



meiji

Integrated Report 2020

Meiji Holdings Co., Ltd.

The 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.

Disclosed Information

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

Corporate Information

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

Investors

Our Website > Investors

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

ESG Data

Our Website > sustainability > ESG Data

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

Editorial Policy

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

* Reference: The International Integrated Reporting Council Framework

Standard Table

Our Website > sustainability > Standard Table

<https://www.meiji.com/global/sustainability/standard-table/>

Sustainability Information

Our Website > Sustainability

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

Using the Integrated Report 2020

This report is based on the performance results from FY2019 (fiscal year ended March 2020). Some content from FY2020 (fiscal year ending March 2021) is also included. The content is compiled based on information that is available at the time when the Company created the *Integrated Report 2020*. Therefore, please note that the actual results may be different from the Company's forecast. The information in the report unless otherwise specified is current as of August 2020.

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Introduction

Our Value Creation Story

Our Activities for Sustainability

Financial and Non-Financial Section

Corporate Information

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, nutritional products and pharmaceuticals.

Meiji Holdings is a pure holding company that was established in 2009 after integrating the management for Meiji Seika Kaisha, Ltd. and Meiji Dairies Corporation. The company was then reorganized into its current Group structure in 2011. KM Biologics joined the Group in July 2018.

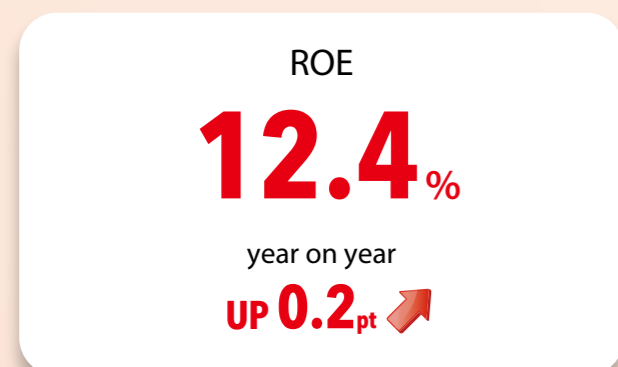
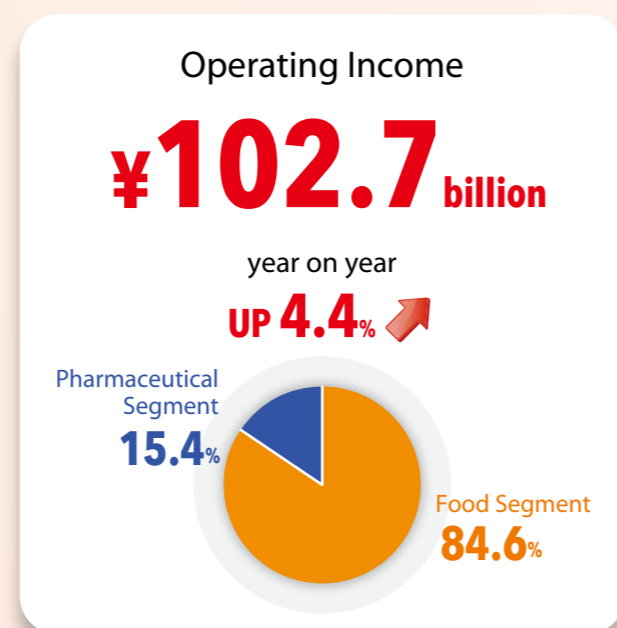
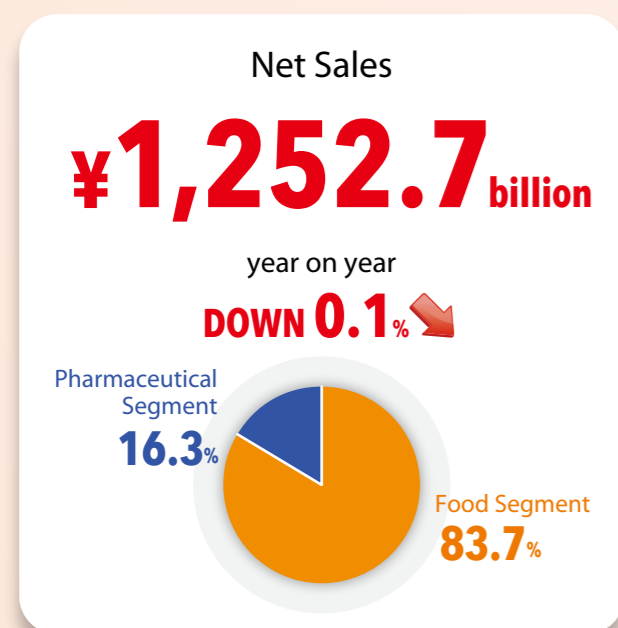
Group Organization (As of March 31, 2020)



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

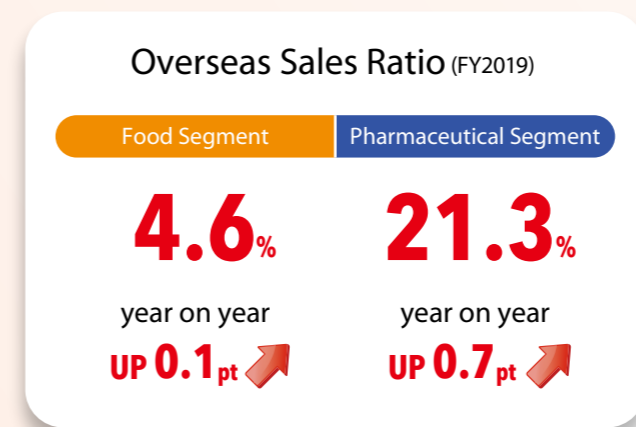
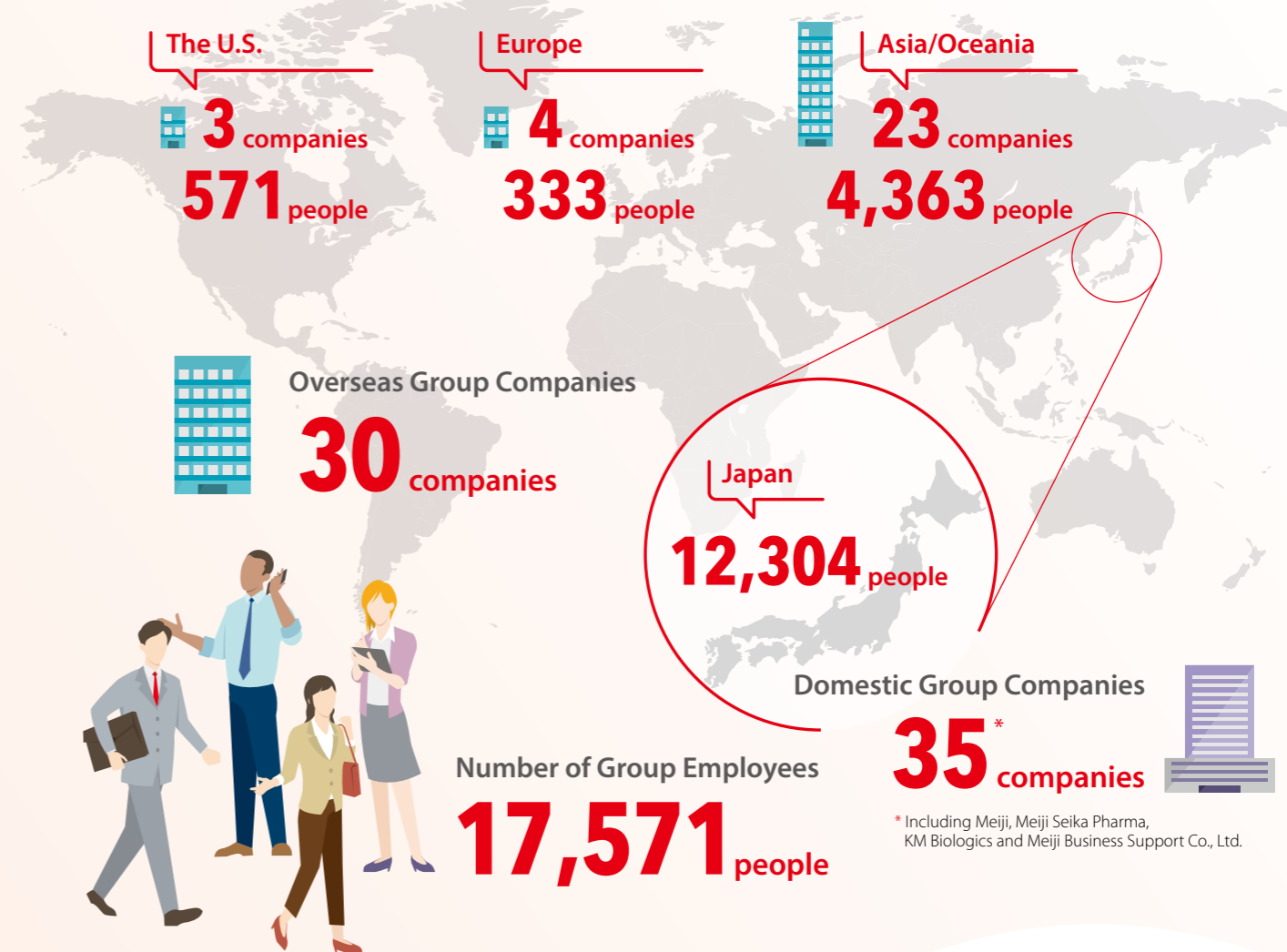
This segment develops our ethical Pharmaceuticals business on a global scale, covering products such as antibacterial drugs, drugs for central nervous system (CNS) disorders, generic drugs and vaccines, and it also promotes our agricultural chemicals and veterinary drugs business.

FY2019 (Fiscal Year Ended March 2020) Business Results



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

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



Recognized for Outstanding Health Management for the Fourth Consecutive Year

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



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 No.1 in Japan

Since 1950

41.9%

Based on INTAGE Inc., SRI (yogurt market) April 2019–March 2020 market share (money amount)

Chocolate

No.1 in Japan

24.2%

Based on INTAGE Inc., SRI (chocolate market) April 2019–March 2020 market share (money amount)

Since 1926



Camembert Cheese

No.1 in Japan

48.8%

Based on INTAGE Inc., SRI (camembert cheese market) April 2019–March 2020 market share (money amount)

Since 1999

* Started processed cheese production in 1932



Powdered & Granulated Protein

No.1 in Japan

44.6%

Based on Meiji data as of March 2020

Since 1980



Other Products



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



Kaju Gummy with 100% juice concentrate (equivalent to fresh juice) and no artificial colorings



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



Delicious fresh chilled milk selling in the China market



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



Overseas

Pharmaceutical Segment

Since 1958

Systemic Antibacterial Drugs

No.1 in Japan

18.0%

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Generic Drugs

No.4 in Japan

4.6%

Source: CRECON RESEARCH & CONSULTING, INC., FY2019

Since 1998



Antidepressant & Atypical Antipsychotic Drugs

No.4 in Japan

8.2%

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Since 1999



Rice Blast Preventives (Agricultural Chemicals)

Since 1958

Shipping data of Rice blast preventives No.1 in Japan

37.1%

Source: Based on Handbook of Agricultural Chemicals -2019-, Japan Plant Protection Association

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

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



Seasonal influenza vaccine launched in 1972

Other Products

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



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

History

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

1910 Meiji Sugar Co., Ltd. (Meiji Sugar) is established.

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 confectioneries. Meiji Sugar Co., Ltd. (Meiji Sugar) invested in Tokyo Confectionery, and then changed the company name to Meiji Seika Kaisha, Ltd. (Meiji Seika) in 1924.

1917 Kyokuto Condensed Milk Co., Ltd. (Kyokuto Condensed Milk), the predecessor of Meiji Dairies, is established. Since the 1910s, Meiji Sugar had manufactured and sold dairy products, such as butter, milk powder and condensed milk, which are used as confectionery ingredients. Later in 1940, Meiji Sugar acquired capital in Kyokuto Condensed Milk and then changed its company name to the Meiji Dairies Corporation (Meiji Dairies).

1921 Tokyo Confectionery launches the Condensed Milk *Meiji Merry Milk*.

1923 The infant formula *Patrogen* is created.

1926 Meiji Seika launches *Milk Chocolate*.

1928 Meiji Dairies launches *Meiji Milk*.

1930 Meiji Sugar launches *Meiji Milk Chocolate*.

1940 Meiji Sugar acquires capital in Kyokuto Condensed Milk and then changes its company name to the Meiji Dairies Corporation (Meiji Dairies).

1946 Penicillin formulation manufacturing is launched. **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 Meiji Dairies launches *Meiji Honey Yogurt*.

1950 The antibiotic *STREPTOMYCIN MEIJI* is launched. Meiji Dairies launches *Meiji Plain Yogurt*.

1950 The agricultural chemical product *ORYZEMATE* is launched. Meiji Dairies launches *Meiji Bulgaria Yogurt*.

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

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

1961 Meiji Seika launches *Marble Chocolate*.

1962 Meiji Seika launches *Almond Chocolate*.

1969 Meiji Seika launches the chocolate *Apollo*.

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

1973 Meiji Dairies launches *Meiji Bulgaria Yogurt*.

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

1975 The agricultural chemical product *ORYZEMATE* is launched. Genetically modified hepatitis B vaccine *Bimmugen* is launched.

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

1988 Meiji Seika launches *Kaju Gummy*.

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

1992 Meiji Dairies launches *Meiji Hokkaido Tokachi Cheese*.

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

1994 The antibiotic *MEIACT* is launched.

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

1996 *Influenza HA vaccine* is launched.

1997 Meiji Seika launches *Xylish Gum*.

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

1999 The antidepressant *DEPROMEL* is launched.

2000 Meiji Dairies launches *Meiji Probio Yogurt LG21*.

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

2002 Meiji Seika launches *Amino Collagen*.

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

2009 The antidepressant drug *REFLEX* is launched.

2009 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*.

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

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

2011 The liquid formula *ZAXA herbicide* is launched.

2014 Meiji launches *Meiji The Chocolate*.

2015 Meiji launches *SAVAS Milk*.

2015 The generic antibiotic *TAZOPIPE MEIJI* is launched.

2016 Treatment for schizophrenia *SYCREST* is launched. Anti-allergy drug *Bilanoa* is launched.

2017 Meiji launches *Meiji Spreatable*.

2018 KM Biologics Co., Ltd. joins the Meiji Group. * KM Biologics - formerly The Chemo-Sero-Therapeutic Research Institute which was established in 1945.

2019 Meiji launches liquid infant formula *Meiji Hohoemi Rakuraku Milk*.

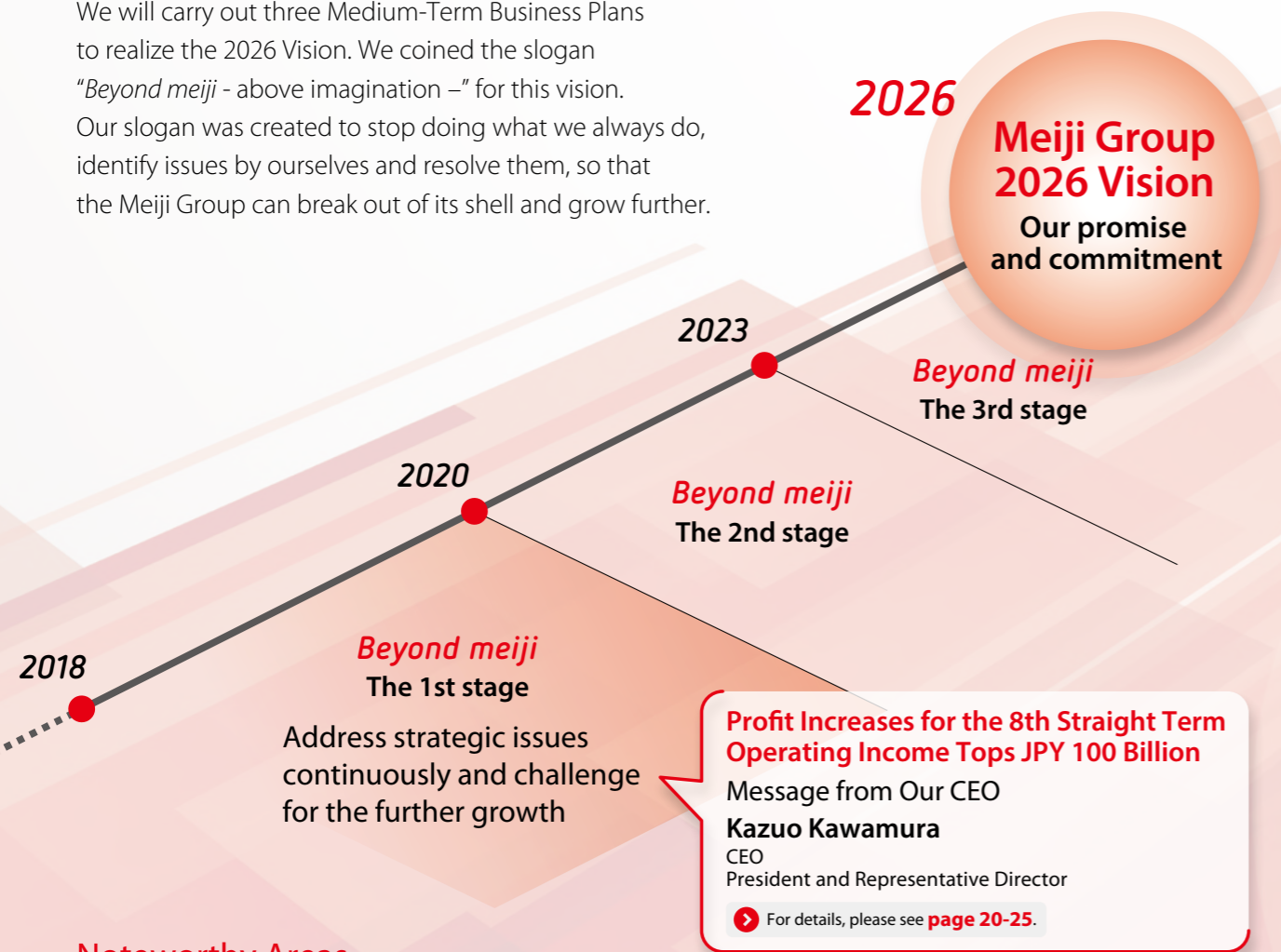
2020 *Lydia Granules*, insecticide for rice seedlings, is launched.

