The Meiji Group’s Vision

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.

Disclosed Information

Refer to our website for more detailed information such as activities or data that is not available in this report.

Corporate Information
https://www.meiji.com/global/

Investors
Our Website > Investors
https://www.meiji.com/global/investors/

ESG Data
Our Website > sustainability > ESG Data
https://www.meiji.com/global/sustainability/esg/

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

Standard Table
Our Website > sustainability > Standard Table

Sustainability Information
Our Website > Sustainability
https://www.meiji.com/global/sustainability/

Using the Integrated Report 2020

This report is based on the performance results from FY2019 (fiscal year ended March 2020). Some content from FY2020 (fiscal year ending March 2021) is also included. The content is compiled based on information that is available at the time when the Company created the Integrated Report 2020. 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 2020.
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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 was then reorganized into its current Group structure in 2011. KM Biologics joined the Group in July 2018.

**Group Organization**
(As of March 31, 2020)

Our corporate group is made up of Meiji Co., Ltd. – which runs the Food segment, and Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. – which run the Pharmaceutical segment. Our mission as a business 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.

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.

**FY2019 (Fiscal Year Ended March 2020) Business Results**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Net Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Segment</strong></td>
<td>¥1,252.7 billion</td>
<td>¥102.7 billion</td>
</tr>
<tr>
<td><strong>Pharmaceutical Segment</strong></td>
<td>DOWN 0.1%</td>
<td>UP 4.4%</td>
</tr>
</tbody>
</table>

- **Pharmaceutical Segment**: 16.3%
- **Food Segment**: 83.7%

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 was then reorganized into its current Group structure in 2011. KM Biologics joined the Group in July 2018.

**At a Glance**

Introduction
Number of Group Companies and Employees (As of March 31, 2020)

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.

- **Food Segment**
  - Overseas Group Companies: 30 companies
  - Pharmaceutical Segment: 35 companies

- **Pharmaceutical Segment**
  - Overseas Group Companies: 4 companies
  - Domestic Group Companies: 23 companies

- **Overseas Sales Ratio (FY2019)**
  - Food Segment: 4.6% year on year, UP 0.1 pt
  - Pharmaceutical Segment: 21.3% year on year, UP 0.7 pt

**Recognized for Outstanding Health Management for the Fourth 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 fourth consecutive year as White 500 organizations in the program's large enterprise category. 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.

Number of Group Companies and Employees

- **Japan**
  - 12,304 people

- **Overseas Group Companies**
  - U.S.: 3 companies, 571 people
  - Europe: 4 companies, 333 people
  - Asia/Oceania: 23 companies, 4,363 people

- **Domestic Group Companies**
  - 35* companies, 17,571 people

* Including Meiji, Meiji Seika Pharma, KM Biologics and Meiji Business Support Co., Ltd.

**Number of Group Employees**

- Total: 17,571 people
- Including Meiji, Meiji Seika Pharma, KM Biologics and Meiji Business Support Co., Ltd.
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 currently 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

**Chocolate**  
No.1 in Japan  
**24.2%**  
Since 1926  
Based on INTAGE Inc., SRI (chocolate market)  
April 2019–March 2020 market share (money amount)

**Yogurt**  
No.1 in Japan  
**41.9%**  
Since 1950  
Based on INTAGE Inc., SRI (yogurt market)  
April 2019–March 2020 market share (money amount)

**Powdered & Granulated Protein**  
No.1 in Japan  
**44.6%**  
Since 1980  
Based on Meiji data as of March 2020

**Camembert Cheese**  
No.1 in Japan  
**48.8%**  
Since 1999  
*Started processed cheese production in 1932*  
Based on INTAGE Inc., SRI (camembert cheese market)  
April 2019–March 2020 market share (money amount)

**Other Products**

- Protein drink formulated with a rapidly absorbed milk protein processed with our own unique manufacturing method
- Delicious fresh chilled milk selling in the China market
- Kaju Gummy with 100% juice concentrate (equivalent to fresh juice) and no artificial colorings
- Nutritional product for easy and tasty replenishment of important nutrients for the body
- Chocolate snack launched in Japan in 1979 and now sold in over 40 countries worldwide
- Overseas
Pharmaceutical Segment

Systemic Antibacterial Drugs
Since 1958
No.1 in Japan
18.0%

Copyright © 2020 IQVIA.
Source: Calculated based on JPM 2020 Mar MAT Market scope as defined by Meiji Seika Pharma
* Reprinted with permission

Antidepressant & Atypical Antipsychotic Drugs
Since 1999
No.4 in Japan
8.2%

Copyright © 2020 IQVIA.
Source: Calculated based on JPM 2020 Mar MAT Market scope as defined by Meiji Seika Pharma
* Reprinted with permission

Generic Drugs
Since 1998
No.4 in Japan
4.6%

Source: CRECON RESEARCH & CONSULTING, INC., FY2019

Rice Blast Preventives (Agricultural Chemicals)
Since 1958
No.1 in Japan
37.1%

Source: Based on Handbook of Agricultural Chemicals -2019-, 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.
- Biological tissue adhesion used mainly for bonding and closing wounds during surgery.
- Poultry vaccine for preventing infection and control of infection-related decline of egg-laying rates.
- Seasonal influenza vaccine launched in 1972.

Meiji Holdings Co., Ltd. | Integrated Report 2020
History

The Meiji Group has built a history that spans more than 100 years. Throughout this time, we have identified the diversifying needs of society and our customers to create progressive value through innovations in Food and Pharmaceutical fields, and to stimulate new demand. This ability to create markets is the source of our growth.


1916 Tokyo Confectionery Co., Ltd. (Tokyo Confectionery), the predecessor of Meiji Seika, is established.

At this time, popular culture flourished and Tokyo Confectionery was established to respond to the growing demand for confectionaries. Meiji Sugar Co., Ltd. (Meiji Sugar) invested in Tokyo Confectionery, and then changed the company name to Meiji Seika Kaisha, Ltd. (Meiji Seika) in 1924.

1917 Kyokuto Condensed Milk Co., Ltd. (Kyokuto Condensed Milk), the predecessor of Meiji Dairies, is established.

Since the 1910s, Meiji Sugar had manufactured and sold dairy products, such as butter, milk powder and condensed milk, which are used as confectionery ingredients. Later in 1940, Meiji Sugar acquired capital in Kyokuto Condensed Milk and then changed its company name to the Meiji Dairies Corporation (Meiji Dairies).

1921 Tokyo Confectionery launches the Condensed Milk Meiji Merry Milk.

1926 Meiji Seika launches Milk Chocolate.

1946 Penicillin formulation manufacturing is launched.

1950 Meiji Dairies launches Meiji Honey Yogurt.

1951 Meiji Dairies launches Soft Curd Meiji Infant Formula.

1958 The antibiotic KANAMYCIN MEIJI is the first product to be exported after being discovered in Japan.

1971 Meiji Dairies launches Japan’s first plain yogurt Meiji Plain Yogurt.


1975 Meiji Dairies launches the chocolate snack Kinoko no Yama.

1979 Meiji Dairies launches SAVAS, a series of protein for athletes.

1980 Meiji Dairies launches the antibiotic STREPTOMYCIN MEIJI.

1988 Genetically modified hepatitis B vaccine Bimmugen is launched.

1946 Pharmaceutical business is started.

Penicillin research was started during World War II in 1944 and succeeded in fermentation. Set-up mass production system and launched our pharmaceutical business.

1950 The antibiotic STREPTOMYCIN MEIJI is launched.

1958 The antibiotic KANAMYCIN MEIJI is the first product to be exported after being discovered in Japan.

1975 The agricultural chemical product ORYZEMATE is launched.

1988 Genetically modified hepatitis B vaccine Bimmugen is launched.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>The food company Meiji Co., Ltd. begins operation.</td>
</tr>
<tr>
<td>1991</td>
<td>Meiji Seika launches the high cocoa content chocolate Chocolate Kouka.</td>
</tr>
<tr>
<td>1992</td>
<td>Meiji Dairies launches the sports nutritional drink VAAM.</td>
</tr>
<tr>
<td>1993</td>
<td>Meiji Dairies launches Meiji Hokkaido Tokachi Cheese.</td>
</tr>
<tr>
<td>1994</td>
<td>Meiji Dairies launches the ice cream Meiji Essel Super Cup Ultra Vanilla.</td>
</tr>
<tr>
<td>1995</td>
<td>Meiji Dairies launches Meiji Seika launches Kaju Gummy.</td>
</tr>
<tr>
<td>1997</td>
<td>Meiji Seika launches Xylish Gum.</td>
</tr>
<tr>
<td>1998</td>
<td>Meiji Seika launches the high cocoa content chocolate Chocolate Kouka.</td>
</tr>
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</tr>
<tr>
<td>2000</td>
<td>Meiji Seika launches Amino Collagen.</td>
</tr>
<tr>
<td>2001</td>
<td>Meiji Seika and Meiji Dairies establish Meiji Holdings Co., Ltd. (Meiji Holdings), joint holding company, and integrate the management.</td>
</tr>
<tr>
<td>2002</td>
<td>Meiji Seika launches the high cocoa content chocolate Chocolate Kouka.</td>
</tr>
<tr>
<td>2006</td>
<td>Meiji Dairies launches Meiji Essel Super Cup Ultra Vanilla.</td>
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<tr>
<td>2015</td>
<td>Meiji launches SAVAS Milk.</td>
</tr>
<tr>
<td>2016</td>
<td>Meiji launches Meiji Spreadable.</td>
</tr>
<tr>
<td>2017</td>
<td>Meiji launches Meiji Spreadable.</td>
</tr>
<tr>
<td>2018</td>
<td>Meiji launches liquid infant formula Meiji Hohoemi Rakuraku Milk.</td>
</tr>
<tr>
<td>2019</td>
<td>Meiji launches liquid infant formula Meiji Hohoemi Rakuraku Milk.</td>
</tr>
<tr>
<td>2020</td>
<td>Lydia Granules, insecticide for rice seedlings, is launched.</td>
</tr>
</tbody>
</table>
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 will carry out three Medium-Term Business Plans to realize the 2026 Vision. We coined the slogan “Beyond meiji - above imagination –” for this vision. Our slogan was created to stop doing what we always do, identify issues by ourselves and resolve them, so that the Meiji Group can break out of its shell and grow further.

Noteworthy Areas in Business Climate

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 Change in social structure due to aging population
   - 30% of Japan’s population will be 65 years or older by 2025
   - Aging population is a common issue throughout the world

2 More health conscious and focused on 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 Larger middle class all over the world
   - 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

Our Promise and Commitment for the 2026 Vision
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
2. Establish growth foundation in overseas markets
3. New challenges in the health value domain
4. Social contributions

Structure of the Meiji Group 2026 Vision
1. Secure an overwhelming advantage in core businesses
2. Establish growth foundation in overseas markets
3. New challenges in the health value domain
4. Social contributions

Beyond meiji The 1st stage 2020 Medium-Term Business Plan

Basic Concept
Address strategic issues continuously and challenge for the further growth

Key Strategies
1. Expand share and achieve high revenues in core businesses
2. Expand aggressively in overseas markets and establish growth platform
3. Propose new value in health care domain
4. Continue structural reforms and resolve specific business issues in each business
5. Enhance Meiji Group management platform and promote sustainability

Op. Income CAGR
Mid to high single-digit growth

Overseas Sales Ratio
Target at 20%

ROE
Maintain 10% or more

Our Activities for Sustainability
Introduction
Our Value Creation Story
Financial and Non-Financial Section
Corporate Information
We are Challenging Ourselves to Create New Health Values by Combining Our Strengths Fostered in the Food and Pharmaceutical Businesses.

The Meiji Group’s Food and Pharmaceutical businesses provide benefits for human health. As population aging is accelerating in Japan and around the world, people will become extremely health-conscious. New challenges in the health value domain is one of the key strategies for the Meiji Group in the 2026 Vision and we will contribute to resolving social issues caused by aging society. Specifically, our Co-Creation Center, a Group-wide research laboratory, is driving efforts to integrate know-how accumulated in the Food and Pharmaceutical businesses. We are conducting new research through the sharing of a wealth of materials, including lactobacilli, and knowledge about nutrition from the Food segment, as well as expertise in pharmacological evaluation, synthesis and biologics from the Pharmaceutical segment. We also promote open innovation incorporating cutting-edge technology from outside the company to create new value unique to the Meiji Group. Using results gained from these efforts, beyond our conventional domains, we will create new and innovative businesses needed to address social issues and improve corporate value.

• Nutrition science expertise
• Milk, lactobacillus, cocoa research
• Nutrition engineering technology etc.

• Pharmacological expertise
• Synthetic technology
• Microbial and bio-pharmaceutical technology etc.

Resolving Global Social Issues through Food–Pharmaceutical Synergies

The Meiji Group grew its business successfully through tireless efforts to create new value. Currently the world is facing a lot of social issues. We will continue to draw on synergies between Food and Pharmaceutical businesses to create new value and to help find solutions as only we can. We will enhance corporate value while contributing to the society of the future.

The Meiji Group views synergy between Food and Pharmaceuticals as an important output of the value creation process.

See page 12-13 for “The Meiji Group’s Process for Value Creation”
Longer, Healthier Lives Matter to the Meiji Group. Research for Ageing, Diet Therapy and the Human Microbiome Gathers Speed

The Meiji Group wants to help realize a world where everyone can lead a healthy life to the full. We believe that extending healthy life expectancy, with a focus on disease prevention, is one of the most important challenges for society. To realize longer, healthy lives, the Co-Creation Center focuses on three interrelated areas: ageing, diet therapy and the human microbiome.

Ageing of society is a global phenomenon, and while average life expectancy continues to increase, the number of years that people will spend in poor health is also on the rise. We are working to clarify the mechanisms of ageing and conduct research diet therapy not only from the perspective of nutritional supplementation but also that of improvements in recovery after a disease or surgery. Additionally, we are advancing research to maintain and improve health through controlling the composition of the human microbiome. Recent studies have revealed the human microbiome plays an essential role in lifestyle diseases, dementia and immunity. Japan is already seen as a super-aged society, a phenomena unprecedented in other societies, and knowledge gained here can be applied to elsewhere in the world.

A New Research Center, Where We Work on New Challenges in the Health Value Domain

The Co-Creation Center is a new research facility established at the Meiji Innovation Center in April 2019. Cross-functional teams are composed of researchers with different expertise and backgrounds from across the Meiji Group, Meiji, Meiji Seika Pharma and KM Biologics. They are working on new research subjects while maintaining close cooperation with R&D units across the Group. At the same time, we are promoting open innovation to adopt the world’s most advanced knowledge. One example is where we send researchers to the Pasteur Institute in France to participate in joint research on exopolysaccharides (EPS) produced by lactobacilli.

Innovation for a World Changed the COVID-19 Pandemic

The world is fast embracing digital technology and technological innovation is well underway in the health value domain. Today, we can get real time health information from wearable devices incorporating artificial intelligence, Internet of Things (IoT) technology and 5G mobile communications. Due to the COVID-19 pandemic, needs for enhancing immunity and visualizing one’s health status are increasing. The Meiji Group picks up on trends in the post-pandemic world and generates new business through highly imaginative innovation, free from established concepts. This is our Beyond meiji approach.

Hirofumi Nakamura
General Manager, Co-Creation Center
Meiji Holdings Co., Ltd.
The Meiji Group’s competitive edge is attributed to our business model, which is based on the accumulation and strategic distribution of various capital for Creating a Market as well as our strong value chain. Through this series of processes, we will increase our corporate value by creating value that exceeds the customers’ expectations in the Food and Health fields and help address many important social issues.

Social Issues the Meiji Group is Addressing
- Change in social structure due to aging population
- More health conscious and focused on prevention
- Larger middle class all over the world
- Fighting against malnutrition
- Increase in lifestyle related diseases and antimicrobial resistance
- Food shortage
- Increase in medical expenses
- Access to pharmaceuticals and nutrition

Business Model
Creating Markets with a Strong Value Chain
The Meiji Group’s strength lies in our value chain that is based on reliable quality. This value chain creates new value and delivers products with that value to our customers.

Strengths and Features of the Meiji Group
- Safe and Reassuring Quality
- Research and Development
- Procurement
- Production and Distribution
- Sales and Communication

Capital Distribution
- Input
  - Social Capital
    - Trust in the Meiji brand
    - Meiji brand power
    - Partnerships with farmers and related groups
  - Intellectual Capital
    - Basic research and accumulated knowledge
    - Development technologies, product commercialization expertise and manufacturing technologies
  - Financial Capital
    - Sound financial structure
    - High profitability
  - Human Capital
    - Personnel who embrace the meiji way
    - High motivation
  - Manufactured Capital
    - Production and distribution sites in Japan and all over the world
  - Natural Capital
    - Wealth of resources

Governance
- Page 60

Human Capital
- Page 46
Making Healthier Lives by Creating Value that Exceeds the Customers’ Expectations

Our Contribution to Address Social Issues

Value for Stakeholders
- Lead healthy, fulfilling lives
- Live longer, healthier lives
- Reduce environmental impact
- Establish a workplace environment where each employee can demonstrate their strengths and skills
- Accumulate financial capital and steady return to stakeholders

Output
Valuable Information Related to Food and Health
- Features that help improve health
- High quality nutrition
- Offer new food culture and cuisine
- Public awareness on diseases and prevention
- Promote proper use of pharmaceuticals
- Scientific data and articles

Variety of Products for Improving Health and Nutrition

Food Business
- Yogurt
- Drinking milk
- Chocolate
- Cheese
- Sports nutrition (sports protein)
- Enteral formula
- Infant formula

Pharmaceutical Business
- Antidepressant & atypical antipsychotic drugs
- Systemic antibacterial drugs
- Generic drugs
- Vaccines
- Blood plasma products
- Rice blast preventives (agricultural chemicals)
- Herbicides, insecticides

Food–Pharmaceutical Synergies
Page 10

Features that help improve health
High quality nutrition
Offer new food culture and cuisine
Public awareness on diseases and prevention
Promote proper use of pharmaceuticals
Scientific data and articles

Yogurt
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Blood plasma products
Rice blast preventives (agricultural chemicals)
Herbicdes, insecticides
Value Chain Initiatives

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

Research and Development

We are developing products that provide new health value in the Food segment based on our unique intellectual assets. In the Pharmaceutical segment we are conducting specialized research and development in areas such as infectious diseases, CNS disorders and vaccines. Furthermore, in our Co-Creation Center, we are merging the expertise developed in the Food and Pharmaceutical businesses to generate new approaches and apply them for creating health value.

