

Now ideas for wellness

meiji

Integrated Report 2021



Meiji Holdings Co., Ltd.

Group Philosophy

Our mission is to widen the world of “Tastiness and Enjoyment” and meet all expectations regarding “Health and Reassurance.”
Our wish is to be closely in tune with our customers’ feelings and to always be there to brighten their daily lives.
Our responsibility as “Food and Health” professionals is to continue finding innovative ways to meet our customers’ needs, today and tomorrow.

Meiji's New Group Slogan

Now ideas for wellness
meiji

From babies to the elderly, at every step, the Meiji group has been right there, giving people a reason to smile.

Now we’re gearing up to create even more smiles, with something everyone can feel good about — a focus on wellness.

After all, people who feel well, with healthy hearts and bodies, have a lot to smile about. And smiling spreads like a wave of positive energy, as people envision a brighter future on a healthy planet. We think you’ll see that sharing healthy ideas is something we can all do quite naturally.

Starting today, the Meiji group will be sharing even more good ideas about wellness — ideas that are likely to spread to everyone who wants to feel better.



Editorial Policy

Since 2018, Meiji Holdings Co., Ltd. (the Company) has been issuing an Integrated Report and will continue to replace the Annual Report. After celebrating our 100 year anniversary, the Meiji Group will seek further growth. In this report, we have compiled financial and non-financial information focusing on the Value Creation Story that has led us to sustainable growth.

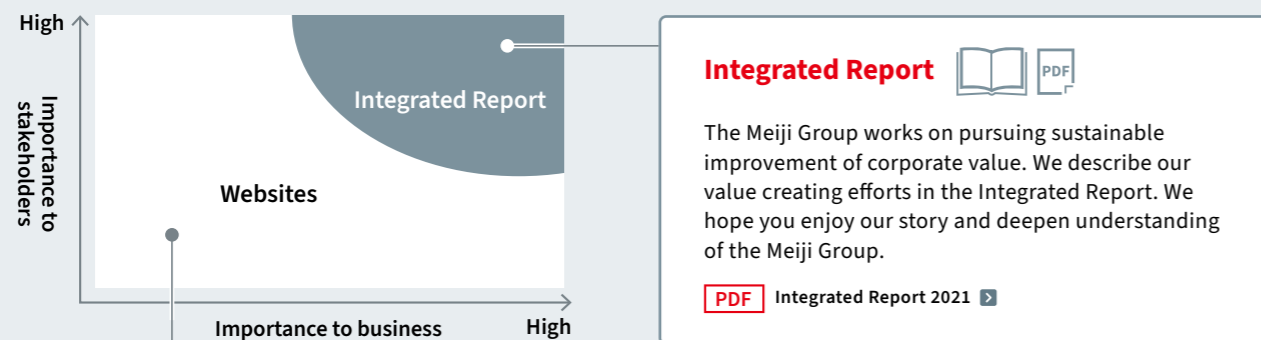
* Reference: The International Integrated Reporting Council Framework

Using the Integrated Report 2021

This report is based on the performance results from FY2020 (fiscal year ended March 2021). Some content from FY2021 (fiscal year ending March 2022) is also included. The content is compiled based on information that is available at the time when the Company created the Integrated Report 2021. Therefore, please note that the actual results may be different from the Company's forecast. The information in the report unless otherwise specified is current as of August 2021.

The Meiji Group's Information Disclosure

The Integrated Report provides important information to our business and stakeholders. For more detailed information about the Meiji Group, please refer to our websites.



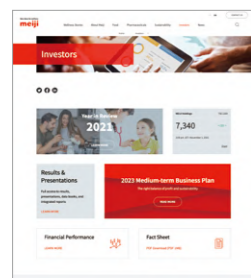
Websites



Our websites provide detailed and comprehensive information on our corporate profile, financial information, corporate governance, sustainability-related information, the latest news, etc.

Investors

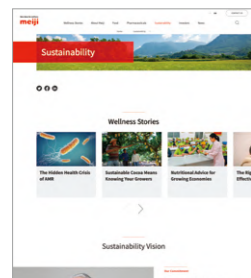
<https://www.meiji.com/global/investors/>



- [Year in Review](#)
- [Financial Performance](#)
- [Results & Presentations](#)
- [Invest in Meiji](#)
- [Business Plans](#)
- [Governance](#)
- [Stock Information](#)
- [M&A and Alliances](#)

Sustainability

<https://www.meiji.com/global/sustainability/>



- [Our Commitment](#)
- [Sustainability Management](#)
- [Healthier Lives](#)
- [Caring for the Earth](#)
- [Thriving Communities](#)
- [Sustainable Sourcing](#)
- [Collaboration](#)
- [ESG Index](#)

About the Meiji Group

Please visit our websites for details of the Meiji Group's mission and vision, slogan, management structure, business domains, history, and other information.

[WEB](#) [About Meiji](#)

Meiji Holdings Co., Ltd.

<https://www.meiji.com/global/>

Meiji Co., Ltd.

<https://www.meiji.co.jp/>
(Japanese version only)

Meiji Seika Pharma Co., Ltd.

<https://www.meiji-seika-pharma.co.jp/>
(Japanese version only)

KM Biologics Co., Ltd.

<https://www.kmbiologics.com/en/>

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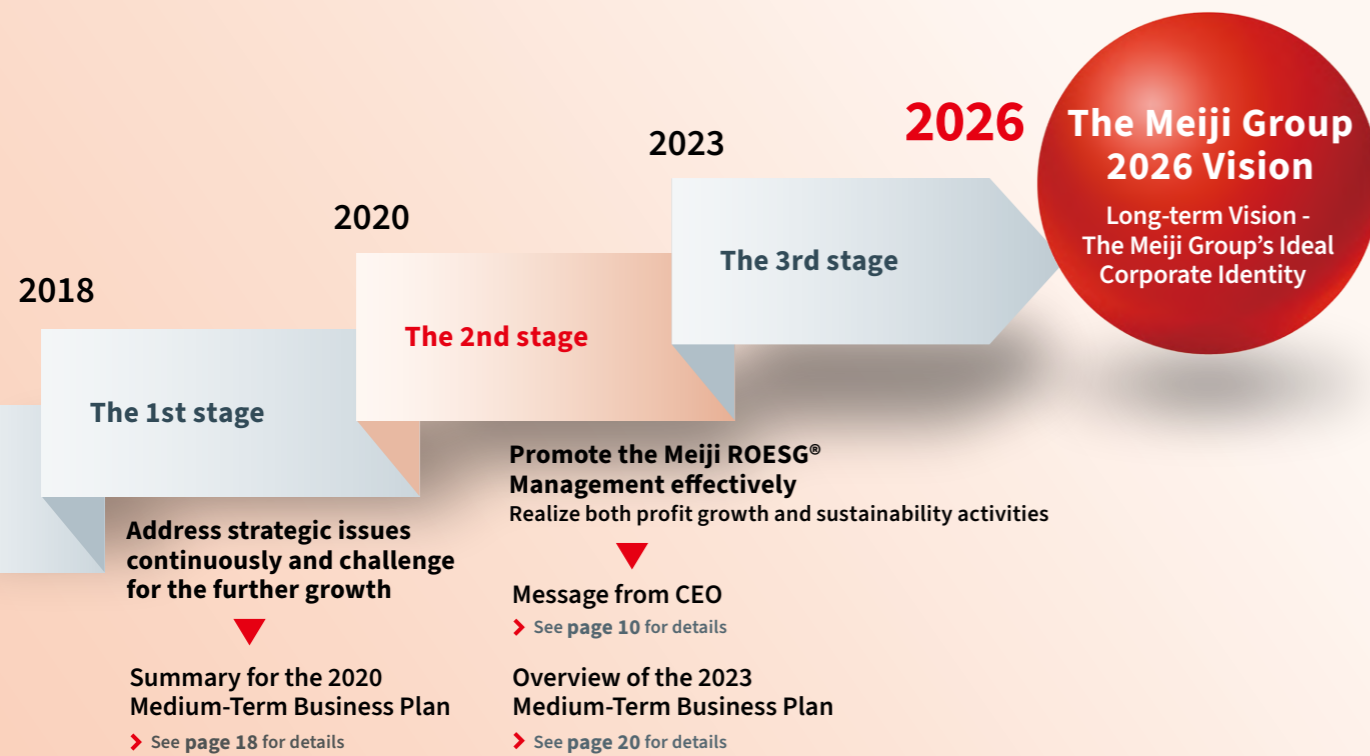
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Achieving Our Goals in 2026 Vision

In FY2018, we created the Meiji Group 2026 Vision as a strategy to maximize the strengths of the Meiji Group to grow further. We will follow through with this business plan and achieve this vision successfully. Accordingly, we will improve our corporate value over the medium- and long-terms.

Roadmap to Realize the 2026 Vision

We are formulating three Medium-Term Business Plans to realize the Meiji Group 2026 Vision. The Plan in the first stage began in FY2018 and ended in FY2020. We are now in the first fiscal year of the 2023 Medium-Term Business Plan, the second stage.



Important Operating Environment

Three social trends are expected to impact the Meiji Group business on the path to 2026. The COVID-19 global pandemic from 2020 has created enormous uncertainty. However, we will adapt quickly to the changing business environment and undertake appropriate management to accomplish the Meiji Group 2026 Vision and meet stakeholder expectations.

- 1 Changes in social structure - Ageing**
 - 30% of Japan's population will be 65 years or older by 2025
 - Aging population is a common issue throughout the world
- 2 Increased health consciousness and disease prevention**
 - Rise in diseases and disorders due to changes in lifestyle and dietary habits
 - Increasing awareness and focus on prevention and living longer, healthier lives
- 3 Growth of the global middle class**
 - Rising level of income in emerging countries such as China and India
 - Growing demand for non-essential or luxury grocery items and health related products

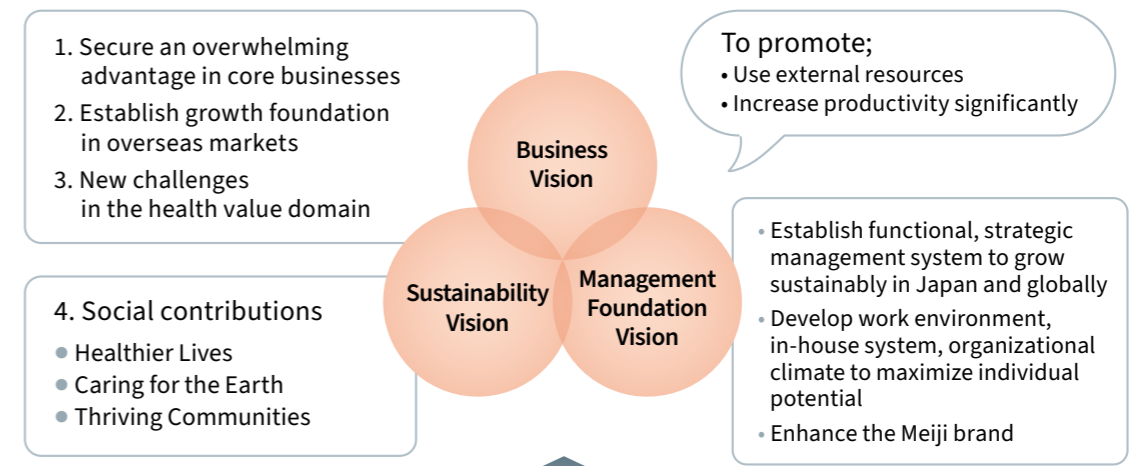
The Meiji Group 2026 Vision

Long-term Vision - The Meiji Group's Ideal Corporate Identity

The Meiji Group will combine the strengths, we have cultivated over the past 100 years, with the latest technology and new findings. Thus we create innovative ways to meet our customers' needs with food and health and grow in Japan and around the world sustainably.

Key Strategies	
1. Secure an overwhelming advantage in core businesses	Operating income growth rate Mid to high single-digit (CAGR)
2. Establish growth foundation in overseas markets	Overseas sales ratio Target at 20%
3. New challenges in the health value domain	ROE Maintain 10% or more
4. Social contributions	

Structure of the Meiji Group 2026 Vision



2023 Medium-Term Business Plan, the 2nd Stage [See page 20 for details](#)

Concept **Promote the Meiji ROESG® Management effectively**
Realize both profit growth and sustainability activities

Key Issues

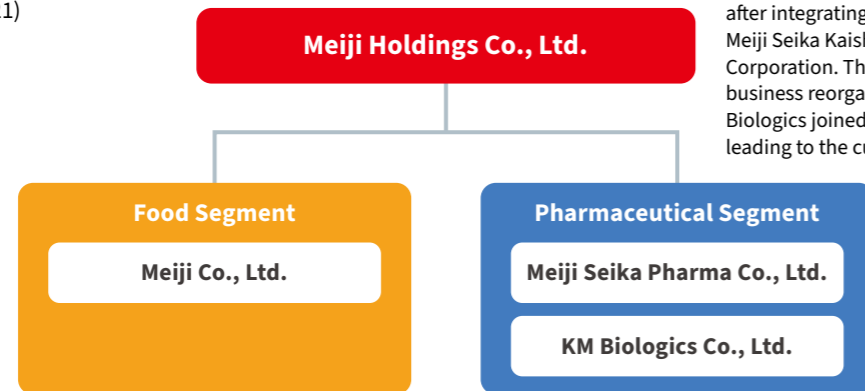
- 1. Business Strategy**
 - Food Segment**
 - 1) Recover from the slump in our core business
 - 2) Expand overseas business
 - Pharmaceutical Segment**
 - 1) Integrate business operations of Meiji Seika Pharma and KM Biologics (expand vaccine business)
 - 2) Expand CMO/CDMO
 - Group-wide** Venture into new domains
- 2. Improve business management using ROIC effectively**
- 3. Invest to grow business while constructing strong financial base**
- 4. Promote the Meiji Group Sustainability 2026 Vision**

* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

At a Glance

Our corporate group consists of Meiji Co., Ltd. – which runs the Food business, and Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. – which run the Pharmaceutical business. Our mission is to widen the world of Tastiness and Enjoyment and to meet all expectations regarding Health and Reassurance by providing a wide range of products that are essential in people’s lives, such as dairy products, confectioneries, nutritional products and pharmaceuticals.

Group Organization (As of March 31, 2021)

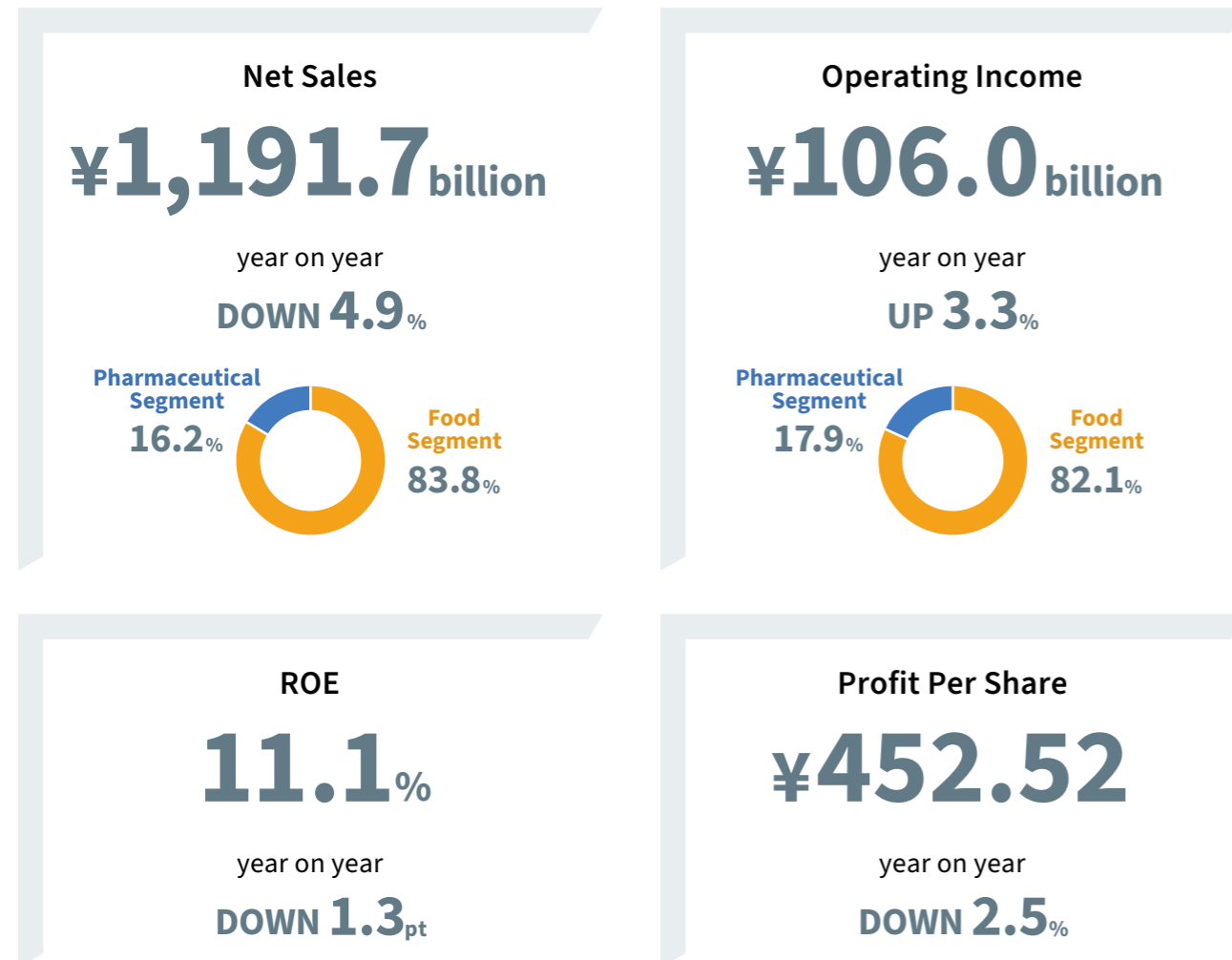


Meiji Holdings is a pure holding company that was established in 2009 after integrating the management for Meiji Seika Kaisha, Ltd. and Meiji Dairies Corporation. The Company underwent business reorganization in 2011, and KM Biologics joined the Group in July 2018, leading to the current Group structure.

This segment provides our customers of all ages from infants to the elderly, with a wide variety of products that include infant formula, milk and dairy products, confectioneries, sports nutrition products and enteral formula.

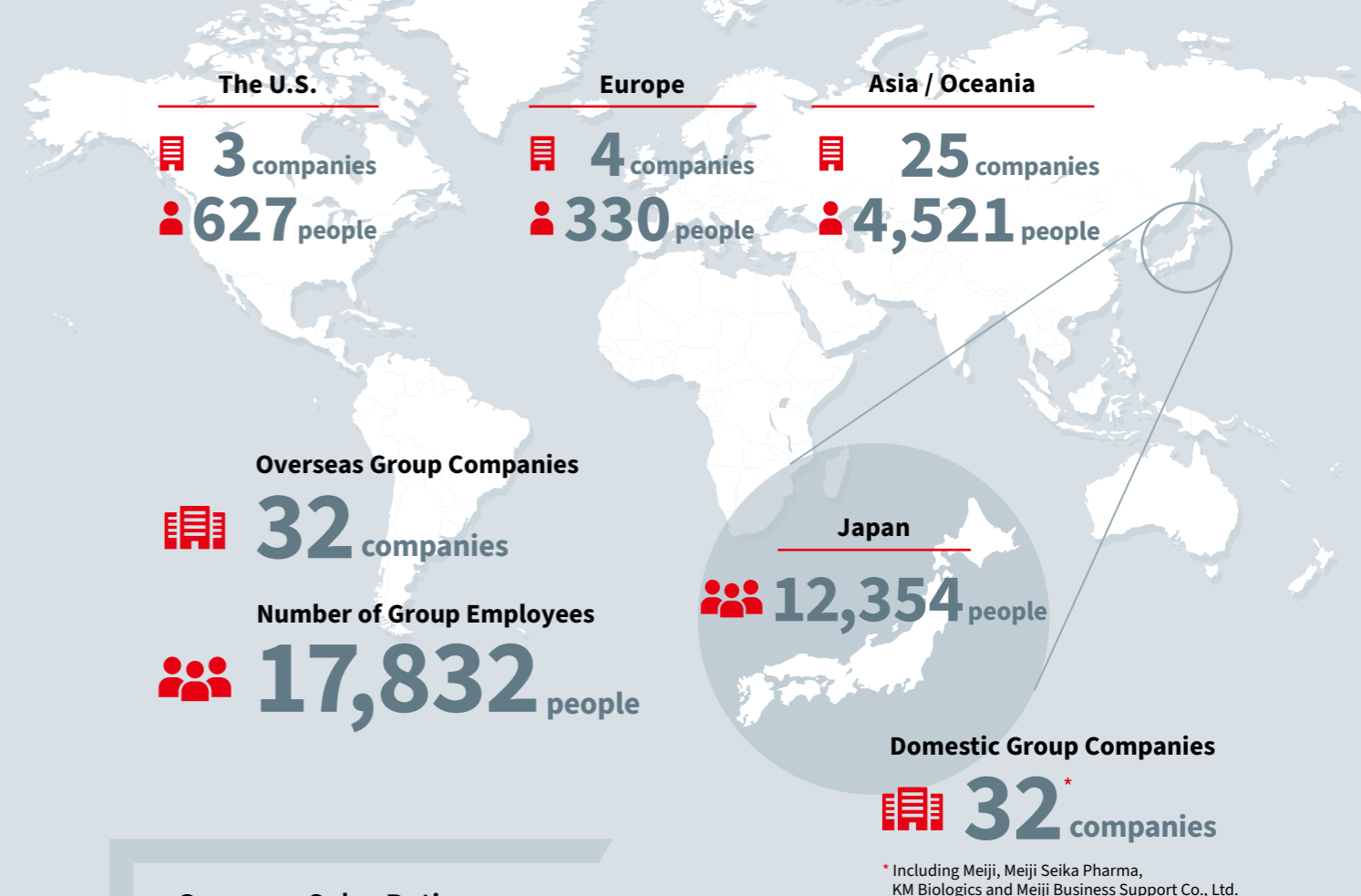
This segment develops our ethical pharmaceuticals business on a global scale, covering products such as antibacterial drugs, drugs for central nervous system (CNS) disorders, generic drugs and vaccines, and it also promotes our agricultural chemicals and veterinary drugs business.

Results for FY2020 (Fiscal Year Ended March 2021)



Number of Group Companies and Employees (As of March 31, 2021)

The number of group companies is the number of consolidated companies and entities accounted for by the equity method. The number of employees includes all consolidated companies.



Overseas Sales Ratio (FY2020)



Recognized for Outstanding Health Management for the Fifth Consecutive Year

The Nippon Kenko Kaigi runs a Certified Health & Productivity Management Outstanding Organizations Recognition Program as part of the Japan Revitalization Strategy 2016. Meiji Holdings, Meiji, and Meiji Seika Pharma have been recognized by the Nippon Kenko Kaigi for the fifth consecutive year as White 500 organizations in the program’s large enterprise category. KM Biologics was also recognized in 2021. This program recognizes and cites organizations for practicing outstanding healthcare management through health promotion efforts. At the Meiji Group, we shall continue striving to create a working environment where employees can thrive in their work.



Product and Market Presence

The Meiji Group has built a strong market position by providing products with unique value throughout society. In both the Food and Pharmaceutical businesses, we have a number of products with the leading market share in the categories where we are strong: dairy products, confectioneries, nutritional products, ethical drugs and agricultural chemicals.

Food Segment



Yogurt
Since 1950

No.1 in Japan
41.2%
Based on INTAGE Inc., SRI (yogurt market)
April 2020–March 2021 market share (money amount)



Chocolate
Since 1926

No.1 in Japan
24.7%
Based on INTAGE Inc., SRI (chocolate market)
April 2020–March 2021 market share (money amount)



Powdered & Granulated Protein
Since 1980

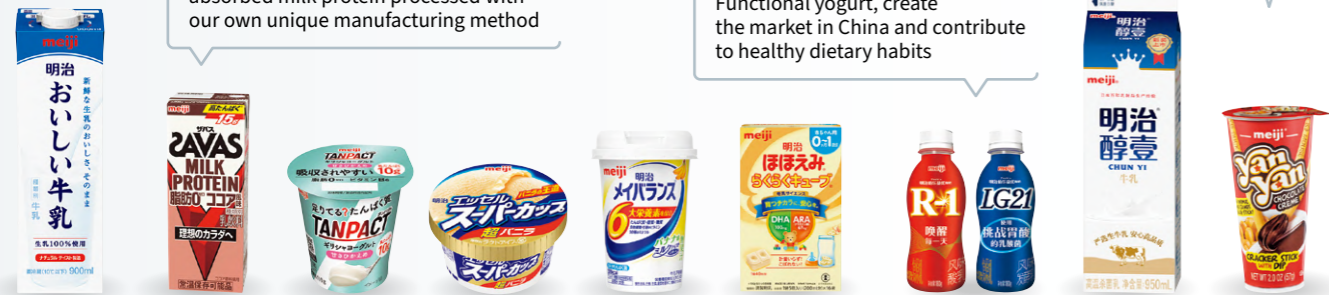
No.1 in Japan
39.6%
Based on Meiji data as of March 2021



Camembert Cheese
Since 1999

* Started processed cheese production in 1932
No.1 in Japan
49.7%
Based on INTAGE Inc., SRI (chocolate market)
April 2020–March 2021 market share (money amount)

Other Products



Protein drink formulated with a rapidly absorbed milk protein processed with our own unique manufacturing method

Functional yogurt, create the market in China and contribute to healthy dietary habits

Chocolate snack launched in Japan in 1979 and now sold in over 40 countries worldwide

Overseas

Product addressing insufficient protein intake among people today, supplementing protein conveniently and efficiently while enjoying the taste

Nutritional product for easy and tasty replenishment of important nutrients for the body

Pharmaceutical Segment



Systemic Antibacterial Drugs
Since 1946

No.1 in Japan
19.0%
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Source: Calculated based on JPM 2021 Mar MAT Market scope as defined by Meiji Seika Pharma
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Influenza HA Vaccine
Since 1972

No.1 in Japan
28.8%
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Source: Calculated based on JPM 2021 Mar MAT Market scope as defined by Meiji Seika Pharma
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Generic Drugs
Since 1998

No.6 in Japan
4.6%
Source: CRECON RESEARCH & CONSULTING, INC., FY2020



Rice Blast Preventives (Agricultural Chemicals)
Since 1975

Shipping data of Rice blast preventives
No.2 in Japan
35.0%
Source: Based on Handbook of Agricultural Chemicals -2020-, Japan Plant Protection Association

Other Products

Anti-allergy drug that is effective in reducing allergic symptoms, including pollinosis with less drowsiness and less effects on the ability to work.

Environment-friendly insecticide for rice seedling trays, developed by Meiji and launched in 2020

Biological tissue adhesion used mainly for bonding and closing wounds during surgery



Atypical antipsychotic drug launched in 2016, Japan's first sublingual tablet with proven efficacy and safety

Poultry vaccine for preventing infection and control of infection-related decline of egg-laying rates



Kazuo Kawamura
CEO
President and
Representative Director

We will Promote the Meiji ROESG® Management Effectively to Realize Both Profit Growth and Sustainability

The Meiji Group's Purpose is "Contributing to the Country through Nutrition," Our Founding Spirit

While society is rapidly changing, the purpose (meaning of existence) of companies is being questioned. What immediately comes to mind as the purpose of the Meiji Group is to "contribute to the country through nutrition," which is part of our Founding Spirit.

The Meiji Group originated from Meiji Sugar Co., Ltd. Back then, sugar manufacturing was an advanced industry with high profitability. Therefore, competitors focused their managerial resources on manufacturing. However, while improving sugar manufacturing efficiency, Meiji Sugar sought a good way to use sugar and cultivated demand for sugar. The company tried to expand the business based on the idea of "contributing to the country through nutrition." One of these expansions was a confectionary business. The company expanded its confectionary business through M&As and enriched people's dietary habits. The company also launched a condensed milk business. Sweetened condensed milk (with sugar added) is a product to easily supplement calories and protein. This was how our predecessor expanded business by "contributing to the country through nutrition." The Meiji Group marked its 100th anniversary in 2016. After more than 100 years, our founding spirit has not lost its brightness and freshness. Since I joined the Meiji Group, I myself have felt proud of this spirit and have been motivated to strive for excellence at my work.

* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

The New Slogan "Now ideas for wellness" Expresses Value Linked Directly to Our Purpose

The Meiji Group recently updated our corporate slogan to "Now ideas for wellness." Behind this lies our desire to express the slogan linked to the Meiji founding spirit. I believe we will face tougher global competition for the next 100 years. Therefore, we must establish a stronger corporate identity. Our Group Philosophy states that we provide Tastiness, Enjoyment, Health and Reassurance. Among them, "Health" is our unique and distinct value as it is directly linked to our purpose. Through this slogan, we will communicate our efforts to become a company playing an integral role in the health field across the world through the next 100 years.

Using this new slogan, we will create a sense of togetherness within the Group. The Food and Pharmaceutical segments previously had different slogans, but "Now ideas for wellness" is now being used for both segments. Under this united slogan, we will generate novel synergies between food and pharmaceuticals. We chose this slogan by popular vote and an overwhelming majority of employees voted for this slogan. Employees support this direction, and we will make it the Meiji Group's corporate identity.

We Are Further Pursuing the Synergies Between Food and Pharmaceuticals to Create Health Value Unique to the Meiji Group

Both Food and Pharmaceuticals Ultimately Provide Health Value

Under the new slogan “Now ideas for wellness,” we will spread the health value unique to the Meiji Group through the cycle of “Cure, Care and Share.” I would like to explain the rationale behind this.

When reviewing business from the perspective of our purpose, I realized that we have cared about products too much. Let’s look at an example from the Food segment. I believe customers eat our *Meiji Probio Yogurt R-1* for the health value of the product. In other words, we are providing health enhanced by lactobacillus, not just a yogurt product. This also applies to pharmaceuticals. We provide patients with efficacy and safety. Providing health value in our products is the ultimate goal for both segments.

Therefore, we should conduct business based on the idea that we provide the value that consumers are expecting in our products. We will pay close attention to what customers want and pursue them. Hence, we need to think about “Cure” and then “Care.” Additionally, how we “Share” such value is crucial. From a legal perspective, food and pharmaceuticals are clearly differentiated. However, I believe we can create health value unique to the Meiji Group. This is the synergy between food and pharmaceuticals.

Contribute to Help Solving Social Issues through Research on Anti-Aging and Immunity Boosting

We are seeking these food-pharmaceutical synergies in the Co-Creation Center, established directly under Meiji Holdings. Two research programs are currently underway: anti-aging and immunity boosting.

Anti-aging is how we extend healthy life expectancy. We are studying seniors who are playing active roles in the workplace to find out what will be the critical

factors for anti-aging, such as lifestyles, exercise habits, and dietary habits. Although we are still in the second year of the research, we are obtaining interesting findings. The aging population is an irreversible global trend not only in Japan but also in advanced countries. Extending healthy life expectancy will contribute to achieving SDGs. Therefore, our research will lead to resolving social issues.

Also, boosting immune system is important. Humans have an innate immune system, and it is vital that it functions effectively. Of course, vaccines are important, but some people are resistant to infection even in a pandemic, and we are studying why. Some research indicates that dietary habits and lifestyles may boost the immune system. The immune system plays a pivotal in the cancer prevention, development, and defense as well. The remission rate has recently been improved by controlling the immune system. Our research may be applicable to cancer treatment.

We do not yet know whether the output of our research on anti-aging and immunity boosting will be in the form of food or pharmaceuticals. We believe that either is okay, because seeking health value is our purpose. Our goal is to make this business profitable by FY2026. We hope to show early promising results and the business direction during the 2023 Medium-Term Business Plan.



The Co-Creation Center was established in April 2019 as a new research center that realizes new challenges in the health value domain. The organization is composed of the Meiji Group researchers who have various specialties and backgrounds.

Becoming a Corporate Group with a Significant Presence in Sustainability Transformation

Further Strengthen Sustainability Activities to Meet Stakeholder Expectations

FY2020 was the final year of our 2020 Medium-Term Business Plan. The Food business had grown rapidly until the end of 2017 Medium-Term Business Plan. Our corporate structure had also improved, and profit had increased to JPY 80 billion from JPY 20 billion at the beginning of management integration in 2009. We formulated the 2020 Medium-Term Business Plan to maintain such momentum. However, our growth slowed, and we missed our profit target. Meanwhile, we included enhancement of our management foundation and sustainability activities, in addition to business growth, as important targets in the 2020 Medium-Term Business Plan. Accordingly, we decided to invest in international businesses, issued sustainability bonds, and formulated the Meiji Group Long-Term Environmental Vision.

We formulated the 2023 Medium-Term Business Plan, which started in FY2021, recognizing drastic change in business environment. Demands to companies by their stakeholders have now changed significantly when compared to that at the time we formulated the 2020 Medium-Term Business Plan. We must improve our sustainability activities because stakeholders are now urging us to resolve social issues, be sustainable, and be resilient against risks. Of course, business expansion and profit growth are important,

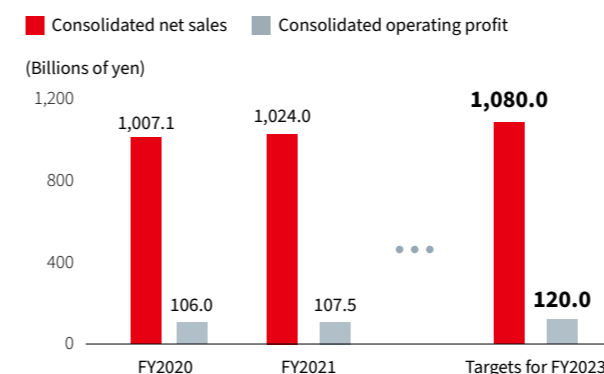
now, as the level of sustainability (how serious we are to sustainability activities) is directly linked to corporate evaluations. Realizing both profit growth and sustainability activities is the crucial point in the 2023 Medium-Term Business Plan. Thus, we will achieve the Meiji Group 2026 Vision.

Pursue Business Opportunities by Resolving Major Social Issues

During the COVID-19 pandemic, we recognized solving social issues is important. We experienced the confusion that the COVID-19 pandemic caused in the world. Infection control has become the biggest matter of interest for society and for sustainability. Facing such social issues seriously and contributing to solving them is an important corporate function. We have learned from this COVID-19 pandemic that we should address social issues seriously. Otherwise, companies will not be highly evaluated and we cannot demonstrate our presence.

Meanwhile, I believe that resolving social issues will provide us with a lot of business opportunities. The COVID-19 pandemic has increased profit in vaccine companies. Billions of people across the world are expected to be vaccinated periodically. I believe we can grow our business by developing and supplying vaccines to meet such vaccination needs while contributing to solving social issues to control infectious diseases. People now consider that the biggest driver for corporate innovation to be digital transformation (DX). However, I believe that sustainability transformation (SX) will attract much attention. The Meiji Group should demonstrate a major presence in SX.

2023 Medium-Term Business Plan Target for net sales* and operating profit*



* After applying revenue recognition standards for net sales.
Note: For FY 2020 reference only

We Will Realize Both Improving ROE and Enhancing ESG in Daily Management Decisions without Causing Conflict Between Them

The Meiji ROESG is the Key Management Indicator with the Highest Priority in the 2023 Medium-Term Business Plan

The key of the 2023 Medium-Term Business Plan is that we established the Meiji ROESG as a management indicator and set it as the highest priority. We selected five external ESG ratings for KPIs. In addition, we chose six social issues to focus on. These issues include the vaccination rate for influenza vaccines and the amount of protein intake. We can get bonus points when we meet the Meiji ROESG targets for these issues. We set goals adopting a three-layer structure composed of ROE, ESG evaluations, and extra points from ESG initiatives unique to Meiji. For some people, it seems that improving ROE conflicts with enhancing ESG in the short term. However, we will realize both of them by making the right management decisions regularly. The Meiji ROESG is a good indicator to raise awareness towards achieving our goal.

ESG evaluations will be the key to achieving the Meiji ROESG. We need to significantly improve evaluations by external rating agencies, and this will be a very difficult obstacle to overcome. However, I would like to increase awareness among managerial personnel that the Group is determined to work seriously on ESG. Moreover, I would also like them to be aware that social issues can be business opportunities. During the daily business operations, we tend to focus on near-term business results rather than looking 10 years ahead. However, when we look at the future and try hard to address social issues, we have a chance to solve major issues and thus create large markets. Social issues are a rich source of business opportunities. We will generate new businesses when we focus on sustainability.

Improve Business Management Using Business Portfolio Management and ROIC Effectively

I will focus on five themes as the Group CEO to realize both profit growth and sustainability while operating the Meiji ROESG Management.

The first theme is to strengthen portfolio management. The Food segment, which has net sales of JPY 1 trillion, was reorganized into 10 business categories while the Pharmaceutical segment, which has net sales of JPY 200 billion, into nine categories. We must admit that the number of categories in the Pharmaceutical segment is too many compared to the Food segment. Through selection and concentration we should build a business model with high profitability based on drug discovery innovation. The management team led by the CEO conducts constant monitoring and thus we will enhance portfolio management across the Group. We introduced return on invested capital (ROIC) as a management indicator. We will urge business categories with a low ROIC to reduce their invested capital while improving operating profit margin. If needed, we will review our portfolio.

We are focusing on creating a new portfolio to cope with the changing market. In the future, we may encounter major business opportunities when we continue working on solving social issues. If we add new businesses, we should be flexible to reorganize the portfolio.

The second theme is to improve business management by using ROIC. We have been focusing on increasing operating profit for each business based on profit/loss. However, with the balance sheet in mind, we will shift to capital productivity-oriented business management. We will use ROIC when making decisions for capital expenditure and R&D investment.

We Will Promote Business Recognizing That We Must Increase Corporate Values to Survive

Accelerating Open Innovation and Strengthening Group Management Structure are Also Important

The third theme is accelerating open innovation. We have been adopting in-house development and keeping research resources within the Group. However, we cannot generate innovative ideas if we persist in pursuing in-house development. Thus, we are sending our personnel to academia, such as national research institutions and universities, to keep us up to date. An open innovation approach improves R&D efficiency dramatically, and we will accelerate it further. Also, we will build a collaboration structure with ventures and startups. Specifically, we have started the Meiji Accelerator Program. It is a Meiji Group-sponsored program. We post job opportunity announcements in the Group and select suitable young employees. They work with external ventures and perform R&D together. We hope that this program will activate our Group and can attract outstanding personnel by broadly spreading the fact that the Meiji Group is promoting open innovation.

The fourth theme is to strengthen Group management. When we created the 2023 Medium-Term Business Plan, we set up a Group Strategy Committee composed of the CEO, COO, CFO and CSO. We then discussed and completed an effective Plan under the leadership of Meiji Holdings. We changed the medium-term plan formulation process. The Group Strategy Committee first determined essential features of the Plan, and the operating companies create their strategies based on those features. The strategies are then brought to Meiji Holdings' Board of Directors for review, discussion and finalization. This process has helped to increase the sense of unity between Meiji Holdings and operating companies. Additionally, we will strengthen Meiji Holdings' departments that oversee the Group's human resources strategy, financial strategy, and risk management. Thus we will strive to create greater corporate value.

Build Sound Governance: Solid Foundation Supporting Value Creation

The fifth theme is to build sound governance. We have already implemented succession planning since 2019. Every year, we review appointing or dismissing the presidents of Meiji Holdings and the operating companies, Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd., and select potential successors for the presidents of the three companies. Meanwhile, Outside Directors have pointed out that we have not yet developed a successor talent bench for the three presidents. We will therefore build a system to pool managers who drive the Group forward under the leadership of Meiji Holdings. Meiji Holdings advises operating companies on career paths for talent development, and nurture executives. The Compensation Committee determines remuneration for Directors. In the 2023 Medium-Term Business Plan, we will raise the proportion of performance-based compensation, reflect the achievement of ROIC targets in remuneration, and raise the proportion of stock compensation.

Companies cannot survive unless they create corporate value. This is a tough principle in society. We should build a resilient foundation that supports the creation of corporate value. For that, we should develop sound governance and contribute to solving social issues continually. I will drive the Meiji Group so that the Group can grow further. Hence, we will achieve the Business Vision, Sustainability Vision, and Business Foundation Vision, three interconnected Visions set in the Meiji Group 2026 Vision.



Message from CFO



Koichiro Shiozaki
CFO
Member of the Board and
Senior Managing Executive Officer

We will Improve Management to Create Corporate Value by Introducing ROESG and ROIC as Performance Indicators

Profit Increases for the 9th Straight Term in FY2020, Reaching New Record High

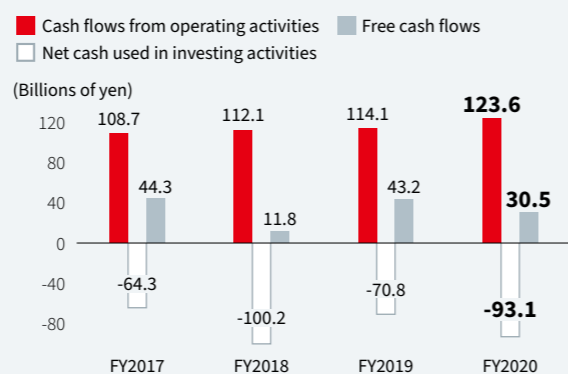
I became CFO in June 2020. My mission is to achieve the ROE target set in the 2023 Medium-Term Business Plan while understanding the entire Group from a financial perspective.

In FY2020, we reviewed the financial status of the Meiji Group and identified what we need in order to realize the Group's optimum capital structure. We ultimately set out three policies: maintain our AA credit rating, set the upper limit on interest-bearing debt, and secure cash and deposits on hand to prepare for risks. Moreover, we examined stable fund procurement methods and reviewed our shareholder return policy. Thus, we issued sustainability bonds in April 2021.

We set targets for net sales, operating profit (margin), overseas sales, and ROE as performance indicators in the 2020 Medium-Term Business Plan. Some indicators improved in three years, but we were unable to meet some of our targets. This is due in part to stagnant growth in yogurt and chocolate. Although sales fell short of the previous year, operating profit increased for the ninth straight year in FY2020, the final year of the 2020

Medium-Term Business Plan, reaching an all-time high. This was because of our efforts to improve profitability. We have invested according to our plan, although cash-out was pushed back due to a delay caused by the COVID-19 pandemic. We consistently generated cash flows of over JPY 110 billion from operating activities every year. Debt-to-equity (D/E) ratio was 0.16 and our financial base was reinforced accordingly. We increased dividends for seven consecutive years and achieved steadily returning profits to shareholders.

Cash Flows



Develop Business Management That Helps Solve Global Social Issues

Amid harsh environmental changes due to the COVID-19 pandemic, the Meiji Group will become a company that helps solve global social issues related to health and nutrition. A major issue for realizing this goal is to develop a business management structure. Specifically, the following initiatives will be important:

1. Review the business portfolio constantly
2. Focus on allocating management resources in growth fields
3. Maintain competitive advantage. To achieve this, optimize the above initiatives flexibly and promptly as the business environment changes.

Therefore, we introduced ROESG and ROIC as new performance indicators in our 2023 Medium-Term Business Plan. We set ROESG as our integrated target. We will try to maintain and improve ROE while enhancing sustainability activities, thereby improving our corporate value. ROIC is very useful to evaluate the performance of our businesses appropriately regardless of the business. We set 5% as the least weighted average cost of capital (WACC). We will accelerate business reform for businesses with ROIC less than 5%, such as reducing invested capital and improving operating profit margin. Through evaluation and management cycles, we will use ROIC as a standard indicator in the whole Group and try to continue creating corporate value.

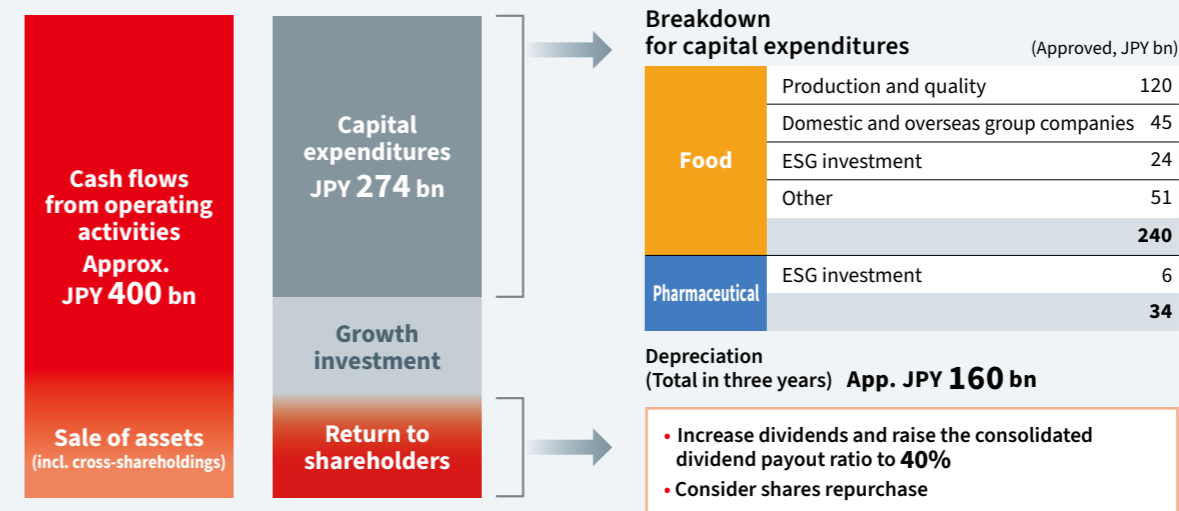
Invest for Growth While Keeping Sound Finance and Improving Profits Return

Under the 2023 Medium-Term Business Plan, we will generate cash flows of approximately JPY 400 billion from operating activities in three years. We will make balanced investment while considering our goal of realizing both profit growth and sustainability activities. We set JPY 274 billion for capital expenditure, which is mainly allocated to increase production capacity and improve product quality as well as expand international businesses. Of the capital expenditure, JPY 30 billion is set for ESG, such as environment-related investment. We issued sustainability bonds and appropriated them to the part of ESG investment. We will actively invest in future growth maintaining the D/E ratio at less than 0.3. From a cash inflow perspective, we will reduce our cross-shareholdings. We will sell 30% of such shares on a book value basis during the 2023 Medium-Term Business Plan after careful consideration of the appropriateness and significance of these shareholdings.

