues that the Board of Directors should continue to address.

- Continue discussions about the diversity of the composition of the Board of Directors and other topics that will contribute to the achievement of medium- and long-term goals.
- Continue efforts to invigorate deliberations further and enhance discussions related to management strategies.
- Augment discussions on governance of Group companies
- Efforts for sustainability issues.
- Enhanced discussions that take the perspective of stakeholders and address non-financial information

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.

Policy Related to Decision on Content of Compensation for Individual Directors

At the Board of Directors meeting held on February 24, 2021, Megmilk Snow Brand decided to adopt the Policy on Decisions on Compensation for Individual Directors, and then revised it at the Board of Directors meeting held on May 15, 2023. These resolutions of the Board of Directors are discussed in advance by the Compensation Advisory Committee, which is mainly composed of independent external directors. In addition, the Board of Directors confirmed that decisions on the content of the compensation for each individual director for the fiscal year under question as well as the content of the compensation decided is consistent with the policies on such decisions, and that the discussion in the Compensation Advisory Committee has been respected. Accordingly, the compensation is consistent with this policy.

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

(1) Basic Policy

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

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

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

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

1) Short-term incentive (cash bonus)

This is paid as an incentive 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.

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

The earnings indicators linked to performance are EBITDA and ROE, which assess improvements in profitability and capital efficiency. When including the portion not linked to performance, the weighting is 4:4:2 for EBITDA, ROE, and the portion not linked to performance, respectively (if each performance indicator is achieved).

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

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

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

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

Total Amount of Compensation in Fiscal 2022

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) (external directors in parentheses)	247 (16)	219 (16)	- (-)	27 (-)	12 (3)
Directors (Audit & Supervisory Committee Members) (external directors in parentheses)	42 (19)	42 (19)	-	-	3 (2)
Total (external directors in parentheses)	289 (36)	261 (36)	- (-)	27 (-)	15 (5)

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 serving as Audit & Supervisory Committee 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. They are also selected 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, and the balance and diversity of the Board of Directors will be carefully considered to ensure that no areas of expertise are overrepresented.

Candidates for director positions who are Audit & Supervisory Committee 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 Committee 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 it is reasonable to maintain shareholdings for the purpose of strengthening the Company's business and functions. Every year, the Board of Directors makes comprehensive decisions by examining the shares of listed companies that the Company owns to verify the qualitative reasons for holding each individual stock (background of purchase, stable supply of raw materials or use of distribution routes, joint development, and other transactional plans, etc.) and the quantitative benefits anticipated from acquisition

(confirmation of economic rationale). To verify the economic rationale for holding the shares, the Company compares the business revenues, the increase in BPS and dividends of the issuer whose shares have been acquired to the Company's targeted ROE benchmark of 8% and evaluates these factors.

Even for stocks that are recognized as reasonable to hold based on the abovementioned decision-making, we will gradually reduce the amount to less than 10% of net assets as a source of funds to be allocated to growth investments as determined in the Group Medium-Term Management Plan 2025, after holding dialogue with business partners.

Takeover Defense Measures

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.

A Chat with External Directors



The Megmilk Snow Brand Group is working to improve the effectiveness of its corporate governance. Toward the enhancement of corporate value in future, External Directors Kumiko Bando and Hiroshi Fukushi held a chat with Managing Executive Officer Fumi Hatamoto serving as a facilitator.

(Hatamoto) The Megmilk Snow Brand Group aims to realize "food sustainability" by promoting sustainability management based on compliance. In the Group Medium-Term Management Plan 2025 (FY2023 to FY2025) announced in May 2023, we established new material issues and KPIs that link social value and economic value. In order to



achieve our goals, we will continue discussions at the Sustainability Promotion Subcommittee and the Group Sustainability Committee to conduct specific initiatives and validation. For this chat, we have invited two external directors to give their opinions from an external perspective on the Group's sustainable growth.

Please tell us your thoughts on the Group Medium-Term Management Plan 2025 and the promotion of sustainability management.

