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Notice Concerning Revision of Amounts of Compensation for Directors and Continuation and Partial Revision of Performance-Linked Stock Compensation Plan

MEGMILK SNOW BRAND Co., Ltd. (the "Company") announces that, at a meeting convened today, the Company's Board of Directors resolved to submit a proposal to revise the amounts of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company and a proposal (the "Proposal") to continue with a partially revised version of the performance-linked stock compensation plan using a trust (the "Plan"), which was introduced for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors as detailed below) of the Company, to the 14th Annual General Meeting of Shareholders (the "Shareholders' Meeting") to be convened on June 28, 2023.

1. Revision of amounts of compensation for Directors

The 11th Annual General Meeting of Shareholders held on June 24, 2020 approved a proposal to set the maximum amount of compensation for Directors of the Company at 800 million yen per year (of which, the maximum amount for Outside Directors is 50 million yen per year) and these amounts have remained unchanged up to the present date.

Now, as a result of the partial changes to the Plan, which was introduced for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) described in 2., the Company plans to reduce the previous amounts of compensation and to propose to the Shareholders' Meeting setting the maximum amount of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) at 700 million yen per year (of which, the maximum amount for Outside Directors is 50 million yen per year).

Furthermore, while the Company plans to pay a fixed compensation and performance-linked compensation within the abovementioned maximum amounts to Directors (excluding Outside Directors) who are not Audit & Supervisory Committee Members, in light of the purpose of Outside Directors, to serve a supervisory and advisory role from an objective and independent perspective, compensation paid to outside directors shall be limited to a fixed annual amount.

2. Partial changes to the Plan

The Company submitted a proposal to introduce the Plan to the 11th Annual General Meeting of Shareholders held on June 24, 2020, with the goal of further clarifying the correlation between directors' compensation and the Company's performance and stock price, and increasing awareness among directors of the importance of contributing to medium- and long-term improvements in performance and corporate value by ensuring that directors share the same benefits and risks associated with fluctuations in the stock price as shareholders, and the proposal was approved and adopted.

The Company has thus far operated the Plan in accordance with proposal approved at the abovementioned general meeting of shareholders; however, subject to approval and adoption of the Proposal at the Shareholders' Meeting, the Company will pay monetary compensation consisting of "fixed compensation" and "performance-linked compensation" within the revised maximum amounts described in 1. above and shall also continue with a partially revised version of the Plan.

Specifically, separate from the compensation outlined in 1. above, the Company will change the maximum amount of performance-linked compensation from 172 million yen for three fiscal years to 261 million yen for three fiscal years and will pay performance-linked stock compensation to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) in office for the three-year period (the "Target Period") between the fiscal year ending on March 31, 2024 and the fiscal year ending on March 31, 2026.

The changes to the Plan are subject to approval and adoption of the proposal on revisions of the amounts of compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) at the Shareholders' Meeting.

Furthermore, if the partial changes to the Plan are approved at the Shareholders' Meeting, the Company plans to continue with a partially revised version of the performance-linked stock compensation similar to one for the Company's Directors that was introduced for executive officers with whom the Company has concluded delegation agreements.

(Changes are underlined)

		Total amount of monetary compensation (up to 800 million yen)*1		Total amount of stock compensation (up to 172 million yen)*2
		Fixed compensation	Performance-linked compensation	Performance-linked stock compensation program
Directors who are not Audit & Supervisory Committee Members	Internal	○	○	○
	Outside	○	—	—

*1 of which, up to 50 million yen is for Outside Directors

*2 Total for three fiscal years



		Total amount of monetary compensation (up to 700 million yen)*1		Total amount of stock compensation (up to 261 million yen)*2
		Fixed compensation	Performance-linked compensation	Performance-linked stock compensation program
Directors who are not Audit & Supervisory Committee Members	Internal	○	○	○
	Outside	○	—	—

3. Overview of the Plan

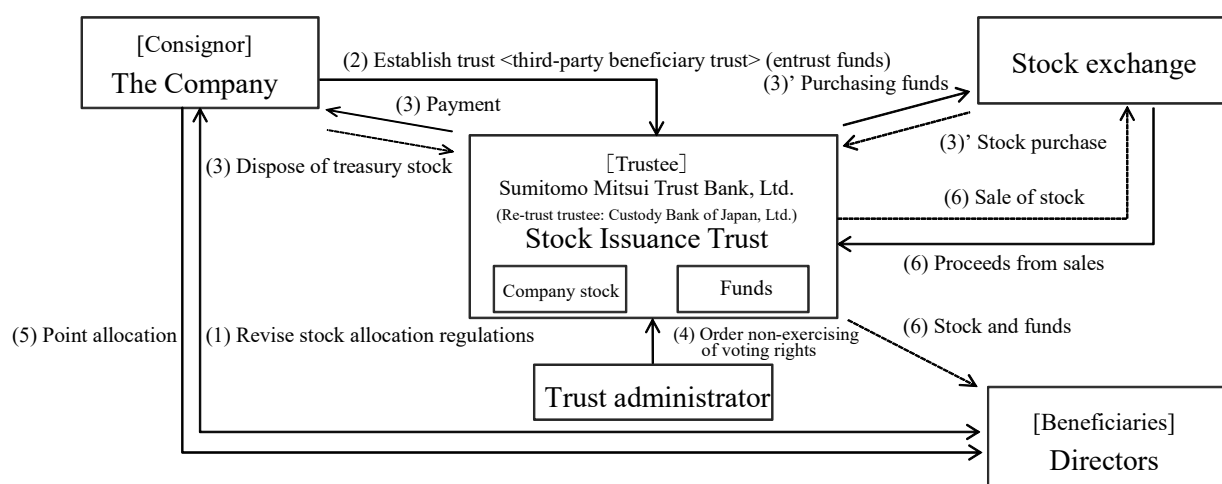
The Company will continue with a partially revised version of the existing Plan. An overview of the Plan after the changes is as follows.