We recognize that it is important to return profits to shareholders appropriately. We will increase dividends and raise the consolidated dividend payout ratio to 40%. We will consider shares repurchase as necessary, considering optimum capital structure and surplus funds.

The 2023 Medium-Term Business Plan is the second stage toward realizing the Meiji Group 2026 Vision. During this period, we will enhance our Group management and make investment for the future growth. Through these initiatives, we will ensure growth in the next stage.

Financial Strategy and Capital Rationing



Overview of Medium-Term Business Plan and Important Issues in Management Strategies

2020

The 2020 Medium-Term Business Plan started in FY2018. It was an important step to provide momentum for realizing the Meiji Group 2026 Vision. Operating profit fell short of the target, leaving some issues.

Review of Medium-Term Business Plan

Carried out Structural Reform and Sustainability Activities. Need to Improve Profitability Further

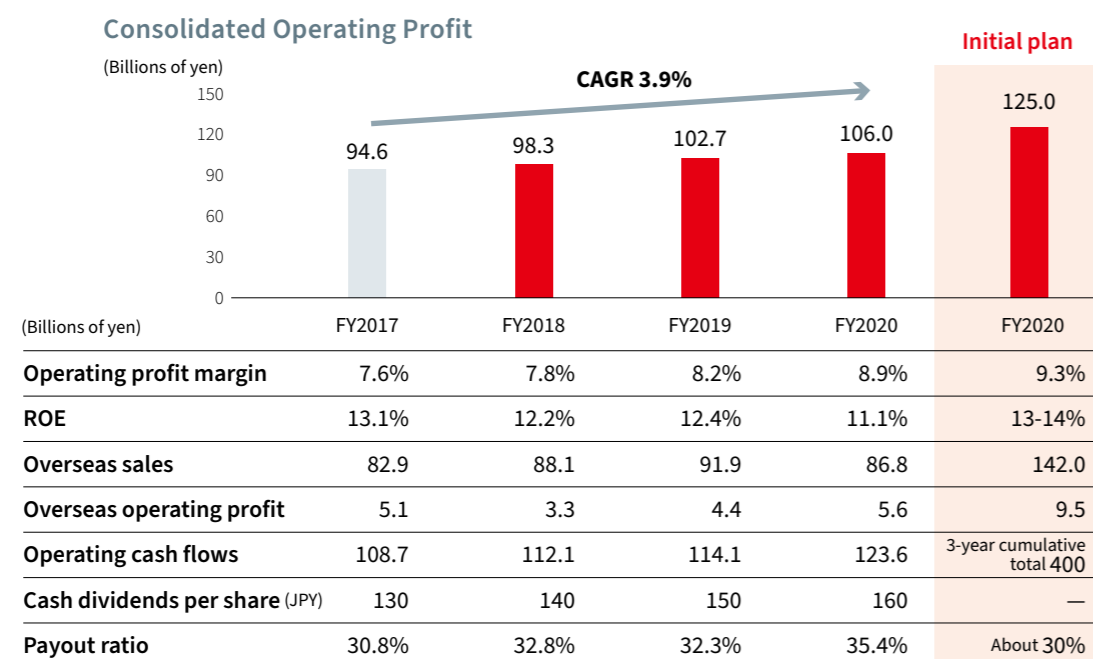
In the 2020 Medium-Term Business Plan, we set five key strategies under the basic concept: address strategic issues continuously and take on challenges for further growth. We achieved results in some strategies, such as implementing structural reforms, enhancing the Group's management platform, and promoting sustainability activities. On the other hand, sales growth for yogurt and chocolate were sluggish and the Pharmaceutical segment struggled in Japan due to the harsh environment. Consequently, we failed to meet the consolidated operating profit target that was established to improve profitability at the beginning of the Plan.

Review of Key Strategies

Key Strategies	Results	Evaluation
1. Expand share and achieve high profits in core businesses	<ul style="list-style-type: none"> In the Food segment, the nutrition business grew, while sales of yogurt (including functional yogurt) and chocolate were sluggish The Pharmaceutical segment entered the vaccine business, while facing major environmental changes due to the COVID-19 pandemic 	\$
2. Expand aggressively in overseas markets and establish growth platform	<ul style="list-style-type: none"> Decided to invest in construction of new plant and started selling SAVAS products in China Formed a business tie-up with Danone and expanded to Europe 	\$
3. Propose new value in health care domain	<ul style="list-style-type: none"> Established the Co-Creation Center 	\$
4. Continue structural reforms and resolve specific business issues in each business	<ul style="list-style-type: none"> Promoted reconstruction of production systems, such as plant shutdowns, and transfer of non-core businesses Progressed the structural reform of the drinking milk business 	\$\$
5. Enhance Meiji Group management platform and promote sustainability	<ul style="list-style-type: none"> Introduced Chief Officer system Established an organization to promote sustainability and formulated a Long-Term Environment Vision 	\$\$

\$\$: Good \$: Average

Trends in Major Management Indicators



Formulating the 2023 Medium-Term Business Plan

Formulation Process

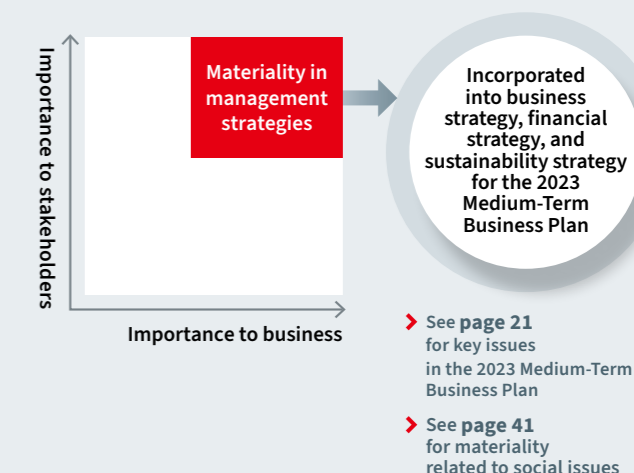
The Group Strategy Committee Created the Framework, Group Companies Incorporated It into Strategies, and the Board of Directors Resolved to Approve



Direction of the Meiji Group's Goal

Introduce ROESG and Become a Company That Can Contribute to Solving Social Issues Globally

Based on discussions at the Group Strategy Committee and the Board of Directors, the Meiji Group decided its direction that will contribute to help solve social issues globally. Thus we can realize the materiality for both stakeholders and the Meiji Group together. It is the guiding principle of our management strategies. According to this direction, we established a specific business strategy, financial strategy, and sustainability strategy for the 2023 Medium-Term Business Plan. To realize this direction, we introduced ROESG that combines ROE with ESG to check and confirm progress and results.



Perceptions of Business Environment

Opportunities	Threats	Impact of COVID-19 pandemic
<ul style="list-style-type: none"> Growing consciousness on prevention and health Growth in overseas emerging economies and growing middle-class Aging in Japan Expanding e-commerce Growing environmental awareness and ethical consumption 	<ul style="list-style-type: none"> Shrinking domestic market due to population decline Growing awareness of deflation among consumers Impact of climate change on supply chain Food shortages due to global population growth Transition to digital formats 	<ul style="list-style-type: none"> Increased brand loyalty Decline in inbound demand Consumer thriftiness Workstyle changes (commuting, working from home) Patient reluctance to visit medical institutions

Strengths and Weaknesses of the Meiji Group

Strengths	Weaknesses
<ul style="list-style-type: none"> Health-oriented product lines Sound financial structure Evidence-based marketing Expertise, integrating knowledge in food and pharmaceuticals Library and core technology (lactobacillus, nutrition engineering technology, vaccine development, etc.) 	<ul style="list-style-type: none"> Disseminating information (Meiji brand, sustainability) Diversity & inclusion Developing overseas markets

Overview of Medium-Term Business Plan and Important Issues in Management Strategies

2023

Overview of Medium-Term Business Plan

Concept

Promote the Meiji ROESG® Management Effectively

Realize both profit growth and sustainability activities

ROESG is a management indicator proposed by Kunio Ito, a professor at Hitotsubashi University. It is the combination of ROE and ESG. We incorporated indicators unique to the Meiji Group into ROESG and created Meiji ROESG, the new management indicator. We will grow profit, improve ESG indicators, and achieve sustainability goals.

The Meiji ROESG multiplies ROE, which represents business growth, by the index showing the degree of achievement of ESG goals. We have also established indicators unique to Meiji. When these indicators meet their targets, the Meiji ROESG adds points, calculating total scores.

Through the Meiji ROESG management, we will disclose the status of the Meiji Group's ESG initiatives to the public. We will listen to various opinions/demands and communicate with our stakeholders. By engaging and communicating with stakeholders, we will generate an effective cycle that enhances our ESG initiatives.



* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

ESG Indicators

Our ESG indicators are the combination of overall ESG evaluation and environment focused rating. We chose MSCI ESG Ratings,¹ DJSI,² and FTSE4Good³ because we need a global perspective for our ESG initiatives as we aspire to achieve growth in the global market. They use only disclosed information when evaluating ESG. Therefore, we should boost information disclosure. In addition to these indicators, we selected two CDP⁴ indicators to enhance our initiatives for environmental issues, whose importance is increasing.

Targets

Evaluation indicator	FY2020	Target for FY2023
MSCI ESG Ratings	BB	A
DJSI	80% (52 pts.)	90% (75 pts.)
FTSE4Good	3.0 pts.	3.5 pts.
CDP (Climate Change)	A-	A
CDP (Water Security)	A-	A

¹ MSCI ESG Ratings: ESG ratings calculated by MSCI, an influential financial service firm in the U.S., based on information disclosed by companies
² DJSI: An ESG investment index developed by U.S.-based Dow Jones and RobecoSAM, a Swiss investment advisory company
³ FTSE4GOOD: An ESG investment index announced by FTSE International, a wholly-owned subsidiary of the London Stock Exchange
⁴ CDP: An international non-profit organization headquartered in London. It collects, analyzes, and evaluates information on environmental activities conducted by major companies across the world and announces their ratings

Indicators Unique to Meiji

Shown in the table below are the six indicators the Meiji Group has established. Five of these indicators are selected from the social issues that we particularly focus on under the 2023 Medium-Term Business Plan. We have an edge in such domains and thus, by working comprehensively on these five themes, we may increase our corporate value in the short term. In other words, we can realize both profit growth and sustainability in these fields. We chose "employee engagement" as we consider that human resources are the driver for both business and ESG.

Targets

Indicator	Target
Extend healthy life expectancy	+1 year (compared to 2016) ¹
Amount of protein intake	75 g/day
Vaccination rate for influenza vaccines	60%
Employee engagement score	A ²
Sales growth rate for health-conscious products, nutritional products with added value, products for a super-aged society	At least +10% (compared to FY2020)
Success in and supply of vaccine and therapeutic agent for COVID-19	Development and supply

¹ 2016 (men 72.14 yrs old/women 74.79 yrs old)
² 2019 survey: BB

Key Issues in the 2023 Medium-Term Business Plan

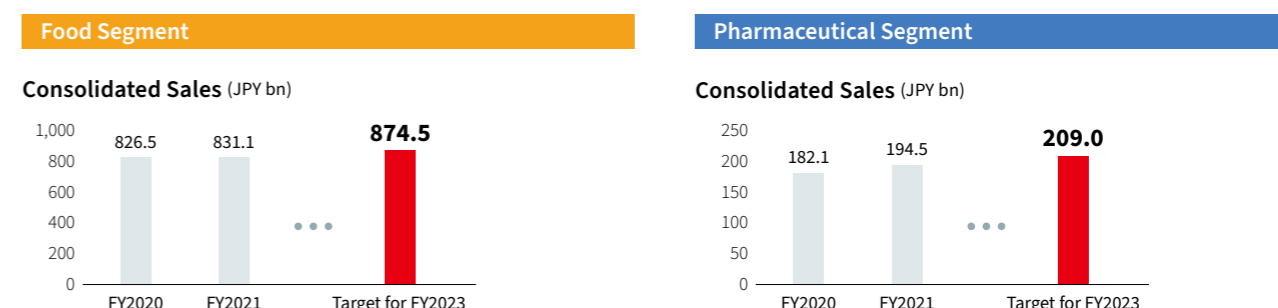
1. Business strategy	Food Segment	1) Recover from the slump in our core business 2) Accelerate growth in our business overseas	> See page 33 for details > See page 34 for details
	Pharmaceutical Segment	1) Integrate business operations of Meiji Seika Pharma and KM Biologics (Strengthen vaccine business) 2) Expand CMO/CDMO business	> See page 37 for details > See page 37 for details
	Group-wide	Venture into new domains	> See pages 12, 35, and 38 for details
2. Improve business management using ROIC effectively			> See page 17 for details
3. Investing to grow business while constructing strong financial base			> See page 17 for details
4. Promote the Meiji Group Sustainability 2026 Vision			> See pages 40 and 44 for details

KPIs for 2023 Medium-Term Business Plan*

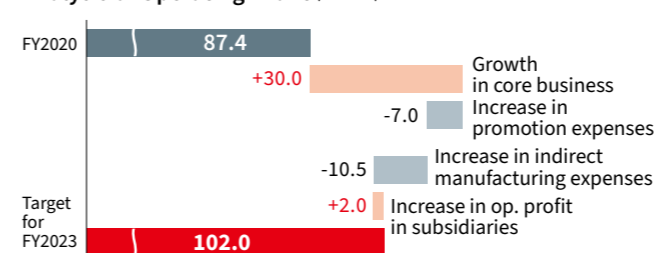
	Indicator	FY 2020	Target for FY 2023
Integrated goal	Meiji ROESG	9 points	13 points
Growth and Profitability	Consolidated net sales	JPY 1,007.1 bn	JPY 1,080.0 bn
	Consolidated operating profit (profit margin)	JPY 106.0 bn (8.9%)	JPY 120.0 bn (11.1%)
	Overseas sales	JPY 86.8 bn	JPY 134.5 bn
Efficiency and Safety	ROIC	10.0%	≥10%
Return to shareholders	ROE	11.1%	≥11%
	Payout ratio	35.4%	40.0%

* After applying revenue recognition standards for net sales. Note: For FY 2020 reference only

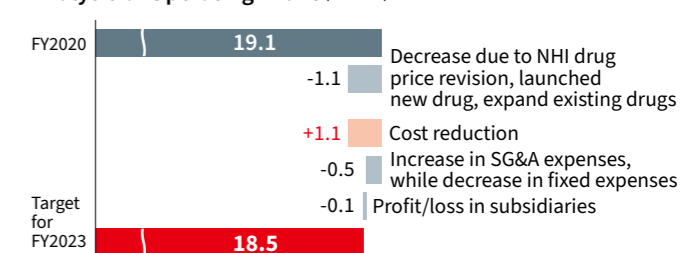
2023 Medium-term Business Plan Target for Sales* and Operating Profit



Analysis of Operating Profit (JPY bn)



Analysis of Operating Profit (JPY bn)



* After applying revenue recognition standards for net sales. Note: For FY 2020 reference only

Health Values, the Meiji Group is Seeking

What Meiji Aims to Do

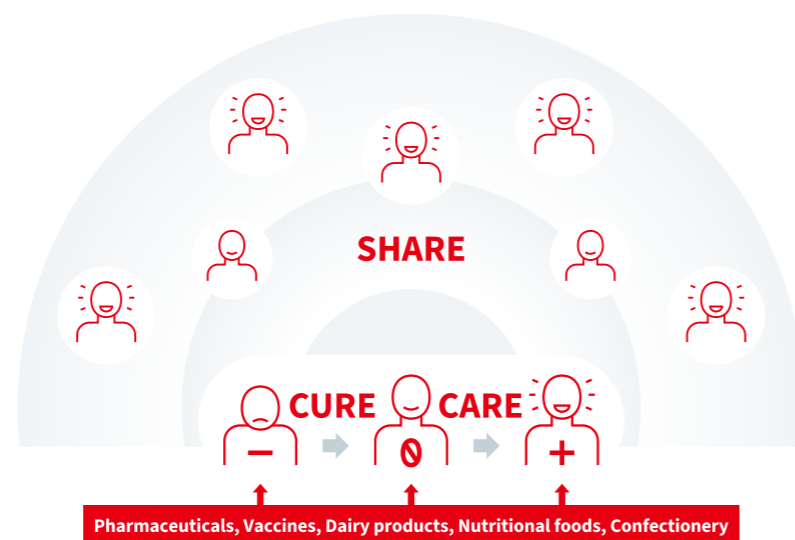
Under the Slogan “Now ideas for wellness,” We Will Create Health Value Unique to the Meiji Group

The Meiji Group has created a lot of products cherished by people over many years and built customer trust as a familiar brand. In the meantime, there are a multitude of social issues related to health in our current environment. Such issues include the worldwide spread of infectious disease, increase in lifestyle-related diseases and population aging in advanced countries, and poverty and undernutrition in developing countries. As the Meiji Group is involved in both Food and Pharmaceutical businesses, we believe that contributing to solving these health issues is our mission.

Meiji’s corporate image is familiar, safe, friendly, good quality, and trusted by customers. Unfortunately, customers do not recognize our role in supporting health. Therefore, we established our slogan “Now ideas for wellness” so that everyone recognizes “Meiji brand = health” considering our relationship with people, society, and the earth. We will incorporate new ideas into the expertise in food and pharmaceuticals that we have accumulated over more than 100 years since our founding. We will thereby create “health value unique to the Meiji Group” and contribute to realizing a sustainable society.

What Is Health Value Unique to the Meiji Group?

With a focus on wellness, the Meiji Group will contribute to customers’ physical and emotional well-being for all generations, from babies to the elderly. We will support everybody as much as and as long as possible. Consequently, we will bring healthy, happy smiles and generate a good cycle where people spread smiles around them. Through a variety of product lines, we will link individual health to the smiles of people all over the world by continually moving through the cycle of Cure, Care and Share. This is the health value unique to the Meiji Group.



We Will Provide Health Value to All Stakeholders

The Meiji Group pursues “Now ideas for wellness” and generates the Cure, Care and Share cycle, thus creating health value unique to the Meiji Group. We will provide such value to all stakeholders and contribute to creating a better future for people, society and the earth.

Healthy Society

- Thriving communities (Partnership with local communities, social contribution activities)
- Sustainable sourcing
- Build mutual trust in relationships with business partners

Healthier Lives for Customers

- Live longer, healthier lives
- Lead healthy, fulfilling lives
- Tastiness and enjoyment
- Product safety and reassurance

Health of Employees

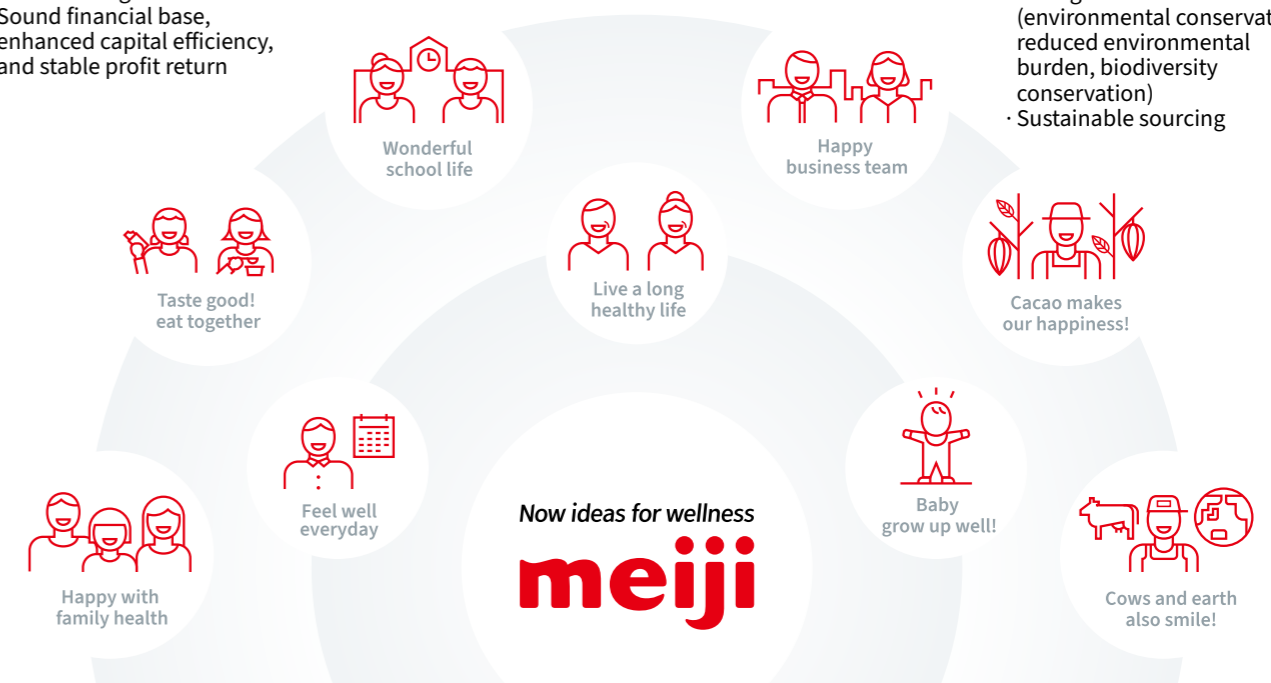
- Establish a workplace environment where each employee can demonstrate their strengths and skills
- Establish a workplace environment where employees can stay healthy both mentally and physically

Shareholders & Investors

- Sustainable growth
- Sound financial base, enhanced capital efficiency, and stable profit return

Global Environmental Health

- Caring for the earth (environmental conservation, reduced environmental burden, biodiversity conservation)
- Sustainable sourcing



Based on Strengths Accumulated over the Meiji Group’s 100-Year History

The foundation for creating health value unique to the Meiji Group is a number of strengths accumulated over a history of more than 100 years. In the Food segment, we have a wealth of knowledge obtained through our milk, lactobacillus, and cocoa research, as well as excellent nutrition engineering technology. In the Pharmaceutical segment, based on our advanced pharmacological expertise, we have produced results in research on microbial and bio-pharmaceutical technology. We will conduct further study in these domains, and through food-pharmaceutical synergies, will provide new health value that only the Meiji Group can realize.

History of Health Value Creation

The Meiji Group has built more than 100 years of history since our founding. Throughout our history, we have strived to solve many nutritional and health issues faced by society by promoting innovations in the food and pharmaceutical domains. We have launched innovative products that provide more value, thereby creating new markets. Through food and pharmaceuticals, we will continue to create health value unique to the Meiji Group that contributes to help solving social issues. This is the driving force for our motivation to achieve sustainable growth.

Solving Social Issues through Health Value

PICK UP

Founding Spirit of “Contributing to the Country through Nutrition” Passed Down to the Present Day

The Meiji Group originated from the sugar manufacturing business launched by the Group’s founder, Hanji Soma. Our founder started the business as he wanted to improve dietary habits in Japan by popularizing sugar, which was a rare food back then. The Company’s motto was to “contribute to the country through nutrition.” Many of the Meiji Group’s products were created based on this founding spirit and thus have been passed down continuously to the present day.



Hanji Soma

Food Business

1920

1960

1980

2000

2020

1923
The infant formula *Patrogen* is created.



Sweetened condensed milk was used to supplement breast milk in the Meiji and Taisho eras in Japan. However, it did not provide sufficient nutrition. In 1923, the Food Science Institute Foundation developed *Patrogen*—Japan’s first infant formula including vitamin B1. We obtained the production and marketing rights to this product and introduced it to the market in 1932. We then launched *Soft Curd Meiji Infant Formula* in 1951, Japan’s first soft curd baby formula. It was produced through the heat treatment of milk protein in our effort to help babies’ digestion.

1928
Meiji Milk was launched.



Pasteurization of drinking milk became mandatory in 1928. We constructed a pasteurization plant for raw milk after obtaining approval under the Milk Business Control Regulations. The production and sale of *Meiji Milk* started.

1973
Meiji Bulgaria Yogurt was launched.



In 1971, we launched *Meiji Plain Yogurt*, which was developed in order to make plain yogurt in Bulgaria, the birthplace of yogurt. In the following year, the Republic of Bulgaria granted naming rights to us and launched *Meiji Bulgaria Yogurt* in 1973. In 1996, *Meiji Bulgaria Yogurt LB81 Plain* received approval of Food for Specified Health Use. It helps achieve a good balance with intestinal bacteria and maintains sound intestinal conditions.

1980
SAVAS series, sports protein for athletes, was launched.



SAVAS series was developed and launched based on results from sports nutrition to support athletes. According to our research results on milk protein, we launched *SAVAS Milk* in 2015. Milk protein is contained in drinking milk and dairy products and *SAVAS Milk* helps to build physical strength. Its packaging was designed to be easy to drink during exercise.

1995
The enteral formula *Mei Balance* was launched.



Meiji Mei Balance is to substitute meals at hospitals and nursing homes. The products pursue nutrition, function and tastiness. It is made mainly from casein, a protein derived from cow’s milk. Whey, well-balanced amino acids, is added to the products.

1998
The high cocoa content chocolate *Chocolate Kouka* was launched.



Chocolate Kouka is seeking the health value of cocoa polyphenol. Consumers enjoy the strong flavor and taste of cocoa beans, while gaining health benefits. The product is low carbohydrate and low GI, and blood sugar levels increase slowly after intake of the product.

2002 The drinking milk *Meiji Oishii Gyunyu* was launched.



Although everyone knows milk is nutritious, some people don’t like milk very much. We established the Natural Taste Manufacturing Process to minimize sacrificing the flavor of fresh milk. Using this method, *Meiji Oishii Gyunyu* has realized the deliciousness of raw milk right after milking.

2000 *Meiji Probio Yogurt LG21* was launched.
2009 *Meiji Probio Yogurt R-1* was launched.



Meiji Probio Yogurt LG21 has created new health value, thereby expanding the possibility of lactobacilli and cultivating new markets.

2014 *Meiji The Chocolate* was launched.



Meiji The Chocolate combines cocoa beans from different producing areas and various processing methods in order to produce rich flavor. We have been supporting cocoa farmers for sustainable production of high-quality cocoa beans.

2020
Meiji TANPACT series was launched.



Protein intake among people today has declined to the level of the 1950s. The *TANPACT* brand contributes to solving undernutrition, a current social issue. Consumers can enjoy delicious protein anytime and anywhere.

Pharmaceutical Business

1946
Started manufacturing penicillin



We promoted penicillin research during World War II and started manufacturing penicillin in 1946 after obtaining production approval. Later, we developed a number of antibiotics, including *STREPTOMYCIN MEIJI* in 1950, *KANAMYCIN MEIJI* in 1958, and *PANAMYCIN* in 1975. These antibiotics saved many human lives from the post-war to high economic growth period in Japan.

1975
The agricultural chemical product *ORYZEMATE* was launched.



ORYZEMATE is safe and effective rice blast preventative. It has a novel mechanism of action, inducing disease resistance in rice. It has been greatly contributed to stable production of rice since its launch as a basic rice blast preventative.

1988
Genetically modified hepatitis B vaccine *Bimmugen* was launched.



Bimmugen is Japan’s first genetically modified hepatitis B vaccine developed by applying genetic recombination technology. It has been adopted for regular vaccination since October 2016.

1989
The benzodiazepine derivative anti-anxiety drug *MEILAX* was launched.



As the aging population grows, we extended our product lines to include central nervous system drugs to improve product mix beyond just antibiotics.

1994
The antibiotic *MEIACT* was launched.



When we launched *MEIACT*, we promoted its feature, which is potent antimicrobial activity against *Staphylococcus aureus*. Later we found that it demonstrates antimicrobial activity against penicillin-resistant *Streptococcus pneumoniae* and beta-lactamase negative ampicillin-resistant *Haemophilus influenzae*. *MEIACT* is currently sold in more than 20 countries and areas.

1999
The antidepressant *DEPROMEL* was launched.



DEPROMEL is Japan’s first selective serotonin reuptake inhibitor (SSRI).

2008
Generic drug business
The high blood pressure medication *AMLODIPINE MEIJI* was launched.



We entered the generic drugs business, where we provide convenient, high-quality, low-priced generic drugs based on technologies developed through new drug development.

2009
The antidepressant drug *REFLEX* was launched.



REFLEX is classified as the only noradrenergic and specific serotonergic antidepressant (NaSSA).

2016
Treatment for schizophrenia *SYCREST* was launched.



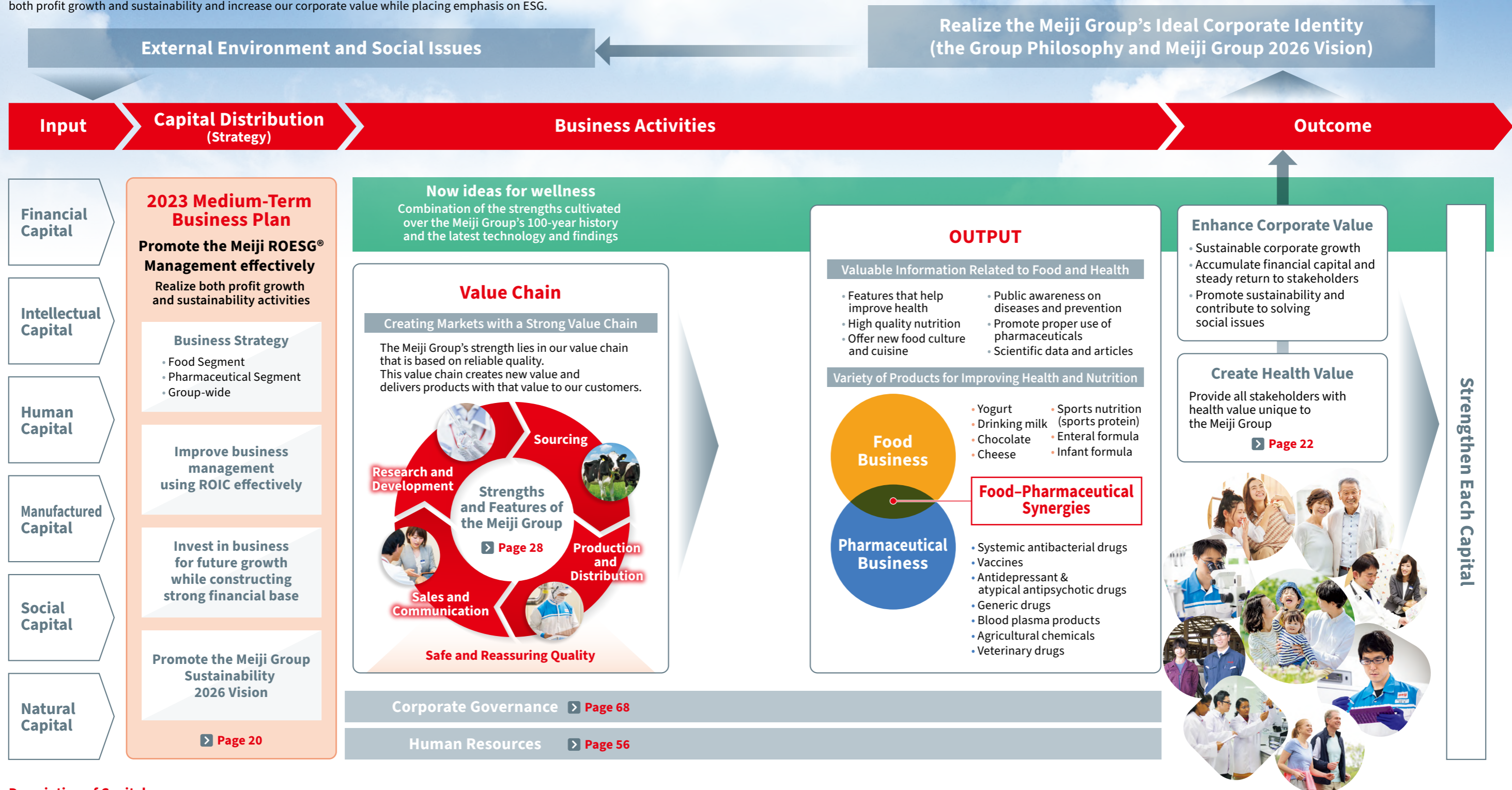
SYCREST is Japan’s first sublingual atypical antipsychotic tablet with proven efficacy and safety.

2020
KM Biologics promotes development of novel coronavirus and dengue virus vaccines.

Development of vaccines has become a social issue for many countries while the world is exposed to the threat of COVID-19 and other infectious diseases. KM Biologics Co., Ltd. has a wealth of knowledge, expertise and scientific accomplishment in this field. The company is advancing research and development of vaccines against COVID-19 and dengue virus.

The Meiji Group's Process for Value Creation

The Meiji Group's competitive advantage is attributed to our business model. It is based on the variety of accumulated capital and its strategic distribution as well as our strong value chain. Through these processes, we create health value unique to the Meiji Group across the Food and Pharmaceutical segments. Accordingly, we will contribute to solving various important social issues. When we operate our business, we will realize both profit growth and sustainability and increase our corporate value while placing emphasis on ESG.



Description of Capital

Financial Capital

- Can stably generate cash flows for growth investment
- Sound and robust financial structure
- High profitability through high-market share product lines in industry

Intellectual Capital

- Knowledge and expertise accumulated over a 100-year history
- Basic research (lactobacilli, cocoa, microorganism, fermentation, biotechnology and drug discovery research)
- Patents
- Manufacturing technologies
- Product commercialization expertise

Human Capital

- Personnel who embrace the *meiji way*
WEB [Philosophy](#) >
- Employee-friendly workplace environments
- Respect diversity

Manufactured Capital

- Production and sales bases located in Japan and overseas
- Food distribution network designed to cover all temperature ranges (room temperature, chilled and frozen)
- Production system that guarantees stable supply of high-quality pharmaceuticals

Social Capital

- Reliability to the Meiji brand
- Strong brand that produces high market shares
- Relationships with suppliers and business partners
- Strong, close relationships with our customers
- Engagement with shareholders and investors

Natural Capital

- Rich ingredients (cocoa, raw milk, microorganisms such as lactobacilli and actinomycetes)
- Energy
- Water

The Meiji Group Value Chain

The Meiji Group is enhancing business activities to achieve sustainable growth from both the business perspective and sustainability perspective in the value chains that underpin its business model.

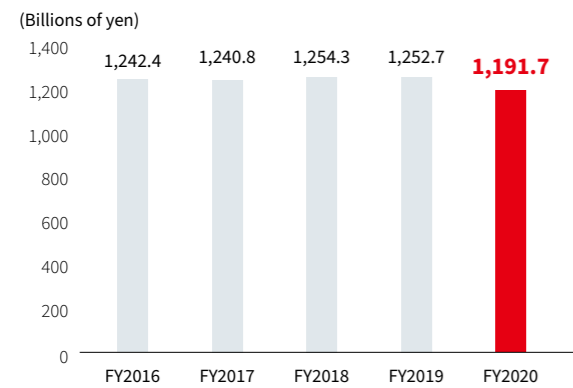
Initiatives to Enhance Strengths

- Healthier Lives
- Thriving Communities
- Caring for the Earth
- Sustainable Sourcing

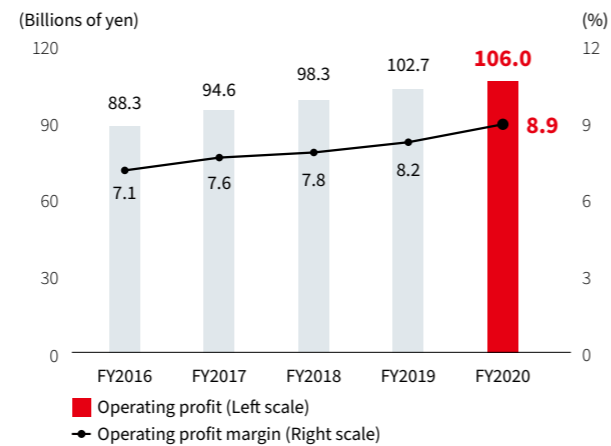
	Research and Development	Sourcing	Production and Distribution	Sales and Communication	
Strengths and Features of the Meiji Group	<ul style="list-style-type: none"> Accumulated expertise obtained through basic research (lactobacilli, cocoa, microbial fermentation, biotechnology and drug discovery research) Collection of microorganisms (lactobacilli and actinomycetes) Chemical library (synthetic compounds and microbial metabolites) Excellent R&D capability, product commercialization expertise, manufacturing technologies and related patents 	<ul style="list-style-type: none"> Network with dairy farmers Cooperation with cocoa farmers Network with related organizations Cost-competitive and stable sourcing of drugs using a global supply chain 	<ul style="list-style-type: none"> Quality control system (ensure product quality and safety) Distribution network designed to cover all temperature ranges (room temperature, chilled and frozen) Unique manufacturing methods to ensure tastiness Superior drug production technologies and many advanced drug formulation technologies Respond to a super-aged society and contribute to maintaining the National Health Insurance Systems 	<ul style="list-style-type: none"> Reliability to the Meiji brand and brand strength High market share Two-way communication and strong, close relationships with business partners and customers Drug product lines covering prevention and treatment, as well as comprehensive customer support Educate about drug-resistant bacteria 	
Business-related	<ul style="list-style-type: none"> Create new markets Cultivate a corporate culture that encourages taking on challenges Merge expertise in Food and Pharmaceutical businesses 		<ul style="list-style-type: none"> Provide health value from prevention to cure Product lines that cover the entire life cycle from infants to the elderly 	<ul style="list-style-type: none"> Build supply chains with consideration for social expectations and the environment 	
Initiatives to Enhance Strengths	Business-related	<ul style="list-style-type: none"> Develop new value (use evidence-based ingredients and technologies) Discover and develop novel pharmaceuticals Establish evidence through clinical development and post-marketing surveillance Use open innovation and industry-academia alliances Implement new R&D approaches in our Co-Creation Center 	<ul style="list-style-type: none"> Stably source high-quality raw milk in China Build global supply chains for bulk drugs and raw materials Audit and improve quality of bulk drug and raw material suppliers (education and guidance from dedicated department) 	<ul style="list-style-type: none"> Increase production capacity for value-added products Develop high-quality, efficient production systems globally (low-cost, high-mix, high-volume production at overseas subsidiaries that use Japan's robust quality management systems) Optimize production and distribution systems in Japan and overseas Examine establishing the technology for manufacturing bulk drugs for Key Drugs (subsidy to support the stable supply of pharmaceutical products) Improve distribution efficiency and reduce costs by consolidating distribution sites 	<ul style="list-style-type: none"> Run marketing campaigns and sales promotions to provide information on product features Provide complete information from prevention to treatment (dedicated medical representatives) Enhance network of the Meiji Group and medical specialists (pediatrics, ENT, internal medicine, psychiatry, hematology) Expand the Meiji Group's drug sales networks established in Asia and Europe (Thailand, Indonesia, China, U.K., Spain)
	Sustainability-related	<ul style="list-style-type: none"> Contribute to healthy eating habits <ul style="list-style-type: none"> Develop health-conscious products Develop nutritional products with added value Develop products for a super-aged society Measures against infectious diseases <ul style="list-style-type: none"> Develop novel pharmaceuticals and vaccines for infectious disease Superior quality management of clinical trials and clinical data Reduce environmental impact <ul style="list-style-type: none"> Develop environment-friendly agricultural chemicals Stable sourcing <ul style="list-style-type: none"> Physical and chemical analysis and development of new testing techniques to stably source premium quality raw milk 	<ul style="list-style-type: none"> Dialogue with stakeholders <ul style="list-style-type: none"> Conduct supplier audits Stable sourcing <ul style="list-style-type: none"> Technical support and livelihood support for cocoa farmers Farm management support program for dairy farmers in Japan Secure bulk drug suppliers and have multiple suppliers Responsible sourcing of raw materials (paying attention to human rights and the environment) <ul style="list-style-type: none"> Source based on Procurement Policies and Guidelines Support for cocoa farmers (increase amounts of sustainable cocoa beans) Promote the use of 100% RSPO-certified palm oil Promote the use of environment-friendly paper Support farm management for dairy farmers in Japan 	<ul style="list-style-type: none"> Ensure product quality and safety <ul style="list-style-type: none"> Efforts to obtain Global Food Safety Initiative certification Stable supply of pharmaceuticals <ul style="list-style-type: none"> Ensure the sustainable supply of pharmaceuticals (important antibiotics, etc.) Ensure stable supplies of agricultural chemicals and veterinary drugs Reduce CO₂ emissions <ul style="list-style-type: none"> Promote renewable energy Invest in energy-efficient equipment Introduce green electricity Eliminate the use of specified fluorocarbons <ul style="list-style-type: none"> Promote replacement with CFC substitutes and natural refrigerants Secure water resources <ul style="list-style-type: none"> Reduce water usage Appropriate Water Management and Water Risk Management 	<ul style="list-style-type: none"> Contribute to healthy eating habits <ul style="list-style-type: none"> Disseminate information to promote health and nutrition Improving nutrition in developing countries <ul style="list-style-type: none"> Improve access to nutrition in developing countries Support famine relief in developing countries Offer new food culture and cuisine Improve access to medicine (mainly in China and Southeast Asia) Ensuring product quality and safety <ul style="list-style-type: none"> Educate about drug-resistant bacteria Provide hygiene education Provide infection control expertise to agriculture and livestock industries
	Future Initiatives	<ul style="list-style-type: none"> Reduce CO₂ emissions <ul style="list-style-type: none"> Support the TCFD and join the Consortium Reduce environmental impact <ul style="list-style-type: none"> Reduce industrial waste Expand use of bioplastics and recycled plastics Use lighter and thinner plastic container packaging and switch to alternative materials (paper, etc.) Cut food loss through efficient production and distribution management 	<ul style="list-style-type: none"> Protect local biodiversity <ul style="list-style-type: none"> Activities to protect forests Biodiversity conservation Promote diversity and develop human resources <ul style="list-style-type: none"> Promote diversity & inclusion Secure and develop human resources Increase the ratio of female managers Increase the ratio of employees with disabilities (above the statutory employment quota) 	<ul style="list-style-type: none"> Employee-friendly workplaces <ul style="list-style-type: none"> Employee-friendly workplace environments (encourage health and productivity management) Enhance employee engagement Respect and promote human rights <ul style="list-style-type: none"> Conduct human rights training Implement human rights due diligence 	<ul style="list-style-type: none"> Promote philanthropic activities <ul style="list-style-type: none"> Contribute to society through community activities, emergency aid and support in affected areas, and our products
Main Challenges and Future Initiatives	<ul style="list-style-type: none"> Maximize the Meiji Group synergies Create unique value that will extend healthy life expectancy Combat drug-resistant bacteria 	<ul style="list-style-type: none"> Source raw materials paying attention to human rights and the environment (cocoa, palm oil, paper, raw milk, bulk drugs) Continue to support cocoa farmers and farm management for dairy farmers in Japan 	<ul style="list-style-type: none"> Increase production capacity for high health value products Pursue the value and benefits of protein and increase protein intake Reduce the environmental impacts resulting from product development through to disposal Plan and implement energy-saving and water risk programs Ensure stable supply of environment-friendly agricultural chemicals 	<ul style="list-style-type: none"> Promote food and health value through e-commerce channels Successfully penetrate overseas markets through Meiji quality and unique value Introduce a new food culture into overseas markets Increase sales of drugs manufactured at overseas plants in the Japan market Expand environment-friendly agricultural chemicals globally Expand vaccines overseas, especially to Asia 	
	<ul style="list-style-type: none"> Disseminate the Meiji Group's new slogan, "Now ideas for wellness" Enhance employee engagement 	<ul style="list-style-type: none"> Respect diversity Create a safe and healthy workplace environment 	<ul style="list-style-type: none"> Contribute to society through community activities, emergency aid and support, and our products 		

Financial and Non-Financial Highlights (Main Indices)

