

Corporate Governance

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Management Organization (As of June 28, 2022)

Directors	1	2
	Area of Responsibility	Number of Megmilk Snow Brand Shares Held
	Date of Appointment as Director	Period Serving as Director



Masatoshi Sato
Representative Director and President

- 1 Overall management
- 2 1,865 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Sato possesses abundant experience in the consumer Dairy Foods Business and Milk Beverages and Desserts Business, and he has also fulfilled important responsibilities at the core of management, such as within the Corporate Planning Division. The Company determined that he possesses experience and ability befitting a Director of the Company and appointed him as Director.



Tomomi Ishii
Representative Director and Executive Vice President

- 1 Overall management and assistant to the President, in charge of General Affairs and Secretariat Dept.
- 2 234 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Ishii possesses abundant experience and wide-ranging insight as a manager and is familiar with fields such as farming, feedstuffs, and others. 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

- 1 Overall management and assistant to the President, in charge of Personnel and Internal Audit, Deputy Manager of Accounting & Finance
- 2 6,023 shares
- 3 June 2016
- 4 6 years
- 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. 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

- 1 In charge of Production and Production Technology
- 2 1,459 shares
- 3 June 2020
- 4 2 years
- 5 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 In charge of Marketing, Dairy Foods Marketing, and Milk Beverages & Desserts Marketing
- 2 3,264 shares
- 3 June 2021
- 4 1 year
- 5 13/13

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 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., Functional Food Marketing and Purchasing
- 2 7,241 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Sueyasu possesses extensive experience in logistics, procurement, and overseas business, and has made a significant contribution to forging a foundation for the growth of Megmilk Snow Brand through the expansion of its functional food products business and overseas cheese business. 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 and Control, Deputy Manager of General Affairs
- 2 1,169 shares
- 3 June 2022
- 4 New appointment
- 5 —

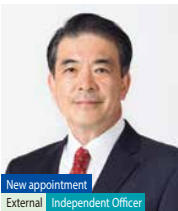
Mr. Iwahashi possesses abundant experience in the consumer dairy foods business and milk beverages and desserts business, and he has also handled responsibilities core to Group management. Accordingly, the Company determined that he possesses experience and ability befitting a Director of the Company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



Kumiko Bando
External Director

- 1 —
- 2 0 shares
- 3 June 2022
- 4 New appointment
- 5 —

Although Ms. Bando has not been previously involved directly in corporate management, given her abundance of experience dealing with administrative, consumer, and other issues from a consumer perspective, she is expected to provide important advice and supervision to help maintain our focus on consumers. She also possesses a great deal of experience and knowledge about various sustainability issues. Accordingly, the Company determined that she can provide constructive advice on important management issues for Megmilk Snow Brand Group and appointed her as Independent Officer.



Hiroshi Fukushima
External Director

- 1 —
- 2 0 shares
- 3 June 2022
- 4 New appointment
- 5 —

Mr. Fukushima 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 14,157 shares
- 3 June 2020
- 4 2 years
- 5 18/18

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 serving as Audit & Supervisory Committee Member

- 1 Audit & Supervisory Committee Member
- 2 1,909 shares
- 3 June 2016
- 4 6 years
- 5 18/18

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 serving as Audit & Supervisory Committee Member

- 1 Audit & Supervisory Committee Member
- 2 956 shares
- 3 June 2018
- 4 4 years
- 5 18/18

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 Fukushima	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 Officer
Managing Executive Officer