(Bando) The point of origin of the Group is the pursuit of the social value of Kendo Kenmin (a healthy earth ensures human health) through dairy farming and the dairy industry, and I believe that we have been oriented toward sustainability management itself. However, as society itself is undergoing rapid changes and issues are becoming increasingly serious and diverse, including the global environment, international situation, demographic changes, and IT, sustainability of companies and society are becoming more and more closely linked. Addressing social issues through general corporate

activities strengthens the foundation of the company's existence, while also serving as an engine for growth through innovation generation, value creation, and new business development. I believe that boldly taking on challenges related to dairy farming, the dairy industry, and food, and pursuing social value and economic value in an integrated manner, is precisely what will open up the future of the Group.

(Fukushi) Under President Sato, we have presented the Group Medium-Term Management Plan 2025, which has the main theme of "gain resilience." The Company's slogan is "Make the Future with Milk." But to put it more positively, the future of milk is something we can create ourselves. The COVID-19 pandemic is said to have accelerated the digitalization of the world by three years. We also believe that the "protein crisis," which is said to be certain to occur in 2030, will arise three years earlier due to food and energy price hikes and supply chain fragmentation caused by the crisis in Ukraine. The Company has been a pioneer in the promotion of Japan under the slogan Kendo Kenmin, and I hope it will continue this. So, what do we mean by the future form of dairy farming? About half of the world's dairy farming is conducted in a traditional style, consumed only within the home, and can be considered to be sustainable in general. Fortunately, Japan's dairy farming is not suffering from any intensifying environmental pollution problems and other such issues. We recognize that the scale of the volatility and fluctuations in the supply chain, supply and demand aspects, and economic aspects of the chain from dairy farming to dairy product production to consumption have become a partial problem. That is why it is essential to "gain resilience." It can be said that the "protein crisis" of 2030 is a major problem for Japan, which relies on imports for much of its food, and there will

probably come a point in the future when the issue of food self-sufficiency will be taken up as a major political issue. This is a major issue for the Company as well, but we would rather see it as an opportunity to grow and create the future of the Company. I hope that before the arrival of the final year of the Group Medium-Term Management Plan 2025, there will be clarification of the envisioned future.

(Bando) In the Group Medium-Term Management Plan 2025, we have positioned the promotion of sustainability management as the cornerstone of management, and have strengthened and expanded our efforts on material issues, for realization of both social value and economic value, toward the realization of “food sustainability.” As a company that achieves sustainable growth together with society, we have clarified the goals of our initiatives and established a framework for their promotion. We have also included many KPIs such as decarbonization, including those that require further evolution of initiatives and technological innovation over the medium to long term. We must also clarify our more long-term strategies and steps. As for the qualitative goals, I think the question is what to do in more concrete terms. For example, there are areas where enhancement of more concrete efforts is required, such as the promotion of diversity. We need to have project promotion in which we identify issues in the field and identify concrete measures to address them. Because the Group-wide Sustainability Promotion System was launched in fiscal 2022, it will be necessary for the entire Group, management, and employees to share the same approach to efforts and information, and to actively work together with the aspiration to shape the future of society and the Company.

There is a limit to what can be done within the Company and Group companies to solve sustainability issues and create new value, and it is necessary to expand collaboration with other companies and organizations as well as open innovation. We also have high expectations for initiatives such as engaging in the plant-based food business through our joint venture with Agropcorp by leveraging the knowledge and resources of both our companies, and the joint research course opened at Hirosaki University which aims to discover new health values of milk and lactic acid by utilizing health-related big data and to implement them in society. In addition to this, collaboration with diverse players in various fields, such as environmental impact reduction, will be key.

In order to promote sustainability management, social recognition will also be a major driving force. In addition to sincere efforts within the Group, I think it is necessary to actively communicate the Group's initiatives to society and to various stakeholders, including consumers and shareholders, and to promote two-way communication.

Please tell us the characteristics of our governance structure and its challenges. Also, what improvements do you think should be made to address these challenges?

(Bando) I think the most distinctive feature of our governance structure is the existence of the “Corporate Ethics Committee” chaired by myself and composed mainly of outside experts.

