

## Corporate Governance Report

Last Update: July 16, 2024

Megmilk Snow Brand Co., Ltd.

Masatoshi Sato, Representative Director and President

Securities Code: 2270

<https://www.meg-snow.com>

The corporate governance of Megmilk Snow Brand Co., Ltd. (the “Company,” “we,” or “us”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views - Updated

- Our basic policy on corporate governance 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.
- The Company’s basic views and basic policies on corporate governance are compiled in the Basic Policy on Corporate Governance (in Japanese), which is published on the Company’s website.  
Basic Policy on Corporate Governance (in Japanese): <https://www.meg-snow.com/ir/governance/>

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code] - Updated

The Company operates in line with all the principles of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code] - Updated

##### Principle 1.4 Cross-shareholding of Listed Companies

###### 1. Policy on cross-shareholdings

The Company does not hold the shares of related parties and business partners unless there is reasonable to maintain cross-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 it owns to verify the qualitative reasons for holding each individual stock (background behind 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 rationality 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.

The Company will gradually reduce cross-shareholdings to less than 10% of net assets after discussion with business partners and will use the funds to invest in growth, as decided in the Group Medium-term Management Plan 2025, even in the case of shares which have been deemed to meet the economic rationale standard as determined above.

## 2. Examination of cross-shareholdings

At the Board of Directors meeting held on November 28, 2023, the Company's Board of Directors examined the stocks owned for the purpose for cross-shareholding and decided on a plan to sell 12 stocks for which rationality is recognized (including stocks deemed to be held) and partially sell seven stocks (including stocks deemed to be held). All stocks the Company continues to hold were confirmed as being held for the purpose of increasing economic profit from the medium to long-term perspective of the Group, based on the verification discussed above. Sale of the 19 stocks mentioned above has already been completed.

As of the end of FY2023, the Company holds 34 listed stocks, including 2 stocks deemed to be held.

## 3. Criteria for exercising the voting rights of cross-shareholdings

The Company exercises the voting rights of cross-shareholdings following a comprehensive judgement based on confirmation of the following two points, regarding proposals presented. The Company engages in dialogue with the respective company in case further confirmation is necessary, such as checking the details of a proposal, etc.

(1) Does it contribute to the medium- to long-term enhancement of the company's corporate value?

(2) Does it go against the purpose of the Company's cross-shareholding?

## Principle 1.7 Related Party Transactions

Competing transactions and transactions involving conflict of interests with Directors must be approved by the Board of Directors. In addition, transactions with major shareholders with a high degree of materiality also require approval by the Board of Directors. Furthermore, the results of related party transactions are reported to the Board of Directors.

## Supplementary Principle 2.4.1 View on Ensuring Diversity in Promotion, etc. and Disclosure of Human Resource Development Policy, etc.

The Megmilk Snow Brand Group promotes women's active participation in the workplace as a corporate strategy. This is at the core of Group efforts to ensure diversity of human resources.

We will continue to strive to develop human resources, achieve work-life balance, and improve work productivity as we strive to achieve even greater diversity in the future.

Megmilk Snow Brand Report 2023 (Integrated Report) contains a concrete description of initiatives.

## Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Company administers pension fund assets according to a basic policy of asset management set forth in regulations in order to secure the total earnings needed for employees' retirement benefits over the medium- to long-term.

Material matters related to the asset management of pension assets are discussed by the Corporate Pension Administration Committee whose members are comprised of the president, executive officer responsible for human resources, and executive officer responsible for finance.

In selecting the investment institution to act as trustee, the Company makes decisions considering the investment philosophy and asset management structure comprehensively. Investment institutions are required to provide a report on asset management results regularly and the Company conducts regular monitoring of matters including the implementation of stewardship activities.

Regarding conflicts of interest in the management of the fund's assets, it is prohibited to conclude the Asset Management Operation Agreement for the purpose of pursuing the interest of third parties other than the Company and its members. Conflicts of interest are managed appropriately by entrusting the asset management institution to decide on how to exercise voting rights.

## Principle 3.1 Full Disclosure

### 1. Management philosophy, management strategy and management plan

Published on the Company's website as follows:

#### (1) Megmilk Snow Brand Corporate Philosophy

<https://www.meg-snow.com/english/about-us/corporate-philosophy/>

#### (2) Megmilk Snow Brand Group Medium-Term Management Plan 2025

<https://www.meg-snow.com/ir/news/pdf/20200513-1414.pdf>

### 2. Basic views and basic policies on corporate governance

Published on the Company's website as follows:

- Basic Policy on Corporate Governance (in Japanese only)

<https://www.meg-snow.com/ir/governance/>

### 3. Policies and procedures for determining the compensation of directors

As stated in [Incentives], [Director Remuneration], and "Disclosure Policy on Determining Remuneration Amounts and Calculation Methods" in Section II.1.

### 4. Policies and procedures for the nomination of candidates for the board of directors

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

Candidates for directors (excluding directors also serving as Audit & Supervisory Committee members) are appointed based on the precondition that they do not satisfy the reasons for disqualification set out in the Companies Act. They must possess excellent character for performing

monitoring of overall management and supervision of business execution, and they must also have insight, skills, and a wealth of experience to complement a high standard of ethics.

Candidates for directors also serving as Audit & Supervisory Committee members are appointed under the precondition they do not satisfy the reasons for disqualification set out in the Companies Act. They are selected also based on whether they can maintain independence from executive officers and whether they can maintain continuous impartiality, from among those who possess excellent character for performing monitoring of overall management and supervision of business execution, and also possess insight, skills, and a wealth of experience to complement a high standard of ethics. Furthermore, candidates for directors also serving as Audit & Supervisory Committee members include at least one person with knowledge of finance and accounting.

In addition, the reasons for appointment are disclosed appropriately in the convocation notice and other means.

#### 5. Explanations with respect to the nominations of directors

The reasons for nomination and short curriculum vitae of each director are disclosed in reference documents for the general meeting of shareholders and in the securities report.