Masato Koitabashi In charge of Dairy Farming	Yoshihiro Kawasaki In charge of Research & Development Planning, Products Development, Milk Science Research Institute, Quality Assurance	Shigeru Watanabe In charge of PR, IR and Deputy Manager of Affiliated Company Control, Personnel	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 Logistics	Takashi Mori In charge of Corporate Planning Div. (General Manager, Corporate Planning Div.) and Administration	Seiki Todaka In charge of Accounting and IT Planning, and Deputy General Manager responsible for Corporate Planning Div.	Fumi Hatamoto In charge of Sustainability
Yoshirou Ohta In charge of Supervising Household Products Division, National Chain Store Sales, Deputy Manager of Household Products Dept., Deputy Manager of Marketing Dept. (General Manager, Marketing Dept.), Hokkaido Headquarters (General Manager, Hokkaido Headquarters)	Tomihiko Tagawa In charge of Institutional Foods Dept.	Yukihiro Yamamoto Senior General Manager, Kanto Regional Sales Headquarters	Hiromi Tamura Senior General Manager, Kansai Regional Sales Headquarters
*As of September 1, 2022			

Main Group Companies (In Japan) Representative Director and President (As of June 29, 2022)

Ibaraku Co., Ltd.	SI System Corporation	Greenservice Co., Ltd	Cresco Corporation	Kohnan Oils and Fats Mfg. Co., Ltd.	Chesco Ltd.
Toshiyuki Kitagawa	Toshio Itabashi	Seiji Masaki	Fuminori Miyazaki	Takahiro Shibata	Hiromi Uchida
Chokuhan Haisou Co., Ltd.	Nichiraku Machinery Co., Ltd.	Belle Neige Direct Co., LTD.	Michinoku Milk Co., Ltd.	Mitsuba Distribution Industry Co., Ltd.	Yatsugatake Milk Industry Co., Ltd.
Yuji Kuramochi	Masaya Matsunaga	Tomihisa Kakizaki	Atsushi Yamamoto	Shigeru Yamaguchi	Hitoshi Naito
Snow Brand Kodomo-no-Kuni Ranch	Snow Brand Seed Co., Ltd.	Snow Brand Parlor Co., Ltd.	Bean Stalk Snow Co., Ltd.	MEGMILK SNOW BRAND Business Solution Co., Ltd.	
Hiroharu Tanaka	Koichi Kasamatsu	Toshihiro Nakamura	Akihiko Uchida	Yasuo Takeda	