The Committee was established based on our regret for the two incidents that occurred 20 years ago (the Snow Brand Milk Products Co., Ltd. food contamination incident and the Snow Brand Food Co., Ltd. fraudulent beef labeling incident). The Committee is positioned as an advisory committee to the Board of Directors, providing validation, recommendations, and advice with “external oversight” regarding sustainability activities and other general corporate activities. The Committee actively conducts activities, with a Quality Subcommittee that audits the quality management of plants by outside experts, a Product Information Subcommittee that checks the labeling of product packages, and a Consumer Subcommittee that listens to the opinions of representatives of consumer groups and others. The results of the Committee's deliberations are taken seriously within the Company. A summary of the deliberations is always reported to the Board of Directors after the bimonthly meetings of the Corporate Ethics Committee, and the identified issues are discussed. During my first year as an external director, I went to eight factory audits by the Quality Subcommittee to understand the situation in the field and exchange opinions with employees. The specific issues I sensed through my onsite visits were related to matters such as quality control and safety as well as personnel and labor management, and I am keenly aware that these issues are important in considering the management issues and governance of the company as a whole.

(Fukushi) From FY2022, I began to serve as a director from the standpoint of an experienced manager. Because it was the time to formulate the Group Medium-term Management Plan 2025 starting from FY2023 under the new President Sato, we had a series of active discussions on how to frame the new medium-term reforms. The result was “gain resilience.” We appreciate the fact that we have made contemporary efforts in governance, such as identifying material issues and achieving both economic growth and solutions to social issues. However, the speed of change in the global business environment is extremely rapid nowadays, and it is best to view the industrial structure surrounding the Company as rapidly changing on a global level. In other words, the industrial structure itself is changing at breakneck speed, with social issues becoming growth areas and involving every industry. I believe that sooner or later we will be forced to change our own industrial structure, or, in other words, jump into the vortex of growth in search of new growth for the Company. Governance at that time will be more fluid, and we will need to adapt and make shrewd decisions. Beginning this fiscal year, we will review and update our material issues as necessary.

This can be called a good attempt to anticipate the current trends in governance. The time has



come for the Board of Directors to give the executive side the courage to jump into the vortex of growth, while at the same time exercising cool-headed governance. I would like to continue to respond to these demands of the times through my duties as a director of the Company.

(Bando) I feel that one of the major challenges for the governance structure is that women are still not fully utilized. Looking at the directors and executive officers, the only women are me, an external director, and Ms. Hatamoto, an executive officer. We account for only 8% of the total. The number of women in leadership positions in various fields, including management positions, is still low. In order to create a comfortable working environment for both men and women and to promote work style reforms, as well as to promote greater participation of women in decision-making, we need commitment from the top, a change in awareness at the executive level and other levels, and a proactive policy for the development and appointment of female human resources. The activities of diverse human resources are indispensable for new value creation and innovation, and I believe that food companies are the field where women's participation is most needed.

In addition, solving various issues increasingly requires flexible efforts that transcend the vertical divisions of departments and organizations, and I think that a stronger cross-sectional and comprehensive governance structure is also needed. I believe that the active participation of not only executives and managers, but also younger employees is essential to pioneering the future of the Company.

Finally, as an external director, what is your message to our stakeholders on how we should further enhance our corporate value?

(Fukushi) The development of the dairy farming industry started with the reclamation of Hokkaido in Japan, and has grown to the present day with the guidance of politics and agricultural organizations. Especially after the end of the Cold War, globalization has been widely progressed, and the world has enjoyed free trade, which has enriched the diet of people in Japan. Recently, however, the world has changed to an era of frequent threats to the diet of the Japanese people, including increasing political and geopolitical risks, supply chain fragmentation, and soaring raw material and energy prices. The borderless era - the so-called global standard - is over, and the world has entered a divided era rather than a single era, a multipolar world, and a “border-full” time. The medium- to long-term changes that this difference will cause to our Company and to the diet of the Japanese people will be very significant. Japan's food self-sufficiency rate has been and still is very low, and in a world that has transformed into a “border-full” one, it could become a major security issue. As Kendo Kenmin has been our Company's spirit since its founding, one of the major missions expected of us is to increase the food self-sufficiency rate so that Japanese people can enjoy a rich diet even in a “border-full” world. Of course, if the scope is only the Japanese market, the total demand for food would be predicted to decrease

due to the declining and aging population, thus making it imperative to export products and expand business overseas. At this time, the success factors will be the high quality and brand power that support the safety and security of Japanese and our company's products, and further strengthening of these factors is desired.