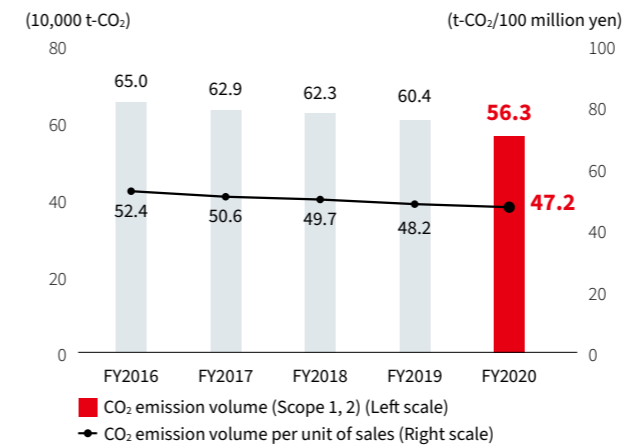
Net Sales



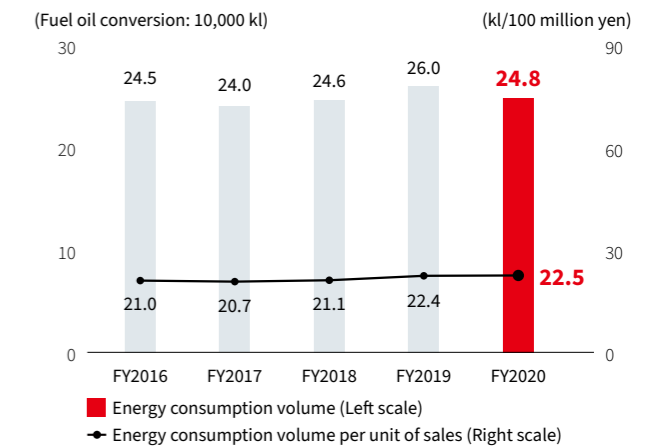
Operating Profit / Operating Profit Margin



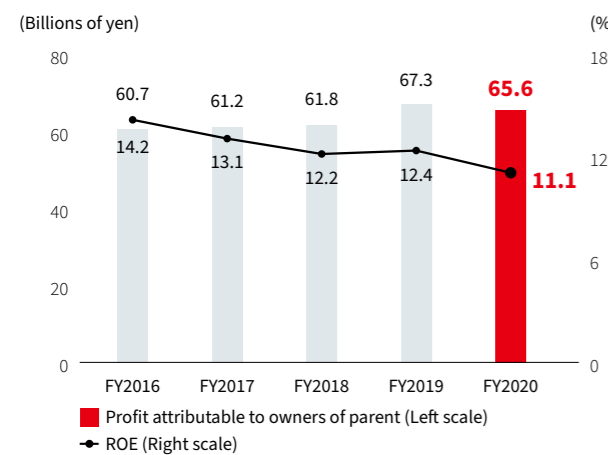
CO₂ Emission Volume (Scope 1, 2) / CO₂ Emission Volume per Unit of Sales *1



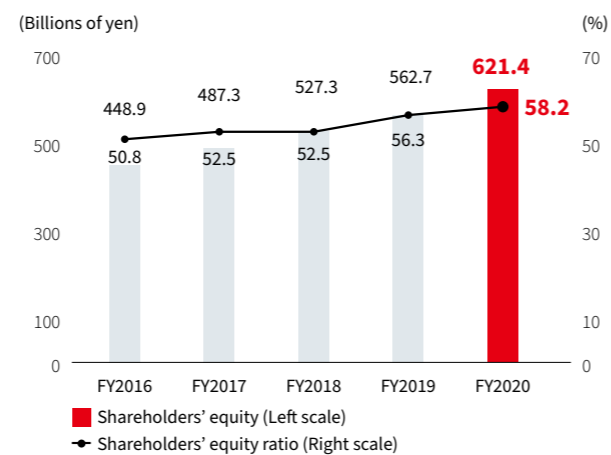
Energy Consumption Volume / Energy Consumption Volume per Unit of Sales *2



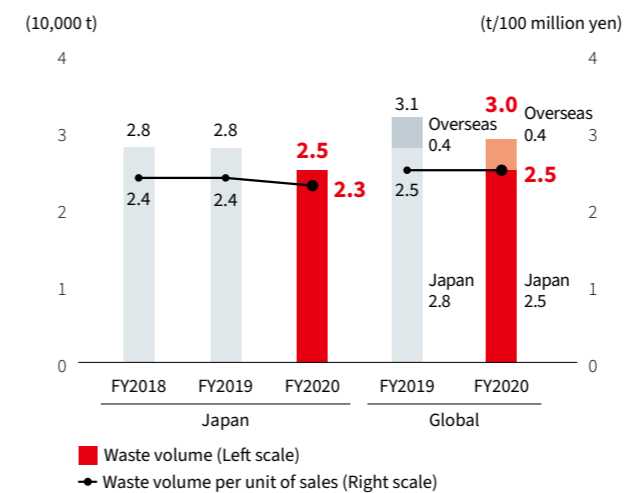
Profit Attributable to Owners of Parent / ROE



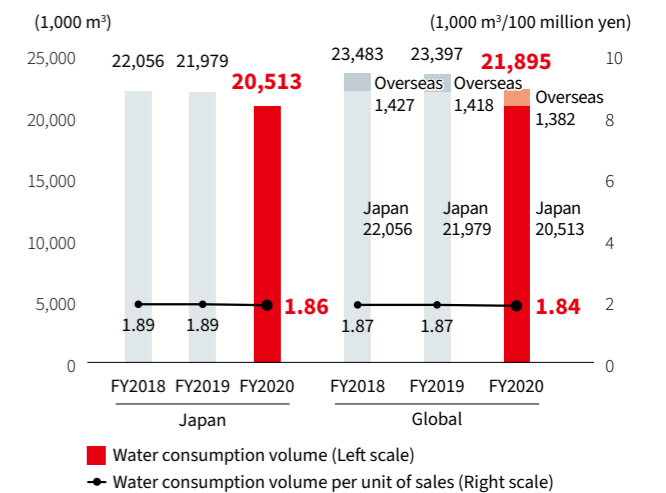
Shareholders' Equity / Shareholders' Equity Ratio



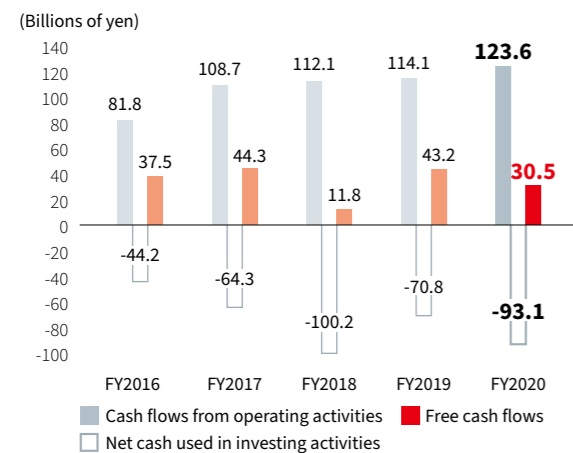
Waste Volume / Waste Volume per Unit of Sales *3



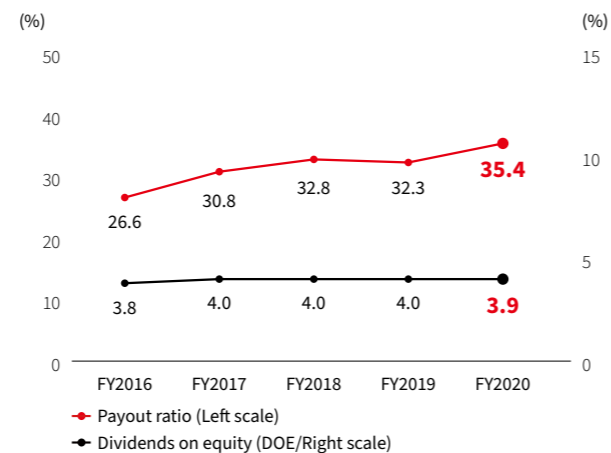
Water Consumption Volume / Water Consumption Volume per Unit of Sales *3



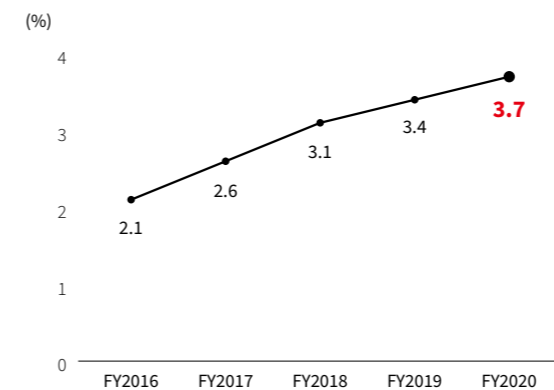
Cash Flows



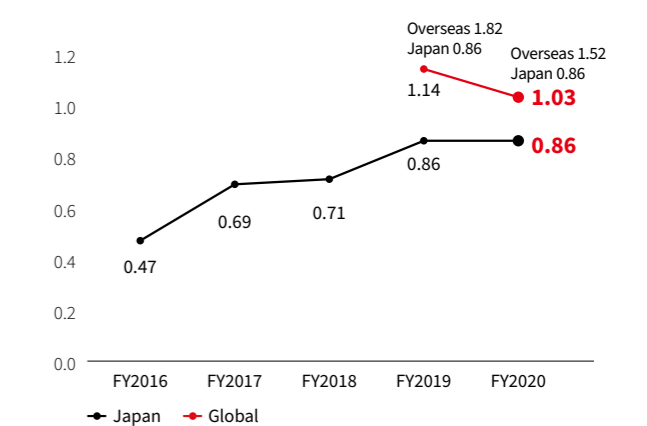
Payout Ratio / Dividends on Equity (DOE)



Ratio of Female Managers *4



Lost Time Injury Frequency Rate (LTIFR) *5



*1 Applies to the Meiji Group (the domestic Meiji Group and 12 overseas production plants <13 plants in FY2020>). The per production unit is calculated from the consolidated sales. The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019. Past data has been revised.

*2 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales. The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019.

*3 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales. The global data; applies to the Meiji Group (the domestic Meiji Group and 12 overseas production plants <13 plants in FY2020>). The per production unit is calculated from the consolidated sales. The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's production plants were included from FY2019. From FY2018, only industrial waste generated from production sites was included in the waste volume. Past data has been revised.

*4 Applies to Meiji Holdings Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. KM Biologics Co., Ltd. was added and included in the calculation from FY2018.

*5 For FY2016 through FY2018, applies to all plants and research laboratories in the Meiji Group in Japan including consolidated subsidiaries (but excluding KM Biologics Co., Ltd., Meiji Feed Co., Ltd., OHKURA Pharmaceutical Co., Ltd. and Okinawa Meiji Milk Products Co., Ltd.). The Meiji Group in Japan including consolidated subsidiaries, Okinawa Meiji Milk Products Co., Ltd., and all the operating sites of overseas Group production companies have been included in the calculation since FY2019. Lost Time Injury Frequency Rate: Number of casualties ÷ Total working hours × 1 million



Katsunari Matsuda

COO (Food Segment)
Member of the Board and Executive Officer
Meiji Holdings Co., Ltd.
President and Representative Director
Meiji Co., Ltd.

Under the Banner of the “Meiji Nutrition Statement,” We Will Create Unique Value with Our Original Technologies

Promoted Structural Reform and Established a Growth Foundation for Business in China Under the 2020 Medium-Term Business Plan

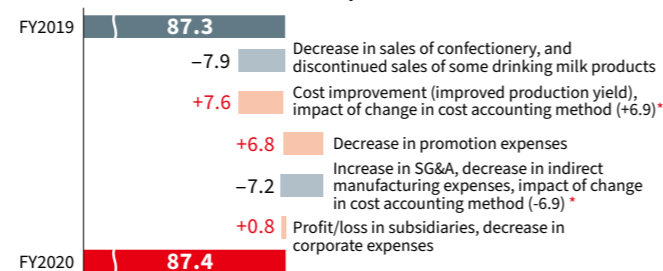
One of the major achievements of the 2020 Medium-Term Business Plan is structural reform. We liquidated group companies in non-core businesses, shutdown the Hokuriku and Okayama Plants, and discontinued unprofitable products. We are also working on organizational reform and removing internal barriers. We have integrated the sales departments in branches across Japan, which were organized by products, and restructured them by distribution channel. We have also reorganized the head office divisions based on functions such as development, marketing, and sales. We have integrated separate research laboratories in 2020 to build a R&D system that create new products through synergy across business areas, rather than simple addition.

In overseas business, we established a solid growth foundation for sales expansion in China. In 2019, we established Meiji (China) Investment Co., Ltd. as a managing company to optimize business strategies and strengthen management in China. In 2020, we invested in AustAsia Investment Holdings Pte LTD., which operates dairy farms in China, to ensure the quantity and quality of raw milk we source. Furthermore, we have decided to invest in building new plants in Tianjin, Guangzhou and Shanghai.

Meanwhile, in the 2020 Medium-Term Business Plan, the growth of sales and profit slowed down and remained stable. In FY2020, the final year of the 2020 Medium-Term Business Plan, the impact of the COVID-19 pandemic was significant, and sales of mainstay products such as *Meiji Probio Yogurt R-1* and chocolate were sluggish. Recovering from the slump in these core businesses is one of our major challenges for the future.

(Billions of yen)	FY2019 Results	FY2020 Results	YoY Change
Net sales	1,049.5	999.6	-4.8% -49.8
Operating profit	87.3	87.4	+0.1% +0.1

Breakdown of Consolidated Op. Profit (Billions of yen)



* Recorded the cost of purchased goods from Group companies, divided into direct manufacturing costs and indirect manufacturing costs

Provide Society with Products That Meet “Now ideas for wellness” and the “Meiji Nutrition Statement”

Due to the COVID-19 pandemic, people are becoming more health-conscious, and consequently new demand focusing on health is increasing. Contribution to health will help solve social issues, and a lot of food manufacturers are entering this promising area. If competition works well, the market will expand greatly, which will have a positive impact on us. In response to this, we have been focusing on products that maintain good health and increase protein intake in recent years. I believe that the key to success is creating unique value in the future.

To clarify our direction, we have formulated the “Meiji Nutrition Statement.” The Statement is to incorporate the spirit of the Meiji Group’s new slogan, “Now ideas for wellness,” into the Food segment. The Meiji Founding Spirit is “Contributing to the Country through Nutrition.” Consequently, we have strived to create products over the years that contribute to people’s healthier lives. We created this Statement to seek a sustainable business by contributing to people’s healthier lives. I believe that we should only launch products that conform to “Now ideas for wellness” and the “Meiji Nutrition Statement.”

Meiji Nutrition Statement

Meiji continuously evaluates the potential of Nutrition. We always have. We always will.

- Mind 01** Providing Nutrition that supports daily health through natural ingredients such as milk and cocoa.
- Mind 02** Providing heartwarming Nutrition through various forms of +1 (Plus One) value.
- Mind 03** Using nutrition to help enrich the lives of people in various countries and regions.

[WEB Meiji Nutrition Statement \(Japanese version only\)](#)

Expand the Market by Promoting the Unique Health Value of Our Products

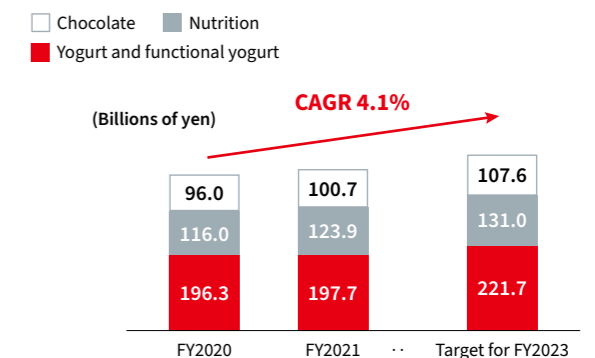
One of the key business strategies in the 2023 Medium-Term Business Plan is to “Recover from the slump in our core business.” We should enhance and promote the unique value of our yogurt and functional yogurt to grow them. For example, demand for *Meiji Probio Yogurt R-1* used to grow significantly during the flu season. However, it contributes to a healthy life and maintains good health when you drink it every day. We will promote its value more to society and expand the market.

Meanwhile, using our unique technologies and expertise, we will develop new products that are superior in the market. With new lactobacillus, we are developing a functional yogurt that shows a positive impact for us. We are also considering its potential for “Foods with Function Claims” and hope to spread its value to the world.

In the Nutrition business, sales of sports protein are growing steadily due to the increased health awareness. Sales of *SAVAS* powder have grown significantly because consumers recognize its quality, reaching JPY 21 billion in FY2020. Sales of *SAVAS Milk* have doubled, close to the scale of *SAVAS* powder. The advantage of *SAVAS Milk* is that the milk protein does not coagulate under acidic condition in the stomach and is thus absorbed quickly. This is our unique technology and a major competitive advantage.

To expand the Nutrition business, including sports protein, we will focus on marketing. We will target different products according to age groups, such as *SAVAS* for those aged 15 to 50, *TANPACT* for those in their 50s and 60s, and *Mei Balance* for the elderly. Considering beyond the 2023 Medium-Term Business Plan, we will review our brand strategy to clarify brand identity.

Net Sales in Core Businesses*



* Before applying revenue recognition standards

Changing Our Ideas and Pursuing New Growth

Chocolate, which is one of our core businesses, is currently sluggish. To break through this, we should change our idea about the chocolate business to the cocoa business. We should offer chilled and frozen chocolate products and cocoa drinks to our customers in addition to conventional chocolate products. Our unique strength is that we can develop and market products at three serving temperatures—room temperature, chilled, and frozen. Using this to our advantage, we will promote Meiji’s unique value and develop new markets.

In the near future, all of the cocoa beans we source will be sustainable cocoa beans. This means that we will be involved in the entire cocoa bean supply chain and support sustainable cocoa production. When we think of the entire cocoa bean supply chain, there will be many interesting business opportunities. Cocoa beans were originally consumed by middle and south Americans for nutritional enhancement. I believe we can develop products that offer the health value of cocoa beans and create a completely new market. By changing our ideas and expanding our perspective from chocolate to cocoa, I believe we can achieve further growth.

Increase Investment to Expand Business in China. Develop Strategies that Fit Markets in Europe, the U.S. and Southeast Asia

Accelerating overseas business is our key business strategy in the 2023 Medium-Term Business Plan. We will expand our business in China, Southeast Asia, Europe and the U.S. In China, we will build four plants in the three years of the 2023 Medium-Term Business Plan to boost our production capacity immediately. We will thereby achieve great results in the next 2026 Medium-Term Business Plan. In addition, we started to sell *Meiji Probio yogurt R-1* and *LG-21*, functional yogurt, in Shanghai in April 2021. Currently, the products are sold exclusively in upscale supermarkets and sales are increasing steadily. As the functional yogurt production line at the local plant was expanded in July 2021, we will increase the supply to encourage market growth. We will introduce a dedicated production line for functional yogurt in the Tianjin Plant in 2023 and eventually the Plant will be our main production base.

In Southeast Asia, we will expand the confectionery business. We will invest in expanding production lines and promote high value-added Meiji products according to local purchasing trends. In the U.S., we are currently producing and selling only confectionery, but we are considering other products such as yogurt. In Europe, we have entered a business partnership with Danone and started production of cube-type infant formula. The product is sold at Boots, a drugstore chain in the U.K., and the sales are favorable.

Eventually, we will expand to other European countries.

Meanwhile, we will continue our structural reforms under the 2023 Medium-Term Business Plan. We have almost finished transferring group companies that have little synergy in terms of facilities, technology, and human resources. During the 2020 Medium-Term Business Plan, we transferred our shares in Meiji Kenko Ham, Asahi Broiler, Meiji Rice Delica, Fresh Logistics, and others to companies that will increase their business value. We introduced ROIC as a management indicator and set targets to improve each business in the 2023 Medium-Term Business Plan. Also, if the businesses do not meet the Meiji Nutrition Statement, we will replace the products with ones that have the Meiji unique wellness value.

Expanding Production Capacity in China



Production capacity at the end of FY 2023 (Based on monetary amount, compare to FY 2020)

Yogurt	About 4 times (Expand capacity in Suzhou ^{*1} , New factory in Tianjin ^{*2} , Guangzhou ^{*3})
Confectionery	About 2 times (New factory in Guangzhou ^{*3})
Ice cream	About 2 times (New factory in Shanghai ^{*3})

*1 FY 2021 *2 FY 2022 *3 FY 2023

Bring out the Potential of Diverse Human Resources and Venture into New Domains. Also, Build New Business Models using Digital Transformation (DX)

We will strive to “Venture into new domains,” set in the 2023 Medium-Term Business Plan. The key is human resources. We have started the “Accelerator Program” to encourage employees’ motivation and bring out potential. About 20 projects have already been launched, including external collaboration. We are creating a system that allows employees to concentrate on these projects away from their current duties. Through these projects, we hope to foster a corporate culture that encourages employees to take on challenges individually. To support that, we will improve the personnel system, and clarify the evaluation criteria so that good results will be rewarded and lead directly to promotion.

We will also promote diversity and inclusion in our human resources. From 2021, Meiji Co., Ltd. is implementing the “DIAMOND Project” under the direct control of the President. The project is to create an environment where women, people with disabilities, and foreign employees can play a more active role at work. To increase female managers, we will recruit experienced women from outside as managers as well as develop competent personnel in-house. We want to raise the awareness and inspire young female employees and vitalize the company by providing role models of female managers.

It is essential for us to use digital technology to “Venture into new domains.” One example of Digital Transformation (DX) is the use of the membership database of the Hohoemi Club, a website that we operate. On this website we support child rearing mothers before and after childbirth, and handle various health-related consultations for about one million users. Handling personal information with the utmost care, we analyze the database and are considering a new business model. We will provide necessary nutritional information and products to child rearing mothers according to personal needs.

As DX progresses, our business may change dramatically. For example, instead of just selling yogurt, we can create a new business model to provide novel lactobacilli. Collaborating with various companies, we may offer an innovative service that provides fully optimal yogurt every day made from lactobacilli and *Meiji Oishii Gyunyu*, our drinking milk, based on the individual health conditions. We should think boldly, see things from new angles and perspectives, and create new value unique to Meiji using DX.



We Will Continue to Create New Categories and New Demand

The DNA of the Meiji Founding Spirit “Contributing to the Country through Nutrition” has been passed down to the present day. Looking back on the past, we have been continually launching products that contributes to people’s health. Meanwhile, we provide food, and food must taste good. It might be true that “We don’t eat to live but we live to eat delicious food,” so in that sense, we should eat tasty food more often. Therefore, the products unique to Meiji should be tasty and make customers healthy.

As always, we will continue to create new categories and new demand, as well as stimulate the market. Rather than entering business areas that other companies have cultivated, we will further boost our business strength and create new markets in their surrounding areas. To achieve this goal, we will commit ourselves to creating unique value using Meiji’s original technologies and expertise.

Related information in “History of Health Value Creation” (page 24)



Daikichiro Kobayashi

COO (Pharmaceutical Segment)
Member of the Board and Executive Officer
Meiji Holdings Co., Ltd.
President and Representative Director
Meiji Seika Pharma Co., Ltd.

We Will Build a Platform for Infection Control by Focusing Management Resources on Businesses that Help to Solve Social Issues

A Record-High Profit in FY2020 Thanks to Significant Growth in the Vaccine and Overseas Businesses

One of the major achievements of the 2020 Medium-Term Business Plan was that we entered into the vaccine business as KM Biologics, the No. 1 vaccine company in Japan, joined the Group. As a result, we have built a stable foundation for business growth. Also, we acquired Medreich Ltd. in India in 2014. We succeeded in putting Medreich on a growth track during the 2020 Medium-Term Business Plan. I believe the overseas CMO/CDMO* business is worth entering to complement and improve the domestic generic business, which is another foundation for major growth in the future.

On the other hand, some new drug candidates failed to meet primary endpoints in clinical studies, and we couldn't achieve the targets to develop drugs discovered in-house. In FY2020, the spread of COVID-19 had a significant impact on our business. Demand for antibacterial drugs, our main product, has been stagnant because people's efforts to prevent infectious diseases resulted in a drastic decline in infections. In addition, the number of outpatients visiting medical institutions decreased significantly. Accordingly, the Japanese pharmaceutical market shrunk.

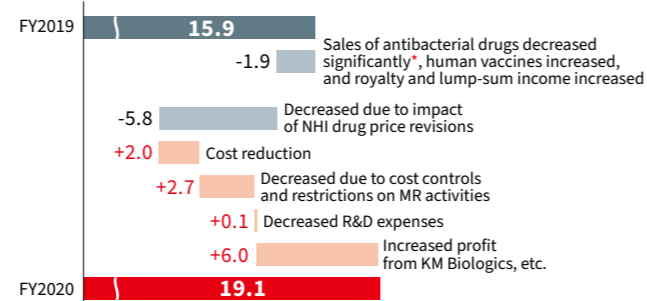
In the second half of FY2020, production yield of influenza vaccines in KM Biologics was good, achieving the record-high

production of 10 million vials. As we started selling our products earlier than competitors, we could secure sales and profits. Ultimately, thanks to the great contribution of KM Biologics and Medreich, the Pharmaceutical segment achieved a record-high profit in FY2020.

* CMO: Contract Manufacturing Organization
CDMO: Contract Development and Manufacturing Organization

(Billions of yen)	FY2019 Results	FY2020 Results	YoY Change
Net sales	204.3	193.6	-5.2% -10.6
Operating profit	15.9	19.1	+19.5% +3.1

Breakdown of Consolidated Op. Profit (Billions of yen)



* This was because the number of outpatients visiting to medical institutions decreased due to the COVID-19 pandemic

Our Urgent Task is to Develop Inactivated Vaccines against COVID-19

During the COVID-19 pandemic, I have reconfirmed that our greatest mission is to develop and supply vaccines and pharmaceuticals against emerging and re-emerging infectious diseases that seriously impact society, as well as antibacterial drugs against drug-resistant bacteria. The stable supply of high-quality pharmaceuticals at a reasonable price is also an important responsibility for us. In the 2023 Medium-Term Business Plan, we will focus our management resources on these business areas and clarify our portfolio. We will also build a platform for infection control in Japan.

To fulfill this mission, we must work urgently on developing a vaccine against COVID-19. KM Biologics is in charge of the formulation of AstraZeneca's vaccines. We have established a system to supply formulated vaccines using the cold chain built for our seasonal influenza vaccine.

In the meantime, KM Biologics has been developing inactivated vaccines domestically with the government's support, and phase I/II trials are underway. Many inactivated influenza vaccines were developed, approved, and their safety data has been accumulated. We believe that inactivated vaccines against COVID-19 are essential. Success in vaccine development will be a big step toward periodic vaccination, just like flu vaccines.

Furthermore, we have experience in developing prototype vaccines* for pandemic influenza. Application of this experience to novel coronavirus will enable easier response to variants and prompt manufacture and supply of a desired pandemic vaccine. We have to secure vaccines for 120 million Japanese and this will be a big challenge for us. Moreover, we are developing vaccines using new technologies to respond quickly to unknown infection risks.

* A vaccine developed against a family of viruses. They could be quickly modified to protect against specific virus within the family that posed a serious health risk to the world.



Headquarters and Kumamoto Production Center of KM Biologics Co., Ltd. The main building, blood plasma fractionation production building, vaccine production building, etc. are located on a site of about 147,000 m².

WEB
KM Biologics Co., Ltd.

Expanding Medreich's CMO/CDMO Business to Contribute to Improving Access to Drugs for People around the World

Expansion of the overseas CMO/CDMO business is also one of the key strategies of the 2023 Medium-Term Business Plan. The world's population is growing rapidly, and consequently, access to drugs is becoming a major social issue, mainly in Asia and Africa. The CMO/CDMO business at Medreich will contribute to help solving this issue. The future growth rate of the CMO/CDMO business is expected to be higher than the average growth rate of the pharmaceutical industry, which is very promising for us. To accelerate this growth, we need to make further major investment, such as the capacity expansion of existing facilities and new plant construction in Medreich. We will review the portfolio in the Pharmaceutical segment and invest management resources efficiently in the CMO/CDMO business to promote growth.

We will use ROIC as an indicator to manage our business portfolio from the 2023 Medium-Term Business Plan. We should develop innovative new drugs, including vaccines. Specifically, the development of biopharmaceuticals requires huge upfront investment, so we cannot afford to fail. We want to recover this upfront investment and reach break-even point during the 2023 Medium-Term Business Plan. The new drugs will be the growth engines, providing value and a strong foundation for future growth, for the 2026 Medium-Term Business Plan and beyond. To realize this, we need to understand the current status of new drug development in the value chain and make management decisions considering ROIC.



Medreich in India joined the Meiji Group in 2015. The company is playing a leading role in the CMO/CDMO business. It established a structure to manufacture high quality and low-cost generic drug that meets Japanese standard.

Sending Human Resources Outside the Company to Promote Open Innovation for Innovative Drug Discovery

Human resource management is extremely important for further growth in the future. The Pharmaceutical segment is facing a situation we never experienced before. To get out from such difficulties we should use external resources and make up for the lack of cutting-edge knowledge. We will recruit excellent researchers from academia and consequently, develop a personnel evaluation system that treats outstanding employees appropriately.

Meanwhile, we send young employees to external institutions to develop them. For example, we have sent researchers to the Office of Pharmaceutical Industry Research, a research institute of the Japan Pharmaceutical Manufacturers Association (JPMA), for three consecutive years to promote research on the utilization of big data and artificial intelligence (AI). In addition, a researcher studying antibiotics against resistant bacteria was hired by the Cabinet Secretariat's Coordination Office of Measures on Emerging Infectious Diseases through open recruitment in 2021. We are also collaborating with academia in the digital transformation (DX) field. We have started joint research with Dr. Shigeto Yamawaki, a professor of "Kansei Brain Science" at Hiroshima University, to implement DX for preventing depression in society.

We are collaborating on drug development for autoimmune diseases with Dr. Tasuku Honjo at Foundation for Biomedical Research and Innovation at Kobe (FBRI), and on drugs for hematopoietic tumors with Dr. Norio Komatsu at Juntendo University. In addition, we are working with Dr. Satoshi Omura at Kitasato University to develop a COVID-19 therapeutic agent derived from Ivermectin analogue, the next-generation derivative, with support from AMED (Japan Agency for Medical Research and Development). Innovative drug discovery is a major theme during the 2023 Medium-Term Business Plan and we strive to achieve our targets through open innovation.



Signed a joint research agreement on "Depression Prevention DX and Social Implementation Using Kansei Brain Science." From left, Professor Shigeto Yamawaki, Professor (Special Appointment) of Hiroshima University; Mitsuo Ochi, President of Hiroshima University; President Kobayashi of Meiji Seika Pharma; President Hara of Macnica Inc.



Creating Health Value Unique to the Meiji Group in Immunological Field by Collaborating with Food segment

Another important theme of the 2023 Medium-Term Business Plan is to "Venture into new domains" by collaborating with Food segment. Although the business structures of Pharmaceutical and Food segments are different, they have one thing in common: they contribute to extending healthy life expectancy when consumed. The pharmaceutical industry is now exploring "Beyond the Pill" and addressing the entire diseases, including nutritional status and lifestyle. In the Meiji Group, various elements in Pharmaceutical and Food segments are connecting each other.

A good example is to develop supplements for patients. These supplements are a part of treatment and to provide necessary nutrients that will decrease due to diseases and science based treatment. Such supplements are classified as food according to Food Sanitation Law. If the Meiji Group can provide both pharmaceuticals and supplements for patients, we can provide treatment and nutritional management in an integrated manner, or CURE and CARE. This will create health value unique to the Meiji Group, which is what we pursue in our new slogan, "Now ideas for wellness." For both food and pharmaceutical products, our goal is to create health value unique to the Meiji Group in immunity. The immune system protects us from infection in various ways. In the Pharmaceutical segment we will practice "Now ideas for wellness" in the field of immunology.

We should become a company that leads the industry in solving social issues through infection control. As an R&D-oriented company, we will continually launch new pharmaceuticals to market. Accordingly, we should enhance the management foundation and rebuild our business portfolio. The 2023 Medium-Term Business Plan is an important period during which we have to achieve these goals. Achieving these goals will be a big challenge for us but we need to do it quickly. We should accelerate further growth by accomplishing these goals.

List of New Products Under Development

Products		FY2021	FY2022	FY2023
Infectious diseases	ME1100 Arbekacin inhalation [HABP/VABP] ●	Phase Ib (Overseas)		
	OP0595 Nacubactam [β-lactamase inhibitor] ●	Phase I with β-Lactams		
CNS disorders	ME2112 Ziprasidone [Antipsychotic]	Phase III		
Ethical pharmaceuticals	HBI-8000 Tusedinostat [Relapsed or refractory Adult T-cell leukemia/lymphoma (ATLL)]	Applied	Approved	
	HBI-8000 Tusedinostat [Relapsed or refractory peripheral T-cell lymphoma (PTCL)]	Applied	Apply	Approve
	SP-02L Darinaparsin [Relapsed or refractory peripheral T-cell lymphoma (PTCL)]	Applied	Apply	Approve
	DMB-3111 Trastuzumab biosimilar [Breast cancer, Gastric cancer]	(Phase I finished)		
	DMB-3115 Ustekinumab biosimilar [Plaque psoriasis, Psoriatic arthritis, Crohn's disease, Ulcerative colitis]		Phase III (Overseas)	
	ME3208 Belumosudil [Chronic Graft Versus Host Disease]	Phase I		
	KD-370 [Pentavalent vaccine against diphtheria, tetanus, pertussis, polio, and haemophilus influenza type b] ●	Phase III	Apply	Approve
	KD-382 [Quadrivalent vaccine against dengue fever] ●	Phase I (Overseas)		
	KD-404 [Egg-derived inactivated whole virus influenza vaccine]	Phase I/II		
	KD-414 [Inactivated vaccine against COVID-19] ●	Phase I/II		Phase II/III
Human vaccines	KD-371 [Indication expansion for microscopic polyangiitis (MPA) (orphan drug)]	Phase III		
	KD2-305 [Suppression of bleeding tendency in patients with blood coagulation factor VIII or factor IX deficiency who have coagulation factor inhibitors] ●	Phase II/III	Apply	Approve
Blood plasma products	ME5382 [Insecticide/Flupyrimim] ●	Approved	Approved (Overseas)	
	ME5343 [Insecticide/Afidopyropen] ● Licensing agreement with BASF Discovered in a research collaboration between Meiji Seika Pharma Co., Ltd. and The Kitasato Institute	Approved (Overseas)		
Agricultural chemicals	ANM-138 [Insecticide/Flometoquin] ● Joint development with Nippon Kayaku	Approved (Overseas)		
	ME5223 [Fungicide/Fenpicoxamid] ● Joint development with Corteva Agriscience	Approved (Overseas)		
	ME4136 [Injectable antibacterial drugs]	Approved		
Veterinary drugs	ME4137 [Injectable antibacterial drugs]	Applied	Approve	
	ME4406 [Feed Additive] ●			Apply
	ME4204 [Oral Anthelmintic] Expanded indication ●	Approved		
	ME4618 [Anesthetic injection]	Applied	Approved	
	ME4624 [Vaccine]	Approved		
	KD-395 [Vaccine for swine use] ●	Applied		Approve
KD-386 [Vaccine for swine use] ●	Applied		Approve	

● : compounds discovered in-house
 * Out-licensed substances. Please refer to our website for details of the companies and areas out-licensed to.
 * The above information is current as of August 2021

Message from CSO



Jun Furuta
CSO
Member of the Board and
Senior Executive Officer

Toward the Next 100 Years, We Will Design a Future Where Everyone Around the World is Happy and Healthy

The Meiji Group Will Continue to Grow by Solving Social Issues Through Our Business

The Meiji Group engages in the Food and Pharmaceutical businesses. They both are closely connected to sustainability. Although it seems that pursuing profit conflicts with sustainability, the Meiji Group has grown by solving social issues through our business and contributed to brightening customers' daily lives.

A recent example of such contribution is launching *TANPACT* brand products in the Food segment. Protein intake among people today is insufficient. To increase people's protein consumption, we have developed products across our product categories, such as dairy products, confectionary, and frozen food. We also work together with other companies. Yonekyu Corporation and Yamazaki Baking Co., Ltd. agree to launch *TANPACT* brand products which are not included in our product line. We will further expand our efforts.

In the Pharmaceutical segment, KM Biologics Co., Ltd. is developing a COVID-19 vaccine, which is an urgent issue. We

may launch the vaccine in FY2022 if everything goes well. Even if COVID-19 is successfully controlled, there is still a risk that new infectious diseases will threaten society. The fight against infectious disease is likely to continue forever. We hope to develop both vaccines and therapeutic drugs and build a platform for controlling infections, thereby contributing to society. Pharmaceutical companies that can provide both vaccines and therapeutic drugs are limited, whether overseas or in Japan. We therefore believe that our business is meaningful.

Thus, our businesses are closely connected to sustainability. Companies can no longer improve their corporate value unless they manage business with sustainability in mind. We will incorporate this idea in our 2023 Medium-Term Business Plan, and integrate business management and sustainability through the Meiji ROESG^{*} Management.

^{*} ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

Achieved Significant Progress on our Initiatives for Human Rights and the Environment Issues throughout the Supply Chain in the 2020 Medium-Term Business Plan

Formulate the Meiji Group Long-Term Environmental Vision and Make Efforts toward Ambitious Goals

We made significant progress in our sustainability activities under the 2020 Medium-Term Business Plan. We successfully achieved most of the materiality and KPIs. I believe this is the first major step toward achieving the Meiji Group 2026 Vision. However, requirements have gotten higher over the past several years. We should further improve our efforts and continue to work hard.

We achieved three major progresses in the 2020 Medium-Term Business Plan. Firstly, we addressed to human rights and the environment issues, not only within the Group but also throughout our supply chain. We established the Supplier Code of Conduct, identifying issues through dialogue with suppliers and striving to solve them together. To understand the current situation, we have already conducted a survey with 74 primary suppliers in Japan for our major operating companies.^{*} These suppliers account for approximately 80% of our cost of raw materials and goods. In 2021 and 2022, we will approach the remaining primary suppliers and suppliers for group companies in Japan and overseas. We will promote our efforts for human rights and environment issues.

Secondly, we formulated and announced the Meiji Group Long-Term Environmental Vision: Meiji Green Engagement for 2050. In this Vision, we set four activity domains; "Climate Change," "Water," "Circular Economy," and "Pollution Prevention." They impact on conserving biodiversity and maintaining ecosystems. In the Climate Change domain, we set the goal to realize carbon neutrality throughout our entire supply chain by 2050. It is quite a challenging goal, but we should set difficult goals and make efforts toward them.

Thirdly, we made significant progress on water risks. We had not checked water risks at our domestic and overseas

operating sites yet, especially the plants. Therefore, we analyzed and accessed possible risks for flood, water shortages, and water quality. From a business continuity planning perspective, we prioritized these risks and implemented both physical and non-physical measures.

Establish the ESG Advisory Board to Further Strengthen the Sustainability Promotion System

Our remarkable progress in sustainability under the 2020 Medium-Term Business Plan was largely attributable to the advanced Meiji Group's sustainability promotion system we have improved. In October 2019, we established the Sustainability Management Department in Meiji Holdings. This helped broaden the scope of our initiatives, enhance the quality of output, and accelerate the strategy execution. As secretariat, the Sustainability Management Department holds meetings for each initiative, and promotes strategy in collaboration with operating companies that implement the initiatives in their business.

In addition, we have been working on two new initiatives since FY2021 to strengthen our promotion system. One is to create a company culture that every employee has a sense of ownership over sustainability activities. In April, we appointed approximately 820 employees as Meiji Brand Promotion Leaders in major operating companies. These leaders work to increase employees' awareness of sustainability through meetings at work.

The other initiative is to establish the ESG Advisory Board. We have invited external experts every year and engaged in dialogue to receive advice on our activities. We will hold the ESG Advisory Board twice a year, regularly from FY2021.

^{*} Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd., KM Biologics Co., Ltd.

Identifying Materiality

Based on dialogue with external experts, we identified materiality in social issues when formulating the Meiji Group 2026 Vision. Since then, we have been updating the materiality based on changes in the business environment and the progress of activities. The table below covers up to FY2023.

Themes	Domains	Social Issues	Themes	Domains	Social Issues
Healthier Lives	Health and Nutrition	Contribute to healthy diets	Thriving Communities	Human Resources	Promote diversity and inclusion, and provide training to employees
		Respond to a super-aged society		Society	Respect and promote human rights
		Countermeasures against emerging and re-emerging infectious diseases	Sustainable Sourcing	Source raw materials with consideration toward human rights and the environment	
Caring for the Earth	Climate Change	Reduce CO ₂ emissions			
Circular Economy	Reduce environmental impact				
	Water	Secure water resources			

➤ See pages 48 to 61 and page 82 for the progress of initiatives

We Will Focus on Realizing a Circular Economy, in Addition to Climate Change and Water

Disseminating Information and Leading a Society Where Sustainability Is Required for Business

The Board of Directors spends a lot of time discussing sustainability more deeply than before. Independent Outside Directors pointed out essential issues and we reflected them to improve our measures. We engaged in dialogue with an external expert, Takeshi Mizuguchi, a professor at Takasaki City University of Economics in FY2020, and we received advice from him. He said, "There are a lot of things the Meiji Group should do to achieve SDGs in the Food and Pharmaceutical business. I would like you to exhibit leadership in the business." While the professor gave positive evaluations for our materiality, he pointed out that some initiatives were not well specified and that we should review some of the KPIs. We will address these issues promptly.

The keywords for the Meiji Group's future sustainability activities are "Environment" and "Human Rights." For the Environment, we will focus on a circular economy, along with climate change and water. We will reduce resources used in our business activities as much as possible and build reusing and recycling systems. For example, our Food segment will use lighter and thinner plastic container packaging, switch to paper materials, and promote reuse and recycling using shipping pallets, etc. For Human Rights, as mentioned earlier, we will respect human rights throughout our supply chain.

Communication with stakeholders is becoming more important. Just explaining our measures may not be sufficient. I believe it is my duty as CSO to communicate the Meiji Group's mission (philosophy) and its concept and

ensure that they are recognized by society. Communicating this information will also increase employees' awareness. Moreover, as a corporate group that handles food, this communication will contribute to creating a trend toward ethical consumption. Through our products and communication, we would like to take the lead in creating a society where sustainability is a requisite for business.

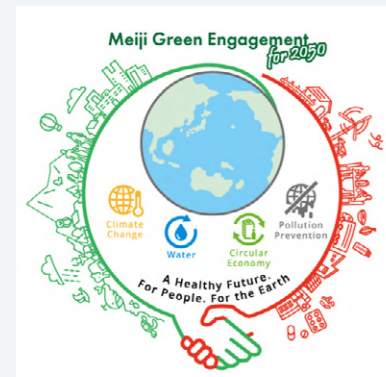
Promoting Diversity and Inclusion, and Becoming a Corporate Group Where Diverse Human Resources Actively Participate

The promotion of diversity and inclusion is included in materiality under the 2020 Medium-Term Business Plan. Unfortunately, we failed to produce sufficient results. Independent Outside Directors have pointed out that we should address these issues. Accordingly, we will strive to create a workplace where diverse human resources can actively participate as quickly as possible. Such efforts include to raise the ratio of female managers. Meiji Co., Ltd. has launched the DIAMOND Project Team headed by the president, and the Team is working on internal reforms.

To assess employee engagement, which is the premise for diversity and inclusion, we will conduct an opinion survey to all group employees every year. We will enhance our employee engagement based on result analysis.

See "The Meiji Group Sustainability: Thriving Communities" on page 56 for related information

Meiji Group Long-Term Environmental Vision: Meiji Green Engagement for 2050



We formulated the Meiji Group Long-Term Environmental Vision: Meiji Green Engagement for 2050. It is based on the concept of reducing environmental impact associated with business for coexisting with nature into the future.

Three Engagements

- Dialogue** Aim for 'A Healthy Future. For people. For the Earth' **Dialogue** with global environment
- Promises** **Promise** to maintain a healthy global environment
- Desire to contribute** **Contribute** to realization of sustainable global environment
Employees voluntarily engage in activities

WEB Sustainability Management

Becoming the World's Leading Company in Sustainability Activities When Achieving the Meiji Group 2026 Vision

Allocating Budget for ESG Investment and Develop Appropriate Decision-Making Systems for Sustainability

We will actively invest in ESG-related capital expenditure. During the daily operation, frontline workers are reluctant to invest in CO₂ reduction as it increases cost. We have therefore created a system that facilitates ESG-related capital expenditure by allocating budget for ESG investment separate from other investments. In corporate management, it is important to develop appropriate decision-making systems. This applies to sustainability activities. To procure funds, we will issue sustainability bonds that can be used for broader purposes than green bonds.

Integrating Management Strategy and Sustainability Strategy and Fulfilling Our Mission for the Future

We hope to become Japan's leading company in sustainability initiatives by the end of the 2023 Medium-Term Business Plan. Also, when we fully achieve the Meiji Group 2026 Vision, we will become one of the world's leading companies; this may not be just a dream. To accomplish this, we must integrate business management and sustainability. The world's most valuable companies have successfully integrated their management strategies and sustainability strategies. We have yet to fully address this issue, so we will







accelerate such integration by promoting the Meiji ROESG Management set in the 2023 Medium-Term Business Plan.

We have established 2026 and 2030 targets, and 2050 targets for environment issues. Although we are highly motivated, we don't have a roadmap or an action plan to achieve these targets. The gap analyses between our desire and current technologies/infrastructure isn't sufficient. We should find clear path to achieve the targets. Once the direction is determined, all employees in the Meiji Group can work together and generate great power. I will fulfill my duty as CSO to lead the Group.

The Meiji Group recognizes that nothing is more important than sustainability toward the next 100 years. Therefore, we set out the mission, "designing a future where everyone around the world is happy and healthy." We would like to realize a society where people stay healthy and live happy lives with smiles on their faces. We will pursue sustainability activities that aim for such a society.