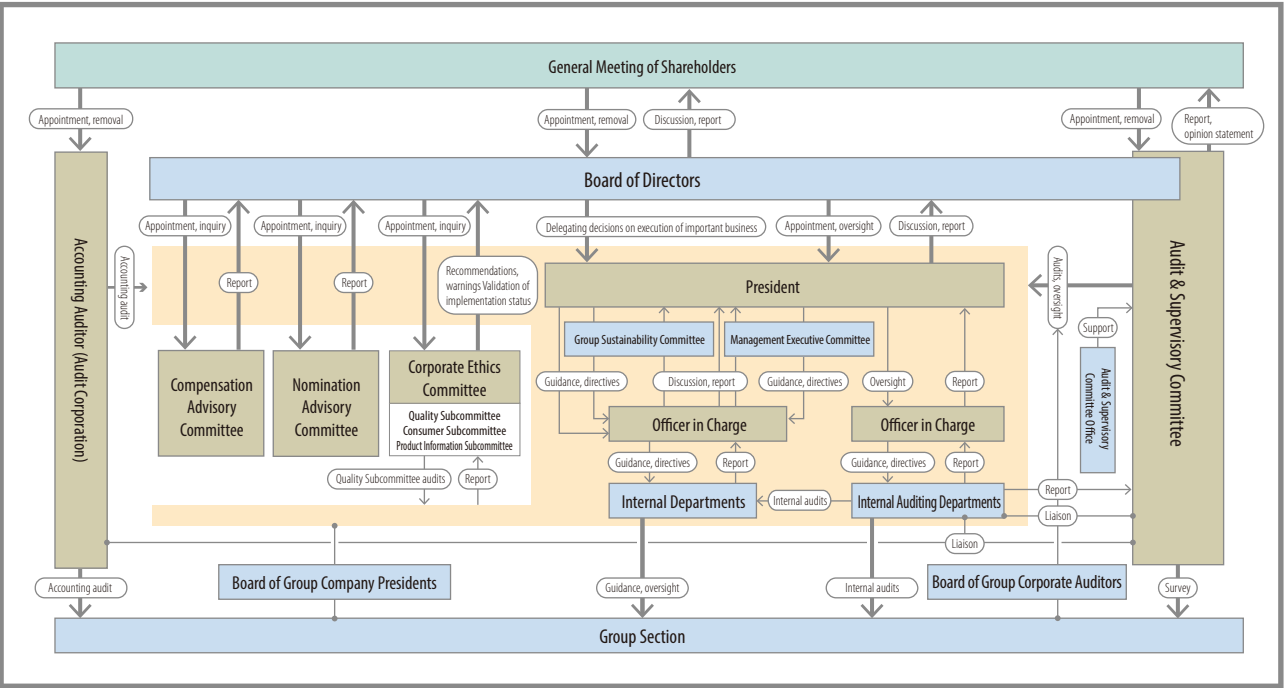
Corporate Governance Basic Policy

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. 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.

Corporate Governance Organization Chart

*Revised June 28, 2022



Board of Directors

The Board of Directors of Megmilk Snow Brand Co., Ltd. consists of 9 directors (excluding directors also serving as Audit & Supervisory Committee members) and 3 directors who are concurrently Audit & Supervisory Committee members. Of the total of 12 directors, 4 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 four external directors, two executive directors, and one Director serving as Audit & Supervisory Committee Member. 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 four external directors, two executive directors, and one Director serving as Audit & Supervisory Committee Member. 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

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.



Regular meeting

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]

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 2021, audits were conducted at five plants in Japan, including Group company plants.



Kyoto Plant

[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 2021, meetings were held in the Kansai area in November and in the Kanto area in December to confirm the contents of the Megmilk Snow Brand Report 2021 (Integrated Report), to evaluate Megmilk Snow Brand's corporate activities, and to receive feedback on the video footage created to provide information about the two incidents that occurred at Snow Brand.

[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 Manual." In fiscal 2021, the subcommittee met six times.

Consultation 1 Material Issue Initiatives

Recommendation	1. Contribute to the realization of the SDGs by achieving KPIs as a Group while steadily managing progress semi-annually and paying attention to trends with social issues and demands from society.	Initiatives	• Established Megmilk Snow Brand Group's Charter of Corporate Behavior and various policies, and announced our intention to further promote efforts to solve social issues and improve both internal and external sustainability.
	2. 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.		• The Sustainability Promotion Subcommittee received reports on the status of studies and action plans for individual themes from the decarbonization, plastic reduction, and human rights subcommittees, and exchanged feedback.
	3. 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.		• Confirmed the current status of environment-related "paper" and "certified palm oil" KPIs at Group companies.
			• We selected companies subject to having their environment-related KPIs managed and collected base year results from them for CO2 emissions, plastic usage, waste and other emissions, and water usage, as well as information on their efforts to achieve the KPIs and water-related risks.
			• Companies not subject to such management established their own environment-related KPIs.
			• Sustainability Group activities focused on material issues were held twice a year. Activities were held to promote consideration of the Health Challenge, which was based on "milk for contributions to food and health" and "realization of a diverse and motivating workplace," and unconscious bias, which was based on "realization of a diverse and motivating workplace."

