meiji

Integrated Report 2018

Meiji Holdings Co., Ltd.

Contents

Editorial Policy

Starting from 2018, Meiji Holdings (the Company) will issue an "Integrated Report" and replace the Annual Report that has been issued up until now. After celebrating our 100 year anniversary, the Meiji Group will seek further growth. In this report, we have compiled financial and non-financial information focusing on the "Value Creation Story" that has led us to sustainable growth.

*Reference : The International Integrated Reporting Council Framework

Using the "Integrated Report 2018"

This report is based on the performance results from the fiscal year 2017 (fiscal year ended March 2018). Some content from the fiscal year 2018 (fiscal year ending March 2019) is also included. The content is compiled based on information that is available at the time when the Company created the "Integrated Report 2018." 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 2018.

Meiji Group's Vision

Group Philosophy

Our mission is to widen the world of "Tastiness and Enjoyment" and meet all expectations regarding "Health and Reassurance."

Our wish is to be closely in tune with our customers' feelings and to always be there to brighten their daily lives.

Our responsibility as "Food and Health" professionals is to continue finding innovative ways to meet our customers' needs, today and tomorrow.

Beyond meiji

- above imagination -

We have been helping our customers of all ages attain
“Healthier Lives” for more than a century.
We will continue to create value
that exceeds our customers’ expectations
and be a company
that is essential not just to the lives of people
in Japan and around the world.

At a Glance

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, nutritionals and pharmaceuticals.

Group Organization

(As of July 2, 2018)

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 Co., Ltd. joined the Group in July 2018.

Meiji Holdings Co., Ltd.

Food Segment
- Meiji Co., Ltd.

Pharmaceutical Segment
- Meiji Seika Pharma Co., Ltd.
- KM Biologics Co., Ltd.

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.

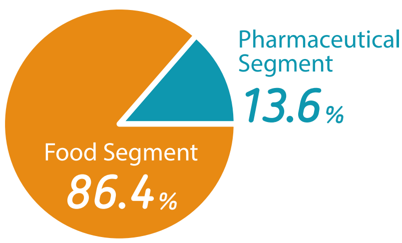
This segment develops our ethical pharmaceuticals business on a global scale, covering products such as antibacterial drugs, drugs for central nervous system (CNS) disorders, generic drugs and vaccines, and it also promotes our agricultural chemicals and veterinary drugs business.

FY3/18 (Fiscal Year Ended March 2018) Business Results

Net Sales

¥1,240.8 billion

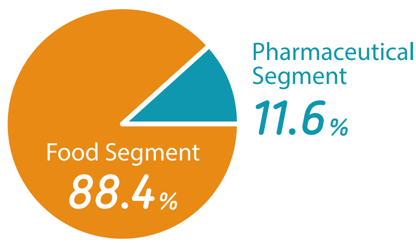
Down 0.1% year on year



Operating Income

¥94.6 billion

Up 7.1% year on year



ROE

13.1%

Down 1.1pt year on year

Profit Per Share

¥422.15

Up 2.1% year on year

Number of Group Companies and Employees (As of March 31, 2018)

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

The U.S.
3 companies
567 people

Europe
4 companies
332 people

Asia
20 companies
3,856 people

Overseas Group Companies
27 companies

Japan
11,541 people

Number of Group Employees
16,296 people

Domestic Group Companies
35* companies

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

Overseas Sales Ratio (FY3/18)

Food Segment	Pharmaceutical Segment
4.0%	23.0%
Up 0.5pt year on year	Down 0.9pt year on year

Recognized for Outstanding Health Management in 2018

As part of the Japan Revitalization Strategy 2016, the Ministry of Economy, Trade and Industry established The Nippon Kenko Kaigi (Japan Healthcare Council) to run a Certified Health & Productivity Management Organization Recognition Program. Meiji Holdings, Meiji and Meiji Seika Pharma were recognized as a large corporate sector (White 500) under the 2018 Certified Health & Productivity Management Outstanding Organizations Recognition Program. This is a program that 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.

2018
健康経営優良法人
Health and productivity
ホワイト500

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

Yogurt

Since 1950

No.1 in Japan
43.5%

Based on Meiji data as of March 2018

Camembert Cheese

Since* 1999

* Started processed cheese production in 1932

No.1 in Japan
42.9%

Based on INTAGE Inc., SRI (camembert cheese market)
April 2017–March 2018 market share (money amount)

Chocolate

Since 1926

No.1 in Japan
24.3%

Based on INTAGE Inc., SRI (chocolate market)
April 2017–March 2018 market share (money amount)

Powdered & Granulated Protein

Since 1980

No.1 in Japan
53.9%

Based on Meiji data as of March 2018

Pharmaceutical Segment

Antidepressant & Atypical Antipsychotic Drugs

Since 1999

No.3 in Japan
11.4%

Copyright©2018 IQVIA
Calculated based on JPM 2018 Mar MAT
Market scope as defined by Meiji Seika Pharma
* Reprinted with permission

Systemic Antibacterial Drugs

Since 1958

No.1 in Japan
16.4%

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Calculated based on JPM 2018 Mar MAT
Market scope as defined by Meiji Seika Pharma
* Reprinted with permission

Generic Drugs

Since 1998

No.1* in Japan

* Among the manufacturers that provide brand-name drugs

Source: CRECON RESEARCH & CONSULTING, INC., fiscal 2017

Rice Blast Preventives (Agricultural Chemicals)

Since 1975

No.1 in Japan
40.8%

Source: Japan Crop Protection Association, 2017 agricultural chemical year (October 2016–September 2017)

History

Since being founded in 1916, the Meiji Group has already built a history that spans more than a century. During this time, we have always kept abreast with the state of affairs in society and the changing needs of our customers. We will be building progressive value in order to continue to create new demands. This "Ability to create a market" is the source of our strength to grow.

1910 1920 1930 1940 1950 1960 1970 1980

Confectioneries

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.

1926
Meiji Seika launches *Milk Chocolate*.

1961
Meiji Seika launches *Marble Chocolate*.

1962
Meiji Seika launches *Almond Chocolate*.

1969
Meiji Seika launches the chocolate *Apollo*.

1975
Meiji Seika launches the chocolate snack *Kinoko no Yama*.

1980
Meiji Seika launches *SAVAS*, a series of protein for athletes.

Pharmaceuticals

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.

1946
Penicillin formulation manufacturing is launched.

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.

Dairy

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*.

1923
The infant formula *Patrogen* is created.

1928
Meiji Dairies launches *Meiji Milk*.

1950
Meiji Dairies launches *Meiji Honey Yogurt*.

1951
Meiji Dairies launches *Soft Curd Meiji Infant Formula*.

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

1973
Meiji Dairies launches *Meiji Bulgaria Yogurt*.

The Meiji Group Has Created Markets with Various Products.

Chocolate

Meiji Milk Chocolate, launched in 1926, has driven the Japanese chocolate market. Recently, we have expanded that market by developing products with new value, for example, a chocolate which accentuates its health effects inherent in the cocoa beans and the premium chocolate Bean to Bar.

Yogurt

Since the first yogurt product was launched in the 1950s, we have carved out a Japanese plain yogurt market. At the turn of the century, we developed an innovative yogurt that offers characteristics of probiotic, and now those yogurt products garner tremendous support for their new health value.

Antibiotics

After our manufacturing and sales launch of the penicillin formulation in 1946, we then launched *STREPTOMYCIN MEIJI* and *KANAMYCIN MEIJI* in the 1950s that cemented our reputation in Meiji antibiotics. Thereafter, we developed antibiotics such as *MEIACT* and *ORAPENEM* and improved the medical treatment of infectious diseases.

1990 2000 2010 2020

1988
Meiji Seika launches *Kaju Gummy*.

1996
Meiji Seika launches new-texture chocolate *Galbo*.

1997
Meiji Seika launches *Xylish Gum*.

1998
Meiji Seika launches the high cocoa content chocolate *Chocolate Kouka*.

2002
Meiji Seika launches *Amino Collagen*.

2014
Meiji launches *Meiji The Chocolate*.

2015
Meiji launches *SAVAS Milk*.

2017
Meiji launches *Meiji Spreatable*.

1990
Meiji Seika launches Japan's first treatment for Methicillin-resistant *Staphylococcus aureus* (MRSA) infections, the antibiotic *HABEKACIN*.

1994
The antibiotic *MEIACT* is launched.

1999
The antidepressant *DEPROMEL* is launched.

2009
Meiji Seika and Meiji Dairies establish Meiji Holdings Co., Ltd. (Meiji Holdings), joint holding company, and integrate the management.

➔ See below for details.

2008
Meiji Seika launches the calcium channel blocker generic drug *AMLODIPINE TABLETS MEIJI*.

2009
The antidepressant drug *REFLEX* is launched.

2011
The food company Meiji Co., Ltd. begins operation.

Integration Reorganization
Food Segment
Pharmaceutical Segment

2011
The pharmaceutical company Meiji Seika Pharma Co., Ltd. begins operation.

2018
KM Biologics Co., Ltd. joins the Meiji Group.

1992
Meiji Dairies launches *Meiji Hokkaido Tokachi Cheese*.

1994
Meiji Dairies launches the ice cream *Meiji Essel Super Cup Ultra Vanilla*.

1995
Meiji Dairies launches the sports nutritional drink *VAAM*.

Meiji Dairies launches the enteral formula *Mei Balance*.

2000
Meiji Dairies launches *Meiji Probio Yogurt LG21*.

2002
Meiji Dairies launches the drinking milk *Meiji Oishii Gyunyu*.

2007
Meiji Dairies launches the world's first infant formula in cube form *Meiji Hohoemi Raku Raku Cube*.

2009
Meiji Dairies launches *Meiji Yogurt R-1*.

2011
The liquid formula *ZAXA* herbicide is launched.

2015
The generic antibiotic *TAZOPIPE MEIJI* is launched.

2016
Treatment for schizophrenia *SYCREST* is launched.

Anti-allergy drug *Bilanoa* is launched.

Based on Our More Than 100 Year History, We Integrate the Management and Reorganize the Business to Accelerate Future Growth.

Meiji Seika founded in 1916 and Meiji Dairies founded in 1917 derive from the former Meiji Sugar. Both companies have forged a cooperative relationship, which includes co-developing various products over many years.

Recently, due to a shrinking market from depopulation and an aging society, a sharp rise in global raw materials, a reduction in social security payments, a cutthroat corporate competition in a mature market and other factors, the businesses of both companies should be more competitive in Japan. On the other hand, the lifestyle and set of values of each and every person have changed significantly. As a result, developing and marketing products to different needs, such as diversified dietary habits and a growing awareness of health and safety, are becoming critical issues.

Responding to these changes, we have integrated the management in 2009 in order to maximize the management resources of both companies and achieve sustainable growth. Thereafter, the Group's business was reorganized in 2011, and the business segments were separated into food products and pharmaceuticals, which had different competitive markets, business cycles and regulations, etc. Based on this system, we have accelerated growth in our core business and the effects from management integration.

Meiji Group's Process for Value Creation

The Meiji Group's competitive edge is attributed to our business model, which is based on the accumulation of our intellectual, social capital for "creating a market," our strategy for distributing the capital and our strong value chain. Through this series of processes, we will increase our corporate value by creating new value in the "Food and health" fields, helping address social issues and earning the trust from our customers.

Capital

Financial capital

Intellectual capital

Human capital

Manufactured capital

Social capital

Natural capital

For details, please see below.

Capital Distribution

Strengthen core areas

Invest in future growth areas

For details, please see **page 13**.

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.

For details, please see **page 26** "Special Feature."

R&D → Procurement → Production and Distribution → Sales and Communication

Wealth of superior materials and outstanding R&D capabilities

For details, please see **page 28**.

Using customer feedback

Excellent communication and strong sales resources

Safe and Reassuring Quality For details, please see **page 30**.

Governance For details, please see **page 48**.

Social Issues

Addressing growing social issues and needs, such as food shortages, ageing populations, malnutrition, antimicrobial resistance and lifestyle related diseases

Breakdown of Capital

Financial Capital

- Ability to generate stable cash flow to invest in growth
- Sound and safe financial structure
- Higher profitability thanks to products with leading market share

Intellectual Capital

- Experience and expertise built from our 100 year history
- Basic research (Lactobacilli, cocoa, microorganism fermentation, biotechnology and drug discovery)
- Patent
- Manufacturing technologies
- Product commercialization expertise

Human Capital

- Personnel who embrace the Meiji Way

WEB Mission and Vision | Action Guidelines
https://www.meiji.com/global/about-us/mission-and-vision/

- Comfortable workplace environment
- Promoting diversity

Output

We deliver a wide range of products to customers of all ages which include dairy products, confectioneries, nutritionals and pharmaceuticals. We do not just offer products but supply valuable information related to "Food and health," thereby increasing the value of our products.

Outcome

We have earned the confidence of our customers and continue to brighten their daily lives by widening the world of "Tastiness and Enjoyment" and meeting all expectations regarding "Health and Reassurance."

We help address social issues through our business and further improve our corporate value, to help develop our capital resources and achieve sustainable growth.

Manufactured Capital

- Production sites and sales offices in Japan and all over the world
- Our distribution network is designed to cover all temperature ranges: frozen, chilled and room temperature
- Our production system ensures a stable supply of high quality pharmaceuticals

Social Capital

- Reliable Meiji brand
- Brand strength from products with leading market share
- Relationship with suppliers and business partners
- Strong, close relationship with our customers
- Active engagement with shareholders and investors

Natural Capital

- Wealth of resources (cocoa, raw milk and microorganisms such as Lactobacilli and Actinomycetes)
- Energy
- Water

Process for Medium- and Long-Term Growth

We created the new "Meiji Group 2026 Vision" to maximize the strengths of the Meiji Group to grow further. This vision is our promise and commitment on what will strive for by 2026. 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.

2026

Meiji Group 2026 Vision

Our promise and commitment

2023

Beyond meiji
The 3rd stage

2020

Beyond meiji
The 2nd stage

2018

Beyond meiji
The 1st stage

Address strategic issues continuously and challenge for the further growth

Noteworthy Areas in Business Climate

There will be three social trends that could potentially affect the Meiji Group business to achieve the Meiji Group 2026 Vision. We believe these changes in the social and economic climate are opportunities for growth. We will drive our business according to the strategies outlined in the 2026 Vision in order to meet the expectations from society.

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

We will combine the strengths, the Meiji Group has 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.

Beyond meiji
- above imagination -

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

Op. Income CAGR	Mid to high **single-digit** growth
Overseas Sales Ratio	Target at **20%**
ROE	Maintain **10%** or more

Structure of the Meiji Group 2026 Vision

Business Vision

1. Secure an overwhelming advantage in core businesses
2. Establish growth foundation in overseas markets
3. New challenges in the health value domain

To promote;
- Use external resources
- Increase productivity significantly

CSR Vision

4. Social contributions
- Healthier Lives
- Caring for the Earth
- A Richer Society

Management Vision

- Establish functional, strategic management system to grow sustainably in Japan and globally
- Develop work environment, in-house system, organizational climate to maximize individual potential
- Enhance the Meiji brand

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

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

Key Strategies

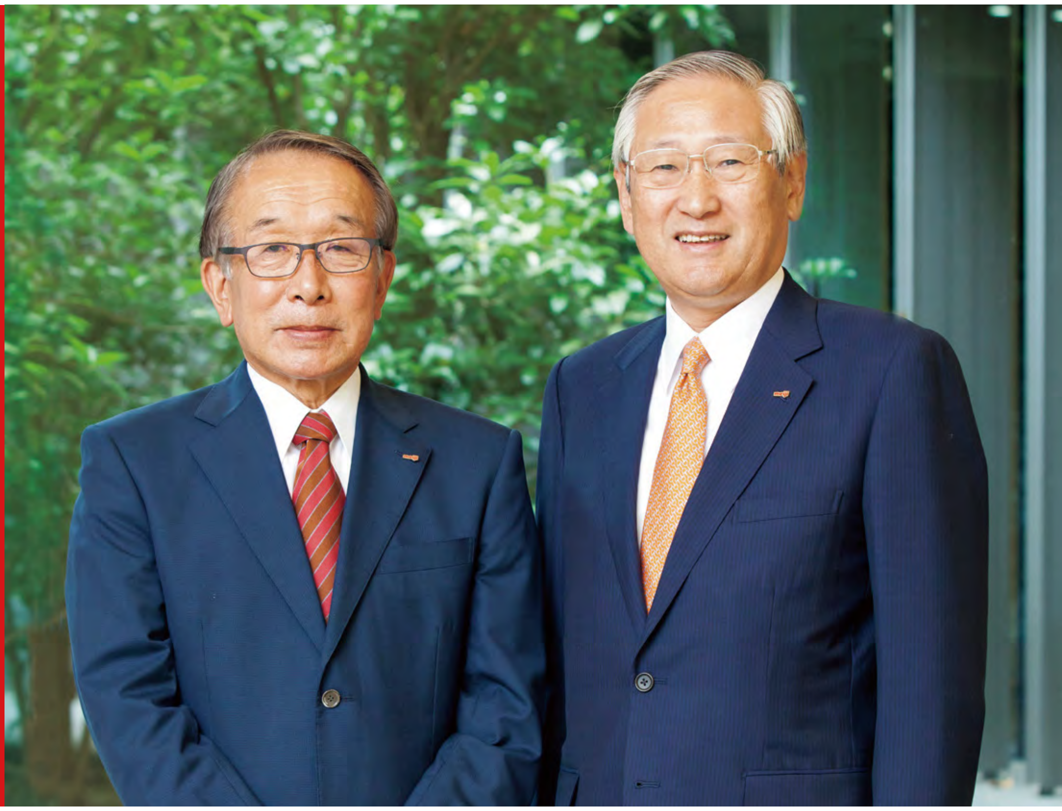
1. Expand share and achieve high revenues in core businesses
2. Expand aggressively in overseas markets and establish growth platform
3. Propose new value in health care domain
4. Continue structural reforms and resolve specific business issues in each business
5. Enhance Meiji Group management platform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

FY3/21 Targets

Net Sales JPY **1,350** billion (Overseas sales JPY 142 billion)

Op. Income JPY **125** billion (Overseas profits JPY 9.5 billion)

Message to Stakeholders



Chairman and Representative Director
Masahiko Matsuo

President and Representative Director
Kazuo Kawamura

After the Meiji Group celebrated its 100th anniversary in October 2016, we are now heading for another 100 years.

We created the Meiji Group 2026 Vision with the slogan "*Beyond meiji* – above imagination –" to ensure that we remain true to the Group Philosophy and brighten our customers' daily lives in Japan and all over the world in these constantly changing times. Each and every one of us needs to rise above the current situation, be innovative and build up distinct values so that we can grow within Japan and globally.

As the first stage of this vision, the 2020 Medium-Term Business Plan began in April 2018 and will continue until FY3/21.

In Japan, we will improve market share in core businesses with high profitability, and in overseas markets, we will actively strengthen and expand existing businesses, thereby making the "Meiji brand" stronger on a global scale.

In addition, we will work hard to develop new products focusing on health. Based on this new Meiji Group CSR 2026 Vision, we will actively address social issues through our business activities and do our part to realize a sustainable society for people to live healthy, peaceful lives.

Going forward, we shall work hard every day with sincerity and humility and make sure that our top priority is to build trust with all of our customers and users in quality and safety.

I would like to thank you for your continued support.

Message from the President

Growing Further under the Meiji Group 2026 Vision: "Beyond meiji – above imagination –."

President and Representative Director
Kazuo Kawamura

The Meiji Group 2026 Vision / Business Vision for Our Food Segment

Establish Overwhelming Position in Japan and Distinctive Position Overseas

In the Meiji Group 2026 Vision, we have established four key strategies. In order to carry out these strategies, we have broken down our vision into a three-prong approach which includes a "Business Vision," "Management Vision" and "CSR Vision." (For details, please see page 11.)

For our Business Vision, I will explain our medium- to long-term strategy in the Food segment. Our goal in the Food segment is to establish an overwhelming position in Japan and a distinctive position overseas.

In Japan, we have identified three "Core," "Growth" and "Reform" areas to strengthen our business portfolio. In the core areas where we hold our strengths with yogurt (including functional yogurt), chocolate and nutritional products, we will actively invest management resources, expand the market and strengthen our market presence more. In potential growth areas such as with cheese, frozen dessert products and products for professional use, we will develop innovative products that have unique value and create new markets in order to gain the leading market share. Furthermore, in reform areas such as with milk and prepared foods, we will pursue unique value and improve income through structural reforms.

Our international business, which was profitable in FY3/18*, covers key regions such as China, Southeast Asia and the U.S. Our goal is to achieve dynamic growth and increase the overseas sales ratio by more than 10% for FY3/27. In order to achieve this, our approach focuses on developing distinctive Meiji-style products in each region. Thus, we will establish a distinctive market position, increase brand recognition and accelerate growth.

We shall advance our strategy and reach a 6% range for the compound annual growth rate in the Food segment income.

* Fiscal year ended March 2018

Food Segment

FY3/27 Overseas Sales Ratio
>10%

Op. Income CAGR
6% range

Food Business	Core	Growth	Reform
	Yogurt (including functional yogurt)	Cheese	Milk
	Chocolate	Frozen dessert	Prepared Foods
	Nutritional products	Products for professional use business	Prepared foods operated by subsidiaries
	● Expand further by investing business resources intensely	● Create new markets ● Become #1 in the future	● Pursue unique value ● Improve income through structural reforms

The Meiji Group 2026 Vision / Business Vision for Our Pharmaceutical Segment

Promote Selection and Concentration through Securing and Strengthening Competitive Advantage

I will explain our Pharmaceutical segment strategy in the Business Vision.

As we look toward 2026 in the Pharmaceutical segment, we shall promote “Selection and concentration” by securing and strengthening our competitive advantage. In Ethical pharmaceuticals and Agricultural chemicals and veterinary drugs, we identified the business areas as core when we have a competitive edge and expect high market growth or a certain market size. We will grow businesses further in these areas. Whereas, in the growth and reform areas, we shall set certain priority themes and strive to create new markets.

In the ethical pharmaceuticals business, our core areas include drugs for infectious diseases, central nervous system (CNS) disorders, and vaccines, generic drugs and biopharmaceuticals. We will expand these areas both in Japan and overseas. On the other hand, our growth and reform areas include immune system and inflammatory disorders, treatment of hematological cancer and treatment of cancer using the PDT (photodynamic therapy) method. Specifically, we will put substantial effort into R&D for new drug discovery research. In international business, we will expand the business in ASEAN and Europe as a core area and in Mainland China as growth and reform areas. Because we have a competitive advantage in the infectious disease field, we will seek to become a leading company in Asia. For that, we will increase production capacity, and strengthen R&D and promotion activities.

In the agricultural chemicals and veterinary drugs business, we have discovered a variety of compounds in-house and are currently developing them for agricultural chemicals. We will launch environment-friendly products and help improve productivity in the agricultural and livestock industry. Thus, we will expand our business, including our international business. Our goal for overseas sales, combining ethical pharmaceuticals, agricultural chemicals and veterinary drugs, is to achieve more than 30% of the total sales by FY3/27.

The target income range for the compound annual growth rate in the Pharmaceutical segment is 9% in FY3/27. Due to the negative impact from the drug pricing reforms, the pharmaceutical market in Japan has an unclear future. However, I am confident that we can overcome the tough conditions and generate new growth by carrying out these strategies.

Pharmaceutical Segment

FY3/27 Overseas Sales Ratio
>30%

Op. Income CAGR
9% range

Pharmaceutical Business

	Ethical Pharmaceuticals		Agricultural Chemicals and Veterinary Drugs	
	● Become leading company in Asia for infectious diseases ● Provide high-quality, low-priced pharmaceuticals		● Provide environment-friendly products, contribute to improve productivity in agricultural and livestock industry	
	Japan	Overseas *1	Japan	Overseas
Core	Infectious diseases / Vaccines		Newly developed agricultural chemicals (sales of active ingredient / royalty)	
	Generic drugs (distributed by Meiji / CMO*2 and CDMO*3)			
	Biopharmaceuticals			
	CNS disorders			
Growth / Reform	Immune system and inflammatory disorders		Agricultural chemicals (distributed by Meiji)	
	Hematological cancer / PDT *4	Export	Veterinary drugs	
New	Healthcare solutions			

*1 Core area: ASEAN and Europe Growth/reform area: Mainland China
*2 Contract Manufacturing Organization
*3 Contract Development Manufacturing Organization
*4 Photodynamic Therapy

Provide Unique Value in the Health and Preventive Medicine Domain

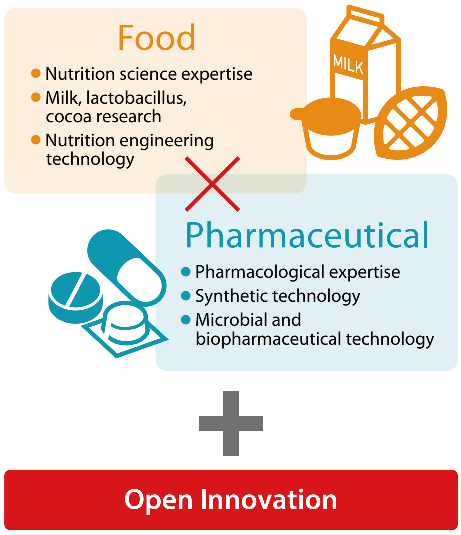
I will touch on the overall business vision of the Group.

The Meiji Group has a "Food and health" business with food products and pharmaceuticals. We will focus the overall approach of the Group toward the "Health and preventative medicine" domain because it continues to gain international attention and is expected to see market growth in the future.

Based on our policy, we look to combine our expertise in the Food segment with the ones in the Pharmaceutical segment. Our fields of expertise include "Nutritional science," "Milk, lactobacillus, cocoa research" and "Nutritional engineering technology" in the Food segment and "Pharmacology," "Synthetic technology" and "Microbial and biopharmaceutical technology." Additionally, we will actively work with experts from external institutions/academia.

To achieve this, we set up an "Open Innovation Promotion Committee" under the direct supervision of the Executive Committee in 2017. In this committee, we discuss research topics from a long-term perspective, including joint research between industry and academia as well as investment in venture companies. One topic we have been discussing is the effect of gut microbiota (bacterial flora) on the retardation of aging, which currently is a hot topic in academia. We shall drive these approaches to perpetually stimulate innovation and provide new health and nutritional value, and strive to be a world class company in the health and preventative medicine domain.

Constantly Engage in Innovation



Engaging in the Vaccine Business with Full Force

In July 2018, the Meiji Group acquired a partial stake in a new company KM Biologics which has inherited the following principal businesses: the human vaccine business, the plasma derivatives business and the veterinary vaccine business from The Chemo-Sero-Therapeutic Research Institute. The Meiji Group has since made it a subsidiary in order to enter into the vaccine business.

We will create a value chain that covers preventive through therapeutic treatment of infectious diseases, by combining the advanced R&D capability in vaccines from KM Biologics with our expertise in antibiotics in the Pharmaceutical segment. Thereby, we will strengthen the health and preventative medicine domain noted in the Meiji Group 2026 Vision.

In business management, we will strengthen corporate governance to ensure strict quality management and production management. Based on this system, we will provide a stable supply of blood derivatives and help develop the vaccine industry. Accordingly, we will help protect public health and the health of the citizens.

KM Biologics head office / Kumamoto office. The premises are approximately 147,000 m^2 and include a main building, a building for manufacturing plasma derivatives and a building for manufacturing vaccines.

WEB KM Biologics Co., Ltd.
http://www.kmbiologics.com/en/

The Meiji Group 2026 Vision / Management Vision and CSR Vision

Advance the Management System and Contribute to Addressing Social Issues through Business

The “Management system” and “CSR” are key topics to increase corporate value over the medium- to long-term.
In the Management Vision, we formulated three policies as indicated in the table on the right. The major topics in establishing a management system is “Management personnel” and “Global personnel.” Leadership Values which identify managerial qualities were discussed and set in the Board of Directors Meeting in FY3/18 in light of the Nomination Committee’s review. Based on these Leadership Values, we will establish a succession plan. We are strengthening our global personnel through “Training” and by “Acquiring outside talent.” In order to expand the international business at a faster rate, we must consider self-sufficiency and also add something extra in the Meiji approach. We will review improving the quality of local operations in the international business. With regard to the second policy: “Developing a work environment, in-house system and organizational climate,” we are creating a motivated and enthusiastic work environment and promoting diversity. We encourage all employees to participate actively in order to attain this vision. To “Enhance the Meiji brand,” we, as a food and health business group, will communicate a message of progressive value all over the world and advance the Meiji brand both in Japan and globally.