Four Activity Domains and Target by 2050

 <p>Climate Change</p>	<p>Become carbon neutral</p> <ul style="list-style-type: none"> Eliminate CO₂ and other greenhouse gas emissions throughout our entire supply chain Use 100% renewable energy in facilities 	 <p>Water</p>	<p>Perpetual use of limited water resources</p> <ul style="list-style-type: none"> Reduce water use intensity per unit of sales by 50% compared with FY2017 Restore 100% of the water used as raw material for products (Water Neutrality) Address to reduce water risks in and around facilities and where we procure raw materials
 <p>Circular Economy</p>	<p>Transition to a circular economy</p> <ul style="list-style-type: none"> Achieve zero waste in the manufacturing process Use recycled materials in containers and packaging to minimize the use of natural capital 	 <p>Pollution Prevention</p>	<p>Achieve zero pollution throughout our business activities</p> <ul style="list-style-type: none"> Strive to achieve zero pollution due to chemical substances originating from our business activities Strive to resolve environmental pollution-related issues throughout our supply chain

Sustainability Strategy in Medium-Term Business Plan

The Meiji Group's Mission in Sustainability Activities

Toward the Meiji Group's Next 100 Years, Designing a Future Where Everyone Around the World is Happy and Healthy

The Meiji Group will mark the 110th anniversary of our founding in 2026. We must reconstruct our foundations with a view to the next 100 years to further enhance the Group's corporate value. Currently, society is at a major turning point. Companies are required to not only expand their business scale but also contribute to solving social issues through their business activities. We will once again review the significance and role of our business activities in society and strengthen activities unique to the Meiji Group that originated from the idea of solving social issues.

The Meiji Group Sustainability 2026 Vision

As Food and Health Professionals, We Contribute to Addressing Social Issues through Our Business Activities, and to Realizing a Sustainable Society for People to Live Healthy, Peaceful Lives.

Outline of Vision

The Meiji Group Sustainability 2026 Vision is broken down into three themes: Healthier Lives, Caring for the Earth and Thriving Communities, plus the shared theme: Sustainable Sourcing. Here, we identify and set materiality issues and KPIs*. Based on this framework, shown in the figure, we promote specific sustainability activities and address social issues.

* KPI: Key Performance Indicator



Approach Toward SDGs

The Sustainable Development Goals (SDGs) are a collection of the 17 goals adopted by the United Nations in 2015 for the year 2030. In our endeavors, we have identified 13 primary goals that will contribute to society in the Meiji Group's business activities. Recognizing that FY2021 marks the beginning of "the Decade of Action"* to address the SDGs, we are working to achieve the SDGs through the Meiji Group Sustainability 2026 Vision.

* In January 2020, the United Nations defined the decade up to 2030—the deadline for the achievement of the SDGs—as "the Decade of Action" and called for countries around the world to accelerate and expand their initiatives.



Society is formed based on the environment, and the economy is created based on society. It is essential to work comprehensively on these three fields.

Approach to Sustainability Activities under the 2023 Medium-Term Business Plan

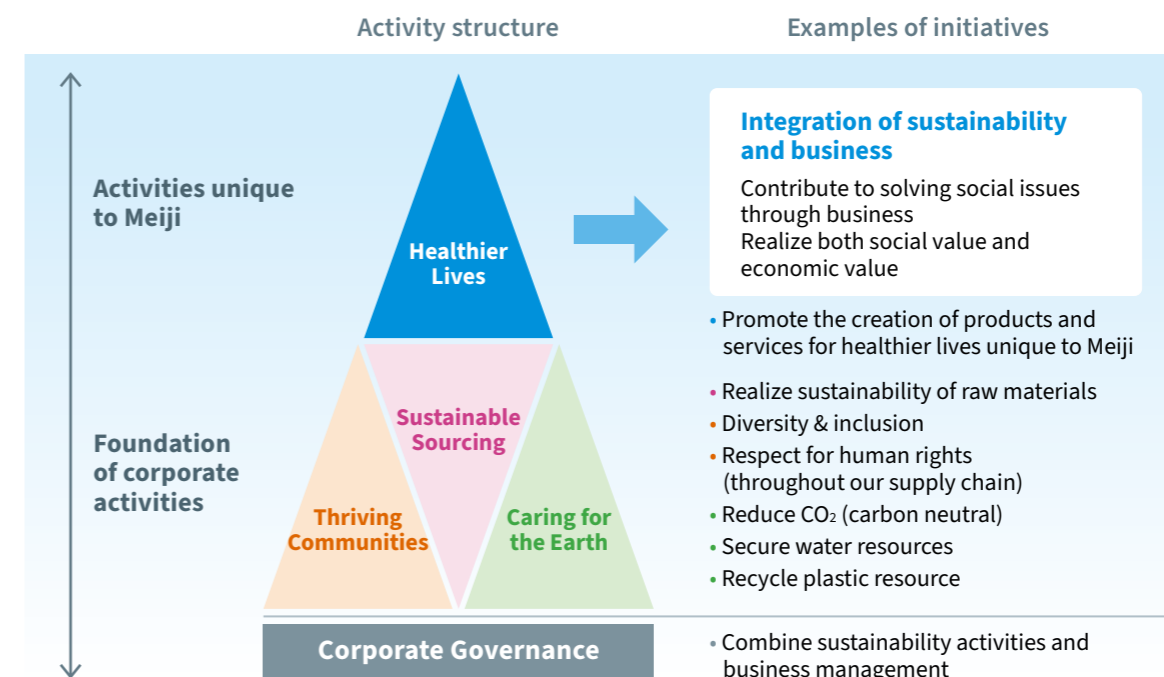
The 2023 Medium-Term Business Plan sets out the concept of realizing both profit growth and sustainability activities. The significance of sustainability has thus increased in business management. We will strengthen our activities so that by FY2023, the Meiji Group will become a company that is highly evaluated internally and externally as an advanced sustainability company in Japan.

Outline of Activity Plan



Structure of the Meiji Group's Sustainability Activities

There is a wide range of sustainability activities. We have organized them into initiatives that exhibit the Meiji Group's uniqueness and initiatives that form the foundation of corporate activities. In particular, we consider that the domain unique to the Meiji Group is centered on "Healthier Lives." Japan faces the issues of a declining population and aging society with a decreasing birthrate, and extending healthy life expectancy is a critical social issue. The Meiji Group aims to contribute to solving these social issues with our Food and Pharmaceutical businesses and to realize both economic value and social value.



Responses to Climate Change

Analyzing Climate Change-Related Long-Term Risks and Opportunities and Reflecting Them in Business Activities

The Meiji Group expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) in FY2019, advancing analysis in line with the Recommendations of the Task Force on Climate-related Financial Disclosures.

Corporate Governance and Risk Management

We consider climate change-related long-term risks and opportunities and measures to address them at the Group TCFD Committee. The results of the consideration are deliberated on at the Executive Committee, and then reported to and overseen by the Board of Directors. Since the participation of the Risk Management Department in FY2021, which was newly established in Meiji Holdings, we have established a system to recognize and respond to the impact of climate change as a major risk for the Group as a whole.

Climate Change-related Group Sustainability Promotion System



Results in Scenario (Strategy) Analysis

In FY2020, we analyzed the medium- to long-term impact of climate change and examined countermeasures for the domains of dairy ingredients, cocoa, antimicrobials (five domestic Key Drugs^{*1}), and vaccines. In the analysis, we established two scenarios (a 2-degree scenario and a 4-degree scenario) based on the information of IPCC^{*2}, IEA^{*3}, etc. and set 2030 and 2050 as the base years.

The analysis for these domains revealed that major impacts (opportunities and risks) expected from climate change have many common features irrespective of the business domain. We also found that these impacts would occur in each process of the supply chain, from sourcing to manufacturing, logistics, and sale.

^{*1} Five of the antimicrobials designated as Key Drugs by four associations (the Japanese Society of Chemotherapy, Japanese Association for Infectious Diseases, the Japanese Society for Clinical Microbiology, and the Japanese Society for Infection Prevention and Control, etc.) are manufactured by Meiji Seika Pharma.
^{*2} Intergovernmental Panel on Climate Change (IPCC): Shared Socioeconomic Pathways, etc.
^{*3} International Energy Agency (IEA): Sustainable Development Scenario, New Policies Scenario, etc.

Major impact in the 4-degree scenario

	Change related to climate change	Major impacts	Impact on Meiji Group	
			Supply chain	Specific impact
Physical risks ^{*1}	Change in growth environment of biological resources due to changes in temperature, precipitation, etc.	Decrease in yield of raw materials	Sourcing	Impact on raw materials sourcing cost
	Increase in severity and frequency of typhoons, torrential rains, etc.	Opportunity loss from flood damage	Sourcing Manufacturing and logistics	Opportunity loss due to site shutdowns, etc.
Opportunities	Change in lifestyle due to rising atmospheric temperatures	Change in demand due to global warming	Sales	Increase in demand for products for thirst quenching, heat stroke prevention, etc.
	Change in lifestyle due to new infectious diseases or increased risk of infectious diseases	Change in demand due to avoidance of infectious disease risk	Sales	Increase in demand for vaccines and immune-activation products

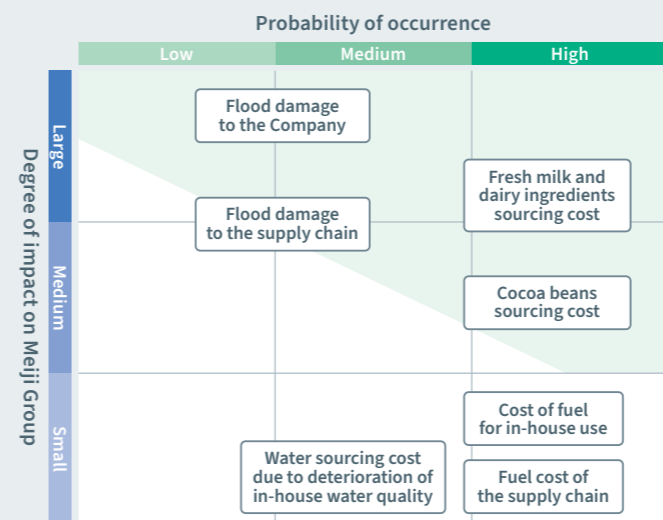
Major impact in the 2-degree scenario

	Change related to climate change	Major impacts	Impact on Meiji Group	
			Supply chain	Specific impact
Transition risks ^{*2}	Reinforcement of the government's environmental regulations	Introduction of carbon pricing	Manufacturing	Increase in carbon pricing cost to be borne by the Company
	Expansion of investment in power facilities due to increase in renewable energy	Increase in amount of electricity purchased	Sourcing and logistics Manufacturing	Increase in cost of carbon pricing compliance to be borne by farmers and suppliers Increase in cost of purchasing renewable energy derived electricity
Opportunities	Change in lifestyle due to improvement of environmental awareness	Expansion of ethical consumption	Manufacturing	Increase in normal electricity purchase cost
			Sales	Increase in demand for environmentally friendly products

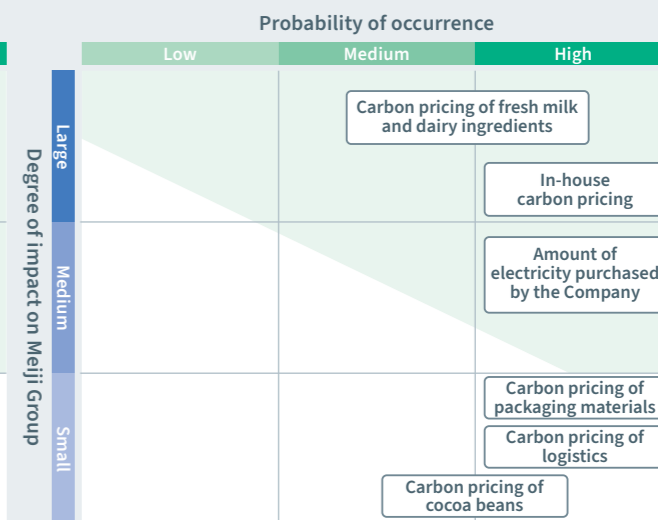
^{*1} Physical risk: Damage from disasters, etc. caused by climate change
^{*2} Transition risk: Risk arising in transition to a decarbonized society for mitigating climate change



Major risk matrix in the 4-degree scenario



Major risk matrix in the 2-degree scenario



Clarify the prioritization of major impacts based on the degree and probability of impacts on the Meiji Group

Response to Major Impacts with High Priority

[Major Impacts in the Areas where Meiji Group can Respond Proactively]

4-degree scenario

Risks	Assume opportunity loss, such as site shutdowns, resulting from flood damage
Responses	<ul style="list-style-type: none"> Identify areas with high flood risk by evaluating water risk at the in-house production bases of Meiji Group in FY2020 <p>(Non-structural measures)</p> <ul style="list-style-type: none"> Prepare an emergency action manual with top priority on saving lives Conduct evacuation drills in ordinary times <p>(Structural measures)</p> <ul style="list-style-type: none"> Risk reduction by decentralizing production bases Mitigate flood damage by reinforcing waterproofing equipment, such as waterstops and waterproof walls * <p>* See "Caring for the Earth" (pages 52 to 55) for countermeasures</p>

2-degree scenario

Risks	Assume the application of carbon pricing to in-house direct emissions (Scope 1) and indirect emissions due to purchase of electricity, etc. (Scope 2) in CO ₂ emission volume resulting from the business activities of Meiji Group																								
Responses	<ul style="list-style-type: none"> Establish a long-term target of realizing carbon neutrality by 2050 Promote reduction of CO₂ emission volume through energy saving activities, energy creation activity by solar power generation, purchase of renewable energy derived electricity, etc. Consider acquisition of SBT certification and introduction of internal carbon pricing Proactively consider introduction of new technologies, next-generation energy, etc. <p>Effect of introducing carbon pricing (Unit: hundred million yen)</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">4-degree scenario</th> <th colspan="2">2-degree scenario</th> </tr> <tr> <th>2030</th> <th>2050</th> <th>2030</th> <th>2050</th> </tr> </thead> <tbody> <tr> <td>When taking no measures to reduce CO₂ emission volume</td> <td>7</td> <td>11</td> <td>33</td> <td>46</td> </tr> <tr> <td>When implementing countermeasures to reduce CO₂ emission volume</td> <td>4</td> <td>5</td> <td>24</td> <td>32</td> </tr> <tr> <td>Effect of countermeasures to reduce impact</td> <td>3</td> <td>6</td> <td>9</td> <td>14</td> </tr> </tbody> </table>		4-degree scenario		2-degree scenario		2030	2050	2030	2050	When taking no measures to reduce CO ₂ emission volume	7	11	33	46	When implementing countermeasures to reduce CO ₂ emission volume	4	5	24	32	Effect of countermeasures to reduce impact	3	6	9	14
	4-degree scenario		2-degree scenario																						
	2030	2050	2030	2050																					
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Effect of countermeasures to reduce impact	3	6	9	14																					
Risks	Assume increases in the amount of electricity purchased due to the purchasing of renewable energy derived electricity																								
Responses	Reduce amount of electricity purchased by expanding energy saving and energy creation																								

[Impacts of Concern in Raw Material Sourcing]

Risks	Impact of climate change on agricultural and livestock products is assumed in both 4-degree and 2-degree scenarios
Responses	<ul style="list-style-type: none"> Product-related response <ul style="list-style-type: none"> Promote added value enhancement to improve the competitive edge in the market Optimize product portfolio Response to maintain stable sourcing <ul style="list-style-type: none"> Strengthen our relationship with farmers for stable sourcing of raw materials through Meiji Group's unique initiatives (Meiji Cocoa Support and Meiji Dairy Advisory) Response to reduce CO₂ emission volume <ul style="list-style-type: none"> Study of low carbon dairy farming Cooperation with dairy farmers for realizing low carbon dairy farming

The Meiji Group Sustainability

Healthier Lives

One of the Meiji Group's missions is to improve the health of people through our business. We promote nutrition with various information and increase public awareness to create a society where all generations from infants to the elderly live a healthier and richer lifestyle in both Mind and Body.

Health and Nutrition

SDGs for Health and Nutrition



★ Materialities

Social Issues ★ Contribute to healthy diets

The Meiji Group is developing and providing new products that contribute to customer health using its unique nutrition-related research and product design expertise. We are also providing people of all generations with information about diet and food cultures and works to increase their interest and awareness.

Contributing to Healthy Diets in China Through *Lactobacilli*

Proposing Health Value to the Market and Creating a New Yogurt Culture

In April 2021, the Meiji Group started selling *MEIJI Probio Yogurt R-1* and *Meiji Probio Yogurt LG21* in China. This marks our first launch of these products in an overseas market.

We have been engaged in the drinking milk and yogurt business in China since 2013, using the technology and expertise developed in Japan. The Meiji brand's image of safety, reassurance and quality is already present in China. This has enabled us to earn the trust of a wide range of customers in Shanghai and other areas in Eastern China.

The Chinese government has been promoting the health of the Chinese people under the Healthy China 2030 Plan released in 2016. The yogurt market is expanding in the country with the growth in health awareness. An increasing number of people are also paying attention to *lactobacilli* as a solution to their own health challenges that they can easily continue to implement.

Disseminating and Promoting Awareness of Characteristics of the *Lactobacilli* R-1 and LG21

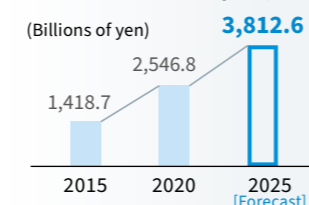
We have accumulated findings obtained from many years of research on *lactobacilli*. As a result of this research, we selected the *lactobacilli* R-1 and LG21. R-1 has the catchphrase "lactobacillus that unlocks your human potential"¹ and LG21 is known as "lactobacillus that works in the stomach."² We use these *lactobacilli* in our *MEIJI Probio Yogurt R-1* and *Meiji Probio Yogurt LG21*, and have contributed to the healthy diets of Japanese consumers through these products. We will also work on developing a functional (probiotics³) yogurt market in China by promoting awareness of the characteristics of these *lactobacilli* with information that is based on scientific evidence. Our slogan is "创享酸奶新理念 (Creating a New Philosophy for Yogurt)." We will promote the new habit of selecting yogurt based on the characteristics of *lactobacilli* and contribute to the healthy diets of Chinese customers.

¹ "Human potential" expresses our universal desire to live a healthy life.

² "Works" expresses the characteristic of staying alive in the stomach and propagating better there.

³ "Probiotics" is the term that contrasts with antibiotics. It is defined as a food or bacterial component containing living microorganisms that favorably affect health.

Expanding Yogurt Market in China (Source: Euromonitor International's Passport)



* Calculated at a rate of 16.9 yen to the yuan (as of June 30, 2021)



Probio Yogurt section at the Lincos Wuxi Suning Plaza store (Maruetsu Inc.)



The sale of *MEIJI Probio Yogurt R-1* (left) and *Meiji Probio Yogurt LG21* (right) starts in China

Promoting Nutrition Education Activities and Online Nutrition Education

More than 1 Million Students at 10,000 Elementary and Junior High Schools Participate in Our Fun Interactive Classes!

➤ See page 82 for details on progress

Meiji Co., Ltd. started nutrition education activities in 2006 after the Basic Act on Shokuiku (Food and Nutrition Education) was enacted in 2005. The activities are designed to help increase understanding of food, including the efforts of producers, manufacturing process, and nutritional value, using milk and cocoa beans as themes. We undertake these activities with the aim of fostering the appeal of and gratitude toward food and contributing to customers' healthier lives through understanding of food.

We have established specialized organizations at the head office and seven bases* across Japan, and approximately 60 personnel engage in nutrition education activities. As a part of these activities, we started fun interactive classes for elementary and junior high schools in 2006. More than 1 million students at a total of 10,000 schools have participated in the program to FY2020.

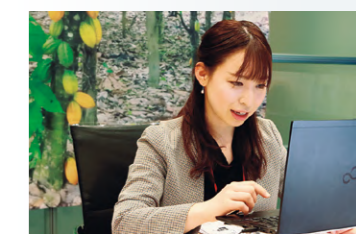
In recent years, we have focused on programs tailored to each generation. We hold seminars specifically for senior high schools and colleges, companies, and elderly people to target a wide range of generations. Among these programs is one on health and productivity management targeted at corporate employees. This program has been particularly well received as the theme has been attracting much attention recently.

In FY2020, we started nutrition education seminars online amid COVID-19. The online seminars have helped prevent the spread of infection and expanded participating areas to include areas where our seminars were not previously available, such as remote islands. Going forward, we will further enhance our programs and expand our activities to include even more generations, from children to the elderly.

* Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima and Fukuoka

[Results of fun interactive classes for elementary and junior high schools]

- FY2020 **77,403** students at **775** schools
- Total from FY2006 to FY2020 **1 million** students at around **10,000** schools
- * Both figures are cumulative



Online nutrition education seminars have helped pave the way for new opportunities, such as expanded participating areas.

Social Issues Nutrition improvement in developing countries

Malnutrition is a serious issue in developing countries. The Meiji Group is implementing a number of initiatives globally to address this issue. We increase awareness of eating habits by providing information on nutrition and promoting appropriate products in cooperation with the Japan International Cooperation Agency (JICA), which works on nutrition improvement.

Nutrition Improvement Program for Female Factory Workers in Vietnam

Providing 650,000 female factory workers with nutrition education by 2030

In recent years, malnutrition among women has become a social issue in Vietnam. Pregnant women, nursing mothers, and female workers in particular face the issue of their nutrition improvement. To contribute to solving this issue, we are working on a program to improve nutrition among female factory workers. The program is aimed at improving the nutritional conditions of women working at factories by nutritionists from *MEIJI FOOD VIETNAM CO., LTD.* providing them with nutrition education and nutritionally-fortified milk. Up to this point, we have conducted several nutrition improvement seminars at factories of two major Japanese manufacturers, attracting the participation of a total of 370 female workers.

The nutrition research that we conducted in collaboration with Hanoi Medical University has proved that nutrition education and dietary guidance help improve health conditions, including increasing levels of iron, zinc, and calcium in the blood. The research results were presented by Nguyen Thuy Linh, a Doctor of Nutrition at Hanoi Medical University, at an international symposium marking the university's 60th anniversary. In the future, we will expand our nutrition improvement initiative based on this evidence. Our aim is to provide nutrition education to 650,000 female factory workers by 2030.



Nutrition improvement seminar conducted by a *MEIJI FOOD VIETNAM CO., LTD.* nutritionist



The nutritionally-fortified milk *MEILIFE* provided along with a nutrition improvement seminar

Social Issues

Countermeasures against Emerging and Re-emerging Infectious Diseases

With more than one year having passed since the emergence of COVID-19, we have renewed our recognition that countermeasures against emerging and re-emerging infectious diseases is a significant social issue. Meiji Seika Pharma and KM Biologics are actively working on the development, production, and distribution of vaccines and therapeutic drugs. They are also proactively providing patients and medical institutions with information that promotes the appropriate use of antibiotics.

Initiatives for Development and Provision of a COVID-19 Vaccine

Promoting Development of a Domestically Produced Inactivated Vaccine

KM Biologics is developing an inactivated vaccine (KD-414)^{*1} against the COVID-19, leveraging the expertise acquired over the years of developing vaccines. The development is being conducted in collaboration with the National Institute of Infectious Diseases, the Institute of Medical Science, the University of Tokyo, and the National Institutes of Biomedical Innovation, Health and Nutrition.

In March 2021, the company started clinical studies in healthy adults and elderly people, investigating the safety and immunogenicity of the vaccine (Phase I and II clinical studies). KM Biologics is the first company conducting clinical studies for an inactivated COVID-19 vaccine in Japan.

KM Biologics has already obtained approval for production and sale of a prototype vaccine^{*2} against novel influenza, which may cause a pandemic like COVID-19. We have thus developed a system that enables the vaccine to be produced expeditiously and provided at the time of emergence of pandemic influenza. A new virus could cause a pandemic in the future. Therefore, we will scientifically investigate whether it is also possible to apply for approval for production and sale of the inactivated vaccine being currently developed as a prototype vaccine.

Vaccines developed earlier overseas have been provided in Japan. However, the development of domestically produced vaccines is vital for early containment of COVID-19. We will accelerate our development so that we can provide a vaccine produced in Japan as soon as possible. In doing so, we will strive to realize a society where people can live with peace of mind.

*1 A vaccine produced from pathogens or their components obtained by collecting virus particles or bacterial cells from a virus or bacterium cultured in large quantities, refining them, and removing their infectivity and toxicity using chemicals, etc.

*2 A mock-up vaccine produced and developed using the model virus for vaccine production before the occurrence of a pandemic on the premise that the vaccine strain produced at the time of a pandemic is changed as needed



Japan's first clinical study for an inactivated vaccine started in March 2021



Inactivated vaccine against COVID-19 being developed by KM Biologics



Developing a domestically produced vaccine is an urgent issue. Development is underway, aiming for the fastest possible completion

Business Agreement on Supply of the AstraZeneca Vaccine in Japan

Meiji Seika Pharma and KM Biologics respectively concluded an agreement with AstraZeneca to supply VAXZEVRIA™ Intramuscular Injection^{*3}, a COVID-19 vaccine, in Japan. AstraZeneca was granted a Special Approval by MHLW in May 2021 for manufacturing and marketing this vaccine in Japan.

In accordance with the agreements, KM Biologics receive the vaccine bulk in March 2021 and undertook the formulation and packaging. Meiji Seika Pharma takes over storage, shipping and collection of safety information of the AstraZeneca vaccine, by using its own vaccine distribution and supply system. It started domestic operations for distribution of the vaccine in August 2021.

*3 The vaccine jointly developed by AstraZeneca and Oxford University

Initiative to Develop Therapeutic Drugs for COVID-19

To control COVID-19, it is necessary to expand the testing system and develop effective therapeutic drugs as well as development of vaccines. Meiji Seika Pharma has already launched Check MR-COV19, an antigen test kit as a tool for expanding the testing system, in June 2021. As for therapeutic drugs, the company is developing a low molecular weight therapeutic agent and therapeutic antibodies.

Creating Ground-breaking Therapeutics by Using Next-generation Ivermectin Derivatives and Building a Foundation for Antiviral Drugs^{*1}

Preventing severe cases of COVID-19 has also become a major challenge. This has increased demand for the development of safe and highly effective therapeutic drugs. In May 2021, Meiji Seika Pharma started joint research and development with the Kitasato Institute, which is known its history and track records of research on infectious disease. The joint work is aimed at creating therapeutic drugs using next-generation derivatives of ivermectin and building a foundation for antiviral drugs. Ivermectin derivatives may be used for treatment of COVID-19 and prevention of the after effects (of the disease), as they have both anti-inflammatory and immune-regulatory effects in addition to antiviral effects. Through this research and development, we aim to create ground-breaking therapeutic drugs for various infectious diseases.



Meiji Seika Pharma President Daikichiro Kobayashi (left) and Distinguished Emeritus Professor of Kitasato University Satoshi Omura (right) at a press conference on joint research and development

*1 Selected as a project under the Cyclic Innovation for Clinical Empowerment (CiCLE) program of the Japan Agency for Medical Research and Development (AMED)

*2 Selected as a project under the Research Program on Emerging and Re-emerging Infectious Diseases of AMED

*3 Antibodies with a single amino acid sequence that react with only one type of antigenic determinant (epitope)

Research and Development of Therapeutic Antibodies for COVID-19^{*2}

Meiji Seika Pharma is also working on research and development of therapeutic antibodies for COVID-19. Antibody therapy is considered to be highly effective for COVID-19. We plan to analyze human monoclonal antibodies^{*3}, select ones that are effective for COVID-19, determine therapeutic antibodies, and consider production methods for the investigational drug used in non-clinical and clinical studies.

KM Biologics' Factory Tours and Activities to Increase Awareness of Prevention of Infectious Disease

Conducting Factory Tours for Students to Learn About Influenza Vaccine Production Process

KM Biologics conducts factory tours for students to help them learn about the production process for influenza vaccines. Due to the spread of COVID-19, the number of tours decreased in FY2020. We plan to gradually resume tours when the current pandemic settles down.

As we were unable to provide plant tours, we started offering fun interactive classes for elementary and junior high schools to increase awareness of preventing infectious disease.

Providing Fun Interactive Classes for Elementary and Junior High Schools to Communicate the Importance of Health

With the spread of COVID-19, health awareness is growing. KM Biologics provides fun interactive classes that communicate the importance of health. The classes are aimed at increasing knowledge and consciousness of infectious disease and raising awareness of prevention of infectious disease by teaching basic knowledge of immunity and methods to prevent infectious disease in an easy-to-understand manner. The company conducted the classes at five elementary schools and one junior high school in Kumamoto prefecture in FY2020 (a total of 2,232 students participated). After participating in the classes, students gave us comments, such as "I realized that I need to take thorough prevention measures, such as hand washing and getting vaccinated, in order avoid being infected with COVID-19." Teachers also gave feedback, stating, "The program was so great, offering something that teachers alone would not have been able to provide. Thank you very much."

Infectious disease is not limited to COVID-19. We do not know what type of new infectious diseases will appear and when such diseases will cause a pandemic. For this reason, it is necessary for each and every one of us to acquire knowledge on infectious disease and take preventive measures. We will further expand this activity and contribute to realizing a healthy, fulfilling future.



Fun interactive class provided by a KM Biologics employee. It is conducted online during the COVID-19 pandemic.

The Meiji Group Sustainability

Caring for the Earth

We, the Meiji Group, in recognition of the fact that our business operations originate from the bounty of nature, will contribute to the creation of a sustainable society.

Under the Meiji Group Environmental Policy, we strive to reduce environmental impact generated from business activities. We also practice corporate management that seeks harmonization with the environment and coexistence with nature.

★ Materialities

Climate Change

SDGs for Climate Change



Social Issues ★ Reduce CO₂ emissions

In our Meiji Group Long-Term Environmental Vision, we have set the goal of “eliminating all CO₂ and other greenhouse gas emissions throughout our entire supply chain by 2050 (carbon neutral).” We plan to join the international initiative “RE100” and will further promote use of renewable energy. To implement steadily these initiatives, we also aim to obtain Science Based Target (SBT) certification as early as possible.

Energy-Saving Measures

➤ See page 82 for details on progress

Saving Energy by Introducing Highly Energy-Efficient Equipment

We are working to save energy in all stages of our business activities. We reduced CO₂ emissions (Scope 1 and Scope 2) by approximately 24.1% in FY2020 compared to FY2015. We are continually introducing highly energy-efficient equipment in our production sites. For example, we brought two co-generation systems (with an output of 3,200 kW each) into operation at Tokachi Plant in Hokkaido in April 2021. These systems helped reduce CO₂ emissions by approximately 510 tons in one month from the start of operation. Operating sites are also working to save energy by adopting energy-efficient equipment and reducing operating time through improved operational efficiency of equipment.



Co-generation system at Tokachi Plant of Meiji Co., Ltd.

Promoting Use of Renewable Energy

➤ See page 82 for details on progress

Using Renewable Power at 3 Major Operating Sites

The Meiji Group has set the goal of increasing the share of renewable energy to 100% of power usage at company sites by 2050. At present, we use renewable power at three operating sites in Japan and overseas (see the table on the right). To achieve our goal, we will continue to expand the use of renewable energy while strengthening our energy creation activities.

Sites Using Renewable Energy

Site name	Address
Aichi Plant	Japan
Medreich Limited	India
Medreich plc	United Kingdom

Installing and Using Solar Power Generation and Other Renewable Energy Facilities

We are installing and using renewable energy facilities, including solar power generation equipment, to reduce CO₂ emissions. We have already introduced solar power generation equipment at 10 sites in Japan and overseas. In March 2021, Tokai Meiji Co., Ltd. installed solar power generation equipment with a capacity of 262 kW. It expects to reduce CO₂ emissions by approximately 190 tons-CO₂ per year. Meanwhile, Meiji Oils and Fats Co., Ltd. increased its use of solar power to account for about 7% of its total power usage (approximately 250,000 kWh per year in FY2020). This initiative was recognized by the Kita-Osaka Chamber of Commerce and Industry which granted an Environmental Improvement Special Award. Some of our other plants are using methane gas resulting from methane fermentation processing as fuel for boilers.



Solar power generation equipment at Tokai Meiji Co., Ltd.

Circular Economy

SDGs for a Circular Economy



Social Issues ★ Reduce environmental impact

The Meiji Group aims to utilize limited natural capital as effectively as possible. Based on the idea of a circular economy, we are taking on the challenge of almost eliminating environmental impact from our business activities. We are strengthening our initiatives for plastic resources, in particular. We established the Meiji Group Plastic Policy in June 2020, addressing issues of marine pollution caused by plastic garbage contamination.

Reducing Plastic Usage

➤ See page 83 for details on progress

Shifting to Bioplastics for Packaging and Straws

In accordance with the Meiji Group Plastic Policy, we have set the target of reducing plastic usage, including packaging, by at least 25% compared to FY2017 by FY2030. Based on the Design for the Environment (DfE) approach, we are reviewing our product designs to reduce plastic usage as much as possible. We also intend to increase use of bioplastics going forward. We have already been replacing plastic cups used for the SAVAS series with packaging that uses bioplastics, starting from products produced in January 2021. Such replacement is taking place for the 650 million straws we use annually. We have been replacing them with straws using bioplastics since February 2021.



Examples of beverages that come with a straw

Initiatives to Reduce Food Loss and Waste

➤ See page 83 for details on progress

Reducing Food Loss and Waste Through Year-Month Expiration Labels and Extension of Expiration Dates

Since February 2020, the Meiji Group has been changing food expiration labels for more than 120 products from year-month-date to year-month formats. This is expected to help reduce food loss and waste in the Group's entire supply chain, from production to distribution and marketing. We are also extending the expiration dates of products after confirming that the extension will not affect their quality. For example, we have recently extended the expiration date of Meiji Hohoemi Raku Raku Milk from 14 months to 18 months. We also support the Japan Association for the World Food Programme's Zero Hunger Challenge, and are actively working with organizations seeking to reduce food loss and waste.



Meiji Hohoemi Raku Raku Milk

 Water

SDGs for Water



Social Issues  **Secure water resources**

With the increase in population and economic growth, demand for water is surging across the globe. The Meiji Group recognizes that securing water resources is a key social issue. Water resources are indispensable for our business activities. We therefore work to use water resources efficiently and manage wastewater appropriately. The Meiji Group established the Meiji Group Water Resources Policy in September 2020. We aim to halve our water consumption volume per unit of sales by 2050 and achieve water neutrality*.

* Initiative to return the same amount of water used as a raw material for products to nature through water recharge activities

Water Consumption Volume for FY2020



(Domestic)
The scope of the water consumption volume that is included is noted on p.85.
The numerical data indicated with  have been assured by an independent practitioner.

(Overseas)
13 overseas production plants are included in the calculation.

Initiatives for Efficient Use of Water

➤ See page 83 for details on progress

Reducing and Reusing Water at Plants

We have established a target of reducing the water consumption volume (per unit of sales) of the entire Meiji Group, including overseas sites, by at least 20% by FY2030 and at least 50% by FY2050 compared with the FY2017 baseline. As a result of advancing our initiatives to reduce and reuse water, we achieved a 5.3% reduction in usage per unit of sales in FY2020 compared to the FY2017 baseline. For example, to reduce water usage, we have optimized the amount of water used for the internal cooling coils of process air dehumidifier systems used in the incubation process at Gifu Plant. This is expected to help reduce well water usage at the plant by 450,000 m³ per year (equivalent to approximately 17%). We are also introducing water-saving hoses and nozzles and using rainwater for toilets. As an initiative to reuse water, we are promoting circular use of water used in the cooling process.

Initiatives Related to Quality of Wastewater

Treating Wastewater in Accordance with Strict Self-Control Standards

To control the quality of wastewater, we have established self-control standards stricter than the laws and regulations of relevant countries. We use an activated sludge treatment method to treat wastewater. For liquid waste with a large drainage load, we adopt a two-step treatment approach, adding a methane fermentation treatment to the normal drainage process. PT. Meiji Indonesian Pharmaceutical Industries actively invests to strengthen its treatment facilities, thereby ensuring compliance with the wastewater control standards.



PT. Meiji Indonesian Pharmaceutical Industries' activated sludge treatment system

Measures Against Flooding

Establishing BCP and Gradually Introducing Facilities to Minimize Flood Damage

We implement both physical and non-physical measures to address flooding risks. As a non-physical measure, we are formulating BCP* in consideration of the water risk of each business site. As a physical measure, we calculate an estimated amount of damage from the occurrence of risks. We then implement necessary measures at sites in order of estimated amount of damage, starting with the largest. At Odawara Plant, we have already introduced provisional water stops, installed waterproof banks to the transformer substation, and introduced backup boards for the outdoor units of air conditioners. We are also preparing flood procedure manuals for each area while conducting comprehensive drills for flooding.

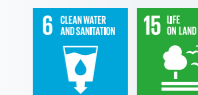
* Business Continuity Plan




A drill to set up provisional water stops held at Meiji Seika Pharma Co., Ltd.'s Odawara Plant

 Biodiversity

SDGs for Procurement


Social Issues **Protection of local biodiversity**

As the businesses of the Meiji Group depend on the abundant gifts of nature, we recognize that loss of biodiversity is a significant social issue. Accordingly, the Meiji Group established the Biodiversity Conservation Activity Policy in October 2020 to maintain the biodiversity of our entire supply chain. We also participate in Japan Business Initiative for Biodiversity (JBIB) and work with other member companies to solve social issues related to biodiversity.

Please visit our website to see the diagram for "Relationship between Our Business Activities and Biodiversity." 

Assessment of Biodiversity Risk in Meiji Group Sites

➤ See page 83 for details on progress

Research and Assessment in Key Biodiversity Conservation Areas

The main causes of damage to biodiversity are human activities. Among them, corporate activities in particular have a huge impact. We thus conducted research in areas within a 10 km radius of the business sites of the Meiji Group using IBAT^{*1} to assess biodiversity risks posed by our business activities. The research revealed that the production plants of the Meiji Group are close to key biodiversity conservation areas, such as nature reserves and KBA^{*2}. We also found that endangered species on the Red List live in some of these areas. Up to this point, we have not confirmed cases where our businesses have directly damaged biodiversity. Based on this assessment, we will make further efforts toward coexistence with nature.

*1 Integrated Biodiversity Assessment Tool

*2 Key Biodiversity Area

Activities in Meiji Group Sites

Conducting Research on the Natural Environment to Improve Biodiversity

To conserve biodiversity at Meiji Group sites, we conducted research on the natural environment in the Meiji Group Nature Conservation Area Kumamoto Sunlight Forest in 2020. The area is located within KM Biologics Co., Ltd.'s Kikuchi Research Center. The research revealed that Kumamoto Sunlight Forest is a secondary forest with places where Satoyama-like natural environment has been preserved. We also confirmed the existence of endangered wild plants and animals, including clusters of Golden orchid and Gin-ran and Jewel beetle, which are listed in the Red Lists of threatened species published by the Japanese government and Kumamoto Prefecture. Furthermore, we found that the forest served as an important biotope, a green corridor, for the region, with rich ecosystems being preserved. We will endeavor to enhance biodiversity by promoting the recovery of forested lands that have been partially wasted. We will also work with local communities to solve ecosystem issues.



Gin-ran found in Kumamoto Sunlight Forest

Supply Chain Activities

➤ See page 84 for details on progress

Conserving Biodiversity Through Environment-Friendly Procurement Activities

In procuring cocoa beans, palm oil and paper, which are major raw materials of the Meiji Group, we take human rights and the environment into account. This has contributed to conserving biodiversity.

See "Sustainable Sourcing" on page 60 for related information

The Meiji Group Sustainability

Thriving Communities

The Meiji Group is involved in the Food and Health business and recognizes the importance of this responsibility. We will develop our business in a healthy way to fulfill our social responsibilities. We respect and promote human rights for everyone involved with our business activities. We shall comply with the laws and regulations of all related countries and regions and run our businesses while being respectful of the different cultures and customs. In addition, we will interact with local communities as good corporate citizens and contribute to society.

Human Resources

SDGs for Sourcing



★ Materialities

Social Issues ★ Promote diversity and develop human resources

On an organizational and individual level, we believe embracing diversity and maximizing the skills and potential of each employee will help ensure sustainable growth for the Meiji Group. Therefore, we focus on developing human resources and improving the workplace environment to support this approach.

Reinvigorating Group Human Resources to Achieve Sustainable Growth

Established the Group HR Strategy Department in April 2021

We established the Group HR Strategy Department within Meiji Holdings to help realize the Meiji Group 2026 Vision. The department aims to make the most of our human resources, who are vital management resources for the Group. We will incorporate group management and business optimization perspectives when recruiting and developing human resources and deploying personnel. We will also promote corporate culture reform to enhance employee engagement and increase medium- to long-term corporate value.

Enhancing Employee Engagement as a Management Issue

Values in the labor market are changing, due in part to the diversification of workstyles. Companies are now seeking to build a relationship of mutual choice with their employees. Thus, it is vital to create an environment where employees understand and empathize with their companies' visions and can devote themselves passionately to their work to achieve sustainable growth. With this in mind, we set out employee engagement as a key management issue in our 2023 Medium-Term Business Plan. We also established an engagement score* as a target that is linked to remuneration for Directors (and other officers). We will improve management's communication of the Group's vision and promote dialogue at workplace meetings. Through these initiatives, we will proactively create a corporate culture in which the Group and employees unite as one to pursue growth. We will also conduct an engagement survey once a year to understand the status of employees' engagement and perform improvement activities at an early stage.

* An indicator that measures employees' empathy for the company



Workplace meeting (General Affairs Dept. of Meiji Seika Pharma)

Improving Corporate Capability by Each and Every Employee Exhibiting Their Individuality

Promoting diversity and inclusion is an important issue for the Meiji Group. Respecting the diversity of individuals, including differences in gender, age, language and values, as well as creating value by integrating diverse human resources is vital to enhancing corporate competitiveness. This is why Meiji Co., Ltd. started the "DIAMOND* Project" in April 2021. The project focuses on initiatives for female empowerment, people with disabilities, seniors, LGBTQ+, and global human resources as key domains. We will plan and execute a variety of measures to address these issues.

* Stands for Diversity & Inclusion Activities—Meiji's Open & New Directions



Interview on DIAMOND Project

Hoping to See Each and Every Employee at Meiji Co., Ltd. Shine Like a Diamond

I was transferred back to the Human Resources Department for the first time in 10 years. After starting to work here again, I came to feel that even though Meiji Co., Ltd. has many outstanding employees, it hasn't been able to completely draw out their potential. I identified the company's issues as a person responsible for D&I¹ promotion. I found that it had not fully addressed female empowerment, people with disabilities, seniors, LGBTQ+, and global human resources. Around the same time, I heard that the Olympics and Paralympics Promotion Department was advancing activities to help D&I become a part of corporate culture as a reminder of the Tokyo 2020 Games. I strongly believed that this was an issue that needed to be addressed by the entire company across organizational boundaries. Therefore, I launched a project for D&I promotion and received support from related divisions and departments.

The project name "DIAMOND"² expresses various wishes. Each and every employee is a treasure, a stone that will shine if polished. Their talent will sparkle anywhere in the world, enabling them to succeed in the workplace. Also, in the same way that even small diamonds dazzle when put together, the integration of diverse human resources will generate major innovation.

The values of customers and society are diversifying. This can be seen in words like "VUCA"³ and "new normal." Through this DIAMOND Project, we will break free from homogenization within the company. We will build a corporate culture that enables us to make the most of diverse human resources. I believe this will lead to innovations that can meet the expectations of various stakeholders.

¹ Stands for Diversity & Inclusion

² Comes from the initial letters of Diversity & Inclusion Activities—Meiji's Open & New Directions

³ Comes from the initial letters of Volatility, Uncertainty, Complexity, Ambiguity



Sayaka Sueyoshi

Personnel Team
Human Resources Department
Meiji Co., Ltd.



Members launching the Diamond Project

Social Issues Employee-friendly workplaces

We consider creating a safe and healthy workplace environment to be a corporate responsibility. We are promoting health management, advancing workstyle reforms, and strengthening occupational health and safety to create such an environment.

Promoting Health Management and Turning Employees' Health into a Driving Force for Growth

Taking Responsibility for Employees' Health as a Company Promoting "Now ideas for wellness"

We aim to continue growing as a corporate group that represents "Now ideas for wellness." The driving force behind growth is the healthier lives of employees. The Meiji Group has published the Pledge of Health and Productivity Management as our policy on promotion of health management. We have also established the Group Personal Health Management Committee, comprised of Group companies and the Meiji Group Health Insurance Society. We determine key targets and initiatives for health management through discussions in this committee, and work accordingly.

Meiji Holdings, Meiji Co., Ltd., and Meiji Seika Pharma have been designated as Certified Health & Productivity Management Outstanding Organizations (White 500 organizations) for five consecutive years since 2017 in recognition of ongoing initiatives for employees' health. These are designations under the Certified Health & Productivity Management Outstanding Organizations Recognition Program operated by the Ministry of Economy, Trade and Industry. KM Biologics was also recognized as a White 500 organization in 2021.

WEB Meiji Group Commitment to the Health of Employees

See "At a Glance" on page 7 for related information

Health Issues and Key Targets

We have established key targets for health management and implemented initiatives. The establishment of these targets has helped to increase employees' understanding of health management and change their ways of thinking.

