April 27, 2018

Company Name: MEGMILK SNOW BRAND Co., Ltd.
Representative: Keiji Nishio, Representative Director and President
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Submission of a Report Based on a Report Collection Order from the Ministry of Agriculture, Forestry and Fisheries by Our 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") has today made a report to the Ministry of Agriculture, Forestry and Fisheries (MAFF) about the results of an investigation for a Report Collection Order received from the Minister of MAFF in accordance with Article 65 of the Plant Variety Protection and Seed Act.

We set up a third-party committee (February 20, 2018) to perform an objective and thorough investigation to clarify the facts when making this report.

We give an overview of the investigation results on the attachment. However, in addition to violations of the Plant Variety Protection and Seed Act (e.g. certificate labeling), breeds were falsified over a long period of time and there was an attempt to conceal that. This has damaged both the trust of our customers and the social trust of all seed distribution. We take this situation very seriously. We would like to once again express our sincerest apologies for the inconvenience we have caused all our customers, concerned officials and other stakeholders.

Various concerns about illegal labeling and breed falsification made clear in the third-party committee's investigation report were caused by the efforts required of management being neglected. (1) The importance of the Plant Variety Protection and Seed Act and its labeling obligations were not understood in their true sense. There were insufficient opportunities to ensure that employees correctly understood the law and acquired the necessary knowledge. (2) The facts of the seed falsification and the whistleblowing were not taken seriously in the company and the corporate culture was not reformed.

All our officers and employees of SNOW BRAND SEED now regard the acts and issues confirmed this time as "our problems" and take seriously the findings of the third-party committee's investigation report. They are all working tirelessly to implement the proposed recurrence prevention measures in their entirety.

In addition, we take seriously that the illegal labeling, breed falsification and other inappropriate acts committed in SNOW BRAND SEED this time occurred in a core company in one of the most important segments of our group in the feed and seed business as identified by the third-party committee.

The MEGMILK SNOW BRAND Group has worked to build a CSR and compliance structure from past reflections. However, we will once again strengthen the governance structure over our entire group and work as one on drastic measures in SNOW BRAND SEED to prevent the recurrence of such problems in the future.

The president of SNOW BRAND SEED Masahito Akaishi resigned today. We also plan to reduce the monthly remuneration of the president and other officers of MEGMILK SNOW BRAND based on our responsibility to manage and oversee SNOW BRAND SEED.

1. Results of the Third-party Committee Investigation

Please see the attachment (1).

2. SNOW BRAND SEED's Recurrence Prevention Measures

(1) Reform of Corporate Culture

We will comply with laws (e.g. the Plant Variety Protection and Seed Act). We will also strive to establish a structure (organizational mechanism) to ensure an awareness of the need to correctly explain and label to customers and to prevent the occurrence of illegal labeling and breed falsification.

There were at least two opportunities to eradicate our disposition to falsify and conceal from a scandal caused by another company in our group in the past and an in-house investigation in 2014. However, we were not able to take advantage of either of those opportunities. We recognize that our failure to perform an appropriate investigation and to demonstrate self-correction as a result despite the involvement of our parent company is a serious problem. We will thoroughly implement recurrence prevention measures with recognition that this is our final opportunity to do so.

We will examine and determine the necessity and content of penalties for all those involved in the violations of laws, the violations of in-house regulations and other inappropriate acts uncovered this time based in a comprehensive manner on the content of such acts, the conditions, the degree of involvement, the position and the subsequent response. We will strictly and fairly deal with this and give punishments according to employment rules.

(2) Drastic Improvement and Reconstruction of the Governance Structure

We will perform a concrete review accompanied with our personnel and structures to ensure that our internal control system functions practically. In particular, functional departments are not necessarily sufficient. Therefore, upon understanding the true importance of that, we will deploy the necessary personnel and develop employees to strengthen functional departments. We will work to raise our control structure for product labeling to the same level as that of our parent company.

(3) Policy to Prevent Illegal Labeling

It is urgent that we give training on the Plant Variety Protection and Seed Act to officers and employees at an early stage. We will continually ensure there are opportunities for training and education on this. We will prepare and develop comprehensive and appropriate in-house regulations and manuals concerning labeling obligations. We will then ensure that all related departments in our company are aware of these. We will aim for the unified application of these. Together with that, we will continue to constantly review our regulations to develop a structure that guarantees this.