Achieving Our Goals in 2026 Vision

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

Roadmap to Realize the 2026 Vision

We will carry out three Medium-Term Business Plans to realize the 2026 Vision. We coined the slogan "Beyond meiji - above imagination -" for this vision. Our slogan was created to stop doing what we always do, identify issues by ourselves and resolve them, so that the Meiji Group can break out of its shell and grow further.



Noteworthy Areas in Business Climate

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

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

- 2 More health conscious and focused on prevention**
 - Rise in diseases and disorders due to changes in lifestyle and dietary habits
 - Increasing awareness and focus on prevention and living longer, healthier lives

- 3 Larger middle class all over the world**
 - Rising level of income in emerging countries such as China and India
 - Growing demand for non-essential or luxury grocery items and health related products

The Meiji Group 2026 Vision

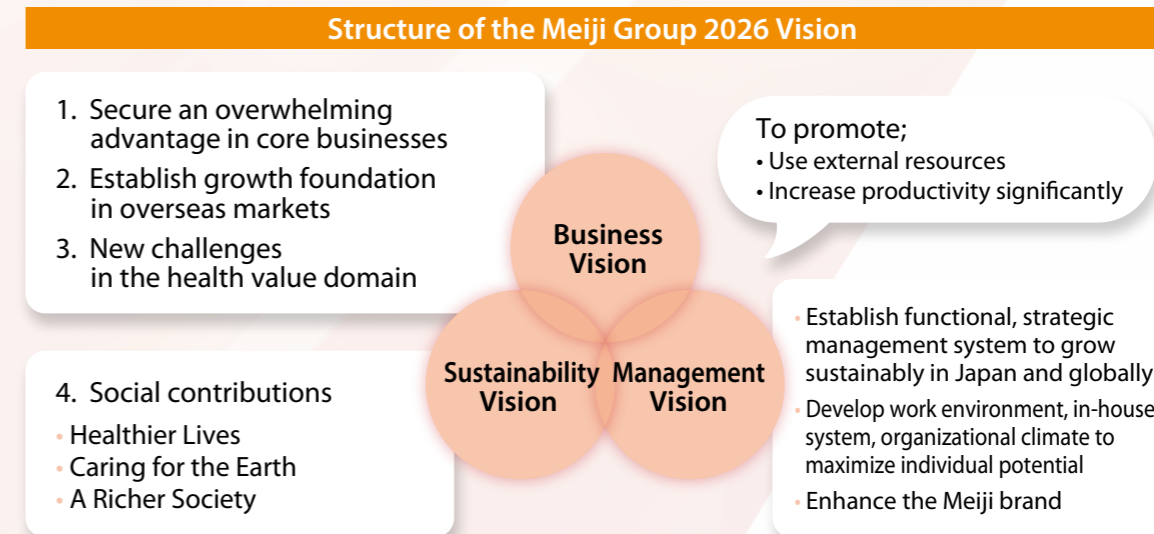
Our Promise and Commitment for the 2026 Vision

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



- #### Key Strategies
1. Secure an overwhelming advantage in core businesses
 2. Establish growth foundation in overseas markets
 3. New challenges in the health value domain
 4. Social contributions

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



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

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

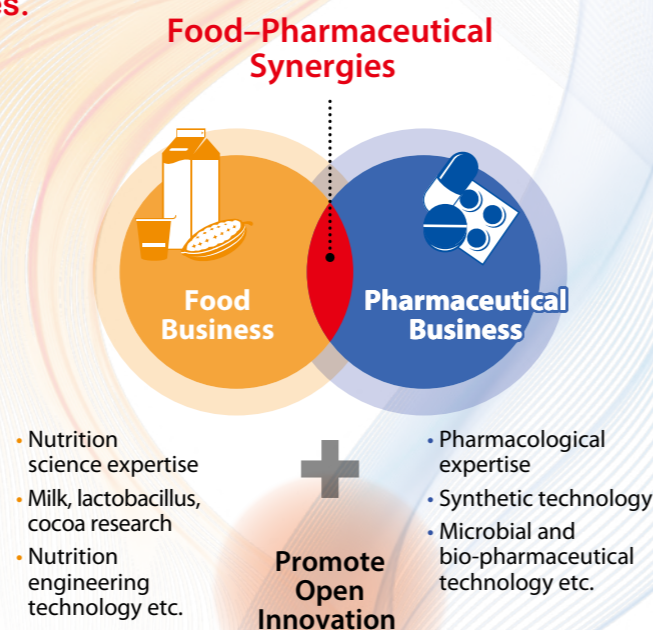
- #### Key Strategies
1. Expand share and achieve high revenues in core businesses
 2. Expand aggressively in overseas markets and establish growth platform
 3. Propose new value in health care domain
 4. Continue structural reforms and resolve specific business issues in each business
 5. Enhance Meiji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

Resolving Global Social Issues through Food-Pharmaceutical Synergies

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

We are Challenging Ourselves to Create New Health Values by Combining Our Strengths Fostered in the Food and Pharmaceutical Businesses.

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



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

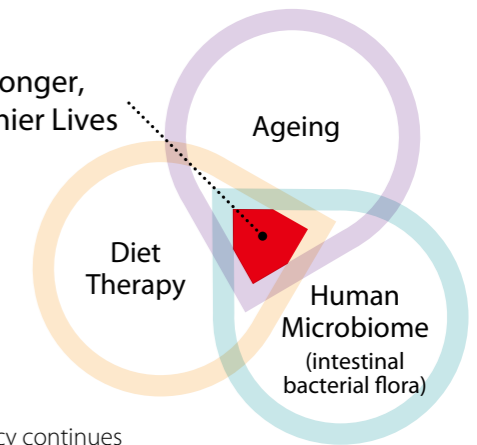
See page 12 -13 for "The Meiji Group's Process for Value Creation"

Longer, Healthier Lives Matter to the Meiji Group. Research for Ageing, Diet Therapy and the Human Microbiome Gathers Speed

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

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

Live Longer, Healthier Lives



A research environment with state-of-the-art equipment. Effective research environment encourages researchers to pursue unique value creation



Researchers with different expertise and backgrounds gather to share information



Researchers are developing new evaluation methods to realize longer, healthier lives

Co-Creation Center

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

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



Innovation for a World Changed the COVID-19 Pandemic

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



Hirofumi Nakamura
General Manager,
Co-Creation Center
Meiji Holdings Co., Ltd.

The Meiji Group's Process for Value Creation

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

Social Issues the Meiji Group is Addressing > Page 38

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

Our Contribution to Address Social Issues

Making Healthier Lives by Creating Value that Exceeds the Customers' Expectations

Output

Valuable Information Related to Food and Health

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

Variety of Products for Improving Health and Nutrition

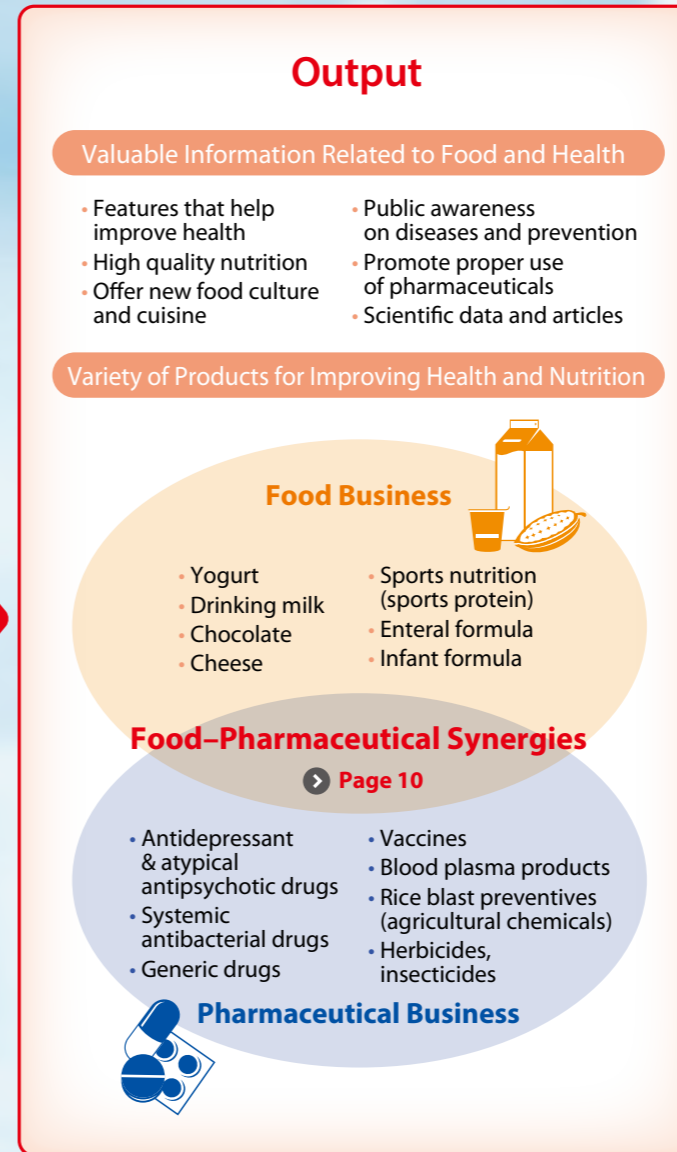
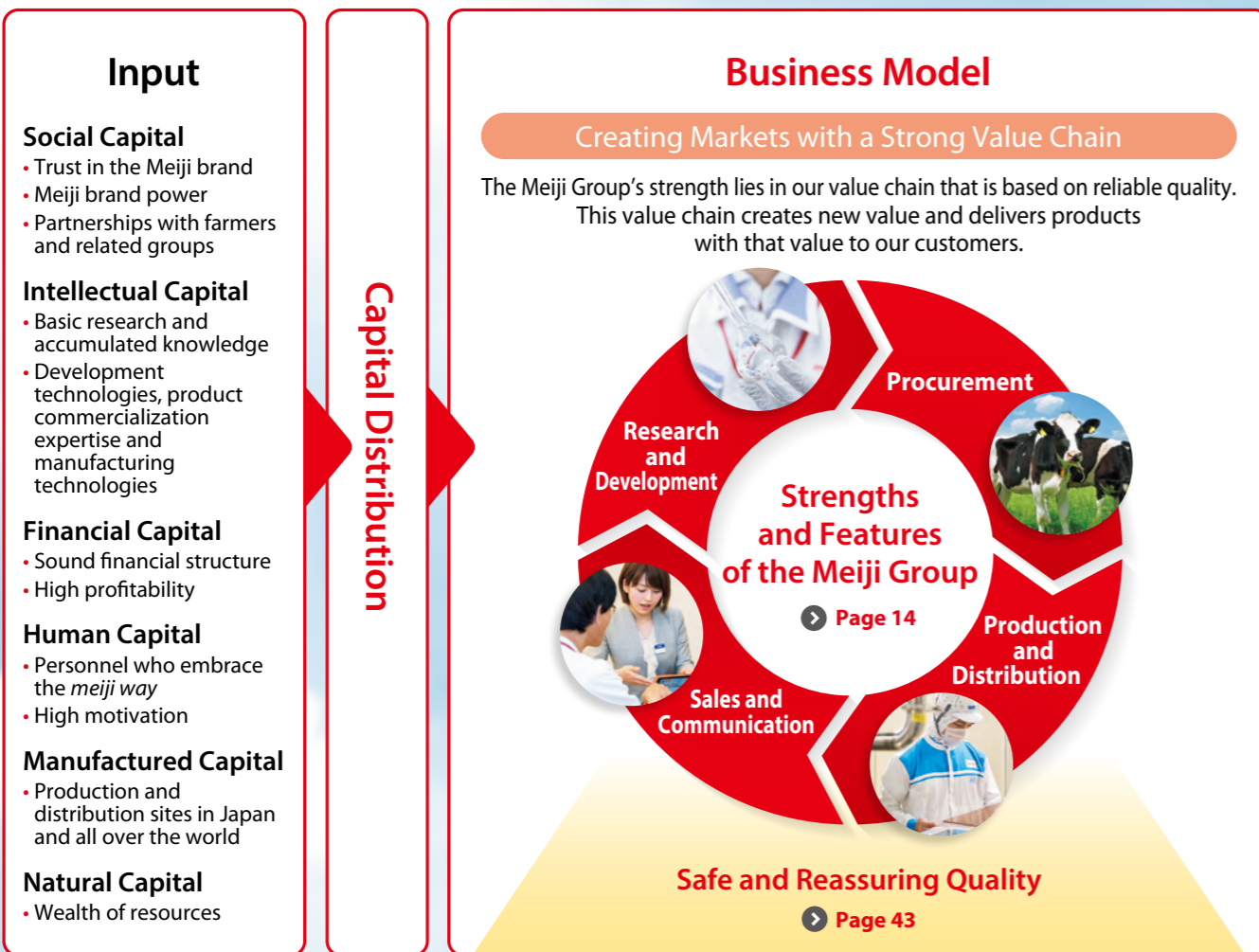
- Food Business**
- Yogurt
 - Drinking milk
 - Chocolate
 - Cheese
 - Sports nutrition (sports protein)
 - Enteral formula
 - Infant formula