(1) Reference documents for the general meeting of shareholders (attached to the convocation notice): <https://www.meg-snow.com/ir/stock/>

(2) Securities report: <https://www.meg-snow.com/ir/library/report/>

#### 6. Criteria and procedures for dismissal of directors (including Chief Executive Officer) and explanation

Directors (including Chief Executive Officer) shall be subject to a proposal of dismissal in case they meet any of the following conditions: acknowledged to have relationship with anti-social forces subject to criticism by society, caused the Group large losses or hindering the performance of business duties by violating laws, regulations, the Articles of Incorporation, or other regulations of the Group, 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 Chief Executive Officer) are first referred to the Nomination Advisory Committee and then finalized based on the results of the committee's deliberations.

In addition, in case a resolution is passed regarding a proposal for dismissal, the details of such will be disclosed in a timely and appropriate manner.

Supplementary Principle 3.1.3 Disclosure of Initiatives on Sustainability and investment in human capital and intellectual property, etc.

The Group is implementing the following on investment in sustainability, human capital and intellectual property, and other initiatives.

Megmilk Snow Brand Report 2023 (Integrated Report) contains concrete descriptions of these initiatives.

[https://www.meg-snow.com/english/integrated\\_report/](https://www.meg-snow.com/english/integrated_report/)

## 1. Initiatives on Sustainability

### (1) Megmilk Snow Brand Group Sustainability Policy

Based on the Megmilk Snow Brand Group Sustainability Policy, our Group contributes to the resolution of social issues while promoting sustainability management and striving to enhance sustainability for the expectations of our stakeholders and better address material issues.

### (2) Megmilk Snow Brand Group Environmental policy

Based on the Megmilk Snow Brand Group Environmental Policy, every employee will continue to be mindful of environmentally friendly business activities, use limited resources effectively, and contribute to a sustainable global environment.

### (3) Initiatives for TCFD

The Group promotes decarbonization efforts by setting the goal of reducing CO2 emissions by 50% compared to fiscal 2013 by fiscal 2030 as a KPI, and in May 2023, we made a carbon neutral declaration to reduce greenhouse gas emissions to virtually zero by 2050. We disclose non-financial information based on TCFD through securities reports, integrated reports, etc.

## 2. Investment in human capital, etc.

Based on the view that human resources are our greatest assets, we are working to develop human resources throughout the entire Group through skill development programs, providing career development support to develop employees who seize the initiative and take on challenges in their work, among other efforts.

## 3. Investment in intellectual property, etc.

Based on our slogan, “Make the Future with Milk,” our Group is engaging in a wide range of research on R&D challenges that are urgent in terms of business strategy and basic research that provides the foundation for medium and long-term growth. The Company, Snow Brand Seed Co., Ltd., and Bean Stalk Snow Co., Ltd.) are taking the lead on such research.

Group R&D expenses (FY2023): 5,030 million yen

Disclosure regarding intellectual property information such as Our Basic Approach to Intellectual Property Policy is posted on our corporate website.

<https://www.meg-snow.com/corporate/rd>

## Supplementary Principle 4.1.1 Summary of Scope of Matters Delegated to the Management

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 to directors. 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 and matters set forth in laws or the Articles of Incorporation, the Board of Directors consigns the execution of business to executive directors and executive officers to ensure dynamic business execution.

Furthermore, if consignment of part of matters for resolution by the general meeting of shareholders becomes desirable from the perspective of ensuring the flexibility and specialization of management decisions, it will be proposed to the general meeting of shareholders.

#### Principle 4.9 Independence Standards and Qualities for Independent Outside Directors

The Company outlines criteria for judging the independence of external directors, based on the Companies Act and standards set by securities exchange markets, and determines independence following these criteria. Furthermore, the Independence Standards for Outside Directors of Megmilk Snow Brand Co., Ltd. appear in the *Matters relating to Independent Directors/ Audit & Supervisory Board Members* section of this report.

#### Supplementary Principle 4.10.1 Establishment of Independent Advisory Committees

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 outside directors. Further details are provided under [Voluntary Committees], below, and in the annual securities report.

<https://www.meg-snow.com/ir/news/pdf/20220628-1562.pdf>

#### Supplementary Principle 4.11.1 Approach concerning the Composition of the Board of Directors as well as Policies and Procedures concerning the Election of Directors

The Board of Directors consists of no more than 15 directors (excluding directors also serving as Audit & Supervisory Committee members) and no more than five directors who are concurrently Audit & Supervisory Committee members. Directors are elected after considering the balance of the Board of Directors without overemphasizing one particular field of specialization. Furthermore, at least two outside directors are appointed to provide supervision from a standpoint independent from business execution.

A brief personal history, Skill Matrix and Nomination Policies for Candidates for Director are disclosed in the Reference Documents for the General Meeting of Shareholders (appended to the Notice of the Annual General Meeting of Shareholders).

<https://www.meg-snow.com/ir/stockinformation/shareholders/>

#### Supplementary Principle 4.11.2 Situation of Directors who Concurrently Serve at Other Companies

The requirement for a director to serve concurrently at other companies is that the work does not impede their duties. The situation pertaining to concurrent posts is disclosed every year in the business report.

- Business report (attached to the convocation notice) <https://www.meg-snow.com/ir/stock/>

#### Supplementary Principle 4.11.3 Disclosure of the Results of the Board of Directors' Efficacy Assessment

The Company's Board of Directors conducts an annual self-assessment to ensure and improve its efficacy and a summary of the self-assessment results is disclosed.

A summary of the results of the assessment for fiscal year ended March 31, 2024 is as follows:

#### 1. Details of implementation

A survey of all directors (including directors also serving as Audit & Supervisor Board members) was conducted and responses on the following topics were received from every director. In addition, individual interviews were conducted by the Board of Directors Secretariat, and based on the results, the Board of Directors discussed and considered future countermeasures.

《Survey topics》

(1) Structure of the Board of Directors

(2) Director operations

(3) Self-assessment

(4) Roles and responsibilities of Board of Directors

(5) Relationship with stakeholders

(6) Summary

(7) Nomination Advisory Committee and the Compensation Advisory Committee

\* The basic categories for survey questions remain the same each time to maintain continuity in assessments. However, questions are revised as necessary to improve the quality of assessment.

\* The survey also contains many optional comment fields and is designed to gather diverse opinions and statements without being limited by the questions.

#### 2. Summary of the Results of the Board of Directors' Efficacy Assessment

Self-assessment analysis results indicated that the Board of Directors was functioning effectively in fiscal year ended March 31, 2024. In addition, the results confirmed that ongoing efforts have been made to improve the issues recognized in the previous fiscal year.