[Key Targets and Results]

- Achieve a regular health checkup participation rate of **100%** (Achieved for four consecutive years from FY2017 to FY2020)
- Maintain a secondary health checkup coverage rate of **100%** (Achieved for two consecutive years in FY2019 and FY2020)
- Achieve a participation rate of **70%** by FY2023 in a walking campaign designed to encourage regular exercise (The result for FY2020 was 59.8%)

Society

SDGs for Society



Social Issues **Respect and promote human rights**

It is our fundamental duty to ensure human rights are promoted and respected. Therefore, the Meiji Group cares strongly about the human rights of all stakeholders when managing its businesses.

The Meiji Group's Initiatives and System for Promoting Respect for Human Rights

Identify Issues at the Group Human Rights Meeting and Reflect Them in Business Activities

The Meiji Group has declared respect for human rights in our Corporate Behavior Charter. We engage in corporate activities based on the strong belief that all people are inherently free and deserve equal respect and rights. We launched the Group Human Rights Meeting in July 2019 and have been promoting human rights due diligence. Subcommittees address salient human rights issues, working to understand the present situation and implementing initiatives for remediation. We report these activities to the Group Sustainability Committee twice a year. We also discuss them at the Executive Committee and Board of Directors as necessary so that these activities are linked to business management. We will promote respect for human rights throughout the Group and fulfill the Group's responsibilities.

Past Activities

2016	<ul style="list-style-type: none"> Established the Meiji Group Policy on Human Rights
2019	<ul style="list-style-type: none"> Joined the UN Global Compact Established the Group Human Rights Meeting and began human rights due diligence
2020	<ul style="list-style-type: none"> Revised the Meiji Group Policy on Human Rights Established the Meiji Group Supplier Code of Conduct Began sustainable sourcing surveys for major suppliers Announced UK Modern Slavery Act Statement

Promotion of Human Rights Education to Employees

Disseminate Human Rights Policy to All Group Employees through E-learning

In FY2020, we provided e-learning on business and human rights to approximately 9,000 employees in Japan. We will provide human rights education to employees of group companies in Japan and overseas starting in FY2021. Through these activities, we will disseminate the Meiji Group Policy on Human Rights and increase employees' awareness of human rights risks in daily operations.

See page 84 for details on progress



We provide opportunities for employees to learn about human rights from many different perspectives. The document on the left is part of the materials we have created

Initiatives for Foreign Workers

Understanding Foreign Workers at Directly-owned Plants in Japan

In February 2020, we conducted a survey about foreign workers and their work status at domestic directly-owned plants and research institutes of Meiji Co., Ltd. and Meiji Seika Pharma. We confirmed that there were no problems with employment contracts concluded with directly-employed foreign workers and their labor management. We plan to confirm workers' proficiency in Japanese, the presence of technical intern trainees, and the details of duties and the chain of command at 12 operating sites that accept dispatched foreign workers.

Conducting Follow-up Interviews with Domestic Group Companies

We are conducting interviews with group companies hiring foreign workers based on the results of a survey on foreign workers conducted in FY2019. Due to the impact of COVID-19, we were only able to interview one company. In FY2021, we plan to interview an additional six companies while using the online meeting format.

Human Rights Initiatives Implemented Overseas

Announcement of the Modern Slavery Act Statement

In August 2020, the Meiji Group released a statement describing the human rights initiatives taken in the Group's business activities and supply chain. This statement was based on the Modern Slavery Act 2015^{*1} established in the UK to addressing modern slavery issues.

We also conducted a simplified assessment on COVID-19 and human rights at domestic operating companies and major group companies overseas. We evaluated the risk of modern slavery under the effects of COVID-19 in light of the UK government's demands in relation to the Modern Slavery Act 2015. We confirmed that, while infections occurred across countries, necessary measures had been taken. Such measures include the development of a working environment for ensuring the health and safety of employees, the protection of privacy and other considerations for those infected with COVID-19, as well as understanding of risks related to suppliers.

In FY2021, we plan to use an assessment system provided by EcoVadis^{*2} and conduct assessments of the sustainability of major Group companies overseas from a broader perspective. We will also conduct assessments of each Group company's suppliers in stages.

*1 Meiji Group Modern Slavery Act Transparency Statement (Consolidated Fiscal Year 2020)

*2 A provider of sustainability ratings for supply chains

Initiatives to Develop a Responsible Supply Chain

See page 84 for details on progress

Continuing to Engage in Dialogue with Suppliers and Seeking Sustainable Sourcing

In recent years, there have been international demands for fair and free competition, fair transactions, and responsible sourcing. The Meiji Group will fulfill our corporate social responsibility by addressing social issues, such as child labor, forced labor, and environmental destruction, throughout the supply chain as well as in the Group. To this end, we established the Meiji Group Supplier Code of Conduct in June 2020. This code shows our vision toward achieving sustainable sourcing based on the Meiji Group Procurement Policy. We take into account our social responsibility, including human rights and the environment, together with our business partners, while always keeping in mind fairness, transparency, anti-corruption, and compliance with laws and regulations. Moreover, in October 2020, we started conducting sustainable sourcing survey for the Meiji Group's 1st-tier suppliers. Through the surveys, we work to identify issues related to human rights and the environment in our supply chain. If there is an issue, the Meiji Group will work to improve the situation together with the business partners.

Since April 2021, we have been giving feedback on the analysis of survey results to our business partners. If there is something that needs to be improved, we collaborate and engage in dialogue to solve the issue. We will also expand the scope of our dialogue with business partners and endeavor to build an even more robust and responsible supply chain.

FY2020 Initiatives

June 2020	<p>Established the Meiji Group Supplier Code of Conduct Distributed Code of Conduct brochures to 563 business partners of Meiji Co., Ltd., Meiji Seika Pharma, and KM Biologics</p>
October 2020	<p>Held a supplier briefing before conducting sustainable sourcing surveys (Participant companies: 74) Conducted sustainable sourcing surveys of 74 business partners of Meiji Co., Ltd., Meiji Seika Pharma, and KM Biologics</p> <p> [Breakdown of companies responding to sustainable sourcing surveys] Companies responding to EcoVadis surveys: 35 Companies responding to Meiji's own surveys: 39</p>
January to March 2021	<p>Analyzed survey responses</p>

The Meiji Group Sustainability

Sustainable Sourcing

When procuring raw materials and basic ingredients for our corporate activities, the Meiji Group has established the Meiji Group Procurement Policy in order to provide our customers with safe and reassuring high-quality products.

Based on this Procurement Policy, we always consider fairness, transparency and compliance with laws and regulations, and take into account our corporate social responsibility, including human rights and the environment.

★ Materialities

Sourcing

SDGs for Sourcing



Social Issues

★ Responsible sourcing of raw materials toward human rights and the environment

The Meiji Group implements unique initiatives to support sustainable production activities for raw milk and cocoa, which are important raw materials for the Group's business. We also consider human rights and the environment when we buy raw milk, cocoa, palm oil, and paper and perform supplier audits.

Cocoa Sourcing

> See page 84 for details on progress

Sourcing 100% Sustainable Cocoa Beans

The Meiji Group conducts Meiji Cocoa Support—a unique activity for supporting farmers—to help realize sustainable production of cocoa beans. We have also joined the World Cocoa Foundation. We provide support to increase cocoa farmers' incomes and work on activities to reduce deforestation in cocoa-producing countries through the foundation's Cocoa & Forests Initiative. We have set increasing the sourcing ratio of sustainable cocoa beans* to 100% by FY2026 as a KPI. Under this KPI, we will improve the sourcing of cocoa beans produced while considering the prevention of deforestation and child labor in particular.



Constructed well with a cistern

* Cocoa beans produced in regions where we provided support to farmers

Palm Oil Sourcing

> See page 84 for details on progress

Promoting 100% Use of RSPO-certified Palm Oil and Basing Sourcing on NDPE Policies

The Meiji Group has set using 100% certified palm oil globally by FY2023 as a KPI. We have proceeded with the replacement with RSPO-certified palm oil. We also incorporated support for NDPE (No Deforestation, No Peat and No Exploitation) policies into our Palm Oil Procurement Guidelines when we revised them in January 2021.

Paper Sourcing

> See page 84 for details on progress

Aiming for 100% Use of Eco-friendly Paper by FY2023

The Meiji Group has set using paper raw materials with 100% forest certified (FSC®, PEFC) and/or recycled paper as a KPI and has been working toward that target. We sponsored the FSC® Award in FY2020, and Meiji Co., Ltd. obtained a COC certification* (license No.: FSC®-C159538). We will keep expanding the scope of our initiative to include overseas group companies and work towards 100% replacement of paper raw materials with eco-friendly paper.



FSC®N002711

* Chain of Custody (COC) certification is a certification system that ensures products are appropriately managed and processed during processing and distribution. It includes products using Forest Management (FM) certified wood from forests and other raw materials that lead to appropriate use of forest resources.

Raw Milk Sourcing

Approaches to Raw Milk Sourcing

The Meiji Group believes it is important to support environmentally conscious dairy farming and to care about the cows' health, in addition to pursuing tastiness in its drinking milk production. We also take into account human rights, the environment, and animal welfare in collaboration with our business partners based on the Meiji Group Procurement Policy and the Raw Milk Procurement Guideline. Also, in the 2023 Medium-Term Business Plan, we established a new KPI related to support activities for dairy farmers that are unique to the Meiji Group. We will realize sustainable production of raw milk through these activities.

Meiji Dairy Advisory—Support Program for Dairy Farmers that is Unique to the Group

Japan's dairy farming industry faces the issue of strengthening its foundation for producing raw milk. The Meiji Group is undertaking the Meiji Dairy Advisory (MDA), a farm management support activity for dairy farmers, to address this issue.

MDA is an initiative to support sustainable dairy farming. It helps dairy farms to carry out their own improvement activities. It also helps to create environments where every worker can work equally with a sense of fulfillment and grow together everyone involved in the activities. More specifically, Meiji Group specialist staff consider how farms should operate (principles, vision, and targets) together with managers. The staff also discuss various matters such as how to meet targets and what needs to be checked.

We will help dairy farm owners to improve their farm management skills through this MDA and contribute to the enduring development of Japan's dairy farming industry.

[Past Results]

Farms where the MDA has been conducted: about 50 farms nationwide; number of visits to dairy farms: a total of 948 times

New KPI

Dairy farm management support activity MDA (Meiji Dairy Advisory)

Conduct at least **400** times annually, and a total of at least **2,150** times by FY2023

[Examples of MDA Activities]



Announcement of targets by managers



Study groups for foreign interns



Onsite improvement activities

Interview with Dairy Farmer

Productivity Has Improved Significantly Thanks to Support for Human Resource Development and Breeding Management

I am the president of the Kusunoki Dairy Production Association. We have a farm in Nogata City, Fukuoka Prefecture, where we currently raise about 85 dairy cows. In recent years, with the expansion of our farm, we have faced issues with securing workers. I believe it is an issue common to all dairy farmers. To secure human resources, our association considered accepting foreign interns a few years ago. We asked for advice from Meiji's Milk Procurement Department and started receiving management support.

Meiji Group staff members formed a team for our association, and we implemented various initiatives together with the members. First, we undertook 5S activities* with them aimed at developing good working environments before accepting interns. We also standardized milking and other procedures so that even dairy farming beginners could carry out the work without getting confused. Moreover, we have regularly provided Japanese language training and study groups on dairy farming skills to foreign interns taught by Meiji staff. We have also received specialized advice on breeding management for dairy cows, and this has helped to reduce illness in calves and promote their growth. Thanks to such support, our productivity has improved, leading to improvement in the quality and quantity of raw milk supplied to Meiji's Kyushu Plant. As a result, we have developed a mutually beneficial relationship with the Meiji Group. We also hope to receive support on farm management in the future when the scale of our association expands.

By working with Meiji staff, we gained a wealth of knowledge and developed the ability to solve issues on our own. Going forward, we would like to share these results with local dairy farmers and contribute to the development of the entire dairy farming industry.



Mr. Ryudai Matsuno

President
Kusunoki Dairy Production Association (Fukuoka Prefecture)

(From left) Mr. Ryudai Matsuno and his wife, Yuka; five foreign interns (front row on the right); and two farmers (back row on the right)

* Improvement activities based on 5Ss: *seiri* (sort), *seiton* (set in order), *seisou* (shine), *seiketsu* (standardize), and *shitsuke* (sustain)

Directors and Audit & Supervisory Board Members (As of Jun 29, 2021)

**1 Kazuo Kawamura**

Chief Executive Officer^{*1}
President and Representative Director
(Corporate Development Dept.,
Group HR Strategy Dept. and
Co-Creation Center)

Significant Concurrent Positions

Member of the Board, Meiji
Member of the Board, Meiji Seika Pharma
President, Japan Dairy Association (J-Milk)
Chairperson, Japan Food Industry
Association (JFIA)

4 Koichiro Shiozaki

Chief Financial Officer^{*3}
Member of the Board and
Senior Managing Executive Officer
(Corporate Administration Dept. and
Risk Management Dept.)

Significant Concurrent Positions

Member of the Board, Meiji Seika Pharma
Member of the Board, KM Biologics

2 Daikichiro Kobayashi

Chief Operating Officer^{*2}
(Pharmaceutical Segment)
Member of the Board and
Executive Officer

Significant Concurrent Positions

President and Representative Director,
Meiji Seika Pharma
Chairman and Representative Director,
KM Biologics

5 Jun Furuta

Chief Sustainability Officer^{*4}
Member of the Board and
Senior Managing Executive Officer
(PR & IR Dept. and
Sustainability Management Dept.)

Significant Concurrent Positions

Member of the Board, Meiji

3 Katsunari Matsuda

Chief Operating Officer^{*2}
(Food Segment)
Member of the Board and
Executive Officer

Significant Concurrent Positions

President and Representative Director,
Meiji

6 Mariko Matsumura

Member of the Board (Outside)
Independent Director

Significant Concurrent Positions

Attorney at Law/Shinwa Sogo Law Offices
Outside Audit & Supervisory
Board Member, Adastria Co., Ltd.

7 Masaya Kawata

Member of the Board (Outside)
Independent Director

Significant Concurrent Positions

Chairman and Representative Director,
Nisshinbo Holdings Inc.
Outside Director, Central Glass Co., Ltd.

10 Takayoshi Ohno

Audit & Supervisory Board Member

8 Michiko Kuboyama

Member of the Board (Outside)
Independent Director

Significant Concurrent Positions

Outside Director,
Isetan Mitsukoshi Holdings Ltd.
External Director, Kids Smile Holdings Inc.
Outside Director,
Sumitomo Mitsui Banking Corporation

11 Hajime Watanabe

Audit & Supervisory Board Member
(Outside)
Independent Director

Significant Concurrent Positions

Attorney at Law/STW & Partners
Member of the Board (Outside),
Hitachi Transport System, Ltd.

9 Hiroaki Chida

Audit & Supervisory Board Member

12 Makoto Ando

Audit & Supervisory Board Member
(Outside)
Independent Director

Significant Concurrent Positions

Certified Public Accountant/
Ando Certified Public Accountant
Joint Office
Unaffiliated Auditor,
Nippon Concrete Industries Co., Ltd.

*1 Oversees management of entire Group

*2 Oversees business operations for Food segment and Pharmaceutical segment









*3 Oversees Group financial strategy and operational management

*4 Oversees Group sustainability strategy, sustainability activities





Responsibilities of Members of the Board and Audit & Supervisory Board Members

(As of Jun 29, 2021)

Members of the Board

Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY2020)		Number of years as Member of the Board	Number of the Company's shares held	Main expertise and background							Advisory body members to the Board of Directors	
		Board of Directors	Audit & Supervisory Board			Management strategies	Global business	Sales Marketing	Accounting	HR	Legal affairs	Corporate communication	Nomination Committee	Compensation Committee
	Kazuo Kawamura CEO President and Representative Director	16/16		9 years	39,079 shares								Chairperson	Chairperson
	Daikichiro Kobayashi COO (Pharmaceutical Segment) Member of the Board and Executive Officer	16/16		7 years	13,171 shares									
	Katsunari Matsuda COO (Food Segment) Member of the Board and Executive Officer	16/16		3 years	11,396 shares									
	Koichiro Shiozaki CFO Member of the Board and Senior Executive Officer	16/16		6 years	12,275 shares									
	Jun Furuta CSO Member of the Board and Senior Executive Officer	16/16		7 years	6,228 shares									
	Mariko Matsumura Member of the Board (Outside) Independent Director	16/16		3 years	365 shares									
Outside		Masaya Kawata Member of the Board (Outside) Independent Director Career summary/Ex- President and Representative Director and Chairman and Representative Director, Nisshinbo Holdings Inc.	Appointed in June 2021		—									
		Michiko Kuboyama Member of the Board (Outside) Independent Director Career summary/Communication Fellow, Lifestyle Research Department, Kao Corporation	Appointed in June 2021		—									

Audit & Supervisory Board Member

Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY2020)		Number of years as Member of the Board	Number of the Company's shares held	Main expertise and background							Advisory body members to the Board of Directors	
		Board of Directors	Audit & Supervisory Board			Management strategies	Global business	Sales Marketing	Accounting	HR	Legal affairs	Corporate communication	Nomination Committee	Compensation Committee
	Hiroaki Chida Audit & Supervisory Board Member	Appointed in June 2021			3,552 shares									
	Takayoshi Ohno Audit & Supervisory Board Member	Appointed in June 2021			3,021 shares									
Outside		Hajime Watanabe Audit & Supervisory Board Member (Outside) Independent Director	16/16	15/15	8 years	—								
		Makoto Ando Audit & Supervisory Board Member (Outside) Independent Director	14/16	14/15	4 years	2,029 shares								

Message from Independent Outside Director



I will monitor the Meiji Group's governance from the consumer's perspective in addition to the attorney's viewpoint. Thus I will contribute to achieving the Meiji Group 2026 Vision.

Mariko Matsumura

Attorney at Law (Shinwa Sogo Law Offices)
Independent Outside Director

I have been an Outside Director of Meiji Holdings since 2018 and have also been serving as a member of the Nomination and Compensation Committees.

As an attorney at law, I have been involved in domestic and foreign corporate legal affairs, consultation and litigation on individual disputes, and bankruptcy cases over roughly 33 years. As a bar association executive, I have investigated petitions for redress of human rights filed by Japanese and foreign individuals, dealt with whistleblowing consultation services, and promoted gender equality. Moreover, I engage in public service, including serving as a governmental committee member and an educational board member, while providing consultation and handling litigation for municipalities. I have accumulated many valuable knowledge and expertise through these experiences. My duty in the Meiji Group is to monitor the Group's governance from various points of view based on my career—including but not limited from a corporate management perspective, I believe it is important to check from the perspective of the consumer of Meiji products.

Outside Directors account for over one third of the Meiji Group's Board of Directors. The Group also has one attorney at law and one certified public accountant as Independent Outside Audit & Supervisory Board Members. At Board of Directors meetings, we pose questions and exchange opinions about important issues intensely over time. Thus, I believe the Meiji Group's Board of Directors is highly effective. In FY2020, we spent a lot of time formulating the Meiji Group's 2023 Medium-Term Business Plan. We examined why the Group did not achieve some of the targets set in the 2020 Medium-Term

Business Plan. Further, we discussed goals for the 2023 Medium-Term Business Plan and actions we should take to achieve them. Ultimately, we concluded "selection and concentration" is the key to success, and we reviewed the Group's business portfolio. Also, we recognized building a firm governance system in global operations is an urgent issue because the Group is accelerating the overseas expansion.

The Meiji Group handles foods and pharmaceuticals—products essential for people's lives—accordingly, the Group is required to maintain high ethical standards. Therefore, engaging in environmental and human rights issues is essential, in addition to seeking profits. In the Meiji Group 2026 Vision, the Group has set out the Sustainability Vision, along with the Business Vision and Management Foundation Vision, and has established numerical targets. The Group should try hard to realize these Visions to achieve the 2026 Vision. After these fruitful discussions, the Group has formulated a well-balanced medium-term plan that includes all material issues to increase corporate value.

Personally, I pay close attention to the progress of initiatives for diversity and inclusion in the Meiji Group. In the 2026 Vision, it has set out the targets to increase the ratio of female managers to 10% and raise a ratio of employees with disabilities above the statutory employment quota. While the Group has already achieved the target for the ratio of employees with disabilities, its female manager ratio currently stands at 3.7%. I will therefore discuss measures to improve the Group's diversity and inclusion further with other members of the Board of Directors.

Message from Independent Outside Audit & Supervisory Board Member

As a certified public accountant, I have been involved in audits for listed companies and supporting accounting and management for overseas subsidiaries of Japanese corporations. I also have experience of working at an economic crimes investigation bureau. Utilizing knowledge acquired through these experiences for audits, I contribute to the Meiji Group's business management. As an Audit & Supervisory Board Member independent of the Board of Directors, I effectively communicate with auditors at business subsidiaries, internal audit departments, and the accounting auditor. Through these communication activities, along with facility tours, I work to keep track of the Group's situation. When I come across something that does not sound right at Board of Directors meetings or on other occasions, I pose questions and deepen the discussion to guide the Group to appropriate decisions.

The Meiji Group has cultivated its unique corporate identity over the past 100-year history. Using this strength, the Group has achieved remarkable growth since management integration in 2009. The Meiji Group 2026 Vision is the Group's ideal corporate identity. In the 2026 Vision, one of the Group's key strategies is to grow in overseas markets and the Group is working hard to grow further. I have cherished the Meiji Brand since I was a child. I feel very happy when imagining people all over the world enjoying Meiji products.

The 2020 Medium-Term Business Plan was the first stage to grow in overseas markets. Under the Plan, the Group determined specific directions to expand its overseas business and established business management structures, including introduction of a chief officer system. It was thus a period the

Group established its growth foundation to expand business in overseas markets further.

The 2023 Medium-Term Business Plan represents the second stage. Under the Plan, the Meiji Group is carrying out large-scale investments to realize growth in overseas markets. In the Food segment, the Group is constructing plants to launch new products to China's eastern market and expand into the northern and southern markets. In the Pharmaceutical segment, it is increasing production capacity to strengthen its CMO/CDMO* business. These projects require long-term capital investment, and the Group may face various difficulties before their completion. I will always monitor the progress of the projects and pay close attention to the point that the Group is making appropriate management decisions particularly when something happens that requires changes to the projects. It is also important to prepare for potential risks at the sites, immediately identify what is actually happening, and check whether the Group is dealing with such events appropriately. I will examine whether the Group is flexibly building and maintaining its risk management system and whether the system is functioning properly.

I am now on my second term as an Audit & Supervisory Board Member. I will play a part in securing well-ordered business management and fulfill my duties as an Audit & Supervisory Board Member. As a result, the Group can successfully realize both profit growth and sustainability activities simultaneously.

* CMO: Contract manufacturing organization
CDMO: Contract development and manufacturing organization

I will pay close attention to management decisions so that the Group can successfully realize both profit growth and sustainability simultaneously

Makoto Ando

Certified Public Accountant
(Ando Certified Public Accountant Joint Office)
Independent Outside Audit & Supervisory Board Member



Corporate Governance

Basic Views

As a corporate group in the Food and Health fields, the Meiji Group's goal is to continue finding innovative ways to meet our customers' needs, today and tomorrow. In this way, we aim to achieve sustainable growth and increase corporate value over the medium- to long-term. We are working to widen the world of Tastiness and Enjoyment, and meet all expectations regarding Health and Reassurance in order to brighten our customers' daily lives.

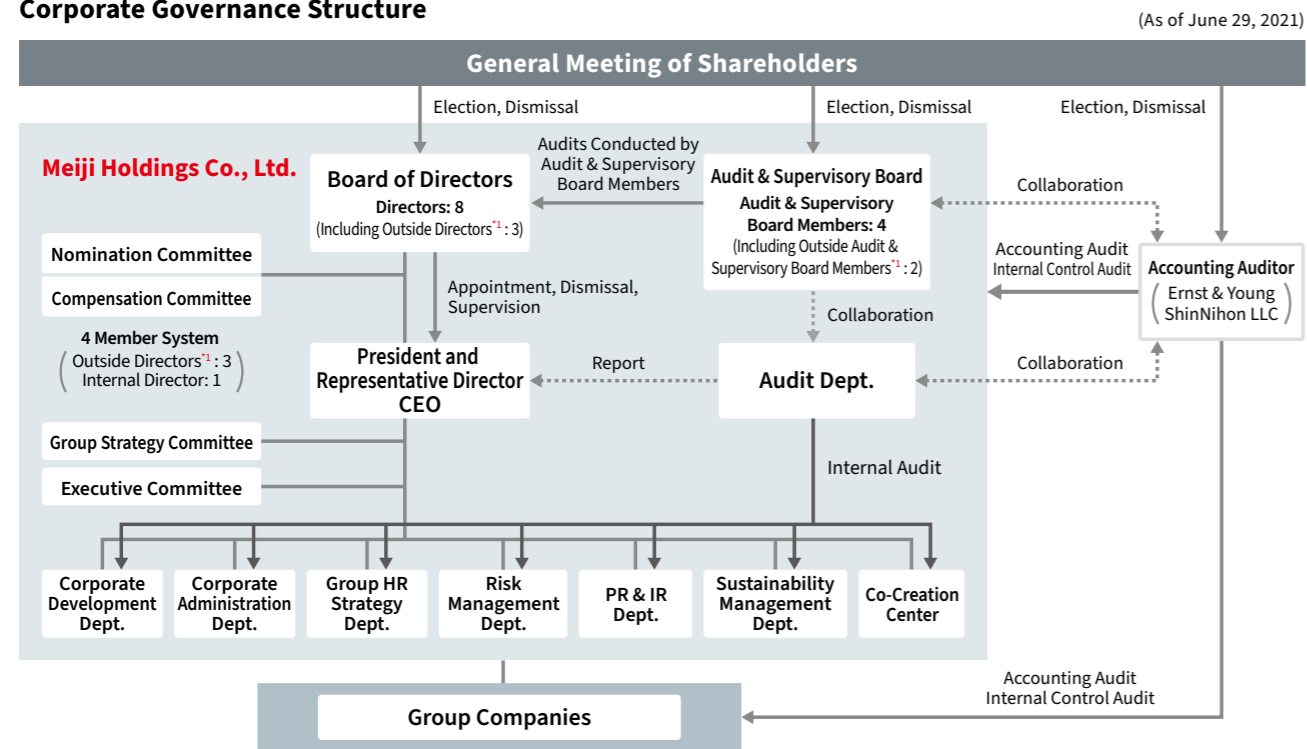
The basic approach to management of the Group is that the operating companies manage businesses autonomously while collaborating with each other under the holding company's control. The main roles of Meiji Holdings Co., Ltd. are as follows: promoting Groupwide

management strategies; creating an optimal operating structure; and overseeing the business management of each company. Responsibility for operational execution is delegated to the operating companies appropriately. Within the Group, oversight and execution of business management are separated. Accordingly, the Group has established and operates a corporate governance system including Directors. Meiji Holdings Co., Ltd. is a company with Audit & Supervisory Board. Oversight by the Board of Directors and auditing by the Audit & Supervisory Board enhance the objectivity and transparency of the business management.

The Meiji Group's basic approach to corporate governance is available at the following link.

[WEB Corporate Governance](#)

Corporate Governance Structure



Corporate Governance Data

(As of June 29, 2021)

Items related to corporate governance	Content
Basic views on corporate governance	Established
Organization Form	Company with Audit & Supervisory Board
Directors	Term of Directors: 1 year Chairperson of the Board: President Number of Directors (including Outside Directors): 8 (3 Outside Directors ^{*1} , including 2 female Directors) Number of Board of Directors meetings: 16 times (FY2020) Attendance of Outside Directors at Board of Directors meetings: 100% (FY2020)
Audit & Supervisory Board	Number of Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members): 4 (2 Outside Audit & Supervisory Board Members ^{*1} , including 1 female member) Attendance of Outside Audit & Supervisory Board Members at Board of Directors meetings: 94% (FY2020) Principal meetings auditors attend: Board of Directors, Executive Committee ^{*2} , Audit & Supervisory Board, Audit Department Liaison Meeting, and others Number of Audit Committee meetings: 15 times (FY2020) Attendance of Outside Audit & Supervisory Board Members at Audit Committee meetings: 97% (FY2020)
Election of Independent Director	5 (3 Outside Directors, 2 Outside Audit & Supervisory Board Members)
Accounting Auditor	Ernst & Young ShinNihon LLC
Audit department (internal auditing)	Audit Department

*1 Designated as independent directors *2 Attended only by full-time members of Audit & Supervisory Board

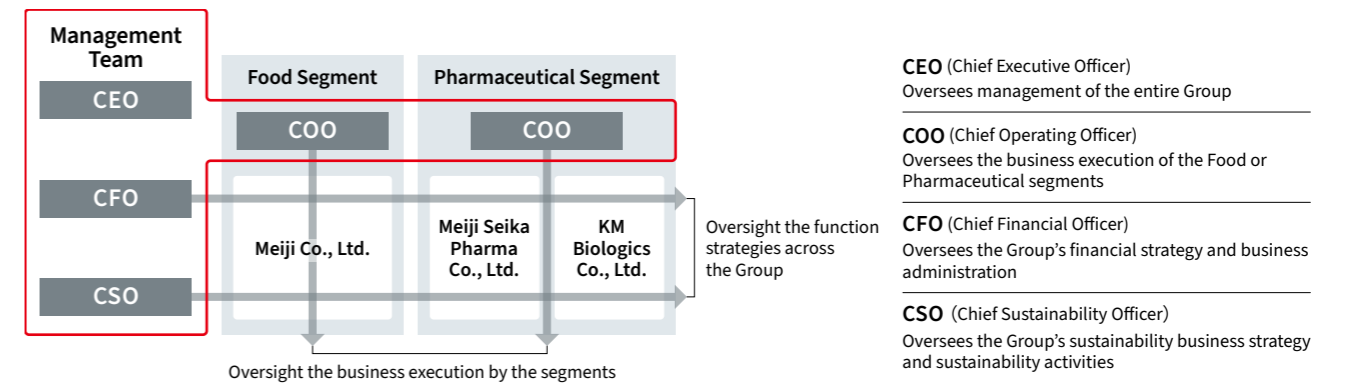
Features of the Meiji Group Corporate Governance

Since Meiji Holdings Co., Ltd. was established in 2009, the Meiji Group have been building and strengthening our corporate governance system suitable for the Group's management structure. Management is particularly committed to sustainable improvement of corporate value, focused on our medium- to long-term management policy developed based on the Meiji Group Philosophy. We have introduced an executive officer system to separate oversight and execution of business management. In that way, we have improved the effectiveness of management.

We also incorporate the opinions of Outside Directors and Auditors into management to improve the effectiveness and transparency of the Board of Directors. Through this system, we are driving governance reform.

In 2020, we introduced a chief officer system to strengthen the Group's management. The chief officers direct and oversee businesses and functions across the Group in accordance with the basic management policies determined by the Board of Directors. They meet at the Group Strategy Committee comprised of the chief officers once a month in principle. The Committee decides on the directions of key issues, such as our Group-wide vision, management plans, business policies, and the allocation of management resources.

Chief Officer Management Structure



CEO (Chief Executive Officer)
Oversees management of the entire Group

COO (Chief Operating Officer)
Oversees the business execution of the Food or Pharmaceutical segments

CFO (Chief Financial Officer)
Oversees the Group's financial strategy and business administration

CSO (Chief Sustainability Officer)
Oversees the Group's sustainability business strategy and sustainability activities

Initiatives to Enhance the Corporate Governance System and Improve its Effectiveness

	From FY2009	From FY2015
Group Management Structure	2009 - Established Meiji Holdings through management integration - Introduced executive officer system 2011 - Reorganized business (established Food company and Pharmaceutical company)	2018 - KM Biologics Co., Ltd. joined the Group 2020 - Introduced Chief Officer system
Institutional Design	2009 - Became a company with an Audit & Supervisory Board	
Policy		2015 - Formulated Corporate Governance Policy 2018 - Revised Corporate Governance Policy
Support System for Directors' Independence	2009 - Independent outside directors: 2	2015 - Meetings of independent outside directors and auditors: 2-3 times/year 2016 - Independent outside directors: 3 - Tours of operating bases by outside directors and auditors: 2-3 times/year 2020 - Total number of directors: 8 (Percentage of independent outside directors: 37.5%)
Nomination	2009 - Nomination Committee	2015 - Established rules of the Nomination Committee 2017 - Established Leadership Values, competencies for managers who drive the Group forward 2018 - Established development policies for succession planning for the Group 2019 - Implemented succession planning
Compensation	2009 - Compensation Committee 2011 - Established rules for director and executive officer compensation	2015 - Established rules of the Compensation Committee 2017 - Introduced Restricted Stock Compensation Plan 2021 - Revised compensation plans - Revised rules for Director and Executive Officer compensation
Board of Directors Effectiveness Evaluation		2015 - Effectiveness evaluation of the Board of Directors (questionnaire): Once/year 2019 - Individual interviews between Chairperson of the Board and outside directors: Once/year
Other	2009 - Formulated the Meiji Group's System of Principles 2010 - Formulated the Meiji Group 2020 Vision	2015 - Revised the Corporate Behavior Charter (reconfigured as a stakeholder-specific behavior charter) 2016 - Advisory Committee for the 2026 Vision comprised of the Board of Directors: 4 times 2017 - Formulated the Meiji Group 2026 Vision

Corporate Governance

Board policies and procedures in the appointment/dismissal of the senior managers and the nomination of candidates for the Board of Directors and the Audit & Supervisory Board

- **Nominating internal director candidates**
We nominate persons who are major executives and are senior managers in major operating companies. All such candidates must have the following qualifications:
 - Extensive experience
 - Specialist expertise
 - Business decision making
 - Upstanding character
- **Nominating outside director candidates**
We nominate persons with the following qualifications:
 - Ability to analyze the Company's business operations objectively and from multiple perspectives
 - Ability to strictly monitor whether the management is making sound decisions
 - Character, insight and ability to express one's views and opinions as necessary
 All such candidates must meet our Criteria for Independence.
- **Appointing senior managers**
We nominate persons who can drive the Group toward sustainable growth based on past achievements. To implement our corporate philosophy and promote our corporate value, we look for the following qualifications:
 - Effective decision-making ability: Transparent and bold business decisions swiftly and impartially
 - Group management: Achieve optimal Group-wide management
- **Nominating Audit & Supervisory Board member candidates**
For our Audit & Supervisory Board members to properly audit the Group's operations for lawfulness and appropriateness, and to bring any issues to our attention from an objective and impartial perspective, we nominate persons with the following qualifications:
 - Upstanding character
 - Excellent insight
 - Specialist expertise
 - High moral standards
 At least one of the candidates must have solid grounding in finance and accounting.

■ **Nominating method**
The Board of Directors makes the final decision on who to nominate as candidates for the Board of Directors and Audit & Supervisory Board and who to appoint as senior managers. Audit & Supervisory Board Member candidates are selected by the Board of Directors following approval by the Audit & Supervisory Board.
On this matter, it first consults the opinion of the Nomination Committee, which comprises three outside directors and one internal director.

■ If a Director, Audit & Supervisory Board Member, or senior manager commits a dismissible offense, the Nomination Committee will convene a special meeting to discuss the matter and issue its recommendation to the Board of Directors. The Board of Directors will examine this recommendation, and then if it concludes that the person should be dismissed, it will propose the person's dismissal (if the person is the Board of Director or Audit & Supervisory Board member) or dismiss the person (if the person is a senior manager). Any dismissal of the Board of Director or Audit & Supervisory Board member will be pursuant to the Companies Act and other relevant legislation.

Criteria for Independence of Outside Directors and Auditors

The Meiji Group has established Criteria for Independence of Outside Director and Outside Audit & Supervisory Board Member (Criteria for Independence) as follows.

When an Outside Director and an Outside Audit & Supervisory Board Member are independent, such Member shall not fall under any of the following categories.

1. A person who executes business of the Company or its subsidiary
2. A person who executes business of the Company's parent company or a fellow subsidiary
3. A party which has material business transactions with the Company or a person who executes business transactions of that party, or a major business partner of the Company, or a person who executes business transactions of that business partner
4. A consultant, an accounting expert, or a legal expert who receives a considerable amount of cash or other assets other than remuneration for Directors (and other officers) as a Member of the Board or an Audit & Supervisory Board Member from the Company (when a party who receives such assets is an organization, such as a corporation or an association, this shall refer to a person who is associated with such organization)
5. A person who fell under category 1 above during the ten-year period prior to assuming the position
6. A person who fell under category 2, 3, or 4 above during the one-year period prior to assuming the position
7. A relative within the second degree of kinship of a person (excluding a person who does not have an important management position) who currently falls or fell under category 1, 2, 3, or 4 above during the one-year period prior to assuming the position

(Notes)

1. "A party which has material business transactions with the Company" is one that received payment from the Company during the latest fiscal year equivalent to 2% or more of the party's annual consolidated net sales or 100 million yen, whichever is greater.
2. "A major business partner of the Company" is one that made payment to the Company during the latest fiscal year equivalent to 2% or more of the Company's annual consolidated net sales.
3. "A consultant, an accounting expert, or a legal expert who receives a considerable amount of cash or other assets other than remuneration for directors (and other officers) as a Member of the Board or an Audit & Supervisory Board Member from the Company" is the one who received cash or assets from the Company during the latest fiscal year other than remuneration for Directors (and other officers) as a Member of the Board or an Audit & Supervisory Board Member, equivalent to 2% or more of his/her consolidated net sales or 10 million yen, whichever is greater.

Reasons for Nomination of Outside Directors and Auditors

Outside Director

Mariko Matsumura

We elected Mariko Matsumura as an outside director because her extensive career as a lawyer would enable her to offer professional and insightful advice on company management and to effectively oversee execution of duties. We expected that through such work, she would contribute to improving corporate governance. While she has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that she would be able to perform her duties appropriately as an Outside Member of the Board for the reasons mentioned above.

Masaya Kawata

Masaya Kawata served as Representative Director and President Nisshinbo Holdings before becoming Director and Chairman in 2019, and is involved in Group management and global business management. We elected him as an outside director because his extensive experience, significant achievement and vast knowledge related to business management would enable him to provide Group management with valuable advice and ensure the appropriate monitoring of business execution for our Group. We expect that through such work, he will contribute to improving corporate governance.

Michiko Kuboyama

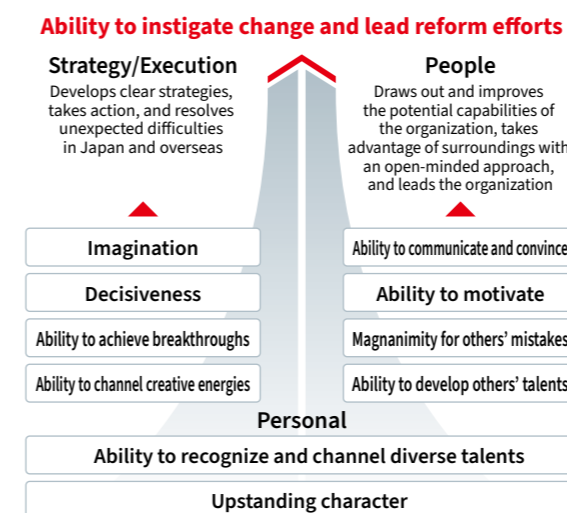
Michiko Kuboyama has vast experience related to product development and marketing through her roles at Kao having worked in the Products Public Relations Center before serving as Center manager and as a communications fellow in the Lifestyle Research Department. We elected her as an outside director because she would be able to provide Group management with valuable advice and ensure the appropriate monitoring of business execution from the perspective of the consumer and a diverse range of other perspectives. We expect that through such work, she will contribute to improving corporate governance. While she has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that she would be able to perform her duties appropriately as an Outside Director for the reasons mentioned above.

Succession Planning for the CEO and Other Top Executives

The Nomination Committee recommends the appointments and dismissals of top executives. This Committee is comprised of at least three members, and the majority are Outside Directors. The members also discuss the succession planning for the CEO. In order for the Meiji Group executives to lead the Group toward achieving the Meiji Group 2026 Vision, we believe it is critical for them to instigate change and lead reform efforts. We established a set of Leadership Values for our executives (see below), which were discussed by both the Nomination Committee and the Board of Directors before being adopted by the Board in January 2018.

In addition, the development policy for our succession planning was discussed and decided by the Board meeting in March 2019 after careful discussion by the Nomination Committee. The policy stipulates that the nomination

Leadership Values, Competencies for managers who drive the Group forward



Outside Audit & Supervisory Board Member

Hajime Watanabe

Hajime Watanabe has a prolific career as an attorney at law and has deep expertise in international business transactional law areas. We elected him as an Outside Audit & Supervisory Board Member so that he can supervise the execution of the Group's business operations from an objective and impartial perspective. While he has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that he would be able to perform his duties appropriately as an Outside Audit & Supervisory Board Member for the reasons mentioned above.

Makoto Ando

Makoto Ando has built a prolific career and gained deep expertise in both the private sector, working in major audit firms and accounting firms in Japan and overseas as a certified public accountant, and the public sector. We elected her as an Outside Audit & Supervisory Board Member so that she can supervise the execution of the Group's business operations from an objective and impartial perspective. While he has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that he would be able to perform his duties appropriately as an Outside Audit & Supervisory Board Member for the reasons mentioned above.

(Notes) All outside director and auditors are designated as independent directors.

and development of candidates for the presidents of the Company and major group companies are to be discussed by the Nomination Committee.

Following these policies, we created an annual timeline covering gathering of information on candidates for discussion in Nomination Committee and implemented it from FY2019. In January 2020, the Nomination Committee discussed the appointment and dismissal of an incumbent president and representative director, as well as the nomination of successor candidates and a successor talent bench for the position. The progress of succession planning in FY2020, which was the second year of planning, was reported and discussed at the May 2021 Board of Directors meeting. The nomination of executive candidates was also discussed and decided at the meeting.

Discussions in the Nominating Committee

Review competencies for presidents and development policies for each company (see illustration below)

Personal Characteristics (Strengths and Challenges)		Strengths	Challenges	Details
Strategic planning and action	Imagination			●
	Decisiveness	●		●
	Ability to achieve breakthroughs			●
Organizational leadership skills	Ability to channel creative energies			●
	Ability to communicate and convince		✓	
	Ability to motivate			●
Character	Magnanimity for others' mistakes			●
	Ability to develop others' talents	○		●
	Ability to utilize diverse talents			●
Upstanding character		○		●
Efforts to accomplish the Meiji Group 2026 Vision (understanding, directions, action)				
Desirable experience for the future				
Career Summary (Section Manager and Above)		Recent Roles and Achievements		
Section manager	●	Period	Position	Role
Recent Roles and Achievements	●	Achievement	Evaluation	●

Effectiveness of the Board of Directors

Plans to improve the effectiveness of the Board of Directors

The Board of Directors generally meets once a month. Meeting materials are distributed in advance to facilitate substantive and lively discussions. The board's secretariat briefs major topics to independent outside directors, if necessary, to clarify points of meetings.

Moreover, to improve the effectiveness of the Board of Directors, independent outside directors and outside Audit & Supervisory Board Member hold regular meetings. In the meetings, they exchange objective ideas and share information. They also better understand segment-specific business. Outside directors and auditors tour major facilities a few times a year.

Meetings of outside directors and auditors

Outside directors and auditors met three times during FY2020. Some topics for the meetings were as follows:

- **Meiji's business in China**

Vision for developing high value-added products toward 2030

- **Facility tours by outside directors and auditors**

In FY2020, facility tours were not conducted due to the COVID-19 pandemic.

Evaluation of the Board of Directors

The Company regularly analyzes and evaluates the effectiveness of the Board of Directors as a whole and addresses any identified issues. This is based on surveys that include self-evaluation questionnaires by members of the Board of Directors (the Board), and individual interviews between the Chairperson of the Board (the Chairperson) and independent outside directors, both of which are conducted once a year.

1 Method for analyzing/evaluating effectiveness of the Board in FY2020

(1) Self-evaluation questionnaires by all members of the Board of Directors

In compliance with the Corporate Governance Policy, the Meiji Group has conducted self-assessments for the effectiveness of the Board once each year since FY2015. We use a questionnaire prepared by the Board's secretariat. Based on the survey results, we analyze and evaluate the Board and identify issues for improving its effectiveness. The survey for FY2020 was conducted in May 2021.

Self-assessment questionnaire categories

Self-assessment categories are set from the following perspectives.

- **Corporate Governance Policy**

Roles of the Board (setting strategic direction, overseeing company, preparing succession plan, discussing/deliberating/reporting on business matters) and composition of the Board

- **Running the Board of Directors**

Meeting management by Chairperson, quality of meeting materials and presentations, and secretariat's performance

- **Issues to be addressed from the previous fiscal year**

Progress in achieving challenges set in the previous fiscal year

(2) Individual interviews between the Chairperson of the Board and independent outside directors

From FY2019, the Chairperson had individual interviews with independent outside directors. In the interviews, they discussed roles, composition and performance of the Board and discussed the Board's ideal corporate identity for the Meiji Group to achieve sustainable growth.

2 Results of analyzing/evaluating the effectiveness of the Board in FY2020, and initiatives for FY2021

Based on the results of the Board members' self-evaluation questionnaires, individual interviews between the Chairperson and independent outside directors, and the Board meeting records, the Board is considered to be operating effectively.