Food-Pharmaceutical Synergies > Page 10

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

Value for Stakeholders

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







Governance > Page 60

Human Capital > Page 46

Value Chain Initiatives

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

	Research and Development 	Procurement 	Production and Distribution 	Sales and Communication 
Overview	We are developing products that provide new health value in the Food segment based on our unique intellectual assets. In the Pharmaceutical segment we are conducting specialized research and development in areas such as infectious diseases, CNS disorders and vaccines. Furthermore, in our Co-Creation Center, we are merging the expertise developed in the Food and Pharmaceutical businesses to generate new approaches and apply them for creating health value.	In both the Food and Pharmaceutical segments, we are working to secure stable procurement of quality materials, and improve reliability. To achieve these results, we assess risks of raw material suppliers based on our own standards. In addition, we perform regular inspections and provide guidance to suppliers. Furthermore, we are supporting dairy farmers and cocoa farmers to ensure sustainable procurement.	In the Food segment, we have our own strict hygiene management systems in place, and we have built production systems to manufacture products according to product specifications. We have distribution channels to supply markets with products in all temperature ranges. In the Pharmaceutical segment, we have established production systems in all domestic and overseas plants to provide stable supply of high-quality products at affordable prices. In addition, we have built production systems to manufacture and supply 57 million doses of novel influenza vaccines.	We are creating new markets in the health value domain by appropriately communicating new value to our customers and implementing two-way communication to use their feedback in subsequent value creation. In the Food segment, we are providing information through fun interactive classes for dietary education and other measures. In the Pharmaceutical segment, our medical representatives are providing information and obtaining feedback for new drug development.
Strengths and Features of the Meiji Group	<ul style="list-style-type: none"> Accumulated expertise drawn from basic research (lactobacilli, cocoa, microbial fermentation, biotechnology and drug discovery research) Collection of microorganisms (lactobacilli and actinomycetes) Chemical library (synthetic compounds and microbial metabolites) Excellent R&D capability, product commercialization expertise, manufacturing technologies and related patents 	<ul style="list-style-type: none"> Network with dairy farmers Cooperation with cocoa farmers Network with related groups Cost-competitive and stable procurement of drugs using a global supply chain 	<ul style="list-style-type: none"> Quality control system (ensure product quality and safety) Distribution network designed to cover all temperature ranges (room temperature, chilled and frozen) Unique manufacturing methods to ensure tastiness Superior drug production technologies and many advanced drug formulation technologies Respond to a super-aged society and contribute to maintaining the National Health Insurance Systems (stable supply of affordable, high-quality generic drugs, etc.) 	<ul style="list-style-type: none"> Reliable Meiji brand and brand strength High market share Two-way communication and strong, close relationships with business partners and customers Drugs covering prevention and treatment, as well as comprehensive customer support Educate about drug-resistant bacteria
Capital (Input) in Value Creation Process	<ul style="list-style-type: none"> Social capital Human capital Intellectual capital 	<ul style="list-style-type: none"> Social capital Human capital Natural capital Financial capital Manufactured capital 	<ul style="list-style-type: none"> Manufactured capital Human capital Intellectual capital 	<ul style="list-style-type: none"> Social capital Human capital Intellectual capital
Business Activities	<ul style="list-style-type: none"> Develop new value (use evidence-based ingredients and technologies) Discover and develop novel drugs Establish evidence through clinical development and post-marketing surveillance Use open innovation and industry-academia alliances Implement new R&D approaches in our Co-Creation Center 	<ul style="list-style-type: none"> Ensure stable procurement of high-quality raw milk in China Build global supply chains for bulk drugs and raw materials Audit and improve quality of bulk drug and raw material suppliers (education and guidance from dedicated department) 	<ul style="list-style-type: none"> Enhance production capacity for value-added products (SAVAS, Camembert cheese, <i>Chocolate Kouka</i>) Develop high-quality, efficient production systems globally (low-cost, high-mix, high-volume production at overseas subsidiaries that use Japan's robust quality management systems) Optimize production and distribution systems in Japan and overseas (production efficiencies, labor savings, cost reductions, stable supplies) Improve distribution efficiency and reduce costs by consolidating distribution sites 	<ul style="list-style-type: none"> Run marketing campaigns and sales promotions to provide information on product attributes or features Provide complete information extending from prevention through to treatment (dedicated medical representatives in the areas of antibiotics, vaccines, CNS disorders) Enhance network of medical specialists and the Meiji Group (pediatrics, ENT, internal medicine, psychiatry, hematology) Expand the Meiji Group's drug sales networks established in Asia and Europe (Thailand, Indonesia, China, U.K., Spain)
Sustainability	<ul style="list-style-type: none"> Develop products that contribute to healthy diets (lactobacillus, cocoa, reduced sugar, low fat) Develop value-added nutrition products (sports nutrition, infant/toddler nutrition) Develop products that contribute to a super-aged society (medical nutrition) Improve productivity for agriculture and livestock industries and address global food shortages (develop environment-friendly agricultural chemicals, etc.) 	<ul style="list-style-type: none"> Promote Meiji Dairy Advisory (MDA) (provide management support to dairy farmers in Japan) Promote Meiji Cocoa Support (support cocoa farmers, increase amounts of sustainable cocoa beans) Secure bulk drug suppliers and have multiple suppliers (contributing to stable supply of drugs) 	<ul style="list-style-type: none"> Obtain Global Food Safety Initiative (GFSI) certification Ensure stable supply of drugs (clinically important antibiotics, etc.) Promote renewable energy Introduce energy-efficient equipment Improve data accuracy using an environmental data management system 	<ul style="list-style-type: none"> Disseminate information to promote health and nutrition Offer new food culture and cuisine Improve access to medicines (China and Southeast Asia) Provide infection control expertise to agriculture and livestock industries Improve access to nutrition in emerging countries Support famine relief in emerging countries
Initiatives to Enhance Strengths	<ul style="list-style-type: none"> Foster a sense of One Company, One Team Promote diversity, improve employee engagement and build a fair HR system 	<ul style="list-style-type: none"> Implement Human Rights Due Diligence Support the TCFD and join the Consortium Join the UN Global Compact 	<ul style="list-style-type: none"> Raise awareness of innovation driven through the value chain Expand new value products with Meiji quality into overseas markets 	<ul style="list-style-type: none"> Accelerate decision making and implement optimal marketing programs by reforming production, sales and distribution systems
Main Challenges and Future Initiatives	<ul style="list-style-type: none"> Maximize the Meiji Group synergies Create unique value that will extend healthy life expectancy Combat drug-resistant bacteria 	<ul style="list-style-type: none"> Ensure procurement of raw materials in accordance with human rights and environmental impact (cocoa, palm oil, paper, raw milk, bulk drugs) Continue Meiji Cocoa Support and MDA 	<ul style="list-style-type: none"> Increase production capacity for high health value products Pursue the value and benefits of protein and increase protein intake Reduce the environmental impacts resulting from product development through to disposal Plan and implement energy-saving and water risk programs Ensure stable supply of environment-friendly agricultural chemicals 	<ul style="list-style-type: none"> Promote food and health value through e-commerce channels Successfully penetrate overseas markets through Meiji quality and unique value Introduce and diffuse a new food culture into overseas markets Increase sales of drugs manufactured at overseas sites in the Japan market Expand environment-friendly agricultural chemicals Expand vaccines overseas, especially to Asia
	<ul style="list-style-type: none"> Increase recognition of the Meiji Group 2026 Vision Enhance employee engagement 	<ul style="list-style-type: none"> Train and develop executives, innovators and personnel with a global mindset 	<ul style="list-style-type: none"> Respect diversity Create a safe and healthy workplace environment 	<ul style="list-style-type: none"> Conduct social contribution activities through community activities, emergency aid and support, and our products

Introduction

Our Value Creation Story

Our Activities for Sustainability

Financial and Non-Financial Section

Corporate Information

Response to Climate Change

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

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

Climate Change Thinking and Approach to TCFD

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

Climate Change-related Group Sustainability Promotion System



* An international organization of representatives of central banks, financial supervisory agencies, and finance ministries in the world's major countries and regions.

We established the Group TCFD Committee in March 2020 to discuss policies and measures and to review the progress toward achievement of KPIs.

We report the results of those discussions to the Group Sustainability Committee twice a year and the Executive Committee and Board of Directors as necessary.

Achievements in Scenario Analysis

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

WEB
 Practical guide for Scenario Analysis in line with the TCFD recommendations
http://www.env.go.jp/policy/policy/tcfcd/TCFDguide_2nd_EN.pdf

Results in Scenario Analysis

In FY2019, we analyzed the impact of climate change on dairy ingredients and infectious diseases, two important business areas, and we investigated countermeasures. Using scenarios developed by the IPCC^{*1} and IEA^{*2}, we analyzed two scenarios; a 4 degree scenario assuming a global temperature rise of 4°C by 2100 compared to pre-industrial levels, and a 2 degree scenario assuming the temperature rise of 2°C or less.

*1 Intergovernmental Panel on Climate Change (IPCC): Shared Socioeconomic Pathways, etc.
 *2 International Energy Agency (IEA): Sustainable Development Scenario, New Policies Scenario, etc.

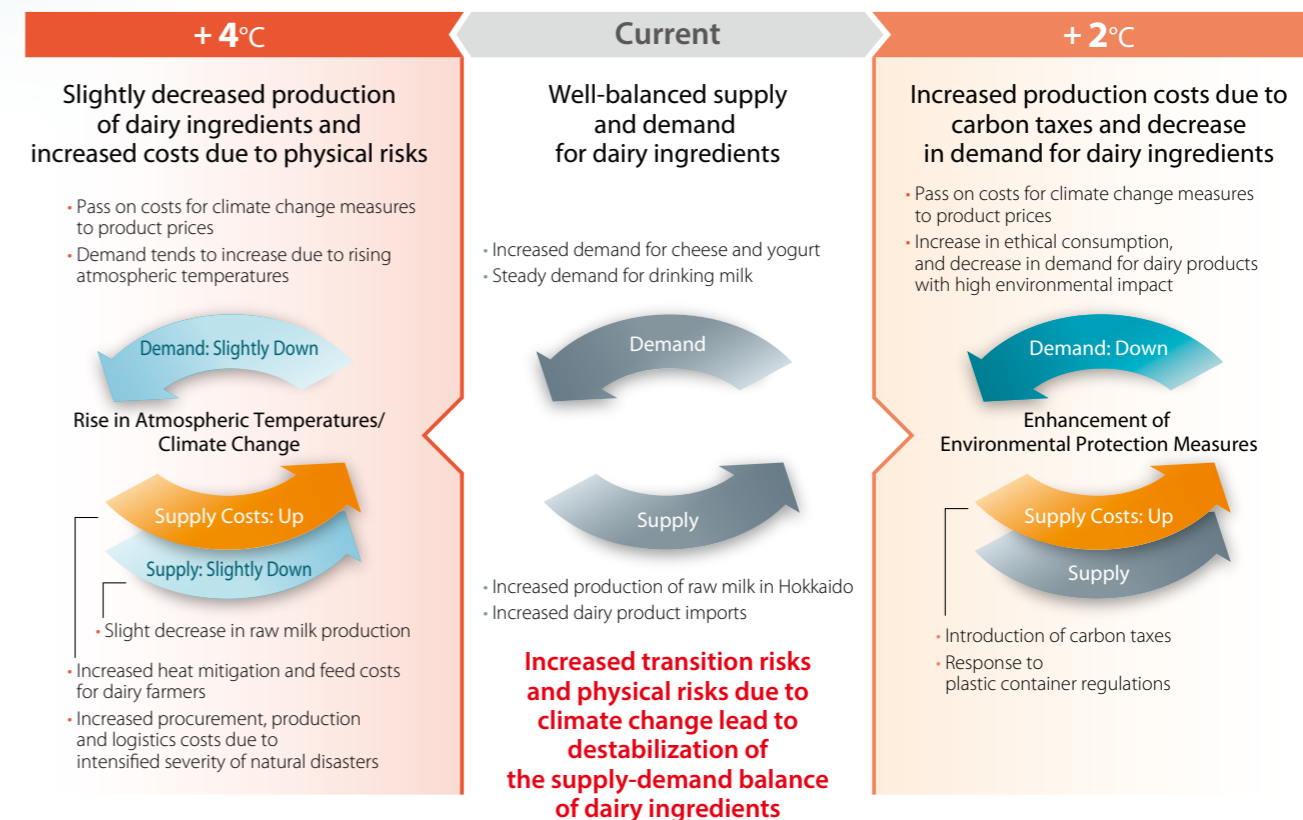
Important Financial Impacts and Levels of Impact

	Management Entity		Level of Impact	
	Meiji	Partner	4°C	2°C
Dairy Ingredients				
Risks				
Increased cattle barn operation expenses (feed expenses, heat mitigation expenses)	●	●	High	—
Increased purchase prices for dairy ingredients	●	●	Low	—
Increased losses due to water risks	●	●	Medium	—
Increased electricity costs	●	●	Low	—
Increased costs associated with carbon taxes	●	●	Low	High
Increased costs associated with plastics regulations	●	●	—	Low
Decreased demand due to ethical consumption	●	●	—	Low
Opportunities				
Expansion of new demand (thirst-quenching beverages, etc.)	●	●	Low	Low - Medium
Infectious Diseases				
Risks				
Lost opportunities due to site shutdowns caused by natural disasters	●	●	—	—
Increased logistics costs due to natural disasters and severe weather	●	●	High	—
Increased water procurement costs due to water risks	●	●	—	—
Increased electricity costs	●	●	Medium	Medium
Increased costs associated with carbon taxes	●	●	Low	High
Opportunities				
Spread of infectious diseases due to climate change	●	●	—	Medium

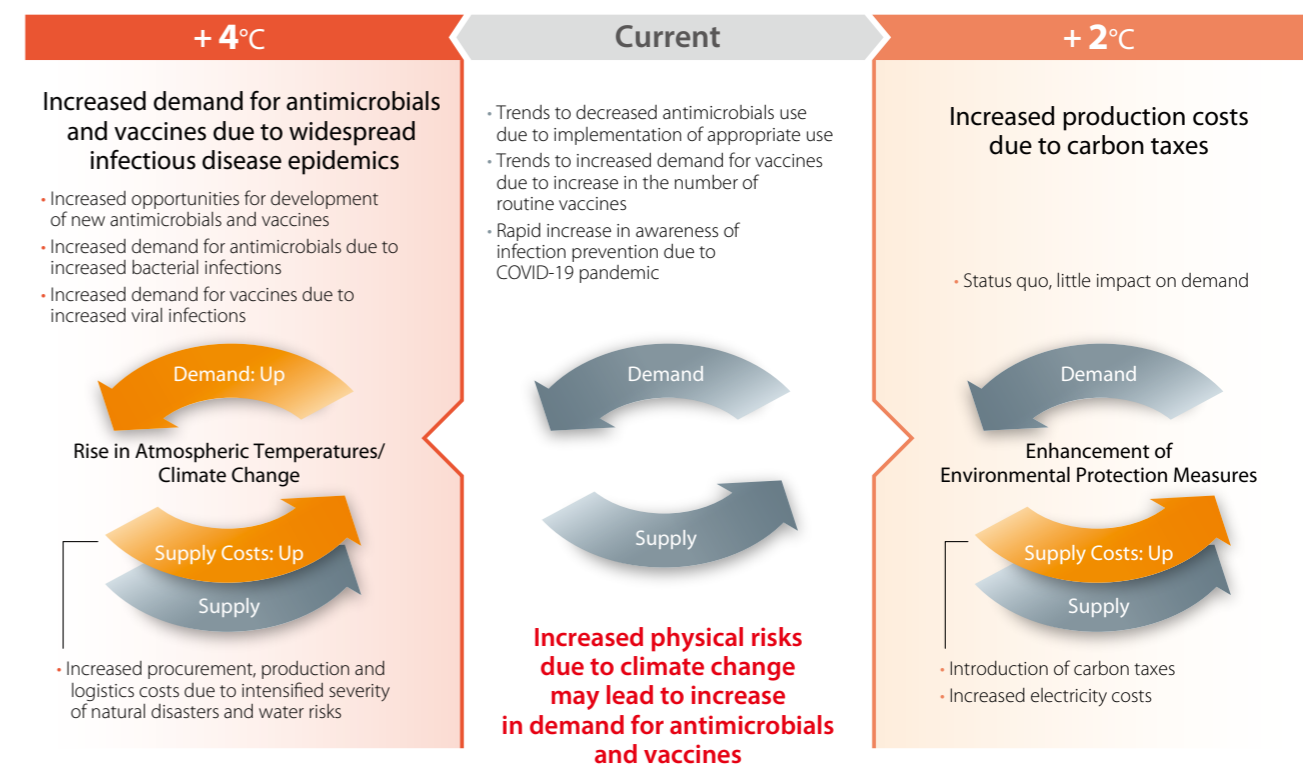
* Impact on partners in the supply chain may affect the Meiji Group

We simulated a 4°C scenario and a 2°C scenario in the year 2100, and analyzed the impact of changes in the global environment on our business activities for dairy ingredients in 2040 and infectious diseases in 2050.

Dairy Ingredients 2040 World View

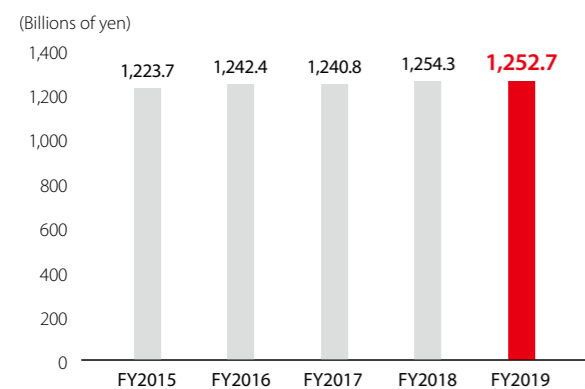


Infectious Diseases 2050 World View

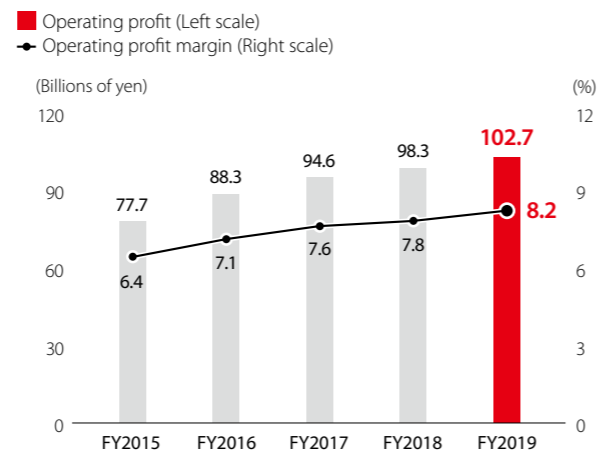


Financial and Non-Financial Highlights (Main Indices)

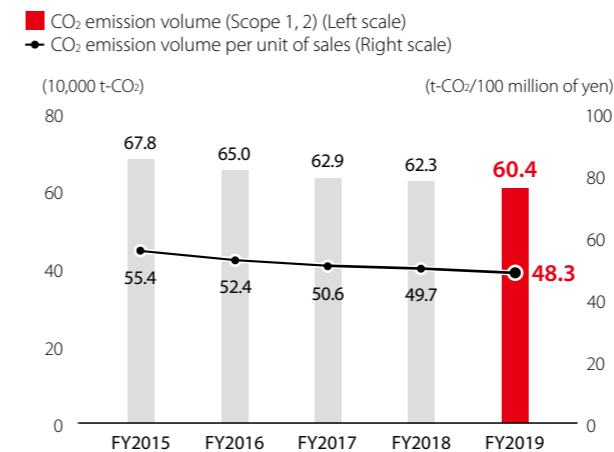
Net Sales



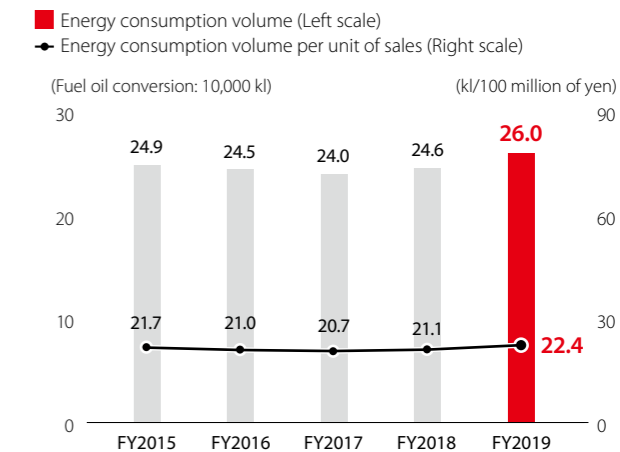
Operating Profit/Operating Profit Margin