#### 3. 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.

(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.

The Nomination Advisory Committee considered the necessary skills and desirable composition of our board of directors.

(2) Continue efforts to invigorate deliberations further and enhance discussions related to management strategies.

1) Explained important matters to outside directors in advance. And held a meeting in advance to exchange opinions regarding matters to be brought up to the Board of Directors.

2) Worked to clarify the points at issue and had a lively discussion. In addition, we have implemented a paperless document system from July 2023 to improve the efficiency of operations.

(3) Augment discussions on governance of Group companies

- 1) Reports continued to be made at the Board of Directors meetings on Group companies' earnings every quarter.
- 2) Important matters pertaining to Group companies were reported at each Board of Directors meeting.
- (4) Efforts for sustainability issues
  - 1) The Board of Directors discussed revisions to the Megmilk Snow Brand Group Sustainability Policy.
  - 2) The Board of Directors discussed efforts for sustainability issues through reports of the Group Sustainability Committee including progress on KPIs for material issues.
- (5) Enhanced discussions that take the perspective of stakeholders and address non-financial Information
 

The Board of Directors discussed relationships with stakeholders and the perspective of non-financial information such as health, dairy farming, the environment, people and society that based on the perspective of improving corporate value over the medium to long term.

#### 4. Future initiatives

As a result of fiscal 2023 Board of Directors efficacy assessment, the following five 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) Efforts for sustainability issues
- (5) 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.

「Summary of Results of Evaluation of the Fiscal Board of Directors Efficacy

Assessment」 : <https://www.meg-snow.com/ir/cms/wp-content/uploads/2024/06/evaluation.pdf>

#### Supplementary Principle 4.14.2 Policy on Training for Directors

Directors are given opportunities to acquire and update their knowledge so that they can fulfill the roles and duties demanded of them in an appropriate manner.

#### Principle 5.1 Policies on Constructive Dialogue with Shareholders

1. The Company recognizes that the understanding and support of its shareholders and investors is indispensable for sustainable growth and increasing corporate value over the medium to long term.



The Company is committed to holding constructive dialogue with shareholders and investors in order to build long-term relationships of trust.

2. Dialogue with shareholders and investors is spearheaded by the officer responsible for investor relations and implemented by persons in charge of investor relations at the Public Relations & Investor Relations Dept. through collaboration with the Corporate Planning Dept., General Affairs Dept., and Finance Dept.

To enhance dialogue, persons in charge of investor relations request information provision from the department in charge of each theme, depending on the nature of the dialogue, and each department in charge cooperates with the persons in charge of investor relations.

3. The Company holds briefing sessions for media outlets, analysts and institutional investors quarterly after the financial results. In addition, the Company organizes small meetings quarterly for analysts and institutional investors as well as hosts individual dialogue sessions as needed.

The Company hosts briefing sessions for individual investors as needed. In addition, details about the Company's business performance, business lines, and management policy, etc., are published on the Company's website in the section on investor relations.

4. The details of dialogue sessions with shareholders and investors are shared with the Management Executive Committee on a monthly basis by the Public Relations & Investor Relations Dept.

5. The Company does not convey insider information (material facts that have yet to be disclosed) during dialogue sessions with shareholders and investors.

[Response Targeting Realization of Management with Awareness of the Cost of Capital and Stock Price (under consideration)]

We recognize that having a price to book ratio (PBR) below 1 is problematic, and think it does not indicate the profitability and growth needed to have investors value Company shares.

On May 15, 2023, the Company announced the establishment of Megamilk Snow Brand Group Medium-term Management Plan 2025.

The theme of this medium-term management plan is "Gain Resilience." We will demonstrate our position on Group growth through initiatives in the three pillars of "Creating seeds for new growth," "Expanding quantity by utilizing platform," and "Strengthening and supporting domestic dairy farming production platform," and will target enhancement of corporate value and appreciation of the Company's stock price by improving profitability and asset efficiency through the implementation of such initiatives. Our goal is to quickly achieve an ROE of 8% and a PBR higher than 1 through these initiatives.

The status as of the second quarter of FYE3/2024 was as follows:

**Profitability:** Profitability is steadily improving due in part to price revisions. New product launches that will help improve profitability are disclosed in a timely manner.

**Growth:** We plan to disclose the status of investment in creating future value and other initiatives in the medium-term management plan when financial results are announced in May 2024.

Reducing cross-shareholdings: We are making progress on discussing this with our business partners and are working to reduce cross-shareholdings to less than 10% of net assets during the medium-term management plan period. If share sales have a substantial impact on financial performance, we will disclose this in a timely manner.

[Status of Dialog with Shareholders, etc.]

The Company discloses the status of dialogs with shareholders and other stakeholders on our corporate website.

<https://www.meg-snow.com/ir/management/governance/#taiwa>

## 2. Capital Structure

Foreign Shareholding Ratio - Updated	From 20% to less than 30%
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### [Status of Major Shareholders] - Updated

Name/ Company Name	Number of Shares Owned	Percentage (%)
National Federation of Agricultural Cooperative Associations (ZEN-NOH)	9,237,060	13.64
The Norinchukin Bank	6,728,000	9.94
The Master Trust Bank of Japan, Ltd. (Trust account)	6,072,800	8.97
Custody Bank of Japan, Ltd. (in trust of Sumitomo Mitsui Trust Bank, Limited, trust account for retirement benefits of ITOCHU Corporation)	3,703,700	5.47
Custody Bank of Japan, Ltd. (Trust Account)	2,548,800	3.76
STATE STREET BANK AND TRUST COMPANY 505001	2,060,197	3.04
Megmilk Snow Brand Employee Shareholding Association	1,321,957	1.95
HOKUREN Federation of Agricultural Cooperatives	1,074,049	1.58
National Federation of Dairy Cooperative Associations (ZEN-RAKU-REN)	1,008,000	1.48
NIPPON ACCESS, INC.	838,000	1.23

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation
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None
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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange prime and Sapporo Securities Exchange
Fiscal Year-End	March
Type of Business	Foods
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None
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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

None
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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with an Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	11
Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)
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Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Kumiko Bando	From another company												
Hiroshi Fukushi	From other companies												
Akito Hattori	Lawyer												
Tomohiko Manabe	Certified public accountant												