Based on the results of self-evaluations, we identified the following issues we should improve:

- Strengthening monitoring
- Encourage constructive discussion on the Company's response to revisions to the Corporate Governance Code

Individual interviews between the Chairperson of the Board and independent outside directors, the following subjects were discussed for improving the efficacy of the Board of Directors. The subjects discussed include enhancing risk management, promoting digital transformation (DX), the Company's succession plan, diversity and inclusion, and human resource development. Meetings were also frank discussions about how the Group should execute strategy during the 2023 Medium-Term Business Plan and under the Chief Officer system. We are reflecting their opinions in our plans and executing those plans.

FY2018 Issues	FY2019 Initiatives	FY2019 Issues	FY2020 Issues	FY2021 Plan
Self-evaluation using questionnaires (from FY2015) <ul style="list-style-type: none"> Execution of the Meiji Group succession planning development policy Improving the quality of meeting materials and presentations 	Holding Individual interviews between the Chairperson and independent outside directors (from FY2019) <ul style="list-style-type: none"> Starting the succession planning according to the development policy and reporting on progress and performance Supporting preparation of meeting materials and presentations that focus on important points 	<ul style="list-style-type: none"> Appropriate implementation of the Meiji Group succession planning Improving the quality of meeting materials and presentations Reporting on business operations in a strategy-focused manner 	<ul style="list-style-type: none"> Enhancing the implementation of the Meiji Group succession planning Further improving the quality of meeting materials and presentations Enhancing the reporting of business operations and clarifying issues in unachieved targets 	<ul style="list-style-type: none"> Strengthening monitoring Encourage constructive discussion in invigorating Board of Directors following the revised Corporate Governance Code

Remuneration for Directors (and Other Officers)

The amount of remuneration for directors falls within a total amount of remuneration that is decided at the General Meeting of Shareholders. The amount is calculated based on an evaluation of the Company's performance and the individual's performance, while referencing the standard compensation level at other companies obtained through external research.

Director Remuneration (Excluding Outside Directors)

The remuneration of directors (excluding Outside Directors) is comprised of the following three components.

1. Base compensation, which is fixed according to the position and responsibilities
2. Performance based compensation as a short-term incentive, which is assigned according to the Company's and individual's performances from the previous fiscal year
3. Stock-based compensation as a medium- to long-term incentive, which is based on the Company's stock price movement

The base compensation and performance-linked compensation are paid in cash, and stock-based compensation is allocated as restricted stock. The fixed (base) compensation and variable compensation (performance-linked compensation and stock-based compensation) have an approximate 6:4 ratio of the overall remuneration. The variable compensation is designed to pay out more for higher

Breakdown of Director Remuneration (FY2020)

Information is disclosed such as the total amount of remuneration for each type of director, the total amount for each type of compensation and the number of officers that are paid. In addition, the individual remuneration is disclosed for any director who has a total compensation of JPY 100 million or higher.

The details of the remuneration for each type of director during FY2020 are as follows.

Type of Director	Total Amount of Remuneration	Monetary Compensation				Stock-based Compensation	
		Base Compensation		Performance-linked Compensation		Total Amount	Number of Officers
		Total Amount	Number of Officers	Total Amount	Number of Officers		
Directors (other than outside directors)	¥285 million	¥142 million	7	¥106 million	5	¥37 million	5
Audit & Supervisory Board members (other than Outside Audit & Supervisory Board Member)	¥55 million	¥55 million	2	—	—	—	—
Outside Director	¥43 million	¥43 million	3	—	—	—	—
Outside Audit & Supervisory Board Member	¥26 million	¥26 million	2	—	—	—	—
Total	¥410 million	¥267 million	14	¥106 million	5	¥37 million	5

- (Notes) 1. As per the resolution of the 1st Ordinary General Meeting of Shareholders held on June 29, 2010, the amount of remuneration for directors is capped at JPY 1 billion per year (not including the employee portion of remuneration for directors who concurrently serve as employees)
2. As per the resolution of the 1st Ordinary General Meeting of Shareholders held on June 29, 2010, the amount of remuneration for Audit & Supervisory Board members is capped at JPY 300 million per year.
3. We have introduced a transfer-restricted stock-based compensation plan for directors other than outside directors. As per the resolution of the 8th Ordinary General Meeting of Shareholders held on June 29, 2017, the amount of remuneration under this plan is capped at JPY 200 million per year.
4. The total stock-based compensation is the amount recorded as an expense in the fiscal year being reported.

Overview of System for Remuneration for Directors (and Other Officers) in FY2021

Revisions to system for remuneration for directors (and other officers)

We revised our system for remuneration for directors (and other officers) considering its intended objectives. Specifically, we revised the compensation composition ratio and the details of performance-linked compensation and stock-based compensation so that compensation is linked to the key performance indicator set in the 2023 Medium-Term Business Plan. These revisions are described below.

We have not changed the method of calculating compensation for Audit & Supervisory Board members since FY2020. Amounts of compensation for Audit & Supervisory Board members are decided through discussion among the Audit & Supervisory Board members and fall within a general range decided at the General Meeting of Shareholders.

Compensation composition ratio

To increase incentives for improved performance and promote the sharing of interests with our stakeholders, we set compensation composition ratio that is approximately a 50-50 mix of fixed (base) compensation and variable compensation (performance-linked compensation and stock-based compensation). We apply a higher rate of variable compensation as the rank and position of the executive increases. We set ratios of 45% to 50% for fixed compensation and 50% to 55% for variable compensation.

Details of performance-linked compensation

Outline of revisions

Our 2023 Medium-Term Business Plan aims to achieve growth in operating profit by improving capital productivity. We have thus set consolidated operating profit and ROIC as performance indicators for the Company. We have also introduced medium- and long-term target evaluations to achieve these targets in addition to fiscal year targets.

Payment amount calculation method

We set standard amounts for each performance indicator for the Company and individuals. We then calculate performance-linked compensation by multiplying each amount by a coefficient calculated based on the level of achievement for each performance indicator. The total of the amounts calculated for each performance-linked compensation category represents the total amount of performance-linked compensation.

Performance indicator for the Company

1. Fiscal year Target Evaluation

Consolidated operating profit:

- When achieving fiscal year target, it will be 100%. The coefficient fluctuates 0% to 200% based on the achievement ratio (50% to 150%) against the fiscal year target.

ROIC:

- When achieving fiscal year target, it will be 100%. The coefficient fluctuates 0% to 200% based on the achievement ratio (80% to 120%) against the fiscal year target.
- Regardless of the achievement against the fiscal year target, the coefficient is reduced by half if earnings are less than capital costs.

2. Medium- and Long-term Target Evaluation

Consolidated operating profit:

- When achieving the medium- and long-term target, which is separate from the fiscal year target, it will be 100%. The coefficient fluctuates 0% to 200% based on the achievement ratio against the medium- and long-term target.

Performance indicator for individuals

- The coefficient fluctuates 0% to 200% based on a seven-tier evaluation, which is determined through comprehensive assessment by the CEO, President and Representative Director.
- There is no individual performance evaluation for the CEO, President and Representative Director.

Details of stock-based compensation

Outline of revisions

The previous system included stock-based compensation. This was designed to provide incentives for improving the Group corporate value and to share interests with shareholders and other stakeholders. We have modified the design of the previous system to further motivate the achievement of these objectives. Under the revised system, the monetary amount for restricted stock paid by the Company fluctuates annually based on Meiji ROESG* from the previous fiscal year. The transfer restriction period and other conditions have not changed from the previous system in FY2020.

Payment amount calculation method

We set the Meiji ROESG as a performance indicator. The Meiji ROESG is calculated based on ROE and the achievement of ESG initiatives. The payment amount is calculated as detailed below.

- 100% for achieving 13pt, the target set for the 2023 Medium-Term Business Plan.
- The coefficient fluctuates 50% to 150% depending on the actual Meiji ROESG figure, 9pt to 17pt, respectively.
- No stock-based compensation will be allocated if the Meiji ROESG is lower than 5pt for two consecutive years.

* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

Strategic Cross-Shareholding

Meiji Holdings Co., Ltd. holds cross-shareholdings when we consider it would: 1) Accelerate the Group's financial operations, 2) Strengthen our relationship with our group companies, 3) Strengthen the Group's transactional relationships and 4) Be reasonable in light of our responsibility to shareholders.

Meanwhile, the Board of Directors reviews all the brands the Group is holding and determines whether the Company should continue holding or sell them. For each brand, the Board of Directors reviews the following factors:

- The rationale for holding the brand
- The transactions for the brand in the past year
- The medium- to long-term outlook for the brand
- The amount of dividend

Following its September 2020 review, the Board of Directors concluded that the Company should continue holding 31 of the brands. Later, from the perspective of reducing strategic cross-shareholding as is outlined in the Corporate Governance Code, in FY2020 we sold all shares of one brand and partially sold another brand. By the end of the 2023 Medium-Term Business Plan, we plan to reduce strategic cross-shareholding by 30% based on book value.

As a rule, Meiji Holdings will exercise the voting rights in line with the wishes of the stock issuing company's Board of Directors. However, we will decline to do so if we think that it would negatively impact the business relationships with the Meiji Group or if it would clearly harm the common interests of shareholders.

Constructive Dialogue with Shareholders

Meiji Holdings engages in shareholder dialogue positively and voluntarily and promote constructive dialogue. To make the dialogue constructive, we are engaging in the followings:

- The PR & IR Department manages the dialogue with shareholders. The Department is administered by the Director in charge of Public Relations & Investor Relations.
- To support shareholder dialogue, the Director in charge of the PR & IR Department holds meetings with other departments, including Corporate Development Dept., Corporate Administration Dept., Risk Management Dept., and Sustainability Management Dept. so that they can share information.
- Dialogue with shareholders is not limited to one-on-one meetings. The Company holds earnings conferences twice-yearly for institutional investors and securities analysts after announcing the second quarter and the annual results. In addition to such conferences, the Company holds small meetings led by the President. At the end of the first and third quarter, we host earnings conference calls for institutional investors and securities analysts.
- For dialogue with individual investors, we held online briefings about the Group in FY2020. We will continue to promote dialogue with individual investors and work to increase their understanding of the Group.
- We are promoting ESG dialogue with investors. We hold one-on-one meetings with institutional investors and conferences with institutional investors and securities analysts.
- We provide information for shareholders and investors on our website. We publish our annual securities reports, financial statements (Japanese/English), integrated reports (Japanese/English), and earnings conference materials (Japanese/English). Video of our earnings conferences are available online (Japanese/English) and we post a Q&A summary (Japanese/English) to promote communication. Also, we post reports on briefings and events for individual investors on our website.
- Comments and feedback collected through investor relations activities are summarized into reports. The Director in charge of Public Relations & Investor Relations reports to the Executive Committee and the Board of Directors regularly.
- Dialogue with shareholders is held in accordance with the Rules Concerning the Prevention of Insider Trading, which outlines the handling of relevant information. Due care is also given to insider information during communication. We set quiet period.

Risk Management

Basic Views and Risk Management System

The Meiji Group recognizes that risk management is not just for responding when emergencies or disasters occur and severely impact business activities. It is also important to take preventive measures to control and mitigate/avert risks. The Meiji Group has established a risk management structure that promotes further growth to realize the Meiji Group 2026 Vision. Under this risk management structure, we identify overall Group management risks, reduce risks, and manage appropriate risk-taking.

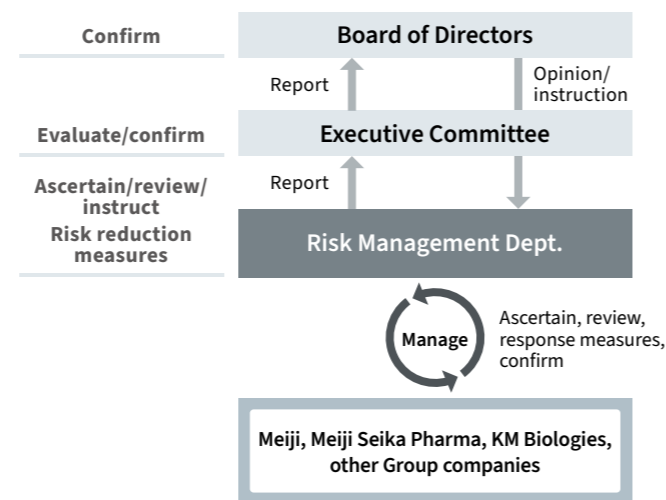
In April 2021, Meiji Holdings Co., Ltd. established Risk Management Department and strengthened the Group-wide risk management. Our Executive Committee and Board of Directors evaluate and confirm management risks aligned with our Group Vision. Thus we can manage risks adapting to changes in our operating environment.

Furthermore, we have developed risk management systems that are suited to the Food and Pharmaceutical businesses respectively. We regularly share risk information across the company, which includes risks common to all our businesses and risks that impact on the whole Group. Accordingly, we identify, evaluate, treat, and solve risks promptly.

The Meiji Group Business Management Risks

We appropriately identify risks and develop countermeasures considering the risk impact from a companywide business management perspective. In this way, we not only minimize risks, but we also achieve sustainable growth and gain new growth opportunities. We outlined the three visions—the Business Vision, Sustainability Vision and Management Foundation Vision—in the Meiji Group 2026 Vision. We have identified the Meiji Group Business Management Risks based on those three Visions.

Risk Management System



Listed on the following page are risks inherent in matters indicated in our securities report in relation to the status of operations and accounting. The management recognizes them as major risks that may significantly affect the financial position, operating performance, or cash flows of our consolidated results.

The future risks outlined in the tables are categorized based on our medium- and long-term management strategy. We have assessed their importance to the Group, taking into account the likelihood of occurrence and the level of impact on the Group. The information represents risks recognized by the Meiji Group as of the date of submission of the securities report. These risks are not a comprehensive representation of all the risks related to our businesses.

➤ For information on the Meiji Group 2026 Vision, please see [page 4-5](#).

Business Risks

Risks	Countermeasures	Change in risk recognition from previous year	Importance to the Group
Sale and supply of products and services	<ul style="list-style-type: none"> Abandon to launch planned product Changes in customer lifestyles and values Negative rumors about the Meiji Group's core materials (milk, cocoa, etc.) 	<ul style="list-style-type: none"> Establish solid Proofs of Concept (POC) Gather information on market trends Develop products that are friendly to the environment and society Create products and services unique to Meiji that address social issues Appropriately disseminate relevant information about products and materials 	↑ \$
The majority of profits comes from specific products	<ul style="list-style-type: none"> Sluggish sales of products that account for a considerable portion of sales and profits 	<ul style="list-style-type: none"> Implement promotions that maximize unique value Improve product portfolio management Explore new markets and new business domains 	→ \$\$
Supply chains	<ul style="list-style-type: none"> Insufficient or excess procurement or price increases of raw materials Difficulties in procuring raw milk Cessation of production due to production problems, etc. Unstable product supplies due to distribution problems 	<ul style="list-style-type: none"> Gather information on raw materials markets and promote procurement strategies Diversify suppliers and consider alternative materials Strengthen coordination between production and sales divisions Improve distribution efficiency through labor-saving/automation 	↗ \$
Technological advances	<ul style="list-style-type: none"> Rapid advances in digital technologies Discovery of innovative treatment methods, manufacturing methods and formulation methods 	<ul style="list-style-type: none"> Consider introducing new technologies as early as possible Research new manufacturing and formulation methods, and search for alliances 	↗ \$
Laws and regulations	<ul style="list-style-type: none"> Revisions that significantly impact corporate activities NHI drug price revisions 	<ul style="list-style-type: none"> Obtain information about system revisions early and implement countermeasures Make appropriate approaches to relevant government authorities Expand portfolio of products that are not affected by NHI drug price revisions 	→ \$
Overseas expansion and overseas Group companies	<ul style="list-style-type: none"> Rapid changes in society, or outbreaks of war or terrorism Revisions of the systems that greatly exceed expectations in various countries 	<ul style="list-style-type: none"> Gather information, and investigate and implement countermeasures early Create product supply systems from multiple locations 	→ \$\$
Business plans, etc.	<ul style="list-style-type: none"> Failure to achieve the Visions or Medium-Term Business Plans due to change in business conditions Growth slowdowns in core business, or failure to achieve targets for overseas markets or new business domains Impairment losses on non-current assets or goodwill Fluctuations in foreign exchange or interest 	<ul style="list-style-type: none"> Enhance unique value and search for new value Provide unique value in overseas markets Manage business portfolio from the perspectives of profitability, growth and productivity Make decisions and monitor investment and M&A plans appropriately Use foreign exchange contracts and borrow at fixed interest rates 	→ \$

\$\$: Risks of greater importance \$: Risks of great importance

Sustainability-related Risks

Risks	Countermeasures	Change in risk recognition from previous year	Importance to the Group
Caring for the Earth	<ul style="list-style-type: none"> Environment friendliness in corporate activities 	<ul style="list-style-type: none"> Reduce CO₂ emissions and prevent fluorocarbon leaks, switch to renewable energies, appropriately treat wastewater and industrial waste, and conduct initiatives in compliance with ISO 14001 Manage supply and demand, and decrease food loss Comply with policies related to the environment 	↗ \$
Climate change	<ul style="list-style-type: none"> Address climate change 	<ul style="list-style-type: none"> Analyze climate change scenarios according to the TCFD framework, formulate strategies and release information 	↗ \$

Continued on page 78

Risk Management

Thriving Communities	<ul style="list-style-type: none"> Sustainable raw material procurement Consider human rights, and human rights issues Understand diversity, and use a diverse workforce effectively 	<ul style="list-style-type: none"> Increase the ratio of sustainably procured raw materials, such as cocoa beans and palm oil Strengthen cooperation and collaboration with dairy farmers and other suppliers Address challenges of human rights based on due diligence Create organizations and cultures that value diverse perspectives and abilities Comply with policies related to procurement, human rights and society, etc. 	↗	§
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Management Foundation-related Risks

Risks	Countermeasures	Change in risk recognition from previous year	Importance to the Group	
Corporate Governance	<ul style="list-style-type: none"> Make business decisions in a timely and appropriately manner Internal or external non-compliance 	<ul style="list-style-type: none"> Improve effectiveness of the Board of Directors Enhance corporate governance systems Provide education on compliance and social media usage, and comply with internal and external policies 	↗	§
Damage to the Meiji brand	<ul style="list-style-type: none"> Product recalls or withdrawals from the market due to quality defects or unexpected side effects of pharmaceuticals, etc. Unexpected harmful rumors about the Meiji Group or its products 	<ul style="list-style-type: none"> Pursue quality and safety Communicate appropriately with each stakeholder 	↑	\$\$
Human capital and culture	<ul style="list-style-type: none"> Recruit and develop human capital required for corporate growth Employee engagement Effects of business environment on productivity 	<ul style="list-style-type: none"> Appropriately implement succession planning Improve employee training Enhance employee engagement Enhance health and productivity management and create comfortable work environments 	→	\$\$
Information asset leaks	<ul style="list-style-type: none"> Information leaks and system shutdowns due to unauthorized access, etc. Data breaches due to inappropriate system management 	<ul style="list-style-type: none"> Strengthen information management systems and information security Strengthen education on information management and comply with regulations and policies 	↗	§
Disaster, emergency or other unforeseen circumstances	<ul style="list-style-type: none"> Temporary or full suspension of business operations due to disasters, pandemics or other unexpected emergency Increases or decreases in product demand due to changes in business conditions in an emergency 	<ul style="list-style-type: none"> Develop business continuity plans and risk management plans for swift recovery Maintain a broad product portfolio across the Group 	→	§

There was an incident that hypnotic substance was contaminated in Itraconazole tablets manufactured by Kobayashi Kako Co., Ltd. and sold by Meiji Seika Pharma Co., Ltd. Meiji Seika Pharma stopped shipments of such products and instituted a voluntary recall. The Meiji Group works to confirm and enhance the reliability assurance structure applied to contract manufacturers and development partners.

The Meiji Group will fulfill the product supply responsibilities as a manufacturer of essential foods and pharmaceuticals. To undertake these responsibilities, we are working to improve workplace hygiene and establish safe and secure

work environments at all manufacturing facilities in Japan and overseas. Due to the COVID-19 pandemic, we are seeing dramatic changes in our business environment: increase in prevention awareness and health consciousness, the significant expansion of e-commerce, workstyle changes, and decrease in numbers of outpatient visits to medical institutions. We will continue to perform our responsibilities to ensure a stable supply as Food and Health professionals. Also, we will try hard to develop and launch vaccine against COVID-19, and propose products that match people’s needs living with COVID-19.

Compliance

Basic Views

The Meiji Group complies with the laws, regulations and social rules in each country in order to ensure all transactions are proper and to promote fair, transparent, and free competition. To increase awareness and strengthen compliance further, we established internal regulations based on our Corporate Behavior Charter and work to improve internal training. We conduct business with high ethical standards and shall remain a company trusted by society.

Management System

The Meiji Group has Compliance Regulations as well as related rules and committees in place, implements and introduces a whistle-blowing system.

At Meiji Co., Ltd., our approach is based on the idea that risk management and compliance are closely related to one another. We have set up a Compliance & Risk Management Committee to promote a variety of activities and programs, so that we can nurture and foster compliance awareness. Compliance is the cornerstone of our operations and we conduct business operations fairly, faithfully and accordingly.

Meiji Seika Pharma Co., Ltd. has established the Compliance Program Guidelines and the Meiji Seika Pharma Code of Practice. As we work in pharmaceutical business, we are closely related to the health and lives of people. Thus we, all executives and employees, are required to act in accordance with high ethical standards.

At KM Biologics Co., Ltd., we are continually improving our compliance promotion system. We conduct regular educational programs to raise compliance awareness among frontline workers. To detect issues before they happen and solve problems early, we are working to strengthen our audit function, ensure independence in auditing, and clarify responsibilities and authority. We will continue seeking a stringent compliance system.

Anti-Corruption

The Meiji Group formulated the Meiji Group Anti-Corruption Policy in March 2019 in order to remain a transparent and sound corporate group that is trusted by society. In May 2019, we became a signatory to the UN Global Compact and we comply with Principle 10: Business should work against corruption in all its forms, including extortion and bribery. We translated this policy into English, Chinese, Spanish, Thai, Indonesian and Hindi to raise employee awareness, not only in Japan but overseas as well. We will continue internal training and other efforts to improve employee understanding.

Tax Compliance

Regulatory compliance and risk management are becoming increasingly important as the Meiji Group becomes more globalized and conducts more international transactions. In addition, tax authorities in each country strengthen taxation. We therefore pay taxes properly complying with Transfer Pricing Guidelines. We formulated the Meiji Group Tax Policy in March 2019 to comply with the tax laws and regulations in each country and region where we conduct business. We communicate this information to relevant departments and the Group companies, make the information publicly available, pay appropriate taxes and minimize tax-related risks. Our staff in charge of taxation attend external training to increase their knowledge about taxation.

Non-Financial Performance (Progress on Materiality)

Materiality related to social issues

- New KPIs
- [] Scope of KPI
 - Meiji G : the Meiji Group (consolidated)
 - Meiji HD : Meiji Holdings Co., Ltd.
 - Meiji : Meiji Co., Ltd.
 - MSP : Meiji Seika Pharma Co., Ltd.
 - KMB : KM Biologics Co., Ltd.

The 13 Main SDGs the Meiji Group Can Address

Healthier Lives

Health and Nutrition SDGs: 2, 3, 4

Social Issues	KPI	Performance			
		FY2018	FY2019	FY2020	
<ul style="list-style-type: none"> ★ Contribute to healthy diets ★ Respond to a super-aged society 	Develop products that contribute to healthy diets (until FY2020) [Meiji, unconsolidated]	Health-conscious products	47	20	28
		Nutritional products with added value	32	45	46
	Develop products that contribute to a super-aged society (until FY2020) [Meiji, unconsolidated]		6	2	2
	Enroll a total of 500,000 participants into nutrition and healthy diet education within three years from FY2018 to FY2020 (until FY2020) [Meiji, unconsolidated]		196,000 people	407,000 people	504,000 people
	Increase sales of health-conscious products, nutritional products with added value, and products for a super-aged society by at least 10% in FY2023, compared with FY2020 baseline [Meiji, consolidated (domestic)]				
	Enroll a total of 700,000 participants into nutrition and healthy diet education within three years from FY2021 to FY2023 [Meiji, unconsolidated]				
<ul style="list-style-type: none"> Stable supply of pharmaceuticals 	Achieve a volume share of at least 50% in five Key Drugs by FY2023 [MSP, consolidated (domestic)]				
<ul style="list-style-type: none"> ★ Countermeasures against emerging and re-emerging infectious diseases* 	Aim for launch of COVID-19 vaccines by FY2023 [MSP, KMB, unconsolidated]				

* Set as materiality for the 2023 Medium-Term Business Plan

Quality and Safety SDGs: 3, 12

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
<ul style="list-style-type: none"> ★ Ensuring product quality and safety*¹ 	Obtain third party GFSI certification, which includes Hazard Analysis and Critical Control Point (HACCP), at all domestic food plants by FY2020 and all global food plants by FY2021* ² [Meiji, consolidated]	50% * ³	87% * ³	Japan: 100% Overseas: 100%

*¹ Materiality until FY2020 *² Expanded globally in FY2020 *³ In Japan GFSI: Global Food Safety Initiative

Caring for the Earth

Climate Change SDGs: 7, 13

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
<ul style="list-style-type: none"> ★ Reduce CO₂ emissions 	Reduce company-wide CO ₂ emissions (Scope 1, 2) by at least 40% by FY2030 (compared to FY2015) [Meiji G, consolidated]	-11.9% * ¹	-18.5% * ²	-24.1% * ²
	Expand renewable energy usage to make up at least 50% of total company-wide usage by FY2030 [Meiji G, consolidated]	0.2% * ³	2.1%	2.5%
	Reduce CO ₂ emissions (Scope 3 from purchased goods and services, upstream and downstream transportation and distribution, and end of life treatment of sold products) by at least 14% by FY2030 (compared to FY2019) [Meiji G, consolidated]			
<ul style="list-style-type: none"> Eliminate the use of specified fluorocarbons 	Total abolition of CFC-using refrigeration, freezer, and other equipment at all domestic production sites by FY2030 [Meiji G, consolidated (domestic)]	* ⁴	* ⁴	Base year * ⁴

*¹ The Meiji Group excluding KM Biologics Co., Ltd.

*² The emission volume for the base year was 742,000 t-CO₂, which includes CO₂ emissions from KM Biologics Co., Ltd.

*³ The domestic Meiji Group, excluding KM Biologics Co., Ltd. *⁴ Planned replacement with CFC substitutes and natural coolants

Circular Economy SDGs: 12

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
<ul style="list-style-type: none"> ★ Reduce environmental impact*¹ 	Consolidated domestic recycle rate 97% or above [Meiji G, consolidated (domestic)]	95.6%	94.6%	77.7% * ²
	Consolidated domestic recycle rate 85% or above by FY2023 [Meiji G, consolidated (domestic)]			
	Reduce product waste in our domestic food business by 50% by FY2025 (compared to FY2016) [Meiji, consolidated (domestic)]	-21.9%	-25.1%	-29.3%
	Reduce domestic plastic usage (packaging, etc.) by at least 25% by FY2030 (compared to FY2017), and expand usage of bioplastics and recycled plastics* ³ (until FY2020) [Meiji G, consolidated (domestic)]	-8.2%	-9.8%	* ³
	Reduce domestic plastic usage (packaging, etc.) by at least 25% by FY2030 (compared to FY2017) [Meiji G, consolidated (domestic)]			
	Ensure 100% effective use of materials used by our logistics division (pallets, crates, and stretch film, etc.) by FY2030, through reuse and recycling. [Meiji G, consolidated (domestic)]			
	Expand usage of bioplastics and recycled plastics [Meiji G, consolidated (domestic)]			

*¹ Set as materiality for the 2023 Medium-Term Business Plan

*² In FY2020, the calculation method for the recycling rate has been changed: thermal recovery is not included in the amount of recycling

*³ To be calculated in FY2021

Water SDGs: 6, 14

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
<ul style="list-style-type: none"> ★ Secure water resources 	Reduce company-wide water consumption volume per unit of sales by at least 20% by FY2030, compared with FY2017 [Meiji G, consolidated]	-1.5% *	-3.8%	-5.3%
	Replenish an amount of water to nature equivalent to 45% the amount used in our products by FY2030 [Meiji G, consolidated]			

* The Meiji Group excluding KM Biologics Co., Ltd.

Biodiversity SDGs: 6, 15

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
<ul style="list-style-type: none"> Protection of local biodiversity 	Conduct biodiversity activities at all production sites in Japan by FY2020, and all production sites worldwide by FY2023 [Meiji G, consolidated]	62.0% *	80.8% *	Japan: 36.2% Overseas: 45.0%
	Conduct biodiversity activities at all production sites worldwide by FY2023 [Meiji G, consolidated]			

* Japan

Enhancement of Environmental Management

Social Issues	KPI
—	Obtain ISO 14001 Multisite Certification at all domestic production locations by FY2021 [Meiji G, consolidated (domestic)]

Non-Financial Performance (Progress on Materiality)


Thriving Communities

Human Resources SDGs: 5, 8, 10

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
* Promote diversity and inclusion, and provide training to employees	Increase the ratio of female managers to over 10% by FY2026, compared with the FY2017 result of 2.6% [Meiji HD, Meiji, MSP, KMB, unconsolidated]	3.1%	3.4%	3.7%
	Increase the number of female managers (including assistant managers) to at least 420 by FY2026 (approximately triple the number as in FY2017) [Meiji HD, Meiji, MSP, KMB, unconsolidated]	171 people	189 people	208 people
	Raise the ratio of employees with disabilities above the statutory employment quota [Meiji HD, Meiji, MSP, KMB, unconsolidated]	2.29%	2.28%	2.42%
• Employee-friendly workplaces	Continue to be recognized by the Nippon Kenko Kaigi as White 500 organizations [Meiji HD, Meiji, MSP, KMB, unconsolidated]			


Society SDGs: 8, 10, 17

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
* Respect and promote human rights	100% attendance rate at human rights training among new employees and those promoted to managing positions (until FY2020) [Meiji HD, Meiji, MSP, KMB, unconsolidated]	100%	100%	100%
	All domestic Meiji Group employees to attend a human rights training (including e-learning) at least once annually [Meiji G, consolidated (domestic)]			
	All overseas Meiji Group employees to attend a human rights training (including e-learning) at least once by FY2023 [Meiji G, consolidated (global)]			
• Engagement with stakeholders	Hold an ESG session for investors, and advisory board meetings at least three times annually [Meiji HD]			
• Promote social contribution activities	All domestic Meiji Group employees to participate in social contribution activities at least twice annually (at least once each 6-month period) [Meiji G, consolidated (domestic)]			

Shared Themes


Sustainable Sourcing SDGs: 8, 12, 15, 17

Social Issues	KPI	Performance		
		FY2018	FY2019	FY2020
* Procure raw materials with consideration toward human rights and the environment	Start conducting a sustainable sourcing survey of suppliers for domestic Group companies by FY2021 Start conducting a sustainable sourcing survey of suppliers for major overseas Group companies by FY2022 [Meiji G, consolidated]			
	Sourcing 100% Sustainable Cocoa by FY2026 ^{*1} [Meiji, consolidated]	-	-	Approx. 40%
	Use 100% certified palm oil globally by FY2023 ^{*1} (until FY2020) [Meiji, consolidated]	7%	21%	68%
	Use 100% RSPO-certified palm oil by FY2023 [Meiji, consolidated]			
	Use paper raw materials with 100% forest certified (FSC®, PEFC) and/or recycled paper by FY2020 (until FY2020) [Meiji G, consolidated (domestic)]	55% ^{*2}	60%	77%
	Use 100% environmentally-friendly paper by FY2023 [Meiji G, consolidated]			
	Conduct MDA, an activity to provide management support to dairy farmers, at least 400 times per year, and also at least 2,150 times on a cumulative basis by FY2023 [Meiji, consolidated (domestic)]			

*1 Newly set in FY2020 *2 The domestic Meiji Group, excluding KM Biologics Co., Ltd.

RSPO: Roundtable on Sustainable Palm Oil

FSC®: Forest Stewardship Council®

PEFC: Programme for the Endorsement of Forest Certification Schemes

MDA: Meiji Dairy Advisory

Independent Practitioner's Assurance of Energy Consumption Volume, CO₂ Emission Volume & Water Consumption Volume

In order to improve the reliability of the data, Meiji Holdings Co., Ltd. obtained the independent practitioner's assurance for the domestic energy consumption volume, the domestic CO₂ emission volume (Scope 1, Scope 2 and Scope 3 category 1) and the domestic water consumption volume for FY2020 indicated on p.52 and 54 in the Japanese version of this report by Deloitte Tohmatsu Sustainability Co., Ltd. We will work hard to improve the reliability of all environmental data.



デロイト トーマツ


(TRANSLATION)

Independent Practitioner's Assurance Report

August 6, 2021

Mr. Kazuo Kawamura
CEO, President and Representative Director
Meiji Holdings Co., Ltd.

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the domestic energy consumption volume, the domestic CO₂ emission volume (Scope1,Scope2,Scope3 category1) and the domestic water consumption volume indicated with  for the year ended March 31, 2021 (the "Quantitative Environmental Information") included in the "Integrated Report 2021" (the "Report") of Meiji Holdings Co., Ltd. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the Quantitative Environmental Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the Quantitative Environmental Information included in the Report). Greenhouse gas quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. We apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Quantitative Environmental Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and the *Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or reperforming the estimates.
- Performing interviews of responsible persons and inspecting documentary evidence to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Quantitative Environmental Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

The above represents a translation, for convenience only, of the original Independent Practitioner's Assurance report issued in the Japanese language.

Member of
Deloitte Touche Tohmatsu Limited

Scope of domestic energy consumption volume, domestic CO₂ emission volume (Scope 1 and 2) and domestic water consumption volume

Meiji Holdings Co., Ltd., Meiji Co., Ltd. and group companies (Shikoku Meiji Co., Ltd., Tokai Meiji Co., Ltd., Gunma Meiji Co., Ltd., Tochigi Meiji Milk Products Co., Ltd., Meiji Oils and Fats Co., Ltd., Chiba Meiji Milk Products Co., Ltd., Donan Shokuhin Co., Ltd., Zao Shokuhin Kaisha, Ltd., Meiji Sangyo Co., Ltd., Meiji Chewing Gum Co., Ltd., Tokai Nuts Co., Ltd., Okayamaken Shokuhin Co., Ltd., Nihon Kanzume, Co., Ltd., Meiji Feed Co., Ltd., Asahi Broiler Co., Ltd., Okinawa Meiji Milk Products Co., Ltd., Meiji Logitech Co., Ltd.), Meiji Seika Pharma Co., Ltd. and group companies (OHKURA Pharmaceutical Co., Ltd.), and KM Biologics Co., Ltd. Note that the energy consumption volume and CO₂ emission volume for Meiji Logitech Co., Ltd. only include the fuel used in company-owned delivery vehicles/trucks.

Scope of domestic CO₂ emission volume (Scope 3 category 1)

This scope includes the main raw materials and packaging materials (paper, plastic, cardboard, steel, aluminum and glass bottles) that will be introduced into the domestic production locations for Meiji Co., Ltd. and the group companies (Shikoku Meiji Co., Ltd., Tokai Meiji Co., Ltd., Gunma Meiji Co., Ltd., Tochigi Meiji Milk Products Co., Ltd., Meiji Oils and Fats Co., Ltd., Chiba Meiji Milk Products Co., Ltd., Donan Shokuhin Co., Ltd., Meiji Sangyo Co., Ltd., Meiji Chewing Gum Co., Ltd., Tokai Nuts Co., Ltd., Nihon Kanzume, Co., Ltd., Okinawa Meiji Milk Products Co., Ltd.), Meiji Seika Pharma Co., Ltd. and the group companies (OHKURA Pharmaceutical Co., Ltd.), as well as KM Biologics Co., Ltd.

Consolidated Financial Statements

Consolidated Balance Sheet

Meiji Holdings Co., Ltd. / As of March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
ASSETS			
Current assets:			
Cash and deposits ^(Note 11)	¥ 40,328	¥ 37,446	\$ 364,275
Notes and accounts receivable-trade	177,730	179,931	1,605,368
Merchandise and finished goods	117,445	111,028	1,060,836
Work in process	4,054	3,729	36,626
Raw materials and supplies	60,488	58,542	546,370
Others	28,353	27,454	256,104
Allowance for doubtful accounts	(2,347)	(1,247)	(21,205)
Total current assets	426,053	416,885	3,848,376
Non-current assets:			
Property, plant and equipment			
Buildings and structures	355,394	353,843	3,210,137
Accumulated depreciation	(177,630)	(172,887)	(1,604,463)
Buildings and structures, net ^(Notes 11, 16)	177,764	180,956	1,605,673
Machinery, equipment and vehicles	550,069	539,437	4,968,563
Accumulated depreciation	(390,691)	(384,661)	(3,528,962)
Machinery, equipment and vehicles, net ^(Notes 11, 16)	159,378	154,775	1,439,601
Tools, furniture and fixtures	60,909	58,049	550,170
Accumulated depreciation	(46,435)	(43,478)	(419,437)
Tools, furniture and fixtures, net ^(Note 16)	14,473	14,570	130,733
Land ^(Note 11)	67,639	69,363	610,963
Leased assets	2,781	3,046	25,121
Accumulated depreciation	(2,067)	(2,166)	(18,671)
Leased assets, net	714	880	6,450
Construction in progress	35,025	23,645	316,367
Total property, plants and equipment	454,994	444,191	4,109,790
Intangible assets:			
Goodwill	42	57	382
Others	15,950	14,240	144,074
Total intangible assets	15,992	14,297	144,457
Investments and other assets:			
Investment securities ^(Note 14)	125,494	84,598	1,133,547
Retirement benefit asset	23,258	15,500	210,083
Deferred tax assets	13,135	16,341	118,648
Others	8,133	7,171	73,468
Allowance for doubtful accounts	(63)	(66)	(572)
Total investments and other assets	169,959	123,545	1,535,174
Total non-current assets	640,946	582,034	5,789,422
Total assets	¥ 1,067,000	¥ 998,920	\$ 9,637,799

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
LIABILITIES			
Current liabilities:			
Notes and accounts payable-trade	¥ 104,974	¥ 112,317	\$ 948,190
Short-term borrowings ^(Notes 10, 11)	17,250	30,874	155,816
Accrued expenses	46,840	45,457	423,092
Income taxes payable	22,421	12,164	202,522
Provision for bonuses	11,948	12,090	107,924
Provision for sales returns	424	256	3,830
Provision for sales rebates	1,886	1,908	17,038
Others	47,266	41,451	426,941
Total current liabilities	253,011	256,520	2,285,356
Non-current liabilities:			
Bonds payable	30,000	20,000	270,978
Long-term borrowings ^(Notes 10, 11)	54,525	55,890	492,505
Deferred tax liabilities	10,343	8,399	93,432
Retirement benefit liability	55,198	55,410	498,590
Provision for retirement benefits for directors	96	121	867
Others	4,466	5,004	40,339
Total non-current liabilities	154,630	144,826	1,396,714
Total liabilities	407,642	401,347	3,682,071
NET ASSETS			
Shareholders' equity:			
Share capital	30,000	30,000	270,978
Capital surplus	100,693	100,245	909,528
Retained earnings	496,766	453,729	4,487,094
Treasury shares	(30,177)	(30,288)	(272,578)
Total shareholders' equity	597,282	553,687	5,395,022
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	33,962	26,968	306,771
Deferred gains or losses on hedges	37	53	343
Foreign currency translation adjustment	(4,026)	(3,279)	(36,370)
Remeasurements of defined benefit plans	(5,828)	(14,677)	(52,645)
Accumulated other comprehensive income	24,145	9,066	218,097
Non-controlling interests	37,930	34,819	342,607
Total net assets	659,358	597,573	5,955,727
Total liabilities and net assets	¥ 1,067,000	¥ 998,920	\$ 9,637,799

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales	¥ 1,191,765	¥ 1,252,706	\$ 10,764,747
Cost of sales ^(Note 21)	742,139	790,183	6,703,458
Gross profit	449,625	462,523	4,061,288
Selling, general and administrative expenses ^(Notes 20, 21)	343,563	359,812	3,103,277
Operating profit	106,061	102,710	958,011
Non-operating income:			
Interest income	290	229	2,627
Dividend income	1,286	1,326	11,617
Foreign exchange gains	734	—	6,637
Share of profit of entities accounted for using equity method	1,578	—	14,257
Subsidy income	710	299	6,417
Others	2,335	3,086	21,093
Total non-operating income	6,936	4,942	62,651
Non-operating expenses:			
Interest expenses	622	717	5,620
Foreign exchange losses	—	546	—
Share of loss of entities accounted for using equity method	—	793	—
Compensation expenses	370	—	3,345
Others	1,828	2,269	16,515
Total non-operating expenses	2,821	4,326	25,481
Ordinary profit	110,176	103,326	995,181
Extraordinary income:			
Gain on sales of tangible and intangible assets ^(Note 22)	533	1,142	4,821
Gain on sales of investment securities	346	886	3,131
Gain on sales of shares of subsidiaries and associates	928	—	8,388
Subsidy income	371	—	3,357
Others	—	1	—
Total extraordinary income	2,180	2,030	19,698
Extraordinary losses:			
Loss on disposal of tangible and intangible assets ^(Note 23)	2,981	2,549	26,932
Impairment loss ^(Note 24)	2,762	2,390	24,950
Provision of allowance for doubtful accounts	1,078	1,096	9,745
Others	2,351	1,570	21,237
Total extraordinary losses	9,174	7,607	82,865
Profit before income taxes	103,183	97,749	932,015
Income taxes-current	35,300	28,784	318,852
Income taxes-deferred	(2,197)	(791)	(19,846)
Income taxes-total	33,102	27,992	299,006
Profit	70,080	69,756	633,008
Profit attributable to non-controlling interests	4,424	2,438	39,963
Profit attributable to owners of parent	¥ 65,655	¥ 67,318	\$ 593,044

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Profit	¥ 70,080	¥ 69,756	\$ 633,008
Other comprehensive income:			
Valuation difference on available-for-sale securities	7,037	(6,320)	63,570
Deferred gains or losses on hedges	(15)	51	(135)
Foreign currency translation adjustment	(1,219)	(1,461)	(11,017)
Remeasurements of defined benefit plans, net of tax	9,016	(2,608)	81,445
Share of other comprehensive income of entities accounted for using equity method	404	(53)	3,649
Total other comprehensive income ^(Note 25)	15,224	(10,392)	137,512
Comprehensive income	¥ 85,304	¥ 59,364	\$ 770,521
(Profit attributable to)			
Comprehensive income attributable to owners of parent	¥ 80,735	¥ 56,656	\$ 729,251
Comprehensive income attributable to non-controlling interests	4,568	2,707	41,269

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Millions of yen						Millions of yen						
	Number of common shares (Thousands)	Shareholders' equity					Accumulated other comprehensive income						
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2019	152,683	¥ 30,000	¥ 100,061	¥ 407,943	¥ (30,422)	¥ 507,582	¥ 33,261	¥ 3	¥ (1,751)	¥ (11,785)	¥ 19,728	¥ 33,320	¥ 560,630
Cumulative effects of changes in accounting policies				(500)		(500)							(500)
Restated balance	152,683	30,000	100,061	407,442	(30,422)	507,081	33,261	3	(1,751)	(11,785)	19,728	33,320	560,129
Changes during period:													
Dividends of surplus				(21,032)		(21,032)							(21,032)
Profit attributable to owners of parent				67,318		67,318							67,318
Purchase of treasury shares					(33)	(33)							(33)
Disposal of treasury shares			145		168	313							313
Purchase of shares of consolidated subsidiaries			0			0							0
Change in ownership interest of parent due to transactions with non-controlling interests			38			38							38
Net changes in items other than shareholders' equity							(6,292)	50	(1,528)	(2,892)	(10,661)	1,499	(9,162)
Total Changes during period	—	—	184	46,286	134	46,605	(6,292)	50	(1,528)	(2,892)	(10,661)	1,499	37,443
Balance at March 31, 2020	152,683	¥ 30,000	¥ 100,245	¥ 453,729	¥ (30,288)	¥ 553,687	¥ 26,968	¥ 53	¥ (3,279)	¥ (14,677)	¥ 9,066	¥ 34,819	¥ 597,573
Changes during period:													
Dividends of surplus				(22,488)		(22,488)							(22,488)
Profit attributable to owners of parent				65,655		65,655							65,655
Purchase of treasury shares					(25)	(25)							(25)
Disposal of treasury shares			141		136	277							277
Change in scope of consolidation				(130)		(130)							(130)
Change in ownership interest of parent due to transactions with non-controlling interests			306			306							306
Net changes in items other than shareholders' equity							6,993	(15)	(747)	8,849	15,079	3,110	18,189
Total Changes during period	—	—	447	43,037	110	43,595	6,993	(15)	(747)	8,849	15,079	3,110	61,785
Balance at March 31, 2021	152,683	¥ 30,000	¥ 100,693	¥ 496,766	¥ (30,177)	¥ 597,282	¥ 33,962	¥ 37	¥ (4,026)	¥ (5,828)	¥ 24,145	¥ 37,930	¥ 659,358

	Thousands of U.S. dollars						Thousands of U.S. dollars						
	Number of common shares (Thousands)	Shareholders' equity					Accumulated other comprehensive income						
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2020	152,683	\$ 270,978	\$ 905,482	\$ 4,098,357	\$ (273,580)	\$ 5,001,237	\$ 243,599	\$ 487	\$ (29,619)	\$ (132,576)	\$ 81,890	\$ 314,513	\$ 5,397,642
Changes during period:													
Dividends of surplus				(203,126)		(203,126)							(203,126)
Profit attributable to owners of parent				593,044		593,044							593,044
Purchase of treasury shares					(229)	(229)							(229)
Disposal of treasury shares			1,275		1,231	2,506							2,506
Change in scope of consolidation				(1,181)		(1,181)							(1,181)
Change in ownership interest of parent due to transactions with non-controlling interests			2,770			2,770							2,770
Net changes in items other than shareholders' equity							63,171	(144)	(6,750)	79,930	136,207	28,093	164,300
Total Changes during period	—	—	4,045	388,737	1,001	393,784	63,171	(144)	(6,750)	79,930	136,207	28,093	558,085
Balance at March 31, 2021	152,683	\$ 270,978	\$ 909,528	\$ 4,487,094	\$ (272,578)	\$ 5,395,022	\$ 306,771	\$ 343	\$ (36,370)	\$ (52,645)	\$ 218,097	\$ 342,607	\$ 5,955,727

Consolidated Financial Statements

Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥ 103,183	¥ 97,749	\$ 932,015
Depreciation	48,411	46,198	437,281
Impairment loss	2,762	2,390	24,950
Amortization of goodwill	15	33	139
Loss on retirement of property, plant and equipment	2,958	2,546	26,726
Loss (gain) on valuation of investment securities	212	150	1,915
Increase (decrease) in allowance for doubtful accounts	1,098	1,061	9,919
Increase (decrease) in provision for bonuses	(18)	298	(169)
Increase (decrease) in retirement benefit liability	5,647	2,915	51,013
Interest and dividend income	(1,577)	(1,556)	(14,245)
Interest expenses	622	717	5,620
Share of loss (profit) of entities accounted for using equity method	(1,578)	793	(14,257)
Loss (gain) on sales of property, plant and equipment	(413)	(1,006)	(3,732)
Loss (gain) on sales of shares of subsidiaries and associates	(592)	—	(5,348)
Loss (gain) on sales of investment securities	(256)	(878)	(2,318)
Decrease (increase) in trade receivables	2,769	20,701	25,012
Decrease (increase) in inventories	(9,556)	(8,685)	(86,316)
Increase (decrease) in trade payables	(7,502)	(11,323)	(67,766)
Others, net	497	(2,554)	4,491
Subtotal	146,683	149,550	1,324,931
Interest and dividends received	2,119	1,958	19,142
Proceeds from insurance income	—	1,432	—
Interest paid	(627)	(726)	(5,664)
Income taxes paid	(24,492)	(38,110)	(221,227)
Net cash provided by (used in) operating activities	123,683	114,103	1,117,182
Cash flows from investing activities			
Purchase of property, plant and equipment	(63,029)	(68,217)	(569,318)
Purchase of intangible assets	(4,871)	(2,912)	(44,001)
Proceeds from sales of property, plant and equipment and intangible assets	2,645	2,161	23,893
Subsidies received	2,674	—	24,153
Purchase of investment securities	(32,821)	(2,473)	(296,464)
Proceeds from sales of investment securities	1,296	1,004	11,714
Purchase of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	—	(656)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,164	39	19,549
Others, net	(1,168)	243	(10,553)
Net cash provided by (used in) investing activities	¥ (93,110)	¥ (70,811)	\$ (841,026)

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	¥ (10,319)	¥ (4,487)	\$ (93,216)
Proceeds from long-term borrowings	3,267	358	29,515
Repayments of long-term borrowings	(8,219)	(4,851)	(74,241)
Proceeds from issuance of bonds	9,957	—	89,945
Decrease (increase) in treasury shares	236	268	2,138
Dividends paid	(22,446)	(20,987)	(202,748)
Dividends paid to non-controlling interests	(607)	(154)	(5,486)
Others, net	(162)	(434)	(1,471)
Net cash provided by (used in) financing activities	(28,293)	(30,287)	(255,563)
Effect of exchange rate change on cash and cash equivalents	(378)	(375)	(3,419)
Net increase (decrease) in cash and cash equivalents	1,901	12,628	17,173
Cash and cash equivalents at beginning of period	37,110	24,481	335,205
Cash and cash equivalents at end of period ^(Note 19)	¥ 39,011	¥ 37,110	\$ 352,378

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiji Holdings Co., Ltd.