We shall fulfill our CSR in accordance with the newly formed Meiji Group CSR 2026 Vision. Under the three main themes: “Healthier Lives,” “Caring for the Earth” and “A Richer Society,” we will actively contribute to addressing social issues through business (see p.32 for details). By embracing this approach, the Meiji Group is committed to realizing a sustainable society for people to live healthy, peaceful lives.

Advance our Management System

1 Establish functional, strategic management system to grow sustainably in Japan and globally

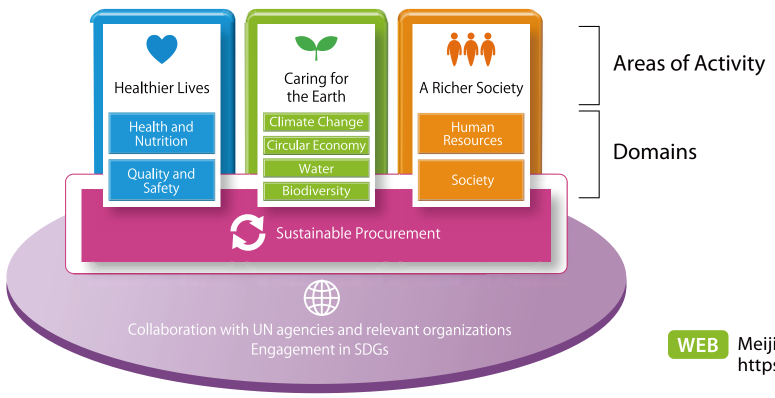
- Systemize and apply succession plan, created based on our leadership value
- Establish business management system, secure and develop quality human resources to expand overseas business

2 Develop work environment, in-house system, organizational climate to maximize individual potential

- Create motivated and enthusiastic work environment
- Promote diversity
- Improve labor productivity and commit to health and safety in the work environment

3 Enhance the Meiji brand

Meiji Group CSR 2026 Vision



WEB Meiji Group CSR 2026 Vision
https://www.meiji.com/global/sustainability/

Address Strategic Issues Continuously and Challenge for the Further Growth

For the first stage of the 2026 Vision, we set up the 2020 Medium-Term Business Plan which began in April 2018 and will continue for 3 years.

The plan's basic concept is to "Address strategic issues continuously and push for further growth." Based on this concept, we will carry out five strategies as shown in the table on the right.

The goal of the 2020 Medium-Term Business Plan is to reach a net sales of JPY 1,350 billion and an operating income of JPY 125 billion for the overall Group. Our target is to achieve JPY 142 billion in overseas sales and JPY 9.5 billion in overseas profits. Our target for ROE is a range of 13%.

We expect to generate an operating cash flow of approximately JPY 400 billion over 3 years and will earmark those funds for capital expenditures. Capital expenditures are expected to reach a total of approximately JPY 330 billion over a 3 year period. These funds will be allocated selectively and primarily for increasing production capacity, improving quality and expanding overseas businesses. In addition, we will provide stable and continued increases to dividends with a target payout ratio of 30%. This 2020 Medium-Term Business Plan focuses particularly on expanding the international business. We may consider alliances or mergers and acquisitions as the opportunity arises and if they serve our strategy. The funds for such a venture will basically follow our loan procurement target with a debt/equity ratio of less than 0.5.

Based on this policy, our goal is to build momentum in the first fiscal year of the 2020 Medium-Term Business Plan. The outlook in FY3/19 is a net sales of JPY 1,260 billion and an operating income of JPY 99.5 billion. The specific measures in the 2020 Medium-Term Business Plan are summarized in the following pages by the president of each operating company in food and pharmaceuticals.

Key Strategies

Basic Concept

Address strategic issues continuously and challenge for the further growth

1. Expand market 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 the Meiji Group management platform and promote CSR

KPIs

Growth & Profitability (FY3/21)

Net sales	JPY 1,350 billion
Op. income (margin)	JPY 125 billion (9.3%)
Overseas sales	JPY 142 billion
Overseas profits	JPY 9.5 billion

Efficiency & Stability

ROA*	11-12%	Food	13-14%
Debt/equity ratio	< 0.5	Pharma	6-7%

* ROA: Operating income / Average net assets

Shareholder Return

ROE	13-14%
Payout ratio	Increasing dividends with a target payout ratio of 30%

Use of Cash Flows

Operating cash flows

Generate stable cash flow by increasing income

FY3/19-FY3/21

Approx. JPY **400** bn

(incl.) Depreciation and amortization Approx. JPY 160 bn

Interest bearing debt

Procure as need D/E ratio: 0.5 or lower

Capital expenditures

Invest in new growth drivers and improvement of productivity to achieve 2026 Vision

FY3/19-FY3/21

Approx. JPY **330** bn

Breakdown:

Increase production capacity and improve quality	50%
Expand overseas business, strengthen subsidiaries	20%
R&D	5%
Logistics, technology and procurement	5%

Returns to shareholders

Stable and continued increases to dividends with a target consolidated payout ratio of 30% by considering medium- to long-term business forecasts

Strategic investments

Invest in growth platform through alliances, M&A

Medium-Term Business Plan (Food Segment)

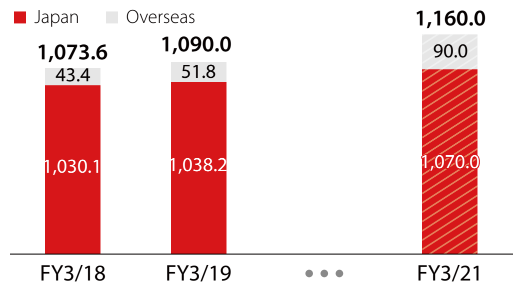
Katsunari Matsuda
President and Representative Director
Meiji Co., Ltd.

Making Our "Core" and "Growth" Areas Stronger in Japan and around the World to Generate More Profit.

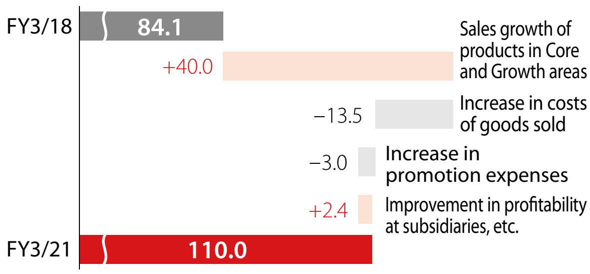
The goal of the 2020 Medium-Term Business Plan in the Food segment is to reach a consolidated net sales of JPY 1,160 billion and to increase the operating income to JPY 110 billion, a 30% increase compared to FY3/18. The key is expanding the core and growth areas both in Japan and overseas. We plan to actively invest in marketing to significantly increase sales and generate earnings.

FY3/19 is the first year in our plan and our target is JPY 1,090 billion in net sales and JPY 90 billion in operating income. To counteract the increase in costs for dairy ingredients, logistics and other items, we will strengthen our marketing to increase sales. We will follow the key strategies in the Medium-Term Business Plan to seek more growth while adapting to the changes in the marketplace.

Food Segment Consolidated Net Sales (Billions of Yen)



Breakdown of Consolidated Op. Income (Billions of Yen)



Key Strategies Expand share and achieve high revenues in core businesses

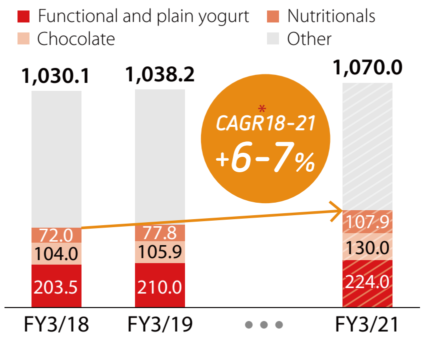
Expanding Yogurt, Chocolate, and Nutritional Products

We are focusing on yogurt, chocolate and nutritional products, the core of the Food segment, to expand sales further and raise our market share even more.

In functional yogurt, our goal is to achieve sustainable growth by constantly providing scientific information for existing products to customers and boosting the demand. For example, we are expanding the market by promoting *Meiji Probio Yogurt R-1* throughout the year, and by conveying a new marketing message for *Meiji Probio Yogurt LG21*: "Benefiting from Lactobacillus in the stomach." In plain yogurt, we not only continue to communicate the nutritional value of *Meiji Bulgaria Yogurt* but also introduce new products such as *Meiji THE GREEK YOGURT*, launched in April. In chocolate, we are extending our product line for *Chocolate Kouka* and *Meiji The Chocolate* in order to increase our customer base and attract repeat customers.

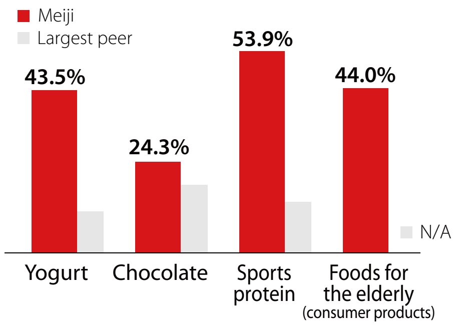
In addition to the existing products in our sports nutrition line, we will launch new products with various configurations to stimulate new demand. We will increase the production capacity for *SAVAS* in the second half of FY3/20. In enteral formula, we focus on *Meiji Mei Balance*. The drug stores currently make up the majority of our sales network for *Meiji Mei Balance*, and sales in supermarkets and convenience stores continue to increase. Going forward, we will strengthen our marketing and expand our sales channels.

Japan Consolidated Net Sales (Billions of Yen)



* CAGR: Compound Average Growth Rate

Japan Market Share



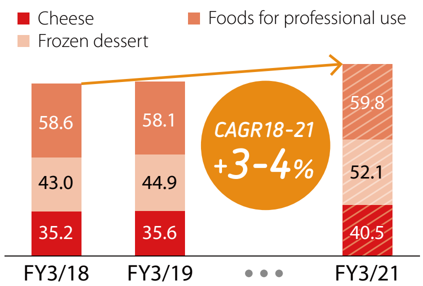
* Meiji Holdings' estimate as of March 31, 2018

Develop Products to Drive Growth into the Future

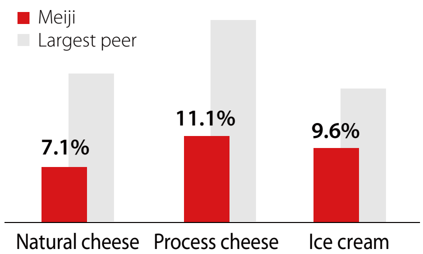
Cheese, frozen dessert products and food products for professional use make up our growth area in the Food segment. We would like to increase sales for these products to become market share leaders in order to make them into our next core products.

In cheese, operations began at our new plant for Camembert. We will develop new natural cheese products. As the cheese market continues to expand each year, we will grow our sales through active marketing. In frozen dessert products, we will vitalize the overall brand for our mainstay products *Meiji Essel Super Cup* by introducing new flavors to the *Meiji Essel Super Cup Sweet's* that features high added value. In addition, we are developing healthcare-oriented products to create new markets. In food products for professional use, we provide cream and confectionary ingredients through our B2B network. We will develop distinctive products and secure new business partners using the results from our dairy and cocoa research and our advanced manufacturing technologies.

Japan Net Sales of Growth Area (Billions of Yen)



Japan Market Share



* Meiji Holdings' estimate as of March 31, 2018

Medium-Term Business Plan (Food Segment)

Key Strategies Expand aggressively in overseas markets and establish growth platform

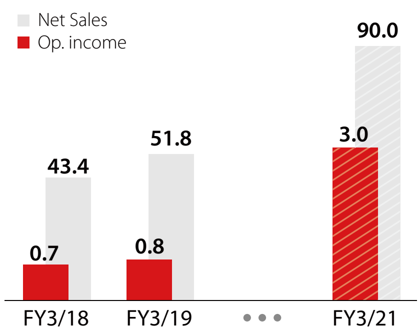
Focusing on the Mainland China Market and Supporting E-commerce

In order to ensure future growth, developing overseas markets is a key topic, and our goal is to reach a size of JPY 90 billion in net sales for the entire international business by FY3/21.

In the 2020 Medium-Term Business Plan, we are focusing on Mainland China and planning to reach a size of JPY 23 billion in sales by FY3/21, which is approximately two times bigger than the current figures. Our specific approach is to expand our product lines that are already popular in Mainland China, such as milk, yogurt, confectioneries and ice cream. Recently, e-commerce for digital commercial transactions via the Internet has become increasingly important in the Mainland China market. Our current sales system is based in actual stores, but we are trying to optimize the system for e-commerce as quickly as possible. We also need to develop exclusive products for e-commerce tailored to local needs in order to strengthen our sales channels.

In addition, this Medium-Term Business Plan considers the potential of the sports nutrition business in Mainland China. Recently, the health conscience trend is increasing and gaining more attention in Mainland China than in Japan, causing us to monitor the situation more carefully.

Overseas Consolidated Net Sales and Profits (Billions of Yen)



Sales Breakdown by Area (Billions of Yen)

Focused area	FY3/18 Results	FY3/21 Target	FY3/21 Change
Mainland China	11.9	23.0	+92.0%
ASEAN	3.8	13.5	+251.0%
The U.S.	18.6	34.5	+85.3%
Exports	9.0	19.0	+110.5%

Taking on a New Challenge to Develop Nutritional Products Globally

Products with the biggest competitive edge in international business will be our nutritional products. As a new challenge, we will promote a strategy to develop nutritional products that have the potential to achieve large market growth in the global market. We are developing infant formula, sports nutrition and enteral formula in our target area, Mainland China, ASEAN and the U.S. While we must follow the regulations and laws in each country, we will grow nutritional products as a major part of our business.

In the international business as a whole, we will revise the management system and increase the interest and awareness of the Meiji brand in order to improve the Meiji Group corporate value globally. Furthermore, we will invest more in international business to increase our production capacity and accelerate business growth. One other available option for growth may be M&A.

Key Strategies Continue structural reforms and resolve specific business issues in each business

Continue Structural Reforms to Improve Productivity

The Structural Reforms are outlined in the table below. We have set up a strategy and the KPIs in production, logistics, R&D, sales and administration. We are working hard to achieve those targets.

In sales, for example, we reorganized the sales organization in April 2018. Accordingly, we have changed from a product based structure to a customer based structure because the boundaries of our sales channels are disappearing. The organizational restructuring has strengthened our sales capabilities and made them more efficient, and we expect to see big results within a few years. Our goal with these structural reforms is to improve the productivity of each person.

	Strategy	KPIs*
Production	● Create production structure optimal to business strategy ● Promote labor-saving ● Solve issues to create ideal production system	● Per capita net sales in production division
Logistics	● Optimize shipment and delivery ● Achieve superior logistics quality	● Net sales-to-logistics costs ratio ● Number of logistics centers
R&D	● Build advanced research network by consolidating research labs	● Per capita production marginal profit in research division ● Number of patent applications
Sales	● Build strong relationship with major clients ● Create attractive visual store displays ● Build strategic sales organization	● Per capita sales marginal profit in sales division
Admin	● Strengthen risk management ● Promote additional process consolidation	● Net sales-to-personnel cost ratio in management division

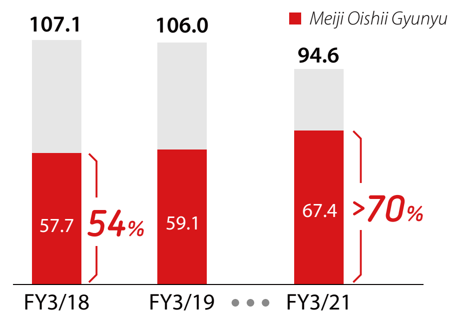
* KPI: Key Performance Indicator

Make Milk Business Profitable by FY3/21

Improving profitability in the milk business is one issue in the Food segment. Instead of a 1 liter package, we launched a 900 mL package of *Meiji Oishii Gyunyu* nationwide to establish a strong presence. We will continue our marketing that appeals to its manufacturing method and "delicious taste" to differentiate it from other drinking milk. In addition to *Meiji Oishii Gyunyu*, we are developing milk-based drinks with added value, and at the same time improving efficiency in our production system.

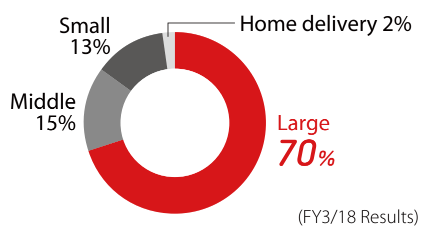
There is plenty of potential in the milk business to generate earnings because the turnover rate is high and the products do not require large promotional investments. We are looking to make the milk business profitable by FY3/21 by creating added value and improving productivity.

Japan Milk Business* Sales (Billions of Yen)



* Milk business includes sales of low-fat milk and other milk-based drink.

Sales of *Meiji Oishii Gyunyu* Breakdown by Volume



(FY3/18 Results)

Medium-Term Business Plan (Pharmaceutical Segment)

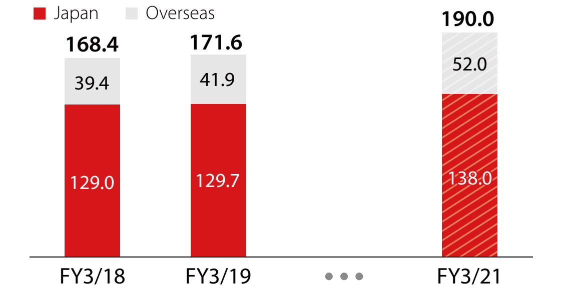
Daikichiro Kobayashi
President and
Representative Director
Meiji Seika Pharma Co., Ltd.

Our Goal is to Build up Our Portfolio and Grow Further by Expanding Brand-name and Generic Drugs as well as by Strengthening International Business.

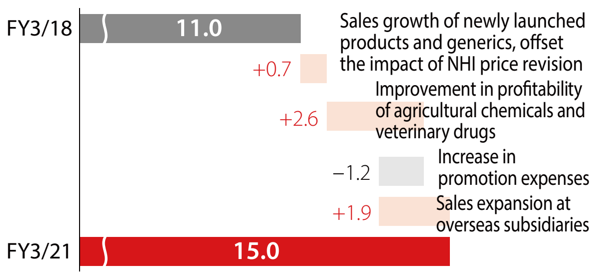
In the Pharmaceutical segment, we are strengthening our presence in the domestic core areas and creating new markets in international business. Our goal is to reach JPY 190 billion in consolidated net sales and JPY 15 billion in consolidated operating income in FY3/21. Assuming that the NHI price revision will occur twice by FY3/21, our plan is to secure earnings with three strategies: 1) Expand our brand-name and generic drugs, 2) Improve the revenue in our agricultural chemicals and veterinary drugs business and 3) Grow our international business.

Our target in the 2020 Medium-Term Business Plan for FY3/19 is JPY 171.6 billion in consolidated net sales and JPY 10 billion in consolidated operating income. While we expect the NHI price revision to have a negative impact, approximately JPY 12 billion, we will still reach our earnings target by increasing the volume of sales for our brand-name and generic drugs in core areas and also by promoting cost down measures, which includes cutting costs in purchasing active ingredients.

Pharmaceutical Segment Consolidated Net Sales (Billions of Yen)



Breakdown of Consolidated Op. Income (Billions of Yen)



Key Strategies Expand share and achieve high revenue in core businesses

Maximize Product Value in Core Areas and Enhance Presence

Our domestic growth strategy is to strengthen the core areas: “Infectious diseases,” and “Depression and schizophrenia” and the growth and reform area: “Immune system and inflammatory disorders.”

In the infectious diseases domain, we entered into the vaccine business and expanded our product lines, covering from preventive to therapeutic drugs. We obtained a tremendous advantage to build up our presence with medical institutions. In the depression and schizophrenia domain, we will continue to expand our sales volume for the antipsychotic drug *SYCREST*, which is our mainstay product in this domain. When our new drug *ZIPRASIDONE* is launched in the market, this will expand our product line in antipsychotic drugs and will also provide patients with additional options when selecting a treatment to fit their needs. Accordingly, we will reorganize our sales system so that it can handle an increase in antipsychotic drugs. Our new oral, anti-allergy drug *Bilanoa* will be key in the immune system and inflammatory disorders domain. Sales increased favorably during hay fever season for FY3/18. Our goal is to secure more than 10% of the market through active promotional activities.

Market Share Targets in FY3/21

Systemic antibacterial drugs

#1 / 20%

(FY3/18: #1, 16.4%)

Antidepressant drugs and schizophrenia drugs*1

#1 / 32%

(FY3/18: #3, 21.8%)

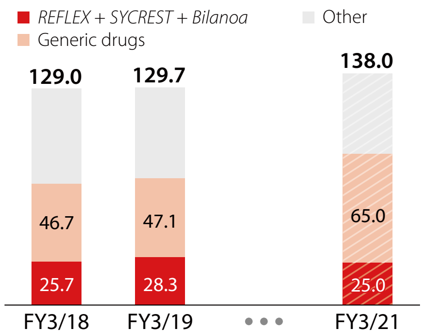
Bilanoa in antihistamine drugs*2

#3 / >10%

*1 Based on the number of prescriptions
*2 Meiji Seika Pharma only

* Market share: Meiji Holdings’ estimate

Japan Consolidated Net Sales (Billions of Yen)



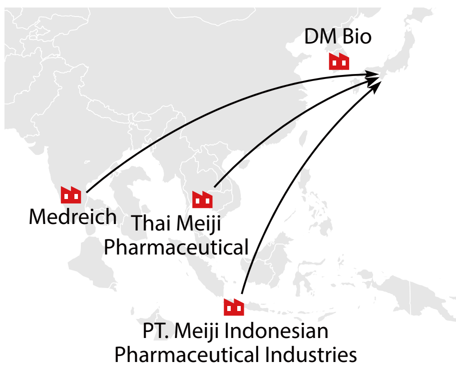
Expand Sales of Generic Drugs and Accelerate Biosimilar Development to Drive Growth

We will be focusing on generic drug sales and biosimilar (biologic medical product that is almost an identical copy of an original product) development in Japan. In “Speciality generic drugs,” including antibacterial and CNS disorders, we will increase the sales volume by providing information on both brand-name and generic drugs. We will also strengthen “Essential generic drugs” in lifestyle-related and gastrointestinal diseases.

In addition to the manufacturing from Thai Meiji Pharmaceutical and PT. Meiji Indonesian Pharmaceutical Industries, we started production at Medreich for the Japanese market to achieve low cost production overseas. As the drug price competition is getting fiercer, a stable supply of high quality generic drugs at a low cost is a tremendous advantage for us.

We will develop biosimilars steadily at DM Bio, a joint venture in Korea.

Even though an NHI price revision is expected twice by FY3/21, we will work hard to overcome the tough conditions to reach JPY 65 billion in net sales for generic drugs.



Enhance global supply chain and realize low-cost production

Medium-Term Business Plan (Pharmaceutical Segment)

Key Strategies **Expand share and achieve high revenues in core businesses / Expand aggressively in overseas markets and establish growth platform**

Expanding a Global Market with Medreich's CMO/CDMO Business

The international business is already part of our core area in the Pharmaceutical segment. Our FY3/21 target in the Medium-Term Business Plan is to grow the consolidated net sales to JPY 52 billion, a 30% increase compared to FY3/18, and to increase the operating income to JPY 6.5 billion, a 50% increase compared to FY3/18.

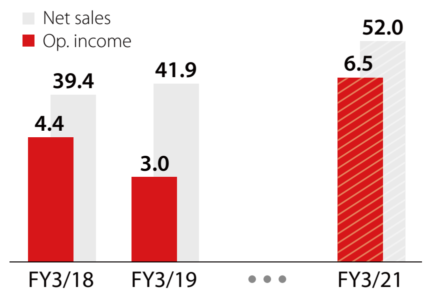
Medreich's CMO/CDMO* business is the leading force behind this growth. Medreich has created a global sales network and uses its low cost with the right quality as a competitive advantage to manufacture and supply products to 50 countries all over the world (excluding the U.S.). Those business partners primarily include large global pharmaceutical companies. It is expected that the global market will have a rising demand to contract manufacturers in the future. As a result, we will not only continue to grow our contracting service from existing business partners but create new business partners as well.

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

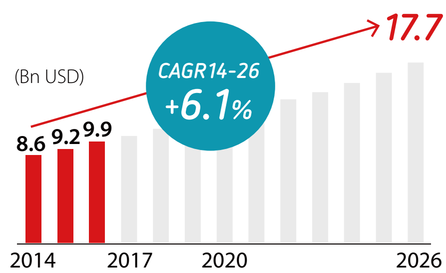
Strengths of Medreich

- Global sales network
- Obtained regulatory approval in over 50 countries (Europe, Canada, Africa, Asia, Oceania)
- Seven production plants in India
- Supplying products to major global companies

Overseas Consolidated Net Sales and Profits (Billions of Yen)



Global Trend in CMO Business



* Visiongain, Pharmaceutical Contract Manufacturing Market 2016-2026

Key Strategies **Continue structural reforms and resolve specific business issues in each business**

Promoting R&D Pipelines for Promising Agricultural Chemicals to Significantly Increase Revenue

Our structural reforms in the Pharmaceutical segment will change the agricultural chemicals and veterinary drugs business into a profit earning business in the Medium-Term Business Plan.

Agricultural chemicals appear to be a vital business to support future growth. We will improve the profitability of the rice blast preventative *ORYZEMATE* and the *ZAXA* liquid formula foliage herbicide, which are currently mainstay products in this domain. We will facilitate the development of our R&D pipelines that are targeted for the global market. All three items listed below came from our advanced R&D capabilities, and we licensed them out to global chemical companies.

All of these chemicals are unique and have new chemical structures, and it has been proven to be highly safe for mammals and other environmental organisms including honey bees. The royalty revenue from these chemicals and the selling of the active ingredients are expected to produce a new revenue stream. For veterinary drugs, we will focus on management resources in the livestock and fishery domains. We will increase profitability in the agricultural chemicals and veterinary drugs business by FY3/21.

Agricultural Chemicals: Promising Pipelines

ME5343 Insecticide
- Conducting joint development with BASF SE (Global excluding parts of Asia)
- Market size: Japan JPY 20 bn
  Overseas JPY 300 bn

ME5223 Fungicide
- Conducting joint development with DowDuPont (Global excluding parts of Asia)
- Market size: Japan JPY 10 bn
  Europe JPY 150 bn

Green chemicals manufactured by innovative fermentation technology

ME5382 Insecticide
- Conducting joint development with Arysta LifeScience Corporation (India)
- Market size: Japan JPY 30 bn
  India JPY 60 bn (CAGR 12%)
  Europe & Americas JPY 200 bn
- Labor-saving for hydroponic culture in India

* Meiji Holdings' estimate

R&D Pipeline

		R&D Pipeline	FY3/19 – FY3/20 – FY3/21
Ethical Pharmaceuticals	Infectious diseases	**ME1111** [Antionychomycosis] ●	Phase II
		ME1100 Arbekacin [Hospital Acquired Bacterial Pneumonia / Ventilator Associated Bacterial Pneumonia treatment (HABP/VABP)] ●	Phase Ib (Overseas)
		OP0595 Nacubactam [β-lactamase inhibitor] ● *	Phase I
	CNS disorders	**SME3110 Fluvoxamine** [Selective serotonin reuptake inhibitor (SSRI) (Pediatric OCD)] **Expanded indication**	Approved
		ME2125 Safinamide * [Anti-Parkinson's disease]	Phase II/III → Apply → Approve
		ME2112 Ziprasidone [Antipsychotic]	Phase III → Apply → Approve
		REFLEX [Fibromyalgia treatment] **Expanded indication**	Phase II
	New fields	**SP-02L Darinaparsin** [Relapsed and refractory peripheral T-cell lymphoma (PTCL)]	Phase II → Apply
		DMB-3111 [Trastuzumab biosimilar] ● *	Out-licensing (P I finished)
Agricultural chemicals		**ME5382** [Insecticide] ● *	Applied → Apply (Overseas) → Approve
		ME5343 [Insecticide / Afidopyropen] ● * (Discovered in a research collaboration between Meiji Seika Pharma and The Kitasato Institute)	Applied (Overseas) → Approve (Overseas)
		ANM-138 [Insecticide / Flometoquin] ● Joint development with Nippon Kayaku	Approved
		ME5223 [Fungicide / Fenpicoxamid] ● *	Applied (Overseas) → Approve (Overseas)
Veterinary drugs		**ME4129** [Injectable antibacterial drugs] **Expanded indication**	Applied → Approve
		ME4136 [Injectable antibacterial drugs]	Applied → Approve
		ME4137 [Injectable antibacterial drugs]	Apply → Approve
		ME4624 [Vaccine]	Apply → Approve

● Compounds discovered in-house

* Out-licensed items. Please refer to our website for details of the companies and areas out-licensed to.
https://www.meiji.com/global/investors/our-businesses/pharmaceutical-pipeline/

Special Feature

Creating Markets with a Strong Value Chain

Safe and Reassuring Quality

We Have Excellent R&D Capability and Provide Trusted Quality. With These Strengths, We Will Provide Progressive Values and Continue Finding Innovative Ways to Meet Our Customers' Needs, Today and Tomorrow.