\* Categories for “Relationship with the Company”

\* ”○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

\* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

#### Outside Directors’ Relationship with the Company (2)

Name	Designation as Audit & Supervisory Committee member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kumiko Bando		○	Independent officer of the Company.	Although Ms. Bando has not been previously involved directly in corporate management and does not maintain a relationship of interest

				<p>with the Company, 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 outside director.</p> <p>In addition, Ms. Bando does not correspond to a business administrator of the Company and its affiliated companies, a main business partner or the business administrator of such, a consultant that receives large monetary sums or other assets from the Company other than officer compensation, a professional accountant or professional lawyer, or major shareholder of the Company, nor has she corresponded to such in the past.</p> <p>For the above reasons, Ms. Bando has been designated an independent officer because of her high degree of independence and the fact no conflicts of interest exist between her and general shareholders.</p>
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Hiroshi Fukushi		○	Independent officer of the Company.	<p>Mr. Fukushi has no relationship of interest with the Company, and he 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.</p> <p>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 outside director.</p> <p>In addition, Mr. Fukushi does not correspond to a business administrator of the Company and its affiliated companies, a main business partner or the business administrator of such, a consultant that receives large monetary sums or other assets from the Company other than officer compensation, a professional accountant or professional lawyer, or major shareholder of the Company, nor has she corresponded to such in the past.</p> <p>For the above reasons, Mr. Fukushi has been designated an independent officer because of his high degree of independence and the fact no</p>
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				conflicts of interest exist between him and general shareholders.
Akito Hattori	○	○	Independent officer of the Company.	<p>Mr. Hattori was elected as outside director because he has no relationship of interest with the Company and he will be able to perform supervision and audit work on the execution of duties by management from the perspective of a specialist, based on his extensive experience in corporate legal matters as an attorney-at-law.</p> <p>In addition, Mr. Hattori does not correspond to a business administrator of the Company and its affiliated companies, a main business partner or the business administrator of such, a consultant that receives large monetary sums or other assets from the Company other than officer compensation, a professional accountant or professional lawyer, or major shareholder of the Company, nor has he corresponded to such in the past.</p> <p>For the above reasons, Mr. Hattori has been designated an independent officer because of his high degree of independence and the fact no conflicts of interest exist between him and general shareholders.</p>
Tomohiko Manabe	○	○	Independent officer of the Company.	<p>Although Mr. Manabe has no past history of direct involvement and does not maintain a relationship of interest with the Company, he was elected as an outside director because he can audit and supervise the execution of business duties with professional knowledge in finance and accounting as a Certified Public Accountant.</p>

				<p>Mr. Manabe is also not an executive of the Company or its affiliated companies; a major client or supplier of the listed company or an executive thereof; a consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an officer; or a major shareholder; and has not been any of the above in the past. The Company therefore deems him to have a high degree of independence and to pose no risk of a conflict of interests with general shareholders and has designated him as an independent officer.</p>
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**[Audit & Supervisory Committee]**

**Committee Composition and Attribution of Chairperson**

	Audit & Supervisory Committee
All Committee Members	3
Full-time Members	1
Inside Directors	1
Outside Directors	2
Chairperson	Inside Director

Presence of directors and employees assisting the duties of the Audit & Supervisory Committee	Established
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**Matters concerning Independence of Said Directors and Employees from Executive Directors**

• Employees who assist with the duties of the Audit & Supervisory Committee are assigned to a dedicated department independent from executive organs.



- Personnel moves and evaluations of said employees are performed with the consent of the Audit & Supervisory Committee.
- No restrictions will be placed on said employees by the Company during the course of the execution of their duties to assist the Audit & Supervisory Committee.

Status of Collaboration involving the Audit & Supervisory Committee, Accounting Auditor, and Internal Audit Department.

- The Audit & Supervisory Committee, accounting auditor, and Internal Audit Department work closely together to strive for efficient and effective audits.
- The audit corporation council composed of the Audit & Supervisory Committee, accounting auditor, and Internal Audit Department convenes meetings at least four times per year, in principle.
- The audit corporation council mainly deliberates on the audit plan of the accounting auditor, hears reports on the results of audits, and discusses audits of the internal control system related to financial reporting. It aims to exchange opinions for the implementation of effective audits.
- The Audit & Supervisory Committee and Internal Audit Department convene meetings at least eight times per year in principle, where it shares views on such topics as formulation of internal audit policy and planning, hears reports of audit results, and evaluates internal control systems related to financial reporting, etc.

**[Voluntary Committees]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee - Updated	Established
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Committee's Name, Composition, and Attributes of Chairperson - Updated

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
All Committee Members	7	7
Full-time Members	0	0
Inside Directors	3	3
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

The Nomination Advisory Committee and Remuneration Advisory Committee were established as advisory bodies to the Board of Directors related to the appointment and compensation of directors. The Company aims to further enhance its corporate governance structure by reinforcing the independence, objectivity, and accountability of the Board of Directors' functions. These committees maintain independence and objectivity by having an outside director serve as chairperson and by having a majority of each committee comprised of independent outside directors as members.

**[Independent Directors/ Audit & Supervisory Board Members]**

Number of Independent Directors/ Audit & Supervisory Board Members	4
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Matters relating to Independent Directors/ Audit & Supervisory Board Members

The Company has established the following criteria for determining the independence of outside directors:

[Megmilk Snow Brand Co., Ltd. Independence Standards for External Directors]

Megmilk Snow Brand CO., Ltd. (hereinafter the "Company") and its subsidiaries (collectively, the "Group") judges External Directors (hereinafter "External Directors") to be sufficiently independent so long as they do not fall under any of the following.