1 Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiji Holdings Co., Ltd. (the “Company”) and its consolidated subsidiaries have been prepared from the consolidated financial statements in Japanese filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law. The statements conform to generally accepted accounting principles and practices in Japan (“Japan GAAP”), which are different in certain respects regarding the application and disclosure requirements of International Financial Reporting Standards (“IFRS”). The consolidated financial statements are not intended to present the financial position, results of operations or cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to present the information in a form familiar to readers outside Japan. The accounts and the financial statements of the Company and its subsidiaries are maintained in Japanese yen. For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the exchange rate of ¥110.71 to US\$1, the amount prevailing on March 31, 2021. This translation should not be construed as a representation that amounts shown could be converted into U.S. dollars at such rate.

Amounts less than one million yen and one thousand U.S. dollars have been rounded down. The total Japanese yen and U.S. dollar amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.

Certain amounts in prior years’ financial statements have been reclassified to conform to the current year’s presentation.

In the first quarter of the consolidated fiscal year ended March 31, 2021, the Company also finalized provisional accounting treatment pertaining to a business combination. Accordingly, consolidated financial statements and related notes for the fiscal year ended March 31, 2020 represent amounts reflecting the revisions to the initial allocation of the acquisition cost resulting from the finalization of provisional accounting treatment.

2 Significant Accounting Policies

a) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for by the equity method. The consolidated financial statements consist of the Company and its 57 consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose fiscal year-ends are December 31 have been included using financial information at that date with appropriate adjustment where necessary. Investments in seven affiliates are accounted for using equity method. The difference between the investment amount and the net assets of acquired consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of five years on a straight-line basis.

b) Translation of Foreign Currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the consolidated balance sheet date. The difference arising from the translation is accounted for as a gain or loss.

The assets and liabilities of overseas subsidiaries are translated into Japanese yen at the year-end rate, whereas the income and expenses of overseas subsidiaries are translated into Japanese yen using the average exchange rate during the fiscal year. The differences arising from the translation are included in foreign currency translation adjustment and non-controlling interests in the net assets section of the consolidated balance sheet.

c) Investment Securities

Investment securities are valued using the following standards and methods.

Available-for-sale securities

Securities that have market prices:

By the market value method based on market prices at the consolidated fiscal year-end.

Unrealized holding gains or losses are included directly in net assets, and cost of securities sold is calculated using the moving-average method.

Securities that have no market prices:

Primarily by the cost method based on the moving-average method.

d) Derivatives

Derivatives are valued by the market value method.

e) Inventories

Inventories are stated principally at the lower of cost or net realizable value, cost being determined principally by the weighted average method.

f) Property, Plant and Equipment (excluding leased assets)

The straight-line method is primarily used for depreciation. The estimated useful lives of the assets are as follows:

Buildings and structures	2–60 years
Machinery, equipment and vehicles	2–18 years
Tools, furniture and fixtures	2–20 years

g) Intangible Assets (excluding leased assets)

Amortization of intangible assets is calculated primarily by the straight-line method. Amortization of internal-use software is calculated by the straight-line method based on the estimated useful lives of five years.

h) Leased Assets

Leased assets relating to finance lease transactions that do not transfer ownership
For the depreciation of leased assets, the straight-line method is applied based on the lease term as the useful life of the asset and the residual value of zero.

i) Investments in Real Estate

The straight-line method is primarily used for depreciation.

j) Allowance for Doubtful Accounts

In order to prepare for losses on doubtful accounts such as notes and accounts receivable, the Company and its consolidated subsidiaries primarily record allowances based on actual loss experienced as a general reserve, and amounts estimated to be unrecoverable for individual receivables for the companies in financial difficulty.

k) Provision for Bonuses

In order to prepare for payment of bonuses to employees existing on the consolidated balance sheet date, the amount expected to be paid for the subject period is recorded.

l) Provision for Sales Returns

In order to prepare for losses on the returns of goods and products sold at some of the Company’s consolidated subsidiaries, the actual amount of the expected future losses on returns in the current consolidated fiscal year is recorded as a provision (under Provision for Sales Return).

m) Provision for Sales Rebates

At some of the Company’s consolidated subsidiaries, in order to provide for sales discounts on goods and products sold, an allowance is recorded at the estimated amount in consideration of the discount ratio.

n) Provision for Retirement Benefits for Directors

The Company and its consolidated subsidiaries provide for retirement benefits for directors and corporate auditors based on the amount required to be paid at the end of the fiscal year under the Company bylaws.

o) Retirement Benefits

(1) Method used to attribute expected benefit payments to periods

In calculating retirement benefit obligation, the benefit formula basis method is used to attribute expected benefit payments to the period extending up to the end of the fiscal year.

(2) Method of amortizing actuarial gains or losses, prior service costs

Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–18 years) not longer than employees’ average remaining years of service.

Prior service costs are amortized from the time those costs are accrued by the straight-line method for a certain number of years (principally 4–15 years) within employees’ average remaining years of service.

(3) Accounting treatment for unrecognized actuarial gains or losses, unrecognized prior service costs

Unrecognized actuarial gains or losses and unrecognized prior service costs are adjusted for tax effect and then recorded in remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section of the consolidated balance sheet.

p) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits available for withdrawal on demand and short-term investments with original maturity of three months or less, which have immaterial risk of fluctuations in value.

q) Derivative Financial Instruments

(1) Method of hedge accounting

The deferral hedge accounting method is applied under which the unrealized gain or loss is deferred as a component of net assets when certain criteria are met.

For forward foreign exchange contracts, etc., the allocation method is applied when the relevant criteria are met. For interest rate and currency swaps, the integrated method (the shortcut method, the allocation method) is applied when the relevant criteria are met.

Notes to Consolidated Financial Statements

(2) Hedge instruments and hedged items

Hedge instruments:	Hedged items:
Forward foreign exchange contracts and other instruments	Trade payables and receivables denominated in foreign currencies and forecasted transactions denominated in foreign currencies
Interest rate and currency swap contracts	Interest on borrowings and borrowings

(3) Hedge policy

Some of the Company's consolidated subsidiaries use forward foreign exchange contracts and other instruments to mitigate the currency exchange rate risk associated with import and export transactions conducted in the normal course of business. The Company uses interest rate and currency swap transactions to reduce the interest rate and foreign exchange rate fluctuation risk involved in procuring funds. The Company and its consolidated subsidiaries do not use derivatives for speculative purposes.

(4) Method of evaluating the effectiveness of the hedge

As forward foreign exchange contracts, etc., are used as a hedge against trade payables and receivables denominated in foreign currencies to fix the yen-denominated future cash flows, the allocation method is applied, and the requirements of assessing the effectiveness of the hedge on a periodic basis are satisfied. For forecasted transactions denominated in foreign currencies, suitability for hedging is investigated with consideration of whether the transaction is highly likely to be executed.

The assessment of the hedge effectiveness is omitted when the interest rate and currency swaps meet the integrated method (the shortcut method, the allocation method) with a high correlation between the hedged items and hedging instruments.

r) Other Important Matters for the Preparation and Presentation of Consolidated Financial Statements

Consumption taxes and local consumption taxes are accounted for using the tax exclusion method.

Bond issuance cost is recognized in expenses as incurred.

3 Significant Accounting Estimates

a) Valuation of investment in an affiliate

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

Investment securities ¥29,387 million (valued as of March 31, 2021 using the equity method)

The Food segment of the Company aims to strengthen its value chain from raw milk procurement through production and establish a basis for sustainable growth in dairy production business in China. As described in "6. Additional Information", the Company acquired 25% of the shares in AustAsia Investment Holdings Pte LTD. ("AustAsia"), which operates raw milk production business in China, for ¥28,540 million and has applied the equity method accounting from the current fiscal year.

The amounts in excess of the Company's shares in the net assets of the AustAsia as of the end of the current fiscal year are as follows:

Customer-related assets ¥10,700 million;

Goodwill ¥1,929 million

(2) Additional information that will help the users of the consolidated financial statements

[1] Calculation method for amounts disclosed in the consolidated financial statements for the current fiscal year

As the method for measuring the fair value of customer-related assets at the time of the share purchase, the Company used the income approach and discounted estimated future cash flows, which is calculated by the business plan based revenue expected to be generated in the future from existing customers after taking certain attrition rates into consideration.

Goodwill is calculated as a remainder after deducting the customer-related assets from the difference between the invested amount and the fair value of the corresponding net assets.

Customer-related assets and goodwill will be amortized on a straight-line basis over a period of 10 years, as the cumulative earnings before interest and taxes (EBIT) calculated based on the business plan, exceeds the amount of customer-related assets and goodwill after this period.

[2] Key assumptions used for calculating amounts recorded in the consolidated financial statements for the current fiscal year

In the business plan used for determining the fair value of customer-related assets and the number of years for amortization, the Company determined increase in consumption of raw milk resulting from the Westernization of Chinese people's lifestyles, the execution of farm development plan in response to increase in sales volume and rise in raw milk prices as key assumptions.

In estimating the future cash flow for the measurement of the fair value, the Company estimated a sales growth rate of 2.6% while using a sales attrition rate of 2% in consideration of customer defection. As for the discount rate used for discounting the future cash flow to the present value, the Company used a discount rate of 11%, which is calculated based on weighted average cost of capital.

[3] Impact on the consolidated financial statements for the following fiscal year

If the actual results of farm development, the actual sales volume and the price of raw milk deviate significantly from the business plan, the Company may identify this as an indication of impairment and recognize impairment losses by reconsidering the future business plan of AustAsia.

b) Impairment of non-current assets of equity-method affiliate

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

The investment securities of ¥125,494 million recorded on the consolidated balance sheet for the current fiscal year include an equity-method investment balance of ¥4,346 million for DM Bio Limited ("DM Bio"), in which the Pharmaceutical segment of the Company has a 49% of shares. Major assets held by DM Bio are non-current assets related to the production and development of biopharmaceuticals, and the balance of non-current assets in DM Bio is ¥11,704 million as of the end of the current fiscal year.

(2) Additional information that will help the users of the consolidated financial statements

[1] Calculation method for amounts recorded in the consolidated financial statements for the current fiscal year

Indication of impairment for the non-current assets held by DM Bio has been identified due to continuous operating losses recorded. However, impairment loss was not recognized in the current fiscal year, as the recoverable amount exceeds the book value.

Note that DM Bio measures the recoverable amount of non-current assets based on their value in use and calculates the value in use by discounting their future cash flow to the present value.

[2] Key assumptions used for calculating amounts recorded in the consolidated financial statements for the current fiscal year

Key assumptions used in measuring value in use are the discount rate, the growth rate and sales period for major development items. The figures used in these assumptions are based on the business plan that reflects management decision by the management of DM Bio.

[3] Impact on the consolidated financial statements for the following fiscal year

The Company deems that the key assumptions used in determining whether to recognize impairment loss are reasonable.

However, if the actual results of clinical trials for the development of biopharmaceuticals differ from the projection, or the discount rate and the growth rate deviate significantly from the projected rates, the Company may record impairment loss on non-current assets of DM Bio.

4 Change in Method of Presentation

a) Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Company applies the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020), starting from the consolidated financial statements as of the end of the current consolidated fiscal year, and provides notes to significant accounting estimates in the consolidated financial statements.

However, in accordance with the transitional treatment stipulated in the proviso to paragraph 11 of the Accounting Standard, the Company does not include descriptions regarding the consolidated fiscal year ended March 31, 2020.

b) Consolidated statement of income

"Subsidy income," which was included in "Others" under "Non-operating income" presented in the consolidated fiscal year ended March 31, 2020, has been reported independently in the current consolidated fiscal year because the monetary amounts have become more significant. Also, "Insurance claim income" and "Royalty income," which were reported independently under "Non-operating income" presented in the consolidated fiscal year ended March 31, 2020, have been included in "Others" under "Non-operating income" in the current consolidated fiscal year because the monetary amounts have become less significant. To reflect these changes in method of presentation, amounts disclosed for the consolidated fiscal year ended March 31, 2020 have been reclassified.

As a result, ¥1,238 million, ¥285 million and ¥1,861 million, which were presented in "Insurance claim income," "Royalty income" and "Others," respectively, under "Non-operating income" in the consolidated statement of income for the consolidated fiscal year ended March 31, 2020, have been reclassified as ¥299 million in "Subsidy income" and ¥3,086 million in "Others."

5 Accounting Standards, etc., Not Yet Adopted

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021).
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020).

a) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) worked together to develop comprehensive accounting standards for revenue recognition. The “Revenue from Contracts with Customers” was officially issued in May 2014 (IFRS 15 in the IASB and Topic 606 in the FASB). IFRS 15 became effective from the fiscal year beginning on or after January 1, 2018 and Topic 606 became effective from the fiscal year beginning after December 15, 2017. Due to these standards taking effect, the ASBJ developed a comprehensive accounting standard for revenue recognition and officially issued it in conjunction with the implementation guidance.

The basic policy behind the ASBJ developing the Accounting Standard for Revenue Recognition was to establish a standard, initially taking in the general principle of IFRS 15 in terms of comparability among financial statements. Also, when there is any practical expedient that should be considered in the practices that has previously taken place in Japan, an alternative guidance will be added insofar as not to impair comparability.

b) Effective Date

The Company plans to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

c) Impact from Applying New Accounting Standards, etc.

At the moment, impact from adopting “Accounting Standard for Revenue Recognition,” etc., to the consolidated financial statements is being assessed. In applying the “Accounting Standard for Revenue Recognition,” etc., the Company will adopt a method under which the cumulative effects arising from the retroactive application of the new accounting policy to before the beginning of the following consolidated fiscal year will be added to or subtracted from retained earnings at the beginning of the following consolidated fiscal year.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019).
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019).
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

a) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have established detailed guidance for fair value measurement which are more or less the same in content (IFRS 13 “Fair Value Measurement” in the International Financial Reporting Standards (IFRS), and “Fair Value Measurement” (Accounting Standards Codification Topic 820) for US GAAP). Given this, the Accounting Standards Board of Japan has endeavored to ensure Japanese GAAP on guidance and disclosure of the fair value of financial products are largely consistent with international accounting standards, and has published the “Accounting Standard for Fair Value Measurement,” etc.

The basic policy behind the ASBJ developing the Accounting Standard for Fair Value Measurement was to basically incorporate all the provisions of IFRS 13. This was based on the perspective of improving comparability of financial statements between companies in Japan and overseas, by using a uniform method of measurement. In addition, considering past practices in Japan, other guidance for individual items is to be added, to the extent it does not significantly impair comparability between financial statements.

b) Effective Date

The Company plans to adopt the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

c) Impact from Applying New Accounting Standards, etc.

The impact on the consolidated financial statements from adopting the “Accounting Standard for Fair Value Measurement,” etc. has not been determined.

6 Additional Information**Overview of the acquisition of AustAsia shares**

On April 15, 2020, the Company, reached an agreement with Japfa LTD., a shareholder of AustAsia, to acquire a portion of the shares in AustAsia. Subsequently in conjunction with the Company’s acquisition of 25% of the shares in AustAsia on July 3, 2020, AustAsia became an equity-method affiliate of the Company.

The following is an overview of the investee company AustAsia.

Trade name (Name of the investee company)	AustAsia Investment Holdings Pte LTD.
Primary business domain	Raw milk production, etc. in China
Application date of equity method	July 1, 2020
Percentage of voting rights after share acquisition	25%
Other	Upon business realignment conducted in April 2020, AustAsia became a company mainly operating raw milk production business in China

a) Period for which the financial results of the AustAsia are included in the consolidated statement of income for the current fiscal year

The balance sheet date of AustAsia is December 31, which differs by three months from the consolidated balance sheet date.

As the equity method applied to AustAsia from July 1, 2020, the financial results of the AustAsia for the period from July 1, 2020 to December 31, 2020 are included in the consolidated statement of income for the current fiscal year.

b) Outline of the accounting treatment applied**(1) Acquisition cost of the investee company and breakdown of the cost**

Consideration for acquisition	Cash	¥ 27,805 million
Expenses directly related to acquisition	Advisory fees, etc.	¥ 734 million
Acquisition cost		¥ 28,540 million

(2) Amount of recorded goodwill included in the investment securities, reason for the recognition, amortization method and amortization period

[1] Amount of recorded goodwill included in the investment securities

¥2,114 million

In the second quarter of the fiscal year, the Company used provisional accounting treatment with respect to the allocation of the acquisition cost based on reasonable information available at the time of the preparation of the quarterly consolidated financial statements. This provisional accounting treatment was finalized in the third quarter of the fiscal year.

[2] Reason for the recognition

Goodwill was recognized due to the future excess earning power expected to be generated from the expansion of their business.

[3] Amortization method and amortization period

Straight-line method over 10 years

(3) Amount, type of asset and amortization period of the investment securities allocated to intangible assets recorded other than goodwill

Type	Amount	Amortization period
Customer-related assets	¥11,725 million	10 years

7 Notes Regarding Lease Transactions**1) Finance lease transactions (lessee side)**

Finance lease transactions that do not transfer ownership

(1) Content of leased assets

Property, plant and equipment

Mainly sales equipment (tools, furniture and fixtures), production facilities in manufacturing plants (machinery, equipment and vehicles) and testing and research equipment (machinery, tools, furniture and fixtures).

(2) Method of depreciation of leased assets

As described in “2. Significant Accounting Policies, h) Leased Assets.”

8 Notes Regarding Financial Instruments**1) Overview of financial instruments****(1) Policy for financial instruments**

The Meiji Group (the “Group”) raises necessary funds (primarily through bank loans and bond issuance) based on its capital investment and working capital plans, mainly to engage in the business of manufacturing and selling dairy products, confectioneries, food products and pharmaceuticals. The Company manages temporary surplus funds through highly secured financial instruments and raises short-term operating funds by issuing commercial paper, etc. Derivatives are used to mitigate the risks described below. Consequently, the Company does not enter into any speculative deals.

(2) Content and risks of financial instruments

Notes and accounts receivable-trade that are receivables are exposed to the credit risk of customers. Also, foreign currency-denominated trade receivables arise from operating businesses globally; these are exposed to currency fluctuation risk, but some consolidated subsidiaries hedge such risk using forward foreign exchange contracts, etc. Investment securities are mainly shares held in relation to business with partner companies, capital alliances, etc.; these are exposed to fluctuation risk of market prices.

Notes to Consolidated Financial Statements

Notes and accounts payable-trade that are payables are almost all payable within one year. Also, some of these are foreign currency-denominated, resulting from the import of raw materials; these are exposed to currency fluctuation risk, but some consolidated subsidiaries use forward foreign exchange contracts, etc., to hedge such risk.

Loans, commercial paper and bonds are mainly used to raise funds for capital investment and working capital. Their redemption dates are at maximum seven years after the balance sheet date. Some of these have forward foreign exchange contracts and variable interest rates and currency, thus they are exposed to interest rate and currency fluctuation risk. However, the Group uses derivative transactions (interest rate and currency swap transactions) to hedge such risk.

Derivative transactions are transactions such as forward foreign exchange contracts, etc., used to hedge currency fluctuation risk related to foreign currency-denominated trade receivables and payables, and interest rate and currency swap transactions used to hedge interest rate fluctuation risk related to variable interest rate and currency payments on borrowings.

For more information about hedge instruments and hedge items, hedge policy or the method of evaluating the effectiveness of the hedge for hedge accounting, refer to aforementioned “(q) Derivative Financial Instruments” under section “2. Significant Accounting Policies”.

(3) Risk management for financial instruments

[1] Management of credit risk (risk such as default of contract by customers)

In accordance with receivables management rules, etc., each management department in each business unit of the Group periodically monitors the status of major customers, and due dates and balances are managed for each customer. The Group makes efforts for early detection and reduction of collection concerns due to deterioration in financial conditions, etc., of customers.

Derivative transactions are only executed with highly rated financial institutions to reduce counterparty risk.

The maximum credit risk for the consolidated closing date of the current fiscal year is expressed by the values in the balance sheet for financial assets exposed to credit risk.

[2] Management of market risk (the risk of fluctuation in exchange rates, interest rates, etc.)

For foreign currency-denominated trade receivables and payables, some consolidated subsidiaries use forward foreign exchange contracts, etc., to hedge the currency fluctuation risk identified by currency and by month.

Further, the Company uses interest rate and currency swap transactions to curb the interest rate and currency fluctuation risk related to interest payments on loans.

For investment securities, the Company regularly re-evaluates the fair value and the financial situation of the issuer (business partner), and continues to review the holdings taking into consideration the relationship with the business partner.

At some consolidated subsidiaries, each related department engages in derivative transactions based on derivative transaction management rules, which establish the transaction authority and amount limitations.

[3] Management of liquidity risk regarding fund procurement (the risk of becoming unable to make payment on the payment date)

Based on reports from each business unit, the Group creates and updates cash flow plans in a timely manner, and manages liquidity risk.

(4) Supplemental explanation of matters related to the fair value, etc., of financial instruments

Fair value of financial instruments includes prices based on market prices, and prices rationally calculated in cases where there are no market prices. Variable factors are incorporated into the calculation of such prices, therefore, different assumptions could result in different prices.

For the contract amounts, etc., related to derivative transactions in the “Derivative transactions” notes, the amounts do not show the market risk related to the derivative transactions.

2) Matters related to the fair value, etc., of financial instruments

(1) The carrying value on the consolidated balance sheet, fair value and their difference as of March 31, 2021 and 2020, are presented in the following tables. The tables do not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

As of March 31, 2021	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 40,328	¥ 40,328	¥ —	\$ 364,275	\$ 364,275	\$ —
(2) Notes and accounts receivable-trade	177,730	177,730	—	1,605,368	1,605,368	—
(3) Securities: Available-for-sale securities	—	—	—	—	—	—
(4) Investment securities: Available-for-sale securities	74,192	74,192	—	670,151	670,151	—
Total assets	292,251	292,251	—	2,639,795	2,639,795	—
(5) Notes and accounts payable-trade	104,974	104,974	—	948,190	948,190	—
(6) Short-term borrowings	12,875	12,875	—	116,298	116,298	—
(7) Accrued expenses	46,840	46,840	—	423,092	423,092	—
(8) Bonds payable	30,000	30,030	30	270,978	271,249	270
(9) Long-term borrowings	58,900	59,143	243	532,023	534,221	2,198
Total liabilities	253,590	253,863	273	2,290,583	2,293,052	2,469
Derivative transactions *						
(10) Derivative transactions for which hedge accounting is not applied	—	—	—	—	—	—
(11) Derivative transactions for which hedge accounting is applied	57	57	—	516	516	—
Total derivative transactions	¥ 57	¥ 57	¥ —	\$ 516	\$ 516	\$ —

* Net receivables and payables arising as a result of derivative transactions are stated in net amounts.

(Note 1) Method of calculating the fair value of financial instruments and matters related to securities

(1) Cash and deposits, (2) Notes and accounts receivable-trade and (3) Securities

These are valued at the carrying values as they are to be settled within a short period and their fair values are almost equal to the carrying values.

(4) Investment securities

Equity securities are valued at the price quoted in the stock exchange.

Debt securities are calculated based on the present value, which is the total of the principal and interest discounted by an interest rate that takes into account the credit risk.

In addition, refer to the “Securities” notes for matters related to securities based on their holding purpose.

(5) Notes and accounts payable-trade, (6) Short-term borrowings and (7) Accrued expenses

These are valued at the carrying values as they are to be settled within a short period and their fair values are almost equal to the carrying values.

(8) Bonds payable

The fair value of bonds payable is calculated based on the market price.

(9) Long-term borrowings

Long-term borrowings with variable interest rates reflect the market interest rates over short periods. As a result, since the fair value can come close to the same as the carrying values, that fair value is based on the corresponding carrying value.

Long-term borrowings with a fixed rate are calculated based on the total of the principal and interest discounted by the interest rate that is assumed if new borrowings were made with similar terms.

In addition, the current portion of long-term borrowings is included in these long-term borrowings.

(10) Derivative transactions for which hedge accounting is not applied, (11) Derivative transactions for which hedge accounting is applied

See 26. Derivative transactions.

(Note 2) Convertible bonds (carrying value on the consolidated balance sheet: ¥2,175 million (\$19,650 thousand)) and unlisted stock (carrying value on the consolidated balance sheet: ¥51,302 million (\$463,395 thousand)) are not included in “Assets: (3) Securities and (4) Investment securities” as their market prices are not available and it is extremely difficult to determine the fair value.

Notes to Consolidated Financial Statements

As of March 31, 2020	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 37,446	¥ 37,446	¥ —
(2) Notes and accounts receivable-trade	179,931	179,931	—
(3) Securities:			
Available-for-sale securities	1,343	1,343	—
(4) Investment securities:			
Available-for-sale securities	64,214	64,214	—
Total assets	282,935	282,935	—
(5) Notes and accounts payable-trade	112,317	112,317	—
(6) Short-term borrowings	22,911	22,911	—
(7) Accrued expenses	45,457	45,457	—
(8) Bonds payable	20,000	19,984	(16)
(9) Long-term borrowings	63,853	63,978	124
Total liabilities	264,539	264,648	108
Derivative transactions *			
(10) Derivative transactions for which hedge accounting is not applied	45	45	—
(11) Derivative transactions for which hedge accounting is applied	78	78	—
Total derivative transactions	¥ 124	¥ 124	¥ —

* Net receivables and payables arising as a result of derivative transactions are stated in net amounts.

(Note) Convertible bonds (carrying value on the consolidated balance sheet: ¥1,096 million) and unlisted stock (carrying value on the consolidated balance sheet: ¥20,384 million) are not included in "Assets: (3) Securities and (4) Investment securities" as their market prices are not available and it is extremely difficult to determine the fair value.

(2) Scheduled redemption of monetary claims and securities with maturity dates after the balance sheet date

As of March 31, 2021	Millions of yen			
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years
Cash and deposits	¥ 40,328	—	—	—
Notes and accounts receivable-trade	177,730	—	—	—
Total	¥ 218,059	—	—	—

As of March 31, 2021	Thousands of U.S. dollars			
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years
Cash and deposits	\$ 364,275	—	—	—
Notes and accounts receivable-trade	1,605,368	—	—	—
Total	\$ 1,969,644	—	—	—

As of March 31, 2020	Millions of yen			
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years
Cash and deposits	¥ 37,446	—	—	—
Notes and accounts receivable-trade	179,931	—	—	—
Securities				
Negotiable deposits	1,343	—	—	—
Total	¥ 218,721	—	—	—

(3) Scheduled repayment of bonds payable, borrowings and other interest-bearing debt after the balance sheet date

As of March 31, 2021	Millions of yen					
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	¥ 12,875	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	10,000	10,000	10,000	—	—
Long-term borrowings	4,375	14,299	4,060	21,812	12,913	1,438
Total	¥ 17,250	¥ 24,299	¥ 14,060	¥ 31,812	¥ 12,913	¥ 1,438

As of March 31, 2021	Thousands of U.S. dollars					
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	\$ 116,298	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	90,326	90,326	90,326	—	—
Long-term borrowings	39,518	129,160	36,680	197,027	116,646	12,990
Total	\$ 155,816	\$ 219,486	\$ 127,006	\$ 287,353	\$ 116,646	\$ 12,990

As of March 31, 2020	Millions of yen					
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	¥ 22,911	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	—	10,000	—	10,000	—
Long-term borrowings	7,963	4,367	14,295	4,059	21,812	11,355
Total	¥ 30,874	¥ 4,367	¥ 24,295	¥ 4,059	¥ 31,812	¥ 11,355

9 Notes regarding Investment Securities

Information regarding securities held by the Company and its consolidated subsidiaries is as follows:

1) Held-to-maturity securities

As of March 31, 2021

None

As of March 31, 2020

None

Notes to Consolidated Financial Statements

2) Available-for-sale securities with market prices

As of March 31, 2021	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥ 72,909	¥ 24,011	¥ 48,898	\$ 658,565	\$ 216,888	\$ 441,677
Others	413	408	5	3,737	3,685	51
Subtotal	73,323	24,419	48,903	662,302	220,573	441,729
Securities whose acquisition cost exceeds their carrying value:						
Stocks	868	1,034	(165)	7,848	9,344	(1,495)
Subtotal	868	1,034	(165)	7,848	9,344	(1,495)
Total	¥ 74,192	¥ 25,454	¥ 48,738	\$ 670,151	\$ 229,917	\$ 440,233

(Note) Among available-for-sale securities, unlisted stocks (carrying value on the consolidated balance sheet: ¥2,050 million (\$18,519 thousand)) and convertible bonds (carrying value on the consolidated balance sheet: ¥2,175 million (\$19,650 thousand)) are not included as available-for-sale securities in the table above as their market prices are not available and it is extremely difficult to determine their fair values.

As of March 31, 2020	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 60,033	¥ 20,841	¥ 39,191
Securities whose acquisition cost exceeds their carrying value:			
Stocks	4,180	4,779	(599)
Others	1,343	1,343	—
Subtotal	5,523	6,122	(599)
Total	¥ 65,557	¥ 26,964	¥ 38,592

(Note) Among available-for-sale securities, unlisted stocks (carrying value on the consolidated balance sheet: ¥2,144 million) and convertible bonds (carrying value on the consolidated balance sheet: ¥1,096 million) are not included as available-for-sale securities in the table above as their market prices are not available and it is extremely difficult to determine their fair values.

3) Available-for-sale securities sold during the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Sales amounts	¥ 1,296	¥ 1,010	\$ 11,711
Total gains on sales	346	886	3,131
Total losses on sales	90	8	813

4) Securities that were subject to impairment during the fiscal years ended March 31, 2021 and 2020

Impairment loss recorded in the fiscal year ended March 31, 2021, was ¥212 million (available-for-sale securities: ¥212 million (\$1,915 thousand)).

Impairment loss recorded in the fiscal year ended March 31, 2020, was ¥150 million (available-for-sale securities: ¥150 million).

Impairment is taken for all securities when the year-end market value has declined by 50% or more below the acquisition cost. For securities with the year-end market value that has declined by 30%–50% below the acquisition cost, impairment is taken at an amount necessary in consideration of the potential for recovery and other factors.

10 Short-term Borrowings and Long-term Borrowings

As of March 31, 2021 and 2020, short-term borrowings and long-term borrowings are as follows:

1) Short-term borrowings

	Weighted-average interest rate	Millions of yen		Thousands of U.S. dollars
		2021	2020	2021
Short-term borrowings	1.13%	¥ 12,875	¥ 22,911	\$ 116,298
Current portion of long-term borrowings	0.80%	4,375	7,963	39,518
Total		¥ 17,250	¥ 30,874	\$ 155,816

2) Long-term borrowings

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unsecured bonds due 2024, 0.22%	¥ 10,000	¥ 10,000	\$ 90,326
Unsecured bonds due 2023, 0.12%	10,000	10,000	90,326
Unsecured bonds due 2023, 0.001%	10,000	—	90,326
Borrowings from domestic banks, insurance companies, government agencies and others	58,900	63,853	532,023
Subtotal	88,900	83,853	803,002
Current portion of long-term borrowings	(4,375)	(7,963)	(39,518)
Total	¥ 84,525	¥ 75,890	\$ 763,483

As of March 31, 2021, the aggregate annual maturities of long-term borrowings are as follows:

Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars
	2021	2021
More than one year up to two years	¥ 24,299	\$ 219,486
More than two years up to three years	14,060	127,006
More than three years up to four years	31,812	287,353
More than four years up to five years	12,913	116,646
More than five years	1,438	12,990
Total	¥ 84,525	\$ 763,483

11 Pledged Assets and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2021 and 2020, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 146	¥ 146	\$ 1,324
Buildings and structures	1,351	1,427	12,207
Machinery, equipment and vehicles	951	1,222	8,591
Land	49	—	446
Total	¥ 2,498	¥ 2,797	\$ 22,568

Note that cash and deposits are pledged as collateral in order to guarantee business transactions.

Notes to Consolidated Financial Statements

A summary of secured liabilities as of March 31, 2021 and 2020, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Long-term borrowings (including the current portion of long-term borrowings)	¥15,653	¥ 17,201	\$ 141,393

12 Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Retirement benefit liability	¥ 19,799	¥ 20,029	\$ 178,841
Accrued enterprise tax and others	1,448	881	13,086
Accrued expenses	2,966	2,721	26,792
Investment securities	1,155	1,020	10,433
Provision for bonuses	3,654	3,690	33,010
Depreciation	4,469	5,104	40,370
Impairment loss	1,507	1,400	13,617
Unrealized gain	824	1,268	7,450
Losses carried forward *	3,694	3,793	33,367
Others	9,217	8,296	83,253
Subtotal deferred tax assets	48,737	48,207	440,225
Valuation allowance for losses carried forward *	(3,396)	(3,131)	(30,680)
Valuation allowance for deductible temporary differences	(4,969)	(3,948)	(44,886)
Subtotal valuation allowance	(8,366)	(7,079)	(75,567)
Total deferred tax assets	40,371	41,127	364,658
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	(7,077)	(7,662)	(63,929)
Valuation difference on available-for-sale securities	(14,667)	(11,569)	(132,484)
Retirement benefit asset	(7,839)	(5,439)	(70,814)
Valuation difference due to purchase of investments in subsidiaries	(3,675)	(2,947)	(33,198)
Adjustment account for tax liabilities	(2,276)	(3,234)	(20,564)
Others	(2,042)	(2,332)	(18,450)
Total deferred tax liabilities	(37,579)	(33,185)	(339,442)
Net deferred tax assets	¥ 2,791	¥ 7,941	\$ 25,215

* Schedule of carryforward periods for tax losses carried forward and corresponding deferred tax assets as of March 31, 2021.

	Millions of yen						Total
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years	
Losses carried forward ^(a)	¥96	¥123	¥91	¥68	¥1,213	¥2,100	¥3,694
Valuation allowance	69	118	64	68	1,194	1,880	3,396
Deferred tax assets	27	5	26	—	18	219	297

(a) Losses carried forward are the total amount after multiplying by the statutory tax rate.

	Thousands of U.S. dollars						Total
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years	
Losses carried forward ^(a)	\$874	\$1,118	\$823	\$616	\$10,959	\$18,974	\$33,367
Valuation allowance	628	1,072	581	616	10,792	16,989	30,680
Deferred tax assets	245	46	242	—	166	1,985	2,686

(a) Losses carried forward are the total amount after multiplying by the statutory tax rate.

2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate after the adoption of tax-effect accounting for the fiscal years ended March 31, 2021 and 2020, is as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Entertainment and other permanently non-deductible expenses	0.6	0.7
Dividend and other permanently non-taxable income	(0.0)	(0.1)
Per capital inhabitant's tax	0.3	0.4
Tax credit for experimentation and research expenses	(1.8)	(1.9)
Increase (decrease) in valuation allowance	1.2	0.7
Amortization of goodwill, etc.	0.0	0.0
Consolidation adjustments for loss (gain) on sales of shares of subsidiaries and affiliates	0.6	(2.2)
Others	0.6	0.4
Effective tax rate	32.1%	28.6%

13 Retirement and Severance Benefits

Outline of the retirement benefit plans adopted by the Group

The Group adopts employees' retirement benefit plans, consisting of lump-sum severance payment plans based on retirement benefits rules, defined benefit plans, defined contribution pension plans and employees' pension funds. There are also cases in which additional retirement benefits are paid when employees leave the Group before retirement age.

Some consolidated subsidiaries have established retirement benefit trusts, and some consolidated subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid system.

Notes to Consolidated Financial Statements

Defined benefit plans

1) Reconciliation of the beginning and ending balances of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Beginning balance of retirement benefit obligations	¥ 139,152	¥ 140,519	\$ 1,256,905
Service cost	5,987	6,138	54,082
Interest cost	747	767	6,754
Actuarial gains or losses	352	1,530	3,181
Retirement benefits paid	(7,497)	(7,695)	(67,725)
Prior service costs incurred during fiscal year	—	(1,195)	—
Decrease due to exclusion from consolidation	(832)	(897)	(7,519)
Others	62	(14)	565
Ending balance of retirement benefit obligations	¥ 137,971	¥ 139,152	\$ 1,246,243

(Note) In regard to the multi-employer defined benefit pension plan, the amount of retirement benefit obligation has not been included in the aforementioned data because of the difficulty in reasonably calculating the amount of plan assets corresponding to the Group's contributions.

2) Reconciliation of the beginning and ending balances of plan assets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Beginning balance of plan assets	¥ 99,242	¥ 106,963	\$ 896,416
Expected return on plan assets	2,294	2,395	20,724
Actuarial gains or losses	8,145	(6,166)	73,572
Contributions from employer	1,712	1,686	15,464
Retirement benefits paid	(5,245)	(5,193)	(47,381)
Decrease due to exclusion from consolidation	—	(411)	—
Others	(117)	(31)	(1,058)
Ending balance of plan assets	¥ 106,030	¥ 99,242	\$ 957,736

(Note) The multi-employer defined benefit pension plan is not included in plan assets.

3) Reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations of funded plans	¥ 132,645	¥ 133,158	\$ 1,198,130
Plan assets	(106,030)	(99,242)	(957,736)
	26,614	33,915	240,393
Retirement benefit obligations of non-funded plans	5,326	5,993	48,113
Net amount of liability and asset recorded on the consolidated balance sheet	31,940	39,909	288,507
Retirement benefit liability	55,198	55,410	498,590
Retirement benefit asset	(23,258)	(15,500)	210,083
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 31,940	¥ 39,909	\$ 288,507

4) Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 5,987	¥ 6,138	\$ 54,082
Interest cost	747	767	6,754
Expected return on plan assets	(2,294)	(2,395)	(20,724)
Amortization of actuarial gains or losses	5,232	2,194	47,258
Amortization of prior service cost	(72)	39	(652)
Others	(7)	(9)	(70)
Retirement benefit cost related to defined benefit plans	¥ 9,592	¥ 6,733	\$ 86,648

(Note) Includes cost calculated using the simplified method and excludes employees' contributions to the corporate pension funds.

5) Remeasurements of defined benefit plans recorded in the consolidated statement of comprehensive income (before tax effect)

The breakdown of items recorded in remeasurements of defined benefit plans in other comprehensive income (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Amortization of actuarial gains or losses	¥ 13,059	¥ (5,425)	\$ 117,965
Amortization of prior service cost	(72)	1,262	(652)
Total	¥ 12,987	¥ (4,162)	\$ 117,312

6) Remeasurements of defined benefit plans recorded in the consolidated balance sheet

The breakdown of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial gains or losses	¥ 8,865	¥ 21,925	\$ 80,075
Unrecognized prior service cost	(707)	(779)	(6,387)
Total	¥ 8,158	¥ 21,145	\$ 73,688

7) Plan Assets

(1) Major categories of plan assets as a percentage of total plan assets are as follows:

	2021	2020
Bonds	35%	39%
Stocks	15	15
Alternatives ^(Note 1)	36	37
Cash and deposits	6	4
Others	8	5
Total	100%	100%

(Note 1) "Alternatives" includes multi-asset management, hedge funds, and investment in real estate and other investments.

(Note 2) The total amount of plan assets includes the retirement benefit trust for corporate pension funds and the lump-sum severance payment plan representing 8% in the current consolidated accounting period and 9% in the previous consolidated accounting period.

Notes to Consolidated Financial Statements

(2) Method of determining long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up the plan assets.

8) Actuarial assumptions

Actuarial assumptions are as follows:

	2021	2020
Discount rate	0.2–0.9%	0.2–0.9%
Expected future salary increase rate	Principally 1.4%	Principally 1.4%
Long-term expected rate of return on assets	Principally 2.5%	Principally 2.5%

Defined contribution plans

The amount of required contribution to defined contribution plans for the consolidated subsidiaries is ¥1,213 million (\$10,960 thousand) in the current consolidated accounting period and ¥1,226 million in the previous consolidated accounting period.

14 Unconsolidated Subsidiaries and Affiliates

As of March 31, 2021 and 2020, investment securities of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities (stock)	¥ 49,252	¥ 18,239	\$ 444,876

15 Contingent Liabilities

As of March 31, 2021 and 2020, contingent liabilities are as follows:

1) Guaranteed obligations

The Group is contingently liable as guarantor of loans from financial institutions to the following unconsolidated subsidiaries and employees:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Sendai Feed Co., Ltd.	¥ 51	¥ 64	\$ 467
Makiba Feed Co., Ltd.	1,038	1,158	9,382
Meiji India Pvt. Ltd.	—	24	—
DM Bio Limited	958	874	8,657
Employees	31	47	282
Total	¥ 2,080	¥ 2,168	\$ 18,790

Debt for the following bonds have been transferred in accordance with a bond trust-type debt assumption agreement concluded with a bank. As a result, the transfer obligations related to these bonds are counterbalanced through the payment amount associated with the agreement. However, the Company's bond redemption obligations to bond holders will remain until the bonds have been redeemed.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
6th Series of Unsecured Straight Bond	¥—	¥ 15,000	\$—

2) Notes receivable discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Notes receivable-trade discounted	¥ —	¥ 9	\$ —
Notes receivable-trade endorsed	19	52	180

16 Reduced Entry

The following amounts were deducted from the acquisition costs of property, plant and equipment due to the granting of national subsidies, etc.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥ 194	¥ —	\$ 1,754
Machinery, equipment and vehicles	269	177	2,438
Tools, furniture and fixtures	61	—	552
Total	¥ 525	¥ 177	\$ 4,745

17 Commitment Line Agreements

The Company enters into commitment line agreements with six financial institutions for the purpose of securing a flexible measure for raising funds and improving capital efficiency.