Consultation 2 Consumer-focused Management

Recommendation	1. Collect and analyze information about consumer requests and needs and promote product development that leverages the Group's strengths.	Initiatives	• Utilized information on calls made to the Customer Relations Center to improve existing products.
	2. Make additional efforts to communicate with consumers, listen to their voices, and respond to them in a sincere manner.		• After surveying the needs of overseas consumers, launched Organically Developed Powdered Milk in Taiwan and Hong Kong.
	3. Display and disseminate useful information in an appropriate manner to consumers via product displays, advertisements, and websites in a way that does not mislead them.		• Held customer satisfaction improvement meetings to share customer feedback with relevant departments and improve products and displays.
			• Made 12 product improvements in response to customer feedback.
			• Legal confirmation performed for package designs, point-of-purchase advertisements, websites, videos, and more in accordance with the respective manuals on product labeling to check for mislabeling and good/advantageous errors.
			• For all products with a URL or barcode on the package and a description of the product features on a website, it was confirmed that the pages describing the features could be navigated to reliably.
			• Feedback obtained through the Customer Relations Center and Sustainability Group activities within the company shared to foster awareness of the importance of having a consumer-oriented perspective.
			• Conducted consumer subcommittee meetings (November for Kanto and December for Kansai) to exchange feedback about the Megmilk Snow Brand Report 2021 (Integrated Report) and the video footage of information on the incidents.
	4. Foster greater awareness among employees with regard to acting from a consumer-oriented perspective.		

Consultation 3 Food Safety and Security (Quality Control)

Recommendation	1. 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.	Initiatives	• We tested the understanding of quality assurance among all Megmilk Snow Brand and Bean Stalk Snow Co., Ltd. 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 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.		• At the monthly meetings held by Megmilk Snow Brand's divisions involved in production, procurement and quality, we shared information on real-life examples of quality problems and programs to verify quality using audits by the Quality Assurance Division.
			• Conducted a survey of actual problems at plants to revalidate the risk management system and motivate workers to reconstruct it, which led to proactive onsite improvements.
			• Quality management conditions in the refrigerated storage at the product shipment depot were inspected.
			• Information on customer opinions was shared with employees via intranet and email.

Consultation 4 Thorough Corporate Ethics (Compliance)

Recommendation	1. Ensure that compliance is instilled throughout the entire group and that each and every director and employee is aware of it.	Initiatives	• Compliance e-learning on power harassment was conducted for all directors and employees of Megmilk Snow Brand and Group companies.
	2. Increase the visibility and reliability of the whistleblower hotline to encourage whistleblowing.		• We introduced the whistleblower hotline and the response process during new employee training and new management training.
			• In response to the amendment of the Whistleblower Protection Act in June 2022, the amendment of the Act and the response of the Megmilk Snow Brand Group were explained during a Group Management Meeting. In addition, a study session was held for contacts at Group companies.

Consultation 5 Diversity in Human Resources and Work Environment

Recommendation	1. In workplaces where remote work can be implemented, establish and instill remote work methods by making active use of them, and make continuous improvements to management to create an environment with efficient and flexible work styles.	Initiatives	• Worked on the establishment and promotion of Megmilk Snow Brand Remote Work Management (YMR) and its continuous improvement in accordance with the plan.
			• The future direction of the recommendation details was shared with each Megmilk Snow Brand Group company at the Group Management Meeting.
	2. Pay attention to communication among employees of all kinds of employment types to improve labor productivity.		• The details of the Group Management Meetings that ought to be shared with all employees were made available for employees to view at any time for a certain period.
			• Held the "Study Session on the International Dairy Farming Situation" online study session. More than 50 participants from various positions and occupations gathered from all over the country.

Recommendation	3. Each and every officer and employee should exemplify the Megmilk Snow Brand Values (self-motivation, taking on challenges, and teamwork) through their actions.	Initiatives	• Megmilk Snow Brand held the Megmilk Snow Brand Awards for the first time. More than 50 applications were received from all over Japan. The winners of the President's Award, Executive Vice President's Award, and Special Recognition Award were selected, and the results were shared in the Group newsletter and other media.
	4. Develop a system and foster awareness so that a diverse array of employees can demonstrate their abilities and thrive.		• Conducted training tailored to job level and age to develop female employees.
	5. Enhance healthcare (including mental healthcare) for employees as part of risk management in preparation for emergencies (e.g. when a state of emergency is declared due to the COVID-19 pandemic).		• Held an internal forum on the theme of unconscious bias online with an outside lecturer.
			• Expanded e-Learning for fathers on childcare leave to include those outside the company.
			• Confirmed the situation with regard to stress and distributed the Mental Health Guide for Managers to inform employees of the process for handling mental health issues and internal procedures.