(1) Structure of the Plan

This Plan is a stock-based compensation plan wherein a trust (already established on introduction of the Plan in 2020; the “Trust”) to which the Company makes financial contributions acquires Company stock and through this Trust the Company issues Company stock to directors based on the number of points allocated by the Company to each director.

In principle, Company stock is granted to the Directors when they retire from office.

Outline of Structure of the Plan



1. The Company's Board of Directors will revise the stock allocation rules for Directors. (The Company plans to revise, by resolution of the Board of Directors, the already enacted rules.)
2. Alongside extension of the Target Period, the Company will extend the trust period of the Trust, which has already been established on August 20, 2020, with Directors who fulfil certain conditions as the beneficiaries, and will additionally contribute (additionally entrust) funds in an amount equivalent to the funds necessary to acquire Company stock for allocation to Directors under the Plan during the extended target period (provided, however, that the funds for acquiring Company stock for allocation to Directors shall be within the maximum amount approved by Shareholders' Meeting).
3. The trustee will use the funds in the Trust (includes the funds additionally entrusted by the Company in accordance with 2. above as well as any funds remaining in the Trust prior to the additional entrustment) to acquire the number of shares of Company stock expected to

be allocated in the future all at once (by means of disposing of treasury shares or purchasing shares on a stock exchange [including off-floor trading]).

4. The Company will appoint a trust administrator (a party independent of the Company and the Company's officers) to protect the interests of the beneficiaries under the stock allocation rules and supervise the trustee throughout the trust period. Furthermore, the trust administrator will instruct beneficiaries not to exercise the voting rights of Company stock during the trust period. The beneficiaries will comply with said instructions and not exercise the voting rights of Company stock during the trust period.
5. The Company will allocate points to directors based on the stock allocation rules.
6. As trust beneficiaries, Directors fulfilling the conditions outlined in the stock allocation rules and the trust agreement for this Trust will receive allocation of Company stock from the trustee based on the number of points allocated. Furthermore, when certain conditions prescribed in the stock allocation rules or the trust agreement have been fulfilled, the Company will sell a portion of stock for allocation on the stock market and distribute the proceeds from the gains on sale of stock.

At the end of the Trust period, the Company plans acquire all Trust residual assets without compensation and dispose of said assets pursuant to a resolution by the Board of Directors.

As prescribed in the stock allocation rules and the trust agreement, the Company plans to donate a certain amount of the residual assets held by the Trust at the end of the Trust period to a designated public interest promotion group that has no interest in the Company's directors.

Furthermore, the Plan trustee Sumitomo Mitsui Trust Bank, Limited shall consign (re-entrust) the management of trust assets to Custody Bank of Japan, Ltd.

(2) Entrustment of funds to the Trust

Subject to approval of the Proposal at the Shareholders' Meeting, the Company will additionally entrust to the Trust the funds that the Trust needs to acquire the number of shares of Company stock that is reasonably expected to be needed to allocate shares in accordance with (6) below. As described in (5) below, the Trust will use the funds in the Trust (includes the funds additionally entrusted by the Company as described above and any funds remaining in the Trust prior to the additional entrustment) to acquire Company stock.

Furthermore, the Plan trustee Sumitomo Mitsui Trust Bank, Limited shall consign (re-entrust) the management of trust assets to Custody Bank of Japan, Ltd.

(3) Target period and trust period

Stock-based compensation under the revised Plan will be granted to Directors who are in office in the period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026.

The trust period of the Trust which has already been established will be extended until August 31, 2026 (planned); provided, however, that the trust period may be extended as described in (4) below.

(4) Maximum amount to be contributed to the Trust as funds for acquiring shares

The Company will extend the trust period of the Trust which has already been established and will also additionally entrust as compensation for Directors who are in office during the Target

Period funds up to a maximum amount of 261 million yen in total for the acquisition Company stock needed to be allocated as the stock-based compensation granted to Directors under the Plan. The Trust will use the funds entrusted by the Company (includes the funds additionally entrusted by the Company as described above as well as any funds remaining in the Trust prior to the additional entrustment) to acquire Company stock by means of disposing of treasury shares or purchasing shares on a stock exchange (including off-floor trading).