The unused portion of the commitment line based on these agreements as of March 31, 2021 and 2020, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Maximum loan amount	¥ 20,000	¥ 20,000	\$ 180,652
Used portion of the commitment line	—	—	—
Balance	¥ 20,000	¥ 20,000	\$ 180,652

Notes to Consolidated Financial Statements

18 Consolidated Statement of Changes in Equity

1) Matters related to types and total numbers of shares issued and treasury stock

Types of shares	Number of shares as of March 31, 2020 (Thousands)	2021		Number of shares as of March 31, 2021 (Thousands)
		Increase (Thousands)	Decrease (Thousands)	
Shares issued:				
Common stock	152,683	—	—	152,683
Treasury stock:				
Common stock ^(Notes 1, 2)	7,613	4	33	7,584

(Note 1) The treasury common stock increased by 4 thousand shares due to an increase in the purchase of 3 thousand shares that are less than one unit and free-of-charge acquisition of 1 thousand restricted shares.

(Note 2) The treasury common stock decreased by 33 thousand shares due to the disposal of 33 thousand treasury stock used for restricted stock compensation and decreased by 0 thousand shares due to the sales of shares that were less than one unit.

Types of shares	Number of shares as of March 31, 2019 (Thousands)	2020		Number of shares as of March 31, 2020 (Thousands)
		Increase (Thousands)	Decrease (Thousands)	
Shares issued:				
Common stock	152,683	—	—	152,683
Treasury stock:				
Common stock ^(Notes 1, 2)	7,650	4	41	7,613

(Note 1) The treasury common stock increased by 4 thousand shares due to an increase in the purchase of shares that are less than one unit.

(Note 2) The treasury common stock decreased by 41 thousand shares due to the disposal of 40 thousand treasury stock used for restricted stock compensation and decreased by 0 thousand shares due to the sales of shares that were less than one unit.

2) Matters related to dividends

(1) Cash dividends paid

Resolution	Types of shares	2021		Dividends per share		Cut-off date	Effective date
		Total amount of dividends		Yen	U.S. dollars		
		Millions of yen	Thousands of U.S. dollars				
Board of Directors' meeting held on May 22, 2020	Common stock	¥11,605	\$104,828	¥80.00	\$0.72	March 31, 2020	June 10, 2020
Board of Directors' meeting held on November 10, 2020	Common stock	10,882	98,297	75.00	0.67	September 30, 2020	December 8, 2020

Resolution	Types of shares	2020		Cut-off date	Effective date
		Total amount of dividends			
		Millions of yen	Yen		
Board of Directors' meeting held on May 13, 2019	Common stock	¥10,877	¥75.00	March 31, 2019	June 6, 2019
Board of Directors' meeting held on November 8, 2019	Common stock	10,155	75.00	September 30, 2019	December 6, 2019

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2021, and with the effective date in the fiscal year ending March 31, 2022

Resolution	Types of shares	2021		Source of dividends	Dividends per share		Cut-off date	Effective date
		Total amount of dividends			Yen	U.S. dollars		
		Millions of yen	Thousands of U.S. dollars					
Board of Directors' meeting held on May 18, 2021	Common stock	¥12,333	\$111,402	Retained earnings	¥85.00	\$0.76	March 31, 2021	June 7, 2021

Resolution	Types of shares	2020		Source of dividends	Dividends per share		Cut-off date	Effective date
		Total amount of dividends			Yen	U.S. dollars		
		Millions of yen	Thousands of U.S. dollars					
Board of Directors' meeting held on May 22, 2020	Common stock	¥11,605		Retained earnings	¥80.00		March 31, 2020	June 10, 2020

3) Shareholders' equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

19 Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥40,328	¥37,446	\$364,275
Time deposits with maturities of more than three months	(1,317)	(1,679)	(11,897)
Securities with maturities up to three months	—	1,343	—
Cash and cash equivalents	¥39,011	¥37,110	\$352,378

20 Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Carriage and storage charges	¥45,584	¥47,732	\$411,746
Sales promotion expenses	98,970	103,093	893,961
Labor cost	72,742	75,519	657,051
Provision for accrued bonuses	6,955	7,190	62,822
Employees' retirement benefit cost	7,597	5,563	68,625
Allowance for sales rebates	1,886	1,908	17,038

Notes to Consolidated Financial Statements

21 Research and Development Costs

The research and development costs that were included in manufacturing expenses and selling, general and administrative expenses during the fiscal years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Research and development costs	¥31,404	¥31,446	\$283,662

22 Gain on sales of tangible and intangible assets

Gain on sales of tangible and intangible assets for the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land	¥463	¥1,066	\$4,185
Other non-current assets	70	76	636
Total	¥533	¥1,142	\$4,821

23 Loss on disposal of tangible and intangible assets

Loss on disposal of tangible and intangible assets for the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥277	¥177	\$2,509
Machinery, equipment and vehicles	1,320	1,242	11,926
Others	1,383	1,129	12,495
Total	¥2,981	¥2,549	\$26,932

24 Impairment Loss

Impairment losses for the fiscal year ended March 31, 2021, are as follows:

Application	Type	Location
Assets in use	Machinery, equipment and buildings, etc.	Kasai-gun, Hokkaido
Idle assets	Machinery, equipment and buildings, etc.	Kurashiki-shi, Okayama Prefecture
Assets in use and idle assets	Buildings and structures, etc.	Nonoichi-shi, Ishikawa Prefecture
Assets in use	Land	Kasaoka-shi, Okayama Prefecture
Idle assets	Machinery, equipment and structures, etc.	Sapporo-shi, Hokkaido
Assets in use	Buildings and structures	Shizuoka-shi, Shizuoka Prefecture
Assets in use	Machinery, equipment, tools, furniture and fixtures, etc.	Kamiyama-shi, Yamagata Prefecture
Assets in use	Intangible assets	Madrid, Spain

We group our assets based on the business types for the impairment test. In addition, assets leased to others and idle assets are individually assessed for impairment.

In the fiscal year ended March 31, 2021, due to a decrease in the profitability of some assets, the carrying values of those assets were reduced to recoverable amounts, and impairment losses of ¥2,762 million (\$24,950 thousand) were recognized as extraordinary losses.

Of this amount, for assets in use, ¥747 million (\$6,751 thousand) was buildings and structures; ¥854 million (\$7,714 thousand) was machinery, equipment and vehicles; ¥34 million (\$309 thousand) was tools, furniture and fixtures; ¥250 million (\$2,264 thousand) was land; and ¥3 million (\$30 thousand) was intangible assets.

In addition, for idle assets, ¥150 million (\$1,356 thousand) was buildings and structures; ¥707 million (\$6,394 thousand) was machinery, equipment and vehicles; and ¥14 million (\$128 thousand) was tools, furniture and fixtures.

Additionally, the recoverable amounts of assets in use with decreased profitability have been measured based on value in use. For assets in use in Kasai-gun, Hokkaido Prefecture, the value in use is calculated by discounting the future cash flow at a rate of 5.00%.

The recoverable amounts for other assets in use and idle assets have been measured based on the net selling values when measurable, and the carrying values of these assets have been reduced to memorandum values or expected sales amounts, etc.

Impairment losses for the fiscal year ended March 31, 2020, are as follows:

Application	Type	Location
Assets in use	Machinery, equipment and buildings, etc.	Kasai-gun, Hokkaido
Assets in use	Buildings and structures, etc.	Kamiyama-shi, Yamagata Prefecture
Idle assets	Land and buildings, etc.	Hiroshima-shi, Hiroshima Prefecture
Idle assets	Machinery, equipment and buildings, etc.	Nonoichi-shi, Ishikawa Prefecture
Idle assets	Buildings and structures	Fujieda-shi, Shizuoka Prefecture
Assets in use	Intangible assets	Madrid, Spain
Assets in use	Building, tools, furniture and fixtures	Sakai-shi, Osaka Prefecture
Assets in use	Building, tools, furniture and fixtures	Kyoto-shi, Kyoto Prefecture

We group our assets based on the business types for the impairment test. In addition, assets leased to others and idle assets are individually assessed for impairment.

In the fiscal year ended March 31, 2020, due to a decrease in the profitability of some assets, the carrying values of those assets were reduced to recoverable amounts, and impairment losses of ¥2,390 million were recognized as extraordinary losses.

Of this amount, for assets in use, ¥814 million was buildings and structures; ¥862 million was machinery, equipment and vehicles; ¥30 million was tools, furniture and fixtures; ¥6 million was intangible assets.

In addition, for idle assets, ¥144 million was buildings and structures; ¥243 million was machinery, equipment and vehicles; ¥4 million was tools, furniture and fixtures; ¥283 million was land.

Additionally, the recoverable amounts of assets in use with decreased profitability have been measured based on value in use. For assets in use in Kasai-gun, Hokkaido Prefecture, the value in use is calculated by discounting the future cash flow at a rate of 5.00%.

The recoverable amounts for other assets in use and idle assets have been measured based on the net selling values when measurable, and the carrying values of these assets have been reduced to memorandum values or expected sales amounts, etc.

Notes to Consolidated Financial Statements

25 Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount incurred during the current year	¥10,485	¥ (7,616)	\$ 94,707
Reclassification adjustments for gains and losses included in profit	(311)	(1,075)	(2,815)
Amount before tax effect	10,173	(8,692)	91,891
Tax effect	(3,134)	2,372	(28,316)
Valuation difference on available-for-sale securities	7,037	(6,320)	63,570
Deferred gains or losses on hedges:			
Amount incurred during the current year	(21)	73	(195)
Reclassification adjustments for gains and losses included in profit	—	—	—
Asset acquisition costs adjustments	—	—	—
Amount before tax effect	(21)	73	(195)
Tax effect	6	(22)	59
Deferred gains or losses on hedges	(15)	51	(135)
Foreign currency translation adjustment:			
Amount incurred during the current year	(1,219)	(1,461)	(11,017)
Reclassification adjustments for gains and losses included in profit	—	—	—
Foreign currency translation adjustment	(1,219)	(1,461)	(11,017)
Remeasurements of defined benefit plans, net of tax:			
Amount incurred during the current year	7,827	(6,494)	70,706
Reclassification adjustments for gains and losses included in profit	5,159	2,331	46,606
Amount before tax effect	12,987	(4,162)	117,312
Tax effect	3,970	(1,554)	35,867
Remeasurements of defined benefit plans, net of tax	9,016	(2,608)	81,445
Share of other comprehensive income of entities accounted for using equity method:			
Amount incurred during the current year	404	(53)	3,649
Total other comprehensive income	¥15,224	¥ (10,392)	\$ 137,512

26 Derivative Financial Instruments

Matters related to derivative transactions in the fiscal year ended March 31, 2021

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

None

(2) Interest rate-related transactions

None

2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Type of transactions	Primary hedged items	Millions of yen			Thousands of U.S. dollars		
		Contract amount, etc.	Portion with maturity over one year	Fair value	Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:							
Principle method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable-trade	¥ 1,295	¥—	¥ 57	\$ 11,703	\$—	\$ 516
Sell							
U.S. dollar	Accounts receivable-trade	—	—	—	—	—	—
Hedge accounting method:							
Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable-trade	624	—	(Notes)	5,638	—	(Notes)
Euro	Accounts payable-trade	—	—	(Notes)	—	—	(Notes)
Pound	Accounts payable-trade	39	—	(Notes)	359	—	(Notes)
Australian dollar	Accounts payable-trade	—	—	(Notes)	—	—	(Notes)
Sell							
U.S. dollar	Accounts receivable-trade	—	—	(Notes)	—	—	(Notes)
Euro	Accounts receivable-trade	—	—	(Notes)	—	—	(Notes)
Total		¥ 1,959	¥—	¥ 57	\$ 17,701	\$—	\$ 516

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.

(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable-trade and accounts receivable-trade, their fair values are included in the fair value information of the respective accounts payable-trade and accounts receivable-trade.

Notes to Consolidated Financial Statements

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen			Thousands of U.S. dollars		
		2021			2021		
		Contract amount, etc.	Portion with maturity over one year	Fair value	Contract amount, etc.	Portion with maturity over one year	Fair value
Method of hedge accounting:							
Integrated method (shortcut method, allocation method) of interest rate and currency swap							
Interest rate and currency swap contracts							
Fixed rate payments/variable rate receipts	Long-term borrowings	¥14,655	¥13,609	(Note)	\$132,381	\$122,925	(Note)

(Note) Method for determining fair value: Since the items above are handled together with long-term borrowings that are subject to hedging, the estimated fair value of these items is included in the fair value of the long-term borrowings.

Matters related to derivative transactions in the fiscal year ended March 31, 2020

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

Type of transactions	Millions of yen			
	2020			
	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:				
Currency swap contracts				
Buy				
U.S. dollar	391	—	45	45
Total	¥391	¥—	¥45	¥45

(Note) Fair value is based on the statements received from the counterparty financial institutions.

(2) Interest rate-related transactions

None

2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Type of transactions	Primary hedged items	Millions of yen		
		2020		
		Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:				
Principle method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable-trade	¥ 3,567	¥—	¥78
Sell				
U.S. dollar	Accounts receivable-trade	—	—	—
Hedge accounting method:				
Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable-trade	826	—	(Notes)
Euro	Accounts payable-trade	—	—	(Notes)
Pound	Accounts payable-trade	237	—	(Notes)
Australian dollar	Accounts payable-trade	30	—	(Notes)
Sell				
U.S. dollar	Accounts receivable-trade	—	—	(Notes)
Euro	Accounts receivable-trade	—	—	(Notes)
Total		¥ 4,660	¥—	¥78

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.

(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable-trade and accounts receivable-trade, their fair values are included in the fair value information of the respective accounts payable-trade and accounts receivable-trade.

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen		
		2020		
		Contract amount, etc.	Portion with maturity over one year	Fair value
Method of hedge accounting:				
Integrated method (shortcut method, allocation method) of interest rate and currency swap				
Interest rate and currency swap contracts				
Fixed rate payments/variable rate receipts	Long-term borrowings	¥15,702	¥14,655	(Note)

(Note) Method for determining fair value: Since the items above are handled together with long-term borrowings that are subject to hedging, the estimated fair value of these items is included in the fair value of the long-term borrowings.

Notes to Consolidated Financial Statements

27 Segment Information

Reporting segments of the Group are components of the Group by which separate financial information is available and evaluated regularly by the Board of Directors in deciding how to allocate resources and assessing performance.

The Group has operational subsidiaries organized based on products and services. Operational subsidiaries develop their business activities by formulating comprehensive strategies for Japan and overseas with respect to their products and services.

Accordingly, the Group comprises segments based on operational subsidiaries and has two reporting segments: the Food segment and the Pharmaceutical segment.

	Millions of yen				
	2021			Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
	Reporting segments				
	Food	Pharmaceutical	Total		
Net sales					
(1) Sales to third parties	¥ 998,988	¥ 192,776	¥ 1,191,765	¥ —	¥ 1,191,765
(2) Intersegment sales and transfers	684	888	1,573	(1,573)	—
Total	999,673	193,664	1,193,338	(1,573)	1,191,765
Segment income (loss)	87,463	19,105	106,568	(507)	106,061
Segment assets	¥ 755,214	¥ 286,387	¥ 1,041,601	¥ 25,399	¥ 1,067,000
Other items					
Depreciation	¥ 39,259	¥ 8,937	¥ 48,196	¥ 215	¥ 48,411
Impairment Loss	2,758	3	2,762	—	2,762
Amortization of goodwill (Note 3)	15	—	15	—	15
Equity in income of affiliates	37,070	4,346	41,416	—	41,416
Increase in property, plant and equipment/intangible assets	55,859	12,671	68,531	179	68,710

	Thousands of U.S. dollars				
	2021			Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
	Reporting segments				
	Food	Pharmaceutical	Total		
Net sales					
(1) Sales to third parties	\$ 9,023,475	\$ 1,741,272	\$ 10,764,747	\$ —	\$ 10,764,747
(2) Intersegment sales and transfers	6,185	8,026	14,212	(14,212)	—
Total	9,029,661	1,749,298	10,778,960	(14,212)	10,764,747
Segment income (loss)	790,021	172,574	962,595	(4,583)	958,011
Segment assets	\$ 6,821,554	\$ 2,586,824	\$ 9,408,378	\$ 229,420	\$ 9,637,799
Other items					
Depreciation	\$ 354,614	\$ 80,724	\$ 435,338	\$ 1,942	\$ 437,281
Impairment Loss	24,920	30	24,950	—	24,950
Amortization of goodwill (Note 3)	139	—	139	—	139
Equity in income of affiliates	334,840	39,257	374,097	—	374,097
Increase in property, plant and equipment/intangible assets	504,558	114,456	619,014	1,619	620,634

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥507 million or negative \$4,583 thousand) includes the elimination of expenses for intersegment transactions (¥3 million or \$29 thousand) and the corporate expenses not allocated to each reporting segment (negative ¥510 million or negative \$4,613 thousand). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥25,399 million or \$229,420 thousand) includes the elimination of intersegmental assets (negative ¥90,809 million or negative \$820,251 thousand) and the corporate assets not allocated to each reporting segment (¥116,209 million or \$1,049,671 thousand). The main corporate assets include the Company's (holding company) surplus management funds (cash and deposits), long-term investment funds (investment securities) and other assets held by the Company (holding company).

(Note 2) The segment income is adjusted based on operating income in the consolidated statement of income.

(Note 3) The balance of goodwill as of the end of the current fiscal year was ¥42 million (\$382 thousand), comprising ¥42 million (\$382 thousand) for the Food segment and zero for the Pharmaceutical segment, and there were no adjustments.

	Millions of yen				
	2020			Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
	Reporting segments				
	Food	Pharmaceutical	Total		
Net sales					
(1) Sales to third parties	¥ 1,048,963	¥ 203,742	¥ 1,252,706	¥ —	¥ 1,252,706
(2) Intersegment sales and transfers	596	611	1,207	(1,207)	—
Total	1,049,559	204,354	1,253,914	(1,207)	1,252,706
Segment income (loss)	87,340	15,984	103,324	(614)	102,710
Segment assets	¥ 705,346	¥ 272,092	¥ 977,438	¥ 21,481	¥ 998,920
Other items					
Depreciation	¥ 37,469	¥ 8,515	¥ 45,984	¥ 213	¥ 46,198
Impairment Loss	2,076	313	2,390	—	2,390
Amortization of goodwill (Note 3)	15	18	33	—	33
Equity in income of affiliates	7,199	5,182	12,382	—	12,382
Increase in property, plant and equipment/intangible assets	55,729	10,330	66,060	156	66,216

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥614 million) includes the elimination of expenses for intersegment transactions (¥13 million) and the corporate expenses not allocated to each reporting segment (negative ¥627 million). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥21,481 million) includes the elimination of intersegmental assets (negative ¥87,399 million) and the corporate assets not allocated to each reporting segment (¥108,880 million).

The main corporate assets include the Company's (holding company) surplus management funds (cash and deposits), long-term investment funds (investment securities) and other assets held by the Company (holding company).

(Note 2) The segment income is adjusted based on operating income in the consolidated statement of income.

(Note 3) The balance of goodwill as of the end of the current fiscal year was ¥57 million, comprising ¥57 million for the Food segment and zero for the Pharmaceutical segment, and there were no adjustments.

28 Related Information

Related information for the consolidated fiscal years ended March 31, 2021 and 2020

(1) Information by product and service

	Millions of yen						
	2021						
	Fresh and fermented dairy	Processed food	Confectionery	Nutritionals	Pharmaceuticals	Other	Total
Sales to third parties	¥ 380,954	¥ 160,182	¥ 119,264	¥ 88,702	¥ 192,776	¥ 249,885	¥ 1,191,765

	Thousands of U.S. dollars						
	2021						
	Fresh and fermented dairy	Processed food	Confectionery	Nutritionals	Pharmaceuticals	Other	Total
Sales to third parties	\$ 3,441,008	\$ 1,446,866	\$ 1,077,270	\$ 801,213	\$ 1,741,272	\$ 2,257,115	\$ 10,764,747

	Millions of yen						
	2020						
	Fresh and fermented dairy	Processed food	Confectionery	Nutritionals	Pharmaceuticals	Other	Total
Sales to third parties	¥ 394,591	¥ 159,230	¥ 128,214	¥ 85,711	¥ 203,742	¥ 281,215	¥ 1,252,706

Notes to Consolidated Financial Statements

(2) Information by region

Millions of yen				
2021				
	Japan	Asia	Other	Total
Property, plant and equipment	¥414,171	¥36,360	¥4,462	¥454,994

Thousands of U.S. dollars				
2021				
	Japan	Asia	Other	Total
Property, plant and equipment	\$3,741,045	\$328,432	\$40,312	\$4,109,790

Millions of yen				
2020				
	Japan	Asia	Other	Total
Property, plant and equipment	¥408,264	¥30,925	¥5,001	¥444,191

29 Information About Related Parties

Transactions between the company submitting the consolidated financial statements and the related parties in the fiscal year ended March 31, 2021

Officers and principal shareholders (only for individual parties) for the company submitting the consolidated financial statements and related items

Category	Name of person, company, etc.	Common shares	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related parties	Description of transaction (Note)	Amount of transaction		Account	Balance at the end of the fiscal year being reported
							Millions of yen	Thousands of U.S. dollars		
Director	Kazuo Kawamura	—	President and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	¥18	\$169	—	—
Director of significant subsidiary	Katsunari Matsuda	—	The Member of the Board and President and Representative Director of Meiji	0.0%	—	Contributions in kind for monetary compensation claims	14	130	—	—
Director of significant subsidiary	Daikichiro Kobayashi	—	The Member of the Board and President and Representative Director of Meiji Seika Pharma	0.0%	—	Contributions in kind for monetary compensation claims	11	103	—	—

(Note) Transaction conditions and policy for establishing transaction conditions, etc.
This refers to contributions in kind for monetary compensation claims based on the Restricted Stock Compensation Plan.

Transactions between the company submitting the consolidated financial statements and the related parties in the fiscal year ended March 31, 2020

Officers and principal shareholders (only for individual parties) for the company submitting the consolidated financial statements and related items

Category	Name of person, company, etc.	Common shares	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related parties	Description of transaction (Note)	Amount of transaction		Account	Balance at the end of the fiscal year being reported
							Millions of yen	Account		
Director	Masahiko Matsuo	—	Chairman and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	¥11	—	—	—
Director	Kazuo Kawamura	—	President and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	18	—	—	—
Director of significant subsidiary	Katsunari Matsuda	—	The Member of the Board and President and Representative Director of Meiji	0.0%	—	Contributions in kind for monetary compensation claims	14	—	—	—
Director of significant subsidiary	Daikichiro Kobayashi	—	The Member of the Board and President and Representative Director of Meiji Seika Pharma	0.0%	—	Contributions in kind for monetary compensation claims	11	—	—	—

(Note) Transaction conditions and policy for establishing transaction conditions, etc.
This refers to contributions in kind for monetary compensation claims based on the Restricted Stock Compensation Plan.

30 Per Share Information

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 4,282.80	¥ 3,879.18	\$ 38.68
Earnings per share	452.52	464.08	4.08

(Note 1) Diluted earnings per share are not presented because there are no potential shares.

(Note 2) The basis for calculation of earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Profit attributable to owners of parent	¥ 65,655	¥ 67,318	\$ 593,044
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent related to common stock	65,655	67,318	593,044
Average number of common shares during the fiscal year (thousand shares)	145,089	145,058	

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Meiji Holdings Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Meiji Holdings Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Allocation of the cost of the investment in AustAsia Investment Holdings Pte LTD. at the acquisition date to assets and liabilities and the amortization period for customer-related assets and goodwill

Description of Key Audit Matter	Auditor's Response
<p>As described in Notes 3 and 6 to the consolidated financial statements, the Group acquired 25% of the shares in AustAsia Investment Holdings Pte LTD. (hereinafter, "AustAsia") on July 3, 2020 and it became an equity-method affiliate of the Group. The cost of acquiring the shares in AustAsia was ¥28,540 million.</p> <p>For investment in an affiliate accounted for by the equity method, the difference between the investment amount and the Group's share of the carrying amount of the net assets of the investee comprises (i) the difference between the net assets of the investee and the fair value of the identifiable assets and liabilities of the investee as of the acquisition date and (ii) goodwill arising from the investment, both of which are included in the carrying amount of investment in an affiliate accounted for by the equity method.</p> <p>In allocating the investment amount to assets and liabilities, the Group identifies the customer-related assets and recognizes the remaining amount as goodwill.</p> <p>The Group decided to use a 10-year amortization period for customer-related assets of ¥11,725 million and goodwill of ¥2,114 million recognized upon the acquisition in consideration of the period that it will take to recover the customer-related assets and goodwill by the cumulative earnings before interest and taxes (EBIT) based on the business plan.</p> <p>Based on the above, considering that management is required to make significant judgments related to the series of accounting treatments, we have determined that the allocation of the investment amount in AustAsia at the investment date to assets and liabilities and the amortization period for the customer-related assets and goodwill are key audit matters.</p>	<p>We mainly performed the following audit procedures regarding the allocation of the cost of the investment in AustAsia to assets and liabilities and the amortization period for the customer-related assets and goodwill.</p> <ul style="list-style-type: none"> We evaluated the competence, capabilities, and objectivity of specialists used by the Group. We evaluated key assumptions used by the Group in its assessment of the fair value of the customer-related assets and the business plan forming the basis for determining the amortization period for such assets, namely, farm development plan, raw milk consumption and raw milk prices, by making inquiries of management and comparing these assumptions to available external data. We evaluated the method applied by the Group for measuring the customer-related assets as well as the sales growth rate, sales attrition rate, and discount rate used in determining the future cash flow for the assessment of fair value of the assets by involving our valuation specialist at EY network firms and making inquiries of the specialists utilized by the Group for the above assessment. We inspected materials that were referenced in considerations of the amortization period for the customer-related assets and goodwill and discussed the details of such materials with management.

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Independent Auditor's Report



Estimates of value in use utilized in impairment testing for fixed assets held by DM Bio Limited.

Description of Key Audit Matter	Auditor's Response
<p>In the consolidated balance sheet as of the end of the fiscal year ended March 31, 2021, the Group has been recorded a balance of equity method investment of ¥4,346 million for DM Bio Limited. (hereinafter, "DM Bio") in which the Group has a 49% of shares.</p> <p>Major assets held by DM Bio are non-current assets related to the production and development of biopharmaceuticals, and the balance of non-current assets in DM Bio is ¥11,704 million as of the end of the current fiscal year.</p> <p>As described in Note 3 to the consolidated financial statements, indication of impairment for the non-current assets held by DM Bio has been identified due to continuous operating losses recorded. Accordingly, the non-current assets were tested for impairment and, as a result, no impairment loss was recognized since the value in use exceeds the carrying amount of the non-current assets.</p> <p>Key assumptions used in measuring value in use are the discount rate, growth rate and sales period for major development items. In addition, estimates include significant judgments by management regarding the results of clinical trials for the development of biopharmaceuticals.</p> <p>Based on the above, considering that estimates of value in use are significantly affected by the assumptions and judgments of management and thus subject to uncertainty, we have determined that estimates of value in use utilized in impairment testing for non-current assets at DM Bio are key audit matters.</p>	<p>We mainly performed the following audit procedures in considering the valuation of non-current assets held by DM Bio.</p> <ul style="list-style-type: none"> We evaluated the competence, capabilities, and objectivity of specialists used by the Group. In order to evaluate estimates of future cash flows used in determining value in use, we made inquiries of management about their approach to formulating future the business plan, which serve as the basis for estimates of future cash flows. We evaluated key assumptions underlying future cash flows used in determining value in use, namely, growth rate and sales period for major development items, by comparing these assumptions to available external data. With regards to the discount rate used in determining value in use, we evaluated the acceptability of the valuation method and compared the source data to available external data.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent Auditor's Report



We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Member and the Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan


June 29, 2021

高田 慎司 

Shinji Takada
Designated Engagement Partner
Certified Public Accountant

江村 羊奈子 

Yonako Emura
Designated Engagement Partner
Certified Public Accountant

衣川 清隆 

Kiyotaka Kinugawa
Designated Engagement Partner
Certified Public Accountant

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Operating Bases and Group Companies (As of July 1, 2021)

The Meiji Group uses its extensive global network and conducts R&D, production and distribution to provide a stable supply of high quality food products and pharmaceuticals, in order to maintain society's trust in the Meiji brand.

Domestic

▼ Food Segment

Meiji Co., Ltd.

■ Head Office ★ Research Laboratory □ Branch ▲ Plant ● Group Company

Research Laboratory **1** Branch **5**

Plant **26** Group Company **23**

▼ Pharmaceutical Segment

Meiji Seika Pharma Co., Ltd.

■ Head Office ★ Research Laboratory □ Branch ▲ Plant ● Group Company

Research Laboratory **2** Branch **14**

Plant **2** Group Company **4**

KM Biologics Co., Ltd.

■ Head Office ★ Research Center □ Office ▲ Production Center

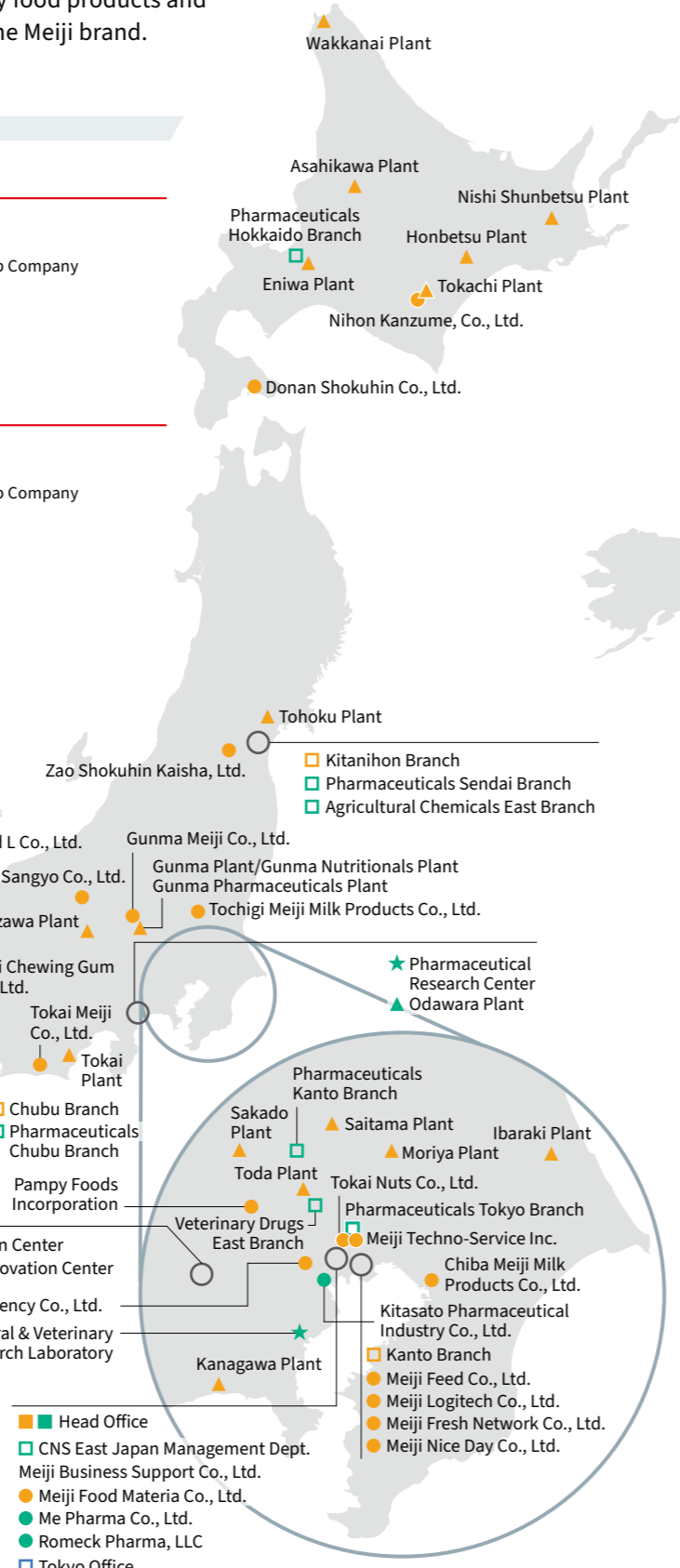
Research Center **1** Office **1**

Production Center **4**

▼ Companywide Common

Meiji Business Support Co., Ltd.

□ Nishinohon Branch
 □ Pharmaceuticals Fukuoka Branch
 □ Pharmaceuticals Chugoku & Shikoku Branch
 ▲ Kyushu Plant
 □ Kansai Branch
 □ Pharmaceuticals Kansai Branch
 □ CNS West Japan Management Dept.
 □ Agricultural Chemicals West Branch
 ▲ Kumamoto Production Center
 ▲ Kikuchi Production Center
 ★ Kikuchi Research Center
 ▲ Koshi Production Center
 ▲ Aso Production Center
 ▲ Kyoto Plant
 ● Meiji Oils and Fats Co., Ltd.
 ● OHKURA Pharmaceutical Co., Ltd.
 ● KCS Co., Ltd.
 ● Kurashiki Plant
 ● Osaka Plant
 ● Shikoku Meiji Co., Ltd.
 ● Kansai Plant
 ● Kansai Ice Cream Plant
 ● Kansai Nutritionals Plant
 ● Aichi Plant
 ● Chubu Branch
 ● Pharmaceuticals Chubu Branch
 ● Pampy Foods Incorporation
 ● Co-Creation Center
 ● Meiji Innovation Center
 ● Meiji Ad Agency Co., Ltd.
 ● Agricultural & Veterinary Research Laboratory
 ● Gifu Plant
 ● Karuizawa Plant
 ● Meiji Chewing Gum Co., Ltd.
 ● Tokai Meiji Co., Ltd.
 ● Tokai Plant
 ● Chubu Branch
 ● Pharmaceuticals Chubu Branch
 ● Pampy Foods Incorporation
 ● Co-Creation Center
 ● Meiji Innovation Center
 ● Meiji Ad Agency Co., Ltd.
 ● Agricultural & Veterinary Research Laboratory
 ● Gunma Plant/Gunma Nutritionals Plant
 ● Gunma Pharmaceuticals Plant
 ● Tochigi Meiji Milk Products Co., Ltd.
 ● Pharmaceutical Research Center
 ● Odawara Plant
 ● Sakado Plant
 ● Saitama Plant
 ● Ibaraki Plant
 ● Moriya Plant
 ● Toda Plant
 ● Tokai Nuts Co., Ltd.
 ● Pharmaceuticals Tokyo Branch
 ● Veterinary Drugs East Branch
 ● Meiji Techno-Service Inc.
 ● Chiba Meiji Milk Products Co., Ltd.
 ● Kitasato Pharmaceutical Industry Co., Ltd.
 ● Kanagawa Plant
 ● Meiji Feed Co., Ltd.
 ● Meiji Logitech Co., Ltd.
 ● Meiji Fresh Network Co., Ltd.
 ● Meiji Nice Day Co., Ltd.



Overseas

▼ Food Segment

Meiji Co., Ltd.

□ Head Office ● Group Company

Office **1**

Group Company **16**

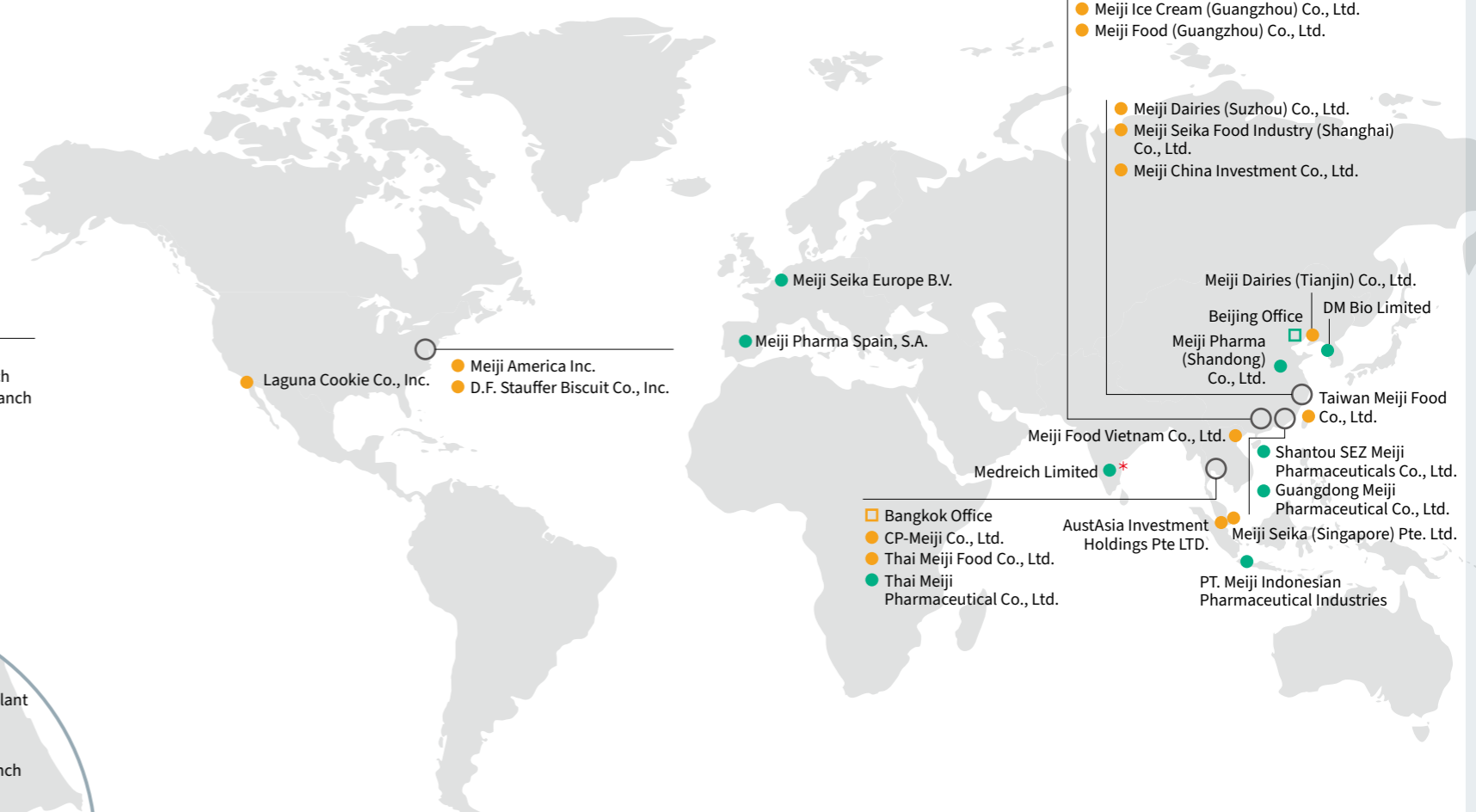
▼ Pharmaceutical Segment

Meiji Seika Pharma Co., Ltd.

□ Head Office ● Group Company

Office **1**

Group Company **17**



* The eight subsidiaries of Medreich Limited are not shown.
 Unmarked bases are companies and facilities that do not belong to the segment.

* The group companies are the consolidated companies and entities accounted for by the equity method.

Corporate Data / Stock Information (As of March 31, 2021)

Corporate Data

Company Name
Meiji Holdings Co., Ltd. (Securities code: 2269)

Head Office
2-4-16, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan

Incorporated
April 1, 2009

Share Capital
JPY 30.0 billion

Number of Group Employees
17,832

Common Stock Issued
152,683,400

Stock Listing
Tokyo

Fiscal Year-End
March 31

Ordinary General Meeting of Shareholders
Late in June

Transfer Agent of Common Stock
Mitsubishi UFJ Trust and Banking Corporation

Public Notices
Public notices given by the Company are issued electronically.
URL: <https://www.meiji.com/>

However, in the event that public notices cannot be issued electronically due to an accident or some other unavoidable circumstances, public notices given by the Company shall be carried in the *Nihon Keizai Shimbun*.
It should be noted that pursuant to Article 440, Paragraph 4 of the Companies Act, public notices of financial statements are not given.

Stock Information

Major Shareholders

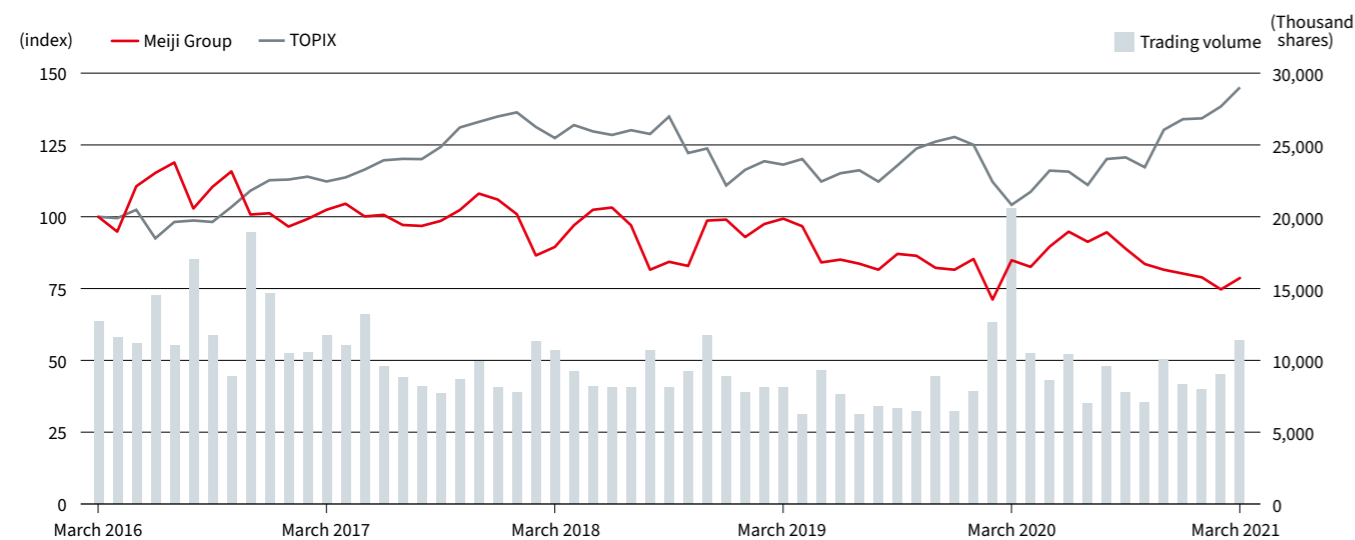
Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,337	10.69
Custody Bank of Japan, Ltd. (Trust Account)	7,756	5.08
Nippon Life Insurance Company	3,348	2.19
Mizuho Bank, Ltd.	3,117	2.04
The Norinchukin Bank	2,892	1.89
Meiji Holdings Trading-Partner Shareholding Association	2,649	1.73
Meiji Holdings Employee Shareholding Association	2,620	1.71
Resona Bank, Limited	2,347	1.53
STATE STREET BANK WEST CLIENT-TREATY 505234	2,242	1.46
Custody Bank of Japan, Ltd. (Trust Account 5)	2,037	1.33

(Notes) 1. The Company holds 7,584,887 treasury shares as of March 31, 2021.
2. The shareholding ratio is calculated by subtracting the treasury share from the total shares of common stock issued.

Shareholding by Type of Shareholder



Stock Price and Trading Volume



(Notes) The closing price as of March 31, 2016 is 100.

External Evaluation of ESG

Meiji Holdings Co., Ltd. is working to achieve sustainable growth through sustainability management. These efforts have been received positively by external bodies and the Company is included in ESG indices in Japan and overseas.

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



Publisher's Note

Thank you for reading the fourth issue of our Integrated Report. We considered the many opinions and valuable feedback given regarding our past reports when preparing the FY2021 report. We paid attention to the following three points in particular.

First, we gave thorough explanations of the matters that are viewed as important by the stakeholders reading the report, especially shareholders and investors. Second, we used plain language to communicate the ideas behind our new slogan, "Now ideas for wellness," and approaches to our new Medium-Term Business Plan for the years up to FY2023. Third, we combined our business growth strategies and sustainability initiatives and explained them as a narrative.

The Meiji Group has Food and Pharmaceutical businesses in a single group. Therefore, we have focused on foods that contribute to healthier lives and pharmaceuticals that prevent and treat disease. COVID-19 began to spread around February 2020. The pandemic has dragged on and we have been forced to change our lives and values significantly. This has also led to our stronger desire to become resistant to illness and be healthy.

Therefore, the Meiji Group will gather knowledge about foods and pharmaceuticals and grow its products and services businesses that contribute to healthier lives for customers. We aim to enhance our corporate value under the slogan "Now ideas for wellness."

The report introduces the ideas and initiatives behind "Now ideas for wellness" from each chief officer. We look forward to receiving honest opinions and feedback on the report from stakeholders. We hope that the report will encourage productive dialogue.



Youichirou Yamagata
General Manager,
Public Relations
& Investor Relations Department,
Meiji Holdings Co., Ltd.

Now ideas for wellness

meiji

Meiji Holdings Co., Ltd.

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<https://www.meiji.com/global>