Procurement

In both the Food and Pharmaceutical segments, we are working to secure stable procurement of quality materials, and improve reliability. To achieve these results, we assess risks of raw material suppliers based on our own standards. In addition, we perform regular inspections and provide guidance to suppliers. Furthermore, we are supporting dairy farmers and cocoa farmers to ensure sustainable procurement.

Overview

Strengths and Features of the Meiji Group

- Accumulated expertise drawn from 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
- Network with dairy farmers
- Cooperation with cocoa farmers
- Network with related groups
- Cost-competitive and stable procurement of drugs using a global supply chain

For details, please see page 36-37.

Capabilities and Features

- Social capital
- Intellectual capital
- Human capital
- Natural capital
- Financial capital
- Manufactured capital

Business Activities Initiatives to Enhance Strengths

- Develop new value (use evidence-based ingredients and technologies)
- Discover and develop novel drugs
- 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
- Ensure stable procurement of 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)

Sustainability

- Promote Meiji Dairy Advisory (MDA) (provide management support to dairy farmers in Japan)
- Promote Meiji Cocoa Support (support cocoa farmers, increase amounts of sustainable cocoa beans)
- Secure bulk drug suppliers and have multiple suppliers (contributing to stable supply of drugs)

Main Challenges and Future Initiatives

- Foster a sense of One Company, One Team
- Promote diversity, improve employee engagement and build a fair HR system
- Implement Human Rights Due Diligence
- Support the TCFD and join the Consortium
- Join the UN Global Compact

- Maximize the Meiji Group synergies
- Create unique value that will extend healthy life expectancy
- Combat drug-resistant bacteria
- Ensure procurement of raw materials in accordance with human rights and environmental impact (cocoa, palm oil, paper, raw milk, bulk drugs)
- Continue Meiji Cocoa Support and MDA

- Increase recognition of the Meiji Group 2026 Vision
- Enhance employee engagement
- Train and develop executives, innovators and personnel with a global mindset
In the Food segment, we have our own strict hygiene management systems in place, and we have built production systems to manufacture products according to product specifications. We have distribution channels to supply markets with products in all temperature ranges. In the Pharmaceutical segment, we have established production systems in all domestic and overseas plants to provide stable supply of high-quality products at affordable prices. In addition, we have built production systems to manufacture and supply 57 million doses of novel influenza vaccines.

We are creating new markets in the health value domain by appropriately communicating new value to our customers and implementing two-way communication to use their feedback in subsequent value creation. In the Food segment, we are providing information through fun interactive classes for dietary education and other measures. In the Pharmaceutical segment, our medical representatives are providing information and obtaining feedback for new drug development.

<table>
<thead>
<tr>
<th>Production and Distribution</th>
<th>Sales and Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the Food segment, we have our own strict hygiene management systems in place, and we have built production systems to manufacture products according to product specifications. We have distribution channels to supply markets with products in all temperature ranges. In the Pharmaceutical segment, we have established production systems in all domestic and overseas plants to provide stable supply of high-quality products at affordable prices. In addition, we have built production systems to manufacture and supply 57 million doses of novel influenza vaccines.</td>
<td>We are creating new markets in the health value domain by appropriately communicating new value to our customers and implementing two-way communication to use their feedback in subsequent value creation. In the Food segment, we are providing information through fun interactive classes for dietary education and other measures. In the Pharmaceutical segment, our medical representatives are providing information and obtaining feedback for new drug development.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provide health value from prevention to cure</th>
<th>Build supply chains that meet social expectations and are environment-friendly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product categories that cover the entire life cycle from infants to the elderly</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quality control system (ensure product quality and safety)</th>
<th>Reliable Meiji brand and brand strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution network designed to cover all temperature ranges (room temperature, chilled and frozen)</td>
<td>High market share</td>
</tr>
<tr>
<td>Unique manufacturing methods to ensure tastiness</td>
<td>Two-way communication and strong, close relationships with business partners and customers</td>
</tr>
<tr>
<td>Superior drug production technologies and many advanced drug formulation technologies</td>
<td>Drugs covering prevention and treatment, as well as comprehensive customer support</td>
</tr>
<tr>
<td>Respond to a super-aged society and contribute to maintaining the National Health Insurance Systems (stable supply of affordable, high-quality generic drugs, etc.)</td>
<td>Educate about drug-resistant bacteria</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manufactured capital</th>
<th>Human capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual capital</td>
<td>Social capital</td>
</tr>
<tr>
<td>Human capital</td>
<td>Intellectual capital</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expand vaccines overseas, especially to Asia</th>
<th>Introduce and diffuse a new food culture into overseas markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase sales of drugs manufactured at overseas sites in the Japan market</td>
<td>Promote food and health value through e-commerce channels</td>
</tr>
<tr>
<td>Promote food and health value through e-commerce channels</td>
<td>Successfully penetrate overseas markets through Meiji quality and unique value</td>
</tr>
<tr>
<td>Introduce and diffuse a new food culture into overseas markets</td>
<td>Introduce and diffuse a new food culture into overseas markets</td>
</tr>
<tr>
<td>Increase sales of drugs manufactured at overseas sites in the Japan market</td>
<td>Promote food and health value through e-commerce channels</td>
</tr>
<tr>
<td>Expand environment-friendly agricultural chemicals</td>
<td>Expand vaccines overseas, especially to Asia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Respect diversity</th>
<th>Conduct social contribution activities through community activities, emergency aid and support, and our products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a safe and healthy workplace environment</td>
<td></td>
</tr>
</tbody>
</table>
Response to Climate Change

Analyzing Scenarios Based on TCFD Recommendations and Reflecting Risks and Opportunities in Business Activities

In accordance with the Meiji Group Sustainability 2026 Vision formulated in 2016, the Meiji Group has identified materiality in the impact of climate change on our business activities, and we set and pursue material issues.

Climate Change Thinking and Approach to TCFD

The business of the Meiji Group is based on the abundant gifts of nature. The impact (risks and opportunities) of climate change on our business is a significant issue for the Group. International frameworks such as the Paris Agreement and the Sustainable Development Goals (SDGs) call for increased efforts to address climate change. The Meiji Group agreed to join the TCFD (Task Force on Climate-Related Financial Disclosures), which was established by the Financial Stability Board \(^1\) in 2019. We also joined the TCFD Consortium established by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Financial Services Agency.

We established the Group TCFD Committee in March 2020 to discuss policies and measures and to review the progress toward achievement of KPIs. We report the results of those discussions to the Group Sustainability Committee twice a year and the Executive Committee and Board of Directors as necessary.

Achievements in Scenario Analysis

<table>
<thead>
<tr>
<th>Date</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug-Oct 2019</td>
<td>Participated in the support program for companies to analyze their own climate risks and opportunities in line with the TCFD recommendations, which is a project supported by the Ministry of the Environment.</td>
</tr>
<tr>
<td>Oct 2019</td>
<td>Shared and discussed scenario analysis at the Executive Committee</td>
</tr>
<tr>
<td>Jan-May 2020</td>
<td>Conducted second-stage scenario analysis for further discussion of first-stage findings</td>
</tr>
<tr>
<td>Jun 2020</td>
<td>Shared and discussed scenario analysis at the Executive Committee and Board of Directors</td>
</tr>
</tbody>
</table>

Results in Scenario Analysis

In FY2019, we analyzed the impact of climate change on dairy ingredients and infectious diseases, two important business areas, and we investigated countermeasures. Using scenarios developed by the IPCC \(^2\) and IEA \(^2\), we analyzed two scenarios; a 4 degree scenario assuming a global temperature rise of 4°C by 2100 compared to pre-industrial levels, and a 2 degree scenario assuming the temperature rise of 2°C or less.

Important Financial Impacts and Levels of Impact

**Dairy Ingredients**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Management Entity</th>
<th>Level of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased cattle barn operation expenses (feed expenses, heat mitigation expenses)</td>
<td>Meiji Partner</td>
<td>High</td>
</tr>
<tr>
<td>Increased purchase prices for dairy ingredients</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Increased losses due to water risks</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Increased electricity costs</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Increased costs associated with carbon taxes</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Increased costs associated with plastics regulations</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Decreased demand due to ethical consumption</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Expansion of new demand (thirst-quenching beverages, etc.)</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Infectious Diseases**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Management Entity</th>
<th>Level of Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost opportunities due to site shutdowns caused by natural disasters</td>
<td>Meiji Partner</td>
<td>High</td>
</tr>
<tr>
<td>Increased logistics costs due to natural disasters and severe weather</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Increased water procurement costs due to water risks</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Increased electricity costs</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Increased costs associated with carbon taxes</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Spread of infectious diseases due to climate change</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>

\(^1\) Intergovernmental Panel on Climate Change (IPCC): Shared Socioeconomic Pathways, etc.

\(^2\) International Energy Agency (IEA): Sustainable Development Scenario, New Policies Scenario, etc.

* Impact on partners in the supply chain may affect the Meiji Group
We simulated a 4°C scenario and a 2°C scenario in the year 2100, and analyzed the impact of changes in the global environment on our business activities for dairy ingredients in 2040 and infectious diseases in 2050.

### Dairy Ingredients 2040 World View

**Current**
- Well-balanced supply and demand for dairy ingredients
  - Increased demand for cheese and yogurt
  - Steady demand for drinking milk

**+ 4°C**
- Slightly decreased production of dairy ingredients and increased costs due to physical risks
  - Pass on costs for climate change measures to product prices
  - Demand tends to increase due to rising atmospheric temperatures
  - Increased demand for raw milk in Hokkaido
  - Increased dairy product imports

**+ 2°C**
- Increased production costs due to carbon taxes and decrease in demand for dairy ingredients
  - Pass on costs for climate change measures to product prices
  - Increase in ethical consumption, and decrease in demand for dairy products with high environmental impact

### Infectious Diseases 2050 World View

**Current**
- Increased production costs due to carbon taxes
  - Trends to decreased antimicrobials use due to implementation of appropriate use
  - Trends to increased demand for vaccines due to increase in the number of routine vaccines
  - Rapid increase in awareness of infection prevention due to COVID-19 pandemic

**+ 4°C**
- Increased demand for antimicrobials and vaccines due to widespread infectious disease epidemics
  - Increased opportunities for development of new antimicrobials and vaccines
  - Increased demand for antimicrobials due to increased bacterial infections
  - Increased demand for vaccines due to increased viral infections

**+ 2°C**
- Increased physical risks due to climate change may lead to increase in demand for antimicrobials and vaccines
  - Status quo, little impact on demand
  - Introduction of carbon taxes
  - Increased electricity costs
Financial and Non-Financial Highlights (Main Indices)

 ontvangend de text over de financiële en niet-financiële hoogtepunten.

Net Sales

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,223.7</td>
<td>1,242.4</td>
<td>1,240.8</td>
<td>1,254.3</td>
<td>1,252.7</td>
</tr>
</tbody>
</table>

Operating Profit/Operating Profit Margin

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>77.7</td>
<td>88.3</td>
<td>94.6</td>
<td>98.3</td>
<td>102.7</td>
</tr>
<tr>
<td>Margin</td>
<td>10.7</td>
<td>11.3</td>
<td>10.5</td>
<td>11.0</td>
<td>11.3</td>
</tr>
</tbody>
</table>

Profit Attributable to Owners of Parent/ROE

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>16.1</td>
<td>14.2</td>
<td>13.1</td>
<td>12.2</td>
<td>67.3</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>12.4</td>
<td>12.4</td>
<td>12.4</td>
<td>12.4</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Shareholders’ Equity/Shareholders’ Equity Ratio

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>47.8</td>
<td>50.8</td>
<td>52.5</td>
<td>52.5</td>
<td>56.4</td>
</tr>
<tr>
<td>Ratio (%)</td>
<td>562.7</td>
<td>562.7</td>
<td>562.7</td>
<td>562.7</td>
<td>562.7</td>
</tr>
</tbody>
</table>

Cash Flows

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>105.1</td>
<td>95.3</td>
<td>81.8</td>
<td>108.7</td>
<td>112.1</td>
</tr>
<tr>
<td>Flows</td>
<td>95.3</td>
<td>81.8</td>
<td>108.7</td>
<td>112.1</td>
<td>114.1</td>
</tr>
<tr>
<td>Free</td>
<td>-9.8</td>
<td>44.2</td>
<td>-64.3</td>
<td>-100.2</td>
<td>-70.8</td>
</tr>
<tr>
<td>Cash</td>
<td>-9.8</td>
<td>44.2</td>
<td>-64.3</td>
<td>-100.2</td>
<td>-70.8</td>
</tr>
<tr>
<td>Flows</td>
<td>-9.8</td>
<td>44.2</td>
<td>-64.3</td>
<td>-100.2</td>
<td>-70.8</td>
</tr>
</tbody>
</table>

Payout Ratio/Dividends on Equity (DOE)

(%)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>21.2</td>
<td>26.6</td>
<td>30.8</td>
<td>32.8</td>
<td>32.3</td>
</tr>
<tr>
<td>Dividends</td>
<td>3.4</td>
<td>3.8</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

*1 Applies to the Meiji Group (the domestic Meiji Group and 12 overseas production plants). The per production unit is calculated from the consolidated sales. Past data has been revised.

*2 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales.

*3 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales.

*4 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales.

*5 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.

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.
**Cash Flows**

Profit Attributable to Owners of Parent/ROE (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,400</td>
<td>1,200</td>
<td>-100</td>
<td>400</td>
<td>600</td>
</tr>
<tr>
<td>ROE (Right scale)</td>
<td>105.1</td>
<td>95.3</td>
<td>81.8</td>
<td>61.2</td>
<td>114.1</td>
</tr>
</tbody>
</table>

**Free cash flows**

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Operating profit/Operating profit margin</td>
<td>3.4</td>
<td>2.1</td>
<td>2.6</td>
<td>3.1</td>
<td>3.4</td>
</tr>
</tbody>
</table>

**Shareholders’ Equity/Shareholders’ Equity Ratio**

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity (Left scale)</td>
<td>1,223.7</td>
<td>-9.8</td>
<td>62.5</td>
<td>50.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Shareholders’ equity ratio (Right scale)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Dividends on equity (DOE)**

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends on equity (DOE/Right scale)</td>
<td>18</td>
<td>10</td>
<td>15</td>
<td>5</td>
<td>0.96</td>
</tr>
<tr>
<td>Lost Time Injury Frequency Rate (LTIFR)</td>
<td>0.47</td>
<td>0.69</td>
<td>0.71</td>
<td>0.57</td>
<td>1.72</td>
</tr>
</tbody>
</table>

*4 Applies to Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd.

*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. and OHKURA Pharmaceutical Co., Ltd.). For FY2019, applies to the Meiji Group in Japan (excluding non-production Group companies) and production Group companies overseas.

Lost Time Injury Frequency Rate: Number of casualties – Total working hours x 1 million

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 emission volume (Scope 1, 2) (Left scale)</td>
<td>67.8</td>
<td>65.0</td>
<td>62.9</td>
<td>62.3</td>
<td>60.4</td>
</tr>
<tr>
<td>CO2 emission volume per unit of sales (Right scale)</td>
<td>67.8</td>
<td>65.0</td>
<td>62.9</td>
<td>62.3</td>
<td>60.4</td>
</tr>
</tbody>
</table>

**Industrial Waste Volume/Industrial Waste Volume per Unit of Sales**

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial waste volume (Left scale)</td>
<td>7.6</td>
<td>6.6</td>
<td>6.3</td>
<td>6.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Industrial waste volume per unit of sales (Right scale)</td>
<td>7.6</td>
<td>6.6</td>
<td>6.3</td>
<td>6.2</td>
<td>6.5</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption volume (Left scale)</td>
<td>20,000</td>
<td>24,104</td>
<td>22,305</td>
<td>21,822</td>
<td>24,602</td>
</tr>
<tr>
<td>Water consumption volume per unit of sales (Right scale)</td>
<td>150.6</td>
<td>121.7</td>
<td>113.9</td>
<td>110.0</td>
<td>100.2</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption volume (Left scale)</td>
<td>24.9</td>
<td>24.5</td>
<td>24.0</td>
<td>24.6</td>
<td>26.0</td>
</tr>
<tr>
<td>Energy consumption volume per unit of sales (Right scale)</td>
<td>24.9</td>
<td>24.5</td>
<td>24.0</td>
<td>24.6</td>
<td>26.0</td>
</tr>
</tbody>
</table>

**Lost Time Injury Frequency Rate (LTIFR)**

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Injury Frequency Rate (LTIFR)</td>
<td>0.47</td>
<td>0.69</td>
<td>0.71</td>
<td>0.57</td>
</tr>
</tbody>
</table>

* Applies to Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd.