1. The following individuals who have had business transactions with the Company or its subsidiaries in any of the past three fiscal years

(1) Of those who have the Company or its subsidiaries as a client, an individual who the Group has paid an amount totaling more than 2% of the consolidated net sales of that business partner or an officer or employee who executes business of that corporation such as an executive Director, an Executive Officer, or others (hereinafter "executives")

(2) Of those who the Company or its subsidiaries have as a client, an individual or their executives who pays to the Group an amount totaling more than 2% of the Group's consolidated net sales

(3) An individual or their executives whose loans to the Company or its subsidiaries total more than 2% of the Group's consolidated total assets

(4) A consultant, accounting professional, or legal professional who has received from the Company or its subsidiaries monetary or other assets totaling ¥10 million or 2% of total revenue, whichever is greater (excluding Director compensation), or in the event that an organization is acquiring said assets, an individual belonging to that organization

2. The following individuals who have been major shareholders in the past three years

(1) An individual who possesses a proportion of 10% or more of the Company's voting rights (including indirect possession) or their executives

(2) An executive of a company whose voting rights the Company or its subsidiaries possesses a proportion of 10% or more of (including indirect possession)

3. Relatives of the Company, the Company's subsidiaries, the Company's business partners, or other related persons

(1) An individual who was a spouse or relative within the second degree of kinship of one of the following within the past ten years

1) An executive Director or Executive Officer of the Company or its subsidiaries or a General Manager of Head Office

2) A non-executive Director of the Company

(2) An individual who was a spouse or relative within the second degree of kinship of one of the following within the past three years

1) An individual who corresponds to the aforementioned 1. (1), (2), or (3) or the aforementioned 2., and in the case that the individual is an executive, an officer who executes business of that corporation such as an executive Director or an Executive Officer, or an individual equivalent to a General Manager of departments.

2) An individual who corresponds to the aforementioned 1. (4) (limited in the case of an accounting professional to a certified public accountant, and in the case of a legal professional to an attorney-at-law (including associates))

4. Other related persons

(1) An individual who, in any of the past three fiscal years, has received donations from the Company or its subsidiaries in a single fiscal year equivalent to ¥10 million or 2% of total revenue, whichever is greater, or their executives

(2) An executive of a company in which, within the past three years, an individual from the Company or its subsidiaries has served as an external officer

## [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation
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1. System of compensation for directors

The compensation of directors consists of base compensation and performance-linked bonuses. Base compensation consists of an oversight salary component as compensation for management oversight, and an executive cash component as compensation for the execution of business, which are paid in cash. Performance-linked bonuses consist of two components: 1) a short-term incentive (cash bonus) based on the indicator of Group consolidated operating profit and 2) a long-term incentive (stock-based compensation) based on the financial indicators in Group Medium-term Management Plan 2025. The ratio of the base compensation, short-term incentive (cash bonus), and long-term incentive (stock-based compensation) is roughly 6:2:2. The Company has not established a retirement bonus system.

2. Indicators and total compensation paid in performance-linked bonuses

(1) Short-term incentive (cash bonus)

<p>1) Indicator and total compensation paid</p> <p>Consolidated operating profit: 30.0 billion up to but not including 0 billion yen: 0 to 81 million yen</p> <p>2) Method of allocation</p> <p>Representative Director and President = 1.00, Representative Director and Executive Vice President = 0.68, Director and Senior Managing Executive Officer =0.59, Director and Managing Executive Officer = 0.54, Director Executive Officer =0.33</p> <p>(2) Long-term incentive (stock-based compensation)</p> <p>1) Indicators and allocation</p> <p>EBITDA:ROE:non-performance-linked = 4:4:2</p> <p>2) Total compensation paid</p> <p>A. EBITDA</p> <p>Under 18.5 billion yen: None paid 18.5 billion yen to 48.5 billion: 0 to 32,731,000 yen Over 48.5 billion yen: 32,731,000 yen</p> <p>B. ROE</p> <p>Under 4%: None paid 4% up to but not including 10%: 0 to 32,731,000 yen 10% or higher: 32,731,000 yen</p> <p>C. Non-performance-linked</p> <p>Total compensation: 10,909,600yen (forecast)</p> <p>The amount of payment will be determined according to the length of tenure.</p> <p>(3) Method of allocation</p> <p>Same as in 2. (1). 2).</p>
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Recipients of Stock Options	—
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Supplementary Explanation
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	Individual compensation is not disclosed.
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Supplementary Explanation
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No director earns more than 100 million yen in total consolidated compensation; therefore, the Company does not disclose the individual amounts of director compensation. The total amount of
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compensation, etc., for each category of officer is disclosed in the Company's securities report and business report.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Details can be found in the section on incentives.

1. 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

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 set at an appropriate amount in comparison with other companies of the same size based on an external survey.

2) 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

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 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.

2. Total amount of compensation in the fiscal year under review

(1) Total compensation by type (million yen)

Directors (excluding Audit and Supervisory Committee members): Total compensation of 346 (of which, base compensation is 242, short-term incentive (cash bonus) is 57, and long-term incentive (stock-based compensation is 46), for nine directors

(outside directors in parentheses): Base compensation is (19), for two directors

Directors (Audit and Supervisory Committee members): Base compensation is 42, for three directors (outside directors in parentheses): Base compensation is (19), for two directors

Total compensation of 388 (of which, base compensation is 284, short-term incentive (cash bonus) is 57, and long-term incentive (stock-based compensation) is 46), for 12 directors

(outside directors in parentheses): Base compensation is (38), for four directors

Notes:

1. The long-term incentive (stock-based compensation) noted above is non-cash compensation specified in Article 121, Provision iv-(a) of the Regulations for Enforcement of the Companies Act.

2. The compensation of directors (excluding directors who are Audit and Supervisory Committee members) was limited to up to 700 million yen per year (including no more than 50 million yen per year for outside directors) by resolution of the 14<sup>th</sup> Annual General Meeting of Shareholders held on June 28, 2023. There were nine directors (excluding directors who were Audit and Supervisory Committee members and including two outside director) upon conclusion of the 14<sup>th</sup> Annual General Meeting of Shareholders. A separate allocation of up to a total of 261 million yen in performance-linked stock-based compensation was also approved by resolution of the 14<sup>th</sup> Annual General Meeting of Shareholders during the period extending from the end of the fiscal year on March 31, 2024 to the end of the fiscal year on March 31, 2026. Seven directors (excluding directors who were Audit and Supervisory Committee members and outside directors) were eligible for this compensation program upon conclusion of the 11<sup>th</sup> Annual General Meeting of Shareholders.
3. Of the compensation noted above, the funds for “short-term incentive (cash bonus)” and “long-term incentive (stock-based compensation)” shows the amount of the provision to reserves for Company directors (excluding directors who are Audit and Supervisory Committee members).
4. The amount of compensation for directors (who are Audit and Supervisory Committee members) was limited to up to 200 million yen by resolution of the 7<sup>th</sup> Annual General Meeting of Shareholders held on June 28, 2016. There were three directors (who were Audit and Supervisory Committee members) upon conclusion of the 7<sup>th</sup> Annual General Meeting of Shareholders.