The Meiji Group has outstanding functionality in all of "R&D," "Procurement," "Production and Distribution" and "Sales and Communication." We have built a value chain and these work processes are supported with "Safe and reassuring quality" (See next page for details). We have been producing progressive value through this value chain. We have delivered this value and information to our customers and created new markets. Thus, we have achieved sustainable growth. The special feature section focuses on our Group's strengths in "R&D" and "Safe and reassuring quality" within that value chain and introduces recent topics in the Food and Pharmaceutical segments.

R&D

In the Food segment, we have unique properties, for example, a library of approximately 5,500 strains of lactobacillus and a wealth of information about cocoa beans. We use these as a foundation for product development that offers new nutritional value. In the Pharmaceutical segment, we are conducting research in the fields of infectious diseases and central nervous system (CNS) disorders to develop generic drugs. In addition, we are expanding into new fields, such as autoimmune disease, cancer treatment and regenerative medicine.

For details, please see **page 28**.


Meiji Seika Pharma has four research laboratories where researchers conduct highly specialized R&D.

Procurement

In the Food segment, we select suppliers who can provide a stable supply of ingredients which comply with the standards established by the Company. In addition, we support dairy and cocoa farmers to ensure sustainable procurement. In the Pharmaceutical segment, we carry out various measures to improve the reliability of our products, such as risk assessments of the ingredient suppliers, regular audits and training.


Collecting and supplying information for producer's group and dairy farmers.


SCM Department ensures the procurement of bulk drugs and raw materials is stable and of good quality.

Production and Distribution

In the Food segment, based on our own strict regulations, we have set up a sanitary control system to ensure our products comply with the quality standards. Our distribution is designed to deliver room temperature, chilled and frozen products appropriately to the market. In the Pharmaceutical segment, we established a system in all domestic and overseas plants so that high quality products that meet all standards can be produced and manufactured consistently.


All Meiji products are produced under strict sanitary control management.


Our pharmaceutical plant follows GMP* standards and provides stable production.
*Good Manufacturing Practice

Sales and Communication

We always engage in two way communication. We convey to our customers the new value that we created. We also listen to their feedback on what to focus on next. In the Food segment, we provide information to stimulate customer's interest in health, for example, through "Shokuiku activities" (food and nutrition education). In the Pharmaceutical segment, our MRs (Medical Representative) provide high quality information, feedback on health care facilities' needs and use that information for further research & development.


Feedback from staff in retail stores provides us with valuable marketing information.


We focus on collecting data and helping our MRs provide useful information to physicians.

Safe and Reassuring Quality

In the Food segment, we established a unique quality management system called "Meiji Quality Comm." We implement a management cycle for all functions in the Company in order to promote constant improvements in quality. In the Pharmaceutical segment, we set up the "Meiji Seika Pharma Reliability Assurance Policy." We are engaged in a number of quality assurance activities that cover the entire supply chain from raw material procurement, to production, distribution and post-marketing.

For details, please see **page 30**.


We are providing safe and reassuring quality throughout our entire supply chain.

Special Feature

Creating Markets with a Strong Value Chain

R&D

Food Segment

Meiji Innovation Center

Opened New R&D Center as a Platform for Continuous Innovation

In November 2017, the Meiji Group consolidated two research laboratories and integrated all R&D activities (i.e. Research & Development, Food Science Research, Food Technology Research and Quality Food Research) to form the "Meiji Innovation Center" in Hachioji in Tokyo.

We should come up with breakthrough innovations to bring new nutritional value to customers such as with functional yogurt and *Meiji Chocolate Kouka* in order to achieve further growth. At our new R&D center, the researchers with different specializations work closely together to combine their respective expertise and transcend the organization' s boundaries. We will live up to our slogan if we keep innovating unique products that only we can offer.

In addition, we use the new research laboratory as a center for open innovation to accelerate R&D activities. We will create a network with leading companies and research institutes at home and abroad including the Pasteur Institute in France. With our strength in "Milk," "Lactobacillus," "Cocoa" and "Nutrition engineering," we will use this network to develop products with value essential to our customers' healthy lifestyle.

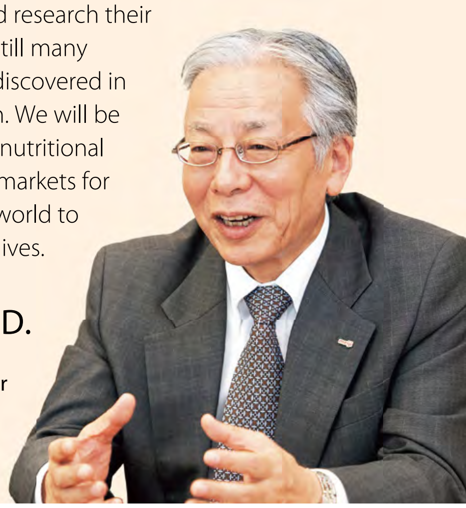
Communication areas are set up on each floor featuring different design concepts.

Voice

In Meiji's scientific quest, we will unravel the nutritional value concealed in food.

In the new Meiji Innovation Center, we have staffed researchers with different specializations on the same floor. This design encourages mutual communication among researchers and enables product development to be completed on each floor. We see its effectiveness already; the flow of ideas has been increasing significantly and the pace of discussions and trial manufacturing are also speeding up tremendously. In addition, we are energizing the environment inside the research laboratories and promoting personnel training, for example, by launching bottom-up projects. In these projects, we collect innovative ideas from young researchers and make them project leaders for their projects.

There are still many new and exciting frontiers in the food science that should be examined. For example, intestinal bacterial flora is one promising topic. It has been discovered that different bacteria play various functions within the intestine, and we continue to examine and research their mechanisms. There are still many substantial issues to be discovered in dairy and cocoa research. We will be seeking unprecedented nutritional value and creating new markets for people throughout the world to lead healthy and happy lives.



Hiroyuki Itoh, Ph.D.
Member of the Board
Managing Executive Officer
R&D Division
Meiji Co., Ltd.

Pharmaceutical Segment

R&D

Doing Our Part in Drug Discovery Research to Counteract AMR as a Global Concern

Due to a recent rise in microbes resistant to conventional antibiotics, the international community has been confronted with a major concern on how to counteract antimicrobial resistance (AMR). We have been researching and developing antibiotics for many years, and we are committed to finding a solution to counteract AMR.

We will apply our wealth of expertise in the infectious disease field and extend our business model to include immunology and inflammation related fields. By encouraging our researchers to have an open mind, we currently have new drug candidates in our development pipeline. We are also working with the Foundation for Biomedical Research and Innovation at Kobe on "Drug discovery research on autoimmune disease and cancer" and focusing on unmet medical needs. In addition, we will soon collaborate with R&D in the Food segment, which will include research on antiaging and cross-border topics between nutritionals and pharmaceuticals. "Pre-symptomatic" states is a good example in an interdisciplinary field involving both the pharmaceutical and food industries. Therefore, these research themes are tremendous opportunities to create new business models for the Meiji Group using both of our segments. We will introduce leading technologies such as AI to our research process and improve our competitive edge and efficiency in R&D.

Many new drug candidates are in our development pipeline thanks to the success of our researchers.

Voice

The deep trust from medical institutions sharpens our competitive edge.

Our competitive edge in R&D is attributed to our long experience and involvement in antibiotics research, and has earned us the deep trust from medical institutions. We have amassed a huge amount of data collected from drug sensitivity testing for resistant strains of bacteria, which medical institutions sent to us. We promote R&D based on the practical needs at hospitals, because we stay informed on the latest trends involving infectious diseases.

We pour many resources into β-lactamase (enzyme that breaks down antibiotics such as penicillin formulation) and producing bacteria because many medical institutions are very interested in counteracting drug-resistant bacteria. We have successfully discovered OP0595 (development number), which inhibits β-lactamase and shows anti-bacterial activities against drug-resistant bacteria when combined with antibacterial drugs. We concluded a licensing agreement with the Swiss company F. Hoffmann-La Roche and have now completed Phase I in clinical trials. OP0595 was born thanks to a unique idea from one of our researchers and has been developed under a solid strategy. We have started clinical trials in just 3 years, an unusually fast pace. We expect that this new candidate will combat AMR, and we shall continue to carry out our social responsibilities through revolutionary drug discovery.

Toshihiro Kikkoji, Ph.D.

Member of the Board
Senior Managing Executive Officer
Pharmaceutical Development Division
Intellectual Property, R&D Administration
Meiji Seika Pharma Co., Ltd.

Special Feature

Creating Markets with a Strong Value Chain
Quality

Food Segment

Meiji Dairies (Suzhou) Co., Ltd.


Milk filling process


Cream filling process

Meiji Quality is Marking a New Phase in the Milk and Dairy Market for Mainland China.

In 2011, we established Meiji Dairies (Suzhou) Co., Ltd. We started milk and yogurt production from 2013 and launched our dairy business in China. Up until then in the Chinese dairy market, long life milk that can be stored at room temperature and sweetened soft yogurt were the leading products. We believed that we could create a new market here by introducing our fresh tasting products like chilled milk and plain yogurt.

When we opened our plant, we applied the same advanced manufacturing technology that we use in Japan, and we set up a system so that local staff could attain the same quality as in Japan. Furthermore, we introduced an ESL control processing method (method that Extends the Shelf Life or expiration date using an advanced sanitary control system), which was virtually unprecedented in China at that time, and acquired "Enterprise Standards" certification from the relevant authority in Suzhou. We were able to achieve the same shelf life as in Japan: 14 day expiration date from the manufacturing date. Accordingly, we were able to expand our market successfully. In addition, our *Meiji Bulgaria Yogurt* – Plain, that we have produced since we started the business, is also gaining support from Chinese consumers and sales continue to increase, thanks in part to an increasing health trend in China. Meiji quality and the new value offered by our milk, dairy and yogurt products have had a tremendous impact on the Chinese dairy market.

ESL chilled milk and yogurt products opened up the market.

Voice

After persevering and negotiating with local authorities, we were able to become compliant with Japanese standards in China.

The government imposes strict safety regulations in the Chinese dairy market. We had to clear a number of hurdles in order to successfully launch our business in China. For example, this was true when we introduced the ESL control processing method. In order to develop a market in fresh chilled milk, we believed that ESL control processing was essential and convinced local authorities after working tirelessly to secure the data to prove its safety. In addition, we have been working relentlessly to establish a stable distribution system for chilled products. We are doing this by providing instructions at the local distribution center, in order to ensure the value of the ESL chilled milk is delivered properly to the market. We also focused on training local staff in charge of quality at the plant, because those leaders would impact our future. We invited them to complete training in Japan to ensure they understood and learned the approach and method behind Meiji's quality control.

Because of these efforts we can deliver fresh, delicious milk and yogurt to many customers in China. We have imparted change in the local diet and feel proud of stimulating a new demand with our quality. In the future, we will actively make investments in equipment in order to enhance our competitiveness.

Jun Okajima

Director General Manager
Meiji Dairies (Suzhou) Co., Ltd.

Unit 7, a new plant for Medreich Limited

Working together with local staff

Expanding our generic drug business globally with Japanese quality in India

One of our important strategies is to expand our generic drug business. Our decision to buy out the Indian pharmaceutical company Medreich Limited was aimed at creating a system that could deliver competitively priced products while maintaining quality required for pharmaceuticals. We possess a facility to produce pharmaceuticals at a low cost and still meet the Japanese market standards. In addition, Medreich also has sales channels in Europe, Australia and ASEAN countries, and we believe these will play a major role in our international business strategy in the future.

At the new Unit 7 plant for Medreich, we designed a plant that complies with all Japanese regulations and constructed a dedicated line with a production capacity of 3 billion tablets for the Japanese market. In addition, we were able to transfer technology to local staff to ensure Japanese quality standards were met within a short time period. During this time, a total of 71 employees in charge of pharmaceutical development, manufacturing technologies and quality control travelled to Medreich and spent 1,864 days working onsite. By doing this, our Japanese staff became deeply involved with onsite operations and were able to launch Unit 7 smoothly and begin supply to the Japanese market. Going forward, we will take full advantage of Medreich's resources, Meiji quality and our brand strength, to lift our generic drug business model to a level that is unaffected by the NHI price revision in Japan.

Local staff is taking out granulated active ingredients at the new plant Unit 7.

Voice

Many Japanese staff became deeply involved with the launch of plant operations. This played a major role in the project's success.

When we constructed a production system for the Japanese market at Medreich, training local staff was challenging due to differences in culture and values. Japanese staff trained local staff and carefully checked their progress, covering areas such as assessing potential risk, selecting and introducing equipment based on the manufacturing line designs, transferring manufacturing technologies and conducting trial manufacturing, transferring quality testing and Good Manufacturing Practice (GMP) standards training. When a problem arose, we discussed the potential solution together and gave detailed instructions to ensure the staff could implement this problem-solving approach onsite. Through these efforts we completed the project at an unusually fast pace of just 22 months. There were Japanese staff members who had experience in launching plants in Thailand and Indonesia and in transferring technologies. Their expertise played a major role in this project very much.

Our quality-focused approach is the same in Japan and overseas. The meiji brand is based in quality, and by having the staff at Medreich embrace this philosophy, we will grow our generic drug business globally.

Yuji Sasaki, B.Pharm., M.Sc

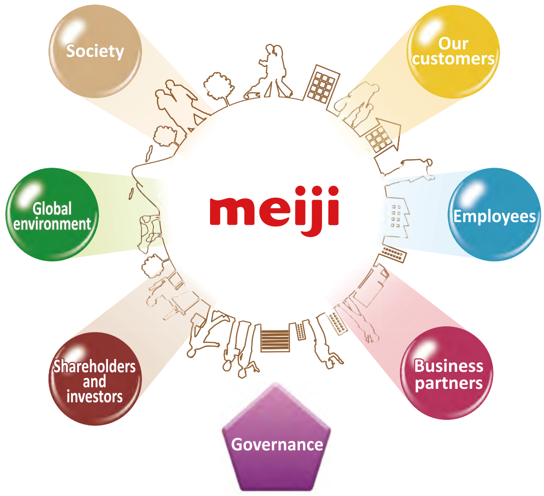
Member of the Board
Senior Managing Executive Officer
Corporate Development
Partnering Strategy and Business Development
Photodynamic Therapy Business
Business Planning and Operation
Biologics / Bioscience Labs.
Meiji Seika Pharma Co., Ltd.

Introduction
Our Value Creation Story
Our Activities for Sustainability
Financial and Non-Financial Section
Corporate Information

The Meiji Group's Approach to CSR

Our Target Profile
— A Corporate Group Essential to and Trusted by Its Stakeholders

The basis of "the Meiji Group's Approach to CSR" is to fulfill corporate social responsibility (CSR) by putting the Group Philosophy into practice on a day-to-day basis in mainstay businesses and by remaining a corporate group society needs. Each Meiji Group employee will advance activities based on the Corporate Behavior Charter to meet stakeholders' expectations and continue fulfilling social responsibilities.



Meiji Group CSR 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.

The Meiji Group has created the Meiji Group CSR 2026 Vision. This was designed to embody "Social contributions," which is a key strategy in the Meiji Group 2026 Vision. The CSR vision identifies activities that the Meiji Group should embrace over the long term. We have set KPIs* so that the Group CSR Committee can monitor our progress and disclose information.

* KPI: Key Performance Indicator

Creating Our Vision

Step 1 Identify issues and select activities

Select activities tailored for the Meiji Group considering business initiatives, community requests and sustainable development goals (SDGs).

Step 2 Identify materiality and set the KPIs

Set the KPIs. Confer with experts outside of the Company regarding the selected activities, identify materiality (material issues).

Step 3 Obtain approval from management

CSR secretariat and the Group CSR Committee discusses, and the Board of Directors makes a decision.

Feedback from Experts

The CSR 2026 Vision is based on two solid foundations focusing on three important themes. Its approach is easy-to-understand and its content is attractive.
A "Low-carbon society" is the one area that should be revised quickly. With the international community heading toward "decarbonization," I believe that a long-term vision is needed to cover changing the power at least used in manufacturing and operation to 100% renewable energy.

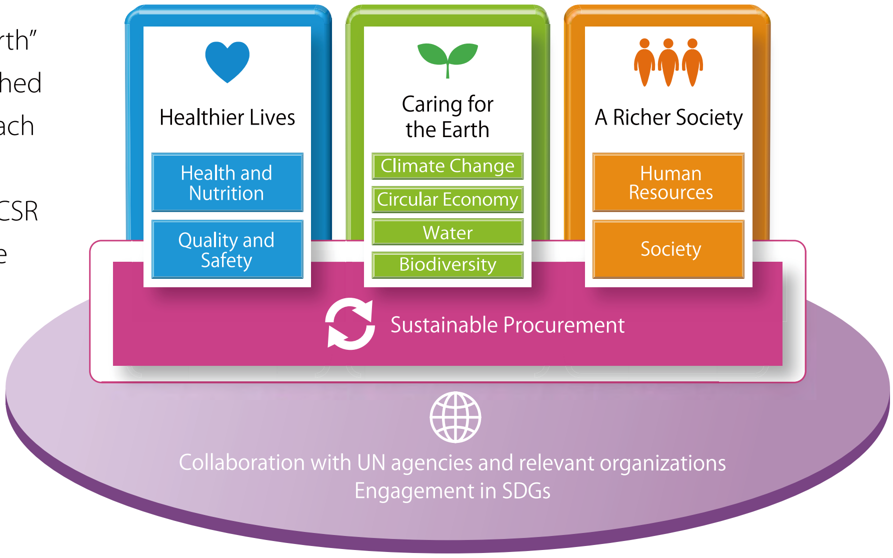
Mr. Peter David Pedersen
Co-founder, NELIS
Director, TACL
Co-founder, E-Square Inc.

In the age of SDGs, I think that it is well-timed that the Group set up the new CSR 2026 Vision focusing on addressing social issues. I expect that the Group will continue to disclose information as the Group achieves success through its businesses.

Mr. Hidemi Tomita
Director
Lloyd's Register Japan K.K.

Outline of Vision

The Meiji Group CSR 2026 Vision is broken down into three themes: "Healthier Lives,""Caring for the Earth" and "A Richer Society." We established specific areas of activities under each theme. Based on this framework, shown in the figure, we promote CSR activities that are developed in the Meiji way to fulfill our corporate responsibilities.



We identified the materiality and set the KPIs as indicated below in the CSR 2026 Vision. By achieving these performance indicators, we will help solve issues in society and also improve our corporate value.

Red font: Materiality issues

Theme	Areas of Activity	Social Issues	KPIs
Healthier Lives	Health and Nutrition	• Contribute to healthy diets • Respond to a super-aged society	1. Develop products that contribute to healthy diets and a super-aged society 2. Enroll a total of 500,000 people into nutrition and healthy diet education (*Shokuiku**) within three years from FY3/19 to FY3/21 * *Shokuiku*: Food and Nutrition Education
		• Improve nutrition in emerging countries • Ensure the sustainable supply of pharmaceuticals • Measures against infectious diseases	
	Quality and Safety	• Ensure product quality and safety	Obtain Global Food Safety Initiative (GFSI) certification, which includes HACCP for all domestic food plants by FY3/21
Caring for the Earth	Climate Change	• Reduce CO_2 emissions	Reduce total domestic CO_2 emissions by more than 15% compared with FY3/14 baseline by FY3/31
	Circular Economy	• Reduce environmental impact	
	Water	• Secure water resources	Reduce domestic water use volume (base units) by more than 20% compared with FY3/16 baseline by FY3/31
	Biodiversity	• Secure local biodiversity	
A Richer Society	Human Resources	• Promote diversity and inclusion	1. Raise the ratio of female managers to greater than 10% by FY3/27 from 2.6% in FY3/18. Triple the number of female leaders* to more than 330 by FY3/27 * Leader: Manager and assistant manager 2. Raise the ratio of employees with disabilities above the statutory employment quota (1 and 2 are the combined total targets for Meiji HD, Meiji and Meiji Seika Pharma alone, excluding affiliates)
		• Employee-friendly workplace	
	Society	• Respect and promote human rights	100% of employees receive training on human rights (in Meiji HD, Meiji and Meiji Seika Pharma alone, excluding affiliates)
		• Communicate with stakeholders • Promote CSR activities	
Shared Themes	Sustainable Procurement	• Procure raw materials with consideration toward human rights and the environment	1. Improve traceability of cocoa 2. Use 100% of RSPO*-certified palm oil by FY3/24 * RSPO: Roundtable on Sustainable Palm Oil 3. Use 100% of environmentally friendly paper raw materials by FY3/21
		• Provide stable procurement	

Healthier Lives

Policies & Plan

Part of the Meiji Group's mission 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."

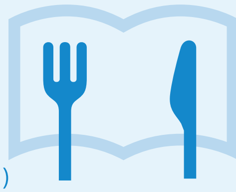
Shokuiku Activities (Food and Nutrition Education)

As a resource for becoming healthy, we focus on "Shokuiku activities" to promote knowledge and deepen understanding about "Food." We are providing information to promote healthier dietary habits by targeting the three aspects: "The value and enjoyment of food," "Nutritional balance" and "Food-related safety and reassurance." We are expanding our nutrition and healthy diet education and will enroll a total of 500,000 people within 3 years from FY3/19 to FY3/21.

Target Shokuiku Participants:

500,000

(Total from FY3/19 to FY3/21)



Fun interactive classes for elementary and junior high school students

We provide programs for children to appreciate and learn about the importance of food so that they become more interested in healthy dietary habits from a young age. We will continue to visit and teach fun, easy-to-understand lessons for elementary and junior high schools. Our curriculum uses both "educational talks" and "firsthand experiences" that stimulate all five senses.

Our Fun Milk Classes are popular and teach how "Milk" is essential for healthy growth.

Fun Seminars on Health for Adults

We conduct a variety of seminars and offer programs for adults. Participants can "learn" new things about food to increase their interest in healthy dietary habits. We also provide valuable information for daily lives through various venues such as local activities, company seminars, PTA activities and preventive care lessons.

We hold seminars at different locations for adults to educate them about "Food."

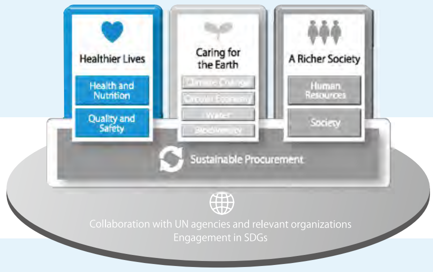
Voice

We create lessons that stimulate the children's interest.

I am involved in lesson planning for the fun interactive classes for elementary and junior high school students. With more emphasis being put on active learning in education, I am working on creating attractive content for children, such as integrating group work into the lesson and keeping them interested. Once the interactive class is finished, I really sense how impactful this activity is after hearing comments from the students such as: "Now I understand why food is important" or "I am going to make sure I drink all of my milk from now on." I think we should strengthen our relationships with companies and public offices and I would like to convey how important "Food" is to people of all ages.

Fuyuko Mimura

Direct Communication Team
Public Relations Department
Meiji Co., Ltd.



Quality Measures

The Meiji Group embraces a management attitude to provide safe and reassuring high-quality products. Based on our Group Philosophy, we use a unique quality management system called the "Meiji Quality Communication" in the food business. Meiji's strict quality assurance follows a coherent system that covers from product development all the way to sales and communication.

In addition, we are adopting the Hazard Analysis and Critical Control Point (HACCP) at all plants as a tactical measure to ensure food safety. In all domestic food plants by FY3/21, we are also planning to acquire Global Food Safety Initiative (GFSI) certification, a global food safety management system.

Obtain GFSI certification, which includes HACCP for **all domestic food plants by FY3/21.**

Stable Supply of Pharmaceuticals -Global Production System-

The most important job for us in the pharmaceutical business is to provide a stable supply of high quality pharmaceuticals. Because the patient comes first, we have an optimal production system throughout the world that not only follows strict quality management but is environmentally-friendly as well. We have also created a logistics system that supports emergency situations such as disasters to preserve the patients' lives.

Provide Infection Countermeasures

The Meiji Group is helping improve access to pharmaceuticals in emerging countries by supplying the antituberculous drug *KANAMYCIN*. Currently, it is estimated that there are approximately 10 million tuberculous patients per year in the world, and 5% or 500,000 of those patients have multidrug-resistant tuberculosis. *KANAMYCIN* is effective against multidrug-resistant *Mycobacterium tuberculosis*. We have been supplying patients with *KANAMYCIN* through a United Nations project called the "Stop TB Partnership." The goal of this project is to bring an end to this global epidemic. To achieve this, the project plans to improve access to pharmaceuticals in remote areas of Asia and Africa. The Meiji Group is also working to obtain data by 2020 to show that *KANAMYCIN* can be stored for more than 5 years, even in hot and humid conditions. We shall continue to provide a stable supply of high quality pharmaceuticals to help stop tuberculous.

Source: Stop TB Partnership

The Meiji Group is doing its part to stop TB by supplying *KANAMYCIN*.

Voice

Praised by international organizations for our help in stopping tuberculosis.

One person dies from tuberculosis in the world every 18 seconds. People dedicated to distributing antituberculosis drugs in international organizations, fly all around the world every day to save the lives of tuberculosis patients. In our involvement with supplying *KANAMYCIN*, I have met with those people. We have received a lot of praise from them about how "Meiji is a wonderful company" or that "we are happy that Meiji is involved." I am proud of our technological capabilities that provide high quality products in a timely manner. I am also extremely happy to be involved in work to improve the health of people all over the world.

Junji Hattori
Manager
API Operations Headquarters
Meiji Seika Pharma Co., Ltd.

Caring for the Earth

Policies & Plan

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.

WEB Meiji Group Environmental Policy https://www.meiji.com/global/sustainability/for-the-environment/index.html

Environmental Management System

Our food company (Meiji Co., Ltd.) and our pharmaceutical company (Meiji Seika Pharma Co., Ltd.) each conduct environmental management through their environmental committees. There is the Meiji Group Environmental Meeting, which is made up of representatives from both companies and the CSR representatives from Meiji Holdings Co., Ltd. This meeting oversees the environmental management for the whole Group, including risk management and drafting long-term vision policies.

The Meiji Group CSR Committee

Report

Food

Meiji Environmental Committee

Meiji Group Environmental Meeting

- Meets monthly
- Environmental representatives from Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. and CSR representatives from Meiji Holdings Co., Ltd.

Pharmaceuticals

Meiji Seika Pharma Environmental Committee

Climate Change Initiatives

We should reduce CO_2 emissions to achieve a sustainable society. For countermeasures against global warming, we have set long-term targets for FY3/31 in the Meiji Group CSR 2026 Vision. We will take various measures to achieve those targets and reduce CO_2 emissions.

Activities for Reducing Energy Consumption

The Meiji Group is reducing energy consumption in our corporate activities in various ways. At production sites, we have switched from heavy oil to natural gas to curb our CO_2 emissions, introduced energy-efficient equipment such as cogeneration systems, and improved equipment operation efficiency.

Renewable Energy

Using renewable energy such as solar power contributes to conserve limited resources and to prevent global warming. We currently have large roof installations of solar panels at our Osaka, Aichi and Santa Ana (CA) Plants to reduce CO_2 emissions.