(Bando) In order to enhance corporate value, I believe it is essential to look at things from many angles from the perspective of society. This is the first time for me to serve as an external director of a corporation, but I will utilize the perspectives I have gained through my administrative experience and organizational management experience in various fields such as education, consumers, gender equality, and local communities. I will actively contribute to areas where there is great room for growth in order to enhance the Company's corporate value and strength, such as the promotion of sustainability management that is aligned with consumers and other people, the strengthening of human capital through the promotion of diversity and other means, and collaboration with various players, including local governments and universities. As I mentioned earlier, I believe it is also important to look at situations at the front lines of manufacturing and consumption from an external perspective and raise issues in order to enhance our corporate value.

Through the activities of the Board of Directors and the Corporate Ethics Committee, I feel that the officers and employees of our Group have a high awareness of ensuring quality and consumer safety, that they repeatedly conduct activities in good faith on a daily basis, and that they possess various strengths and a wealth of knowledge. Based on these resources, I believe that the Company has a very significant role to play under our mission to realize “food sustainability,” including further promotion of health, development of diet and food culture, and food security. This is an important time for us to actively and speedily take on the challenge to address the various issues, and I would like to support the Company in this endeavor.

(Hatamoto) I believe that external perspectives are extremely valuable in sustainability management. The Company will celebrate its 100th anniversary in 2025. As you both commented, in order for the Company to grow with society over the next 100 years, we need to have both internal and external collaboration, leverage our diversity, and provide both social value and economic value. I believe that would make it appropriate to call us a sustainable, resilient company. I would like to ask the external directors to continue to give their candid opinions about our Group from a neutral and objective standpoint.



Corporate Ethics Committee

FY2022 Report on Main Initiatives to Address the Recommendations of the Corporate Ethics Committee

Consultation 1 Material Issue Initiatives

Recommendation	<ol style="list-style-type: none"> Contribute to the realization of the SDGs by achieving KPIs as a Group while steadily managing progress and paying attention to trends with social issues and demands from society. Particularly when it comes to environment-related KPIs that are of great interest to society, gain a quantitative understanding of the status of the entire Group and strive to become an eco-friendly company. In addition to the KPIs that have already been set, each company and department should also make efforts specifically aimed at addressing material issues and establish them as employee-driven activities. Actively disclose ESG (environmental, social and governance) data to enhance transparency. 	Report	<ul style="list-style-type: none"> The Second Group Sustainability Committee Meeting was held. In addition to presentations by 17 Group companies on their efforts regarding material issues, reports were made by three workgroups, and the progress for the first half of the year of environment-related Group KPIs and results of compliance initiatives were confirmed (February). With regard to the switch to certified palm oil, the partial switch began in July in coordination with Konan Fats and Oils Co., Ltd. and the supplier Ueda Oils & Fats Mfg. Co., Ltd. It was agreed to achieve a 100% switch by fiscal 2026 (April-June). The Third Megmilk Snow Brand Group SDGs Action Awards were held, with 132 entries from all departments of the Company and 17 Group companies. The result report was received by the end of February, reviewed in March-April, and the awards ceremony was held in June. With regard to the progress of human rights due diligence, details of investigations of "foreign workers in plants" and "foreign workers at dairy farming production sites" identified as "priority human rights risks" as well as a list of mills (oil mills) of "small-scale palm farms" were disclosed on the Megmilk Snow Brand website.
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Consultation 2 Consumer-focused Management