**[Supporting System for Outside Directors]**

Outside directors are provided with documents and information from the General Administration Dept. ahead of each meeting of the Board of Directors.

**[Members of the Company who were formerly top executives]**

Corporate counselors who were formerly top executives

Name	Position	Description of duties	Employment conditions (whether fulltime or non-fulltime, compensated or uncompensated)	Date the person resigned as top executive	Term of office
—	—	—	—	—	—

Number of corporate counselors who were formerly top executives	0
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Other important information:

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## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) - Updated**

- The Board of Directors consists of eight directors (excluding directors also serving as Audit & Supervisory Committee members) (seven men and one woman, including two outside director) and three directors who are concurrently Audit & Supervisory Committee members (three men, including two outside directors). In principle, the Board of Directors convenes once per month (twice during months when there is a quarterly Board of Directors meeting). Meetings involve sufficient discussions concerning the direction of management and efforts are made to ensure these functions are operating effectively, with emphasis placed on the supervision of business execution, including the management risk control.
- In fiscal year ended March 31, 2024, the Board of Directors convened 17 times. Eleven directors attended all 17 meetings, and one director attended 16 meetings.
- The Board of Directors ensures the flexibility of business execution by consigning business execution to executive directors and executive officers, excluding matters stipulated in laws and the Articles of Incorporation as well as important matters that have a certain impact on the Company.
- The Company has entered into a contract with directors excluding executive directors to limit their liability for damages in Article 423, Paragraph 1 of the Companies Act, in accordance with the provisions of Article 427, Paragraph 1 of said Act. The limit of liability pursuant to said contract is the higher of 10 million yen or the minimum liability amount set forth in Article 425, Paragraph 1 of said Act.
- The executive officer system clarifies the accountability of executive directors and executive officers and can speed up the decision-making process for business execution. The Company has established the Management Executive Committee, which convenes at least two times per month, in principle, as an organ that deliberates on important matters for business execution. The Management Executive Committee is comprised of representative directors (three men) as well as executive officers and general managers from the head office responsible for business departments related to the matters being discussed.
- The Audit & Supervisory Committee consists of all Audit & Supervisory Committee members; at least one of whom possesses knowledge in finance and accounting. The committee meets once per month, in principle, where they establish audit policy and conduct supervision of management, in addition to covering audits of the execution of duties by the Board of Directors. An audit system has



been put into place that is efficient and effective for monitoring the execution of all business including Group companies using the internal control system. In addition, the Audit & Supervisory Committee members attend important meetings including those of the Board of Directors, Corporate Ethics Committee and Management Executive Committee, where they share their views as needed. They are also responsible for certain supervision of the business execution of the Board of Directors through exercising their voting rights at meetings of the Board of Directors.

- The Internal Audit Department seeks to improve the effectiveness and efficiency of operations, which is the purpose of internal control, by increasing the reliability of financial reporting and conducting audits with the purpose of ensuring compliance and increasing corporate value through the preservation of the Company's assets. In performing audits, it reviews and evaluates whether business activities are being executed appropriately and efficiently based on the audit plan established following the management policy and management plan. Also, results of audits are reported as needed to the president, Audit & Supervisory Committee and related departments.

- The Company has concluded an audit agreement with Deloitte Touche Tohmatsu LLC to serve as accounting auditor.

- The Company established the Corporate Ethics Committee and the Group Sustainability Committee in order to strengthen corporate governance .

The Corporate Ethics Committee, established as an advisory body to the Board of Directors, is comprised of 11 members, including seven external experts (four men and three women) from outside the Company including outside directors and four executive officers including representative directors (three men and one woman). In principle, the committee holds regular meetings every other month. The committee provides validation work and recommendations to the Board of Directors and verifications from an outside perspective from ethical standpoints concerning legal compliance, general management, and quality.

- The Company established the Group Sustainability Committee as a body for promoting sustainability management. It consists of 32 members (31 men and one woman) who are executive officers including representative directors, and presidents of group company. In principle, the committee convenes twice per year.

- The Company has established the Nomination Advisory Committee and Remuneration Advisory Committee as advisory bodies to the Board of Directors with the goal of strengthening corporate governance, by securing the independence and objectivity of the Board of Directors' functions related to the nomination and compensation of directors.

- The Nomination Advisory Committee and Remuneration Advisory Committee each comprise a total of seven members including four outside directors (three men and one woman) and three executive directors (three men). Outside directors serve as the chairman per resolution of each committee.

### 3. Reasons for Adoption of Current Corporate Governance System

- The Company adopts a structure as a Company with an Audit and Supervisory Committee. This is because the Company believes this structure is the most appropriate for improving the flexibility and appropriateness of business execution as well as securing the effectiveness of supervision and audits.

- Outside directors carry out supervision of the execution of duties by directors and provide advice concerning all aspects of management, as outside experts without a relationship of interest with the Company.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notice of Convocation of the Ordinary General Meeting of Shareholders is sent out at least three weeks prior to the date of the meeting.
Shareholders' meeting held on a date that avoids the shareholders' meeting of other companies	The Company holds its general meeting of shareholders on a date that avoids the shareholders' meetings of other companies to ensure that as many shareholders as possible can attend.
Allowing Electronic Exercise of Voting Rights	The Company allows voting rights to be exercised over the Internet.
Participation in Electronic Voting Platform	The Company uses a platform for the exercise of electronic voting rights by institutional investors.
Providing Convocation Notice in English	The Company prepares convocation notices in English to inform investors outside of Japan about proposals. The Company posts this translated content on its website.
Other	The Company publishes the convocation notice and its attachments on its website. These are published prior to sending the documents to shareholders in order to provide ample time for shareholders to review the exercising of their voting rights. In addition, the results of the exercise of voting rights are disclosed in extraordinary reports and on the Company's website. A summary of the questions and answers at the general meeting of shareholders is posted on our website.