Domestic CO_2 emissions volume for FY3/31

* Compared to FY3/14

More than 15% reduction

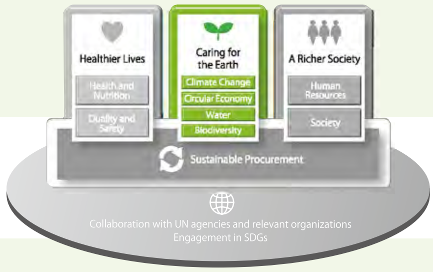
CO_2 emissions volume for FY3/18

	Domestic	Overseas
Scope1	230 thousand tons ☑	34 thousand tons
Scope2	274 thousand tons ☑	98 thousand tons
Scope3	2.035 million tons	

(Domestic)
Scopes 1 and 2 are calculated based on the Act on Promotion of Global Warming Countermeasures. The scope of the CO_2 emissions that are included is noted on p.101. In addition, the numerical data indicated with ☑ have been assured by an independent practitioner.
Scope 3 is calculated based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain.

Categories included in calculation:
Category 1 (Purchased Goods and Services), 2 (Capital Goods), 3 (Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2), 5 (Waste Generated in Operations), 6 (Business Travel), 7 (Employee Commuting) and 12 (End-of-Life Treatment of Sold Products)

(Overseas)
14 overseas production plants are included in the calculation. Scope 1 uses the emission factors from the Act on Promotion of Global Warming Countermeasures, and Scope 2 uses the emission factors from the IEA, Emissions from Fuel Combustion.



Initiatives for Water Resources

Water is a vital resource for the Meiji Group, and as an invaluable resource in the world, we believe its management is essential for achieving a sustainable society. Therefore, the Meiji Group set a target to reduce our water consumption by 20% (base unit, compared to FY3/16) by FY3/31. To achieve this target, we will appropriately manage water intake and discharge as well as mitigate risk, and thereby conserve water and ensure the continuity of our businesses.

Domestic water usage for FY3/31 (base unit)
* Compared to FY3/16

Water Intake

The Meiji Group is constantly working hard to save water and reduce its footprint in the environment from our water intake. We have revised our production processes to enhance our water-use efficiency and are also working to recycle water.

Water Discharge

The Meiji Group has set more stringent standards for discharged water than the legal standards in Japan, and we are working on preventing water pollution. In order to reduce our environmental footprint of discharged water, we install equipment that uses activated sludge treatment and methane fermentation at plants or for processes that discharge a lot of water.

Methane fermentation treatment facility for Meiji Chewing Gum Co., Ltd.

Water Risks

We assess the water risks in all areas where our domestic and international production sites are located in order to understand the impact of water usage on production. For this assessment, we use AQUEDUCT, an international water risk assessment software launched by the World Resources Institute (WRI). We also collect information and develop specific measures for the site.

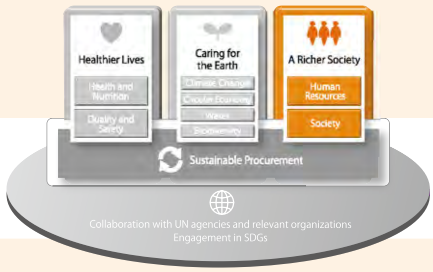
Voice

We set new targets for water resources to realize sustainable growth.

In the Meiji Group CSR 2026 Vision, achieving a low-carbon society and conserving water resources are vital priorities for ensuring a sustainable business. We will implement our energy-saving measures throughout the company to reduce CO_2 emissions. For the first time, the Meiji Group has created specific targets and a management system to conserve water resources. When setting the targets, we discuss the various water risks and the management systems needed in the current environment, where clean water is accessible and plentiful in Japan but as a resource is precious and limited in the world. We shall continue these initiatives to ensure that the water resources, which are unevenly distributed throughout the world, are not wasted at all even when there is abundant access to it.

Masahiro Murao

Manager
Environmental Affairs Team
CSR Promotion Dept.
Meiji Co., Ltd.



A Richer Society

Policies & Plan

Being involved in the Food and Health business, the Meiji Group takes the weight of 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 develop our involvement with local communities as good corporate citizens and contribute throughout society.

Human Rights

We established the Meiji Group Policy on Human Rights to show our Group's stance on human rights and continue our businesses while maintaining respect for and promoting human rights among all of our stakeholders. We have set a target so that 100% of all new employees and managers complete the training on human rights awareness to ensure our policy is followed.


Human rights awareness training. Our goal is for all new employees and managers to be trained.

All employees who need training on human rights awareness will be trained

100%

WEB The Meiji Group Policy on Human Rights
https://www.meiji.com/global/about-us/mission-and-vision/pdf/Policy_on_Human_Rights.pdf

Diversity

The Meiji Group establishes our respect for the diversity and individuality of employees in our Corporate Behavior Charter. Based on our approach, we develop an HR system and workplace environment so that each employee can maximize their capabilities with energy. Consequently, we will improve our corporate competitiveness. To support the success of women in the workplace, we will improve our working environment so that many women can perform well in various positions. To that end, we will expand and improve support systems that encourage female employees to balance work and family life and set targets for the number of women in managerial positions.

Target

More than 10% female managers by FY3/27

Female leaders* in FY3/27

Minimum of 330

* Leader: Manager and assistant manager

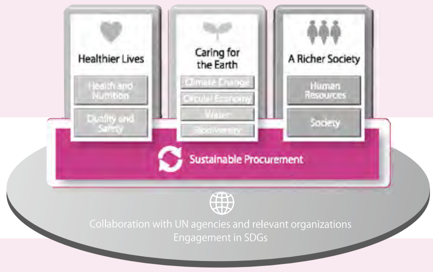
Personnel Training

The Meiji Group embraces a management attitude to "foster the development of the synergies and capabilities of the organization and each individual." We believe the development of each employee is vital to achieve sustainable growth in the company and thus focus on personnel training. The basic policies in our HR development system are as follows: "Develop personnel who have the proactive mindset—as well as the expertise, creativity, and practical skills—needed to take on and achieve ambitious targets." "Spur the Group's expansion by growing individuals, develop independent-minded personnel who help raise the general level of capabilities in the Group." "Develop personnel who thoroughly understand the Group Philosophy, and employ business practices in the meiji way consistently at a high level."

For training in FY3/18

Approx. JPY 274 million*

* Training held by HR & General Affairs Department at two in-house training sites



Sustainable Procurement

Procure raw materials with consideration toward human rights and the environment

Policies & Plan

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 policy, when we procure from our business partners, 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.

WEB Meiji Group Procurement Policy https://www.meiji.com/global/about-us/mission-and-vision/pdf/Procurement_Policy.pdf

Cocoa

As the demand for chocolate continues to increase, it is essential to establish a stable supply of cocoa beans, the main ingredient in chocolate. The Meiji Group has secured multiple suppliers. In addition, the Group offers Meiji Cocoa Support, which supports farmers secure a stable production of high quality cocoa beans. This includes working with local partners, holding seminars on cultivation techniques, establishing a seedling supply center and teaching a unique fermentation process. We joined the NPO World Cocoa Foundation (WCF) in 2006. We have contributed funds to the flagship program in the WCF: Cocoa Livelihoods Program (CLP), in order to provide support to increase the income of farmers in western African countries such as Ghana.

Farmer training school

Palm Oil

For palm oil, the Meiji Group started to support sustainable procurement and joined the Roundtable on Sustainable Palm Oil (RSPO) in March of 2016. We have set targets for FY3/24 to use 100% RSPO certified palm oil to facilitate a consistent changeover.

Use RSPO certified palm oil by FY3/24

100%

Paper

The Meiji Group uses environmentally-friendly paper in order to protect the finite forest resources and help prevent global warming. The Forest Stewardship Council® (FSC®) is a third party organization that offers an international forestry certification system. We have set a target to use 100% environmentally-friendly paper by FY3/21, and been promoting such initiatives that include using paper products certified by the FSC®.

Use environmentally-friendly paper raw materials by the fiscal year 2020

100%

Drinking milk, *Meiji Oishii Gyunyu* 900 mL (FSC® certified paper)

FSC
www.fsc.org
FSC® N002711
責任ある森林管理のマーク

Directors and Audit & Supervisory Board Members

(As of July 2, 2018)

Member of the Board and Executive Officer
Shuichi Iwashita

Member of the Board and Managing Executive Officer
Jun Furuta

Member of the Board and Managing Executive Officer
Koichiro Shiozaki

Member of the Board and Senior Managing Executive Officer
Michiro Saza

Member of the Board (Outside)
Mariko Matsumura

Member of the Board
Katsunari Matsuda

President and Representative Director
Kazuo Kawamura

Audit & Supervisory Board Member (Outside)
Makoto Ando

Member of the Board (Outside)
Tomochika Iwashita

Member of the Board (Outside)
Tohru Murayama

Audit & Supervisory Board Member (Outside)
Hajime Watanabe

Audit & Supervisory Board Member
Mineo Matsuzumi

Audit & Supervisory Board Member
Hiroyuki Tanaka

Chairman and Representative Director
Masahiko Matsuo

Member of the Board
Daikichiro Kobayashi

Responsibilities of Members of the Board and Audit & Supervisory Board Members (As of July 2, 2018)

Members of the Board

	Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY 3/18) Board of Directors	Number of years as Member of the Board	Number of the Company's shares held (Shares)
	Masahiko Matsuo	Chairman and Representative Director Chairman and Director, Meiji Seika Pharma Chairman and Representative Director, KM Biologics	17/17	9 years	24,849 shares
	Kazuo Kawamura	President and Representative Director Member of the Board, Meiji Member of the Board, Meiji Seika Pharma	17/17	6 years	27,729 shares
	Michiro Saza	Member of the Board and Senior Managing Executive Officer (Corporate Development Dept. and HR & General Affairs Dept.) Member of the Board, Meiji Member of the Board, KM Biologics	16/17	6 years	11,475 shares
	Koichiro Shiozaki	Member of the Board and Managing Executive Officer General Manager, Financial & Accounting Department	17/17	3 years	8,878 shares
	Jun Furuta	Member of the Board and Managing Executive Officer General Manager, PR & IR Department	17/17	4 years	3,253 shares
	Shuichi Iwashita	Member of the Board and Executive Officer General Manager, HR & General Affairs Department	17/17	4 years	11,297 shares
	Daikichiro Kobayashi	Member of the Board President and Representative Director, Meiji Seika Pharma	17/17	4 years	7,632 shares
	Katsunari Matsuda	Member of the Board President and Representative Director, Meiji	Appointed in June 2018		4,372 shares

	Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY 3/18) Board of Directors	Number of years as Member of the Board	Number of the Company's shares held (Shares)
	Tomochika Iwashita	Member of the Board (Outside) Independent director	17/17	2 years	435 shares
	Tohru Murayama	Member of the Board (Outside) Independent director	17/17	2 years	373 shares
	Mariko Matsumura	Member of the Board (Outside) Independent director	Appointed in June 2018		—

Audit & Supervisory Board Member

	Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY 3/18) Board of Directors	Attendance at meetings (FY 3/18) Audit & Supervisory Board	Number of years as Audit & Supervisory Board Member	Number of the Company's shares held (Shares)
	Mineo Matsuzumi	Audit & Supervisory Board Member Audit & Supervisory Board Member, KM Biologics	13/13*	11/11*	1 year	2,719 shares
	Hiroyuki Tanaka	Audit & Supervisory Board Member	13/13*	11/11*	1 year	6,684 shares

	Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY 3/18) Board of Directors	Attendance at meetings (FY 3/18) Audit & Supervisory Board	Number of years as Audit & Supervisory Board Member	Number of the Company's shares held (Shares)
	Hajime Watanabe	Audit & Supervisory Board Member (Outside) Independent director	17/17	15/15	5 years	—
	Makoto Ando	Audit & Supervisory Board Member (Outside) Independent director	13/13*	10/11*	1 year	369 shares

Career summary	Advisory body members to the Board of Directors	
	Nomination Committee	Compensation Committee
Masahiko Matsuo entered the Company in 1969 and has experience and achievements in areas such as overseas business planning, production, sales and corporate development. He has held positions as Company President of the pharmaceutical business of Meiji Seika and as President and Representative Director of Meiji Seika Pharma. In June 2014, he became President and Representative Director of the Company and then became Chairman and Representative Director of the Company (current position) in June 2018.	●	●
Kazuo Kawamura entered the Company in 1976 and has experience and achievements in areas such as corporate development, sales and PR. He has held positions as Executive Officer in Nutritionals Sales Division of Meiji Dairies and as President and Representative Director of Meiji. In June 2018, he became President and Representative Director of the Company (current position).	● Chairperson	● Chairperson
Michiro Saza entered the Company in 1978 and has experience and achievements in areas such as corporate development and information systems. He has held positions as Executive Officer in the Corporate Development Department of Meiji Seika and as Executive Officer in the Corporate Development Department of the Company. In June 2017, he took on his current position.		
Koichiro Shiozaki entered the Company in 1978 and has experience and achievements in areas such as accounting, budget control, and general affairs. He has held positions as Executive Officer in the Administration Department of Meiji and as Member of the Board and Executive Officer in the Financial & Accounting Department of the Company. In June 2017, he took on his current position.		
Jun Furuta entered the Company in 1981 and has experience and achievements in areas such as corporate development, accounting, PR, and as accounting manager of U.S. subsidiaries. He has held positions as Executive Officer in the PR Department of Meiji and as Member of the Board and Executive Officer in the PR & IR Department of the Company. In June 2018, he took on his current position.		
Shuichi Iwashita entered the Company in 1977 and has experience and achievements in areas such as HR, legal affairs, and general affairs. In June 2014, he was appointed Executive Officer in the HR & General Affairs Department of the Company (current position).		
Daikichiro Kobayashi entered the Company in 1979 and has experience and achievements in areas such as sales strategy, distribution policy, and pharmaceutical information management. He has held positions as Executive Officer in the Marketing Planning Strategy Department of Meiji Seika and as Executive Officer of Meiji Seika Pharma. In June 2014, he took on his current position.		
Katsunari Matsuda entered the Company in 1980 and has experience and achievements in each business such as fresh dairy, processed food, confectionery and nutritionals. He has held the position as Executive Officer in the Consumer Products Department of Meiji. In June 2018, he took on his current position.		

Career summary	Main expertise and background			Advisory body members to the Board of Directors	
	Management	Legal affairs	Global business	Nomination Committee	Compensation Committee
Ex-Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd. Ex-President, Tokio Marine & Nichido Life Insurance Co., Ltd. Director (External), DCM Holdings Co., Ltd.	●			●	●
Ex-Representative Director and President and Ex-Director and Chairman, Accenture Japan Ltd. Visiting Professor, Faculty of Science and Engineering, Waseda University External Director, FAST RETAILING CO., LTD.	●		●	●	●
Attorney at Law		●		●	●

Career summary
Mineo Matsuzumi entered the Company in 1978 and has experience and achievements in areas such as information systems, purchasing, auditing and accounting. He has held positions as Executive Officer in the Financial Department and the Chief HR & General Affairs Officer. In June 2017, he took on his current position.
Hiroyuki Tanaka entered the Company in 1977 and has experience and achievements as a manager for developing and integrating core systems, and managing general IT systems and information security in the information systems field, which he oversaw for a long time. He has held a position as an Executive Officer in the Information Systems Department of Meiji. In June 2017, he took on his current position.

Career summary	Main expertise and background	
	Legal affairs	Accounting
Attorney at Law Outside Audit & Supervisory Board Member, SEIKO PMC CORPORATION Outside Audit & Supervisory Board Member, FURYU Corporation	●	
Certified Public Accountant Unaffiliated Auditor, Nippon Concrete Industries Co., Ltd.		●

* Attendance since appointment to Audit & Supervisory Board on June 29, 2017

Dialogue with Outside Directors and Their Message

Outside director
Tomochika Iwashita

Outside director
Tohru Murayama

Achieving Sustainable Growth in the Meiji Group

In June of 2016, Meiji Holdings increased the number of outside directors from 2 to 3, in order to strengthen the function of the Board of Directors and to establish more effective corporate governance. Here in this section, Tomochika Iwashita and Tohru Murayama, who were appointed outside directors in 2016, give us their thoughts on what issues confront the Meiji Group and how to resolve them to maintain sustainable growth in the future.

Creating the Meiji Group 2026 Vision

Iwashita Meiji Holdings created the Meiji Group 2026 Vision, and we were deeply involved with formulating that 2026 Vision. After active and detailed discussions among the Board of Directors, I believe that we have come up with a really good vision.

Murayama We not only showed a general concept, but broke down our strategy into an attainable medium-term business plan as well as an annual plan, so that we could follow through with it. We did the same in the Meiji Group 2020 Vision, which enabled us to achieve the targets ahead of schedule. Thus, the Meiji Group has proven we can produce results.

Iwashita I see the Meiji Group as steady and sound, which is one of our strengths. However, the Group also needs bold ideas to make bigger leaps forward, and I believe both of us can make a larger contribution as we encourage this approach.

Murayama When we created the 2026 Vision, I really pushed them to focus on "How different" or what is different than before. The reason is because the Meiji Group has embraced the idea of a "Different way" multiple times in the past and this has produced a good competitive edge. A prime example of this is the reduction of SKUs (stock keeping units) in the Food segment, where we implemented "Selection and concentration" initiatives under strong leadership. Thus, Meiji generated a dramatic increase in revenue. Another example was the Medreich buyout in the Pharmaceutical segment. I think that the attitude of management to continuously pursue a "Different way" was fantastic. I am confident that we will refine this approach even more as we look toward the 2026 Vision, and constantly ask ourselves what is different than before when we implement measures in our business.

What type of leaders does the Meiji Group need in management going forward?

Iwashita In order for the Meiji Group to grow further, all employees must be on board and committed to carrying out the 2026 Vision. It is important to nurture a "healthy sense of crisis or urgency" throughout the Group. In recent years, the Meiji Group has posted outstanding performances, but the growth rate has now seemed to slow down slightly. The 2026 Vision targets are far bigger than anything previously achieved, and requires an even bigger jump to the next level. I hope that each and every employee embraces the idea that this vision cannot be achieved without massive reforms.

Murayama While employees may understand the policies outlined in the 2026 Vision literally, it is hard to visualize how to reflect policy into a meaningful change in one's own work. This is where the leaders who make up the core of the organization have an important responsibility to bridge this gap. They must act like an "interpreter," where they understand the policies correctly, and then put them into clear words for other members to change their attitudes and take meaningful action to achieve a goal. My theory is that the leaders of the organization must be "interpreters,"

and that the Meiji Group must increase the number of capable "interpreters."

Iwashita As for the leader Mr. Murayama just mentioned, the Meiji Group created "Leadership values" in FY3/18, which state what the Meiji Group requires of its management personnel. These values do not just apply to current management but to all employees. They should keep them in mind and strive to achieve them. Thus, I think that this will help produce the next generation of capable leaders. Among the qualities identified in the Leadership Values, the most important one I think is having "Upstanding character." What is important about the character I am referring to is "Managerial qualities," showing a noble quality as a leader, having a clear philosophy and being able to make fair decisions in business operations. Recently, corporate scandals have made headlines in society. I think that a major factor and cause can be attributed to the lack of managerial qualities in the leaders. I believe that if a leader possesses excellent managerial qualities, the organization will keep growing and not be misguided down the wrong path or direction.

Murayama We will systemize our succession plan based on the Leadership Values. The succession plan will clarify the qualities of personnel needed by the company, and it will provide opportunities for various personnel to play major roles and thereby encourage diversity.

What value can the Meiji Group generate in the health value domain?

Iwashita One of the key policies in the 2026 Vision is engaging in "New challenges in the health value domain." I believe that the market in this domain holds considerable potential for the Meiji Group. No other company has this many "Food" and "Drug" products with nutritional value, for example, functional yogurt, chocolate, nutritional products, pharmaceuticals and vaccines.

Murayama As Mr. Iwashita has just mentioned, the Meiji Group has a wealth of assets related to the health value domain. I believe that the idea "New challenges" in the health value domain stated in the 2026 Vision is to create new value by combining existing assets and maximize that value before creating a market from scratch. There must be a lot of ways to combine assets, such as collaborating with other departments, cooperation within the Group, working with other companies and/or using open innovation with academia. I believe this is what we should keep at the forefront of our mind as we work.

Iwashita Some may believe that a collaboration between the Food and Pharmaceutical segments is difficult because they are such different business models. However, its degree of difficulty makes it worth the effort and means that we can create value that others cannot offer. Our only option is to try our best to succeed. As I have suggested on different occasions, we should create different chances for personnel to interact between segments. I believe that the experience of working with different cultures helps personnel job performance and grow business in the health value domain.

Murayama Taking on new challenges in the health value domain is a crucial subject that will determine the future of the Meiji Group and I hope that we, as outside directors, will actively pursue it.

What future issues are there in the corporate governance of the Meiji Group?

Iwashita Two years have passed since my appointment as outside director in Meiji Holdings, and I feel that the scope outlined in the Corporate Governance Code is really being followed. The board meetings are not just formal discussions. The chairman has created an environment where Mr. Murayama and I can speak freely and actively participate in the discussion. In the beginning, the internal directors did not speak very much, but recently, meetings have become active and fruitful. However, in order to stay on task for the 2026 Vision, I believe that we must speed up the decision-making process and that bold challenges will be essential as the opportunities present themselves.

Murayama I think that the corporate governance system in the Meiji Group is set up well. However, there is a possibility that new companies will join the Group later through reorganization or other M&A activities and therefore a new and different action must be taken in the holdings. When the Group expands, the next major issue we will face will be how to maximize our corporate value using governance.

Iwashita I think in the Meiji Group there are still some areas concerning the "Succession plan" and "Diversity" that are not sufficient. These are extremely important issues as we continue to globalize, and I think we must make quick progress on them.

Murayama As an outside director, I hope that I can help the Meiji Group achieve the "*Beyond Meiji*" targets in the 2026 Vision. I will not just oversee or supervise operations but keep stimulating and motivating the Meiji Group.

Message from Outside Director

As a female director, I would like to promote diversity and thereby increase corporate strength.

I was appointed as a new outside director in the 2018 General Meeting of Shareholders. On a personal level, since I was child I have been familiar with the Meiji Group products, such as chocolate and yogurt or pharmaceuticals including antibiotics. Recently, *SAVAS* has also become our favorite health brand for my family. The Meiji Group has strong brand and make consumers feel comfortable.

With my new position, I would like to use my experience as a lawyer being involved in global cases to give meaningful advice in the Meiji Group management. The Meiji Group business is expanding more and more into overseas markets. And, I hope to visit the procurement, production and distribution sites myself. In addition, as a female director, I actively participate and provide input from the perspective of woman to promote diversity. I would like to create an environment where female employees become more active and are able to raise children and work at the same time. Thus, I would like to help strengthen the Meiji Group's competitive edge.

Mariko Matsumura Attorney at Law (Shinwa Sogo Law Offices)
Outside director

Corporate Governance

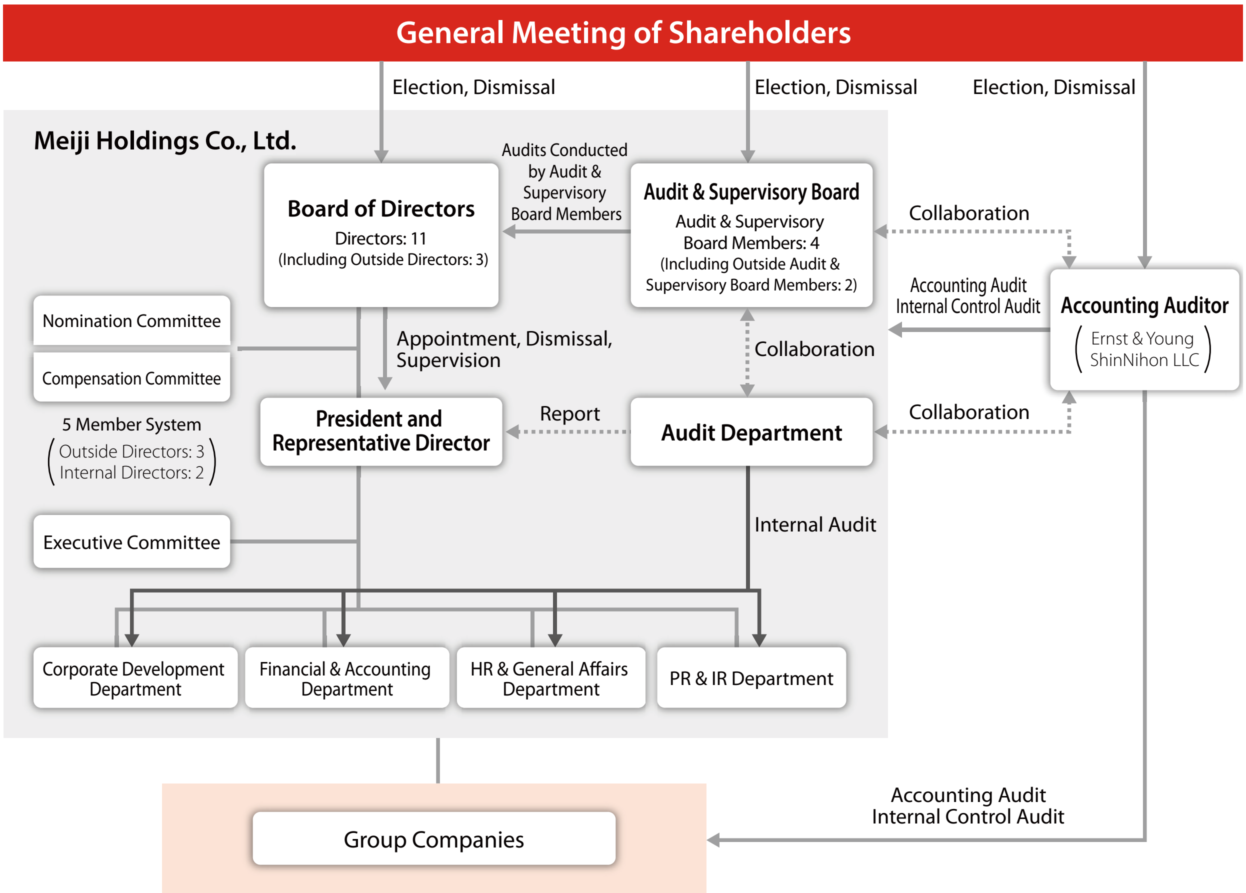
Basic Views

As a corporate group in the Food and Health fields, the Meiji Group's goal is to continue to 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. is to advance 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 is a company with Audit & Supervisory Board Members. Oversight by the Board of Directors and auditing by the Audit & Supervisory Board enhance the objectivity and transparency of the business management.

Corporate Governance System (As of June 28, 2018)



Corporate Governance Data

(As of June 28, 2018)

Items related to corporate governance		Content
Basic views on corporate governance		Established
Organization Form		Company with Audit & Supervisory Board
Directors	Term of Directors	1 year
	Chairperson of the Board	President
	Number of Directors (including Outside Directors)	11 (3 Outside Directors, including one female Director)
	Number of Board of Directors meetings	17 times (FY3/18)
	Attendance of Outside Directors at Board of Directors meetings	100% (FY3/18)
Audit & Supervisory Board	Number of Audit & Supervisory Board Members (including Outside Auditors)	4 (2 Outside Auditors, including one female Auditors)
	Attendance of Outside Auditors at Board of Directors meetings	100% (FY3/18)
	Principal meetings auditors attend	Board of Directors, Executive Committee*, Audit & Supervisory Board, Audit Department Liaison Meeting, and others
	Number of Audit Committee meetings	15 times (FY3/18)
	Attendance of Outside Auditors at Audit Committee meetings	96% (FY3/18)
Election of Independent Director		5 (3 Outside Directors, 2 outside audit & supervisory board members)
Accounting Auditor		Ernst & Young ShinNihon LLC
Audit department (internal auditing)		Audit Department

* Attended only by full-time members of Audit & Supervisory Board

Director Remuneration

Calculating Remuneration

Directors

The remuneration of internal directors in the Company is comprised of 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 prior fiscal year, and 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 based compensation are paid out in cash, and stock compensation is allocated as restricted stock. Note that the fixed (base) compensation and variable compensation (performance based 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.

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.

The amount of compensation for a director falls within a general range 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 provided by an external research agency. The amount of compensation that is calculated is then decided by the Board of Directors based on a recommendation from the Compensation Committee, which is made up of at least 4 members with a majority of independent outside directors.