Consultation 6 Other Matters Related to Efforts to Achieve the Sustainability Policy

Recommendation	1. Promote sustainability management as a company that grows alongside society in a sustainable manner, and actively disclose ESG (Environmental, Social and Governance) data to enhance transparency.	Initiatives	• Disclosed ESG data and KPI progress for FY2020 on the Megmilk Snow Brand website.
			• Disclosed newly established KPIs for reduced water consumption, promotion of subsistence dairy farming by Snow Brand Seed Co., Ltd., and for reduced CO2 emissions after raising the reduction target, and the companies subject to management for each KPI were indicated clearly.

Board of Directors

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 2021 is as follows:

Summary of the Fiscal 2021 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 (2) Director operations (3) Participation stance (4) Roles and responsibilities of Board of Directors (5) Relationship with stakeholders (6) Nomination Advisory Committee and Compensation Advisory Committee
Summary of Analysis and Assessment Results (1) Self-assessment analysis results indicated that the Board of Directors largely functioned effectively in fiscal 2021. (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) Enhance discussions on the ideal composition of the Board of Directors and the succession plan for the chief executive officer The Nomination Advisory Committee, in which independent external directors comprise the majority, actively discussed the succession plan for the President and the selection of candidates for the position of director. 2) Make efforts to jumpstart further discussions a. Regular report items are now made in writing to use deliberation time effectively. b. Continued early distribution of Board of Directors meeting materials and enhanced efforts to provide advance explanations to external directors about important agenda items. c. Substantive discussions were held at external director meetings and at meetings for discussions between the Representative Director and external directors. d. In the second half of FY2021, efforts to hold discussions about important agenda items with Board of Directors meeting participants during the consideration process were begun. 3) 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, and quantitative targets for the Medium-term Management Plan 2022 for each Group company were also reported. 4) Enhanced discussions that take the perspective of stakeholders and address non-financial information a. The Board of Directors continued to report on the implementation of the Corporate Ethics Committee and the Group Sustainability Committee. b. Reported to the Board of Directors about KPI progress management for material issues. In addition, the topic of setting KPIs for the Environment domain throughout the Group was raised with the Board of Directors. (3) As a result of this evaluation, the following four key issues were identified as issues that the Board of Directors should continue to address. 1) 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. 2) Continue efforts to invigorate deliberations further and enhance discussions related to management strategies. 3) Augment discussions on governance of Group companies 4) Enhanced discussions that take the perspective of stakeholders and address 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.	

Policy related to Decision on Content of Compensation for Individual Directors

At the Board of Directors meeting held on February 24, 2022, 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, 2022. 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. 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 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 2021

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)	202 (9)	169 (9)	7 (—)	25 (—)	6 (1)
Directors (Audit & Supervisory Committee Members) (external directors in parentheses)	41 (19)	41 (19)	—	—	3 (2)
Total (external directors in parentheses)	243 (28)	211 (28)	7 (—)	25 (—)	9 (3)

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 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 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 unwaveringly 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 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

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.

Message from an External Director

Encouraging change and evolution by increasing opportunities for discussion from a long-term perspective

The Role of an External Director

As a certified public accountant specializing in finance and accounting, I check the adequacy and appropriateness of Megmilk Snow Brand's financial and non-financial details and disclosures. However, this is only one aspect of my role. From my independent position as an external director, I oversee the management process from an ethical perspective in terms of whether it makes sense socially and encourage sound management. To accomplish this, I actively ask questions and make recommendations to management.

A distinctive feature of Megmilk Snow Brand's governance is that the Corporate Ethics Committee, which consists primarily of outside experts, serves as an advisory body to the Board of Directors and constantly monitors issues on behalf of consumers, such as quality and product labeling issues. The Audit & Supervisory Committee, including the external Audit & Supervisory Committee Members, also collaborates with the Internal Audit Department and frequently inspects on-site operations, including those of Group companies.