## 2. IR Activities - Updated

	Supplementary Explanations	Explanation by representative
Preparation and Publication of Disclosure Policy	Details are made available in the Basic Policy on Corporate Governance (in Japanese) published on the Company's website.	
Regular Investor Briefings for individual investors	The officer responsible for investor relations explains the Company's medium-term management plan as appropriate.	No
Regular Investor Briefings for Analysts and Institutional Investors	Financial results presentations are held quarterly every year. The president provides a summary explanation of the financial results and management policies, etc. at the interim financial results presentation in mid-November and the year-end presentation in mid-May. Small meetings for the purpose of dialog with analysts and institutional investors are also held in mid-June each fiscal year and are attended by the president and officer responsible for IR.	Yes
Posting of IR Materials on Website	The IR section of our corporate website contains financial results, financial results presentations (slides), the main questions and answers during presentations, timely disclosure documents, the annual securities reports, integrated reports, notices of the Annual General Meeting of Shareholders, etc. Financial results presentations by the president are also provided as a video stream. The Company has also established a page for individual investors on the corporate website. This page provides the history and a business overview of the Company.  Investor relations page (in Japanese): <a href="https://www.meg-snow.com/ir/">https://www.meg-snow.com/ir/</a> Investor relations page (in English): <a href="https://www.meg-snow.com/english/investors/">https://www.meg-snow.com/english/investors/</a>	
Establishment of Department and/or Manager in Charge of IR	Investor Relations Group of the Public Relations & Investor Relations Dept.	
Other	The Company translates all important materials for disclosure to investors into English, in principle, and posts them on the IR page at the same time as the materials in Japanese or promptly after disclosure.	

	We observe a quiet period for financial information and manage insider information to ensure impartiality in dialogs with shareholders and investors.	
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### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Details are made available in the Basic Policy on Corporate Governance (in Japanese) published on the Company's website.
Implementation of Environmental Activities, CSR Activities etc.	To achieve food sustainability, the Company promotes sustainability management to provide both social and economic value. We therefore specify material issues (materiality) and target achievement of KPIs (key performance indicators). These initiatives are disclosed in the Megmilk Snow Brand Report, an integrated report that contains both financial and non-financial information of the Group, and in the annual securities report. To ensure as many stakeholders as possible are able to view the report, printed versions of the report are handed out at various opportunities and the content of the report is also published on the Company's website in both Japanese and English.
Development of Policies on Information Provision to Stakeholders	Details are made available in the Basic Policy on Corporate Governance (in Japanese) published on the Company's website.

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

[Basic Policy on Internal Control]

- The Group considers internal control to be an important foundation for corporate governance. The Group is working to further strengthen internal control and continually monitor its effectiveness, in order to increase corporate value and grow in a sustained manner.
- The company develops and implements internal control through ongoing evaluations from the perspectives of rules, organization and education, making improvements where necessary, in an effort to build an effective internal control system.
- The Group actively implements sustainability management in accordance with the Megmilk Snow Brand Group Sustainability Policy, in order to realize its corporate philosophy. In addition, the Company has established the Group Sustainability Committee chaired by the president which proactively develop sustainability initiatives by managing the progress of important issues (materiality).

- The Company has established the Megmilk Snow Brand Group Charter of Corporate Behavior as behavioral guidelines for the officers and employees of each Group company to follow during the course of business activities. Under these rules, the Company will make efforts to ensure thorough corporate ethics.

[Status of Internal Control]

(1) Compliance System

- The Company has established the Megmilk Snow Brand Code of Conduct Guide as a set of behavioral standards to be followed by officers and employees. Every year all officers and all employees are required to submit written pledges of compliance to the president. In turn, the president submits them to the officer responsible for sustainability.

- The Company established the Corporate Ethics Committee as an advisory body to the Board of Directors. As a result, a system is in place whereby committee members (outside members) provide recommendations to management from an outside perspective and validate implementation, with the results reported to the Board of Directors.

- Sustainability leaders are assigned to every department, and initiatives are undertaken systematically to ensure thorough compliance, including holding “Commitment Day — Taking Ownership of Our Responsibilities as a Food Provider.”

- Pursuant to the Whistleblower Protection Act, the Company has established regulations on whistleblowing that clarify the standards that must be met organization wide.

- The Megmilk Snow Brand Group has established both an internal whistleblowing hotline, the Megmilk Snow Brand Hotline, and a group 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 compliance issues, but also issues such as consultation regarding work-related questions and proposals.

- Whistleblowing claims and consultations brought to the hotlines along with the status of response are reported to management weekly with a focus on prioritizing the protection and privacy of the whistleblower. They are also reported monthly to the Corporate Ethics Committee, an advisory body to the Board of Directors.

- Furthermore, checks are performed semi-annually to monitor whether whistleblowers who used the hotline have been subject to any form of unfair treatment, with the results reported to the Corporate Ethics Committee.

(2) Risk Management System

- With regard to the effectiveness and progress management of various measures following the Company's management strategy and profit plan, relevant departments in charge identify the risks associated with such and consider responses. Actual responses are finalized after deliberations at meetings of the Board of Directors and Management Executive Committee. Market risk such as foreign exchange rates and interest rates and credit risk of business partners are managed by relevant departments in charge pursuant to the Company's regulations on accounting. Company-wide risk management is undertaken by the Management Executive Committee and others.

- We manage the quality risk intrinsic to our business as a manufacturer by incorporating the ISO 9001 and HACCP (Hazard Analysis and Critical Control Point) approaches to quality management according to global standards and through the establishment of our proprietary MEGMILK SNOWBRAND Quality Assurance System (MSQS), based on the MSQS Rules on operation.

- In case of an unexpected event, an Incident Response Headquarters will be established depending on the scale of the problem, pursuant to the Company's regulations on risk management. In this manner, a system is in place whereby this headquarters swiftly leads the necessary initial response to minimize damages and impacts, etc.

### (3) Information Management System

- The Company retains and manages the meeting minutes of the Board of Directors, approval documents, and other information related to the duties of directors, etc., appropriately pursuant to miscellaneous company regulations.

- Information that is retained and managed is made available for viewing at any time at the request of directors and Audit & Supervisory Committee members.

### (4) Group Company Management System

- The Company receives reports from Group companies and performs monitoring as needed pursuant to the Company's regulations on affiliated companies, in order to secure the appropriateness of operations of Group companies. In this manner, the Company provides appropriate guidance and supervision as a parent company. Additionally, the Company's Internal Audit Department conducts audits on Group companies.