Recommendation	<ol style="list-style-type: none"> Collect and analyze information about consumer requests and needs, and build trusting relationships with consumers through product development and improvement that leverages the Group's strengths. Make additional efforts to communicate with consumers, listen to their voices, respond to them in a sincere manner, and utilize this to create awareness among employees to act from the consumer's perspective. Display and disseminate useful information in an appropriate manner to consumers via product displays, advertisements, and websites in a way that is easy to understand. Also be sure to use appropriate expressions so as not to mislead consumers. 	Report	<ul style="list-style-type: none"> At the request of Snow Brand Hong Kong Co., Ltd., following Organic Growing-Up Milk, Organic 4th Milk "思敏傑 有機配方 兒童成長乳粉" for children 30 months of age and older was launched (June). Mainichi Hone Care MBP® Lychee Flavor (bottle type) was launched in response to customer requests (April). Each month, we identified matters with a large number of incoming calls as well as matters with a small number of incoming calls that were considered to have a large impact, and confirmed them with the departments in charge at the "customer satisfaction improvement meeting" (dairy foods: 35 matters, of which 2 were improved; milk beverages and desserts: 34 matters, of which 5 were improved). Answers to inquires often received from customers were posted on the Megmilk Snow Brand website (eight new answers and one revised answer).
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Consultation 3 Food Safety and Security (Quality Control)

Recommendation	<ol style="list-style-type: none"> Provide quality assurance training to each employee to raise all employees' quality awareness and knowledge. Moreover, in plants, steadily provide training on hygiene management and manufacturing techniques. Share issues and complaints about products and services in a timely manner and respond in an appropriate manner based on product characteristics and a consumer perspective. Furthermore, cultivate imagination abilities through good communication and strive to prevent the occurrence of problems. 	Report	<ul style="list-style-type: none"> New inspector certification training was held for the purpose of establishing basic inspection techniques for microbiological and compositional testing for new hires, as well as for the implementation of inspector certification examinations to promote early success in the field (November). Quality audits were conducted and pointed out for 16 Megmilk Snow Brand plants, 31 contractor plants, and suppliers (10 regular companies and 13 new companies) from the perspective of manufacturing standards and MSQS management and operation guidelines. 112 good points of the plants were extracted and shared, and this was utilized at each location to improve the manufacturing environment and prevent the occurrence of problems.
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Consultation 4 Thorough Corporate Ethics (Compliance)

Recommendation	<ol style="list-style-type: none"> Without forgetting the two incidents in the past, act with fairness and sincerity based on a high sense of ethics in accordance with the Megmilk Snow Brand Group Charter of Corporate Behavior and the voluntary code of conduct of each Group company. In light of the revision of the Whistleblower Protection Act, establish a system necessary to properly respond to whistleblowing. 	Report	<ul style="list-style-type: none"> The Megmilk Snow Brand Code of Conduct Guide was revised in line with the revised content of the Megmilk Snow Brand Code of Conduct. The booklet was distributed and posted on the Group's intranet so that all employees can read it (February-March). The Days of Pledging to Strongly Recognize and Fulfill Food Responsibility were held in June and January. A lecture with the theme of "A Philosophy is a Promise with Society: Structure of Trust" was held in June, and a lecture with the theme of "Sustainability of the Dairy Farming Industry" was held in January. In addition to the revision of Megmilk Snow Brand's "Whistleblowing Rules" with advice from lawyers, all 17 Group companies have completed the establishment of regulations. In addition, the "Hotline Information" booklet was revised and distributed to all employees, including those at Group companies (October).
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Consultation 5 Diversity in Human Resources and Work Environment