Governance Structure: Assessment and Challenges

The Megmilk Snow Brand Board of Directors' meetings involve lively discussions, and I see no major operational issues in terms of the comprehensiveness of the materials and the minutes. In the future, I think it is important to offer more opportunities to discuss broader themes, such as the future direction of Megmilk Snow Brand, and to further clarify Megmilk Snow Brand's strategy of Transformation and Renewal.

In the aftermath of the Snow Brand Milk Products Co., Ltd. food contamination incident in 2000 and the Snow Brand Food Co., Ltd. fraudulent beef labeling incident in 2002, Megmilk Snow Brand continues to work to keep the incidents from happening again through a strong cognizance of the need to prevent recurrences. Moreover, activities such as having employees read the Integrated Report and the Megmilk Snow Brand Code of Conduct are conducted. However, these activities and employee diligence do not mean that one can rest easy. There is a risk of going along with something that is not right because of one's



External Director serving as Audit & Supervisory Committee Member at Megmilk Snow Brand

Ikuo Nishikawa

seriousness. The important thing is to be proactive in determining the problem and sharing information.

This also applies to proactive management. In this sense, the Megmilk Snow Brand Values of self-motivation, taking on challenges, and teamwork are vital. I believe that this will only take root as part of the corporate culture if management itself demonstrates these values and makes employees feel fulfilled in their work.

Keeping the incident from fading from everyone's memory and escaping from the incident's shadow and moving forward with bold management are two sides of the same coin. To this end, I believe it is necessary for the new management structure, including organizational reform, to aim to quickly bring about an environment in which communication among Group employees across divisions and companies is invigorated.

To Our Stakeholders

In a way, the founder's spirit, Kendo Kenmin (a healthy earth ensures human health), which originated in Snow Brand Milk Products Co., Ltd., one of the predecessors of Megmilk Snow Brand, can be said to be aiming for a sustainable society. Heightened geopolitical risks have increased society's concern about food security as well. Megmilk Snow Brand's mission is to supply domestic consumers with as many milk and dairy products, nutritious foods essential for growth and health, as required.

I am sure that the new management structure will lead the transformation in keeping with the times and deliver safe food products to consumers to ensure appropriate corporate profits and increase corporate value, as well as communicate the corporate message more clearly to our stakeholders. I will lend my support to the aggressive and bold management style of the new management structure and fulfill my role as an external director.

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, 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.

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 2021, 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" (implemented in April 2020 only).

In April, the company reflected on materials regarding the

violation of the Plant Variety Protection and Seed Act, breed falsification, and concealment were read, 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.

Furthermore, the Compliance Committee, which was established in 2018 as an advisory body to the Board of Directors, convened in 2021 as well and provided recommendations as an external oversight entity on the initiatives of Snow Brand Seed Co., Ltd.

The Product Information Subcommittee, a subcommittee of the Compliance Committee, continues to meet and has expanded its scope to include all Snow Brand Seed Co., Ltd. products and goods for labeling inspections. Beginning in 2021, the project was divided into two subcommittees, one for the seed sector and the other for the feedstuff sector, thus providing a more specialized

structure. Moreover, we conducted compliance-related e-learning for all officers and employees, held compliance lectures using outside instructors, and improved the whistleblower system in accordance with the amended Whistleblower Protection Act.

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 38th time in fiscal 2021 since the incidents' occurrence in fiscal 2003. In addition, since 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, Mr. Hideaki Tsuchioka, Corporate Adviser to Megmilk Snow Brand at the time, gave a lecture entitled "Learning from the Snow Brand Milk Products Co., Ltd. Food Contamination Incident: My Thoughts from My Own Experience." All employees watched the lecture video and held a discussion during Sustainability Group activities in July.