* 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. and OHKURA Pharmaceutical Co., Ltd.). For FY2019, applies to the Meiji Group in Japan (excluding non-production Group companies) and production Group companies overseas.

Lost Time Injury Frequency Rate: Number of casualties – Total working hours x 1 million

WEB ESG Data https://www.meiji.com/global/sustainability/esg/
We Are Evolving into a Corporate Group that Achieves Good Growth by Addressing the World’s Social Issues
Profit Increased for the 8th Straight Term Despite the COVID-19 Pandemic

The ongoing global coronavirus (COVID-19) pandemic has hit the world economy hard. Global GDP in 2020 is expected to contract from the previous year, pushing us into a recession bigger than the 2008 global financial crisis. Fortunately, the impact of COVID-19 on the Meiji Group has been limited so far. Financial results for FY2019, which ended during the COVID-19 pandemic, showed profits increasing for the eighth straight year and operating profit topped the JPY 100 billion milestone for the first time. Return on equity (ROE) increased 0.2 percentage points from FY2018, showing improved profitability.

In the Food segment, sales of yogurt, one of our core businesses, increased year on year in the second half, providing a solid indication that it has overcome the stagnation of the past few years. Nutritional products are anticipated to grow further and sales of sports nutrition and infant formula enjoyed stable increases. Although, the price of raw milk, the ingredient we use most in the Food segment, and logistics costs increased, we were able to absorb the rising costs and record a profit increase.

In the Pharmaceutical segment, both sales and profit increased despite Japan’s NHI drug price revisions in October 2019. Two additions to our portfolio in recent years—generic drugs manufacturer Medreich Ltd. in India and vaccine manufacturer KM Biologics Co., Ltd. — contributed to the increases in sales and profit.

While we are not fully satisfied with the results because both segments missed initial targets, we secured profit growth while overcoming some difficulties, regardless of the tough conditions.

Put Top Priority on Protecting Employees from COVID-19 While Maintaining the Supply Chain

Our immediate challenge in FY2020 is coping with COVID-19. The food and pharmaceuticals we supply are essentials for people. While doing everything to protect employees from infection with COVID-19, we continue our business, maintaining the supply chain to ensure stable supply.

Securing the supply chain protects the lives of those producing ingredients and people who sell our products. We should care about raw milk, because it is one of the vital ingredients for us. When a state of emergency was declared in Japan in spring 2020, mass school closures and voluntary suspension of food service businesses greatly diminished the demand for drinking milk and dairy products, leading to the risk of discarding raw milk. We processed surplus raw milk to storable dairy products such as nonfat dry milk, butter and cheese at our plants to help dairy farmers and avoid emergency discarding of raw milk. As people’s activities resumed with time, demand recovered and the supply chain steadily returned to normal.

To protect employees from COVID-19, we have continued with teleworking after the state of emergency was lifted and employees are advised to work staggered hours to minimize the infection risk in going to work. We will prepare guidelines for sales and other activities and quickly establish a productive teleworking system.
Message from Our CEO

Create New Markets, Stimulate Demand and Overcome the COVID-19 Pandemic

The Meiji Group has been creating new markets. Functional yogurt, health-conscious chocolates and sports nutrition are examples of high-added-value products where we created markets that were ahead of the times. That is why they are so profitable and we can be the market leader. Amid the COVID-19 pandemic, we will strive to create unique markets.

The COVID-19 pandemic may result in an excessive slump in demand. To avoid decreasing sales of products with growth potential, we will stimulate demand. People became more health-conscious due to the COVID-19 pandemic. Yogurt is our biggest product category with the leading share in the domestic market and interest in the health value of yogurt is growing. Our strategy is to capture this trend as actual demand and expand sales. Further market expansion is expected in the sports nutrition business. In the previous fiscal year, sales of the ready-to-drink SAVAS Milk Protein more than doubled, indicating that the product is in a growth phase.

Meanwhile, we built a new plant in Kurashiki City, Okayama Prefecture, to manufacture SAVAS powder products with differentiated features. People’s interest in exercise has greatly increased because they have had to stay at home for long periods during the COVID-19 pandemic. We will secure solid growth for sports nutrition products through active promotion that will stimulate demand. For example, we are airing TV commercials featuring Major League Baseball player Shohei Ohtani, a regular user of SAVAS. Meiji registered dietitian is supporting his nutrition program.

Integrate Sustainability with Business Growth

FY2020 is the final year of our 2020 Medium-Term Business Plan and the 2023 Medium-Term Business Plan will start from April 2021. We will incorporate three concepts for accelerating growth in the 2023 Medium-Term Business Plan as we realize the Meiji Group 2026 Vision.

The first is to integrate sustainability efforts with our business growth. We will set integrated management targets combining sustainability and business goals. Sustainability is never supplementary to corporate value. Instead, we should build sustainability efforts into management so that we can secure corporate growth while working on social issues.

We have been coping with important social issues such as improvement of nutrition, the aging society, support for agriculture and the fight against infectious diseases. Through innovation, we want to provide meaningful contributions to social issues. Naturally, we should address issues such as the environment and human rights. But on top of that, we should pursue a sustainability program unique to the Meiji Group and meet society’s expectations. Thus far, we prioritized investment in business activities, but we have decided to establish a framework for ESG (environmental, social and governance) investing. Our plan is to spend around JPY 30 billion in ESG investment over the three years through FY2023.

We will address climate change activities. Based on the recommendations released by the Task Force on Climate-related Financial Disclosures (TCFD), we assessed the potential impacts of climate change-related risks and opportunities in both the Food and Pharmaceutical segments and released our scenario analysis. Climate change provides both risk and a business opportunity to
us. It has substantial impacts on malnutrition and infectious disease, which are closely related to our business. Therefore, we believe this is a business opportunity and will put forward innovative ideas to address such issues. Tackling climate change is well worth doing, although it is certainly very hard to accomplish. However, the Meiji Group’s founding spirit included making breakthroughs against issues related to malnutrition and infectious disease, and this is imprinted in our DNA.

The TCFD scenario analysis covers all elements required to enhance business sustainability. Sharing it with employees, we will be able to understand what climate change means to us. We should make sustainability our own issue so that we can address it in our work.

The second concept to be incorporated into the 2023 Medium-Term Business Plan is use of return on invested capital (ROIC) as a management indicator. This has two main objectives. One is for personnel responsible for our business portfolios to judge returns based on capital cost and the balance sheet. Until now, the Food and Pharmaceutical segments have used different indicators to measure profit or make investment decisions. Setting ROIC as a common indicator for the entire Group, we can adequately evaluate the business portfolios of each segment. The other objective is to narrow down and optimize the business portfolio. It is vital that we focus management resources on a carefully selected business portfolio for further profit growth. We should follow a selection and concentration strategy, or product categories will expand and the portfolio will become diluted. ROIC is the optimal indicator to prevent such dilution as well as to enhance competitiveness and accomplish sustainable growth.

The third concept of the 2023 Medium-Term Business Plan is strengthening Group management. A decade has passed since management integration and it is time for us to become “One Team” in the true sense. The Meiji Group consists of the Food segment and Pharmaceutical segment and they each engage in their own distinct line of business. We are a relatively unique corporate group worldwide and we believe this is our advantage. But unless we clarify our strategy, we will drift apart. We pursue synergies and demonstrate togetherness so that we grow and reach our next business success.

We introduced a chief officer system in June 2020. This will make Meiji Holdings’ management more strategic and strengthen Group management. Under the leadership of a chief executive officer (CEO), chief operating officers (COOs) were assigned to the Food and Pharmaceutical segments. In addition, a chief financial officer (CFO) and a chief sustainability officer (CSO) were assigned. This team of chief officers, headed by the CEO, will clarify the Group’s strategic direction and generate togetherness and synergies.
We will revise financial strategy under the 2023 Medium-Term Business Plan. Until now, the Meiji Group’s financial strategy has been to balance investment in future growth, returns to shareholders and ensuring a solid financial base. Since FY2017, we have consistently generated operating cash flow of more than JPY 100 billion. The forecast for FY2020 is around JPY 120 billion. The debt-to-equity (D/E) ratio is 0.19, implying a sound financial condition. With this strong financial foundation, we will shift focus onto investment in further growth and returns to shareholders under the 2023 Medium-Term Business Plan.

Our policy is to make capital investment within operating cash flow and we will invest in boosting production capacity according the plan. We recognize that the Food segment’s low overseas ratio is a significant management issue. The Meiji Group 2026 Vision sets an overseas sales ratio target of 20% of overall sales. Accordingly, investment in overseas business will be essential to achieve that goal. Although this is upfront investment for medium- to long-term growth, the investment must be made in a timely manner for the target market. If we miss investment opportunities, we may fail to realize the Vision. In this uncertain business environment caused by the COVID-19 pandemic, we will invest properly, maintaining financial discipline and paying close attention to cash flow and short-term liquidity.

Investing in Growth While Observing Financial Discipline

The Meiji Group 2026 Vision consists of three interconnected elements—the Business Vision, Sustainability Vision and Management Vision. We will strengthen each of these to achieve our targets. To realize the Management Vision, strengthening corporate governance will be crucial. We should set a robust governance framework so that continued innovation leads to business growth.

The Meiji Group commenced succession planning in 2019. The Nomination Committee deliberates and advises on the appointment and career development plan of potential successors for the president at Meiji Holdings, Meiji and Meiji Seika Pharma. The Board of Directors then discusses the matter. I understand the selection process is much more transparent as a result, although the rationality and suitability of candidate selection will need to be further improved. We appreciate opinions and suggestions from Independent Outside Directors to improve the operation of the Nomination Committee and implementation of succession planning.

The proportion of Outside Directors in the Board of Directors increased from FY2020. While the total number of Outside Directors has not changed, there are fewer Directors from inside the company so the proportion of Outside Directors exceeds one third. We have three Outside Directors and two Outside Audit & Supervisory Board members. They readily pose questions to the Board of Directors and make valuable suggestions. We have started individual interviews between the chairperson of the Board of Directors and Outside Directors. Meanwhile, we closely monitor the Board of Directors and have improved the operation of its meetings. An important mission of the Board of Directors is to encourage improvement of performance and greater corporate value. By providing sufficient quantity and quality of information to Outside Directors so that they understand the Meiji Group better, we will enable them to perform at their best level.

Strengthening Governance for Business Growth

We expanded our product lines for drinking milk, yogurt and other products in China. We are making aggressive investment in production capacity expansion at Suzhou, starting from spring 2021, and will launch a new plant in Tianjin in 2022.
To Contribute to Society Through Continued Innovation

We need to continuously innovate to grow our business sustainably. My biggest responsibility is to boost employee morale across the Group so that employees can demonstrate their full capabilities and, in this way, inspire innovation that creates new markets and improves society.

One business philosophy of the Meiji Group founder, Hanji Soma, is “Contributing to the Country through Nutrition.” Since I joined the Company, I have seen, through this philosophy, the many social aspects of the Meiji Group business and I feel pride in my work. Now, more than a century on from the Company’s founding, I think it is time for us to revisit this philosophy and take a few steps forward. This means that the Meiji Group should strive to be a company that contributes significantly to the resolution of today’s social issues.

To be such a company, we need to keep thinking about what society needs from us and what we can do to support society. If a company does not contribute to society, it has no reason for existing. Now that we have a history of more than 100 years charted by our predecessors, I will stand at the helm and drive the Meiji Group toward becoming a company that generates innovation and makes great strides forward.
By Applying New Ideas, Create Products that Contribute to Healthy Minds and Bodies and Continue to Grow

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

Overview by Business

Food Segment

FY2019 in Review

Profit Increases and Growth Continues Despite Missing Targets

Our plan for FY2019, as the middle year of the 2020 Medium-Term Business Plan, was to significantly grow our businesses to achieve the targets. However, despite increasing profit year on year, we missed those initial targets. This was because we failed to introduce strong new products. In addition, recovery in sales of our mainstay functional yogurt products was delayed. Although demand from health-conscious consumers increased from the fourth quarter due to the COVID-19 pandemic, net sales of functional yogurt and yogurt over the full fiscal year decreased. Overall though, the impact of COVID-19 on business performance was limited.

As a Corporate Group that Brightens Customers’ Daily Lives and Well-being, We Will Fulfill Our Responsibilities Through Our Business Activities During the COVID-19 Pandemic

Due to the COVID-19 pandemic which started at the beginning of 2020, the whole society was suffering harsh conditions as it faced unprecedented times. To fulfill our responsibilities as a manufacturer that provides products essential for healthy life to customers in such an environment, we continued production at all our plants in Japan and overseas as we strived to maintain stable product supply. I would like to express my appreciation for the tremendous efforts that every one of our employees is making in this difficult situation. They have shouldered great responsibility in their work and help maintain people’s social lives.

Food Business

Core
- Yogurt (including functional yogurt)
- Chocolate
- Nutritional products
  - Expand further by investing business resources intensely

Growth
- Cheese
  - Frozen dessert
  - Products for professional use
  - Create new markets
  - Become #1 in the future

Reform
- Milk
- Prepared foods
- Prepared foods operated by subsidiaries
  - Pursue unique value
  - Improve profit through structural reforms

Breakdown of Consolidated Op. Profit (Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2018 Results</th>
<th>FY2019 Results</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,056.6</td>
<td>1,049.5</td>
<td>−0.7%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>84.7</td>
<td>87.3</td>
<td>+3.0% +2.5</td>
</tr>
</tbody>
</table>

Impact of price increase, increased sales of sports nutrition products and infant formula, etc.
Increased costs of raw milk in Japan and packaging materials
Increased sales promotion and distribution expenses
Increased profit from subsidiaries
Improving Business Performance
Through Promotions Adapted to Changes in the Market

I believe that the keys to success during the COVID-19 pandemic are how we interpret potential changes in the future and how we reflect that understanding in our promotional activities and sales policies.

Over the past century, Meiji has been growing by responding to changes in society, such as the aging of society. In the current COVID-19 pandemic, we will pursue value unique to Meiji in our core businesses and growth businesses. Since the keyword for us is Health, and we should contribute to people’s healthier lives.

Due to the COVID-19 pandemic, lifestyles are changing and sales trends are changing accordingly. Sales of dairy products are growing as health awareness increases among consumers, and sales of drinking milk are also increasing as more people eat at home under stay-at-home orders. On the other hand, sales of products for professional use are sluggish due to temporary restraint in the food service industry. In response to the changes in the society due to the COVID-19 pandemic, we will strive to increase sales of products that are declining and to further maintain sales of products that have been doing well.

Our products contribute to the physical health and emotional well-being of our customers. Through foods, we hope to stimulate conversation, improve atmosphere, and lighten the mood. Also, through our marketing we will show how Meiji confectionery can return smiles to the faces of people feeling depressed in the COVID-19 pandemic.

We will run sales promotions that encourage people to eat functional yogurt for self-managing their health and take SAVAS to address lack of exercise due to the stay-at-home orders.

Maintaining Strong Sales due to Increased Health Awareness, and Accelerating Growth by Launching New Products and Rebuilding Brands

**Yogurt**
Due to the COVID-19 pandemic, people’s awareness of health management is rising, and demand for yogurt is growing because of its high health value. From the second half of FY2019, sales of Meiji ProBio Yogurt R-1, a functional yogurt, have been strong thanks to effective marketing activities. Since being relaunched as a food with functional claims, our Meiji ProBio Yogurt PA-3 sales are growing strongly year on year. In FY2020, we launched a product with a new value proposition. Meiji Skin Care Yogurt - Suhada no Mikata protects the skin from ultraviolet rays when consumed, the first yogurt drink with such functional claims, other than supplements and nutritional drinks.

**Chocolate**
Sales of health-conscious chocolates are strong. Chocolate Kouka, in particular, saw increased sales in FY2018 owing to steadily accumulating evidence supporting the potencies of cocoa polyphenol. We believe there is room for further growth in this market, and we will promote its health value and raise awareness of the brand. In addition, we will rebuild the brand of specialty chocolate, Meiji The Chocolate, pursuing the unique value for consumers of enjoying the taste of cocoa itself. Cocoa beans have different flavors depending on the country of production. Since we are highlighting these characteristics of the cocoa beans, we believe, our specialty chocolates are as good as any sold in specialty shops. We will develop new markets by creating environments for consumers to enjoy our specialty chocolates at reasonable prices.

**Nutritional Products**
Sales of sports protein SAVAS are enjoying strong growth. Once the COVID-19 pandemic has settled down, we will be moving to the new normal and new ways of life. Accordingly, we expect further growth in the sports nutrition business because people will become more health conscious. We introduced a new production method that achieves a non-clumping, more easily soluble protein powder and launched the renewed SAVAS. We will improve marketing of this popular product and achieve strong business growth.
One of the key strategies in the Meiji Group 2026 Vision is to expand our overseas business. To achieve our targets, we will put our utmost efforts into investing as we build solid foundations in new overseas markets.

China is one of the key areas for our overseas business. The drinking milk and yogurt businesses made profits in FY2018. Our sales are growing steadily because the quality of Meiji products is widely accepted by Chinese consumers. In addition to processed cheese, we will focus on natural cheese because we are expecting further market growth in Japan. Meiji Hokkaido Tokachi Camembert Cheese is a typical example of our natural cheese products. We have already built the leading share in the camembert cheese market in Japan, and will expand our product line in the natural cheese category. Our unique natural cheeses product line includes the authentic smoked Camembert product we launched in 2019. We will leverage our special technologies and high quality to develop processed cheese products, such as Meiji Hokkaido Tokachi Smart Cheese made with fresh raw milk from Tokachi in Hokkaido, that are clearly distinguished from imported products.

