February 15, 2018

Company Name: MEGMILK SNOW BRAND Co., Ltd.
Representative: Keiji Nishio, Representative Director and President
(Stock code: 2270, TSE 1st Section/SSE)
Contact: Shigeru Watanabe,
General Manager, Public Relations & Investor Relations Department
(Phone: +81-3-3226-2124)

Concerning a Report Collection Order Issued to a Subsidiary (SNOW BRAND SEED Co., Ltd.)

MEGMILK SNOW BRAND announces that our consolidated subsidiary SNOW BRAND SEED Co., Ltd. (main office: Sapporo; President: Masahito Akaishi, hereinafter, SNOW BRAND SEED) was issued a Report Collection Order by the Ministry of Agriculture, Forestry, and Fisheries (MAFF) in accordance with Article 65 of the Plant Variety Protection and Seed Act.

Following internal information provision and indications made by MAFF, an internal investigation was conducted at SNOW BRAND SEED and testing of the seeds in question were collected and tested by the National Livestock Breeding Center (an Incorporated Administrative Agency) in accordance with Article 63 of the Plant Variety Protection and Seed Act. These results showed that multiple seeds with labeling in violation of the Plant Variety Protection and Seed Act had been sold. As such, in accordance with the provisions of Article 65 of the Plant Variety Protection and Seed Act, SNOW BRAND SEED was issued a Report Collection Order by MAFF requiring the submission of a report no later than March 29.

The MEGMILK SNOW BRAND Group Basic Code of Conduct outlines that we strive for compliance with laws, internal regulations, and corporate ethics in all our business activities and that we conduct business in good faith. We want to offer our sincere apologies to all our customers, shareholders, and other stakeholders for the inconvenience and concern we have caused due to the occurrence of such an incident despite our efforts towards compliance with our Code of Conduct.

We take this Report Collection Order from MAFF very seriously, and will respond by establishing a third-party committee to identify facts and conduct an objective and thorough investigation.

Moving forward, the MEGMILK SNOW BRAND Group will further enhance compliance and

work to prevent reoccurrence and to restore our credibility.

Description

1. Overview of subsidiary
(1) Name: SNOW BRAND SEED Co., Ltd.
(2) Location: 5-1-8, Kaminopporo 1-jo, Atsubetsu-ku, Sapporo, Hokkaido
(3) Representative: Masahito Akaishi, President
(4) Capital structure: Wholly-owned subsidiary of MEGMILK SNOW BRAND Co., Ltd.
(5) Business operations: Manufacture and sales of mixed feed, sales of single source feed, seeds, agrochemicals, and fertilizer, greenification facility maintenance and management, contracted construction of parks and gardens

2. Overview of Report Collection Order
(1) Detailed information of illegal labeling (details of illegal labeling, list of seeds and seedlings sold based on illegal labeling, period during which seeds/seedlings in question were sold, volume sold, and sales amount).
(2) Shipment stoppage, product recovery, and other measures implemented after discovery of illegal labeling.
(3) Operational authority, scope of responsibilities, legal compliance structure, internal control structure, and internal audit structure of department related to cause of illegal labeling
(4) Cause of illegal labeling and persons responsible
(5) Reoccurrence prevention measures

3. Nature of violation of Plant Variety Protection and Seed Act discovered as a result of the SNOW BRAND SEED internal investigation (see attached materials for details)
(1) Sold seeds without clear labeling indicating crop name or breed (violation of Plant Variety Protection and Seed Act Article 59)
(2) Product containing a registered breed of seeds did not include labeling indicating the registered breed name. The package of the product sold with labeling content such as “common seeds” and “for use with green fertilizer” (violation of Plant Variety Protection and Seed Act Article 22)
(3) After expiration of the seed developer’s rights period, continued to sell product labeled with the “breed registration No.” (violation of Plant Variety Protection and Seed Act Article 56)

4. Future plans
We will immediately establish a third-party committee. Details will be disclosed as a future date.

MEGMILK SNOW BRAND and SNOW BRAND SEED will cooperate fully with investigation conducted by the third-party committee to discover the facts of this incident.

5. Attached materials

Cases of seed labeling violations under the Plant Variety Protection and Seed Act

Cases of seed labeling violations under the Plant Variety Protection and Seed Act

(1) Case of violation of Plant Variety Protection and Seed Act Article 59 (Labeling for designated seeds) Paragraph 1, No. 2.
Seed product packing contained no labeling of crop name or breed name.