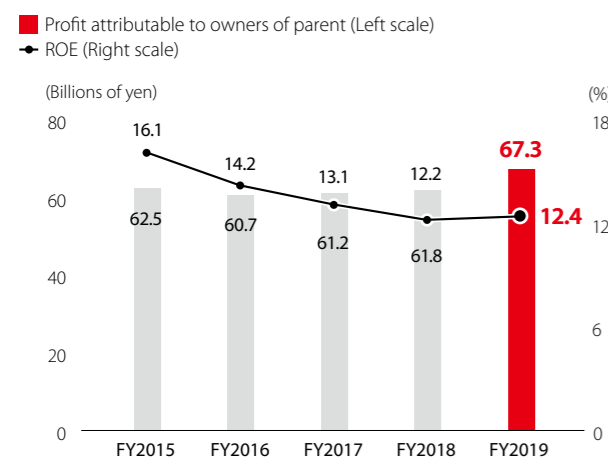
CO₂ Emission Volume (Scope 1, 2)/CO₂ Emission Volume per Unit of Sales *1



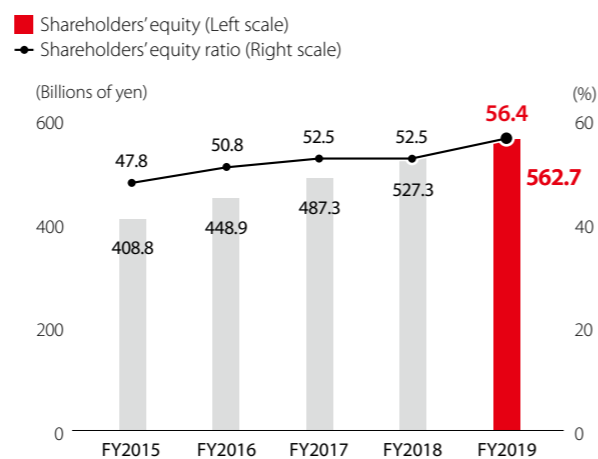
Energy Consumption Volume/Energy Consumption Volume per Unit of Sales *2



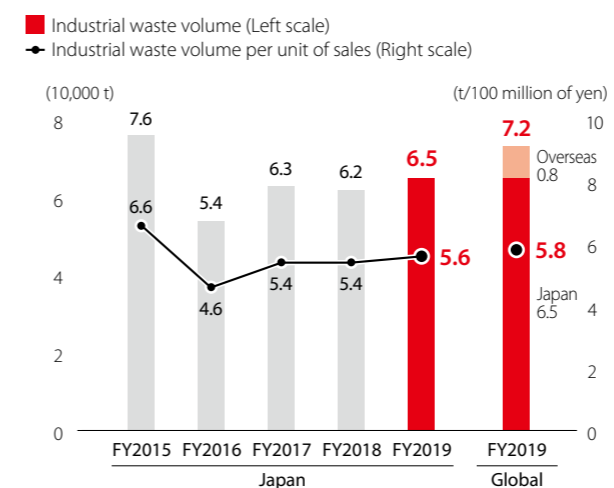
Profit Attributable to Owners of Parent/ROE



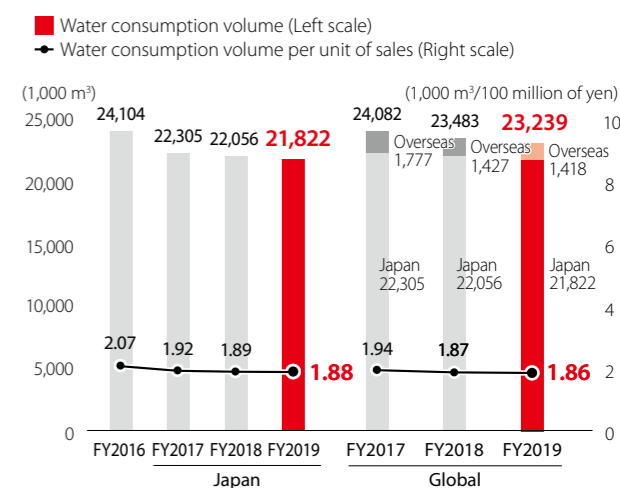
Shareholders' Equity/Shareholders' Equity Ratio



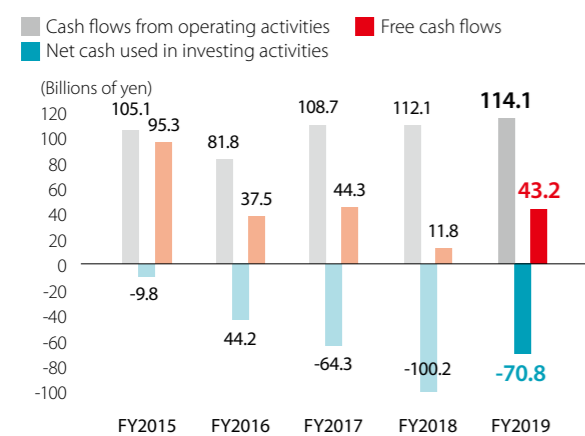
Industrial Waste Volume/Industrial Waste Volume per Unit of Sales *3



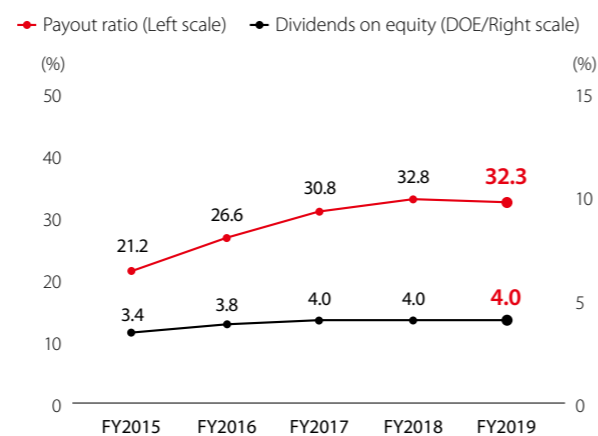
Water Consumption Volume/Water Consumption Volume per Unit of Sales *3



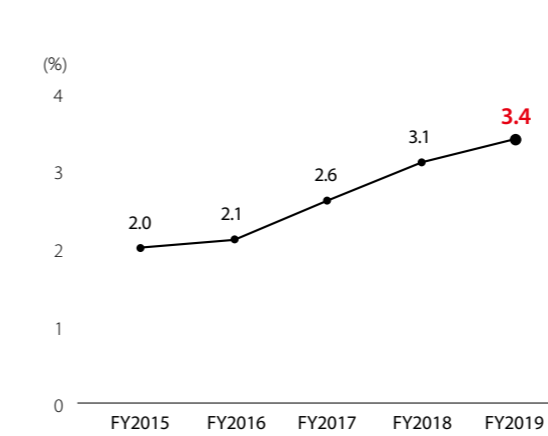
Cash Flows



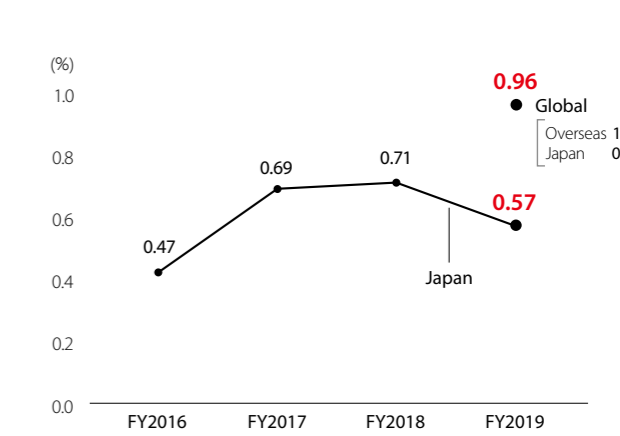
Payout Ratio/Dividends on Equity (DOE)



Ratio of Female Managers *4



Lost Time Injury Frequency Rate (LTIFR) *5



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

The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019.

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

The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019.

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

The global data; applies to the Meiji Group (the domestic Meiji Group and 12 overseas production plants).

The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's production plants were included from FY2019.

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

*5 For FY2016 through FY2018, applies to all plants and research laboratories in the Meiji Group in Japan including consolidated subsidiaries (but excluding KM Biologics Co., Ltd., Meiji Feed Co., Ltd. and OHKURA Pharmaceutical Co., Ltd.).

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

Lost Time Injury Frequency Rate: Number of casualties ÷ Total working hours × 1 million

Message from Our CEO

We Are Evolving into a Corporate Group that Achieves Good Growth by Addressing the World's Social Issues



Kazuo Kawamura
 CEO
 President and
 Representative Director

Profit Increased for the 8th Straight Term Despite the COVID-19 Pandemic

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

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

In the Pharmaceutical segment, both sales and profit increased despite Japan's NHI drug price revisions in

October 2019. Two additions to our portfolio in recent years—generic drugs manufacturer Medreich Ltd. in India and vaccine manufacturer KM Biologics Co., Ltd. — contributed to the increases in sales and profit.

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



Medreich, which joined the Meiji Group in 2015, established a production system* to manufacture high quality and low-cost generic drugs. It generates high returns producing generic drugs.

* Medreich received GMP compliance certification from Japan's MHLW.

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

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

Securing the supply chain protects the lives of those producing ingredients and people who sell our products. We should care about raw milk, because it is one of the vital ingredients for us. When a state of emergency was declared in Japan in spring 2020, mass school closures and voluntary suspension of food service businesses greatly diminished the demand for drinking milk and dairy

products, leading to the risk of discarding raw milk. We processed surplus raw milk to storable dairy products such as nonfat dry milk, butter and cheese at our plants to help dairy farmers and avoid emergency discarding of raw milk. As people's activities resumed with time, demand recovered and the supply chain steadily returned to normal.

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

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

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

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

greatly increased because they have had to stay at home for long periods during the COVID-19 pandemic. We will secure solid growth for sports nutrition products through active promotion that will stimulate demand. For example, we are airing TV commercials featuring Major League Baseball player Shohei Ohtani, a regular user of *SAVAS*. Meiji registered dietitian is supporting his nutrition program.



Kurashiki Plant (annual capacity: approx. 11,000 tons) started operation in November 2019 to produce powder products such as *SAVAS* and *Amino Collagen*.

Integrate Sustainability with Business Growth

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

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

We have been coping with important social issues such as improvement of nutrition, the aging society, support for agriculture and the fight against infectious diseases. Through innovation, we want to provide

meaningful contributions to social issues. Naturally, we should address issues such as the environment and human rights. But on top of that, we should pursue a sustainability program unique to the Meiji Group and meet society's expectations. Thus far, we prioritized investment in business activities, but we have decided to establish a framework for ESG (environmental, social and governance) investing. Our plan is to spend around JPY 30 billion in ESG investment over the three years through FY2023.

We will address climate change activities. Based on the recommendations released by the Task Force on Climate-related Financial Disclosures (TCFD), we assessed the potential impacts of climate change-related risks and opportunities in both the Food and Pharmaceutical segments and released our scenario analysis. Climate change provides both risk and a business opportunity to

us. It has substantial impacts on malnutrition and infectious disease, which are closely related to our business. Therefore, we believe this is a business opportunity and will put forward innovative ideas to address such issues. Tackling climate change is well worth doing, although it is certainly very hard to accomplish. However, the Meiji Group's founding spirit included making breakthroughs against issues related to malnutrition and infectious disease, and this is imprinted in our DNA.

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



KM Biologics is working to develop an inactivated vaccine against COVID-19. The company's Koshi Production Center (pictured) will produce vaccine formulations (See page 42 for details).

Strengthen Group Management and Pursue Greater Synergies

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

selection and concentration strategy, or product categories will expand and the portfolio will become diluted. ROIC is the optimal indicator to prevent such dilution as well as to enhance competitiveness and accomplish sustainable growth.

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

We introduced a chief officer system in June 2020. This will make Meiji Holdings' management more strategic and strengthen Group management. Under the leadership of a chief executive officer (CEO), chief operating officers (COOs) were assigned to the Food and Pharmaceutical segments. In addition, a chief financial officer (CFO) and a chief sustainability officer (CSO) were assigned. This team of chief officers, headed by the CEO, will clarify the Group's strategic direction and generate togetherness and synergies.



Researchers from the Food and Pharmaceutical segments (some of them are pictured) work together at the Co-Creation Center to take on new challenges in the health value domain (See page 10 for details).

Investing in Growth While Observing Financial Discipline

We will revise financial strategy under the 2023 Medium-Term Business Plan. Until now, the Meiji Group's financial strategy has been to balance investment in future growth, returns to shareholders and ensuring a solid financial base. Since FY2017, we have consistently generated operating cash flow of more than JPY 100 billion. The forecast for FY2020 is around JPY 120 billion.



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

The debt-to-equity (D/E) ratio is 0.19, implying a sound financial condition. With this strong financial foundation, we will shift focus onto investment in further growth and returns to shareholders under the 2023 Medium-Term Business Plan.

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

Strengthening Governance for Business Growth

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

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

implementation of succession planning.

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

To Contribute to Society Through Continued Innovation

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

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

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



Overview by Business Food Segment



**By Applying New Ideas,
Create Products that Contribute to
Healthy Minds and Bodies
and Continue to Grow**

Katsunari Matsuda

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

President and Representative Director
Meiji Co., Ltd.

FY2019 in Review

Profit Increases and Growth Continues Despite Missing Targets

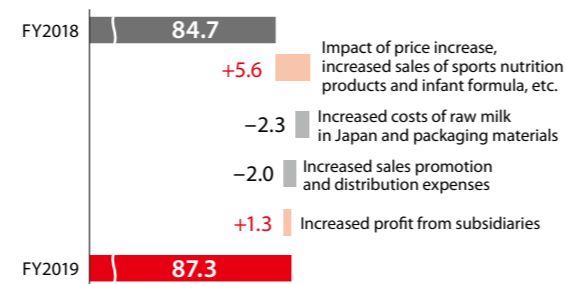
Our plan for FY2019, as the middle year of the 2020 Medium-Term Business Plan, was to significantly grow our businesses to achieve the targets. However, despite increasing profit year on year, we missed those initial targets. This was because we failed to introduce strong new products. In addition, recovery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

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

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

(Billions of yen)	FY2018 Results	FY2019 Results	YoY Change
Net sales	1,056.6	1,049.5	-0.7% -7.0
Operating profit	84.7	87.3	+3.0% +2.5

Breakdown of Consolidated Op. Profit (Billions of yen)



Food Business

<p>Core</p> <ul style="list-style-type: none"> Yogurt (including functional yogurt) Chocolate Nutritional products <ul style="list-style-type: none"> • Expand further by investing business resources intensely 	<p>Growth</p> <ul style="list-style-type: none"> Cheese Frozen dessert Products for professional use <ul style="list-style-type: none"> • Create new markets • Become #1 in the future 	<p>Reform</p> <ul style="list-style-type: none"> Milk Prepared foods Prepared foods operated by subsidiaries <ul style="list-style-type: none"> • Pursue unique value • Improve profit through structural reforms
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Growth Strategy from FY2020

Confronting the COVID-19 Pandemic

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

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

Due to the COVID-19 pandemic, lifestyles are changing and sales trends are changing accordingly. Sales of dairy products are growing as health awareness increases among consumers, and sales of drinking milk are also increasing as more people eat at home under stay-at-home orders. On the other hand, sales of products

Improving Business Performance Through Promotions Adapted to Changes in the Market

for professional use are sluggish due to temporary restraint in the food service industry. In response to the changes in the society due to the COVID-19 pandemic, we will strive to increase sales of products that are declining and to further maintain sales of products that have been doing well.

Our products contribute to the physical health and emotional well-being of our customers. Through foods, we hope to stimulate conversation, improve atmosphere, and lighten the mood. Also, through our marketing we will show how Meiji confectionery can return smiles to the faces of people feeling depressed in the COVID-19 pandemic. We will run sales promotions that encourage people to eat functional yogurt for self-managing their health and take SAVAS to address lack of exercise due to the stay-at-home orders.

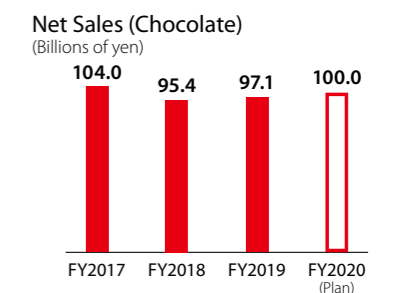
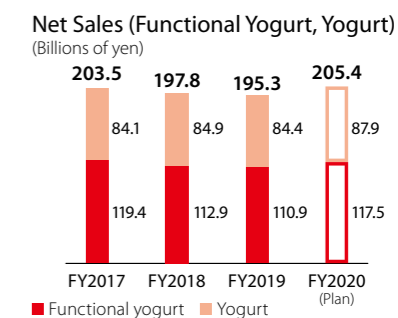
Core Businesses

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

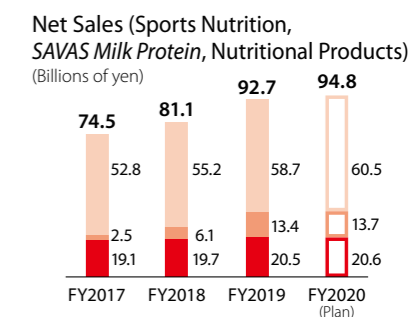
Yogurt Due to the COVID-19 pandemic, people's awareness of health management is rising, and demand for yogurt is growing because of its high health value. From the second half of FY2019, sales of *Meiji Probio Yogurt R-1*, a functional yogurt, have been strong thanks to effective marketing activities.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

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

Nutritional Products Sales of sports protein SAVAS are enjoying strong growth. Once the COVID-19 pandemic has settled down, we will be moving to the new normal and new ways of life. Accordingly, we expect further growth in the sports nutrition business because people will become more health conscious. We introduced a new production method that achieves a non-clumping, more easily soluble protein powder and launched the renewed SAVAS. We will improve marketing of this popular product and achieve strong business growth.