Frozen dessert is the new marketing category that was formally ice cream. While the Meiji Essel Super Cup brand still accounts for a large proportion of our sales, we would like to create new markets that go beyond just ice cream. In FY2019, we launched Meiji Cold Cacao at some shops. This new product, providing a new way to enjoy the taste of cocoa, is the result of our research on cocoa. The product is a perfect example in the frozen dessert category, and we hope it becomes the catalyst for creating new markets.

Through focusing management resources on our Meiji Oishii Gyunyu series of products and driving structural reform of the business, we are aiming to become profitable by FY2021. In addition to existing Meiji Oishii Gyunyu products, sales of the newly launched Meiji Oishii series, Meiji Oishii Low Fat Milk and Meiji Oishii Milk Calcium, are steadily increasing. At the same time, we are driving structural reform of our drinking milk business and have already discontinued many products. We are also restructuring plants to build an optimal production system. Altogether, through these initiatives, we will achieve profitability in our drinking milk business.

One of the key strategies in the Meiji Group 2026 Vision is to expand our overseas business. To achieve our targets, we will put our utmost efforts into investing as we build solid foundations in new overseas markets. China is one of the key areas for our overseas business. The drinking milk and yogurt businesses made profits in FY2018. Our sales are growing steadily because the quality of Meiji products is widely accepted by Chinese consumers. In addition, the chilled milk market is expanding. Our plan is to expand production capacity at the Suzhou Plant, which is already operating, and then start operations at a second plant in Tianjin in FY2022 and a third plant in Guangzhou in FY2023. To secure stable procurement of high-quality raw milk for the long term, in July 2020, we acquired shares of AustAsia Investment Holdings Pte Ltd., which operates farms in China. On the other hand, the drinking milk and yogurt business alone is not sufficient to ensure stable profit. Therefore, we will expand our sports nutrition business overseas as well. We established Meiji New Zealand as a base to supply SAVAS products to the China market. China’s gym and fitness market is just starting off, and we believe it will soon expand further. While adapting to more active and healthy lifestyles in China, we will launch our products through the most appropriate ways of promoting them. As our ice cream and confectionery businesses are growing steady, we are expanding production capacity. Thus we accelerate business expansion in China to achieve the Meiji Group 2026 Vision.

As announced recently, we have entered into a business partnership with Danone for cube-type infant formula, which is Meiji’s patented technology. We will develop markets for cube-type infant formula in Europe with Danone, which has strong sales capabilities.
Growth Strategy from FY2020

New Challenges
Launching New Products to Address Low Nutrient Condition due to Insufficient Protein Intake, a Social Issue in Our Modern Lives

The Meiji Group 2026 Vision sets out new challenges in the health value domain as one of its key strategies. In other words, we will help address health-related social issues through our businesses. One of the social issues in the future is addressing presymptomatic disease states, which include the prevention of illnesses and their development. We need products to extend healthy life expectancy so that everyone can enjoy life, resulting in reduced medical expenses. We will therefore develop a range of products that will create new markets and help address social issues.

Protein is essential nutrition for building a healthy body. Surprisingly, one of the recent social issues in Japan is low nutrient condition due to insufficient protein intake. We believe we should address this issue. Hence, we launched the Meiji TANPACT series sequentially from March 2020. The Meiji TANPACT series extends across several categories: frozen foods such as frozen dessert; chilled foods, including chilled milk and cheese; room temperature foods such as confectionery. The products in this broad series are suited to customers looking for an additional 10 g/day of highly effective milk protein in their diet.

Commitment from Top Management
Making Bold Changes Internally and Leveraging the Unique Value that Only Meiji Can Provide to Compete Globally

To achieve sustainable growth, we must deliver value unique to Meiji through products that contribute to healthier lives. We should bring innovative ideas that shake up conventional thinking to those products. For years, Meiji has established vertical organization for its product categories and managed the business in this way. Then from 2018 to 2019, we reorganized according to business functions—development, marketing and sales—in order to generate innovative ideas. I am now asking our people to put Meiji foremost in their conversations. They still speak from the perspective of product categories, and product development in the new organization is only at the level of simple addition. However, we can achieve far more new value when we create synergy. We can see signs of that happening, so I hope we can bring creative ideas into innovative products that are unique to Meiji.

I believe that Meiji can compete with globally famous food manufacturers, but we are still a little behind them. The world is changing dramatically due to the COVID-19 pandemic. Therefore we need to develop people who take on difficult challenges, be bold enough to reform the company, and change ourselves. I intend to contribute to achieving the Vision through attaining sustained growth of Meiji.

We actively strive to develop our human capital to bring out the abilities of every one of the Meiji Group’s employees (See page 46 for details).
We are Improving the Value of the Pharmaceutical Segment by Contributing to Addressing Social Issues

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.

FY2019 in Review

Sales and Profits Increased, with Vaccine Sales Contributing

The NHI drug price revisions took place on October 1, 2019, accompanying the consumption tax increase. Drug price revisions, especially the large price reductions for generic drugs, impacted business performance in FY2019. Sales of antidepressant drug REFLEX decreased due to expiry of the patent. From the beginning of 2020, patients stayed at home to avoid the risk of the COVID-19 in hospitals, resulting in sales of the anti-allergy drug BILANOA, for pollinosis, missing the initial target. In the agricultural chemicals business, sales decreased because we could not manufacture sufficient amount of products due to supply problems from Chinese supplier leading to shortages in active ingredients ahead of the peak demand period.

On the other hand, Meiji Seika Pharma started selling the majority of human vaccines manufactured by KM Biologics from FY2019. Sales of influenza vaccines grew steadily and contributed significantly to business performance.

Amid the harsh business environment, we secured increased sales and profits overall.

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2018 Results</th>
<th>FY2019 Results</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>198.6</td>
<td>204.3</td>
<td>+2.9% +5.6</td>
</tr>
<tr>
<td>Operating profit</td>
<td>14.2</td>
<td>15.9</td>
<td>+12.2% +1.7</td>
</tr>
</tbody>
</table>

Breakdown of Consolidated Op. Profit (Billions of yen)

- Impact of NHI drug price revisions
- Increased sales of vaccines
- Cost reductions, gains from changes in inventory valuation due to revisions in the production system in the previous fiscal year
- Loss from disposal of products, decrease in R&D expenses, etc.
- Increased profits by overseas subsidiaries, decreased goodwill depreciation for Medreich, impact from KM Biologics becoming a consolidated subsidiary, etc.

Pharmaceutical Business

<table>
<thead>
<tr>
<th>Ethical Pharmaceuticals</th>
<th>Agricultural Chemicals and Veterinary Drugs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Overseas</td>
</tr>
<tr>
<td>Infectious diseases/Vaccines</td>
<td>Newly developed agricultural chemicals (sales of active ingredient/royalty)</td>
</tr>
<tr>
<td>Generic drugs (distributed by MSP/CMO and CDMO)</td>
<td></td>
</tr>
<tr>
<td>CNS disorders</td>
<td></td>
</tr>
<tr>
<td>Biopharmaceuticals</td>
<td></td>
</tr>
<tr>
<td>Immune system and inflammatory disorders</td>
<td></td>
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<tr>
<td>Hematologic cancer/PDT*5</td>
<td></td>
</tr>
<tr>
<td>Export</td>
<td></td>
</tr>
<tr>
<td>Veterinary drugs</td>
<td></td>
</tr>
<tr>
<td>Healthcare solutions</td>
<td></td>
</tr>
</tbody>
</table>

*1 Core area: ASEAN and Europe, Growth/reform area: Mainland China  
*2 MSP: Meiji Seika Pharma  
*3 Contract Manufacturing Organization  
*4 Contract Development and Manufacturing Organization  
*5 Photodynamic Therapy
**Response in Confronting the COVID-19 Pandemic**

Focusing on Developing the COVID-19 Vaccine, Our Urgent Task

Responding to the COVID-19 pandemic is a significant health challenge that the world should overcome. Therefore, we are rushing to develop the COVID-19 vaccine. KM Biologics has considerable vaccine-related expertise and sufficient production capacity to meet the demand for vaccines to respond to novel influenza pandemics. Accordingly, we are participating in a joint industry-government-academia project to develop an inactivated vaccine. We have also started discussing contract manufacturing (formulation) and distribution of new vaccines being developed overseas to secure a stable supply within Japan. We expect that more people will get influenza vaccines due to the spread of the COVID-19. We are therefore working hard to achieve a stable supply of influenza vaccines to meet that demand.

*(See the Meiji Group Sustainability—Infection prevention and control on page 42 for details about novel coronavirus vaccine development)*

**Core Businesses**

Leveraging Our Strengths to Contribute to Infection Prevention and Control and Improvement of Access to drugs

**Infectious Diseases and Vaccines** We provide a stable supply of injectable penicillin antibiotics in Japan, where we hold a market share of approximately 50%. Injectable penicillin antibiotics have become increasingly important lately in the fight against the threat of antimicrobial resistance (AMR), which requires appropriate dose and duration. At the same time, we will fulfill our responsibilities through ensuring stable supply. In addition, we are currently developing OP0595 as a new β-lactamase inhibitor* funded by the Japan Agency for Medical Research and Development (AMED). Due to its unique mechanism of action and potential medical needs for the treatment of AMR infections, we are currently accelerating the development process.

One major challenge is to manufacture useful drugs and active pharmaceutical ingredients domestically, rather than depending solely on foreign sourcing. Especially in circumstances such as the COVID-19 pandemic, distribution from overseas could be terminated and lead to a health crisis. Vaccines and antibiotics are useful drugs. That is why we will build systems that cover the value chain, from development through to production, and implement them in Japan to ensure stable supplies.

* A drug that inhibits β-lactamase, which is one of the causes of antimicrobial resistance.

**CNS Disorders** Central nervous system (CNS) disorders are another area where we show our strengths. We have a wide range of drugs for depression and schizophrenia, both brand name and generic drugs. In addition, we have medical representatives who specialize in those areas to provide in-depth and competitive information. We will pursue the unique value that we provide by utilizing the foundations we have established over the years and expand this business.

**Generic Drugs** We manufacture generic drugs in Indonesia and Thailand and at Medreich in India. In Indonesia and Thailand, we have been operating for more than 40 years, and Medreich joined the Group in 2015. We adopt strict quality management systems in all manufacturing sites and achieve excellent quality that comply with the high Meiji quality standards. In that way, we have established a cost structure that is profitable as a contract manufacturer. Accordingly, we are receiving more inquiries for contract manufacturing from generic drug manufacturers in Japan, as the prices of generic drugs are falling in Japan due to the NHI pricing revisions.

As the global population is growing in developing countries, it becomes increasingly important to improve access to drugs in these countries and regions. We have entered into South Africa markets through a joint venture. We will also supply affordable and high-quality generic drugs to the countries in Africa and Southeast Asia and grow the generic drugs business across the world. We believe this is our mission.

**Net Sales (Our Mainstay Products in Japan)**

<table>
<thead>
<tr>
<th>Year</th>
<th>REFLEX</th>
<th>SYCREST</th>
<th>(Billions of yen)</th>
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</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>25.7</td>
<td>3.2</td>
<td>31.9</td>
</tr>
<tr>
<td>FY2018</td>
<td>31.9</td>
<td>7.4</td>
<td>46.2</td>
</tr>
<tr>
<td>FY2019</td>
<td>46.2</td>
<td>7.2</td>
<td>52.6</td>
</tr>
<tr>
<td>FY2020 (Plan)</td>
<td>30.2</td>
<td>5.2</td>
<td></td>
</tr>
</tbody>
</table>

* Sales of REFLEX includes generic drugs from FY2018

**Net Sales (Generic Drugs)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Meiji Seika Pharma</th>
<th>Me Pharma</th>
<th>Drug Supply to Other Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>46.7</td>
<td>10.6</td>
<td>25.0</td>
</tr>
<tr>
<td>FY2018</td>
<td>46.9</td>
<td>10.6</td>
<td>25.0</td>
</tr>
<tr>
<td>FY2019</td>
<td>48.6</td>
<td>10.6</td>
<td>25.0</td>
</tr>
<tr>
<td>FY2020 (Plan)</td>
<td>51.3</td>
<td>10.6</td>
<td>25.0</td>
</tr>
<tr>
<td>FY2023 (Plan)</td>
<td>51.3</td>
<td>10.6</td>
<td>25.0</td>
</tr>
</tbody>
</table>
Meeting Unmet Medical Needs and Expanding Our Agricultural Chemical Business Globally

**Grow and Reform Businesses**

**Immune System and Inflammatory Disorders** We will expand sales of the anti-allergy drug BILANOA. We will capture the top market share in FY2020 by promoting its benefits, which include less drowsiness and less effects on the ability to work. As for our R&D for immune system and inflammatory disorders, we will refocus our resources from atopic dermatitis and psoriasis to infectious diseases related topics, and we will carry out exploratory research targeting vaccines and antibody drugs.

**Hematologic Cancer** The hematology field has the largest usage share of antibiotics from Meiji Seika Pharma and blood plasma products from KM Biologics. Although we are providing many basic anticancer drugs, we believe we can make further contributions to this field. We will address unmet medical needs for rare diseases with clinically beneficial and competitive drugs.

**Agricultural Chemicals** The agricultural chemical business is expected to grow considerably in the future. Flupyrimin is a novel insecticide that we have successfully developed in-house. This is effective in controlling two major insect pests, planthoppers and stem borers. Flupyrimin is less toxic to honeybees and has minimal environmental impact*. In Japan, we have registered Flupyrimin as single and mixed formulations with the rice blast preventive ORYZEMATE. In partnership with India’s UPL Limited, we will register it in India in FY2020. We have four compounds discovered in-house, including Flupyrimin, and will expand these innovative new agricultural chemicals across Japan, India, the U.S. and Europe. On the other hand, to address the issue of procuring active ingredient that we faced in FY2019, we are making capital investments in the former Kitakami Plant to manufacture active ingredients and other chemicals. Construction will be complete by the end of FY2020. This will ensure stable supply in combination with contract manufacturing and our own production, and will reduce costs. In that way, we will accelerate the growth of this business.

* Honeybees play an important role in plant pollination, and mass deaths of honeybees due to neonicotinoid insecticides are becoming a serious problem worldwide. Use of neonicotinoid insecticides is almost completely banned in Europe and their use is restricted extensively in the U.S. during the flowering stage.

**Commitment from Top Management**

**Achieving Our Vision by Addressing Social Issues Through Our Businesses**

Japan’s pharmaceutical market has been seriously damaged by the COVID-19 pandemic. Still, we have a responsibility to address social issues through our businesses. We believe we can increase our corporate value by steadily addressing each of these social issues.

We will focus on the vaccine and antibiotics businesses, and contribute to infection prevention and control through prophylaxis and treatment, to protect people from the risks of infectious diseases. We will work to improve access to drugs globally. In addition, we will strengthen our environmentally friendly agricultural chemical business to improve the global food crisis as populations grow. Combining the management resources of Meiji Seika Pharma and KM Biologics we will create great synergy. Every one of us will try hard to achieve the Meiji Group 2026 Vision with the strong will and passion to contribute to addressing social issues.
<table>
<thead>
<tr>
<th>Products</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>ME1100 Arbekacin inhalation</td>
<td>Phase Ib (Overseas)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OP0595 Nacubactam</td>
<td>Phase I with β-Lactam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ME2112 Ziprasidone</td>
<td>Phase III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HBI-8000 Tusidinostat</td>
<td>Phase II</td>
<td>Apply</td>
<td>Approve</td>
</tr>
<tr>
<td>HBI-8000 Tusidinostat</td>
<td>Phase II</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP-02L Darinaparsin</td>
<td>Phase II</td>
<td>Apply</td>
<td></td>
</tr>
<tr>
<td>DMB-3111 Trastuzumab biosimilar</td>
<td>Phase I (Overseas)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KD-370 Pentavalent vaccine against diphtheria, tetanus, pertussis, polio, and haemophilus influenza type b</td>
<td>Phase III</td>
<td>Apply</td>
<td></td>
</tr>
<tr>
<td>KD-382 Quadrivalent vaccine against dengue fever</td>
<td>(Phase I finished)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KD-404 Egg-derived inactivated whole virus influenza vaccine</td>
<td>Phase II (Overseas)</td>
<td>Apply</td>
<td></td>
</tr>
<tr>
<td>KD-6-71 Indication expansion for chronic inflammatory demyelinating polyneuropathy (CIDP) and multifocal motor neuropathy (MMN)</td>
<td>Approved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KD-5-71 Indication expansion for optic neuritis (ON) (orphan drug)</td>
<td>Approved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KD-371 Indication expansion for microscopic polyangiitis (MPA) (orphan drug)</td>
<td>Phase III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>KD-2-305 Suppression of bleeding tendency in patients with blood coagulation factor VIII or factor IX deficiency who have coagulation factor inhibitors</td>
<td>Phase II/III Extension study</td>
<td>Apply</td>
<td>Approve</td>
</tr>
<tr>
<td>ME5382 Insecticide/Flupyrimlin</td>
<td>Approved (Overseas)</td>
<td>Approved (Overseas)</td>
<td>Approve</td>
</tr>
<tr>
<td>ME5343 Insecticide</td>
<td>Approved (Overseas)</td>
<td>Approved (Overseas)</td>
<td>Approve</td>
</tr>
<tr>
<td>ANM-138 Insecticide</td>
<td>Approved (Overseas)</td>
<td>Approved (Overseas)</td>
<td>Approve</td>
</tr>
<tr>
<td>ME5223 Fungicide/Fenpiroxamid</td>
<td>Approved (Overseas)</td>
<td>Approved (Overseas)</td>
<td>Approve</td>
</tr>
<tr>
<td>ME4129 Injectable antibacterial drugs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>ME4136 Injectable antibacterial drugs</td>
<td>Applied</td>
<td>Approve</td>
<td></td>
</tr>
<tr>
<td>ME4137 Injectable antibacterial drugs</td>
<td>Applied</td>
<td>Approve</td>
<td></td>
</tr>
<tr>
<td>ME4406 Feed Additive</td>
<td>Applied</td>
<td>Approve</td>
<td></td>
</tr>
<tr>
<td>ME4204 Oral Anthelmintic</td>
<td>Applied</td>
<td>Approve</td>
<td></td>
</tr>
<tr>
<td>ME4624 Vaccine</td>
<td>Approved</td>
<td></td>
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<tr>
<td>KD-390 Vaccine for poultry use</td>
<td>Approved</td>
<td></td>
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<tr>
<td>KD-377 Vaccine for swine use</td>
<td>Approved</td>
<td></td>
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<tr>
<td>KD-386 Vaccine for swine use</td>
<td>Approved</td>
<td></td>
<td></td>
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<tr>
<td>KD-395 Vaccine for swine use</td>
<td>Approved</td>
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</tbody>
</table>