We will also organize our way of thinking as a company by acquiring external viewpoints instead of entrusting interpretation concerning our labeling obligations in the Plant Variety

Protection and Seed Act to the judgment of individuals in charge of such work. We will formulate unified viewpoints and rules together with MAFF for the industry as a whole.

Moreover, we will clearly establish the department responsible for the labeling of products and the department to check that.

(4) Policy to Prevent Breed Falsification
Breed falsification is an act that deceives our customers. It is also an act that damages the trust of society in the labeling of breeds in general. We will confirm and share these reasons as to why breed falsification cannot be allowed. We also make work ceaselessly to ensure that this not forgotten. We will classify various types of processes performed under the name of "account transfer." We will develop a mechanism to objectively and clearly record this to achieve transparency. We will also examine curtailments in our system based on the premise of the view that human nature is fundamentally weak. We will devise ways to ensure effective mutual surveillance among a limited number of employees.

(5) Other
We have poor mobility in terms of personnel changes. There is a tendency for employees to stay with specific departments for a long time. This presents a number of challenges. (1) It makes it more likely to create a breeding ground for impropriety. (2) It is more liable to invite indifference between departments. (3) It does not stimulate the organization with diverse opinions and viewpoints. We will work hard to solve these as organizational problems while balancing this with the establishment of specialization.

We will further develop a structure that accepts reports and make everyone aware of this so that our internal reporting mechanism can be used with peace of mind and so that it functions effectively to foster a sense of trust in our internal reporting system.

3. MEGMILK SNOW BRAND'S Recurrence Prevention Measures

(1) Reinforcement of Structure to Check for Violations of the Law in the MEGMILK SNOW BRAND Group:
  (i) On-site audits on quality control in general for group companies:
  We completed a self-check of quality control in general on group companies by April 17, 2018. The results of this check revealed that there were no concerns of serious problems of risks (e.g. violations of the law or deviations from approval and notification requirements). Our Audit Department will take the lead to perform on-site audits of quality control in general in order in the future.
  (ii) Reinforcement of business audits based on a business self-check list:
  Our Audit Department will perform business audits by reviewing key items with a business self-check list from a risk approach perspective and by making addition.
  (iii) Enhancement of group investigations by the Audit and Supervisory Committee:
  We will enhance investigations into group companies by our Audit and Supervisory Committee members.

(2) Efforts to Again Ensure Thorough Compliance in the MEGMILK SNOW BRAND Group:
  (i) Thorough compliance activities:
  We will take up this matter of SNOW BRAND SEED in activities held twice a year with the participation of our officers, supervisors, group company presidents and departmental CSR leaders to thoroughly ensure that problems are shared and to prevent their recurrence.
  (ii) Compliance questionnaires:
  We will give a new compliance questionnaire to employees of our company and group companies. We will foment compliance awareness and discover problems to ensure this penetrates all over our group at an early stage.
  (iii) Compliance efforts with our Corporate Ethics Committee:

We will aim to foment and ensure the penetration of awareness by creating new opportunities for dialogue under the theme of compliance with our Corporate Ethics Committee and officials and executives in our group companies.
*Corporate Ethics Committee: This is a consultative body to our Board of Directors. We established this committee to perform verifications and make proposals with "external eyes" over all our business and to then make use of this in our management. The committee is comprised of external experts on consumer-related issues and corporate ethics, a representative of our in-house union and in-house committee members.

(3) Reinforcement of Control and Supervision to Prevent the Recurrence of the Problems in SNOW BRAND SEED:
  (i) Reform of management structure:
  We will reform the management structure by doing the following as the parent company.
    (a) We will punish the officials who were a part of this
    (b) We will dispatch a compliance officer from our company (permanent position)
  (ii) Joint efforts on compliance activities:
  We will strive to foment and ensure the penetration of compliance awareness in SNOW BRAND SEED by doing the following.
    (a) We will dispatch a member to a new compliance committee (officer responsible for the Audit Department)
    (b) We ensure support and cooperation for the above activities
  (iii) Reinforcement of audit functions:
  We will reinforce audit functions by doing the following.
    (a) We will strengthen cooperation between our Audit Department and SNOW BRAND SEED's Audit Office
    (b) We establish key audit items based on the results of the investigation by the third-party committee
    (c) Our Audit and Supervisory Committee will perform periodic investigations
  (iv) Support for training courses and study sessions (e.g. dispatch of instructors)

4. Attachment
(1) Overview of the Third-party Committee's Investigation Report
*Please review the Third-party Committee's Investigation Report (Disclosure Version and Abbreviated Version) on our website（Japanese only）.
[MEGMILK SNOW BRAND website: http://www.meg-snow.com/news/]

Attachment 1

April 27, 2018
SNOW BRAND SEED Co., Ltd.