- Meetings of the Board of Group Company Presidents are convened regularly to ensure thoroughness of Group policy. The Board of Group Corporate Auditors ensures the thoroughness of the Group's audit policies.

- The Company requires that all Group companies ensure that everyone understands The Megmilk Snow Brand Code of Conduct Guide and comply with each company's code of conduct. Additionally, we support compliance and other sustainability initiatives.

- The Group’s hotlines are utilized as the whistleblowing system for Group companies. These hotlines are administered in an integrated manner within the Group.

## 2. Basic Views on Eliminating Anti-Social Forces

- The Company forbids any and all relationships with anti-social forces, including business transactions and friendships.
- The entire Company works on the exclusion of anti-social forces, and the Company’s regulations on risk management specify a “system for preventing damages caused by anti-social forces.”
- As an internal system, a department has been designated to address any cases of unreasonable demands by anti-social forces and a system has been put into place for reporting and responding to incidents that do occur.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Non-Adopted
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Supplementary Explanation
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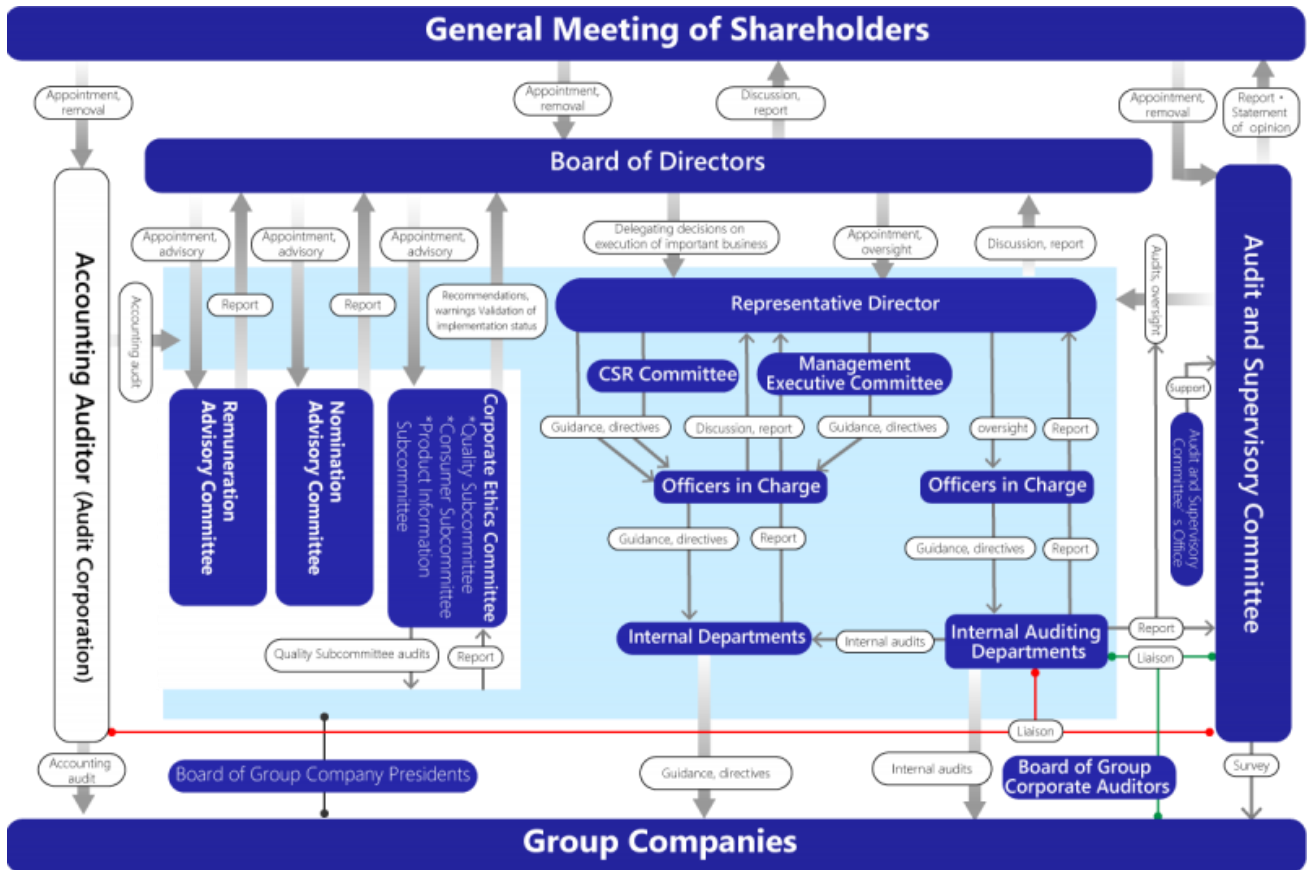
### 2. Other Matters Concerning to Corporate Governance System

The Company has established the Megmilk Snow Brand Group Charter of Corporate Behavior as part of its efforts to strive toward fair and transparent business activities. Management information is disclosed promptly and accurately following the disclosure rules of financial instrument exchanges and also published on the Company’s website promptly.

The disclosure of company information is managed by the officer responsible for the General Affairs Dept. who also services as the CIO and a system is in place where all management information is reported to the General Affairs Dept. and the officer responsible. Disclosure procedures are carried out by the Accounting & Finance Dept. and the officer responsible as well as the Public Relations & Investor Relations Dept. and the officer responsible. Company information is disclosed to the Finance Bureau, financial instruments exchanges, media outlets and on the Company’s website (see Attachment “Flow of Management Information”).

Company information subject to the timely disclosure standards set forth in the Tokyo Stock Exchange’s Securities Listing Regulations and Sapporo Stock Exchange’s Rules on Timely Disclosure of Company Information by Issuers of Listed Securities is disclosed in principal after approval by the Board of Directors. When urgency is required, such as the disclosure of information on an event that occurred, the Representative Director and President and Officer Responsible for the General Affairs

Dept. can act expediently, which is to be reported to the Board of Directors immediately after the fact. In addition, disclosures pursuant to the Companies Act, Financial Instruments Exchange Act and other laws and regulations are addressed in a similar manner as company information subject to the timely disclosure standards of financial instrument exchanges.





## Attachment – Flow of Management Information