* compounds discovered in-house
* Out-licensed substances. Please refer to our website for details of the companies and areas out-licensed to.

https://www.meiji.com/global/investors/results-and-presentations/pharmaceutical-pipeline/
The Meiji Group Sustainability

Creating a Future Where Everyone Around the World is Happy and Healthy

The basis of the Meiji Group’s approach to sustainability is to fulfill its corporate social responsibility (CSR). Accordingly, we practice the Group Philosophy on a day-to-day basis in our businesses and continue to be a corporate group that is truly indispensable to society. Promoting sustainability is one of the highest priority areas in the Meiji Group 2026 Vision, which sets out goals for the Group. We thus created the Meiji Group Sustainability 2026 Vision to address 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 A Richer Society, plus the shared theme: Sustainable Procurement. 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

Areas of Activity

<table>
<thead>
<tr>
<th>Domains</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Nutrition</td>
</tr>
<tr>
<td>Quality and Safety</td>
</tr>
<tr>
<td>Climate Change</td>
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<tr>
<td>Circular Economy</td>
</tr>
<tr>
<td>Water</td>
</tr>
<tr>
<td>Biodiversity</td>
</tr>
<tr>
<td>Human Resources</td>
</tr>
<tr>
<td>Society</td>
</tr>
</tbody>
</table>

Progress of the Meiji Group Sustainability 2026 Vision

2017
- Began discussions to establish vision
  Mr. Peter David Pedersen, Mr. Hidemi Tomita

2018
- Established the Vision
- Identify materiality
- Revised how the vision’s activities in each area are related to the SDGs

2019
- Joined UN Global Compact
- Discussions with outside experts
  Mr. Peter David Pedersen
- Established Sustainable Management Department at Meiji Holdings
- Revised human rights policy and procurement policy, and established a new marketing policy
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. We are working to achieve our goals as outlined in the Meiji Group Sustainability 2026 Vision.

Group Sustainability System

We have established the Group Sustainability Committee with the CEO, President and Representative Director of Meiji Holdings at its helm. Accordingly, we are promoting sustainability activities following the directions of this Committee. The Committee meets twice annually. It monitors the progress of activities to achieve KPIs in the Meiji Group Sustainability 2026 Vision and establishes sustainability policies. The Committee shares outcomes of activities conducted by each operating company and reports twice annually to the Board of Directors. We have established a Sustainability Secretariat that meets monthly and its members are sustainability staff from Meiji Holdings and the operating companies. In FY2019, we established the Group Human Rights Meeting and the Group TCFD Committee alongside the Group Environmental Meeting, which is linked to the Sustainability Secretariat. We strengthened our systems for considering concrete measures and launched a number of initiatives including scenario analysis based on TCFD recommendations and conducting human rights due diligence.

We established the Sustainable Management Department in October 2019 under Meiji Holdings to further accelerate sustainability activities across the Group. Then in June 2020 we introduced a Chief Officer system and installed a Chief Sustainability Officer (CSO) who will oversee the sustainability activities of the whole Group and will promote integration with management.
In managing our business activities, we identify important sustainability issues to address in accordance with the Meiji Group Sustainability 2026 Vision. We then consider the impact they have on society and the environment throughout the value chains: R&D, Procurement, Production and Distribution, and Sales and Communication. By addressing these issues, we can help solve social issues and achieve sustainable growth.

**Healthier Lives**
- Develop products that contribute to healthy diets (lactobacillus, cocoa, reduced sugar and low fat, etc.)
- Develop value-added nutrition products (sports nutrition, infant nutrition)
- Develop products that contribute to a super-aged society (medical nutrition)
- Develop novel pharmaceuticals and vaccines for Infectious Disease
- Superior quality management of clinical trials and clinical data

**Caring for the Earth**
- Develop environment-friendly agricultural chemicals
- Develop insecticides that eliminate pests and keep beneficial insects such as honey bees
- Extend the expiration dates of food products, changing food expiration labels from year-month-date to year-month formats
- Use lighter and thinner plastic container packaging and switch to alternative materials (paper, etc.)
- Promote the 3Rs* (use returnable bottles for home deliveries, etc.)

**A Richer Society**
- Promote diversity and inclusion
- Employee-friendly workplaces (encourage personal health management)

**Sustainable Procurement**
- Initiatives for stable procurement of premium quality raw milk (physical and chemical analysis of raw milk and development of new testing techniques to evaluate the quality of raw milk)
- Procurement based on Procurement Policies and Guidelines
- Strengthen partnerships with dairy farmers
- Promote Meiji Cocoa Support (support cocoa farmers, cooperate with WCF, increase amounts of sustainable cocoa beans)
- Shift to 100% RSPO-certified palm oil
- Use eco-friendly paper raw materials
- Conduct supplier audits
- Secure bulk drug suppliers and have multiple suppliers

*Reduce, Reuse and Recycle*
- Efforts to obtain Global Food Safety Initiative (GFSI) certification
- Ensure the sustainable supply of pharmaceuticals (important antibiotics, etc.)
- Ensure stable supplies of agricultural chemicals and veterinary drugs

- Promote renewable energy
- Introduce energy-efficient equipment
- Promote replacement with CFC substitutes and natural refrigerants
- Manage chemical substances properly
- Reduce industrial waste
- Appropriate Water Management and Water Risk Management (introduce RO membranes, recirculate gray water, etc.)
- Improve data accuracy using an environmental data management system

- Disseminate information to promote health and nutrition (nutritional support through sport, education activities on effects of poor nutrition, etc.)
- Improve access to nutrition in emerging countries (JICA)
- Support famine relief in emerging countries
- Offer new food culture and cuisine
- Improve access to pharmaceuticals (mainly in China and Southeast Asia)
- Educate about drug-resistant bacteria
- Provide hygiene education (washing hands, etc.)
- Provide infection control expertise to agriculture and livestock industries

- Implementing Human Rights Due Diligence
- Enhance employee engagement

- Conduct thorough testing of incoming raw milk at plants
- Conduct taste assessments and disseminate information (train taste testers for raw milk, etc.)

- Consume information about raw milk and cocoa, etc.

- Cut food loss through efficient production and distribution management
- Donate our products to food banks

- Donate infant formulas to homes for infants and orphans

- Discussing Meiji Dairy Advisory
- Plant tour, Meiji Nanto Factory in Tokachi, Hokkaido
- Hello, Chocolate by meiji
- Dietary education

- Solar power generation facilities
- Paddy field flooding
- Meiji Naruhodo Factory in Tokachi, Hokkaido

Meiji Holdings Co., Ltd. Integrated Report 2020
The Meiji Group Sustainability

Progress on Materiality

After dialogues with experts outside of the company, we identified materiality and set KPIs. We are promoting sustainability activities to achieve our targets and report on our progress each year. In FY2020, we set up new KPIs and updated targets adapted to changes in business environment and progress of our activities.

Identified materiality related to social issues NEW New KPIs and updated targets from FY2020

Domestic: the Meiji Group sites in Japan Global: the Meiji Group sites including those overseas

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**Healthier Lives**

**Areas/SDGs**

<table>
<thead>
<tr>
<th>Social Issues</th>
<th>KPIs &amp; FY2019 Performance</th>
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<tbody>
<tr>
<td>Health and Nutrition</td>
<td>1. Develop products that contribute to healthy diets and a super-aged society</td>
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<td>Quality and Safety</td>
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**Caring for the Earth**

**Areas/SDGs**

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<td>Reduce domestic plastic usage, including container packaging, by at least 25% compared with FY2017 baseline by FY2030 and increase use of biomass plastics and recycled plastics</td>
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**Healthier Lives**

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**Human Resources**
- Promote diversity and inclusion, and develop human resources
  - Employee-friendly workplaces

**Society**
- Respect and promote human rights
  - Communicate with stakeholders
  - Promote philanthropic activities

---

### A Richer Society

#### Shared Themes

**A Richer Society**

**Shared Themes**

1. **Sustainable Procurement**
   - Procure raw materials with consideration toward human rights and the environment
     - Stable procurement

2. **Water**
   - Secure water resources

3. **Biodiversity**
   - Protection of local biodiversity

**For details, please see** page 45.

**For details, please see** page 46.

**For details, please see** page 50-51.

**KPIs & FY2019 Performance**

1. **Reduce domestic water consumption volume** (per unit of sales) by at least 20% compared with FY2015 baseline by FY2030
   - **Performance**: 14.7% reduction
     - Base year: FY2015
     - Target: FY2030

2. **Domestic Water Consumption Volume** (per unit of sales)
   - FY2015: 2.13
   - FY2016: 2.07
   - FY2017: 1.92
   - FY2018: 1.86
   - FY2019: 1.82
   - Target: 1.70

3. **New**
   - Reduce group-wide water consumption volume (per unit of sales) by at least 20% compared with FY2017 baseline by FY2030

**Areas/SDGs**

**Social Issues**

**KPIs & FY2019 Performance**

1. **Human Resources**
   - Promote diversity and inclusion, and develop human resources

2. **Society**
   - Respect and promote human rights

**For details, please see** page 45.

**For details, please see** page 46.

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**A Richer Society**

**Human Resources**
- Promote diversity and inclusion, and develop human resources
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**A Richer Society**

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**A Richer Society**

**Areas/SDGs**

**Social Issues**

**KPIs & FY2019 Performance**

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**A Richer Society**

**Areas/SDGs**

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**A Richer Society**

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**A Richer Society**

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**A Richer Society**

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**For details, please see** page 45.

**For details, please see** page 46.
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

Improving nutrition in emerging countries

Poor nutrition is a serious issue in emerging countries. The Meiji Group is implementing a number of initiatives globally to address this issue. We increase interest in eating habits by providing information on nutrition and promoting appropriate products in cooperation with relevant organizations.

Social Issues

Project to Improve Nutrition for Female Factory Workers in Vietnam

One of the social issues that the world is currently facing, mainly in emerging countries, is maternal and child health. To address this issue, we have proposed a business plan to improve health among female factory workers in Vietnam. This business plan was selected as an SDG support enterprise by the Japan International Cooperation Agency (JICA). According to Vietnam’s National Institute of Nutrition, as many as 30% of female factory workers in the country have problems of malnutrition. Another serious issue is that accurate knowledge of nutrition is not available to the country’s citizens, including women of child-bearing age. Therefore, we are developing a nutrition improvement business model using MEI-LIFE, a nutritionally fortified milk. Its formulation is based on MEIJI MAMA, a milk product currently sold in Vietnam. Under this project, companies in Vietnam purchase MEI-LIFE for their female factory workers and we provide dietary education to improve their nutritional status. We started a survey to find out the nutritional status of local female factory workers in September 2019. The Meiji Group will continue such unique activities around the world to address nutritional issues using milk in emerging countries.

Providing Information and Products to Improve Nutrition in Emerging Countries

Providing Nutritional Support to Female Factory Workers with JICA Support

We are conducting health management seminars, focusing on nutrition, in industrial estates and other locations. Our goal is to create environments where people personally improve their nutrition by raising the awareness of low-paid female factory workers and their employers.
Developing Products That Help to Address Poor Nutrition

Launched Meiji TANPACT to Overcome Reduced Protein Intake

Poor nutrition is an issue not only in emerging countries but also in developed countries. Currently, reduced protein intake is a problem in Japan. All generations are experiencing insufficient nutrition, for example, women who are dieting excessively and the elderly who are eating and exercising less. In fact, the average daily protein intake per person in Japan has fallen to that of the 1950s. For more than 65 years, we have been developing protein products and successfully expanding the value of protein through products such as infant formula, yogurt and sports supplements. Using that knowledge, we developed Meiji TANPACT, new products containing a good balance of essential amino acids that people consume in milk protein in their daily lives. We will continue to address poor nutrition by promoting the enjoyment of food and offering many Meiji TANPACT products. Consumers enjoy milk protein anytime and anywhere throughout the day.

Expanding Nutrition Education

Nutrition Education Activities (Supporting the Growth of Children)

As a Gold Partner of the Tokyo 2020 Olympic and Paralympic Games, we are working with athletes on a project to communicate the importance of nutrition to parents and their children. Participants exercise with athletes and find the importance of having a dream. Furthermore, they attend nutrition education to learn the importance of food. We held the Meiji Tokyo 2020 Fes event 11 times around Japan between 2017 and 2019. Participants enjoyed playing sport and recognized the importance of food. Our nutritionists are supporting the Father-child Challenge Academy by giving nutrition education.

We will run the Meiji Dream Kids for Tokyo 2020 program during the Tokyo 2020 Olympic and Paralympic Games, which is currently planned for 2021. The two-night, three-day tour includes nutrition education, watching Olympic/Paralympic game and special experiences that will create lifelong memories for the children.
**Social Issues**

**Infection prevention and control**

Prevention and control of COVID-19 is an important social issue. To address this issue, we have started developing an inactivated vaccine and are discussing contract manufacturing of a third party COVID-19 vaccine. We also provide information about appropriate use of antibiotics to patients and medical institutions.

**R&D for New Vaccines**

**Prevention and Control of COVID-19**

KM Biologics is working with national research institutes*1 to rapidly develop an inactivated vaccine*, leveraging the expertise acquired over the years of developing vaccines. After completing non-clinical studies, the company hopes to move to clinical studies as soon as in FY2020. We already have production facilities to manufacture and supply 57 million doses of pandemic influenza vaccine in about six months. We consider utilizing these facilities to quickly supply sufficient quantities of the COVID-19 vaccine when it is ready.

Meanwhile, Meiji Seika Pharma and KM Biologics have agreed to start discussions with AstraZeneca on achieving a stable domestic supply of the COVID-19 vaccine*2 that AstraZeneca is planning to introduce in Japan. According to the plan, AstraZeneca will supply the vaccine bulk, KM Biologics will undertake the further production, and Meiji Seika Pharma will handle the distribution and supply management.

**Appropriate Use of Antibiotics**

**Efforts to Control Infectious Diseases Caused by Vancomycin-resistant Bacteria**

The risk of infectious diseases caused by drug-resistant bacteria*3 is increasing globally partly due to inappropriate use of antibiotics. One such example is the infectious diseases caused by vancomycin-resistant bacteria. These infections have been increasing because vancomycin has been widely used to treat infection with methicillin-resistant Staphylococcus aureus (MRSA).

To prevent the spreading of these drug-resistant bacteria, the Ministry of Health, Labour and Welfare (MHLW), the Japan Antibiotics Research Association and pharmaceutical companies established the Vancomycin Study Group. Meiji Seika Pharma has worked as the organizer of the Association since it was established in 2002, leading many efforts to achieve appropriate use of vancomycin. Collaborating with relevant organizations, the Study Group continues to monitor drug quantities used in order to check and understand changes or any signs of increase in drug resistance. The Study Group reports survey results to the MHLW and provides that information to medical institutions.

* Bacteria that have become difficult to control or kill with antibiotics

**Stable supply of pharmaceuticals**

As the leading company in systemic antibacterial drugs, we have created a system so that we can appropriately assess risks and respond flexibly to unexpected situations. We will further strengthen the stability of the supply system by securing multiple bulk drug suppliers and utilizing manufacturing sites in Japan and overseas.

**Stable Supply of Antibiotics**

**Strengthening Stable Supply System for Five Key Drugs**

Due to the bulk drugs manufacturing problems at an overseas manufacturer, supplies of cefazolin were in difficulty in Japan. Additionally, supplies of substitute drugs were in short age. This resulted in unavoidable impacts on the treatment of infectious diseases in many medical institutions. From the perspective of appropriate use of drugs, medical institutions need a stable supply of essential antibiotics to properly treat infectious diseases. Thus, four associations* designated 10 antibiotics (injectable) as “Key Drugs” that are clinically important and for which stable supplies are essential. Meiji Seika Pharma is supplying five of those Key Drugs—PENICILLIN G, SULBACILLIN, TAZOPIPE, MEROPENEM and VANCOMYCIN.

* The Japanese Society of Chemotherapy, the Japanese Association for Infectious Diseases, the Japanese Society for Clinical Microbiology, and the Japanese Society for Infection Prevention and Control
Quality and Safety

Ensuring product quality and safety

As the Meiji Group operates in both the Food and Pharmaceutical businesses, one of the most important issues for us is ensuring the high quality and safety of the products in these businesses. We will continue to enhance quality management and quality communication, and contribute to customers’ healthy lives.