To whom it may concern

Overview of the Third-party Committee's Investigation Report

The following is an overview of the investigation report received from the third-party committee. The following content summarizes the investigation report by the third-party committee under our responsibility based on our understanding and awareness.

Overview of the Third-party Committee's Investigation Report on Violations of the Plant Variety Protection and Seed Act

1. Third-party Committee Investigation

(1) Composition of the Committee

The committee was composed of three members. The members were appointed in accordance with the Guideline for Third-party Committees relating to Corporate Scandals by the Japan Federation of Bar Associations. None of the members has any interests in SNOW BRAND SEED. In addition, seven lawyers were appointed as assistants to assist with the investigation.

(2) Method of Investigation by the Committee

The period of the investigation ran from February 20 to April 24, 2018. The committee held a total of 12 meetings to discuss and examine the investigation policy and acknowledgment of facts.

The committee viewed and examined copies of the product packaging articles remaining in SNOW BRAND SEED, the "account transfer" data in the inventory control of pasture seeds and lawn seeds, and work instructions, in-house regulations and in-house records of proceedings. The committee also interviewed a total of 45 officers, employees and former officers of SNOW BRAND SEED and MEGMILK SNOW BRAND, as well as relevant organizations (e.g. livestock improvement centers and seed management centers). Furthermore, a digital forensic investigation was performed on the data in the mail servers of the relevant parties. In addition, upon securing a prohibition on handling disadvantageously, the committee gave a questionnaire to current and former officers and employees. The committee acquired responses from a total of 549 people and established a hotline.

2. Labeling in Violation of the Plant Variety Protection and Seed Act

The committee investigated all 4,252 packages still in existence.

(1) Article 22 Violations

The committee confirmed there were cases in which pasture, feed produce and vegetation produce seeds were not labeled with their applicable registered name when registered seeds were sold as "regular breeds" and "for green manure" with 11 regular breeds and one breed for green manure. In addition, one breed of vegetable seed was sold to a specific sales destination labeled with a prototype name instead of being labeled as the applicable registered breed even after the breed registration. (This was done to accept a request from the said sales destination. The said problem was identified in our company around 2005. Nevertheless, we did not rectify this labeling violation even afterward.)

This was caused by a lack of the perspective and understanding of the labeling obligations in Article 22 (1) for pasture, feed produce and vegetation produce seeds. Meanwhile, this was caused by a low level of compliance awareness with no

understanding of the importance of the Plant Variety Protection and Seed Act as customer requests were prioritized over Article 22 (1) for vegetable seeds.

(2) Article 56 Violations

The committee confirmed there were cases in which pasture, feed produce and vegetation produce seeds were labeled and sold as registered breeds even after breeder rights had expired with eight breeds. They also confirmed a case in which such seeds were labeled as a registered breed due to an OECD registration labeling description error with one breed.

This was caused by a failure to appropriately manage whether or not breeder rights had expired with the expiration of their continuation term by establishing a person in charge of management. This was also caused by a lack of understanding about the Plant Variety Protection and Seed Act or insufficient checks on the printing.

(3) Article 59 Violations

The committee confirmed there were two breeds for which their type was not labeled, 12 breeds for which their breed was not labeled and 10 breeds for which there breed was not labeled with their “breed” canceled (“-” label) for pasture, feed produce and vegetable produce seeds. In addition they confirmed that three breeds of barley were lacking disease resistant labeling or had their suitable cultivation areas mistakenly labelled or not labeled.

The committee confirmed there was one breed for which none of the label items where labeled for vegetables. This was caused by a lack of understanding about the content of labeling obligations and a failure to check labels.