Note: The funds which are actually additionally entrusted to the Trust by the Company will consist of the abovementioned funds to acquire Company stock plus any expected necessary expenses, including trust fees and trust administration fees. If the Company continues a partially revised version of the same performance-linked stock compensation plan for the Executive Officers with whom it has concluded delegation agreements as described above, the Company will also entrust necessary funds to acquire Company stock to be allocated to the Executive Officers under the plan.

The Company may, based on the decision of its Board of Directors, extend the Target Period, each time setting a period of no more than four fiscal years, further extend the trust period of the Trust accordingly (including extending the trust period in effect by transferring the trust assets of the Trust to a trust with the same purpose as that of the Trust established by the Company; the same applies hereinafter), and continue the Plan. In this case, the Company will additionally entrust to the Trust funds up to the amount obtained by multiplying the number of fiscal years of the extended Target Period by 87 million yen as funds for additionally acquiring Company stock for allotment to Directors under the Plan during the extended Target Period, and will continue with the allocation of points described in (6) below and the delivery of Company stock.

Furthermore, even if the Target Period is not extended and the Plan is not continued as described above, if, at the time of expiration of the trust period, there are Directors who have been allocated points but not yet retired from office, the Company may extend the trust period of the Trust until such directors retire from office and the allocation of the Company stock is complete.

(5) Methods used by the Trust to acquire shares of the Company

The acquisition of Company stock by the Trust will be by means of disposing of the Company's treasury shares or purchasing shares on the exchange market within the limits of the maximum amount of funds for acquiring shares described in (4) above. However, the Company will determine and disclose details of the acquisition methods after the resolution at the Shareholders' Meeting.

Furthermore, during the trust period, in the event that an increase in the number of directors results in the possibility of an insufficient number of shares corresponding to the number of points allocated to directors during the trust period, the Company will make additional contributions to the Trust, within the maximum amount of trust funds outlined in (4) above and acquire additional shares.

(6) Method of calculating Company stock allocated to directors and maximum amount

1. Method of allocating points to Directors

In accordance with stock allocation rules set forth by the Company's Board of Directors, the

Company will allocate to Directors points corresponding to their respective roles and level of achievement of performance goals. This allocation will be conducted on the point allocation date set forth in the stock allocation rules for the trust period;

provided, however, that the total number of points allocated to directors shall not exceed 48,500 points per fiscal year.

2. Allocation of Company stock based on number of points allocated

Directors will follow the procedures described in 3. below to receive the allocation of Company stock based on the number of points allocated as described in 1. above; provided, however, that in the event of resignation, etc. of a Director, all or some of the points allocated as of the date of resignation, etc. will be cancelled and the Director will not be entitled to the delivery of Company stock commensurate with the cancelled points.

One point equates to one share of the Company; provided, however, that if a situation arises with respect to Company stock whereby it is deemed reasonable to make adjustments to the number of shares of Company stock to be allocated, such as a share split or share consolidation, the number of shares of Company stock per point will be adjusted according to such split ratio, consolidation ratio, or such like.

3. Allocation of Company stock to directors

The allocation of Company stock to directors as outlined in 2. above will be conducted through the Trust via prescribed beneficiary confirmation procedures conducted by each director upon his/her retirement.

However, a certain percentage of Company stock may be allocated as a cash payment instead of Company stock after the Trust sells a certain amount of stock to convert into cash for the Company as tax withholdings or other tax capital. When Company stock retained by the Trust is converted to cash, including when Company stock retained by the Trust is used to purchase stock as part of a public offering, cash amounts may be allocated instead of Company stock.

(7) Exercising voting rights

In accordance with instructions by a trust administrator who is independent of the Company and Company officers, no voting rights related to Company stock retained by the Trust may be exercised. This policy is designed to ensure neutrality towards Company operations during the exercising of voting rights related to Company stock retained by the Trust.

(8) Handling of dividends

Dividends from Company stock retained by the Trust shall be received by the Trust and applied towards funds to acquire Company stock and trust compensation to the Trustee.

(9) Handling of Company stock and cash amounts upon trust expiration

At the end of the Trust period, the Company plans acquire all Trust residual assets without compensation and dispose of said assets pursuant to a resolution by the Board of Directors.

As prescribed in the stock allocation rules and the trust agreement, the Company plans to donate a certain amount of the residual assets held by the Trust at the end of the Trust period to a designated public interest promotion group that has no interest in the Company's directors.

(For reference) Outline of the trust agreement related to the Trust

Consignor	The Company
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Company directors and executive officers fulfilling beneficiary requirements
Trust administrator	Selected a third party who has no relationship of interest with the Company or the Company's directors
Exercise of voting rights	No voting rights of the shares held in the Trust will be exercised during the trust period.
Type of trust	Nonmonetary trust (third party-benefit trust)
Date of trust agreement	August 20, 2020
Trust period (after extension)	From August 20, 2020 to August 31, 2026 (planned)
Date of additional entrustment of funds to the Trust	August, 2023 (planned)
Purpose of trust	Granting shares in the Company to beneficiaries under the rules for granting shares

Note:

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