Pursuing Safety to Strengthen Trusted Quality and Brands

Obtaining GFSI Certification at All Food Plants

The Meiji Group has already introduced HACCP-based hygiene management controls at all food plants. We plan to obtain Global Food Safety Initiative (GFSI) certification, a global third-party food safety management system certification that includes HACCP, at all food plants in Japan by FY2020 and all food plants globally by FY2021.

Obtaining Anti-doping Certification for Sports Nutrition Products

The Meiji Group has obtained Informed Choice certification, a global anti-doping certification program, for the majority of our sports nutrition products. Based on the program, through analysis using advanced technologies and manufacturing process audits, products are checked to ensure they are not contaminated with any banned substances. We will continue providing certified products for athletes so that they can consume without concern as they strive to achieve their goals, and also for sports lovers.

Quality Training for Sales Staff

We provide trainings to our employees in manufacturing. Through these efforts we will constantly improve product quality. Furthermore, we hold seminars on quality for our sales staff twice a year. All 1,480 sales staff attended the seminars in FY2019. We will continue these seminars to ensure that we properly communicate the quality, safety and reassurance of our products to our customers.

Enhanced Safety Disclosure

Expiration Date Labelling on Ice Cream for the Consumer Market

Meiji has recently been receiving an increasing number of customer inquiries about the best-before date labelling of ice cream. In a consumer survey that we conducted in November 2019, respondents chose “Safe to eat” as being second only to “Tastiness” as priorities when choosing food products. “Safe to eat” was also the priority that increased the most for consumers over the previous year (see chart). In the survey, 75% of respondents answered that ice cream with expiration labels “Provides confidence” and 67% answered that they “Want expiration date labeling.” Although the regulations allow best-before date labelling to be omitted from ice cream, Meiji has started to include best-before dates in labelling from June 2020 to respond to the requests of customers who prioritize food safety. We will apply best-before labelling to all Meiji ice cream for the consumer market, such as Meiji Essel Super Cup, by April 2021.
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. To this end, we intend to harmonize our business activities with the global environment and manage the Group in a way that protects the environment.

**Climate Change**

**Reducing CO₂ emission volume**

Efforts to decrease CO₂ emission against global warming is very important to the Meiji Group. We have established a long-term target for the Group, including overseas sites, of reducing CO₂ emissions by at least 40% by FY2030 (compared to FY2015). To reach this target, we are systematically reducing greenhouse gases emitted through our business activities while achieving steady growth. Through these efforts we will contribute to realizing a decarbonized society.

**Energy-Saving Measures**

We are working to save energy in all stages of our business activities. At our production sites, we are switching to low CO₂ emission fuels and installing highly energy-efficient equipment.

**Energy-Saving Initiatives in Detail**

At our operating sites, we are switching from heavy oil to city gas and installing co-generation systems to reduce CO₂ emissions. In addition we are working to save energy by adopting energy-efficient equipment and reducing operating time by improving the operational efficiency of equipment.

**Promoting Use of Renewable Energy**

Use of renewable energy from the sun, wind, biomass and other sources reduces use of our limited natural resources, such as oil, and it also reduce greenhouse gas emissions. We have established a target for the Group, including overseas sites, of increasing renewable energy to at least 50% of total power usage by FY2030.

**Installing and Using Renewable Energy Equipment**

To reduce annual CO₂ emissions by approximately 6,000 tons (compared to FY2019) by FY2028, Meiji will gradually introduce solar power generation equipment at its plants for internal energy consumption. While introducing solar power generation equipment across the Group, we will investigate alternatives to solar.
Circular Economy

Social Issues

Reduce environmental burden

In order to preserve and protect the Earth’s limited resources, we are reducing industrial waste based on the 3Rs approach: reduce, reuse, recycle. The Meiji Group is already enacting a range of environmental policies that span the entire lifecycle of the product from the design stage to the end-of-life stage.

Reducing Plastic Usage

Marine pollution caused by plastic garbage contamination is a social issue. To address this issue, we are recycling plastic resources. We established the Meiji Group Plastic Policy in July 2020 to reduce plastic usage by 25% (compared to FY2017) by FY2030. In line with the policy, we are reducing the weight of the PET bottles for our products. We are reusing and recycling the plastic containers for storage and transport. Also, we are increasing use of biomass plastics derived from organic resources, and recycled plastics, for the packaging and plastic straws attached to our products.

Environmental Data Management System

In October 2019, the Meiji Group introduced a cloud-based environmental data management system to identify the integrated environmental impact in overall operating sites of the domestic Meiji Group and accurately and quickly track our performance against targets. Using this system we can reduce input errors and thus collect and calculate data efficiently. Accordingly, we will introduce the system in our overseas operating bases from October 2020.

Water

Social Issues

Secure water resources

Water is essential for the Meiji Group’s business operation. Water resources management is important to realize sustainable society. The Meiji Group is installing equipment to save and use water efficiently and manage the quality of wastewater. We use the latest version of AQUEDUCT, the water risk assessment software launched by the World Resources Institute (WRI). In addition to these results, we evaluated water consumption volumes, water quality and manufactured products among our production plants in Japan and overseas and identified high-risk sites. We will clarify priorities for countermeasures to implement, prepare schedules, and then systematically carry them out.

Water-Saving Initiatives in Detail

We have established a target for the Meiji Group, including overseas sites, to reduce water consumption volume (per unit of sales) by at least 20% by FY2030 compared with FY2017 baseline. To achieve this goal we are implementing measures including a circulating usage system for chilled water for cooling, use of rainwater for toilets at our head offices and research laboratories, and use water-saving nozzles. We are also working to reduce water consumption by reviewing our cooling processes. At Meiji’s Toda Plant, for example, we examined various flow rates of industrial water used for cooling when transferring raw materials from fermentation tanks to liquid storage tanks and found an optimized flow rate, which reduced water usage by approximately 2,900 m³/month.

Water-Saving Initiatives in Detail

Water Consumption Volume for FY2019

Domestic Overseas

The scope of the water consumption volume that are included is noted on p.123. The numerical data indicated with have been assured by an independent practitioner.

(Domestic) 12 overseas production plants are included in the calculation.

Water Saving at Meiji’s Toda Plant by Optimizing the Flow Rate for Cooling Water

We have established a target for the Meiji Group, including overseas sites, to reduce water consumption volume (per unit of sales) by at least 20% by FY2030 compared with FY2017 baseline. To achieve this goal we are implementing measures including a circulating usage system for chilled water for cooling, use of rainwater for toilets at our head offices and research laboratories, and use water-saving nozzles. We are also working to reduce water consumption by reviewing our cooling processes. At Meiji’s Toda Plant, for example, we examined various flow rates of industrial water used for cooling when transferring raw materials from fermentation tanks to liquid storage tanks and found an optimized flow rate, which reduced water usage by approximately 2,900 m³/month.
A Richer Society

Being involved in the Food and Health business, the Meiji Group considers this responsibility seriously. We will fulfill our social responsibilities by developing our business in a healthy way. We respect and promote human rights for all those involved with our corporate 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

Promote diversity and develop human resources

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

Promoting Women in the Workplace to Improve Business Competitiveness

We will improve the vitality of the Meiji Group by establishing a healthy work-life balance and motivating women to thrive in a variety of positions. We have implemented career development training and job rotations to support these initiatives.

Raising Awareness Through the Information Website “CHEER FOR WOMEN”

Meiji operates CHEER FOR WOMEN, an informational website for women. It shares the President’s Message and information on systems for childbirth and childcare, and introduces women who are thriving in a variety of positions, and more. Thus, we are working to help women create career development plans and increase their motivation.

“Kirameki Juku” Held to Support Career Development and Change Mindsets for a Successful Career

As part of its diversity promotion initiatives, Meiji Seika Pharma holds “Kirameki Juku” sessions for women to support their career development and change their mindsets for a successful career. Additionally, we are working on initiatives for women to feel a sense of accomplishment in their work in the Pharmaceutical Sales Div., where many female MRs are employed.

Participating in “Kirameki Juku” Motivated Me to Improve My Career

I took part in “Kirameki Juku” in 2017. Female group leaders told us about how they approached their jobs, kept their groups running smoothly, and so on. I learned various management styles, such as driving group members forward, supporting their efforts, and entrusting them with work so that they experience success and grow.

Also, I realized that I don’t have to do everything myself. If I keep all tasks to myself I have to work longer hours and my work takes over my entire life. Nowadays, I entrust tasks to the group members and establish a healthy work-life balance. Accordingly, I feel more fulfilled in my life.

I think it would be great if women’s mindsets changed even further. Since everyone has different values, pursuing a career does not necessarily mean being active. Still, it is true that if I take on more responsibility, I could engage in new challenges and I would be more satisfied. I like to contribute to be best of my abilities to creating a workplace where women can succeed in management roles.

Naoko Imai (joined 2007)

Pharmaceutical Sales Div., Marketing Planning & Strategy Dept., Oncology Group

Meiji Seika Pharma Co., Ltd.
Employee Communication Initiative for A Richer Society

Top award-winning members of the Quality Control Dept. at Kikuchi Factory

To achieve the Meiji Group 2026 Vision and be a company that can grow sustainably, we believe improving employee engagement is essential. Therefore, we conducted the “Employee Opinion Survey” in 2019 and 9,740 employees responded to the survey. The results revealed that the Meiji Group’s engagement score is higher than the average score of other companies and that our organization is in a good state. However, there are some issues, such as the “Sense of togetherness within the Group” and “Our autonomous and precedent-setting initiatives toward the future.” Based on this survey results, we will improve employee engagement through education and training. Also we will strive to strengthen employees’ sense of ownership and responsibility in achieving the 2026 Vision and meeting tough challenges.

Having a Sense of Ownership Over the Group’s Future: Going Above and Beyond

Following the results of the Survey, we have established “having a sense of ownership over the Group’s future: going above and beyond” as our challenge for organizational reform, and we have spread awareness of it throughout the Group. We have set three specific tasks and are working hard to achieve them: improve communication, reform management, and increase employee motivation.

1. Improve Communication
   Enhancing Group-wide communication

2. Management Reform
   Enhancing our function as a communication hub that links management to workplaces and workplace members to each other

3. Employee Motivation
   Provide opportunities for every employee (especially young employees and leaders) to engage in challenging work

Improve Engagement: KM Biologics

Presentation Session for Cases Demonstrating Corporate Philosophy/Action Guidelines held to encourage employees to take the initiative

KM Biologics holds a Presentation Session for Cases Demonstrating Corporate Philosophy/Action Guidelines every year. Employees take the lead in introducing activities that embody our Corporate Philosophy and Action Guidelines, and share the results with all the employees. In the 2020 Session, over 100 activities were entered from various departments. The top award was given for the task improvement activities by part-timers. They took the initiative in preventing incorrect operations and improving tasks by enhancing tools and apparatus. These sessions increase not only employee motivation, but also the company’s competitiveness.

Employee Communication Initiative for A Richer Society

The Meiji Group established the Meiji Happiness Fund, an in-house fund-raising scheme, in March 2020. Employees of the Meiji Group voluntarily participate in this activity, which aims to raise employee awareness about sustainability and have employees feel a sense of ownership over social issues. In April 2020, most schools closed due to the COVID-19 pandemic. During this time, to help families who needed food assistance, we donated approximately 100,000 confectioneries through the Meiji Happiness Fund and a donation from Meiji Holdings to 30 food banks belonging to the All-Japan Food Bank Promotion Council. This is one of the initiatives used to raise employee awareness about social issues included in the SDGs aimed at eliminating poverty and hunger that Meiji is addressing.
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 Basic Approaches to Human Rights

The Meiji Group has declared respect for human rights in its Corporate Behavior Charter, and it manages its businesses based on the strong belief that all people are inherently free and deserve equal respect and rights. We will promote respect for human rights throughout the Group and fulfill the Group’s obligations.

Revision of the Group’s Human Rights Policy

We established the Meiji Group Policy on Human Rights in 2016 and have been spreading awareness and implementing human rights initiatives. Subsequently, we revised it to the Meiji Group Human Rights Policy in February 2020 and are enhancing our initiatives on human rights. The new policy includes: international codes for supporting and respecting human rights, a ban on discrimination based on sexual orientation and gender identity, and performing human rights due diligence.

System for Promoting Respect for Human Rights

We launched the Group Human Rights Meeting in July 2019 as a cross-organizational meeting and began human rights due diligence. The meeting aims to deal with a variety of human rights issues that society requires companies to address, based on the Framework for Business and Human Rights approved by the United Nations Human Rights Council. Through this initiative, we will meet the expectations of society. The meeting consists of representatives from the sustainability divisions of each operating company as well as the human resources divisions. The issues raised in the meeting are reported to the bi-annual Group Sustainability Committee. The Executive Committee and the Board of Directors review them appropriately and incorporate them into business management.

Implementing Human Rights Due Diligence

We started the human rights due diligence in FY2019 and it forms our commitment to human rights based on the Meiji Group Human Rights Policy. We make constant efforts to communicate with external stakeholders by: assessing the impact on human rights caused by the Meiji Group’s corporate activities and identifying issues; incorporating these evaluation results into procedures and implementing them for meaningful improvements; follow-up evaluations to review effectiveness; and timely and appropriate information disclosure. By continuous improvement through these processes, we will achieve both respect for human rights and sustainable businesses growth.
Identifying Important Human Rights Issues in Value Chains

In FY2019, we reviewed our entire value chain in the Food and Pharmaceutical Businesses and identified the existing human rights risks. We evaluated risks objectively using external evaluators.

We chose three high priority issues in FY2019. We established subcommittees for each issue, discussed specific measures, and understood the current situation.

High Priority Issues Addressed in FY2019

### Human Rights Issues in Ingredient Procurement for Food Products
- Identified six ingredients that are essential to business and pose human rights concerns
  - Raw milk, Cocoa, Palm oil, Paper, Soybeans, Sugar
- Created a list of Meiji primary suppliers

### Human Rights Issues in Raw Materials Procurement for Pharmaceuticals
- Identified country and region of bulk drug suppliers
- Created a list of primary suppliers for Meiji Seika Pharma and KM Biologics

### Issue of Human Rights of Foreign Workers
- Created a list of foreign workers in the Group companies in Japan
- Conducted and analyzed a survey of eight Meiji group companies to understand the current situation

Developing a Responsible Supply Chain

In recent years, there has been international demand for fair and free competition, fair transactions, and responsible procurement. Therefore, we should fulfill our corporate social responsibility throughout the supply chain, including both the Group and our business partners. Also, we should address social issues such as child labor, forced labor, and environmental degradation. In the Meiji Group Procurement Policy, we commit to procurement that considers human rights and the global environment. We will maintain responsible procurement with our business partners and strive to prevent and reduce risks. We established the Meiji Group Supplier Code of Conduct for our business partners in June 2020. We will understand the current situation using surveys concerning sustainable procurement, and work with our business partners to improve issues found in the surveys.

Supplier Code of Conduct

1. **Human Rights and Labor**
   - Respecting the rights of employees, prohibition of forced labor and child labor, etc.

2. **Safe and Hygienic Workplace Environments**
   - Protection for employees, ensuring safety, etc.

3. **Fairness**
   - Preventing corruption, protection of intellectual property rights, etc.

4. **Environmental Friendliness**
   - Reducing greenhouse gas emissions, effective water usage, etc.

5. **Sustainable Procurement**
   - Environmentally friendly raw materials procurement, etc.

6. **Development of Relief System and Prohibition of Retaliation**
   - Customer service line for complaints and reports

7. **For Pharmaceutical Companies**
   - Compliance with pharmaceutical-related laws and regulations, animal welfare, etc.
Sustainable Procurement

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.

Procurement

Social Issues

Responsible procurement of raw materials toward human rights and the environment

The Meiji Group procures cocoa, palm oil, and paper and performs supplier audits taking into account human rights and the environment. In addition, we have been conducting Meiji Cocoa Support and support for dairy farmers in Japan. Thus we achieve sustainable procurement of cocoa and raw milk.

Sustainable Cocoa Bean Procurement

Procuring 100% Sustainable Cocoa Beans by FY2026

Since 2006, Meiji has been conducting the Meiji Cocoa Support program, which deepens partnerships with cocoa farmers overseas and supports the high-quality and sustainable production of cocoa beans. We have decided to expand the Support program and established a new target of 100% procurement of sustainable cocoa beans (cocoa beans produced in regions where we provide support) by FY2026. As cocoa bean production regions and farmers are confronted with deforestation, child labor, and lack of cultivation techniques, we will solve these issues by achieving this procurement target and contribute to sustainable cocoa bean production.

Started Meiji Cocoa Support in Madagascar, the Ninth Country to Receive Support

We have conducted Meiji Cocoa Support in eight countries—Ghana, Peru, Ecuador, Venezuela, Mexico, the Dominican Republic, Brazil, and Vietnam—and expanded these activities to include Madagascar in 2019. This was supported by Japan International Cooperation Agency (JICA) as a “Popularization, verification, and business creation project” related to creating the foundation for a sustainable cocoa industry. We will develop a system to produce and purchase high-quality cocoa, applying the know-how we have accumulated thus far, and help the cocoa business in Madagascar to become sustainable.