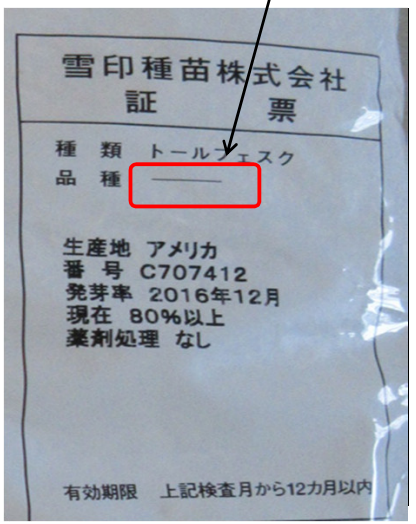
<Case of indicating “-“ in the breed identification column>

[Front side]



[Back side, display area]

Breed identification column labeled as “-“



*Production location, No., and germination rate are printed using a printer during wrapping so unwrapped packages do not include this labeling.

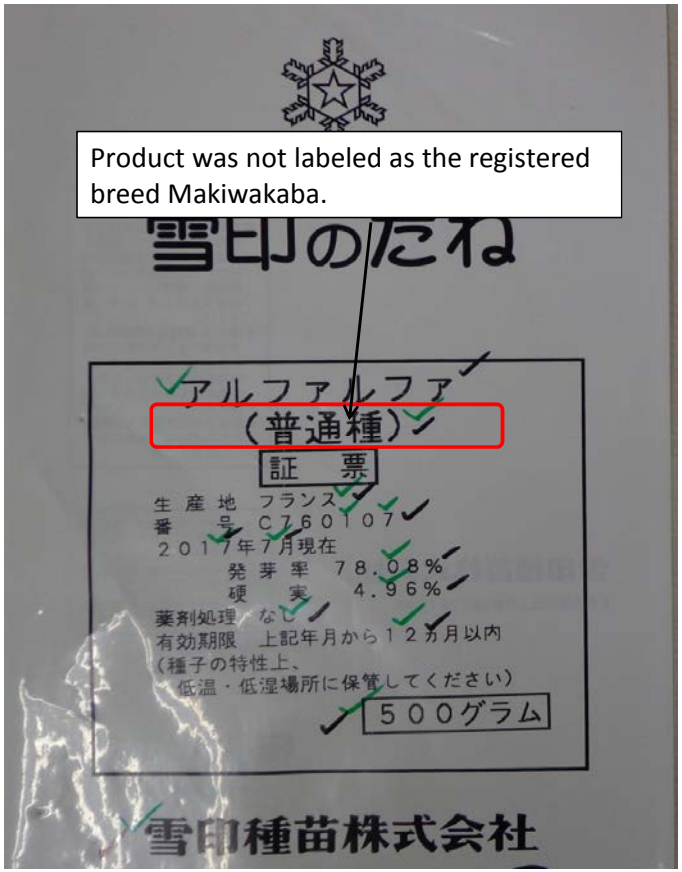
(2) Case of violation of Plant Variety Protection and Seed Act Article 22 (Duty to use registered breed name) Paragraph 1

Product containing a registered breed of seeds did not include labeling indicating the registered breed name.

The package of the product sold with labeling content such as “common seeds” and “for use with green fertilizer”.

<Case of failing to indicate the name of a registered product,instead using “common breed” to indicate the registered grass breed “Makiwakaba”>

[Front side]