Audit & Supervisory Board

The remuneration for an Audit & Supervisory Board Member falls within a general range that is decided at the General Meeting of Shareholders and is set after consulting with the Audit & Supervisory Board Members.

Details of the Compensation of Directors and Audit & Supervisory Board Members (FY3/18)

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 FY3/18 are as follows.

	Number of Officers	Total Amount of Remuneration
Directors (other than outside directors)	8	¥331 million
Audit & Supervisory Board members (other than Audit & Supervisory Board members)	4	¥58 million
Member of the Board (Outside)	3	¥43 million
Audit & Supervisory Board Member (Outside)	3	¥26 million
Total	18	¥460 million

(Notes)
1. "Number of Officers" in the table above includes one Director, two Audit & Supervisory Board Members and one outside Audit & Supervisory Board Member who retired on June 29, 2017.
2. 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 1 billion yen per year (not including the employee portion of remuneration for directors who concurrently serve as employees).
3. 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 300 million yen per year.
4. We have introduced a transfer-restricted stock compensation plan for directors other than outside directors. As per the resolution of the 8th Ordinary General Meeting of Shareholders held on June 29, 2017, the amount of remuneration under this plan is capped at JPY 200 million per year.
5. The total stock compensation is the amount recorded as an expense in the fiscal year being reported.

Evaluation of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors as a whole, takes remedial measures to address any issues that are highlighted so that the Board of Directors can fulfill its functions more effectively. This is based on survey that includes a self-evaluation questionnaire submitted each year by members of the Board of Directors on the role and management of the Board of Directors and problems or issues that the Board faces.

1. Method for analyzing/evaluating how effectively the board functioned in FY3/18

The Board of Directors for the Company uses a survey on the effectiveness of the Board of Directors in line with our own corporate governance policy, which we established in October 2015. In May 2018, the self-evaluation questionnaire was created by the Board's Secretariat, in order to analyze and evaluate the effectiveness of the Board of Directors in FY3/18.
This questionnaire covers the following categories:

- Roles and responsibilities of the Board meeting (setting strategic direction, overseeing company, preparing succession plan, discussing/deliberating/reporting on business matters)
- Board composition
- Chairperson's performance
- Quality of presentation materials and performance
- Secretariat's performance
- Progress in achieving challenges set in previous year.

The feedback items are summarized as follows:

- How well the Board has performed according to our corporate governance policy
- How well the Board is being run
- Progress in achieving challenges set in the previous year.

2. Results of analysis/evaluation

We determined that the Board is functioning effectively on the whole in light of the frequency of its meetings and the feedback from directors and members of the Audit & Supervisory Board. However, we found that the Board should improve the following areas:

- Succession planning (should be more systematic in how to process and adopt the plan)
- Establishing a standard on what to submit
- Running of the Board

We will work to improve these items and thus make the Board more effective.

Succession Plan

The Nomination Committee recommends the appointments and dismissals of top executives. This committee is comprised of at least four members, and the majority are independent outside directors. The members have a say in the succession plan.

After celebrating our 100th anniversary, the Meiji Group created a new long-term business plan, the Meiji Group 2026 Vision. Due to the importance of succession planning for our top executives as per our Corporate Governance Code and in order to achieve this Vision, we established a set of "Leadership Values" for our executives. These standards were reviewed by both the Nomination Committee and the Board of Directors before being adopted by the latter in January 2018.

In order for Meiji Group executives to lead the Group toward achieving its vision, we believe it is critical for them to "instigate change and lead reform efforts." The Leadership Values identify ten leadership qualities from the following three categories.

1) Strategic planning and action: Imagination, decisiveness, ability to achieve breakthroughs, ability to channel creative energies
2) Organizational leadership skills: Ability to communicate and convince, ability to motivate, magnanimity for others' mistakes, ability to develop others' talents
3) Character: Ability to recognize and channel diverse talents, upstanding character

Based on our Leadership Values, we will promote the development of succession planning.

Risk Management

Basic Views

Risk does not just involve support and recovery when an emergency or disaster occurs that severely impacts business activities. Our risk management systems are also based on measures that help control and mitigate risk. In addition, part of corporate responsibility in the Food and Health fields is to have systems in place to ensure a stable supply of pharmaceuticals, infant formulas and enteral formulas is delivered even in times of emergency.

Management system

The Meiji Group has risk management systems in place that are appropriate for both the Food and Pharmaceuticals businesses. To help identify risk factors* in our businesses, we conduct regular information sharing in a three-company committee structure, which includes Meiji Holdings, in order to detect risk early on. We also address other issues and review our support.

* WEB Business Risks
https://www.meiji.com/global/investors/governance/business-risks/

Strengthening Our Business Continuity Planning (BCP)

We are in the process of further strengthening our BCP. In the event of a major earthquake or other large-scale disaster, our planning goal is to be able to restore operations as quickly as possible so that we can fulfill our obligations to supply necessary pharmaceuticals and food products.

Connecting Risk to Growth Opportunities

The Meiji Group 2026 Vision and the Meiji Group CSR 2026 Vision consider risk from social trends or social issues that could potentially impact business. The Meiji Group sees these types of changes in the economic or social climate as growth opportunities that enable us to continue finding innovative ways to meet our customers' needs, today and tomorrow.

See p.10 for the "Meiji Group 2026 Vision" and p.32 for the "Meiji Group CSR 2026 Vision."

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 also uses an internal reporting system.

At Meiji, our approach uses the risk management and compliance in close conjunction with one another, and we have a Compliance & Risk Management Committee to promote a variety of activities and programs. We promote activities to nurture and foster compliance awareness so as to ensure compliance is the cornerstone of our operations and to ensure those operations are conducted fairly and faithfully.

Meiji Seika Pharma 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.

Since KM Biologics joined the Meiji Group in July 2018, KM Biologics has set up an organizational structure that includes a Compliance Committee to provide compliance training and to oversee proper operation of the internal reporting system in order to ensure risk is detected early on. Going forward, as a member of the Meiji Group, KM Biologics will continue to strengthen the compliance system further.

Financial and Non-Financial Highlights (9 Years Summary)

Consolidated Balance Sheet (Fiscal years ended March 31)

Financial information				Unit	2010	2011	2012
For the fiscal year:	Net sales			Millions of yen	1,106,645	1,114,095	1,109,275
		Segment	Food	Millions of yen	—	988,854	986,319
			Pharmaceuticals	Millions of yen	—	124,202	125,274
		Segment (Overseas)	Food	Millions of yen	—	—	—
			Pharmaceuticals	Millions of yen	—	—	—
	Gross profit			Millions of yen	371,970	381,234	370,774
	Operating income			Millions of yen	28,786	28,873	20,189
	Profit before income taxes			Millions of yen	24,100	17,925	14,588
	Profit attributable to owners of parent			Millions of yen	13,088	9,552	6,805
	Capital expenditures *2			Millions of yen	—	40,511	38,324
	Research and development costs			Millions of yen	22,693	23,418	23,823
	Depreciation *3			Millions of yen	39,087	41,345	40,871
	Net cash provided by operating activities (A)			Millions of yen	47,707	57,995	30,597
	Net cash used in investing activities (B)			Millions of yen	(33,641)	(32,440)	(44,314)
	Net cash used in financing activities			Millions of yen	(12,674)	(19,570)	4,861
	Free cash flow (A+B)			Millions of yen	14,066	25,555	(13,716)
At fiscal year-end:	Total assets			Millions of yen	730,044	716,368	749,985
	Interest-bearing debt			Millions of yen	199,400	192,810	205,261
	Shareholders' equity			Millions of yen	289,886	287,782	291,589
Per share data *4	Profit (EPS)			Yen	88.87	64.82	46.19
	Total net assets (BPS) *5			Yen	1,966.53	1,953.18	1,979.12
	Cash dividends			Yen	40.00	40.00	40.00
Ratios	Return on Equity (ROE)			%	4.6	3.3	2.3
	Return on Assets (ROA)			%	3.9	4.2	3.0
	Equity ratio			%	39.7	40.2	38.9
	Payout ratio			%	45.0	61.7	86.6

Non-financial information

				Unit	2010	2011	2012
CO_2 emissions	Japan		Scope1 *6	10,000 t-CO_2	—	—	48.4
			Scope2 *6	10,000 t-CO_2			
			Scope3 *7	10,000 t-CO_2	—	—	—
	Overseas	Mainland China *8	Scope1	10,000 t-CO_2	—	—	—
			Scope2	10,000 t-CO_2			
		Asia *9	Scope1	10,000 t-CO_2	—	—	—
			Scope2	10,000 t-CO_2			
		The U.S. and Europe *10	Scope1	10,000 t-CO_2	—	—	—
			Scope2	10,000 t-CO_2			
Water resource input volume	Japan *11			1,000 m^3	—	—	23,674
	Overseas	Mainland China *8		1,000 m^3	—	—	—
		Asia *9		1,000 m^3	—	—	—
		The U.S. and Europe *10		1,000 m^3	—	—	—
Total water discharge volume		Japan *11		1,000 m^3	—	—	21,652
Energy consumption volume		Japan *12		Fuel oil conversion: 10,000 kl	—	—	21.3
Industrial Waste Volume		Japan *12		10,000 t	—	—	4.4

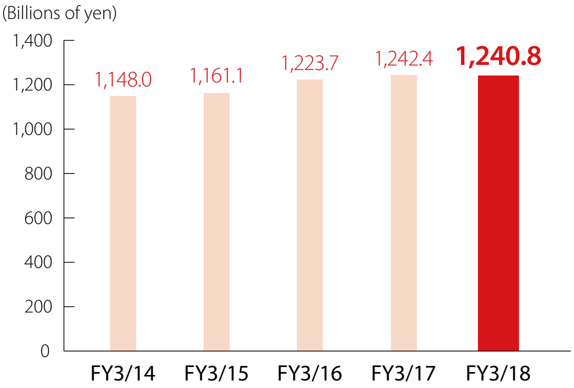
*1 U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US$1 = ¥106.24, the exchange rate prevailing on March 31, 2018.
*2 Figures for capital expenditures only represent property, plants and equipment based on the consolidated statement of cash flows.
*3 Figures for depreciation represent property, plants and equipment and intangible fixed assets based on the consolidated statement of cash flows.
*4 A 2-for-1 common stock split was issued on October 1, 2015. This value was retro-actively applied.
*5 Net assets per share = (Total net assets – Non-controlling interests) ÷ (Number of shares of common stock issued – Number of shares of treasury stock)
*6 The domestic Meiji Group. From the fiscal year ended in March 2018, the fuel used in company owned delivery vehicles/ trucks and data for the CO_2 emissions from company owned vehicles is included in Scope 1.

2013	2014	2015	2016	2017	2018	2018	Unit *1
1,126,520	1,148,076	1,161,152	1,223,746	1,242,480	**1,240,860**	**11,679,784**	Thousands of U.S. dollars
1,001,551	1,015,265	1,021,806	1,061,398	1,082,115	**1,073,655**	**10,105,939**	Thousands of U.S. dollars
127,361	135,105	141,338	164,542	161,620	**168,466**	**1,585,714**	Thousands of U.S. dollars
—	29,097	29,418	38,353	38,191	**43,474**	**409,206**	Thousands of U.S. dollars
—	17,325	23,961	41,961	38,731	**38,752**	**364,763**	Thousands of U.S. dollars
382,684	394,062	403,386	445,561	461,326	**454,882**	**4,281,645**	Thousands of U.S. dollars
25,859	36,496	51,543	77,781	88,395	**94,673**	**891,131**	Thousands of U.S. dollars
25,214	33,687	48,657	95,210	89,192	**91,079**	**857,303**	Thousands of U.S. dollars
16,646	19,060	30,891	62,580	60,786	**61,278**	**576,789**	Thousands of U.S. dollars
37,668	47,038	64,347	42,354	50,417	**71,777**	**675,611**	Thousands of U.S. dollars
26,199	26,067	26,105	27,308	26,162	**26,507**	**249,504**	Thousands of U.S. dollars
40,821	40,972	41,885	42,077	45,872	**46,511**	**437,792**	Thousands of U.S. dollars
50,622	63,847	86,487	105,155	81,888	**108,775**	**1,023,862**	Thousands of U.S. dollars
(39,504)	(47,293)	(92,822)	(9,809)	(44,291)	**(64,394)**	**(606,123)**	Thousands of U.S. dollars
(9,411)	(18,194)	6,846	(85,071)	(46,548)	**(40,121)**	**(377,653)**	Thousands of U.S. dollars
11,118	16,553	(6,335)	95,346	37,597	**44,380**	**417,738**	Thousands of U.S. dollars
785,514	779,461	877,367	856,115	883,895	**927,544**	**8,730,652**	Thousands of U.S. dollars
205,394	198,376	221,480	147,828	129,497	**119,102**	**1,121,070**	Thousands of U.S. dollars
313,383	320,447	370,341	408,874	448,901	**487,310**	**4,586,884**	Thousands of U.S. dollars
112.99	129.40	209.79	425.06	413.11	**422.15**	**3.973**	U.S. dollars
2,127.28	2,175.98	2,515.26	2,777.28	3,064.91	**3,360.70**	**31.633**	U.S. dollars
40.00	40.00	50.00	90.00	110.00	**130.00**	**1.223**	U.S. dollars
5.5	6.0	8.9	16.1	14.2	**13.1**		
3.8	5.0	6.5	9.4	10.2	**10.6**		
39.9	41.1	42.2	47.8	50.8	**52.5**		
35.4	30.9	23.8	21.2	26.6	**30.8**		
52.4	55.9	55.5	55.3	22.3	**23.0**		
				28.7	**27.4**		
—	—	—	—	—	**203.5**		
—	—	—	4.2	0.5	**0.3**		
				3.6	**3.1**		
—	—	—	6.5	1.5	**1.4**		
				5.5	**5.8**		
—	—	—	2.9	1.4	**1.6**		
				0.9	**0.9**		
22,902	22,723	20,148	24,375	24,104	**22,305**		
—	—	—	—	—	**1,200**		
—	—	—	—	—	**522**		
—	—	—	—	—	**74**		
20,864	20,566	16,504	21,214	20,255	**17,914**		
25.8	25.6	25.3	24.9	24.5	**24.0**		
8.1	7.2	7.4	7.6	5.4	**6.3**		

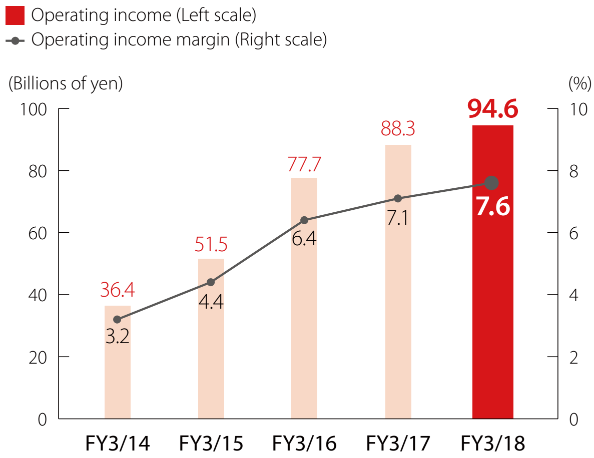
*7 Categories for Scope 3 include Category 1 (purchased products and services), 2 (capital goods), 3 (fuel and energy related activities not included in Scopes 1 and 2), 5 (waste from operation activities), 6 (business trips), 7 (commute of employees) and 12 (waste from sold products).
*8 Six production plants
*9 Five production plants
*10 Three production plants
*11 Meiji and Meiji Seika Pharma up until the fiscal year ended March 2015, and the domestic Meiji Group from the fiscal year ended March 2016.
*12 Meiji and Meiji Seika Pharma in the fiscal year ended March 2012, and the domestic Meiji Group from the fiscal year ended March 2013.

Financial and Non-Financial Highlights (Main Indices)

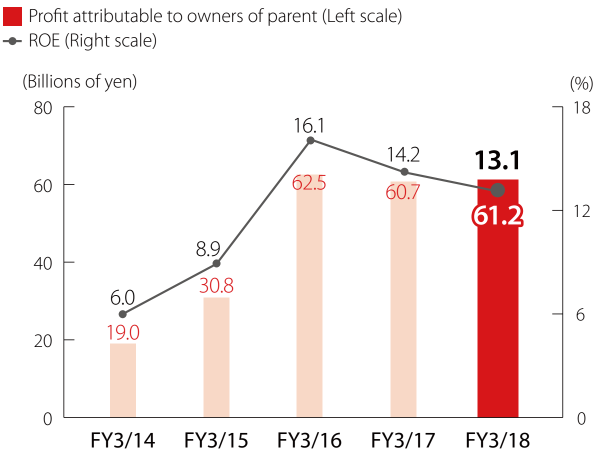
Net Sales



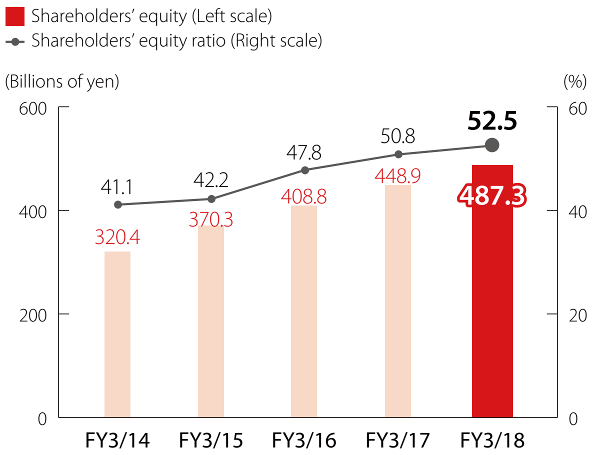
Operating Income / Operating Income Margin



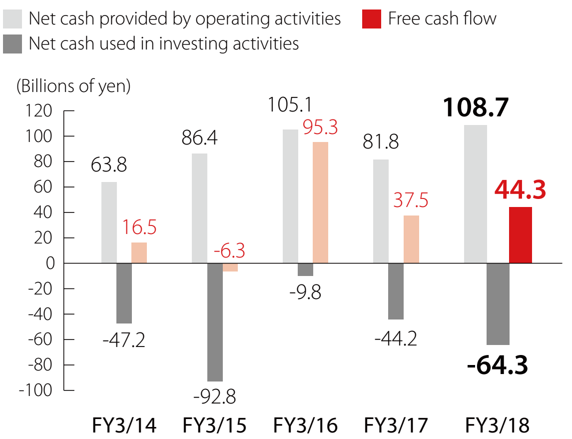
Profit Attributable to Owners of Parent / ROE



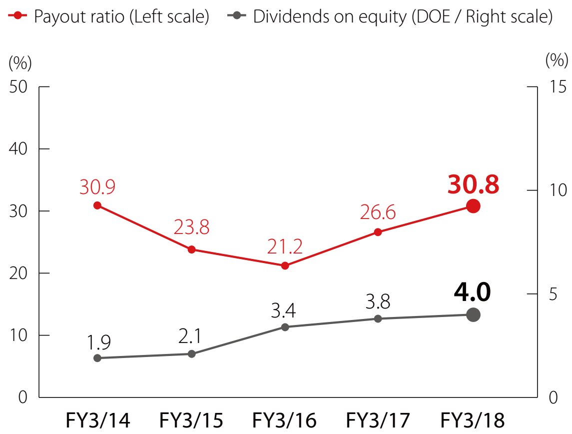
Shareholders' Equity / Shareholders' Equity Ratio



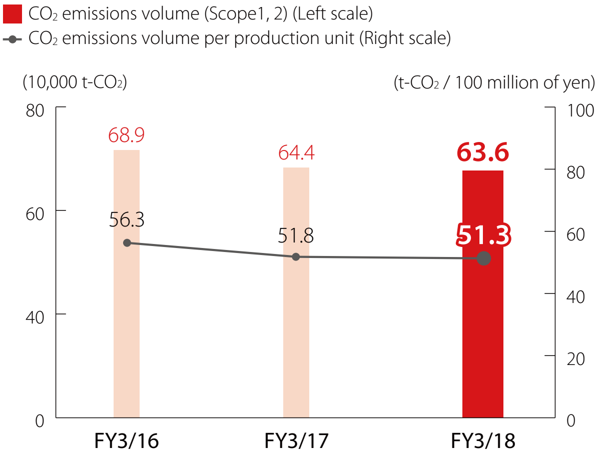
Cash Flow



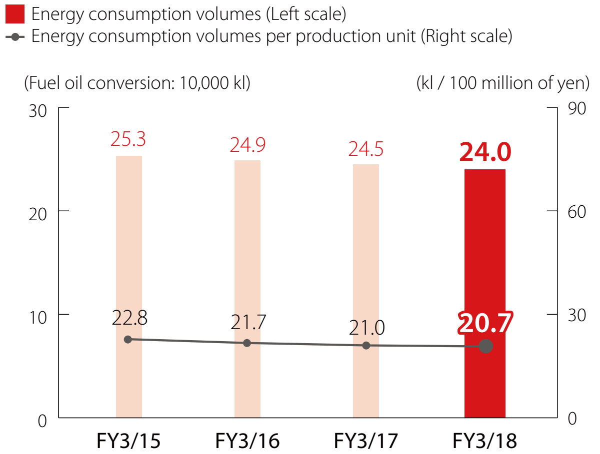
Payout Ratio / Dividends on Equity (DOE)



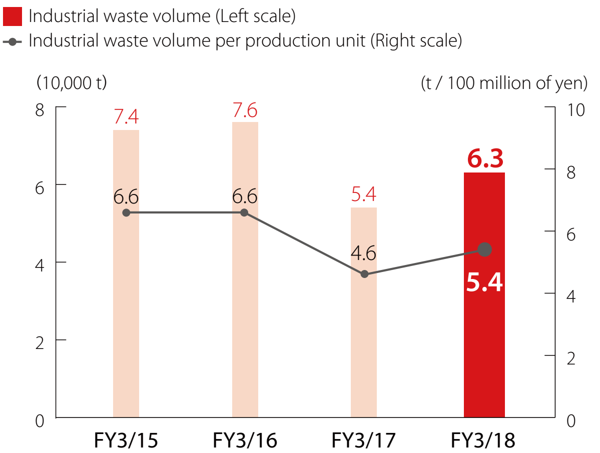
CO_2 Emissions Volume (Scope1, 2) / CO_2 Emissions Volume per Production Unit *1



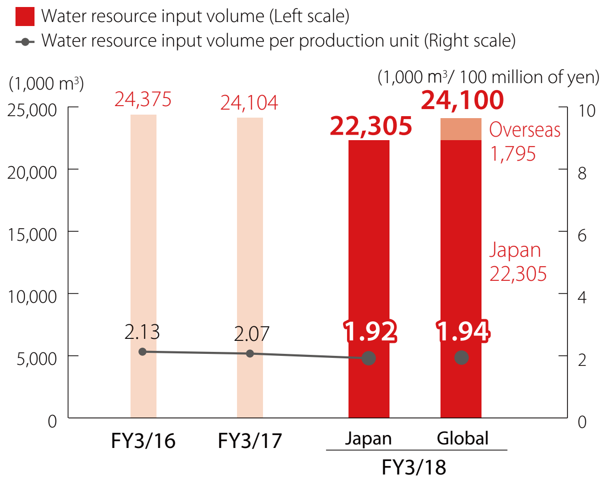
Energy Consumption Volumes / Energy Consumption Volume per Production Unit *2



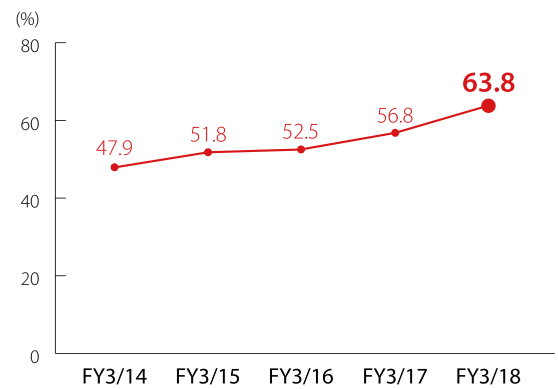
Industrial Waste Volume / Industrial Waste Volume per Production Unit *2



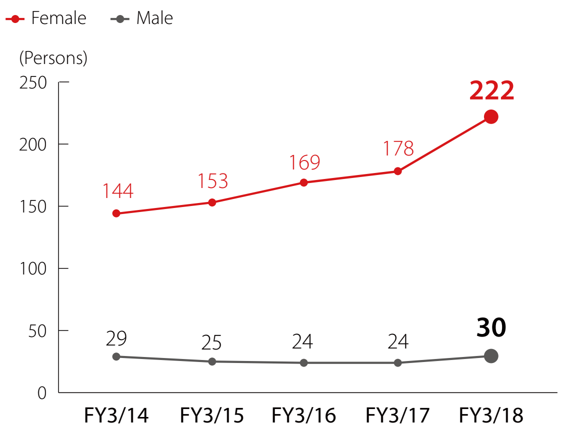
Water Resource Input Volume / Water Resource Input Volume per Production Unit *3



Percentage of Paid Vacation Taken *4



Child Care Leave *4



*1 Applies to the Meiji Group (the domestic Meiji Group and 14 overseas production plants). The per production unit is calculated from the consolidated sales.
*2 Applies to the domestic Meiji Group. The per production units are calculated from domestic sales.
*3 Applies to the domestic Meiji Group. The per production units are calculated from domestic sales.
The global data from the fiscal year ended March 2018; applies to the Meiji Group (the domestic Meiji Group and 14 overseas production plants). The per production unit is calculated from the consolidated sales.
*4 Applies to Meiji and Meiji Seika Pharma.

WEB ESG data https://www.meiji.com/global/investors/esg/

MD&A (The Management Discussion and Analysis)

Consolidated Financial Results

FY3/18 was the final year of the STEP UP 17 Medium-Term Business Plan.

Based on our core policy of accelerating growth and achieving further improvement in profitability, we promoted our growth strategy to increase corporate value. These initiatives include Strengthening priority businesses and taking on the challenge of future growth, Improving profitability to withstand harsh economic environments, Pursuing global expansion, and Evolving our management system.

In the food segment, we grew our core products while working on optimizing production, distribution, and sales as well as reducing cost to achieve steady growth. In the pharmaceutical segment, we concentrated business resources on our core areas, anti-infective drugs and CNS agents, to maximize sales and profits.

These factors resulted in net sales of JPY 1,240.8 billion (down 0.1%, year on year) and operating income of JPY 94.6 billion (up 7.1%, year on year). Net income attributable to shareholders of parent company was JPY 61.2 billion (up 0.8%, year on year). ROE was 13.1%.

Gains and Losses

Net Sales

Meiji Group's consolidated net sales for FY3/18 was JPY 1,240.8 billion (down 0.1% year on year). Net sales for the Food segment was JPY 1,073.6 billion, down 0.8% year on year. This decrease is attributed to normalization of yogurt sales after strong sales in the previous fiscal year and to the impact of changes in our ice cream transaction system. On the other hand, the ethical pharmaceuticals business drove the Pharmaceutical segment, generating JPY 168.4 billion in sales, up 4.2% year on year.

In addition, consolidated overseas sales was JPY 82.2 billion (up 6.9% year on year). This is attributed to strong sales for the Food segment in Mainland China and the U.S.A.

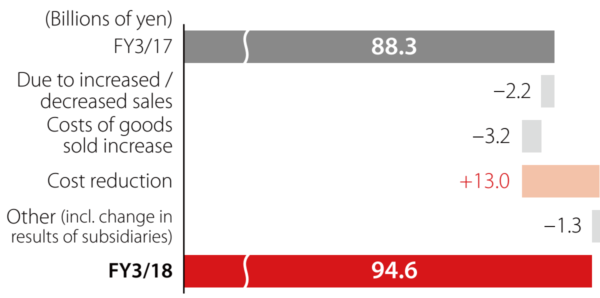
Cost of Sales and Selling, General and Administrative Expenses

Gross profit ratio for FY3/18 was 36.7% (down 0.4 points year on year), a slight dip from the previous fiscal year. We implemented measures to decrease costs for all Group companies. However, the cost of sales rose, primarily due to an increase in raw material costs in the Food segment and due to a rising depreciation of fixed assets, after increasing investment into strengthening the production system.