* Sales are adjusted to include the sales price reduction due to commercial transaction system revision in April 2018



* Sales of SAVAS Milk Protein are included in the sales of Fresh and Fermented Dairy Business

Growth Strategy from FY2020

Grow and Reform Businesses Expanding Markets and Driving Structural Reform by Pursuing Value Unique to Meiji

Cheese The cheese category is expected to grow for years to come. On the other hand, the Japan-EU Economic Partnership Agreement (EPA) removes and reduces tariffs on cheese. Therefore, we need new products that can compete with imported products. We are committed to pursuing unique value-added products and to expand our markets through that commitment. In addition to processed cheese, we will focus on natural cheese because we are expecting further market growth in Japan. *Meiji Hokkaido Tokachi Camembert Cheese* is a typical example of our natural cheese products. We have already built the leading share in the camembert cheese market in Japan, and will expand our product line in the natural cheese category. Our unique natural cheeses product line includes the authentic smoked Camembert product we launched in 2019. We will leverage our special technologies and high quality to develop processed cheese products, such as *Meiji Hokkaido Tokachi Smart Cheese* made with fresh raw milk from Tokachi in Hokkaido, that are clearly distinguished from imported products.



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



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

Overseas Business Actively Invest in Developing the China Market, and Enter into European Markets in Partnership with Danone

One of the key strategies in the Meiji Group 2026 Vision is to expand our overseas business. To achieve our targets, we will put our utmost efforts into investing as we build solid foundations in new overseas markets.

China is one of the key areas for our overseas business. The drinking milk and yogurt businesses made profits in FY2018. Our sales are growing steadily because the quality of Meiji products is widely accepted by Chinese consumers. In addition, the chilled milk market is expanding. Our plan is to expand production capacity at the Suzhou Plant, which is already operating, and then start operations at a second plant in Tianjin in FY2022 and a third plant in Guangzhou in FY2023. To secure stable procurement of high-quality raw milk for the long term, in July 2020, we acquired shares of AustAsia Investment Holdings Pte Ltd., which operates farms in China.

On the other hand, the drinking milk and yogurt

business alone is not sufficient to ensure stable profit. Therefore, we will expand our sports nutrition business overseas as well. We established Meiji New Zealand as a base to supply SAVAS products to the China market. China's gym and fitness market is just starting off, and we believe it will soon expand further. While adapting to more active and healthy lifestyles in China, we will launch our products through the most appropriate ways of promoting them. As our ice cream and confectionery businesses are growing steady, we are expanding production capacity. Thus we accelerate business expansion in China to achieve the Meiji Group 2026 Vision.

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

Growth Strategy from FY2020

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

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

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

Key Strategies in the Meiji Group 2026 Vision

For details, please see page 8.



Meiji TANPACT, a diverse series of products (See page 41 for details)

Commitment from Top Management

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

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

I believe that Meiji can compete with globally famous food manufacturers, but we are still a little behind them. The world is changing dramatically due to the COVID-19 pandemic. Therefore we need to develop people who

take on difficult challenges, be bold enough to reform the company, and change ourselves. I intend to contribute to achieving the Vision through attaining sustained growth of Meiji.



We actively strive to develop our human capital to bring out the abilities of every one of the Meiji Group's employees (See page 46 for details).

Overview by Business Pharmaceutical Segment



We are Improving the Value of the Pharmaceutical Segment by Contributing to Addressing Social Issues

Daikichiro Kobayashi
 COO (Pharmaceutical Segment)
 Member of the Board and Executive Officer
 Meiji Holdings Co., Ltd.

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

FY2019 in Review

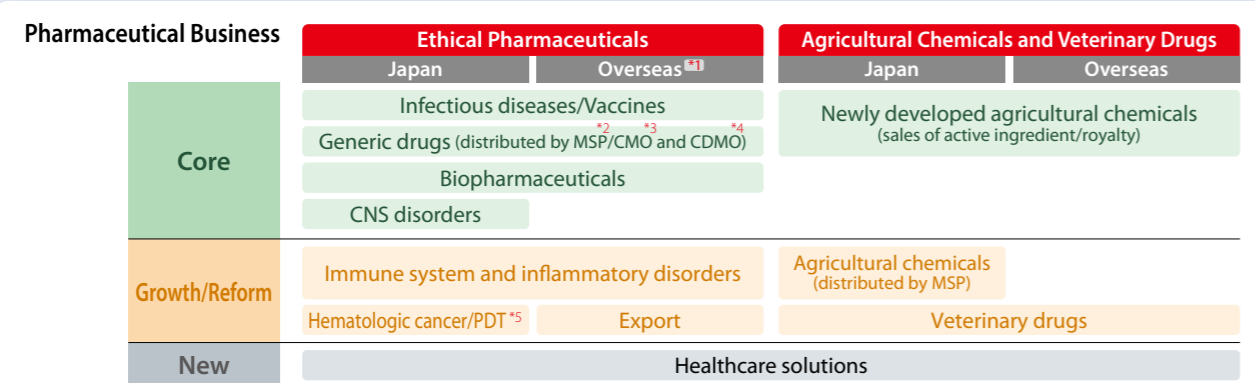
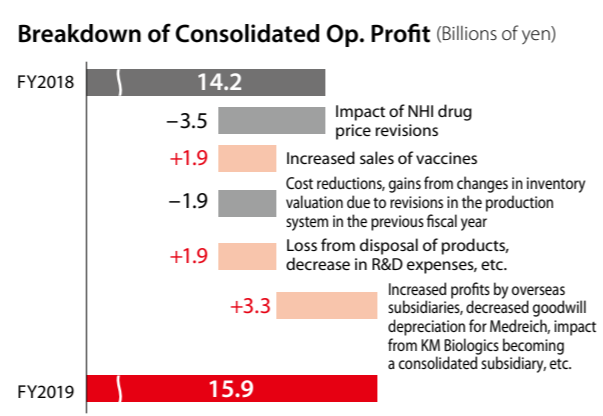
Sales and Profits Increased, with Vaccine Sales Contributing

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

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

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

(Billions of yen)	FY2018 Results	FY2019 Results	YoY Change
Net sales	198.6	204.3	+2.9% +5.6
Operating profit	14.2	15.9	+12.2% +1.7



*1 Core area: ASEAN and Europe, Growth/reform area: Mainland China *2 MSP: Meiji Seika Pharma
 *3 Contract Manufacturing Organization *4 Contract Development and Manufacturing Organization *5 Photodynamic Therapy

Growth Strategy From FY2020

Response in Confronting the COVID-19 Pandemic

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

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

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

Core Businesses

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

Infectious Diseases and Vaccines We provide a stable supply of injectable penicillin antibiotics in Japan, where we hold a market share of approximately 50%. Injectable penicillin antibiotics have become increasingly important lately in the fight against the threat of antimicrobial resistance (AMR), which requires appropriate dose and duration. At the same time, we will fulfill our responsibilities through ensuring stable supply. In addition, we are currently developing OPO595 as a new β-lactamase inhibitor* funded by the Japan Agency for Medical Research and Development (AMED). Due to its unique mechanism of action and potential medical needs for the treatment of AMR infections, we are currently accelerating the development process.

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

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

CNS Disorders

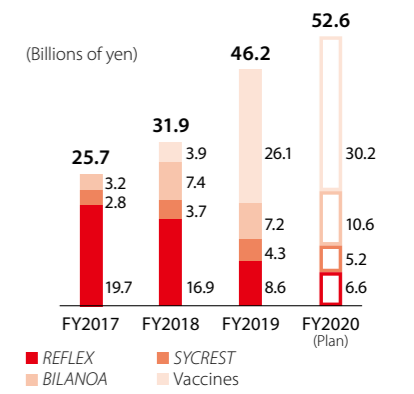
Central nervous system (CNS) disorders are another area where we show our strengths. We have a wide range of drugs for depression and schizophrenia, both brand name and generic drugs. In addition, we have medical representatives who specialize in those areas to provide in-depth and competitive information.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

Generic Drugs

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

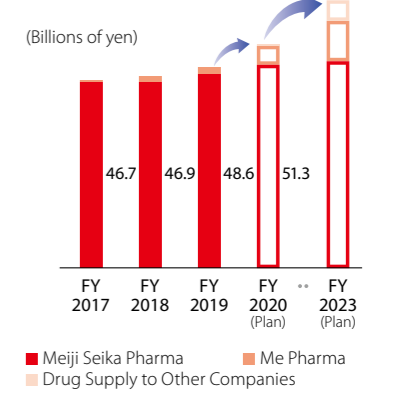
As the global population is growing in developing countries, it becomes increasingly important to improve access to drugs in these countries and regions. We have entered into South Africa markets through a joint venture. We will also supply affordable and high-quality generic drugs to the countries in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

Net Sales (Our Mainstay Products in Japan)



* Sales of REFLEX includes generic drugs from FY2018

Net Sales (Generic Drugs)



Overview by Business **Pharmaceutical Segment**

Growth Strategy From FY2020

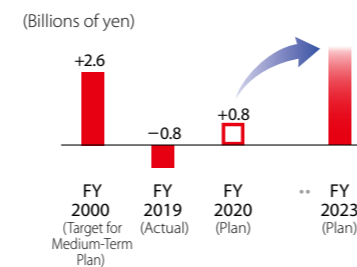
Grow and Reform Businesses Meeting Unmet Medical Needs and Expanding Our Agricultural Chemical Business Globally

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

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

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

Improved income in the agricultural chemical and veterinary drug business (compared to FY2017)



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

Commitment from Top Management

Achieving Our Vision by Addressing Social Issues Through Our Businesses

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

We will focus on the vaccine and antibiotics businesses, and contribute to infection prevention and control through prophylaxis and treatment, to protect people from the risks of infectious diseases. We will work to improve access to drugs globally. In addition, we will strengthen our environmentally friendly agricultural chemical business to improve the global food crisis as populations grow. Combining the management resources of Meiji Seika Pharma and KM Biologics we will create great synergy. Every one of us will try hard to achieve the Meiji

Group 2026 Vision with the strong will and passion to contribute to addressing social issues.



Meiji Seika Pharma's advertising focuses on its mission to protect people from the risks of infectious diseases

List of New Products Under Development

(As of August 12, 2020)

Products	FY2020	FY2021	FY2022
Infectious diseases			
ME1100 Arbekacin inhalation [HABP/VABP] ●	Phase Ib (Overseas)		
OP0595 Nacubactam [β-lactamase inhibitor] ●	Phase I with β-Lactams		
CNS disorders			
ME2112 Ziprasidone [Antipsychotic]	Phase III		
Others			
HBI-8000 Tusidinostat [Relapsed or refractory Adult T-cell leukemia/lymphoma (ATLL)]	Phase II	Apply	Approve
HBI-8000 Tusidinostat [Relapsed or refractory peripheral T-cell lymphoma (PTCL)]	Phase II		
SP-02L Darinaparsin [Relapsed and refractory peripheral T-cell lymphoma (PTCL)]	Phase II	Apply	
Ethical Pharmaceuticals			
DMB-3111 Trastuzumab biosimilar [Breast cancer, Gastric cancer]	(Phase I finished)		
DMB-3115 Ustekinumab biosimilar [Plaque psoriasis, Psoriatic arthritis, Crohn's disease]	Phase I (Overseas)		
Human vaccines			
KD-370 [Pentavalent vaccine against diphtheria, tetanus, pertussis, polio, and haemophilus influenza type b]	Phase III		Apply
KD-382 [Quadrivalent vaccine against dengue fever]	Phase I (Overseas)		
KD-404 [Egg-derived inactivated whole virus influenza vaccine]	Phase I/II		
Blood plasma products			
KD6-71 [Indication expansion for chronic inflammatory demyelinating polyneuropathy (CIDP) and multifocal motor neuropathy (MMN)]	Approved		
KD5-71 [Indication expansion for optic neuritis (ON) (orphan drug)]	Approved		
KD-371 [Indication expansion for microscopic polyangiitis (MPA) (orphan drug)]	Phase III		
KD2-305 [Suppression of bleeding tendency in patients with blood coagulation factor VIII or factor IX deficiency who have coagulation factor inhibitors]	Phase II/III	Apply	Approve
Agricultural chemicals			
ME5382 [Insecticide/Flupyrimin] ●	Approved (Overseas)		
ME5343 [Insecticide] ● Licensing agreement with BASF Discovered in a research collaboration between Meiji Seika Pharma Co., Ltd. and The Kitasato Institute	Approved (Overseas)		
ANM-138 [Insecticide] ● Joint development with Nippon Kayaku	Approved	Approve (Overseas)	
ME5223 [Fungicide/Fenpicoxamid] ● Joint development with Corteva Agriscience	Approved (Overseas)		
Veterinary drugs			
ME4129 [Injectable antibacterial drugs] Expanded indication	Approved		
ME4136 [Injectable antibacterial drugs]	Applied	Approve	
ME4137 [Injectable antibacterial drugs]	Applied		Approve
ME4406 [Feed Additive]	Applied	Apply	
ME4204 [Oral Anthelmintic] Expanded indication	Applied		Approve
ME4624 [Vaccine]	Applied	Approve	
KD-390 [Vaccine for poultry use] ●	Approved		
KD-377 [Vaccine for swine use] ●	Applied	Approve	
KD-386 [Vaccine for swine use] ●	Applied		Approve
KD-395 [Vaccine for swine use] ●	Applied	Apply	Approve

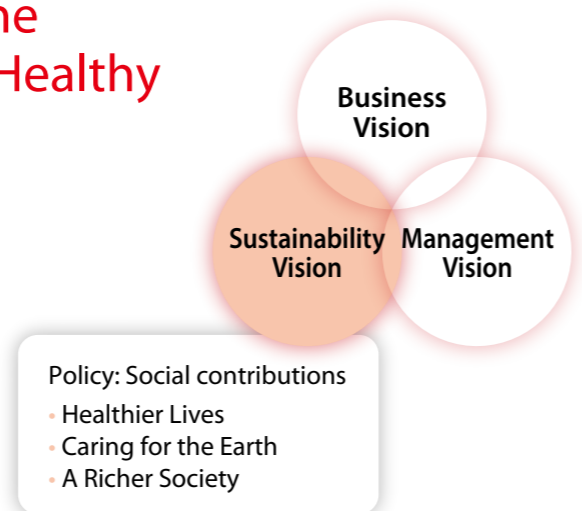
● : compounds discovered in-house

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

The Meiji Group Sustainability

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

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

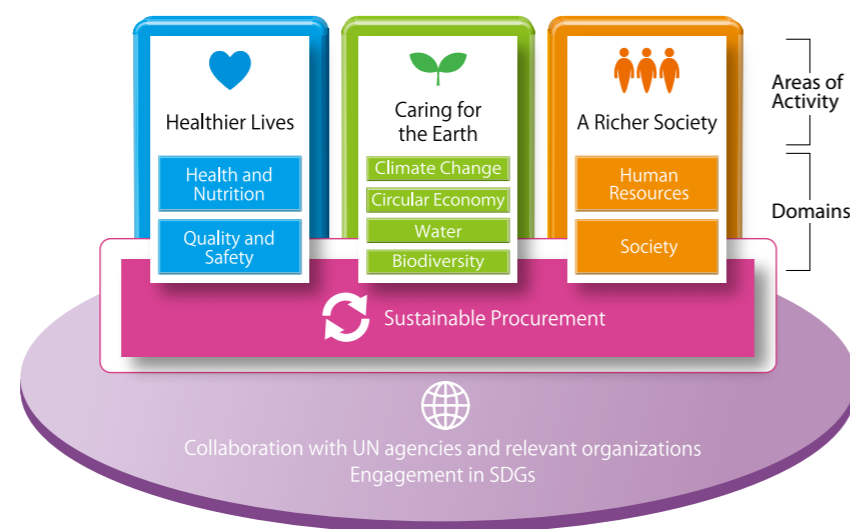


The Meiji Group Sustainability 2026 Vision

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

Outline of Vision

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



* KPI: Key Performance Indicator

Progress of the Meiji Group Sustainability 2026 Vision

- 2017**
 - Began discussions to establish vision
Mr. Peter David Pedersen, Mr. Hidemi Tomita
- 2018**
 - Established the Vision
 - Identify materiality
 - Revised how the vision's activities in each area are related to the SDGs
- 2019**
 - Joined UN Global Compact
 - Discussions with outside experts
Mr. Peter David Pedersen
 - Established Sustainable Management Department at Meiji Holdings
 - Revised human rights policy and procurement policy, and established a new marketing policy

Approach Toward SDGs

The Sustainable Development Goals (SDGs) are a collection of the 17 goals adopted by the United Nations in 2015 for the year 2030. In our endeavors, we have identified 13 primary goals that will contribute to society in the Meiji Group's business activities. We are working to achieve our goals as outlined in the Meiji Group Sustainability 2026 Vision.