Support Cocoa Farmers Through Meiji Cocoa Support

1. Republic of Ghana
2. The Socialist Republic of Vietnam
3. Republic of Peru
4. Republic of Ecuador
5. Bolivarian Republic of Venezuela
6. The United Mexican States
7. Dominican Republic
8. Federative Republic of Brazil
9. Republic of Madagascar

NEW

Providing support to cocoa farmers in various ways through Meiji Cocoa Support

Meiji employees surveying Madagascar cocoa farmers’ current situation (environment and quality)
Palm Oil and Paper Procurement

Systematic Shift Toward Certified Palm Oil

The Meiji Group, including overseas subsidiaries, is aiming to use 100% certified palm oil that includes Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil by 2023. We started using certified palm oil at eight factories in Japan in FY2019. In addition, we are visited plantations in Malaysia, a palm oil-producing country, to achieve our targets.

Expanding Use of Eco-friendly Paper

We are procuring paper in compliance with the Paper Procurement Guidelines established in 2018. We are expanding the use of FSC® and PEFC paper for product containers and packaging as well as various printed materials, and are aiming to use 100% eco-friendly paper by FY2020. We replaced approximately 60% of the paper used in our product containers and packaging in FY2019.

Raw Milk Procurement

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 established the Dairy Procurement Guidelines in October 2019 and upheld feeding management that considers the "Five Freedoms" animal welfare policy. In addition to responding to ethical considerations, we will drive the sustainable development of dairy farming and the dairy industry in cooperation with relevant parties.

Example of Initiative for Sustainable Development of Dairy Farming and the Dairy Industry: Meiji Organic Milk

Meiji Organic Milk, our special milk product, is certified under Japan Agricultural Standard (JAS) for Organic Agricultural Products. We use only raw milk from cows raised on the basis of organic farming methods at a designated ranch in the town of Tsubetsu, Abashiri District, Hokkaido Prefecture.

Meiji began examining the development of drinking milk that is friendly to both the cows and the environment from 1997. Accordingly, we started developing organic drinking milk in collaboration with dairy farmers in Tsubetsu, where they were practicing environmentally conscious circular dairy farming at the time. After much trial and error, five farmers obtained JAS for Organic Agricultural Products certification in 2006, and we began selling Meiji Organic Milk, our specially prepared drinking milk. The organic farming is the foundation for Meiji Organic Milk; cows are reared with environmentally friendly feedstuffs in a cow friendly environment. The Meiji Group will provide the value of new drinking milk to our customers while supporting dairy farming that is friendly to both the environment and the cows’ health.

Organic Dairy Farmers Share Their Story

After receiving the proposal from Meiji, and realizing that we should practice environmentally conscious dairy farming, we began working to produce organic drinking milk. We didn’t have any know-how at the beginning, and we struggled to produce feedstuffs without chemical fertilizers and agricultural chemicals. But now that things are going smoothly, we believe more than ever that organic farming is meaningful. Therefore, we would like to continue our efforts to produce organic drinking milk with Meiji.

And we hope that someday customers will purchase drinking milk because it is made from raw milk produced in a way that is friendly to both the environment and the cows.

Mr. Kenichi Ishikawa and his wife
Chairman, Tsubetsu Organic Dairy Farming Society
Directors and Audit & Supervisory Board Members
(As of Jun 26, 2020)

1 Kazuo Kawamura
CEO *1
President and Representative Director
President (Corporate Develop Dept.)
President (Co-Creation Center)

Significant Concurrent Positions
Member of the Board, Meiji
Member of the Board, Meiji Seika Pharma
Chairman, All Nippon Kashi Association
President, Japan Dairy Association (J-Milk)

2 Daikichiro Kobayashi
COO *2 (Pharmaceutical Segment)
Member of the Board
Executive Officer

Significant Concurrent Positions
President and Representative Director, Meiji Seika Pharma

3 Katsunari Matsuda
COO *2 (Food Segment)
Member of the Board
Executive Officer

Significant Concurrent Positions
President and Representative Director, Meiji

4 Koichiro Shiozaki
CFO *3
Member of the Board
Senior Executive Officer
Managing Executive Officer
(Management & Accounting Dept.)
Senior Managing Executive Officer
(HR & General Affairs Dept.)

Significant Concurrent Positions
Member of the Board, Meiji Seika Pharma
Member of the Board, KM Biologics

5 Jun Furuta
CSO *4
Member of the Board
Senior Executive Officer
Managing Executive Officer
(PR & IR Dept.)
Managing Executive Officer
(Sustainable Management Dept.)

Significant Concurrent Positions
Member of the Board, Meiji

6 Tomochika Iwashita
Member of the Board (Outside)
Independent Director

*1 CEO (Chief Executive Officer): Oversees management of entire Group
*2 COO (Chief Operating Officer): Oversees business operations for Food segment and Pharmaceutical segment
*3 CFO (Chief Financial Officer): Oversees Group financial strategy and operational management
*4 CSO (Chief Sustainability Officer): Oversees Group sustainability strategy, sustainability activities
## Responsibilities of Members of the Board and Audit & Supervisory Board Members (As of Jun 26, 2020)

### Members of the Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Positions and areas of responsibility in the Company</th>
<th>Attendance at meetings (FY2019)</th>
<th>Number of years as Member of the Board</th>
<th>Number of the Company’s shares held *</th>
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</thead>
<tbody>
<tr>
<td>Kazuo Kawamura</td>
<td>CEO President and Representative Director</td>
<td>16/16</td>
<td>8</td>
<td>35,324 shares</td>
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<tr>
<td>Daikichiro Kobayashi</td>
<td>COO (Pharmaceutical Segment) Member of the Board and Executive Officer</td>
<td>16/16</td>
<td>6</td>
<td>11,334 shares</td>
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<tr>
<td>Katsunari Matsuda</td>
<td>COO (Food Segment) Member of the Board and Executive Officer</td>
<td>16/16</td>
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<td>9,492 shares</td>
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<tr>
<td>Koichiro Shiozaki</td>
<td>CFO Member of the Board and Senior Executive Officer</td>
<td>16/16</td>
<td>5</td>
<td>11,248 shares</td>
</tr>
<tr>
<td>Jun Furuta</td>
<td>CSO Member of the Board and Senior Executive Officer</td>
<td>16/16</td>
<td>6</td>
<td>4,906 shares</td>
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<tr>
<td>Tomochika Iwashita</td>
<td>Member of the Board (Outside) Independent director Career summary/Ex-Executive Vice President, Tokio Marine &amp; Nichido Fire Insurance Co., Ltd Ex-President, Tokio Marine &amp; Nichido Life Insurance Co., Ltd</td>
<td>16/16</td>
<td>4</td>
<td>1,049 shares</td>
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<tr>
<td>Tohru Murayama</td>
<td>Member of the Board (Outside) Independent director Career summary/Ex-Representative Director and President and Ex-Director and Chairman, Accenture Japan Ltd</td>
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<td>697 shares</td>
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<td>Mariko Matsumura</td>
<td>Member of the Board (Outside) Independent director</td>
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<td>217 shares</td>
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### Audit & Supervisory Board Member

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<th>Name</th>
<th>Positions and areas of responsibility in the Company</th>
<th>Attendance at meetings (FY2019)</th>
<th>Number of years as Audit &amp; Supervisory Board Member</th>
<th>Number of the Company’s shares held *</th>
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<tbody>
<tr>
<td>Mineo Matsuzumi</td>
<td>Audit &amp; Supervisory Board Member, KM Biologics</td>
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<td>3,641 shares</td>
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<td>Hiroyuki Tanaka</td>
<td>Audit &amp; Supervisory Board Member</td>
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<td>Hajime Watanabe</td>
<td>Audit &amp; Supervisory Board Member (Outside) Independent director</td>
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<td>Makoto Ando</td>
<td>Audit &amp; Supervisory Board Member (Outside) Independent director</td>
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<td>1,431 shares</td>
</tr>
<tr>
<td>Name</td>
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<tr>
<td>Kazuo Kawamura</td>
<td>CEO, President and Representative Director</td>
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<td>Koichiro Shiozaki</td>
<td>CSO, Member of the Board and Senior Executive Officer</td>
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<td>Jun Furuta</td>
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<tr>
<td>Daikichiro Kobayashi</td>
<td>COO (Pharmaceutical Segment), Member of the Board and Executive Officer</td>
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<tr>
<td>Katsunari Matsuda</td>
<td>COO (Food Segment), Member of the Board and Executive Officer</td>
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<td>Tohru Murayama</td>
<td>Audit &amp; Supervisory Board Member, Member of the Board (Outside), Independent director</td>
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<td>Tomochika Iwashita</td>
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<tr>
<td>Hiroyuki Tanaka</td>
<td>Audit &amp; Supervisory Board Member (Outside), Independent director</td>
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<tr>
<td>Mariko Matsumura</td>
<td>Audit &amp; Supervisory Board Member (Outside), Independent director</td>
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</tbody>
</table>

**Main expertise and background**

<table>
<thead>
<tr>
<th>Management strategies</th>
<th>Global business</th>
<th>Sales Marketing</th>
<th>IT</th>
<th>Accounting</th>
<th>HR</th>
<th>Legal affairs</th>
<th>Corporate communication</th>
</tr>
</thead>
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**Advisory body members to the Board of Directors**

<table>
<thead>
<tr>
<th>Nomination Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>Chairperson</td>
</tr>
</tbody>
</table>

*As of the end of May 2020*  
[WEB Governance](https://www.meiji.com/global/investors/governance/)
Investor Insight into the Meiji Group’s Possibilities

Major changes are underway as the Meiji Group goes about realizing its 2026 Vision. Independent outside director Mr. Tohru Murayama discusses progress in activities and challenges with Mr. Akitsugu Era, who offers an investor’s standpoint as managing director at BlackRock Japan Co., Ltd., part of one of the world’s largest asset management enterprises.
The Stance of an Independent Outside Director

**Era** What has been your involvement in management of the Meiji Group during four years as an independent outside director?

**Murayama** Management of the Meiji Group is based on medium- and long-term visions. I joined the Meiji Group during formulation of the 2026 Vision and luckily participated in discussion about the Vision. Knowing the background to the Vision and its underlying intentions, I am examining management's consistency with the Vision as an independent outside director.

**Era** Long term vision and business plan are not easy to achieve. It requires time and resources. It is sometimes difficult for us investors to measure progress of the developments, so I appreciate your insight into the current state of management as an independent outside director.

**Murayama** To be honest, I initially felt that the Meiji Group management lacked speed of strategy execution. I was a bit frustrated; why was overseas expansion taking so long? But now I understand there are many limits for a food company, in particular, to grow overseas business through exports. As foods impact human health, we must comply with regulations in each country. For that reason, the Meiji Group thinks that it’s important to procure raw materials locally and produce products locally for local consumers. I also learned that hastily prepared plans threaten quality and safety. When the company places emphasis on social responsibility, doing business takes time.

**Era** As investors, one of our key expectations towards independent outside directors is to conduct an objective evaluation of the management and to share their independent views. For example, what you have mentioned about the time frame of business development by management is highly convincing coming from a third-party perspective. Knowing that sound debate goes on in the Board of Directors makes the company reliable.

**Era** At BlackRock, we take a long-term view. Thus we are interested in the Meiji Group’s medium- to long-term growth. Please tell us about the Meiji Group’s strategy to achieve the 2026 Vision.

**Murayama** The Meiji Group is about to enter a new phase. Following management integration, the initial role of Meiji Holdings was to supervise the management of both operating companies and to build a common platform for functions like personnel evaluations and compliance. The holding company spearheaded management of the Group during this first phase. Now the evolution continues with Meiji Holdings beginning to assume a true leadership role to pull along the entire Group. This is evident in regard to environmental, social and governance (ESG). Meiji Holdings set up the Sustainable Management Department to advance a full program of activities in this area. Despite concerns that ESG activities may push up costs and lower productivity in the short term, Meiji Holdings demonstrates strong leadership here, knowing the efforts will improve the Group’s corporate value in the future.

**Era** The Meiji Group operates two businesses—Food and Pharmaceutical—and because...
of that, it could be complicated for investors in grasping the overview of the business strategy. What is your view on this point?

**Murayama** The management of the Meiji Group recognizes the importance of structural reform. Meiji Holdings is striving hard to effectively combine its businesses to enhance corporate value. Indeed, this is the second phase of Meiji management. Some results will be incorporated in the 2023 Medium-Term Business Plan currently under development. Structural reform of the Meiji Group is no longer the reconfiguration of the current business portfolio. The Meiji Group should establish a new business domain and deliberate the best portfolio. Accordingly, we need to consider very carefully; in the next phase, which domains the Group should pursue, how the Group can contribute to society, in what business areas can the Group augment its corporate value?

**Era** The Co-Creation Center was set up within Meiji Holdings. Is that to create a new business domain?

**Murayama** Yes. The Co-Creation Center unites expertise from Food and Pharmaceutical businesses to further research in the health value domain. It also promotes open innovation. The 2026 Vision calls for new challenges in the health value domain. Meiji Holdings drives these activities, drawing talent from the research labs of both operating companies. It is something new to me, when I first I became an independent outside director I didn’t see such an attempt. New businesses may result in a new operating company alongside Meiji, Meiji Seika Pharma and KM Biologics. To realize each target of the 2026 Vision, Meiji Holdings is looking to take a big step forward, reinventing itself as a company that leads the Group, rather than supervises.

**Era** Human capital will be key to such structural reform. What kind of efforts is Meiji Group making on human capital development?

**Murayama** The Co-Creation Center is a good example of human development. The Center is authorized to set up projects and task forces. It pulls together young talent from across the organization to work on cross-organizational projects.

I believe the Vision is crucial to develop human capital. Talented people will demonstrate their full capabilities once top management shows the Vision clearly and provides the necessary funding and environment. The 2026 Vision outlines a general direction and time frame, the basis for specific research themes and timelines. Personnel who accomplish the project should be evaluated properly and incorporated into succession plans as future officer candidates. And I believe management shares this view. Once momentum picks up, the Meiji Group will do some really interesting things while human capital get to grow.

Mr. Kawamura, President and CEO, has said he will create a number of projects and task forces. I think he should make public and personally, looking forward to seeing what can be achieved.

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**Meiji Group Governance**

**Era** How do you rate the Meiji Group’s Board of Directors as an independent outside director?

**Murayama** I believe the Group’s Board of Directors is conducive environment to in-depth debate.
As Investors, We Expect Independent Outside Directors to Deliver an Objective Assessment of Management that Makes a Company Easier to Trust

A gathering of only independent outside directors and independent outside Audit & Supervisory Board members takes place every three months and we advise the director in charge of corporate development about issues to be discussed more with the Board of Directors. Our advice has been followed each time without delay, which is wonderful. In the meantime, independent outside directors should receive feedback from management. Thus we asked for a request, resulting in one-on-one dialogue with Mr. Kawamura from last year. My discussions with Mr. Kawamura were very worthwhile. He explained exactly what he expects from me and what he wants me to consider. In turn, I feel free to comment with my own views.

**Era** Such communication is effective because there is trust between the management and the independent outside directors. Very interesting.

**Murayama** More thoughts should go into the composition of the Board of Directors. I think there should be a higher ratio of independent outside directors and the Meiji Group should appoint more females and non-Japanese directors from a diversity perspective.

**Era** There is no one size fits all answer regarding the composition of a Board of Directors. Each company will have their own structure which work best for them. The most important thing is that the roles and responsibilities of the Board and individual directors are taken very seriously and the governance practices are well thought-out and transparent.

Issues for the Meiji Group Amid the COVID-19 Pandemic

**Murayama** The world is facing the difficulties of COVID-19 now, creating tough conditions for many companies. When consumer demand vanishes but you still have to keep the business running and protect jobs, the most important thing is financial stability. I think we should rethink ROE-focused management. What is your view?

**Era** Focusing on ROE is a valid approach to address the issue of poor capital efficiency due to excess cash or other assets on balance sheet. Although at BlackRock, we take a cautious view towards corporate behaviors pursuing short-term returns by relying on excessive use of financial leverage. I believe in the importance of ensuring financial stability, in order to overcome times of crisis without sacrificing investments for the future. This also means that we are focusing on how companies utilize its cash and assets to set back course after things are more visible. What is the impact of the pandemic on the Meiji Group’s plans to achieve its long-term vision?

**Murayama** The sense I get from discussions in the Board of Directors is that management is ready for future-oriented activities. In fact, it is me who is more conservative. In the meeting, I keep checking, asking questions, including management’s present scenarios to secure the financial soundness under these circumstances. The management team is prepared to fight the COVID-19 situation, but of course we learned from the current pandemic that unexpected things happen. Sometimes it is the job of independent outside directors to apply the brakes.
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 for operating companies to manage businesses autonomously while collaborating with each other under the holding company’s control.