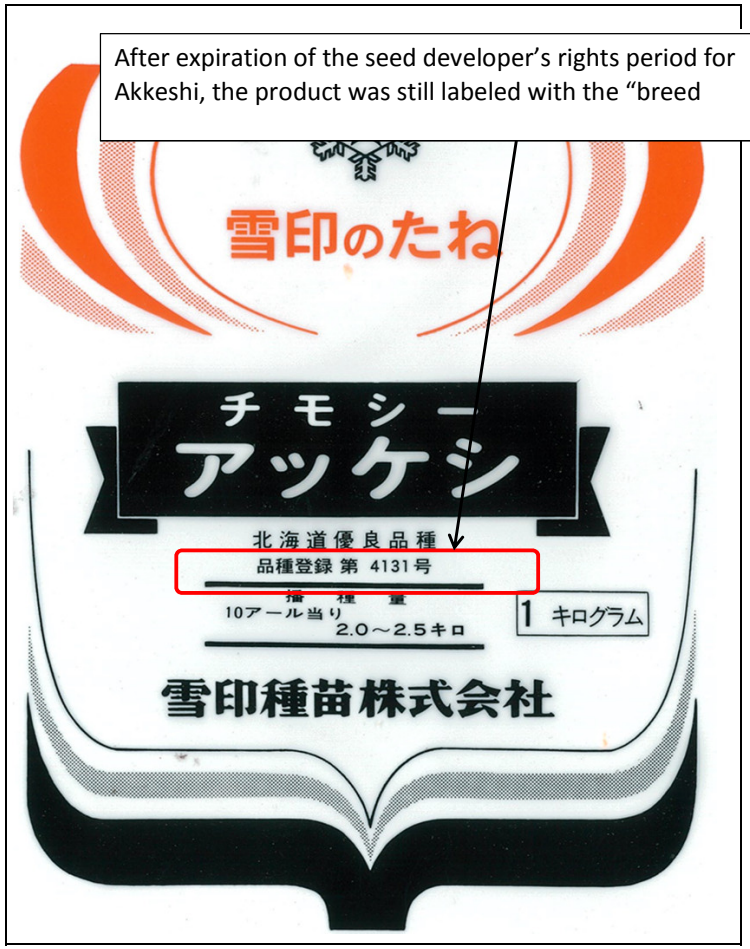
[Back side]



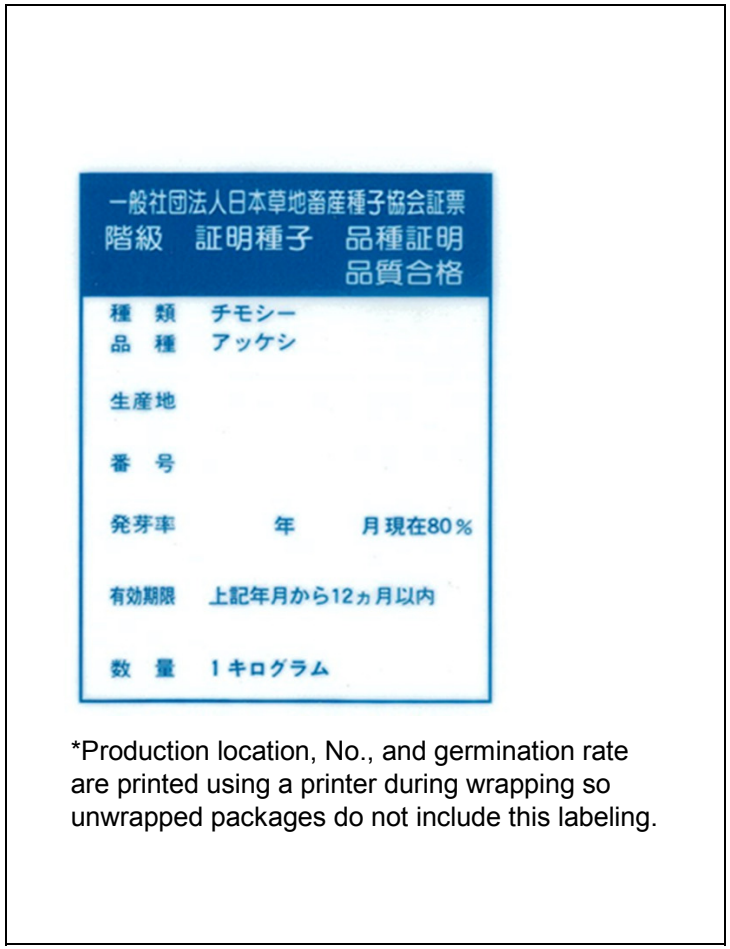
(3) Case of violation of Plant Variety Protection and Seed Act Article 56 (Labeling of a non-registered breed as registered is prohibited) No. 1
After expiration of the seed developer's rights period, product was still labeled with the "breed registration No."

<Case of mistaken labeling of breed registration No. after expiration of the registration period on the packaging for the registered grass breed "Akkeshi">

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*Production location, No., and germination rate are printed using a printer during wrapping so unwrapped packages do not include this labeling.