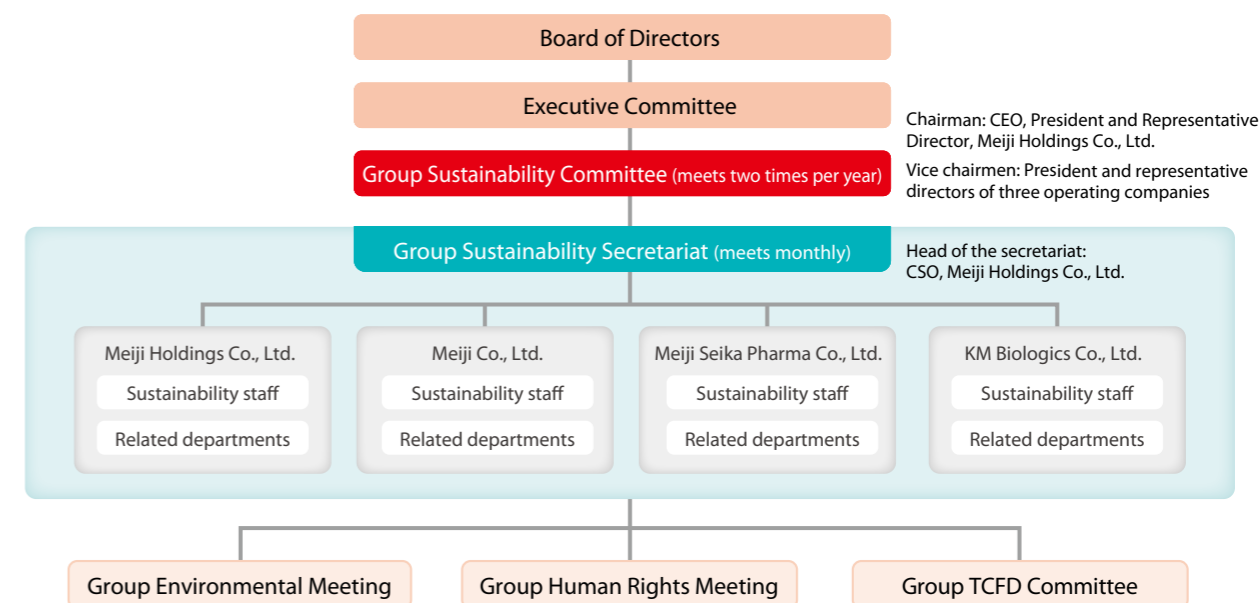
The 13 Main SDGs the Meiji Group Can Address



Group Sustainability System

We have established the Group Sustainability Committee with the CEO, President and Representative Director of Meiji Holdings at its helm. Accordingly, we are promoting sustainability activities following the directions of this Committee. The Committee meets twice annually. It monitors the progress of activities to achieve KPIs in the Meiji Group Sustainability 2026 Vision and establishes sustainability policies. The Committee shares outcomes of activities conducted by each operating company and reports twice annually to the Board of Directors. We have established a Sustainability

Secretariat that meets monthly and its members are sustainability staff from Meiji Holdings and the operating companies. In FY2019, we established the Group Human Rights Meeting and the Group TCFD Committee alongside the Group Environmental Meeting, which is linked to the Sustainability Secretariat. We strengthened our systems for considering concrete measures and launched a number of initiatives including scenario analysis based on TCFD recommendations and conducting human rights due diligence.



We established the Sustainable Management Department in October 2019 under Meiji Holdings to further accelerate sustainability activities across the Group. Then in June 2020 we introduced a Chief Officer system and installed a Chief Sustainability Officer (CSO) who will oversee the sustainability activities of the whole Group and will promote integration with management.

The Meiji Group Sustainability

The Meiji Group Value Chain Sustainability

In managing our business activities, we identify important sustainability issues to address in accordance with the Meiji Group Sustainability 2026 Vision. We then consider the impact they have on society and the environment throughout the value chains: R&D, Procurement, Production and Distribution, and Sales and Communication. By addressing these issues, we can help solve social issues and achieve sustainable growth.



<p>Healthier Lives</p> <p>For details, please see page 40-43.</p>	<ul style="list-style-type: none"> Develop products that contribute to healthy diets (lactobacillus, cocoa, reduced sugar and low fat, etc.) Develop value-added nutrition products (sports nutrition, infant nutrition) Develop products that contribute to a super-aged society (medical nutrition) Develop novel pharmaceuticals and vaccines for Infectious Disease Superior quality management of clinical trials and clinical data 	<ul style="list-style-type: none"> Technical support and livelihood support for farmers through Meiji Cocoa Support (technical guidance on fermentation and cultivation, donations for building wells, etc.) Farm management support program for dairy farmers in Japan (Meiji Dairy Advisory: MDA) <p>▲ Wells donated to cocoa farmers to improve the standard of living</p>	<ul style="list-style-type: none"> Efforts to obtain Global Food Safety Initiative (GFSI) certification Ensure the sustainable supply of pharmaceuticals (important antibiotics, etc.) Ensure stable supplies of agricultural chemicals and veterinary drugs 	<ul style="list-style-type: none"> Disseminate information to promote health and nutrition (nutritional support through sport, education activities on effects of poor nutrition, etc.) Improve access to nutrition in emerging countries (JICA) Support famine relief in emerging countries Offer new food culture and cuisine Improve access to pharmaceuticals (mainly in China and Southeast Asia) Educate about drug-resistant bacteria Provide hygiene education (washing hands, etc.) Provide infection control expertise to agriculture and livestock industries <p>▲ Dietary education</p>
<p>Caring for the Earth</p> <p>For details, please see page 44-45.</p>	<ul style="list-style-type: none"> Develop environment-friendly agricultural chemicals <p>▲ Develop insecticides that eliminate pests and keep beneficial insects such as honey bees</p>	<ul style="list-style-type: none"> Activities to protect forests Biodiversity conservation <p>▲ We named the forest near KM Biologics' Kikuchi Research Center Kumamoto Komorebi No Mori and protect the local ecosystem</p>	<ul style="list-style-type: none"> Promote renewable energy Introduce energy-efficient equipment Promote replacement with CFC substitutes and natural refrigerants Manage chemical substances properly Reduce industrial waste Appropriate Water Management and Water Risk Management (introduce RO membranes, recirculate gray water, etc.) Improve data accuracy using an environmental data management system <p>▲ Solar power generation facilities</p> <p>▲ Paddy field flooding</p>	<ul style="list-style-type: none"> Extend the expiration dates of food products, changing food expiration labels from year-month-date to year-month formats <p>Procurement → Production and Distribution</p> <ul style="list-style-type: none"> Cut food loss through efficient production and distribution management Donate our products to food banks <p>Research and Development → Procurement → Production and Distribution</p> <ul style="list-style-type: none"> Use lighter and thinner plastic container packaging and switch to alternative materials (paper, etc.) Promote the 3Rs* (use returnable bottles for home deliveries, etc.) * Reduce, Reuse and Recycle
<p>A Richer Society</p> <p>For details, please see page 46-49.</p>	<p>Research and Development → Procurement → Production and Distribution → Sales and Communication</p> <ul style="list-style-type: none"> Promote diversity and inclusion Employee-friendly workplaces (encourage personal health management) Support the TCFD and join the consortium Secure and develop human resources 	<ul style="list-style-type: none"> Implementing Human Rights Due Diligence Enhance employee engagement 	<ul style="list-style-type: none"> Conduct social contribution activities through community activities, emergency aid and support in affected areas, and our products (including stable supplies of special milk, donating our products to food banks, Meiji Happiness Fund, hosting Tohoku 3-Prefecture Fair to support areas struck by the Great East Japan Earthquake in 2011) <p>▲ Donate infant formulas to homes for infants and orphanages</p>	
<p>Sustainable Procurement</p> <p>For details, please see page 50-51.</p>	<ul style="list-style-type: none"> Initiatives for stable procurement of premium quality raw milk (physical and chemical analysis of raw milk and development of new testing techniques to evaluate the quality of raw milk) 	<ul style="list-style-type: none"> Procurement based on Procurement Policies and Guidelines Strengthen partnerships with dairy farmers Promote Meiji Cocoa Support (support cocoa farmers, cooperate with WCF, increase amounts of sustainable cocoa beans) Shift to 100% RSPO-certified palm oil Use eco-friendly paper raw materials Conduct supplier audits Secure bulk drug suppliers and have multiple suppliers 	<ul style="list-style-type: none"> Conduct thorough testing of incoming raw milk at plants Conduct taste assessments and disseminate information (train taste testers for raw milk, etc.) <p>▲ Discussing Meiji Dairy Advisory</p>	<ul style="list-style-type: none"> Disseminate information about raw milk and cocoa, etc. <p>▲ Plant tour, Meiji Naruhodo Factory in Tokachi, Hokkaido</p> <p>▲ Hello, Chocolate by meiji</p>

Introduction

Our Value Creation Story

Our Activities for Sustainability

Financial and Non-Financial Section

Corporate Information

The Meiji Group Sustainability

Progress on Materiality

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

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

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

Healthier Lives

Areas/SDGs	Social Issues	KPIs & FY2019 Performance
Health and Nutrition 	<ul style="list-style-type: none"> ★ Contribute to healthy diets ★ Respond to a super-aged society <ul style="list-style-type: none"> Improve nutrition in emerging countries Ensure the sustainable supply of pharmaceuticals Measures against infectious diseases 	<ol style="list-style-type: none"> Develop products that contribute to healthy diets and a super-aged society Performance Health-conscious products 20 Nutritional products with added value 45 Products for a super-aged society 2 Enroll a total of 500,000 participants into nutrition and healthy diet education within three years from FY2018 to FY2020 Performance Total 407,000 (FY2019: 212,000) <p>For details, please see page 41.</p>
Quality and Safety 	<ul style="list-style-type: none"> ★ Ensure product quality and safety 	<p>Obtain Global Food Safety Initiative (GFSI) certification, which includes HACCP*, at all domestic food plants by FY2020 Performance 87% * HACCP: Hazard Analysis and Critical Control Point</p> <p>(NEW) Obtain third party Global Food Safety Initiative (GFSI) certification, which includes HACCP, at all domestic food plants by FY2020 and all global food plants by FY2021</p> <p>For details, please see page 43.</p>

Caring for the Earth

Areas/SDGs	Social Issues	KPIs & FY2019 Performance												
Climate Change 	<ul style="list-style-type: none"> ★ Reduce CO₂ emission volume <ul style="list-style-type: none"> Eliminate the use of specified fluorocarbons 	<p>Reduce total domestic CO₂ emission volume by at least 15% compared with FY2013 baseline by FY2030 Performance 21.5% reduction</p> <p>Domestic CO₂ Emission Volume (10,000 t-CO₂)</p> <table border="1"> <tr> <td>FY2013</td> <td>FY2016</td> <td>FY2017</td> <td>FY2018</td> <td>FY2019</td> <td>FY2030</td> </tr> <tr> <td>58.2</td> <td>52.3</td> <td>50.4</td> <td>48.4</td> <td>45.7</td> <td>49.5</td> </tr> </table> <p>[Base year] [Target]</p> <p>* The domestic Meiji Group, excluding KM Biologics Co., Ltd.</p> <p>(NEW) 1. Reduce group-wide CO₂ emission volume (Scope 1 and 2) by at least 40% compared with FY2015 baseline by FY2030 2. Increase the share of renewable energy to at least 50% of group-wide power usage by FY2030</p> <p>For details, please see page 44.</p>	FY2013	FY2016	FY2017	FY2018	FY2019	FY2030	58.2	52.3	50.4	48.4	45.7	49.5
FY2013	FY2016	FY2017	FY2018	FY2019	FY2030									
58.2	52.3	50.4	48.4	45.7	49.5									
Circular Economy 	<ul style="list-style-type: none"> Reduce environmental burden 	<p>(NEW) Reduce domestic plastic usage, including container packaging, by at least 25% compared with FY2017 baseline by FY2030 and increase use of biomass plastics and recycled plastics</p> <p>For details, please see page 45.</p>												

Water

★ **Secure water resources**

Reduce domestic water consumption volume (per unit of sales) by **at least 20%** compared with FY2015 baseline by FY2030
Performance **14.7% reduction**

Domestic Water Consumption Volume (per Unit of Sales) (1,000 m³/100 million of yen)

FY2015	FY2016	FY2017	FY2018	FY2019	FY2030
2.13	2.07	1.92	1.86	1.82	1.70

[Base year] [Target]

* The domestic Meiji Group, excluding KM Biologics Co., Ltd.
 * Past data has been revised

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

For details, please see [page 45](#).

A Richer Society

Areas/SDGs	Social Issues	KPIs & FY2019 Performance
Human Resources 	<ul style="list-style-type: none"> ★ Promote diversity and inclusion, and develop human resources <ul style="list-style-type: none"> Employee-friendly workplaces 	<ol style="list-style-type: none"> Raise the ratio of female managers from 2.6% in FY2017 to at least 10% by FY2026. Triple the number of female leaders* to at least 420 by FY2026 (The combined total targets for Meiji HD Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. alone, excluding affiliates) Performance Female managers 3.4% Female leaders 189 Raise the ratio of employees with disabilities above the statutory employment quota (The combined total targets for Meiji HD Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. alone, excluding affiliates) Statutory Employment Quota The ratio of employees with disabilities At least 2.2% * From April 1, 2018 Performance 2.28% <p>For details, please see page 46.</p>
Society 	<ul style="list-style-type: none"> ★ Respect and promote human rights <ul style="list-style-type: none"> Communicate with stakeholders Promote philanthropic activities 	<p>Achieve 100% participation of new employees and newly promoted managers for human rights training (The combined total targets for Meiji HD Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. alone, excluding affiliates) Performance 100%</p>

Shared Themes

Areas/SDGs	Social Issues	KPIs & FY2019 Performance
Sustainable Procurement 	<ul style="list-style-type: none"> ★ Procure raw materials with consideration toward human rights and the environment <ul style="list-style-type: none"> Stable procurement 	<ol style="list-style-type: none"> Improve traceability of cocoa Performance Same usage amount as FY2018 Use 100% RSPO*-certified palm oil by FY2023 * RSPO: Roundtable on Sustainable Palm Oil Performance Approximately 10% Increase procurement ratio of sustainable cocoa beans to 100% by FY2026 Use 100% RSPO-certified palm oil globally by FY2023 Use paper raw materials with 100% forest certified (FSC®, PEFC) and/or recycled paper by FY2020 Performance 60.3% <p>For details, please see page 50-51.</p>

Healthier Lives

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

★ Materialities

Health and Nutrition

SDGs for Health and Nutrition



Social Issues Improving nutrition in emerging countries

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

Providing Information and Products to Improve Nutrition in Emerging Countries

Project to Improve Nutrition for Female Factory Workers in Vietnam

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

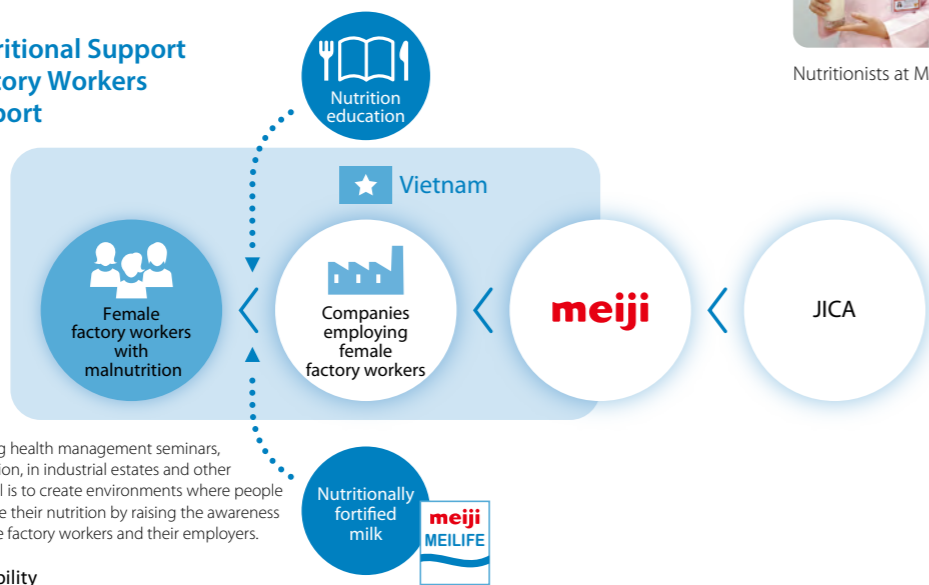


Nutrition awareness seminar and taste-testing MEI-LIFE nutritionally fortified milk for female workers in factories operated by Japanese companies



Nutritionists at Meiji Hanoi Office

Providing Nutritional Support to Female Factory Workers with JICA Support



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

- Social Issues ★ Contribute to healthy eating habits
- ★ Responding to a super-aged society

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

Developing Products That Help to Address Poor Nutrition > See page 38 for details on progress

Launched Meiji TANPACT to Overcome Reduced Protein Intake

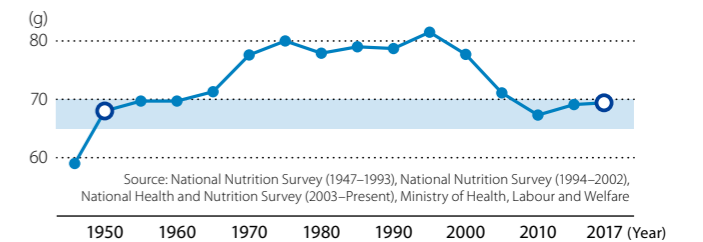
Poor nutrition is an issue not only in emerging countries but also in developed countries. Currently, reduced protein intake is a problem in Japan. All generations are experiencing insufficient nutrition, for example, women who are dieting excessively and the elderly who are eating and exercising less.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



Launched in March 2020, there are 17 Meiji TANPACT available, such as yogurt, jelly beverages, cheese, chocolate, chilled soup and frozen foods (as of July 2020).