The main role of Meiji Holdings Co., Ltd. are: promote Groupwide management strategies; create an optimal operating structure; and oversee 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 a Board of 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 System (As of June 26, 2020)

Corporate Governance Data (As of June 26, 2020)

<table>
<thead>
<tr>
<th>Items related to corporate governance</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic views on corporate governance</td>
<td>Established</td>
</tr>
<tr>
<td>Organization Form</td>
<td>Company with Audit &amp; Supervisory Board</td>
</tr>
<tr>
<td>Directors Term of Directors</td>
<td>1 year</td>
</tr>
<tr>
<td>Chairperson of the Board</td>
<td>President</td>
</tr>
<tr>
<td>Number of Directors (including Outside Directors)</td>
<td>8 (3 Outside Directors, including 1 female Director)</td>
</tr>
<tr>
<td>Number of Board of Directors meetings</td>
<td>16 times (FY2019)</td>
</tr>
<tr>
<td>Attendance of Outside Directors at Board of Directors meetings</td>
<td>100% (FY2019)</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Number of Audit &amp; Supervisory Board Members</td>
<td>4 (2 Outside Auditors, including 1 female Auditor)</td>
</tr>
<tr>
<td>Attendance of Outside Auditors at Board of Directors meetings</td>
<td>96% (FY2019)</td>
</tr>
<tr>
<td>Principal meetings auditors attend</td>
<td>Board of Directors, Executive Committee, Audit &amp; Supervisory Board, Audit Department Liaison Meeting, and others</td>
</tr>
<tr>
<td>Number of Audit Committee meetings</td>
<td>15 times (FY2019)</td>
</tr>
<tr>
<td>Attendance of Outside Auditors at Audit Committee meetings</td>
<td>96% (FY2019)</td>
</tr>
<tr>
<td>Election of Independent Director</td>
<td>5 (3 Outside Directors, 2 Outside Auditors)</td>
</tr>
<tr>
<td>Accounting Auditor</td>
<td>Ernst &amp; Young ShinNihon LLC</td>
</tr>
<tr>
<td>Audit department (internal auditing)</td>
<td>Audit Department</td>
</tr>
</tbody>
</table>

*1 Designated as independent directors  *2 Attended only by full-time members of Audit & Supervisory Board
Features of the Meiji Group Corporate Governance

Since the Meiji Group was established in 2009, we have been building and strengthening our corporate governance system suitable for the Group’s management structure. We have introduced an executive officer system to separate oversight and execution of business management and improve effectiveness. We have also introduced a Chief Officer system to enhance the Group corporate governance. Management is particularly committed to sustainable improvement of corporate value, focused on our medium- to long-term management policy developed on the basis of the Meiji Group Philosophy.

In 2016, members of the Board of Directors spent a large amount of time discussing the Meiji Group’s promise and commitment on what we will strive for by 2026, and we formulated the Meiji Group 2026 Vision. We also incorporate the outside directors’ and auditors’ opinions into management and drive governance reform. Thus, we improve the effectiveness of the Board of Directors and the transparency of management.

Initiatives to Enhance the Corporate Governance System and Improve its Effectiveness

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

- Nominating outside director candidates
  We nominate persons with the following qualities:
  - 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 qualities:
  - Effective decision-making ability: Transparent 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 qualities:
  - 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.

- Dismissals
  If a director, Audit & Supervisory Board member, or senior manager commits a dismissable 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 consider 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 Members of the Board and Outside Audit & Supervisory Board Members

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

When an Outside Member of the Board 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 compensation 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 compensation 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 compensation 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 Member of the Board of Directors

Tomochika Iwashita

Tomochika Iwashita served as Executive Vice President of Tokio Marine & Nichido Fire Insurance Co., Ltd. and as President of Tokio Marine & Nichido Life Insurance Co., Ltd., and has a prolific career and abundant insight as a corporate manager. We elected him as an Outside Member of the Board so that he can advise the Group’s management from a broad perspective and appropriately supervise the execution of its business operations.

Tohru Murayama

Tohru Murayama served as Representative Director and President, and Director and Chairman of Accenture Japan Ltd. a management consulting firm headquartered in the U.S., and has been involved in management reforms of various global companies. We elected him as an Outside Member of the Board so that he can advise the Group’s management from a global perspective and appropriately supervise the execution of its business operations.

Outside Audit & Supervisory Board Members

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.

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.

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 independent outside directors. The members also consider the succession planning for the CEO. We established a set of Leadership Values for our executives (see below), which were reviewed by both the Nomination Committee and the Board of Directors before being adopted by the Board in January 2018. 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.

In addition, the development policy for our succession planning was discussed and decided by the Board meeting in March 2019 after consideration by the Nomination Committee. Candidate screening and nomination for the next 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 FY2019, which was the first year of planning, was reported and discussed at the May 2020 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)

<table>
<thead>
<tr>
<th>Personal Characteristics (Strengths and Challenges)</th>
<th>Strengths</th>
<th>Challenge</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imagination</td>
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<tr>
<td>Decisiveness</td>
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<tr>
<td>Ability to achieve breakthroughs</td>
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<tr>
<td>Ability to channel creative energies</td>
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<tr>
<td>Magnanimity for others’ mistakes</td>
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<td></td>
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<tr>
<td>Ability to develop others’ talents</td>
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</tbody>
</table>

| Strategic planning and action | | | |
| Imagination | | | |
| Decisiveness | | | |
| Ability to achieve breakthroughs | | | |
| Ability to channel creative energies | | | |
| Ability to communicate and convince | | | |
| Ability to motivate | | | |
| Magnanimity for others’ mistakes | | | |
| Ability to develop others’ talents | | | |
| Ability to utilize diverse talents | | | |
| Ability to utilize diverse talents | | | |
| Upstanding character | | | |

| Organizational leadership skills | | | |
| Efforts to accomplish the Meiji Group 2026 Vision (understanding, directions, action) | | | |
| Career Summary (Section Manager and Above) | Period | Position | Role | Achievement | Evaluation | |
| Section manager | | | | | | |
| Department manager | | | | | | |

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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. If necessary, independent outside directors are given prior briefings to clarify points of meetings.

To improve the effectiveness of the Board of Directors, independent outside directors and auditors hold regular meetings. In the meetings, they exchange objective ideas and share information, and increase their understanding of segment-specific business. Also, 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 FY2019. Some topics for the meetings were as follows:

- The role of Meiji Holdings in promoting growth strategies
- Recent ESG trends and the Meiji Group initiatives
- The Meiji Group’s governance framework for overseas operations
- Ideal dairy business in Japan
- Issues in sustainable procurement of raw milk and price-setting process for raw milk (information provided by Meiji)

Facility tours by outside directors and auditors

Outside directors and auditors toured facilities twice in FY2019.

- Meiji Seika Pharma: Pharmaceutical Research Center, CMC Research Laboratories, Agricultural & Veterinary Research Laboratories (Yokohama City, Kanagawa Prefecture)
- Meiji: Tokachi Plant and large dairy farmer (Shintoku Town, Kamikawa District, Hokkaido)

Evaluation of the Board of Directors

The Company regularly evaluates and analyzes 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 FY2019

(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 questionnaire to evaluate the Board for FY2019 was conducted in May 2020.

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
- Performance of the Board of Directors
  Chairperson’s performance, quality of meeting materials and presentations, and secretariat’s performance
- Challenges 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 meetings, they discussed roles, composition and performance of the Board and considered the Board’s ideal state for the Meiji Group to achieve sustainable growth.

2. Results of analyzing/evaluating the effectiveness of the Board in FY2019, and initiatives for FY2020

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.

According to the self-evaluations, there are some issues for improvement, namely appropriate implementation of the Meiji Group succession planning, and the quality of meeting materials and presentations. The Board will therefore exercise more effective supervision for proper implementation and execution of the Meiji Group succession planning. To improve the meeting materials, we will clarify the importance of the meeting topics in medium- to long-term management strategies and thus enhance discussions by the Board.

According to the individual interviews between the Chairperson and independent outside directors, reporting on the progress of business operation should be more strategy-focused. We will improve the quarterly business reporting.
Executive Remuneration

The amount of compensation for a director 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 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 compensation is allocated as restricted stock. The fixed (base) compensation and variable compensation (performance-linked compensation and stock compensation) have an approximate 6:4 ratio of the overall remuneration. The variable compensation is designed to pay out more for higher positions.

Breakdown of Director Remuneration (FY2019)

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 FY2019 are as follows.

<table>
<thead>
<tr>
<th>Directors (other than outside directors)</th>
<th>Total Amount of Remuneration</th>
<th>Base Compensation</th>
<th>Performance-linked Compensation</th>
<th>Stock Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥401 million</td>
<td>¥196 million</td>
<td>¥155 million</td>
<td>¥49 million</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members (other than Audit &amp; Supervisory Board members)</td>
<td>¥55 million</td>
<td>¥55 million</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Member of the Board (Outside)</td>
<td>¥43 million</td>
<td>¥43 million</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Outside)</td>
<td>¥26 million</td>
<td>¥26 million</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥526 million</td>
<td>¥321 million</td>
<td>¥155 million</td>
<td>¥49 million</td>
</tr>
</tbody>
</table>

(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 compensation plan for directors other than outside directors. As per the resolution of the 8th Special 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 compensation is the amount recorded as an expense in the fiscal year being reported.

The metrics of company performance are consolidated net sales and consolidated operating income, which represent milestones on the path to achieving the Meiji Group 2026 Vision. Performance-linked compensation reflects how well the Company met its targets for these two metrics, how well it performed in these metrics compared to the previous year, and how well the relevant director performed. The performance-linked compensation for the Chairman and Representative Director, and the President and Representative Director is based entirely on the two metrics.

Outside Director and Audit & Supervisory Board Member Remuneration

The remuneration for outside directors and Audit & Supervisory Board members is only comprised of a fixed base compensation due to their position and to maintain their independence.

Methods for Determining Amounts

Compensation plans for directors and amounts of compensation calculated based on the evaluation of the company’s performance and the individual’s performance are decided by the Board, based on a recommendation from the Compensation Committee, the majority of whose members are independent outside directors.

Amounts of compensation for Audit & Supervisory Board members are decided through discussion among the Audit & Supervisory Board members and fall within a general range that is decided at the General Meeting of Shareholders.
Cross-Shareholding of Listed Companies

We hold 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
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 them or dispose of them. For each brand, the Board considers 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 2019 review, the Board of Directors concluded that the Company should continue holding 31 of the brands.

As a rule, we will exercise our voting rights in a company respecting the judgment 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 between group companies or if it would clearly harm the common interests of shareholders.

Constructive Dialogue with Shareholders

Meiji Holdings positively and voluntarily engages with shareholders and holds constructive dialogue with them. General communication with shareholders is managed by the PR & IR Department, which is managed by the director in charge of Public Relations & Investor Relations. We implement the following measures to hold constructive dialogue with shareholders:

• General communication with shareholders is managed by the PR & IR Department, which is managed by the director in charge of Public Relations & Investor Relations.
• To support shareholder dialogue, the director in charge of the PR & IR Department organizes meetings with other departments, including Corporate Planning, Finance and Accounting, General Affairs and Sustainable Management, to share information.

• In addition to one-on-one meetings, the Company holds earnings conferences twice-yearly for institutional investors and securities analysts to announce the second quarter and the fiscal year results, as well as small meetings led by the Company President. We also hold conference calls with institutional investors and securities analysts at the end of the first and third quarter.
• We work to promote dialogue with individual shareholders and to inform them about the Group’s businesses. In FY2019, we held briefings for individual shareholders in Kansai and Tohoku. We gave individual shareholders guided tours of Sakado plant in Saitama. We will work to increase dialogue and provide Group information to individual shareholders to foster understanding of the Group.
• We are promoting ESG dialogue with investors. We hold one-on-one meetings with institutional investors and conferences for institutional investors and securities analysts.
• We provide information via our website for shareholders and investors. Types of information we post on our website are:
  Investment securities reports, Financial statements (Japanese and English), Integrated reports (Japanese and English), Presentation materials (Japanese and English) and video streaming (Japanese) of earnings conferences for analysts and institutional investors, and Q&A summaries (Japanese and English). We also post photos of briefings for individual investors and events for individual shareholders.
• 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 important information. Due care is also given to insider information during communication. We set quiet period.
Compliance

Basic Views

The Meiji Group complies with the laws, regulations and social rules of 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 holding ourselves to high ethical standards and shall continue to develop to be a company trusted by society.

Management System

The Meiji Group has Compliance Regulations as well as related rules and committees in place, and implements/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, and we have set up a Compliance & Risk Management Committee to promote a variety of activities and programs. We promote activities to nurture and foster compliance awareness to ensure that compliance is the cornerstone of our operations and that those operations are conducted fairly and faithfully.

Meiji Seika Pharma Co., Ltd. has established the Compliance Program Guidelines and the Meiji Seika Pharma Code of Practice. As professionals who work in a business and with products that concern the health and lives of people, we require all executives and employees to act in accordance with high ethical standards.

The KM Biologics Co., Ltd. is accelerating the project to win back trust in order to raise compliance awareness among workers on site. We implemented a structural reform in order to strengthen the auditing function, ensure independent auditing, clarify responsibilities and authority by introducing Meiji-style plant management systems and clarify the reporting and communication routes. These reforms will help the organization identify and address issues early on. As a member of the Meiji Group, we will establish compliance system with higher standards.

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, and tax authorities in each country strengthen taxation. We therefore pay taxes properly and comply with Transfer Pricing Guidelines. We formulated the Meiji Group Tax Policy in March 2019 to comply with the tax laws and regulations of each country and region in which we conduct business. We communicate this information to relevant departments and Group companies, make the information publicly available, pay appropriate taxes and minimize tax-related risks. Our tax staff attend external training to increase their knowledge about taxation.
Risk Management

Basic Views and Management System

The Meiji Group recognizes that risk management is not just for responding when emergencies or disasters occur and they severely impact business activities. It is also important for taking measures that help to control and mitigate risk.

Following this approach, we have developed risk management systems that are suited to the Food and Pharmaceutical businesses. We have created systems for quickly sharing risk information across the company, which includes risks common to all our businesses and risks that impact on the whole Group*, and we strive to identify, evaluate and treat risks promptly.

The Meiji Group Business Management Risks

We appropriately identify risks from a companywide business management perspective, and we develop countermeasures according to the impact of those risks. 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 Vision—in the Meiji Group 2026 Vision. We have identified the Meiji Group Business Management Risks according to those three Visions. The Executive Committee combines these business risks with the Group visions and evaluates and confirms them. We thus build a risk management system that also adapts to changes in the business environment.

<table>
<thead>
<tr>
<th>Business Risks</th>
<th>Risks</th>
<th>Countermeasures</th>
<th>Importance to the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale and supply of products and services</td>
<td>• Abandon to launch planned product</td>
<td>• Establish solid Proofs of Concept (POC)</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Changes in customer lifestyles and values</td>
<td>• Gather information on market trends</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Negative rumors about the Meiji Group’s core materials (milk, cocoa, etc.)</td>
<td>• Develop products that are friendly to the environment and society</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Create products and services unique to Meiji that address social issues</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Appropriately disseminate relevant information about products and materials</td>
<td>○</td>
</tr>
<tr>
<td>The majority of profits comes from specific products</td>
<td>• Sluggish sales of products that account for a considerable portion of sales and profits</td>
<td>• Implement promotions that maximize unique value</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improve product portfolio management</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Explore new markets and new business domains</td>
<td>○</td>
</tr>
<tr>
<td>Supply chains</td>
<td>• Insufficient or excess procurement or price increases of raw materials</td>
<td>• Gather information on raw materials markets and promote procurement strategies</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Difficulties in procuring raw milk</td>
<td>• Diversify suppliers and consider alternative materials</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Cessation of production due to production problems, etc.</td>
<td>• Strengthen coordination between production and sales divisions</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Unstable product supplies due to distribution problems</td>
<td>• Improve distribution efficiency through labor-saving/automation</td>
<td>○</td>
</tr>
<tr>
<td>Technological advances</td>
<td>• Rapid advances in digital technologies</td>
<td>• Consider introducing new technologies as early as possible</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• Discovery of innovative treatment methods, manufacturing methods and formulation methods</td>
<td>• Research new manufacturing and formulation methods, and search for alliances</td>
<td>○</td>
</tr>
<tr>
<td>Laws and regulations</td>
<td>• Revisions that significantly impact corporate activities</td>
<td>• Obtain information about system revisions early and implement countermeasures</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td>• NHl drug price revisions</td>
<td>• Make appropriate approaches to relevant government authorities</td>
<td>○</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Expand portfolio of products that are not affected by NHl drug price revisions</td>
<td>○</td>
</tr>
</tbody>
</table>

* Risks are assessed taking into account the likelihood of occurrence and the level of impact on the Group.

For information on the Meiji Group 2026 Vision, please see page 8-9.
### Sustainability-related Risks

<table>
<thead>
<tr>
<th>Risks</th>
<th>Countermeasures</th>
<th>Importance to the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Caring for the Earth</strong></td>
<td>• Respect for the environment in corporate activities</td>
<td>• 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</td>
</tr>
<tr>
<td><strong>Climate change</strong></td>
<td>• Address climate change</td>
<td>• Analyze climate change scenarios according to the TCFD framework, formulate strategies and release information</td>
</tr>
</tbody>
</table>
| **A Richer Society** | • Sustainable raw material procurement
• Consider human rights, and human rights issues
• Understand diversity, and use a diverse workforce effectively | • 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. | 0 |

### Management-related Risks

<table>
<thead>
<tr>
<th>Risks</th>
<th>Countermeasures</th>
<th>Importance to the Group</th>
</tr>
</thead>
</table>
| **Governance** | • Make business decisions in a timely and appropriately manner
• Internal or external non-compliance | • 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 | 0 |
| **Damage to the Meiji brand** | • 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 | • Pursue quality and safety
• Communicate appropriately with each stakeholder | 0 |
| **Human capital and culture** | • Recruit and develop human capital required for corporate growth
• Employee engagement
• Effects of business environment on productivity | • Appropriately implement succession planning
• Improve employee training
• Enhance employee engagement
• Enhance health and productivity management and create comfortable work environments | 0 |
| **Information asset leaks** | • Information leaks and system shutdowns due to unauthorized access, etc.
• Data breaches due to inappropriate system management | • Strengthen information management systems and information security
• Strengthen education on information management and comply with regulations and policies | 0 |
| **Disaster, emergency or other unforeseen circumstances** | • 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 | • Develop business continuity plans and risk management plans for swift recovery
• Maintain a broad product portfolio across the Group | 0 |