Selling, general and administrative (SG&A) expenses came to JPY 360.2 billion (down 3.4% year on year). After breaking down the SG&A, the sales promotion and advertising expenses came to JPY 133.5 billion (down 5.8% year on year) and the carriage and storage charges were JPY 46.2 billion (down 5.4% year on year), both dropping after the previous fiscal year. This reduction is attributed to our efforts to control all costs in each business. On the other hand, R&D costs came to JPY 26.5 billion (up 1.3% year on year), maintaining the same level as the previous fiscal year in order to promote R&D and foster future growth.

Operating Income and Profit Attributable to Owners of Parent Company

Operating income came to JPY 94.6 billion (up 7.1% year on year) with an operating income ratio of 7.6% (up 0.5 points year on year). Factors that contributed to this increase are shown in the graph below.

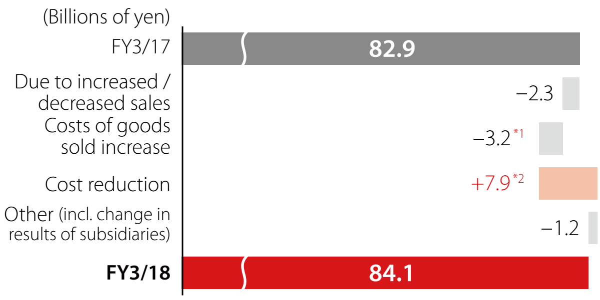


In addition, net income attributable to shareholders of parent company was JPY 61.2 billion (up 0.8% year on year). After implementing structural reforms in all the companies, including revisions to our production system, the impairment loss, loss on sale of subsidiaries and affiliates' stocks, and loss on disposal of property, plants and equipment were recorded under extraordinary losses.

Overview by Business

Food Segment

Net sales came to JPY 1,073.6 billion, down 0.8% year on year. Operating income came to JPY 84.1 billion (up 1.5% year on year). As shown in the following graph, we were able to secure an increase in profit by promoting cost cutting and cost-effectiveness, despite the rising cost for procuring dairy ingredients both overseas and within Japan.



*1 (Breakdown) Increase in raw material costs: -2.4, Other: -0.8
*2 (Breakdown) Decrease in promotion expenses: +6.8, Distribution optimization: +0.4, Other: +0.7

Fresh and Fermented Dairy Business

Net sales came to JPY 540.0 billion (down 0.9% year on year). Net sales for *Meiji Bulgaria Yogurt* were down year on year due to normalization following a significant jump in sales the previous fiscal year. However, net sales for functional yogurt and drinking milk were largely unchanged year on year.

Operating income was JPY 52.0 billion (up 0.5% year on year). Decreased revenues for yogurt were offset by reducing various expenses, thereby producing an increase in earnings.

Processed Food Business

Net sales came to JPY 180.4 billion (down 2.0% year on year). Net sales for butter, margarine and the *Meiji Essel Super Cup Sweet's* series ice cream were favorable. However, the overall net sales decreased year on year due to the impact from changing our ice cream transaction system in April 2017 and due to decreased revenue for frozen foods.

Operating income was JPY 7.4 billion (down 0.1% year on year). Despite making improvements to our product mix, the increased costs for domestic dairy ingredients and other items impacted our operating income.

Confectionery Business

Net sales came to JPY 157.9 billion (down 1.5% year on year). Net sales of chocolates continued to be favorable thanks to contributions from *Chocolate Kouka* series and *Meiji The Chocolate*. However, overall net sales declined year on year, because net sales for chewing gum decreased significantly year on year due to a downturn, and because net sales for the savory snack, *Karl* decreased year on year after downsizing its sales area as well as other factors.

Operating income was JPY 19.7 billion (up 7.0% year on year). The main factors that contributed to increased earnings were a year-on-year decline in raw material costs for cacao, etc., and success in reducing sales promotion expenses and distribution costs.

Nutrition Business

Net sales came to JPY 93.4 billion (up 1.9% year on year). This is attributed to an increase of net sales for the protein (for sports use) *SAVAS* year on year thanks to more consumption among competitive athletes and more new consumers taking up light to moderate exercise. And, net sales for *Meiji Mei Balance Mini-cup* series in the consumer market also increased thanks to new flavored products.

Operating income was JPY 12.4 billion (up 7.5% year on year). Income increased thanks to sales growth for mainstay products and reducing various expenses.

OTHER Business

Net sales came JPY 360.5 billion (up 0.4% year on year), and operating income was JPY 5.1 billion (down 7.3% year on year).

[Overseas]

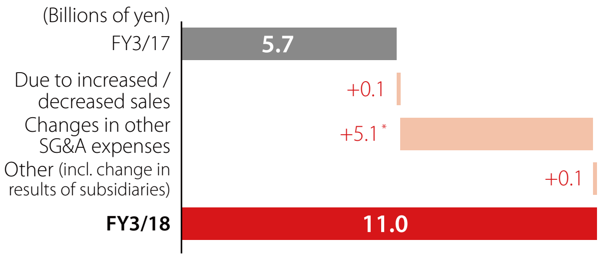
In our export business, sales for infant formula to Taiwan, Pakistan and Vietnam were favorable. Sales in our subsidiaries in the U.S.A and Mainland China also increased significantly year on year. This sales growth helped increase the operating income overseas year on year.

[Other]

Overall sales were largely unchanged year on year. Although net sales grew at our domestic logistics and feed subsidiaries, there was a decrease in revenue attributable to business structural reforms implemented at certain subsidiaries. In addition, operating income decreased significantly year on year due to increased labor costs with drivers in our distribution subsidiary.

Pharmaceutical Segment

Net sales came to JPY 168.4 billion, up 4.2% year on year. Operating income was JPY 11.0 billion (up 90.7% year on year). As shown in the following graph, in addition to lower expenses—after having incurred expenses during the previous fiscal year related to new drug promotion—, cost reduction and one-time payments from licensing agreements also contributed.



* (Breakdown) Decrease in promotion expenses: +1.7, Other cost reduction: +3.2, Decrease in R&D expenses +0.2

Ethical Pharmaceuticals

Net sales came to JPY 150.1 billion, up 5.6% year on year.

[Japan]

Our mainstay antidepressant drug *REFLEX* grew thanks to enhanced promotional activities. Net sales of the schizophrenia drug *SYCREST* and the anti-allergy drug *Bilanoa*, both launched in 2016, increased significantly due to approval for long term prescription.

The antibacterial drug *TAZOPIPE* Combination for *I.V. Infusion Meiji* increased significantly year on year due to approval for additional indication and the acceleration of the market's shift to generics.

[Overseas]

The performance was favorable at subsidiaries in India, Indonesia, and China. Exports and sales for the antibacterial drug *MEIACT* declined significantly.

Agricultural Chemicals and Veterinary Drugs

Net sales came to JPY 18.3 billion (down 5.9% year on year). Despite one-time revenues from a licensing agreement on the new agricultural insecticide *FULPYRIMIN* concluded in March 2018 with Aryista LifeScience, net sales were impacted by decreased revenues from the rice blast preventative *ORYZEMATE*.

Assets, Liabilities and Capital

Total assets at the end of FY3/18 came to JPY 927.5 billion, up JPY 43.6 billion year on year. This is mainly attributed to an increase of JPY 11.9 billion in notes and accounts receivable, JPY 17.2 billion in buildings and structures (net) and JPY 13.0 billion in investment securities.

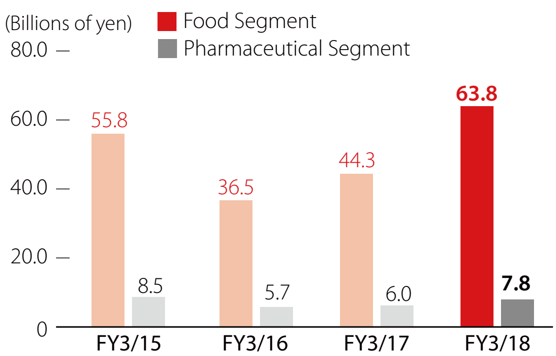
Total liabilities came to JPY 432.3 billion, up JPY 5.6 billion year on year. While there was a slight decrease of JPY 10.0 billion in bonds (including current portion of bonds), this is attributed to an increase of JPY 9.3 billion in notes and accounts payable, an increase of JPY 4.0 billion in other current liabilities and an increase of JPY 2.8 billion in deferred tax liabilities. However, interest bearing debt totaled JPY 119.1 billion, a slight slip of JPY 10.3 billion from the previous fiscal year. Total net assets came to JPY 495.1 billion, up JPY 37.9 billion year on year. While the treasury stock was up JPY 13.9 billion (slight decrease in net assets), this is attributed to an increase of JPY 43.4 billion in retained earnings and JPY 8.0 billion in unrealized holding gains or losses on securities.

However, the equity ratio increased to 52.5%, from 50.8% in the previous fiscal year. Debt/equity ratio dropped from 0.28 in the previous fiscal year to 0.24 due to a more significant increase in shareholders' equity than the increase in total liabilities.

Capital Expenditures

Capital expenditures on a cash basis (includes intangible assets) for the current term were JPY 71.7 billion (up 42.4% year on year), with main transactions as indicated below.

- Research facilities (product development research center)
- Cheese production facilities (Tokachi Plant)
- Manufacturing building and chocolate production facilities (Sakado Plant)
- Protein production facility (New Plant)



Cash Flows

Cash flow from operating activities in FY3/18 totaled JPY 108.7 billion thanks to an increase of JPY 26.8 billion from the previous fiscal year. This is attributed to a smaller payment in income taxes, a decrease in inventories and an increase in trade payables.

Cash flow from investing activities totaled JPY 64.3 billion in payments, up JPY 20.1 billion year on year. This is attributed to increased payments for purchases of property, plants and equipment.

In summary, there was a JPY 6.7 billion increase in free cash flow year on year, totaling JPY 44.3 billion, which is the sum of the cash flows for operating activities and investing activities.

Cash flow from investing activities totaled JPY 40.1 billion in expenditures, down JPY 6.4 billion year on year.

These results produced a balance of JPY 26.9 billion in cash and cash equivalents at end of the FY3/18 (up JPY 4.2 billion from FY3/17).

Dividend Policy

The Meiji Group considers stable return to shareholders an important issue. Our basic policy concerning profit dividends shall be a consolidated dividend payout ratio of around 30%.

The annual dividends for FY3/18 were JPY 130.0 per share, up JPY 20.0 in cash dividends year on year. This translated into a consolidated dividend payout ratio of 30.8%.

Consolidated Financial Statements

Consolidated Balance Sheet

Meiji Holdings Co., Ltd. / As of March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Assets			
Current assets:			
Cash and deposits (Notes 5, 9)	**¥ 27,613**	¥ 24,761	**$ 259,920**
Notes and accounts receivable (Notes 5, 15)	**203,229**	190,503	**1,912,928**
Inventories (Note 8)	**136,468**	134,234	**1,284,530**
Deferred tax assets (Note 10)	**9,670**	9,438	**91,021**
Other current assets	**15,895**	19,139	**149,615**
Allowance for doubtful accounts	**(202)**	(370)	**(1,909)**
Total current assets	**392,674**	377,707	**3,696,107**
Fixed assets:			
Property, plant and equipment:			
Buildings and structures (Note 9)	**319,894**	301,158	**3,011,050**
Machinery, equipment, vehicles and fixtures (Note 9)	**558,326**	553,638	**5,255,329**
Land (Note 9)	**71,454**	72,603	**672,579**
Lease assets	**2,710**	3,972	**25,516**
Construction in progress	**22,323**	24,733	**210,118**
Accumulated depreciation	**(590,746)**	(590,118)	**(5,560,495)**
Total property, plant and equipment (net)	**383,962**	365,986	**3,614,100**
Investments and other assets:			
Investment securities (Notes 5, 6)	**75,048**	63,527	**706,406**
Investment securities (unconsolidated subsidiaries and affiliates) (Note 12)	**15,825**	14,334	**148,961**
Intangible assets (Note 14)	**22,555**	25,936	**212,307**
Deferred tax assets (Note 10)	**8,366**	7,193	**78,750**
Net defined benefit asset (Note 11)	**20,777**	20,418	**195,571**
Other	**8,427**	8,898	**79,323**
Allowance for doubtful accounts	**(93)**	(107)	**(876)**
Total investments and other assets	**150,908**	140,201	**1,420,444**
Total fixed assets	**534,870**	506,187	**5,034,544**
Total assets	**¥ 927,544**	¥ 883,895	**$ 8,730,652**

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable (Notes 5, 15)	**¥131,064**	¥117,195	**$1,233,663**
Short-term loans payable (including current portion of long-term loans payable) (Notes 5, 7, 9)	**49,749**	80,574	**468,273**
Income taxes payable	**18,253**	17,457	**171,814**
Accrued expenses (Note 5)	**43,919**	47,212	**413,397**
Accrued bonuses for employees	**10,857**	10,512	**102,197**
Allowance for sales returns	**72**	132	**684**
Allowance for sales rebates	**1,943**	2,061	**18,297**
Other current liabilities	**38,569**	39,044	**363,041**
Total current liabilities	**294,430**	314,191	**2,771,369**
Long-term liabilities:			
Long-term loans payable, less current portion (Notes 5, 7, 9)	**69,353**	48,923	**652,797**
Deferred tax liabilities (Note 10)	**12,678**	9,787	**119,337**
Net defined benefit liability (Note 11)	**50,330**	48,371	**473,745**
Reserve for directors' retirement benefits	**148**	150	**1,395**
Other long-term liabilities	**5,426**	5,279	**51,074**
Total long-term liabilities	**137,936**	112,513	**1,298,351**
Total liabilities	**432,367**	426,704	**4,069,720**
Net assets (Note 17) **:**			
Shareholders' equity:			
Common stock			
Authorized 560,000,000 shares, at March 31, 2017			
560,000,000 shares, at March 31, 2018			
Issued 152,683,400 shares, at March 31, 2017			
152,683,400 shares, at March 31, 2018	**30,000**	30,000	**282,379**
Capital surplus	**99,841**	99,762	**939,769**
Retained earnings	**366,276**	322,856	**3,447,632**
Treasury stock, at cost 6,218,500 shares, at March 31, 2017	**(30,521)**	(16,607)	**(287,290)**
7,680,613 shares, at March 31, 2018			
Total shareholders' equity	**465,595**	436,011	**4,382,491**
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	**33,188**	25,120	**312,394**
Deferred gains or losses on hedges	**(53)**	(5)	**(502)**
Foreign currency translation adjustments	**268**	1,181	**2,526**
Remeasurements of defined benefit plans (Note 11)	**(11,689)**	(13,406)	**(110,025)**
Non-controlling interests	**7,866**	8,289	**74,047**
Total net assets	**495,177**	457,190	**4,660,932**
Total liabilities and net assets	**¥927,544**	¥883,895	**$8,730,652**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net sales	**¥1,240,860**	¥1,242,480	**$11,679,784**
Cost of sales (Note 20)	**785,978**	781,153	**7,398,138**
Gross profit	**454,882**	461,326	**4,281,645**
Selling, general and administrative expenses (Notes 19, 20)	**360,208**	372,931	**3,390,514**
Operating income	**94,673**	88,395	**891,131**
Other income (expenses):			
Interest and dividend income	**1,341**	1,338	**12,630**
Interest expenses	**(755)**	(795)	**(7,115)**
Equity in income of affiliates	**(209)**	241	**(1,975)**
Rent income on real estate	**137**	141	**1,295**
Rent cost of real estate	**(56)**	(61)	**(534)**
Other	**746**	(420)	**7,025**
Extraordinary gains (Notes 21, 22)	**7,561**	7,964	**71,175**
Extraordinary losses (Notes 21, 23, 24, 25)	**(12,358)**	(7,611)	**(116,328)**
Profit before income taxes	**91,079**	89,192	**857,303**
Income taxes—current (Note 10)	**31,647**	29,351	**297,889**
Income taxes—deferred (Note 10)	**(2,529)**	(1,360)	**(23,812)**
Profit	**61,962**	61,200	**583,227**
Profit attributable to non-controlling interests	**683**	414	**6,437**
Profit attributable to owners of parent	**¥ 61,278**	¥ 60,786	**$ 576,789**

	Yen		U.S.dollars
Amounts per share of common stock:			
Profit	**¥422.15**	¥413.11	**$3.973**
Cash dividends	**130.00**	110.00	**1.223**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Profit	**¥61,962**	¥61,200	**$583,227**
Other comprehensive income:			
Net unrealized holding gains or losses on securities	**8,071**	(1,273)	**75,972**
Deferred gains or losses on hedges	**(50)**	(12)	**(472)**
Foreign currency translation adjustments	**(1,686)**	(1,731)	**(15,875)**
Remeasurements of defined benefit plans	**1,715**	3,941	**16,148**
Equity in affiliates accounted for by the equity method	**788**	(357)	**7,423**
Total other comprehensive income (Note 26)	**8,838**	566	**83,196**
Comprehensive income	**¥70,800**	¥61,766	**$666,423**
(Breakdown)			
Comprehensive income attributable to owners of parent	**¥70,102**	¥61,447	**$659,850**
Comprehensive income attributable to non-controlling interests	**698**	319	**6,573**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Meiji Holdings Co., Ltd. / For the year ended March 31, 2018

	Millions of yen					
		Shareholders' equity				
	Numbers of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2016	152,683	¥30,000	¥98,502	¥277,869	¥(9,727)	¥396,645
Changes during the fiscal period:						
Cash dividends				(15,826)		(15,826)
Profit attributable to owners of parent				60,786		60,786
Acquisition of treasury stock					(6,881)	(6,881)
Disposal of treasury stock			1		0	1
Change in treasury shares of parent arising from transactions with noncontrolling shareholders			1,258			1,258
Change of scope of equity method				26		26
Net changes in items other than those in shareholders' equity						
Total changes during the fiscal period	—	—	1,259	44,986	(6,880)	39,365
Balance at March 31, 2017	152,683	¥30,000	¥99,762	¥322,856	¥(16,607)	¥436,011
Changes during the fiscal period:						
Cash dividends				**(17,858)**		**(17,858)**
Profit attributable to owners of parent				**61,278**		**61,278**
Acquisition of treasury stock					**(14,058)**	**(14,058)**
Disposal of treasury stock			**170**		**144**	**314**
Change in treasury shares of parent arising from transactions with noncontrolling shareholders			**(91)**			**(91)**
Net changes in items other than those in shareholders' equity						
Total changes during the fiscal period	**—**	**—**	**78**	**43,420**	**(13,913)**	**29,584**
Balance at March 31, 2018	**152,683**	**¥30,000**	**¥99,841**	**¥366,276**	**¥(30,521)**	**¥465,595**

	Thousands of U.S. dollars					
		Shareholders' equity				
	Numbers of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2017	152,683	$282,379	$939,028	$3,038,935	$(156,324)	$4,104,019
Changes during the fiscal period:						
Cash dividends				**(168,091)**		**(168,091)**
Profit attributable to owners of parent				**576,789**		**576,789**
Acquisition of treasury stock					**(132,324)**	**(132,324)**
Disposal of treasury stock			**1,601**		**1,358**	**2,959**
Change in treasury shares of parent arising from transactions with noncontrolling shareholders			**(860)**			**(860)**
Net changes in items other than those in shareholders' equity						
Total changes during the fiscal period	**—**	**—**	**741**	**408,697**	**(130,966)**	**278,471**
Balance at March 31, 2018	**152,683**	**$282,379**	**$939,769**	**$3,447,632**	**$(287,290)**	**$4,382,491**

Millions of yen

	Accumulated other comprehensive income						
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
	¥26,417	¥8	¥3,137	¥(17,334)	¥12,229	¥10,278	¥419,152
							(15,826)
							60,786
							(6,881)
							1
							1,258
							26
	(1,296)	(13)	(1,956)	3,928	661	(1,988)	(1,327)
	(1,296)	(13)	(1,956)	3,928	661	(1,988)	38,038
	¥25,120	¥(5)	¥1,181	¥(13,406)	¥12,890	¥8,289	¥457,190
							(17,858)
							61,278
							(14,058)
							314
							(91)
	8,068	**(48)**	**(912)**	**1,716**	**8,824**	**(422)**	**8,401**
	8,068	**(48)**	**(912)**	**1,716**	**8,824**	**(422)**	**37,986**
	¥33,188	**¥(53)**	**¥268**	**¥(11,689)**	**¥21,714**	**¥7,866**	**¥495,177**

Thousands of U.S. dollars

	Accumulated other comprehensive income						
	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
	$236,451	$(50)	$11,117	$(126,186)	$121,332	$78,025	$4,303,377
							(168,091)
							576,789
							(132,324)
							2,959
							(860)
	75,943	**(452)**	**(8,591)**	**16,161**	**83,060**	**(3,977)**	**79,083**
	75,943	**(452)**	**(8,591)**	**16,161**	**83,060**	**(3,977)**	**357,555**
	$312,394	**$(502)**	**$2,526**	**$(110,025)**	**$204,393**	**$74,047**	**$4,660,932**

Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd. / For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash flows from operating activities:			
Profit before yincome taxes	¥ 91,079	¥ 89,192	$ 857,303
Depreciation and amortization	46,511	45,872	437,792
Impairment loss	4,214	754	39,668
Amortization of goodwill	1,641	1,605	15,450
Loss (gain) on disposal of property, plant and equipment	4,726	3,691	44,492
Loss (gain) on valuation of investment securities	8	52	77
Increase (decrease) in allowance for doubtful accounts	(177)	291	(1,671)
Increase (decrease) in accrued bonuses for employees	356	276	3,359
Increase (decrease) in net defined benefit liability	3,944	3,192	37,128
Interest and dividend income	(1,341)	(1,338)	(12,630)
Interest expenses	755	795	7,115
Equity in loss (income) of affiliates	209	(241)	1,975
Loss (gain) on sales of property, plant and equipment	(6,403)	(5,316)	(60,273)
Loss (gain) on sales of investment securities	597	(2,317)	5,619
Decrease (increase) in trade receivables	(12,724)	(3,183)	(119,772)
Decrease (increase) in inventories	(3,313)	(10,668)	(31,187)
Increase (decrease) in notes and accounts payable	9,170	5,219	86,316
Other	(497)	(5,374)	(4,679)
Subtotal	138,758	122,502	1,306,085
Interest and dividends received	1,354	1,346	12,749
Interest paid	(775)	(779)	(7,299)
Income taxes paid	(30,562)	(41,179)	(287,672)
Net cash provided by operating activities	108,775	81,888	1,023,862
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(69,833)	(48,670)	(657,321)
Payments for purchases of intangible fixed assets	(1,943)	(1,746)	(18,291)
Proceeds from sales of property, plant and equipment and intangible fixed assets	9,269	6,872	87,246
Proceeds from sales of investments in real estate	1	118	17
Payments for purchases of investment securities	(1,059)	(667)	(9,973)
Proceeds from sales of investment securities	746	2,957	7,028
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	126	17	1,190
Other	(1,702)	(3,173)	(16,020)
Net cash used in investing activities	¥ (64,394)	¥ (44,291)	$ (606,123)

	Millions of yen		Thousands of U.S. dollars
	2018	**2017**	**2018**
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	**¥ 8,720**	¥ 1,572	**$ 82,081**
Proceeds from long-term loans payable	**13,802**	3,968	**129,916**
Repayment of long-term loans payable	**(22,557)**	(3,742)	**(212,327)**
Proceeds from issuance of bonds	**19,909**	—	**187,405**
Payments for redemption of bonds	**(30,000)**	(20,000)	**(282,379)**
Decrease (increase) in treasury stock	**(10,208)**	(6,048)	**(96,086)**
Cash dividends paid	**(17,835)**	(15,772)	**(167,879)**
Cash dividends paid to non-controlling shareholders	**(95)**	(177)	**(902)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(833)**	(1,108)	**(7,845)**
Payments made to trust account for acquisition of treasury stock	**—**	(4,001)	**—**
Other	**(1,023)**	(1,238)	**(9,636)**
Net cash used in financing activities	**(40,121)**	(46,548)	**(377,653)**
Effect of exchange rate changes on cash and cash equivalents	**1**	(318)	**17**
Net increase (decrease) in cash and cash equivalents	**4,260**	(9,269)	**40,102**
Cash and cash equivalents at beginning of the year	**22,624**	31,516	**212,960**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**—**	378	**—**
Decrease in cash and cash equivalents due to changes in scope of consolidation	**28**	—	**264**
Cash and cash equivalents at end of the year (Note 18)	**¥ 26,913**	¥ 22,624	**$ 253,326**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiji Holdings Co., Ltd.

1. Basis of Presenting Consolidated Financial Statements

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to present the information in a form familiar to readers outside Japan. The accounts and the financial statements of the Company and its subsidiaries are maintained in Japanese yen. For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the exchange rate of ¥106.24 to US$1, the amount prevailing on March 31, 2018. This translation should not be construed as a representation that amounts shown could be converted into U.S. dollars at such rate.

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

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

2. Significant Accounting Policies

a) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for by the equity method. The consolidated financial statements consist of the Company and its 55 consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose fiscal year-ends are December 31 have been included using financial information at that date with appropriate adjustment where necessary. Investments in six affiliates are accounted for by the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of 5–10 years on a straight-line basis.

b) Translation of Foreign Currency

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

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

c) Investment Securities

Investment securities are valued using the following standards and methods.

Other securities

Securities that have market prices:

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

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

Securities that have no market prices:

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

d) Derivatives

Derivatives are valued by the market value method.

e) Inventories

Inventories are stated at cost determined mainly based on the average method (cost is written down to reflect the decline in their profitability).

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

The Company and its domestic consolidated subsidiaries
In the domestic consolidated subsidiaries, the straight-line method is primarily used for depreciation (the declining balance method is used for the property, plant and equipment of headquarters (excluding the headquarters building), branches, research laboratories and confectionery plants and others). For the assets owned by the Company, the declining balance method is used for depreciation.

However, any buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and any facilities attached to buildings and structures acquired on or after April 1, 2016 are calculated using the straight-line method.

Overseas consolidated subsidiaries
The straight-line method is primarily used for depreciation.

The estimated useful lives of the assets are as follows:

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

g) Intangible Assets (Excluding Lease Assets)

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

h) Lease Assets

Finance lease assets whose ownership does not transfer to the lessee
For the depreciation of lease assets, the straight-line method is applied based on the lease term as the useful life of the asset and the residual value of zero.

i) Investments in Real Estate

The straight-line method is primarily used for depreciation.

j) Allowance for Doubtful Accounts

To provide for losses on doubtful accounts such as notes and accounts receivable, the Company and its consolidated subsidiaries primarily record allowances based on actual loss experience for normal accounts, and an amount estimated to be unrecoverable for individual companies in financial difficulty.

k) Accrued Bonuses for Employees

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

l) Allowance for Sales Returns

At some of the Company's consolidated subsidiaries, in order to provide for losses due to returns of goods and products sold, an allowance is recorded by multiplying the accounts receivable balance, the actual return ratio and the gross margin ratio.

m) Allowance for Sales Rebates

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

n) Reserve for Directors' Retirement Benefits

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

o) Retirement and Severance Benefits

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

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

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

Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–15 years) not longer than employees' average remaining years of service. Prior service costs are amortized from the time they accrue by the straight-line method for a certain number of years (principally 4 years) within employees' average remaining years of service.

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

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

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

q) Derivative Financial Instruments
(1) Method of hedge accounting
The deferral hedge accounting method is applied under which the unrealized gain or loss is deferred as a component of net assets when certain criteria are met.

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

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

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

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

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

r) Other Important Matters for the Preparation and Presentation of Consolidated Financial Statements
Bond issuance cost is recognized in expenses as incurred.

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

3. Accounting Standards, etc., Not Yet Adopted

- "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (final revision) on February 16, 2018).

a) Overview
When the practical guidelines related to tax effect accounting were transferred from The Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan, the "Implementation Guidance on Accounting Standard for Tax Effect Accounting," etc., basically followed suit in terms of content but included the following revisions which were deemed necessary.
(Main guidance where accounting was revised)
- Guidance for taxable temporary differences related to investments in subsidiaries of standalone financial statements
- Guidance for recoverability of deferred tax assets for companies that fall into (Category 1)

b) Effective Date

The application will take effect from the beginning of the fiscal year ending March 31, 2019.

c) Impact from Applying New Accounting Standards

At the moment, impact from adopting "Implementation Guidance on Accounting Standard for Tax Effect Accounting," etc., to the consolidated financial statements is being assessed.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018).
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018).

a) Overview

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

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

b) Effective Date

The standard will take effect from the beginning of the fiscal year ending March 31, 2022.

c) Impact from Applying New Accounting Standards, etc.