Recommendation	<ol style="list-style-type: none"> Fulfill our responsibility to respect human rights at all stages of the supply chain, based on the approach set forth in the Megmilk Snow Brand Group Human Rights Policy. (New) 	Report	<ul style="list-style-type: none"> Dialogues regarding issues of concern (labor environment, income conditions, etc.) were held with 73 farmers in South Sumatra, Indonesia, where palm, the raw material for palm oil, is produced. The content of the dialogues was disclosed externally on the Megmilk Snow Brand website (May 2023).
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Recommendation	<ol style="list-style-type: none"> Regardless of the type of employment, pay attention to communication among employees as well as care for the mental and physical health of employees, and create workplaces where everyone can feel fulfilled in their work. Each and every officer and employee should exemplify the Megmilk Snow Brand Values (self-motivation, taking on challenges, and teamwork) through their actions. Develop a system and foster awareness so that a diverse array of employees can demonstrate their abilities and thrive. Help employees achieve a balance between their families and work, and increase the rate of women in management positions. (New) 	Report	<ul style="list-style-type: none"> The "Study Session on the International Dairy Farming Situation" online study session was held in June and July. The participants were expanded to include Bean Stalk Snow Co., Ltd., providing 79 people (including 17 from Bean Stalk Snow Co., Ltd.) with an opportunity to learn together. Information on medical and dental care was provided on a monthly basis via the intranet to provide self-care knowledge. Line Care (mental health support) was covered during training for new management staff (April, June, and October). The Megmilk Snow Brand Awards 2022 were held, and one President's Award, two Executive Vice President's Awards, and one Special Recognition Award were selected. In addition, a video on the Megmilk Snow Brand Awards initiative and a message from the President were shown during the Sustainability Group activities in December, and employees were reminded of the importance of demonstrating values. An e-learning program was implemented for management, senior staff, and deputy senior staff to promote women's participation in the workplace and to spread understanding of LGBTQ+ people (November). In accordance with the revision of the Child Care and Family Care Leave Law (to encourage male employees to take childcare leave, etc.), information was disseminated via the intranet and an e-learning program was conducted for management and the Personnel Dept. (September). In conjunction with the revision of the Child Care and Family Care Leave Law, our system was revised with content to enhance company support for childbirth and childcare that exceeds legal requirements, such as the introduction of Postpartum Partner Leave and making maternity leave paid for all employees.
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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 manufactured at Snow Brand Milk Products' Taiki Plant had become contaminated due to a power outage, and that this was then re-dissolved to produce powdered skim milk which was used to manufacture low-fat milk at the Osaka Plant. The food poisoning was the result of the powdered skim milk containing enterotoxins produced by staphylococcus aureus. The response by Snow Brand

Milk Products immediately following the incident was mishandled, and it took time for the company to conduct a product recall and notify consumers and the general public. As a result, 13,420 people suffered from food poisoning. Not only did this incident cause great distrust among consumers regarding milk, dairy products, and processed foods in general, it also had a great impact on society as numerous issues came to light, including 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 Program² 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, etc. 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.

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

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 40th time in fiscal 2021 since the incidents' occurrence in fiscal 2003. In addition, since fiscal 2020, June activities have been held under the theme of "what is needed to properly understand the two incidents and prevent them from recurring," while January activities have been held under the theme of "solutions to social issues that the Megmilk Snow Brand Group will address in the future to achieve

sustainable growth." In June, Hisa Anan, then external director of Megmilk Snow Brand, gave a lecture titled "A Philosophy is a Promise to Society: Structure of Trust," and in January, Masatoshi Uchihashi, senior managing director of Japan Dairy Association, gave a lecture titled "Sustainability of the Dairy Farming Industry." All employees watched the lecture videos and exchanged opinions during the Sustainability Group activities in July and February.



Lecture by Mr. Hisa Anan, External Director (then) in June

Risk Management

Risk Management Structure

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

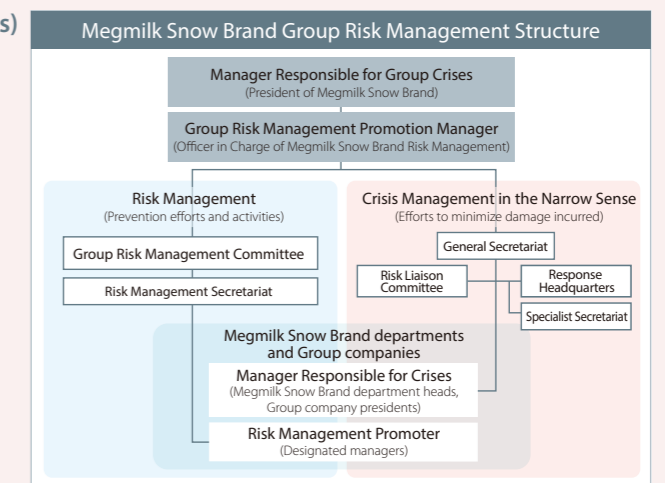
"Crisis management" is divided into the following two categories and is addressed based on the following organization chart.