(4) Causes of the Labeling Violations

The management of SNOW BRAND SEED did not understand the importance of the Plant Variety Protection and Seed Act and its labeling obligations in the true sense. We did not act with recognition that a Plant Variety Protection and Seed Act labeling problem is an important challenge for the company that we should personally tackle direct from the front. The following happened as a result. (1) We did not pay attention and take specific action to ensure employees understood the importance of the Plant Variety Protection and Seed Act. (2) We did not provide sufficient appropriate opportunities (e.g. with preparation of in-house regulations / manuals and training) so that employees could correctly understand the Plant Variety Protection and Seed Act and acquire the necessary knowledge. (3) We did not build a structure that could be operated in a unified manner by establishing a department with the authority and responsibility to determine the contents of labels. (4) We did not appropriately set up a structure to check and audit the contents of labels. (5) We did not recommend or seek to deal with various problems relating to the Plant Variety Protection and Seed Act labeling obligations by adopting a collective viewpoint (e.g. by consulting with those who have expertise outside our company).

3. Seed Falsification

(1) FY2014 In-house Investigation

The progress of the facts below were found about an investigation conducted upon the visit by a newspaper reporter who had received a complaint from a person believed to be in our company in FY2014.

- Taking the premise that records over 10 years do not exist is false while acknowledging the existence of data for the past 13 years, the existence of objective and concrete data to back past breed falsification was hidden.
- Although cases of suspected breed falsification within the past 10 years were found, the conclusion was reached that there was no breed falsification without investigating or checking that.

- Relevant parties, including some executives, committed inappropriate acts (e.g. destruction of evidence and alteration of interview records) when performing the investigation.
- Multiple relevant parties made statements different to the facts or their awareness. This led to erroneous recognition of the facts.
- Unqualified persons were made in-house committee members and put in charge of verification.

  Consequently, we determined it was not possible to rely on the results of the FY2014 in-house investigation. Therefore, we decided to once again clarify the facts, including the range of the said investigation.

(2) Conditions and Methods of Breed Falsifications

There were the following patterns to the breed falsifications made by SNOW BRAND SEED.

(i) Breeds were falsified (breed A sold as breed B) to be able to sell as a different breed (breed B) without change. (There were two cases: a case of falsification in the stocking stage and a case of falsification using account transfers.)

(ii) Breeds were falsified (breed A to breed B) to sell mixed in with a different breed (breed B).

Changes to the names of breeds with account transfers were also made to avoid being subjected to a draft plan circulated to obtain permission when seeds were discarded in violation of the in-house regulations. Therefore, it was necessary to investigate and check other evidentiary documents (e.g. daily work reports) to check whether or not account transfers were made for sales or to discard seeds.

(3) Existence of Breed Falsification

Breeds were systematically and chronically falsified in both Hokkaido and other prefectures prior to January 2002.

The decision was made in the Seed Department to stop falsifying breeds in February of that year after the discovery of the beef falsification incident by the group company SNOW BRAND FOOD. Nevertheless, the facts and content of the brand falsification up to that point were not announced or explained outside the company. There was no response such as an apology to customers. Customers were told a lie to the effect that new breeds were being released to conceal past breed falsifications.

There were many cases in which it was difficult to confirm whether the purpose of changing a breed name was for sales or disposal in the investigation into breed falsification from February 2002. However, the committee confirmed that the treatment of four incidents with two breeds was falsified for the purpose of sales. Nevertheless, they did not find any breed falsifications or incidents in which it was not possible to decide whether or not there had been breed falsification from January 2015 to December 2017.

A Board of Directors' meeting in October 2014 decided that the account transfer business process should be subjected to an internal audit. However, the actual internal audit covered from FY2015. Moreover, the MEGMILK SNOW BRAND pointed out in January 2016 the need to build a mechanism to be able to evaluate the appropriateness of product account transfers externally. However, it was at a Board of Directors' meeting in March 2017 that the resolution was made to revise the Account Transfer Controls based on this identification. Furthermore, despite the formulation of a business procedure manual, this was not sent to relevant people in the company until the end of June 2017. In this way, the facts of the in-house breed falsifications and the whistleblowing were not taken seriously. The sole focus of attention was to ensure that this "should not become something bigger." There was a lack of resolve and a sense of responsibility to implement the content of the resolution at the Board of Directors' meeting.