At the moment, impact from adopting "Accounting Standard for Revenue Recognition," etc., to the consolidated financial statements is being assessed.

4. Notes Regarding Lease Transactions

1) Finance lease transactions (lessee side)

Finance lease transactions whose ownership does not transfer

(1) Content of lease assets

Property, plant and equipment

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

(2) Method of depreciation of lease assets

As described in "2. Significant Accounting Policies, h) Lease Assets."

5. Notes Regarding Financial Instruments

1) Overview of financial instruments

(1) Policy for financial instruments

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

(2) Content and risks of financial instruments

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

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

Loans, commercial paper and bonds are mainly used to raise funds for capital investment and working capital. Their redemption dates are at maximum 10 year after the balance sheet date. Some of these have forward foreign exchange contracts and variable interest rates and currency, thus they are exposed to interest rate and currency fluctuation risk. However, the Group uses derivative transactions (interest rate and currency swap transactions) to hedge such risk.

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying value, fair value and their difference as of March 31, 2018 and 2017, are presented in the following tables.

The tables do not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

As of March 31, 2018	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 27,613	¥ 27,613	¥ —	$ 259,920	$ 259,920	$ —
(2) Notes and accounts receivable	203,229	203,229	—	1,912,928	1,912,928	—
(3) Investment securities: Other securities	72,811	72,811	—	685,347	685,347	—
Total assets	296,185	296,185	—	2,787,890	2,787,890	—
(4) Notes and accounts payable	131,064	131,064	—	1,233,663	1,233,663	—
(5) Short-term loans payable	36,483	36,483	—	343,403	343,403	—
(6) Accrued expenses	43,919	43,919	—	413,397	413,397	—
(7) Bonds	20,000	19,994	(6)	188,253	188,196	(56)
(8) Long-term loans payable	62,619	62,020	(598)	589,414	583,777	(5,637)
Total liabilities	¥283,129	¥282,524	¥(604)	$2,665,002	$2,659,309	$(5,693)

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

(1) Cash and deposits and (2) Notes and accounts receivable

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

(3) Investment securities

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

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

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

(4) Notes and accounts payable, (5) Short-term loans payable and (6) Accrued expenses

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

(7) Bonds

The fair value of bonds issued by the Group is calculated based on the market price.

(8) Long-term loans payable

The fair value of long-term loans payable is calculated based on the total of the principal and interest discounted by the interest rate that is assumed if new borrowings were made with similar terms. In addition, the current portion of long-term loans payable is included in these long-term loans payable.

(Note 2) Unlisted stocks (carrying value on the consolidated balance sheet: ¥18,062 million ($170,020 thousand)) are not included in other securities under "(3) Investment securities" above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2017	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 24,761	¥ 24,761	¥ —
(2) Notes and accounts receivable	183,807	183,807	—
(3) Investment securities: Other securities	61,271	61,271	—
Total assets	269,840	269,840	—
(4) Notes and accounts payable	110,730	110,730	—
(5) Short-term loans payable	27,995	27,995	—
(6) Accrued expenses	47,212	47,212	—
(7) Bonds	30,000	30,042	42
(8) Long-term loans payable	71,502	71,045	(457)
Total liabilities	¥287,440	¥287,025	¥(415)

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥16,591 million) are not included in other securities under "(3) Investment securities" above as their market prices are not available and it is extremely difficult to determine the fair value.

6. Investment Securities

Information regarding securities held by the Company and its consolidated subsidiaries is as follows:

1) Held-to-maturity securities

As of March 31, 2018

None

As of March 31, 2017

None

2) Other securities with market prices

As of March 31, 2018	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥72,077	¥24,835	¥47,241	$678,437	$233,765	$444,672
Subtotal	72,077	24,835	47,241	678,437	233,765	444,672
Securities whose acquisition cost exceeds their carrying value:						
Stocks	734	778	(44)	6,910	7,326	(416)
Subtotal	734	778	(44)	6,910	7,326	(416)
Total	¥72,811	¥25,613	¥47,197	$685,347	$241,092	$444,255

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,237 million ($21,058 thousand)) are not included in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2017	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥60,878	¥25,205	¥35,672
Subtotal	60,878	25,205	35,672
Securities whose acquisition cost exceeds their carrying value:			
Stocks	392	486	(93)
Subtotal	392	486	(93)
Total	¥61,271	¥25,692	¥35,579

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,256 million) are not included in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

3) Other securities sold during the fiscal years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Sales amounts	**¥547**	¥2,957	**$5,158**
Total gains on sales	**353**	2,318	**3,326**
Total losses on sales	**1**	0	**13**

4) Securities that were subject to impairment during the fiscal years ended March 31, 2018 and 2017

Impairment loss recorded in the fiscal year ended March 31, 2018, was ¥8 million (other securities: ¥8 million ($77 thousand)).
Impairment loss recorded in the fiscal year ended March 31, 2017, was ¥52 million (other securities: ¥52 million).
Impairment is taken for all securities when the year-end market value has declined by 50% or more below the acquisition cost. For securities with the year-end market value that has declined by 30%–50% below the acquisition cost, impairment is taken at an amount necessary in consideration of the potential for recovery and other factors.

7. Short-Term Loans Payable and Long-Term Loans Payable

As of March 31, 2018 and 2017, short-term loans payable and long-term loans payable are as follows:

1) Short-term loans payable

	Weighted-average interest rate	Millions of yen		Thousands of U.S. dollars
		2018	2017	**2018**
Short-term loans payable	0.76%	**¥36,483**	¥27,995	**$343,403**
Current portion of long-term loans payable	0.56%	**13,266**	22,579	**124,869**
Current portion of long-term loans payable (bonds)		**—**	30,000	**—**
Total		**¥49,749**	¥80,574	**$468,273**

2) Long-term loans payable

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unsecured bonds due 2018, 0.76% (Note 13, 2nd series)	**—**	—	**—**
Unsecured bonds due 2017, 0.31%	**—**	¥ 10,000	**—**
Unsecured bonds due 2019, 0.51% (Note 13, 4th series)	**—**	—	**—**
Unsecured bonds due 2017, 0.33%	**—**	20,000	**—**
Unsecured bonds due 2021, 0.52% (Note 13, 6th series)	**—**	—	**—**
Unsecured bonds due 2024, 0.22%	**¥ 10,000**	—	**$ 94,126**
Unsecured bonds due 2023, 0.12%	**10,000**	—	**94,126**
Loans from domestic banks, insurance companies, government agencies and others	**62,619**	71,502	**589,414**
Subtotal	**82,619**	101,502	**777,667**
Current portion of long-term loans payable	**(13,266)**	(22,579)	**(124,869)**
Current portion of long-term loans payable (bonds)	**—**	(30,000)	**—**
Total long-term loans payable	**¥ 69,353**	¥ 48,923	**$ 652,797**

As of March 31, 2018, the aggregate annual maturities of long-term loans payable are as follows (other than bonds):

	Millions of yen	Thousands of U.S. dollars
Fiscal year ended March 31	**2018**	**2018**
More than one year up to two years	**¥ 4,280**	**$ 40,289**
More than two years up to three years	**6,327**	**59,556**
More than three years up to four years	**2,733**	**25,732**
More than four years up to five years	**12,665**	**119,212**
More than five years	**23,346**	**219,753**
Total	**¥49,353**	**$464,544**

8. Inventories

Inventories as of March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Goods and products	**¥ 86,929**	¥ 88,524	**$ 818,236**
Work in progress	**3,344**	4,114	**31,483**
Raw materials and supplies	**46,194**	41,596	**434,810**
Total	**¥136,468**	¥134,234	**$1,284,530**

9. Collateral and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2018 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits	¥ 146	¥ 146	$ 1,379
Buildings and structures	1,140	1,970	10,735
Machinery, equipment, vehicles and fixtures	1,505	1,674	14,169
Tools and furniture and fixtures	51	83	486
Land	1,093	1,780	10,291
Total	¥3,937	¥5,656	$37,062

A summary of secured liabilities as of March 31, 2018 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Short-term loans payable	¥3,720	¥4,617	$35,015
Long-term loans payable	2,823	3,484	26,573
Total	¥6,543	¥8,101	$61,588

10. Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Deferred tax assets:			
Net defined benefit liability	**¥ 17,771**	¥ 17,174	**$ 167,278**
Accrued enterprise tax and others	**1,134**	1,013	**10,674**
Accrued expenses	**2,247**	2,509	**21,156**
Investment securities	**1,191**	1,183	**11,217**
Accrued bonuses for employees	**3,318**	3,250	**31,237**
Depreciation of fixed assets	**6,025**	5,890	**56,720**
Unrealized gain	**732**	840	**6,898**
Investment subsidiary basis differences	**—**	877	**—**
Losses carried forward	**2,741**	2,009	**25,806**
Other	**7,266**	6,758	**68,398**
Subtotal	**42,431**	41,507	**399,388**
Valuation allowance	**(6,037)**	(6,061)	**(56,827)**
Total deferred tax assets	**36,393**	35,446	**342,561**
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	**(7,295)**	(7,421)	**(68,666)**
Unrealized holding gains or losses on securities	**(13,915)**	(10,369)	**(130,985)**
Net defined benefit asset	**(5,904)**	(5,807)	**(55,575)**
Valuation difference due to purchase of investments in subsidiaries	**(2,791)**	(3,907)	**(26,277)**
Other	**(1,128)**	(1,095)	**(10,622)**
Total deferred tax liabilities	**(31,035)**	(28,601)	**(292,128)**
Net deferred tax assets (liabilities)	**¥ 5,358**	¥ 6,844	**$ 50,433**

2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate for the fiscal years ended March 31, 2018 and 2017, is as follows:

	2018	2017
Statutory tax rate	**30.9%**	30.9%
Entertainment and other permanently non-deductible expenses	**0.9**	1.0
Dividend and other permanently non-taxable income	**(0.1)**	(0.1)
Per capital inhabitant's tax	**0.4**	0.4
Tax credit for experimentation and research expenses	**(2.1)**	(1.7)
Increase (decrease) in valuation allowance	**0.5**	0.5
Other	**1.5**	0.4
Effective tax rate	**32.0%**	31.4%

11. Retirement and Severance Benefits

Outline of the retirement benefit plans adopted by the Group

The Group adopts employees' retirement benefit plans, consisting of lump-sum severance payment plans based on retirement benefits rules, defined benefit plans, defined contribution pension plans and employees' pension funds. There are also cases in which additional retirement benefits are paid when employees leave the Group before retirement age.

Some consolidated subsidiaries have established defined contribution plans, and some domestic consolidated subsidiaries have joined the Smaller Enterprise Retirement Allowance Mutual Aid system. Some consolidated subsidiaries have established retirement benefit trusts.

Defined benefit plans

1) Reconciliation of the beginning and ending balances of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Beginning balance of retirement benefit obligations	**¥137,722**	¥139,538	**$1,296,329**
Service cost	**5,741**	5,253	**54,043**
Interest cost	**753**	747	**7,095**
Actuarial gains or losses	**380**	138	**3,582**
Retirement benefits paid	**(7,248)**	(7,912)	**(68,227)**
Prior service costs incurred during fiscal year	**23**	—	**218**
Other	**(201)**	(43)	**(1,892)**
Ending balance of retirement benefit obligations	**¥137,171**	¥137,722	**$1,291,148**

(Note) In regard to the multi-employer defined benefit pension plan, the amount of retirement benefit obligation has not been included in the aforementioned data because of the difficulty in reasonably calculating the amount of plan assets corresponding to the Group's contributions.

2) Reconciliation of the beginning and ending balances of plan assets

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Beginning balance of plan assets	**¥109,768**	¥109,096	**$1,033,211**
Expected return on plan assets	**2,432**	2,514	**22,899**
Actuarial gains or losses	**(906)**	1,678	**(8,534)**
Contributions from employer	**1,453**	1,338	**13,677**
Retirement benefits paid	**(5,065)**	(4,801)	**(47,678)**
Other	**(63)**	(57)	**(601)**
Ending balance of plan assets	**¥107,618**	¥109,768	**$1,012,973**

(Note) The multi-employer defined benefit pension plan is not included in plan assets.

3) Reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Retirement benefit obligations of funded plans	**¥ 131,320**	¥ 132,313	**$ 1,236,073**
Plan assets	**(107,618)**	(109,768)	**(1,012,973)**
	23,702	22,544	**223,100**
Retirement benefit obligations of non-funded plans	**5,851**	5,409	**55,074**
Net amount of liability and asset recorded on the consolidated balance sheet	**29,553**	27,953	**278,174**
Net defined benefit liability	**50,330**	48,371	**473,745**
Net defined benefit asset	**(20,777)**	(20,418)	**(195,571)**
Net amount of liability and asset recorded on the consolidated balance sheet	**¥ 29,553**	¥ 27,953	**$ 278,174**

4) Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Service cost	**¥ 5,741**	¥ 5,253	**$ 54,043**
Interest cost	**753**	747	**7,095**
Expected return on plan assets	**(2,432)**	(2,514)	**(22,899)**
Amortization of actuarial gains or losses	**3,492**	4,182	**32,873**
Amortization of prior service cost	**12**	1	**119**
Other	**(9)**	17	**(86)**
Retirement benefit cost related to defined benefit plans	**¥ 7,558**	¥ 7,688	**$ 71,146**

(Note) Includes cost calculated using the simplified method (excluding cost arising from the differences at transition of accounting standards) and excludes employees' contributions to the corporate pensions funds.

5) Remeasurements of defined benefit plans recorded in the consolidated statement of comprehensive income

The breakdown of items recorded in remeasurements of defined benefit plans in other comprehensive income (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Amortization of actuarial gains or losses	**¥2,225**	¥5,746	**$20,948**
Amortization of prior service cost	**(10)**	1	**(98)**
Total	**¥2,215**	¥5,748	**$20,849**

6) Remeasurements of defined benefit plans recorded in the consolidated balance sheet

The breakdown of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Unrecognized actuarial gains or losses	**¥16,976**	¥19,202	**$159,796**
Unrecognized prior service cost	**118**	107	**1,113**
Total	**¥17,095**	¥19,310	**$160,910**

7) Plan assets

(1) Major categories of plan assets as a percentage of total plan assets are as follows:

	2018	2017
Bonds	**42%**	41%
Equities	**20**	19
Alternatives	**25**	25
Cash and deposits	**3**	3
Other	**10**	12
Total	**100%**	100%

(Note 1) "Alternatives" includes multi-asset management, hedge funds, and investment in real estate and other investments.
(Note 2) The total amount of plan assets includes the retirement benefit trust for corporate pensions funds and the lump-sum severance payment plan representing 13% in the current consolidated accounting period and 13% in the previous consolidated accounting period.

(2) Method of determining long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, reference was made to the current and expected future allocations of plan assets and to the current and expected future long-term rate of returns on the various assets that make up the plan assets.

8) Actuarial assumptions

Actuarial assumptions are as follows:

	2018	2017
Discount rate	**0.2–0.9%**	0.2–0.9%
Expected future salary increase rate	**Principally 1.4%**	Principally 1.4%
Long-term expected rate of return on assets	**Principally 2.5%**	Principally 2.5%

Defined contribution plans

The amount of required contribution to defined contribution plans for the consolidated subsidiaries is ¥1,300 million ($12,244 thousand) in the current consolidated accounting period and ¥1,301 million in the previous consolidated accounting period.

Notes to Consolidated Financial Statements

12. Unconsolidated Subsidiaries and Affiliates

As of March 31, 2018 and 2017, investment securities of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Investment securities (stock)	**¥15,825**	¥14,334	**$148,961**

13. Contingent Liabilities

As of March 31, 2018 and 2017, contingent liabilities are as follows:

1) Guaranteed obligations

The Group is contingently liable as guarantor of loans from financial institutions to the following unconsolidated subsidiaries and employees:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
PT MEIJI FOOD INDONESIA	**¥164**	¥224	**$1,550**
Sendai Feed Co., Ltd.	**89**	101	**840**
Employees	**90**	114	**854**
Total	**¥344**	¥440	**$3,244**

(Note) PT MEIJI FOOD INDONESIA was renamed "P.T. Ceres Meiji Indotama" on May 18, 2017.

The following bonds have been transferred in accordance to a bond trust-type debt assumption agreement concluded with a bank. As a result, the transfer obligations related to these bonds are counterbalanced through the payment amount associated with the agreement. However, the Company's bond redemption obligations to bond holders will remain until the bonds have been redeemed.

	Millions of yen	Thousands of U.S. dollars
	2018	**2018**
2nd Series of Unsecured Straight Bonds	**¥15,000**	**$141,189**
4th Series of Unsecured Straight Bonds	**20,000**	**188,253**
6th Series of Unsecured Straight Bonds	**15,000**	**141,189**
Total	**¥50,000**	**$470,632**

2) Notes receivable discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Notes receivable discounted	**¥ 6**	¥—	**$ 65**
Notes receivable endorsed	**67**	66	**634**

14. Goodwill

As of March 31, 2018 and 2017, goodwill is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Goodwill	**¥10,590**	¥12,840	**$99,685**

15. Notes payable / receivable due on the consolidated balance sheet date

Notes payable / receivable due on the consolidated balance sheet date are based on the specified settlement date. Thus, the notes payable / receivable shown below are included in the balance for the consolidated fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Notes payable	**¥3,380**	¥—	**$31,823**
Notes receivable	**339**	—	**3,194**

16. Commitment Line Agreements

The Company enters into commitment line agreements with seven financial institutions for the purpose of securing a flexible measure for raising funds and improving capital efficiency.

The unused portion of the commitment line based on these agreements as of March 31, 2018 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Maximum loan amount	**¥30,000**	¥40,000	**$282,379**
Used portion of the commitment line	**—**	—	**—**
Balance	**¥30,000**	¥40,000	**$282,379**

17. Net Assets

1) Matters related to types and total numbers of outstanding shares and treasury stock

Type of shares	Number of shares as of March 31, 2017 (Thousands)	2018 Increase (Thousands)	2018 Decrease (Thousands)	2018 Number of shares as of March 31, 2018 (Thousands)
Outstanding shares:				
Common stock	152,683	—	—	**152,683**
Treasury stock:				
Common stock (Notes 1, 2)	6,218	**1,497**	**35**	**7,680**

(Note 1) The increase in treasury common stock of 1,497 thousand shares was attributable to the acquisition of 1,490 thousand shares of treasury stock based on the Board of Directors' resolution and the purchase of 7 thousand shares that were less than one unit.
(Note 2) The treasury common stock decreased by 35 thousand shares due to the disposal of 34 thousand shares of treasury stock used for restricted stock compensation and decreased by 0 thousand shares due to the sales of shares that were less than one unit.

Type of shares	Number of shares as of March 31, 2016 (Thousands)	2017 Increase (Thousands)	2017 Decrease (Thousands)	2017 Number of shares as of March 31, 2017 (Thousands)
Outstanding shares:				
Common stock	152,683	—	—	152,683
Treasury stock:				
Common stock (Notes 1, 2)	5,462	756	0	6,218

(Note 1) The increase in treasury common stock of 756 thousand shares was attributable to the acquisition of 662 thousand shares of treasury stock based on the Board of Directors' resolution, the purchase of 88 thousand shares from untraceable shareholders, and the purchase of 5 thousand shares that were less than one unit.
(Note 2) The treasury common stock decreased by 0 thousand shares due to a decrease in sales of shares that were less than one unit.

2) Matters related to dividends

(1) Cash dividends paid

		2018					
		Total amount of dividends		Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Cut-off date	Effective date
Board of Directors' meeting held on May 12, 2017	Common stock	**¥9,520**	**$89,610**	**¥65.00**	**$0.61**	**March 31, 2017**	**June 6, 2017**
Board of Directors' meeting held on November 8, 2017	Common stock	**8,337**	**78,481**	**57.50**	**0.54**	**September 30, 2017**	**December 6, 2017**

		2017			
		Total amount of dividends	Dividends per share		
Resolution	Type of shares	Millions of yen	Yen	Cut-off date	Effective date
Board of Directors' meeting held on May 11, 2016	Common stock	¥9,201	¥62.50	March 31, 2016	June 7, 2016
Board of Directors' meeting held on November 9, 2016	Common stock	6,624	45.00	September 30, 2016	December 6, 2016

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2018, and with the effective date in the fiscal year ending March 31, 2019

		2018						
		Total amount of dividends			Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Source of dividends	Yen	U.S. dollars	Cut-off date	Effective date
Board of Directors' meeting held on May 11, 2018	Common stock	**¥ 10,512**	**$ 98,952**	**Retained earnings**	**¥ 72.50**	**$ 0.68**	**March 31, 2018**	**June 6, 2018**

		2017				
		Total amount of dividends		Dividends per share		
Resolution	Type of shares	Millions of yen	Source of dividends	Yen	Cut-off date	Effective date
Board of Directors' meeting held on May 12, 2017	Common stock	¥9,520	Retained earnings	¥65.00	March 31, 2017	June 6, 2017

3) Shareholders' equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

18. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash and deposits	**¥27,613**	¥24,761	**$259,920**
Time deposits with maturities of more than three months	**(2,142)**	(2,136)	**(20,167)**
Securities with maturities up to three months	**1,442**	—	**13,573**
Cash and cash equivalents	**¥26,913**	¥22,624	**$253,326**

19. Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Carriage and storage charges	**¥ 46,234**	¥ 48,851	**$ 435,191**
Sales promotion expenses	**110,563**	116,668	**1,040,695**
Labor cost	**72,265**	71,503	**680,213**
Provision for accrued bonuses for employees	**6,605**	6,475	**62,175**
Employees' retirement benefit cost	**5,992**	6,359	**56,405**
Allowance for sales rebates	**1,943**	2,061	**18,297**

20. Research and Development Costs

The research and development costs that were included in general and administrative expenses and manufacturing expenses during the fiscal years ended March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Research and development costs	¥26,507	¥26,162	$249,504

21. Extraordinary Gains and Losses

The major elements of extraordinary gains and losses during the fiscal years ended March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Extraordinary gains:			
Gain on sales of fixed assets	¥ 6,459	¥5,395	$ 60,805
Gain on liquidation of subsidiaries	464	—	4,376
Gain on sales of subsidiaries and affiliates' stocks	226	—	2,129
Other	410	2,568	3,863
Total	7,561	7,964	71,175
Extraordinary losses:			
Loss on disposal of fixed assets	4,753	3,513	44,746
Impairment loss	4,214	203	39,668
Loss on sales of subsidiaries and affiliates' stocks	1,224	0	11,521
Transfer related costs	1,662	709	15,648
Loss on disaster	—	2,849	—
Other	503	334	4,743
Total	¥12,358	¥7,611	$116,328

(Note) "Loss on sale of subsidiaries and affiliates' stocks" and "Transfer related costs," which were included in "Other" under "Extraordinary losses" presented in the consolidated fiscal year ended March 31, 2017, have been reported independently in the consolidated fiscal year ended March 31, 2018 because the monetary amounts have become more significant.

"Gain on sale of investment securities" was reported independently under "Extraordinary gains" in the consolidated fiscal year ended March 31, 2017, but has been included in "Other" under "Extraordinary gains" for the consolidated fiscal year ended March 31, 2018, because the monetary amount has become insignificant.

Amounts disclosed for the fiscal year 2017 in the above schedule has been reclassified in line with the disclosed items for the fiscal year 2018.

As a result, ¥1,044 million of "Other" under "Extraordinary Losses" in the consolidated statements of income of the fiscal year ended March 31, 2017 has been reclassified as ¥0 million of "Loss on sale of subsidiaries and affiliates' stocks," ¥709 million of "Transfer related costs" and ¥334 million of "Other." ¥2,318 million of "Gain on sale of investment securities" and ¥250 million of "Other" under "Extraordinary gains" in the same have been reclassified as ¥2,568 million of "Other."

22. Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the fiscal years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Land	¥5,516	¥5,304	$51,925
Other fixed assets	942	90	8,879
Total	¥6,459	¥5,395	$60,805

23. Loss on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment for the fiscal years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Buildings and structures	¥ 732	¥ 528	$ 6,896
Machinery and equipment	1,977	1,069	18,613
Other	2,043	1,916	19,236
Total	¥4,753	¥3,513	$44,746

24. Impairment Loss

Impairment losses for the fiscal year ended March 31, 2018, are as follows:

Application	Type	Location
Business assets	Buildings and structures	Kasukabe-shi, Saitama Prefecture
Business assets and Idle assets	Machinery, equipment and buildings, etc.	Kasaoka-shi, Okayama Prefecture
Business assets	Land	Tsurugashima-shi, Saitama Prefecture
Business assets and Idle assets	Machinery, equipment and buildings, etc.	Jining Shandong, China
Business assets	Machinery and equipment	Shanghai, China
Idle assets	Machinery, equipment and buildings, etc.	Omitama-shi, Ibaraki Prefecture
Idle assets	Machinery, equipment and buildings, etc.	Fujieda-shi, Shizuoka Prefecture
Idle assets	Buildings and land, etc.	Tomakomai-shi, Hokkaido Prefecture
Idle assets	Machinery, equipment and buildings	Takatsuki-shi, Osaka Prefecture
Idle assets	Machinery, equipment and buildings	Sakado-shi, Saitama Prefecture
Idle assets	Machinery and equipment	Kaminoyama-shi, Yamagata Prefecture
Idle assets	Machinery and equipment	Jiangsu, China
Idle assets	Industrial property rights	Madrid, Spain
Idle assets	Industrial property rights	New South Wales, Australia
Rental assets	Buildings	Taiwa-cho, Miyagi prefecture

The asset groupings in the Group are in principle based on the type of business. Leased assets and idle assets are grouped by individual asset.

In the fiscal year ended March 31, 2018, due to a decrease in the profitability of some assets and the decision to dismantle existing facilities to make way for the new facility construction, the carrying values of said assets were reduced to recoverable amounts, and the reductions were recognized as "Impairment loss" of ¥4.214 billion ($39.668 million) under "Extraordinary losses." Of this amount, in business assets, ¥1.398 billion ($13.167 million) was buildings and structures; ¥1.433 billion ($13.492 million) was machinery, equipment and vehicles; ¥30 million ($291 thousand) was tools, furniture and fixtures; ¥362 million ($3.414 million) was land; ¥1 million ($12 thousand) was intangible assets; and ¥9 million ($85 thousand) was construction in progress.

In addition, for idle assets, ¥19 million ($188 thousand) was buildings and structures; ¥749 million ($7.052 million) was machinery, equipment and vehicles; ¥3 million ($28 thousand) was tools, furniture and fixtures; ¥21 million ($200 thousand) was land; and ¥26 million ($245 thousand) was intangible assets. For rental assets, ¥45 million ($430 thousand) was buildings.

Additionally, the recoverable amounts of business assets with decreased profirability have been measured based on value in use. For business assets in Kasaoka in Okayama Prefecture, the future cash flow is calculated by discounting at a rate of 4.20%, and for business assets in Jining, Shandong Province in China, the future cash flow is calculated by discounting at a rate of 13.00%.

The recoverable amounts for other business assets, idle assets and leased assets have been measured based on the net selling values when measurable and reduced to memorandum values or expected sales amounts, etc.

Impairment losses for the fiscal year ended March 31, 2017, are as follows:

Application	Type	Location
Business assets	Machinery, equipment and buildings, etc.	Fujimino-shi, Saitama Prefecture
Business assets	Structures, machinery and equipment	Sakado-shi, Saitama Prefecture
Business assets	Machinery, equipment and buildings	Kasaoka-shi, Okayama Prefecture
Business assets	Machinery and equipment	Kaminoyama-shi, Yamagata Prefecture
Idle assets	Machinery, equipment and buildings, etc.	Togitsu-shi, Nagasaki Prefecture
Idle assets	Buildings	Sapporo-shi, Hokkaido Prefecture
Idle assets	Machinery and equipment	Kaizuka-shi, Osaka Prefecture
Idle assets	Land	Nasu-machi, Tochigi Prefecture
Idle assets	Machinery, equipment and buildings, etc.	Memuro-cho, Hokkaido Prefecture

The asset groupings in the Group are in principle based on the type of business. Leased assets and idle assets are grouped by individual asset.

In the fiscal year ended March 31, 2017, due to typhoon damage and withdrawal from certain businesses in a subsidiary, the carrying values of said assets were reduced to recoverable amounts, and the reductions were recognized as "Impairment loss" (¥203 million) and "Loss on disaster" (¥551 million) under "Extraordinary losses."