Risk Management (Prevention Efforts and Activities)

The Group Risk Management Committee has been established to manage the entire Group and to confirm the direction of risk management. Each location receives direction from the Committee, promotes risk assessment, and manages daily risks.

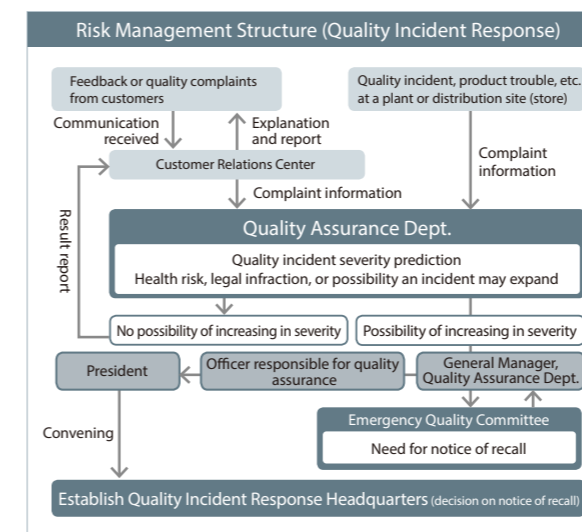
Crisis Management in the Narrowest Sense (Efforts to Minimize Damage Incurred)

In the event of a risk that has or may have a significant impact on the Group, a task force will be established within Megmilk Snow Brand to share information and respond rapidly. Any risks that arise will be promptly reported, and risk management for the entire Group will be carried out at Risk Liaison Committee meetings held regularly within Megmilk Snow Brand.



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.



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 sustainability Information Journal and other media to encourage employees to utilize the hotline.

Water Risks Countermeasures

In order to understand the impact of water risks on business continuity, we utilized Aqeduct* to assess water risks in the areas where Megmilk Snow Brand Group manufacturing sites (24 sites) are located. Although Aqeduct did not identify any locations with high water risks, the following countermeasures were taken at sites with risks based on hazard maps for electrical facilities (power receiving and distribution facilities), which require a long time to restore in the event of flooding, in accordance with an independent assessment conducted by Megmilk Snow Brand.

- 1 Installation of dikes to prevent flooding
- 2 Preparation of watertight boards
- 3 Increase of rainwater discharge capacity

*"Aqeduct Water Risk Atlas," water risk information published by the World Resources Institute (WRI)

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 by individuals believed to be internal whistleblowers and being pointed out by Japan's Ministry of Agriculture, Forestry and Fisheries, 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 took the findings of the third-party committee investigation report seriously and made a concerted company-wide effort to fully implement the recommended measures to prevent a recurrence. It announced the report 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 accordance with the recommendations of the third-party committee, Snow Brand Seed Corporation, through its own will and sense of responsibility, proactively formulated specific measures to prevent recurrences along with a process chart, and it implemented these measures by the end of March 2020 as planned. 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 2022, the April and May 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," which began in 2020.

In April, the company reflected on materials regarding the violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment, while in May, it read the investigation report submitted by the third-party committee. Views were exchanged on both occasions, and efforts were made to solidify awareness of compliance to ensure that the same mistakes would never occur again. "Activities to prevent the incident from fading

from memory" have been established as a compliance promotion activity theme and will continue to be implemented.

The Compliance Committee, which was established in 2018 as an advisory body to the Board of Directors, convened in 2022 as well and provided recommendations as an external oversight entity on the initiatives of Snow Brand Seed Co., Ltd.

In addition, the Seed Product Information Subcommittee and Feedstuff Product Information Subcommittee, subcommittees of the Compliance Committee, continue to meet and have expanded their scope to include all Snow Brand Seed Co., Ltd. products and goods for labeling inspections.

Moreover, we conducted compliance-related e-learning for all officers and employees, and revised the Whistleblower Rules in accordance with the amended Whistleblower Protection Act.

With regard to the revision of the Whistleblowing Rules, the Compliance Office explained the details of the revision while participating in "compliance promotion activities" at all sites, and worked to improve internal understanding and trust in the whistleblowing system.