(4) Causes of Breed Falsification

Three fraudulent elements were found to have caused the breed falsifications prior to January 2002. (1) The “incentive” such as the shortage of goods and inventory handling. (2) The “opportunity” in which there was a low possibility of discovery due to the small number of people involved and the existence of similar breeds. (3) The “reason legitimizing these acts” in that this was something that happened from previously and so there was no disadvantage to the customers. These causes of falsification still remained without being completely resolved even after February 2002.

4. Recurrence Prevention Measure Recommendations

(1) Reform of Corporate Culture

We need to comply with laws (e.g. the Plant Variety Protection and Seed Act). We will also need to establish a structure (organizational mechanism) to ensure an awareness of the need to correctly explain and label to customers and to prevent the occurrence of illegal labeling and breed falsification.

There were at least two opportunities to eradicate our disposition to falsify and conceal. However, we were not able to take advantage of either of those opportunities. Our failure to perform an appropriate investigation and to demonstrate self-correction as a result despite the involvement of our parent company is a serious problem. We recognize that this is our final opportunity to do so.

We need to examine and determine the necessity and content of penalties for all those involved in the violations of laws, the violations of in-house regulations and other inappropriate acts uncovered this time based in a comprehensive manner on the content of such acts, the conditions, the degree of involvement, the position and the subsequent response. We need to strictly and fairly deal with this and give punishments according to employment rules.

All our officers and employees should regard the various acts and issues confirmed this time as “our problems.” Together with this, the MEGMILK SNOW BRAND Group should also seriously accept this as a phenomenon that occurred in a core company comprised of one of the main areas of business in the group. In that sense, top management should first deeply reflect on this incident and then declare a strong determination and message to reform the corporate culture of SNOW BRAND SEED.

(2) Drastic Improvement and Reconstruction of the Governance Structure

We should perform a concrete review accompanied with our personnel and structures to ensure that our internal control system functions practically. In particular, functional departments are not necessarily sufficient. Therefore, upon understanding the true importance of that, we must deploy the necessary personnel and develop employees to strengthen functional departments.

We will work to raise our control structure for product labeling to the same level as that of our parent company MEGMILK SNOW BRAND.

(3) Policy to Prevent Illegal Labeling

It is urgent that we give training on the Plant Variety Protection and Seed Act to officers and employees at an early stage. We will continually ensure there are opportunities for training and education on this.

We will prepare and develop comprehensive and appropriate in-house regulations and manuals concerning labeling obligations. We will then ensure that all related departments in our company are aware of these. We will aim for the unified application of these. Together with that, we will continue to constantly review our regulations to develop a

structure that guarantees this.

We will also organize our way of thinking as a company by acquiring external viewpoints instead of entrusting interpretation concerning our labeling obligations in the Plant Variety Protection and Seed Act to the judgment of individuals in charge of such work. We will formulate unified viewpoints and rules together with MAFF for the industry as a whole.

Moreover, we will clearly establish the department responsible for the labeling of products and the department to check that.

(4) Policy to Prevent Breed Falsification

Breed falsification is an act that deceives our customers. It is also an act that damages the trust of society in the labeling of breeds in general. We will confirm and share these reasons as to why breed falsification cannot be allowed. We also make work ceaselessly to ensure that this not forgotten.

We will classify various types of processes performed under the name of “account transfer.” We will develop a mechanism to objectively and clearly record this to achieve transparency. We will also examine curtailments in our system based on the premise of the view that human nature is fundamentally weak at that time. We will devise ways to ensure effective mutual surveillance among a limited number of employees.

(5) Other

We have poor mobility in terms of personnel changes. There is a tendency for employees to stay with specific departments for a long time. This presents a number of challenges. (1) It makes it more likely to create a breeding ground for impropriety. (2) It is more liable to invite indifference between departments. (3) It does not stimulate the organization with diverse opinions and viewpoints. It is also essential that we achieve a balance with the establishment of specialization. It will not be easy to reach a simple conclusion. However, we would like to identify this as a challenge for our organization.

We will further develop a structure that accepts reports and make everyone aware of this so that our internal reporting mechanism can be used with peace of mind and so that it functions effectively to foster a sense of trust in our internal reporting system.

(6) Conclusion

The content of this report contains some severe aspects for SNOW BRAND SEED, its officers, employees and other stakeholders. However, we hope that SNOW BRAND SEED will be able to overcome this difficult and open a new chapter in our history as a company in which compliance has penetrated to truly achieve out company policy of “agriculture public service with technology and sincerity.”