WEB Meiji TANPACT brand site <https://www.meiji.co.jp/products/brand/tanpact/> (Japanese only)

Protein Intake per Person in Japan (grams/day)



Expanding Nutrition Education > See page 38 for details on progress

Nutrition Education Activities (Supporting the Growth of Children)

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

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



Wrestling class by wrestler Takuto Otaguro, and a talk show on Yume (dreams) by speed skater Miho Takagi, at Meiji Tokyo 2020 Fes



Lunch meeting on nutrition education by Meiji nutritionists at Meiji Tokyo 2020 Fes

Social Issues Infection prevention and control

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

R&D for New Vaccines

Prevention and Control of COVID-19

KM Biologics is working with national research institutes^{*1} to rapidly develop an inactivated vaccine^{*2}, leveraging the expertise acquired over the years of developing vaccines. After completing non-clinical studies, the company hopes to move to clinical studies as soon as in FY2020. We already have production facilities to manufacture and supply 57 million doses of pandemic influenza vaccine in about six months. We consider utilizing these facilities to quickly supply sufficient quantities of the COVID-19 vaccine when it is ready.

Meanwhile, Meiji Seika Pharma and KM Biologics have agreed to start discussions with AstraZeneca on achieving a stable domestic supply of the COVID-19 vaccine^{*3} that AstraZeneca is planning to introduce in Japan. According to the plan, AstraZeneca will supply the vaccine bulk, KM Biologics will undertake the further production, and Meiji Seika Pharma will handle the distribution and supply management.

*1 The National Institute of Infectious Diseases, The Institute of Medical Science at the University of Tokyo, and The National Institutes of Biomedical Innovation, Health and Nutrition.

*2 Public R&D project adopted by the Japan Agency for Medical Research and Development (AMED)

*3 The vaccine jointly developed by AstraZeneca and Oxford University



Filling line at Koshi Plant which can handle 57 million doses of pandemic influenza vaccine formulation

Appropriate Use of Antibiotics

Efforts to Control Infectious Diseases Caused by Vancomycin-resistant Bacteria

The risk of infectious diseases caused by drug-resistant bacteria* is increasing globally partly due to inappropriate use of antibiotics. One such example is the infectious diseases caused by vancomycin-resistant bacteria. These infections have been increasing because vancomycin has been widely used to treat infection with methicillin-resistant *Staphylococcus aureus* (MRSA). To prevent the spreading of these drug-resistant bacteria, the Ministry of Health, Labour and Welfare (MHLW), the Japan Antibiotics Research Association and pharmaceutical companies established the Vancomycin Study Group. Meiji Seika Pharma has worked as the organizer of the Association since it was established in 2002, leading many efforts to achieve appropriate use of vancomycin. Collaborating with relevant organizations, the Study Group continues to monitor drug quantities used in order to check and understand changes or any signs of increase in drug resistance. The Study Group reports survey results to the MHLW and provides that information to medical institutions.

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

Social Issues Stable supply of pharmaceuticals

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

Stable Supply of Antibiotics

Strengthening Stable Supply System for Five Key Drugs

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

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



Filling process for sulbacillin (PT. Meiji Indonesia Pharmaceutical Industries, Bangil Plant)

Quality and Safety

SDGs for Quality and Safety



Social Issues Ensuring product quality and safety

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

Pursuing Safety to Strengthen Trusted Quality and Brands

See page 38 for details on progress

Obtaining GFSI Certification at All Food Plants

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

Obtaining Anti-doping Certification for Sports Nutrition Products

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



SAVAS Whey Protein 100 (cocoa flavor), with Informed Choice certification

Quality Training for Sales Staff

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



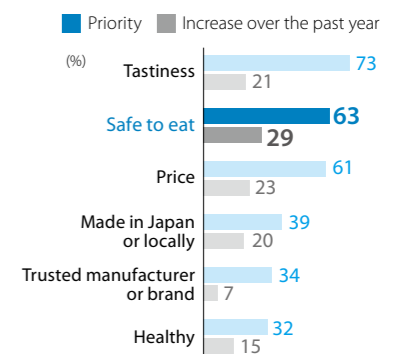
Seminar to promote understanding of quality among sales staff

Enhanced Safety Disclosure

Expiration Date Labelling on Ice Cream for the Consumer Market

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

Priorities When Choosing Food Products



Source: Meiji survey (15–17 November 2019), 2,400 people across Japan aged 20 to 69

Caring for the Earth

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

★ Materialities

Climate Change

SDGs for Climate Change



Social Issues ★ Reduce CO₂ emission volume

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

CO₂ Emission Volume for FY2019

	Domestic	Overseas
Scope1	222 thousand tons-CO ₂ ✓	26 thousand tons-CO ₂
Scope2	280 thousand tons-CO ₂ ✓	76 thousand tons-CO ₂
Scope3	3.035 million tons-CO ₂ *	219 thousand tons-CO ₂
* Category 1: 2.343 million tons-CO ₂ ✓		

(Domestic)
Scopes 1 and 2 are calculated based on the Act on Promotion of Global Warming Countermeasures. The scope of the CO₂ emission volume that are included is noted on p.123.
Scope 3 is calculated based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain.
Scope 3 Categories included in calculation: 1. Purchased Goods and Services, 2. Capital Goods, 3. Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2, 4. Upstream transportation and distribution, 5. Waste Generated in Operations, 6. Business Travel, 7. Employee Commuting, 9. Downstream transportation and distribution, 12. End-of-Life Treatment of Solid Products
Category 1: Calculated by multiplying Emissions Unit Values* by the purchase price for main raw materials and packaging materials (paper, plastic, cardboard, steel, aluminum and glass bottles) used in the food and pharmaceutical businesses.
* Database of Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.0)

(Overseas)
12 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.
The numerical data indicated with ✓ have been assured by an independent practitioner.

Energy-Saving Measures > See page 38 for details on progress

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

Energy-Saving Initiatives in Detail

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



Energy-efficient transformer at Meiji Seika Pharma's Gifu Plant

Promoting Use of Renewable Energy > See page 38 for details on progress

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

Installing and Using Renewable Energy Equipment

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



Solar power generation equipment, which started operation in April 2020 at Meiji's Kyushu Plant

Circular Economy

SDGs for a Circular Economy



Social Issues Reduce environmental burden

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

Reducing Plastic Usage

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



Meiji Probio Yogurt R-1 Drink that uses a thinner plastic bottle design

Environmental Data Management System

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

SDGs for Water



Water

Social Issues ★ Secure water resources

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

Water Consumption Volume for FY2019

Domestic	Overseas
21,822 thousand m ³ ✓	1,418 thousand m ³

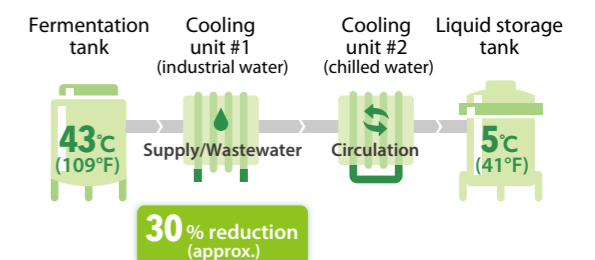
(Domestic)
The scope of the water consumption volume that are included is noted on p.123. The numerical data indicated with ✓ have been assured by an independent practitioner.

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

Water-Saving Initiatives in Detail > See page 39 for details on progress

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

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



The Meiji Group Sustainability

A Richer Society

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

★ Materialities

Human Resources

SDGs for Human Resources



Social Issues

★ Promote diversity and develop human resources

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

Promoting Women in the Workplace to Improve Business Competitiveness > See **page 39** for details on progress

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

Raising Awareness Through the Information Website "CHEER FOR WOMEN"

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

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

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

Participating in "Kirameki Juku" Motivated Me to Improve My Career

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

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

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

Naoko Imai (joined 2007)

Pharmaceutical Sales Div., Marketing Planning & Strategy Dept., Oncology Group
Meiji Seika Pharma Co., Ltd.



Employee Engagement

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

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

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

- 1 Improve Communication** Enhancing Group-wide communication
- 2 Management Reform** Enhancing our function as a communication hub that links management to workplaces and workplace members to each other
- 3 Employee Motivation** Provide opportunities for every employee (especially young employees and leaders) to engage in challenging work



Improve Engagement: KM Biologics

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

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



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

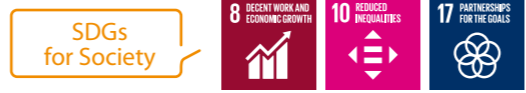
Employee Communication Initiative for A Richer Society

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



We donated confectioneries to Food Bank Yamanashi for Children's Day on May 5, 2020

Society



Social Issues **Respect and promote human rights**

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

The Meiji Group's Basic Approaches to Human Rights

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

Revision of the Group's Human Rights Policy

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

WEB
Meiji Group Policy on Human Rights
<https://www.meiji.com/global/sustainability/policies/>

System for Promoting Respect for Human Rights

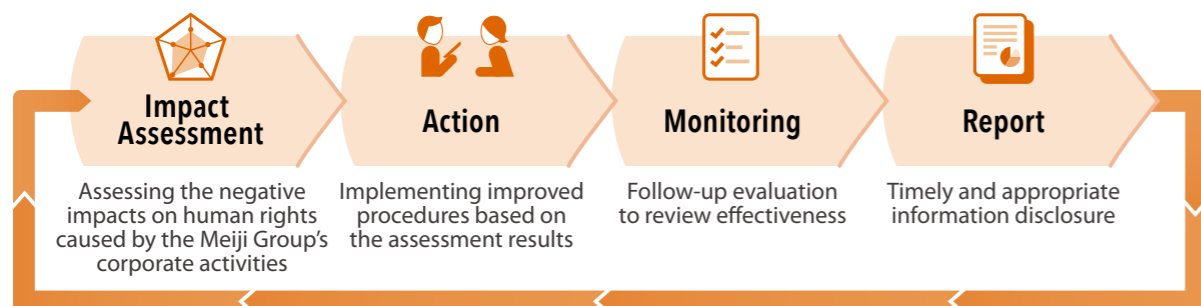
We launched the Group Human Rights Meeting in July 2019 as a cross-organizational meeting and began human rights due diligence. The meeting aims to deal with a variety of human rights issues that society requires companies to address, based on the Framework for Business and Human Rights approved by the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

Human Rights Management System



Implementing Human Rights Due Diligence

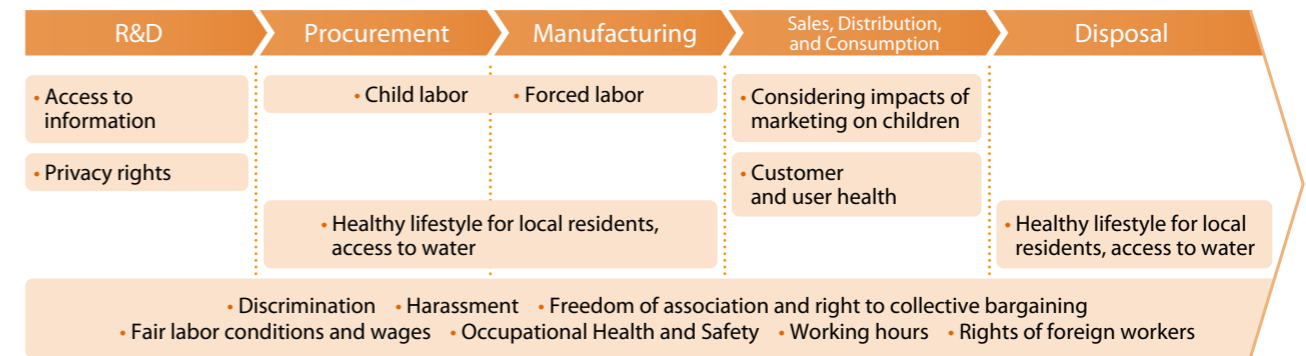
We started the human rights due diligence in FY2019 and it forms our commitment to human rights based on the Meiji Group Human Rights Policy. We make constant efforts to communicate with external stakeholders by: assessing the impact on human rights caused by the Meiji Group's corporate activities and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



Identifying Human Rights Risks and Prioritizing

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

Identifying Important Human Rights Issues in Value Chains



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

High Priority Issues Addressed in FY2019

Human Rights Issues in Ingredient Procurement for Food Products

- Identified six ingredients that are essential to business and pose human rights concerns

- Created a list of Meiji primary suppliers

Human Rights Issues in Raw Materials Procurement for Pharmaceuticals

- Identified country and region of bulk drug suppliers
- Created a list of primary suppliers for Meiji Seika Pharma and KM Biologics

Issue of Human Rights of Foreign Workers

- Created a list of foreign workers in the Group companies in Japan
- Conducted and analyzed a survey of eight Meiji group companies to understand the current situation

Developing a Responsible Supply Chain

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

Supplier Code of Conduct

- Human Rights and Labor**
Respecting the rights of employees, prohibition of forced labor and child labor, etc.
- Safe and Hygienic Workplace Environments**
Protection for employees, ensuring safety, etc.
- Fairness**
Preventing corruption, protection of intellectual property rights, etc.
- Environmental Friendliness**
Reducing greenhouse gas emissions, effective water usage, etc.
- Sustainable Procurement**
Environmentally friendly raw materials procurement, etc.
- Development of Relief System and Prohibition of Retaliation**
Customer service line for complaints and reports
- For Pharmaceutical Companies**
Compliance with pharmaceutical-related laws and regulations, animal welfare, etc.

The Meiji Group Sustainability

Sustainable Procurement

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

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

★ Materialities

Procurement

SDGs for Procurement



Social Issues

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

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

Sustainable Cocoa Bean Procurement

See page 39 for details on progress

Procuring 100% Sustainable Cocoa Beans by FY2026

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



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

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

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



Meiji employees surveying Madagascar cocoa farmers' current situation (environment and quality)

Support Cocoa Farmers Through Meiji Cocoa Support



Palm Oil and Paper Procurement

See page 39 for details on progress

Systematic Shift Toward Certified Palm Oil

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



We visited plantations in Malaysia, a palm oil-producing country, twice in FY2019

Expanding Use of Eco-friendly Paper

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

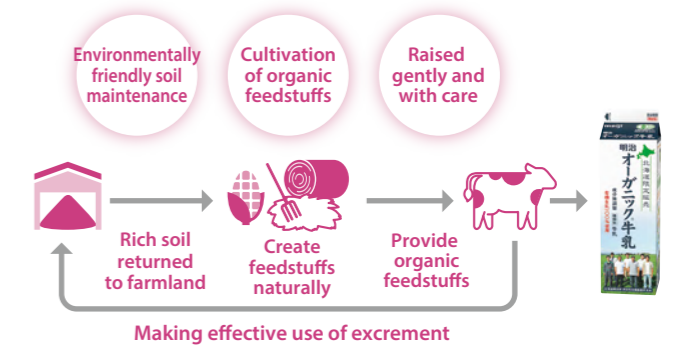
Raw Milk Procurement

The Meiji Group believes it is important to support environmentally conscious dairy farming and to care about the cows' health, in addition to pursuing tastiness in its drinking milk production. We established the Dairy Procurement Guidelines in October 2019 and upheld feeding management that considers the “Five Freedoms” animal welfare policy. In addition to responding to ethical considerations, we will drive the sustainable development of dairy farming and the dairy industry in cooperation with relevant parties.

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

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

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



Organic Dairy Farmers Share Their Story

After receiving the proposal from Meiji, and realizing that we should practice environmentally conscious dairy farming, we began working to produce organic drinking milk. We didn't have any know-how at the beginning, and we struggled to produce feedstuffs without chemical fertilizers and agricultural chemicals. But now that things are going smoothly, we believe more than ever that organic farming is meaningful. Therefore, we would like to continue our efforts to produce organic drinking milk with Meiji. And we hope that someday customers will purchase drinking milk because it is made from raw milk produced in a way that is friendly to both the environment and the cows.



Mr. Kenichi Ishikawa and his wife
Chairman, Tsubetsu Organic Dairy Farming Society

Directors and Audit & Supervisory Board Members

(As of Jun 26, 2020)



1 Kazuo Kawamura

CEO^{*1}
 President and Representative Director
 President (Corporate Develop. Dept.)
 President (Co-Creation Center)

Significant Concurrent Positions

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

2 Daikichiro Kobayashi

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

Significant Concurrent Positions

President and Representative Director,
 Meiji Seika Pharma

3 Katsunari Matsuda

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

Significant Concurrent Positions

President and Representative Director,
 Meiji

7 Tohru Murayama

Member of the Board (Outside)
 Independent director

Significant Concurrent Positions

Visiting Professor,
 Faculty of Science and Engineering,
 Waseda University

8 Mariko Matsumura

Member of the Board (Outside)
 Independent director

Significant Concurrent Positions

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

9 Mineo Matsuzumi

Audit & Supervisory Board Member

Significant Concurrent Positions

Audit & Supervisory Board Member,
 KM Biologics

4 Koichiro Shiozaki

CFO^{*3}
 Member of the Board
 and Senior Executive Officer
 Managing Executive Officer
 (Financial & Accounting Dept.)
 Senior Managing Executive Officer
 (HR & General Affairs Dept.)