In January 2022, an online lecture was given by Hiroshi Ishida, Executive Director of Caux Round Table Japan, as a way to spread understanding of the concept of respect for human rights based on the "Megmilk Snow Brand Group Human Rights Policy." All executives of Megmilk Snow Brand, Group company presidents, and sustainability leaders at each workplace, as well as approximately 180 people, viewed the program to learn about the impact of corporate activities on human rights and the efforts required of companies to respect human rights. Also, at the beginning of the meeting, Mr. Nishio, President of Megmilk Snow Brand at the time, expressed his strong determination to "respect the human rights of all people throughout the course of our business activities." After the lecture, a Q&A session was held on human rights issues in corporate activities. The questions covered consideration for the human rights of employees and responding to differences in human rights systems in Japan and

other countries, among other topics. Through the Q&A session, the lecturer said that he got a glimpse of participants' efforts to have a personal stake in showing respect for human rights. At Megmilk Snow Brand, all employees are given the opportunity to watch the video lecture and think about respect for human rights during Sustainability Group activities in February.



Former Corporate Adviser Hideaki Tsuchioka during the Q&A session via web conference (June)



Lecture of Executive Director, Hiroshi Ishida (January 2022)

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.

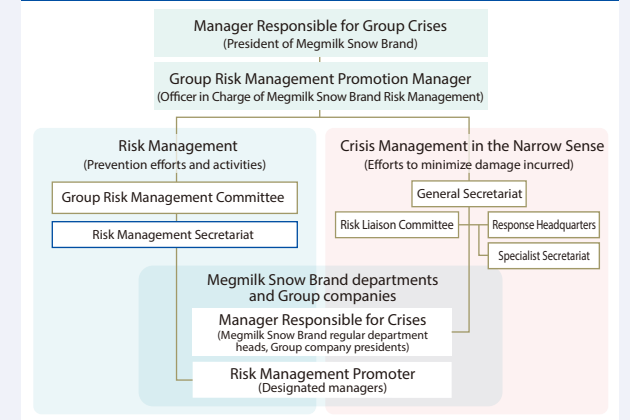
Risk Management

As a preventive initiative and activity, the Group Risk Management Committee has been established to manage the entire Group and to confirm the direction of risk management. Operations and initiatives at each location will receive direction from the committee, promote risk assessment, and manage daily risks.

Crisis Management in the Narrow Sense

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 enable information sharing and a rapid response. 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.

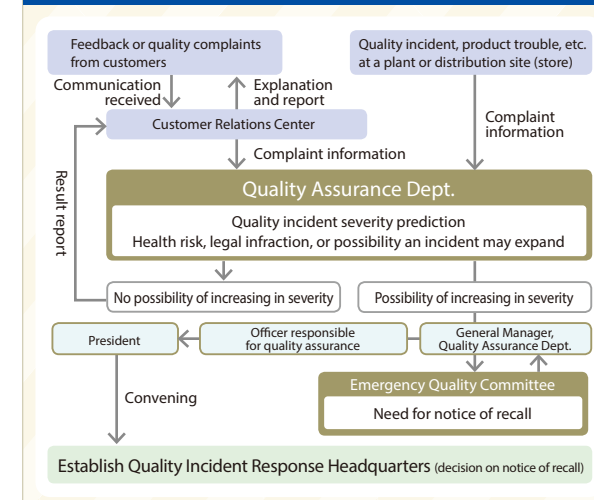
Megmilk Snow Brand Group Risk Management Structure



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)



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.

Installation of Emergency Power Generators

Megmilk Snow Brand has installed emergency power generators at all seven plants in Hokkaido to maintain its infrastructure in the event of a power outage and quickly restore operations. We will continue to work on enhancing our business continuity capabilities.

Plants in which Generators have been Installed

- Sapporo Plant
- Okoppe Plant
- Horonobe Plant
- Betsukai Plant
- Taiki Plant
- Isobunnai Plant
- Nakashibetsu Plant



Emergency power generator (Taiki Plant)