Of this amount, in business assets, ¥27 million was buildings and structures; ¥69 million was machinery, equipment and vehicles; and ¥0 million was tools, furniture and fixtures.

In addition, for idle assets, ¥131 million was buildings and structures; ¥503 million was machinery and equipment; ¥5 million was tools, furniture and fixtures; and ¥16 million was land.

The recoverable amounts for these assets have been measured based on the net selling values and reduced to memorandum values or the expected sale amounts, etc.

25. Loss on Disaster

The consolidated subsidiary of the Company, Nihon Kanzume, Inc., recorded losses due to the damage of the typhoon that occurred in 2016.

The breakdown of items recorded is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Inventory loss	¥—	¥193	$—
Loss on disposal of fixed assets and restoration cost	—	997	—
Impairment loss of fixed assets	—	551	—
Loss on compensation to suppliers	—	1,107	—
Total	¥—	¥2,849	$—

26. Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Net unrealized holding gains or losses on securities:			
Amount arising during the year	**¥11,947**	¥ 86	**$112,453**
Reclassification adjustments for gains and losses included in profit	**(329)**	(2,315)	**(3,104)**
Amount before tax effect	**11,617**	(2,229)	**109,349**
Tax effect	**(3,545)**	956	**(33,376)**
Net unrealized holding gains or losses on securities	**8,071**	(1,273)	**75,972**
Deferred gains or losses on hedges:			
Amount arising during the year	**(72)**	(18)	**(682)**
Reclassification adjustments for gains and losses included in profit	**—**	—	**—**
Asset acquisition costs adjustments	**—**	—	**—**
Amount before tax effect	**(72)**	(18)	**(682)**
Tax effect	**22**	5	**210**
Deferred gains or losses on hedges	**(50)**	(12)	**(472)**
Foreign currency translation adjustments:			
Amount arising during the year	**(1,323)**	(1,732)	**(12,455)**
Reclassification adjustments for gains and losses included in profit	**(363)**	0	**(3,420)**
Foreign currency translation adjustments	**(1,686)**	(1,731)	**(15,875)**
Remeasurements of defined benefit plans:			
Amount arising during the year	**(1,290)**	1,563	**(12,144)**
Reclassification adjustments for gains and losses included in profit	**3,505**	4,184	**32,993**
Amount before tax effect	**2,215**	5,748	**20,849**
Tax effect	**(499)**	(1,806)	**(4,700)**
Remeasurements of defined benefit plans	**1,715**	3,941	**16,148**
Equity in affiliates accounted for by the equity method:			
Amount arising during the year	**788**	(357)	**7,423**
Total other comprehensive income	**¥ 8,838**	¥ 566	**$ 83,196**

27. Derivative Financial Instruments

Matters related to derivative transactions in the fiscal year ended March 31, 2018

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2018				2018			
Type of transactions	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:								
Currency swap contracts								
Buy								
U.S. dollar	1,912	1,147	180	180	18,000	10,800	1,702	1,702
Total	¥1,912	¥1,147	¥180	¥180	$18,000	$10,800	$1,702	$1,702

(Note) Fair value is based on the statements received from the counterparty financial institutions.

(2) Interest rate-related transactions

None

2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

		Millions of yen			Thousands of U.S. dollars		
		2018			2018		
Type of transactions	Primary hedged items	Contract amount, etc.	Portion with maturity over one year	Fair value	Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:							
Principle method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable	¥4,251	¥—	¥(80)	$40,013	$—	$(760)
Euro	Accounts payable	—	—	—	—	—	—
Sell							
U.S. dollar	Accounts receivable	12	—	0	113	—	6
Hedge accounting method:							
Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable	790	—	(Notes)	7,443	—	(Notes)
Euro	Accounts payable	35	—	(Notes)	333	—	(Notes)
Pound	Accounts payable	273	—	(Notes)	2,578	—	(Notes)
Australian dollar	Accounts payable	—	—	(Notes)	—	—	(Notes)
Sell							
U.S. dollar	Accounts receivable	20	—	(Notes)	195	—	(Notes)
Euro	Accounts receivable	157	—	(Notes)	1,477	—	(Notes)
Total		¥5,541	¥—	¥(80)	$52,156	$—	$(754)

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.
(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable and accounts receivable, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen 2018 Contract amount, etc.	Millions of yen 2018 Portion with maturity over one year	Millions of yen 2018 Fair value	Thousands of U.S. dollars 2018 Contract amount, etc.	Thousands of U.S. dollars 2018 Portion with maturity over one year	Thousands of U.S. dollars 2018 Fair value
Method of hedge accounting:							
Integrated method (shortcut method, allocation method) of interest rate and currency swap							
Interest rate and currency swap contracts							
Fixed rate payments/ variable rate receipts	Long-term loans payable	**¥17,796**	**¥16,749**	(Note)	**$167,511**	**$157,658**	(Note)

(Note) Method for determining market value: Since the items above are handled together with long-term loans payable that are subject to hedging, the estimated fair value of these items is included in the fair value of the long-term loans payable.

Matters related to derivative transactions in the fiscal year ended March 31, 2017

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

Type of transactions	Millions of yen 2017 Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:				
Currency swap contracts				
Buy				
U.S. dollar	2,625	2,019	234	234
Total	¥2,625	¥2,019	¥234	¥234

(Note) Fair value is based on the statements received from the counterparty financial institutions.

(2) Interest rate-related transactions

None

2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

Type of transactions	Primary hedged items	Millions of yen 2017 Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:				
Principle method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable	¥3,167	¥—	¥ 6
Euro	Accounts payable	3	—	(0)
Sell				
U.S. dollar	Accounts receivable	286	—	(14)
Hedge accounting method:				
Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable	514	—	(Notes)
Pound	Accounts payable	486	—	(Notes)
Australian dollar	Accounts payable	69	—	(Notes)
Sell				
U.S. dollar	Accounts receivable	27	—	(Notes)
Total		¥4,555	¥—	¥(7)

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.
(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable and accounts receivable, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen 2017 Contract amount, etc.	Portion with maturity over one year	Fair value
Method of hedge accounting:				
Integrated method (shortcut method, allocation method) of interest rate and currency swap				
Interest rate and currency swap contracts				
Fixed rate payments/ variable rate receipts	Long-term loans payable	¥18,843	¥17,796	(Note)

(Note) Method for determining market value: Since the items above are handled together with long-term loans payable that are subject to hedging, the estimated fair value of these items is included in the fair value of the long-term loans payable.

28. Segment Information

Reporting segments of the Group are components of the Group by which separate financial information is available and evaluated regularly by the Board of Directors in deciding how to allocate resources and assessing performance.

The Group has operational subsidiaries organized based on products and services. Operational subsidiaries develop their business activities by formulating comprehensive strategies for Japan and overseas with respect to their products and services.

Accordingly, the Group comprises segments based on operational subsidiaries and has two reporting segments: the Food segment and the Pharmaceutical segment.

	Millions of yen				
	2018				
	Reporting segments				
	Food	Pharmaceutical	Total	Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	¥1,073,077	¥167,783	¥1,240,860	¥ —	¥1,240,860
(2) Intersegment sales and transfers	577	683	1,261	(1,261)	—
Total	¥1,073,655	¥168,466	¥1,242,121	¥(1,261)	¥1,240,860
Segment income (loss)	¥ 84,189	¥ 11,025	¥ 95,214	¥ (541)	¥ 94,673
Segment assets	661,397	212,702	874,099	53,445	927,544
Other items					
Depreciation	¥ 40,188	¥ 6,006	¥ 46,195	¥ 315	¥ 46,511
Equity in income of affiliates	6,029	6,028	12,057	—	12,057
Increase in property, plant and equipment / intangible fixed assets	66,234	8,400	74,635	37	74,673

	Thousands of U.S. dollars				
	2018				
	Reporting segments				
	Food	Pharmaceutical	Total	Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	$10,100,499	$1,579,284	$11,679,784	$ —	$11,679,784
(2) Intersegment sales and transfers	5,439	6,430	11,870	(11,870)	—
Total	$10,105,939	$1,585,714	$11,691,654	$(11,870)	$11,679,784
Segment income (loss)	$ 792,447	$ 103,776	$ 896,223	$ (5,092)	$ 891,131
Segment assets	6,225,500	2,002,091	8,227,591	503,060	8,730,652
Other items					
Depreciation	$ 378,284	$ 56,534	$ 434,818	$ 2,973	$ 437,792
Equity in income of affiliates	56,749	56,743	113,493	—	113,493
Increase in property, plant and equipment / intangible fixed assets	623,445	79,075	702,520	357	702,878

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥541 million or negative $5,092 thousand) includes the elimination of expenses for intersegment transactions (negative ¥7 million or negative $68 thousand) and the corporate expenses not allocated to each reporting segment (negative ¥533 million or negative $5,024 thousand). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥53.445 billion or $503.06 million) includes the elimination of intersegmental assets (negative ¥77,163 million or negative $726,314 thousand) and the corporate assets not allocated to each reporting segment (¥130,608 million or $1,229,375 thousand).

The main corporate assets include the Company's (holding company) surplus management funds (cash and deposits), long-term investment funds (investment securities) and other assets held by the Company (holding company).

(Note 2) The segment income is adjusted based on operating income in the consolidated statements of income.

	Millions of yen				
	2017				
	Reporting segments				
	Food	Pharmaceutical	Total	Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	¥1,081,577	¥160,902	¥1,242,480	¥ —	¥1,242,480
(2) Intersegment sales and transfers	538	718	1,256	(1,256)	—
Total	¥1,082,115	¥161,620	¥1,243,736	¥(1,256)	¥1,242,480
Segment income (loss)	¥ 82,950	¥ 5,781	¥ 88,731	¥ (336)	¥ 88,395
Segment assets	630,185	215,824	846,010	37,885	883,895
Other items					
Depreciation	¥ 39,914	¥ 5,730	¥ 45,644	¥ 227	¥ 45,872
Equity in income of affiliates	5,169	6,418	11,587	—	11,587
Increase in property, plant and equipment / intangible fixed assets	59,475	6,207	65,682	60	65,743

(Note 1) The adjustments are as follows.
The adjustments in the segment income (negative ¥336 million) includes the elimination of intersegment transactions (¥45 million) and the corporate expenses not allocated to each reporting segment (negative ¥382 million).
The corporate expenses are expenses related to the Company's (holding company) operations, etc.
The adjustments in the segment assets (¥37,885 million) includes the elimination of intersegment assets (negative ¥127,135 million) and the corporate assets not allocated to each reporting segment (¥165,021 million).
The main corporate assets include the Company's (holding company) surplus management funds (cash and deposits), long-term investment funds (investment securities) and other assets held by the Company (holding company).

(Note 2) The segment income is adjusted based on operating income in the consolidated statements of income.

29. Significant Subsequent Events

The meeting of the Board of Directors, held on June 13, 2018, approved the following comprehensive resolution concerning the issuance of domestic unsecured straight bonds.

(1) Issuing amount

¥50 billion ($470,632 thousand) or less
Multiple issuances within this range shall be permitted.

(2) Planned issue period

From June 2018 to March 2019
In case the bond subscription was offered during the said period, it shall be included even if the payment date falls after this period.

(3) Amount of payment

¥100 ($0.94) or more per corporate bond amount of ¥100 ($0.94)

(4) Interest rate

Less than or equal to 0.5% over the swap rate with the same maturity as the corporate bonds

(5) Maturity

10 years or less

(6) Redemption method

Lump-sum redemption upon maturity

(7) Purpose of the funds

Operating funds, capital expenditures, investment and loan capital, debt loan repayment capital, bond redemption capital and commercial paper redemption capital

(8) Special conditions

The said corporate bonds shall include a negative pledge clause.

(9) Others

Decisions concerning the matters set forth in the provisions of Article 676 of the Companies Act of Japan and all other matters required for the issuance of corporate bonds shall be made at the discretion of the president and representative director within the aforementioned limits and shall be reported at the first Board of Directors' meeting held after a decision has been made.

Independent Auditor's Report

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Building a better working world

Independent Auditor's Report

The Board of Directors
Meiji Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Meiji Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meiji Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 28, 2018
Tokyo, Japan

Operating Bases and Group Companies (As of July 2, 2018)

The Meiji Group uses its extensive global network and conducts R&D, production and distribution to provide a stable supply of high quality food products and pharmaceuticals, in order to maintain society's trust in the Meiji brand.

Domestic

▼ Food Segment

Meiji Co., Ltd.

■ Head Office ★ Research Laboratory □ Branches ▲ Plant ● Group Company

Research Laboratory	1	Branches	5
Plant	28	Group Company	29

▼ Pharmaceuticals Segment

Meiji Seika Pharma Co., Ltd.

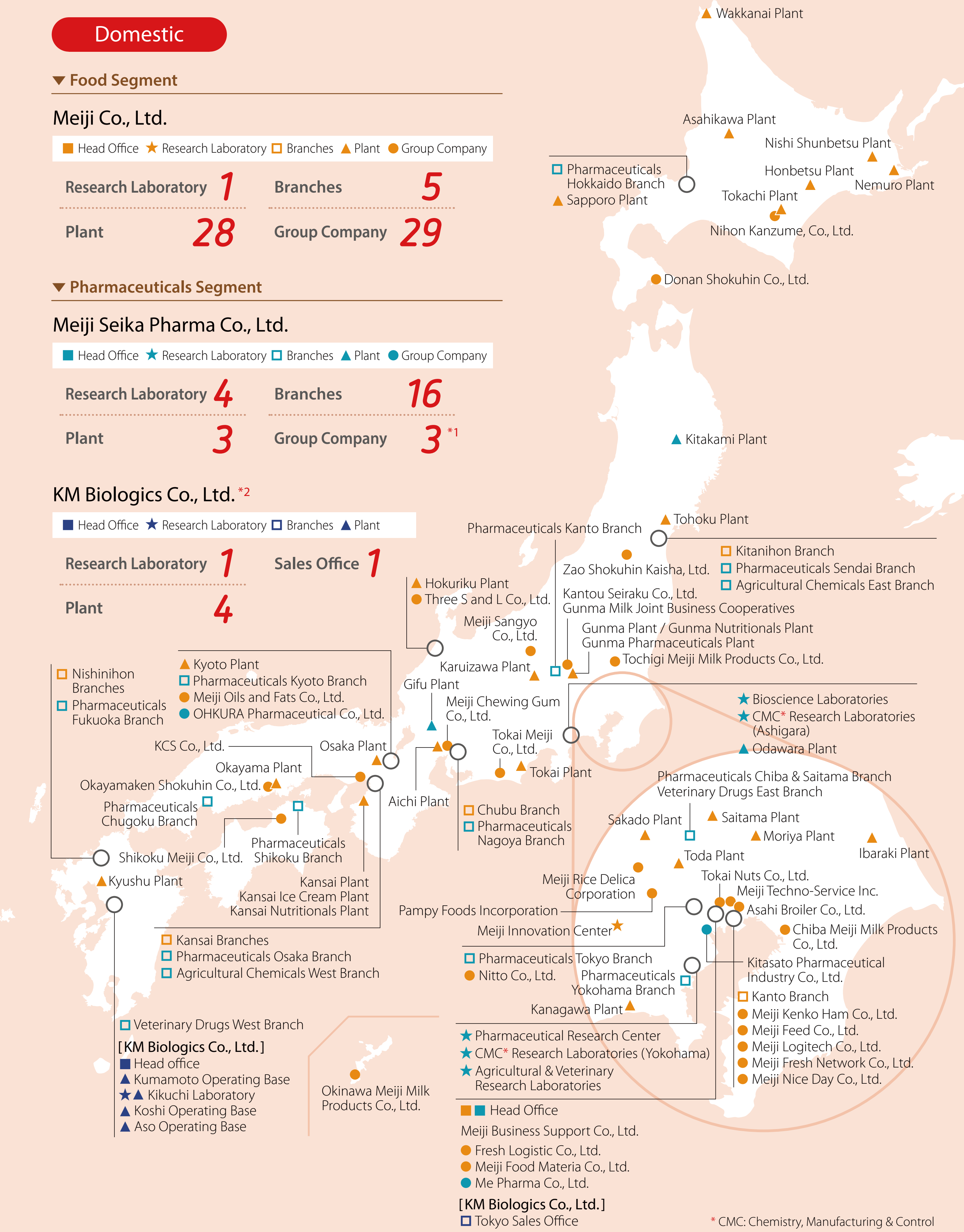
■ Head Office ★ Research Laboratory □ Branches ▲ Plant ● Group Company

Research Laboratory	4	Branches	16
Plant	3	Group Company	3 *1

KM Biologics Co., Ltd. *2

■ Head Office ★ Research Laboratory □ Branches ▲ Plant

Research Laboratory	1	Sales Office	1
Plant	4		



* CMC: Chemistry, Manufacturing & Control

Overseas

▼ Food Segment

Meiji Co., Ltd.

□ Head Office ● Group Company

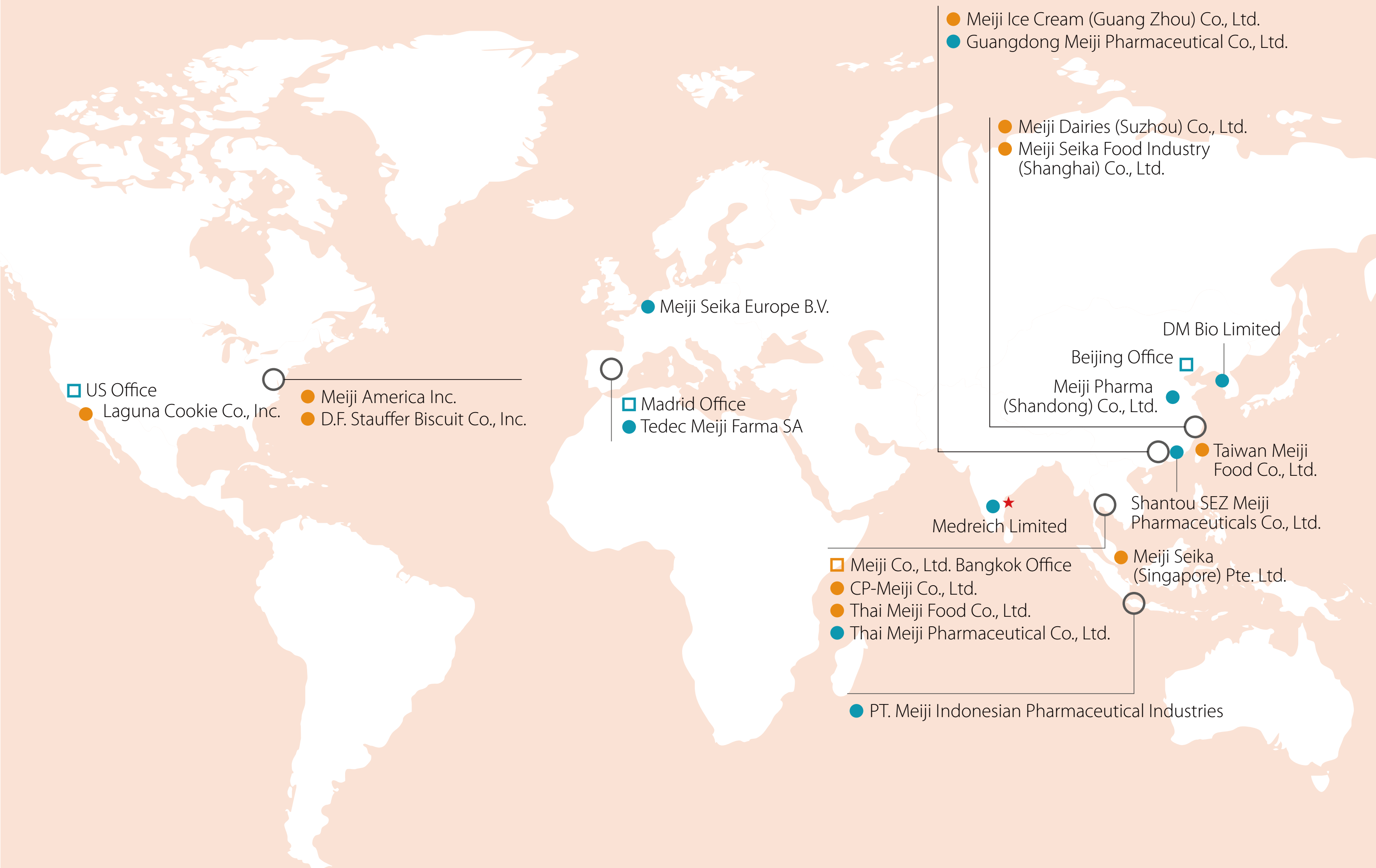
Office	1
Group Company	10 *3

▼ Pharmaceuticals Segment

Meiji Seika Pharma Co., Ltd.

□ Head Office ● Group Company

Office	3
Group Company	18



Changes in the Group companies starting from April 1, 2018

*1 Consolidated subsidiaries increased by one in April 2018
*2 Became a consolidated subsidiary in July 2018
*3 Consolidated subsidiaries increased by one in April 2018
★ The nine subsidiaries of Medreich Limited are not shown.

Corporate Data / Stock Information (As of March 31, 2018)

Corporate Data

Company Name
Meiji Holdings Co., Ltd. (Securities code: 2269)

Head Office
2-4-16, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan

Incorporated
April 1, 2009

Paid-in Capital
JPY 30.0 billion

Number of Group Employees
16,296

Common Stock Issued
152,683,400

Stock Listing
Tokyo

Fiscal Year-End
March 31

Ordinary General Meeting of Shareholders
Late in June

Transfer Agent of Common Stock
Mitsubishi UFJ Trust and Banking Corporation

Public Notices
Public notices given by the Company are issued electronically.
URL : https://www.meiji.com/

However, in the event that public notices cannot be issued electronically due to an accident or some other unavoidable circumstances, public notices given by the Company shall be carried in the *Nihon Keizai Shimbun*. It should be noted that pursuant to Article 440, Paragraph 4 of the Companies Act, public notices of financial statements are not given.

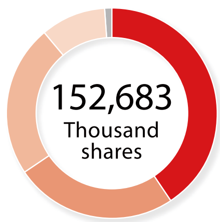
Stock Information

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,945	7.55
Japan Trustee Services Bank, Ltd. (Trust Account)	6,943	4.79
Mizuho Bank, Ltd.	4,617	3.18
Nippon Life Insurance Company	3,348	2.31
JP MORGAN CHASE BANK 380055	3,273	2.26
Resona Bank, Limited	3,047	2.10
The Norinchukin Bank	2,892	1.99
STATE STREET BANK WEST CLIENT - TREATY 505234	2,590	1.79
Meiji Holdings Trading-Partner Shareholding Association	2,557	1.76
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,536	1.75

(Notes) 1. The Company holds 7,680,613 shares of treasury stock as of March 31, 2018.
2. The shareholding ratio is calculated by subtracting the treasury stock from the total shares of common stock issued.

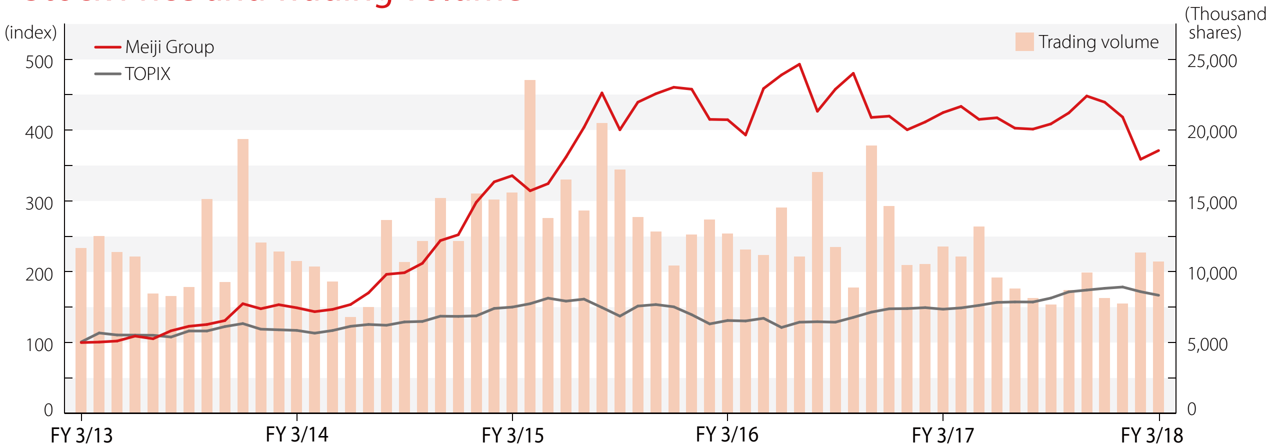
Shareholding by Type of Shareholder



- Financial Institutions 40.78%
- Individuals and Others 24.78%
- Foreign Companies, etc. 23.34%
- Other Companies 9.99%
- Financial Instruments Dealers 1.11%
- Government and Public Bodies 0.00%

* "Individuals and Others" includes treasury stock.

Stock Price and Trading Volume



(Notes) 1. The closing price as of March 29, 2013 is 100.
2. A 2-for-1 common stock split was issued on October 1, 2015. This value was retro-actively applied.

Website 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
https://www.meiji.com/global/investors/

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

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

Independent Practitioner's Assurance of CO_2 Emissions

In order to improve the reliability of the data, Meiji Holdings Co., Ltd. obtained the independent practitioner's assurance for the domestic CO_2 emissions (Scope 1 and 2) of the fiscal year 2017 indicated on p.36 in the Japanese version of this report by Deloitte Tohmatsu Sustainability Co., Ltd. We will work hard to improve the reliability of all environmental data.

Deloitte.
デロイト トーマツ

(TRANSLATION)

Independent Practitioner's Assurance Report

August 9, 2018

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

Masahiko Sugiyama
Representative Director
Deloitte Tohmatsu Sustainability Co., Ltd.
3-3-1, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the CO_2 Emissions (Scope1,Scope2) in Japan indicated with ☑ for the year ended March 31, 2018 (the "CO_2 Information") included in the "Integrated Report 2018" (the "Report") of Meiji Holdings Co., Ltd. (the "Company").

The Company's Responsibility

The Company is responsible for the preparation of the CO_2 Information in accordance with the calculation and reporting standard adopted by the Company (indicated with the CO_2 Information included in the Report). CO_2 Information quantification is subject to inherent uncertainty for reasons such as incomplete scientific knowledge used to determine emissions factors and numerical data.

Our Independence and Quality Control

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

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the CO_2 Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the IAASB and *the Practical Guideline for the Assurance of Sustainability Information*, issued by the Japanese Association of Assurance Organizations for Sustainability Information.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

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

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

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's CO_2 Information is not prepared, in all material respects, in accordance with the calculation and reporting standard adopted by the Company.

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

Member of
Deloitte Touche Tohmatsu Limited

Scope of domestic CO_2 emissions (Scope 1 and 2)

Meiji Holdings Co., Ltd., Meiji Co., Ltd. and group companies（Shikoku Meiji Co., Ltd., Tokai Meiji Co., Ltd., Gunma Milk Joint Business Cooperatives, Tochigi Meiji Milk Products Co., Ltd., Pampy Foods Incorporation, Meiji Oils and Fats Co., Ltd., Chiba Meiji Milk Products Co., Ltd., Donan Shokuhin Co., Ltd., Zao Shokuhin Kaisha, Ltd., Meiji Sangyo Co., Ltd., Meiji Chewing Gum Co., Ltd., Tokai Nuts Co., Ltd., Okayamaken Shokuhin Co., Ltd., Nihon Kanzume, Co., Ltd., Meiji Feed Co., Ltd., Asahi Broiler Co., Ltd., Meiji Kenko Ham Co., Ltd., Meiji Rice Delica Corporation, Okinawa Meiji Milk Products Co., Ltd., Meiji Logitech Co., Ltd.) , and Meiji Seika Pharma Co., Ltd. and group companies (Me Pharma Co., Ltd., OHKURA Pharmaceutical Co., Ltd.)

Note that CO_2 emissions for Meiji Logitech Co., Ltd. only include the fuel used in company owned delivery vehicles/ trucks. In addition, data for the CO_2 emissions from company owned vehicles is collected only for Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd.

Meiji Holdings Co., Ltd.
2-4-16, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
https://www.meiji.com/global

Printed in Japan