Significant Concurrent Positions

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

5 Jun Furuta

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

Significant Concurrent Positions

Member of the Board, Meiji

6 Tomochika Iwashita

Member of the Board (Outside)
 Independent director

10 Hiroyuki Tanaka

Audit & Supervisory Board Member

11 Hajime Watanabe

Audit & Supervisory
 Board Member (Outside)
 Independent director

Significant Concurrent Positions

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

12 Makoto Ando

Audit & Supervisory
 Board Member (Outside)
 Independent director









Significant Concurrent Positions

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

*1 CEO (Chief Executive Officer): Oversees management of entire Group
 *2 COO (Chief Operating Officer): Oversees business operations for Food segment and Pharmaceutical segment
 *3 CFO (Chief Financial Officer): Oversees Group financial strategy and operational management
 *4 CSO (Chief Sustainability Officer): Oversees Group sustainability strategy, sustainability activities





Responsibilities of Members of the Board and Audit & Supervisory Board Members (As of Jun 26, 2020)

Members of the Board

Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY2019)		Number of years as Member of the Board	Number of the Company's shares held *	Main expertise and background								Advisory body members to the Board of Directors		
		Board of Directors	Audit & Supervisory Board			Management strategies	Global business	Sales Marketing	IT	Accounting	HR	Legal affairs	Corporate communication	Nomination Committee	Compensation Committee	
	CEO President and Representative Director	16/16		8 years	35,324 shares	●		●					●	●	Chairperson	Chairperson
	COO (Pharmaceutical Segment) Member of the Board and Executive Officer	16/16		6 years	11,334 shares	●		●								
	COO (Food Segment) Member of the Board and Executive Officer	16/16		2 years	9,492 shares	●		●								
	CFO Member of the Board and Senior Executive Officer	16/16		5 years	11,248 shares	●				●		●				
	CSO Member of the Board and Senior Executive Officer	16/16		6 years	4,906 shares	●	●			●			●			
	Member of the Board (Outside) Independent director Career summary/Ex-Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd. Ex-President, Tokio Marine & Nichido Life Insurance Co., Ltd.	16/16		4 years	1,049 shares	●		●				●		●	●	●
	Member of the Board (Outside) Independent director Career summary/Ex-Representative Director and President and Ex-Director and Chairman, Accenture Japan Ltd.	16/16		4 years	697 shares	●	●	●	●					●	●	●
	Member of the Board (Outside) Independent director	16/16		2 years	217 shares							●		●	●	●

Outside

Audit & Supervisory Board Member

Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY2019)		Number of years as Audit & Supervisory Board Member	Number of the Company's shares held *	Main expertise and background								Advisory body members to the Board of Directors		
		Board of Directors	Audit & Supervisory Board			Management strategies	Global business	Sales Marketing	IT	Accounting	HR	Legal affairs	Corporate communication	Nomination Committee	Compensation Committee	
	Audit & Supervisory Board Member Audit & Supervisory Board Member, KM Biologics	16/16	15/15	3 years	3,641 shares				●	●	●					
	Audit & Supervisory Board Member	16/16	15/15	3 years	7,372 shares				●							
	Audit & Supervisory Board Member (Outside) Independent director	15/16	14/15	7 years	—							●				
	Audit & Supervisory Board Member (Outside) Independent director	16/16	15/15	3 years	1,431 shares					●						

Outside

* As of the end of May 2020 **WEB** Governance <https://www.meiji.com/global/investors/governance/>

Dialogue:
Murayama, Independent Outside Director
Spoke to
Mr. Era, Managing Director, BlackRock Japan

Investor Insight into the Meiji Group's Possibilities

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



Tohru Murayama
 Independent Outside Director

Mr. Akitsugu Era
 Managing Director, Investment
 Head of Investment Stewardship
 BlackRock Japan Co., Ltd.

The Stance of an Independent Outside Director

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

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

Era What did you consider important during formulation of the 2026 Vision?

Murayama In management, it is important to visualize the big picture. Leaders should present employees a big picture and encourage their actions and thus achieve major growth. During the formulation process, I suggested the bigger the Vision the better. But, the bigger the picture, the harder it is to realize. You will need a well-thought-out plan. While we must continue improving on a day-to-day basis, I believe that management should consider how we can get to the goal and show what is to be done, to what degree and by when to accomplish. The Meiji Group management is advancing three steps to achieve major growth, that is, formulate the 2026 Vision, a three-year Medium-Term Business Plan and a business plan for each fiscal year. I am certain that the management is aware that a bird's-eye view is crucial to accomplish the Vision.

Achieving the Meiji Group 2026 Vision

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

Murayama The Meiji Group is about to enter a new phase. Following management integration, the initial role of Meiji Holdings was to supervise the management of both operating companies and to build a common platform for functions like personnel evaluations and compliance. The holding company spearheaded management of the Group during this first phase. Now the evolution continues with Meiji Holdings

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

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

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

beginning to assume a true leadership role to pull along the entire Group. This is evident in regard to environmental, social and governance (ESG). Meiji Holdings set up the Sustainable Management Department to advance a full program of activities in this area. Despite concerns that ESG activities may push up costs and lower productivity in the short term, Meiji Holdings demonstrates strong leadership here, knowing the efforts will improve the Group's corporate value in the future.

Era The Meiji Group operates two businesses—Food and Pharmaceutical—and because

Dialogue: Murayama, Independent Outside Director Spoke to Era, Managing Director, BlackRock Japan



Even During the Novel Coronavirus Disease (COVID-19) Pandemic, the Meiji Group is Pursuing Sustainable Growth. Independent Outside Directors are Responsible for Keep Questioning and Checking the Validity of Business Decisions

of that, it could be complicated for investors in grasping the overview of the business strategy. What is your view on this point?

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

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

Murayama Yes. The Co-Creation Center unites expertise from Food and Pharmaceutical businesses to further research in the health value domain. It also promotes open innovation. The 2026 Vision calls for *new challenges in the health value domain*. Meiji Holdings drives these activities, drawing talent from the research labs of both operating companies. It is something new to me, when I first I became an independent outside director I didn't see such an attempt. New businesses may result in a new operating

Meiji Group Governance

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

company alongside Meiji, Meiji Seika Pharma and KM Biologics. To realize each target of the 2026 Vision, Meiji Holdings is looking to take a big step forward, reinventing itself as a company that leads the Group, rather than supervises.

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

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

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

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

Murayama I believe the Group's Board of Directors is conducive environment to in-depth debate.



As Investors, We Expect Independent Outside Directors to Deliver an Objective Assessment of Management that Makes a Company Easier to Trust

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

Era Such communication is effective because there is trust between the management and the

independent outside directors. Very interesting.

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

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

Issues for the Meiji Group Amid the COVID-19 Pandemic

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

Era Focusing on ROE is a valid approach to address the issue of poor capital efficiency due to excess cash or other assets on balance sheet. Although at BlackRock, we take a cautious view towards corporate behaviors pursuing short-term returns by relying on excessive use of financial leverage. I believe in the importance of ensuring financial stability, in order to overcome times of crisis without sacrificing investments for the future. This also means that we are focusing on

how companies utilize its cash and assets to set back course after things are more visible. What is the impact of the pandemic on the Meiji Group's plans to achieve its long-term vision?

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

Corporate Governance

Basic Views

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

The basic approach to management of the Group is for operating companies to manage businesses autonomously while collaborating with each other under the holding company's control.

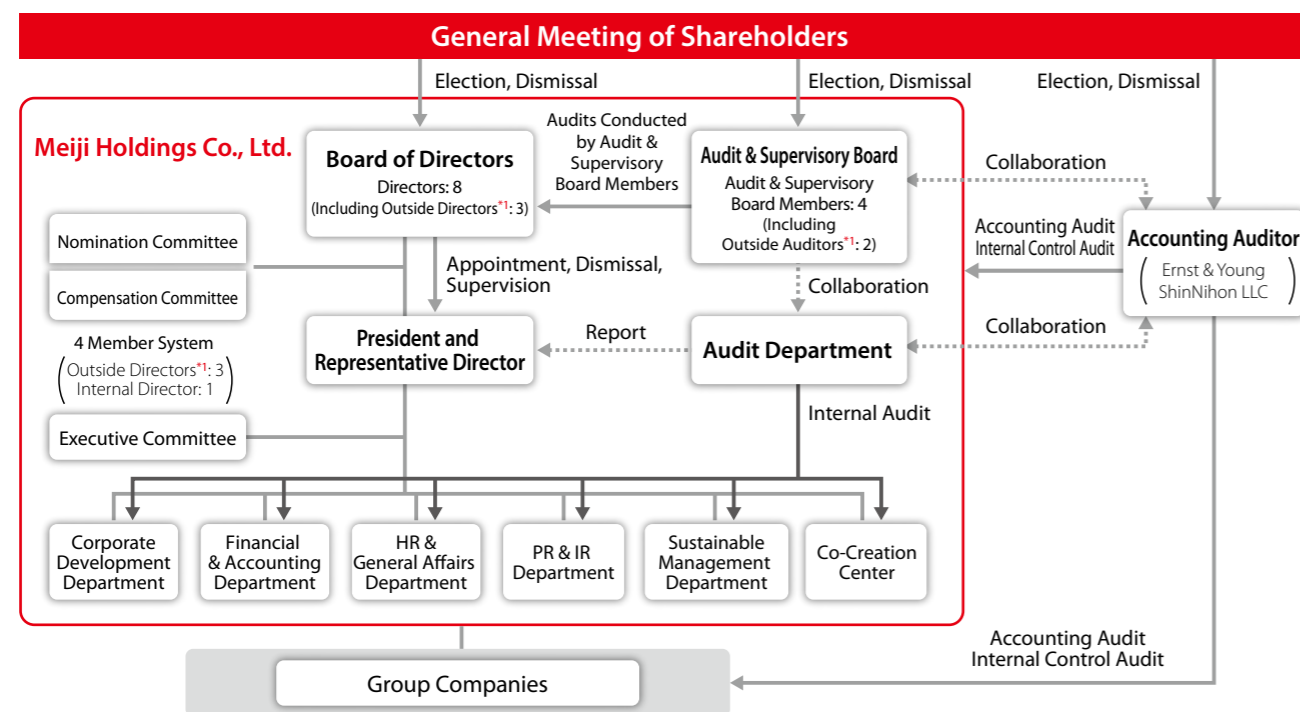
The main role of Meiji Holdings Co., Ltd. are: promote Groupwide management strategies; create an optimal

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

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

WEB Corporate Governance
<https://www.meiji.com/global/investors/governance/corporate-governance/>

Corporate Governance System (As of June 26, 2020)



Corporate Governance Data

(As of June 26, 2020)

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

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

Features of the Meiji Group Corporate Governance

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

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

Initiatives to Enhance the Corporate Governance System and Improve its Effectiveness

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

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

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

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

Criteria for Independence of Outside Members of the Board and Outside Audit & Supervisory Board Members

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

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

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

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

Reasons for Nomination of Outside Directors and Auditors

Outside Member of the Board of Directors

Tomochika Iwashita

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

Tohru Murayama

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

Mariko Matsumura

Mariko Matsumura has a prolific career as an attorney at law. We elected her as an Outside Member of the Board so that she can advise the Group's management from a sophisticated and professional perspective, and appropriately supervise the execution of its business operations. While she has not been involved in corporate management in the past, except as an Outside Member of the Board or an Outside Audit & Supervisory Board Member, we concluded that she would be able to perform her duties appropriately as an Outside Member of the Board for the reasons mentioned above.

Outside Audit & Supervisory Board Members

Hajime Watanabe

Hajime Watanabe has a prolific career as an attorney at law and has deep expertise in international business transactional law areas. We elected him as an Outside Audit & Supervisory Board Member so that he can supervise the execution of the Group's business operations from an objective and impartial perspective.

Makoto Ando

Makoto Ando has built a prolific career and gained deep expertise in both the private sector, working in major audit firms and accounting firms in Japan and overseas as a certified public accountant, and the public sector. We elected her as an Outside Audit & Supervisory Board Member so that she can supervise the execution of the Group's business operations from an objective and impartial perspective.

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

Succession Planning for the CEO and Other Top Executives

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

In addition, the development policy for our succession planning was discussed and decided by the Board meeting in March 2019 after consideration by the Nomination

Committee. Candidate screening and nomination for the next presidents of the Company and major group companies are to be discussed by the Nomination Committee.

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

Leadership Values, Competencies for managers who drive the Group forward

Ability to instigate change and lead reform efforts



Discussions in the Nominating Committee

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

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

Effectiveness of the Board of Directors

Plans to improve the effectiveness of the Board of Directors

The Board of Directors generally meets once a month. Meeting materials are distributed in advance to facilitate substantive and lively discussions. If necessary, independent outside directors are given prior briefings to clarify points of meetings.

To improve the effectiveness of the Board of Directors, independent outside directors and auditors hold regular meetings. In the meetings, they exchange objective ideas and share information, and increase their understanding of segment-specific business. Also, outside directors and auditors tour major facilities a few times a year.

Meetings of outside directors and auditors

Outside directors and auditors met three times during FY2019. Some topics for the meetings were as follows:

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

Facility tours by outside directors and auditors

Outside directors and auditors toured facilities twice in FY2019.

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

Evaluation of the Board of Directors

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

1. Method for analyzing/evaluating effectiveness of the Board in FY2019

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

In compliance with the Corporate Governance Policy, the Meiji Group has conducted self-assessments for the effectiveness of the Board once each year since FY2015. We use a questionnaire prepared by the Board's secretariat. Based on the survey results, we analyze and evaluate the Board and identify issues for improving its effectiveness. The questionnaire to evaluate the Board for FY2019 was conducted in May 2020.

Self-assessment questionnaire categories

Self-assessment categories are set from the following perspectives.

- Corporate Governance Policy
Roles of the Board (setting strategic direction, overseeing company, preparing succession plan, discussing/deliberating/reporting on business matters) and composition of the Board
- Performance of the Board of Directors
Chairperson's performance, quality of meeting materials and presentations, and secretariat's performance
- Challenges from the previous fiscal year
Progress in achieving challenges set in the previous fiscal year

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

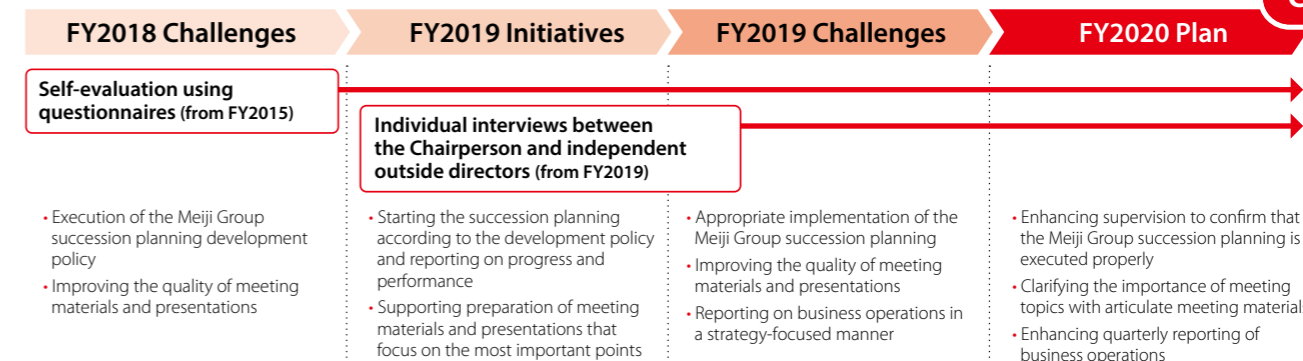
From FY2019, the Chairperson had individual interviews with independent outside directors. In the meetings, they discussed roles, composition and performance of the Board and considered the Board's ideal state for the Meiji Group to achieve sustainable growth.

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

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

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

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



Executive Remuneration

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

Director Remuneration (Excluding Outside Directors)

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

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

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

Breakdown of Director Remuneration (FY2019)

Information is disclosed such as the total amount of remuneration for each type of director, the total amount for each type of compensation and the number of officers that are paid.

In addition, the individual remuneration is disclosed for any director who has a total compensation of JPY 100 million or higher. The details of the remuneration for each type of director during FY2019 are as follows.

	Total Amount of Remuneration	Monetary Compensation				Stock Compensation	
		Base Compensation		Performance-linked Compensation		Total Amount	Number of Officers
		Total Amount	Number of Officers	Total Amount	Number of Officers		
Directors (other than outside directors)	¥401 million	¥196 million	8	¥155 million	6	¥49 million	6
Audit & Supervisory Board members (other than Audit & Supervisory Board members)	¥55 million	¥55 million	2	—	—	—	—
Member of the Board (Outside)	¥43 million	¥43 million	3	—	—	—	—
Audit & Supervisory Board Member (Outside)	¥26 million	¥26 million	2	—	—	—	—
Total	¥526 million	¥321 million	15	¥155 million	6	¥49 million	6

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

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

Outside Director and Audit & Supervisory Board Member Remuneration

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

Methods for Determining Amounts

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

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

Corporate Governance

Cross-Shareholding of Listed Companies

We hold cross-shareholdings when we consider it would:

- 1) Accelerate the Group's financial operations
- 2) Strengthen our relationship with our group companies
- 3) Strengthen the Group's transactional relationships
- 4) Be reasonable in light of our responsibility to shareholders

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

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

Following its September 2019 review, the Board of Directors concluded that the Company should continue holding 31 of the brands.

As a rule, we will exercise our voting rights in a company respecting the judgment of the stock issuing company's board of directors. However, we will decline to do so if we think that it would negatively impact the business relationships between group companies or if it would clearly harm the common interests of shareholders.

Constructive Dialogue with Shareholders

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

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

- In addition to one-on-one meetings, the Company holds earnings conferences twice-yearly for institutional investors and securities analysts to announce the second quarter and the fiscal year results, as well as small meetings led by the Company President. We also hold conference calls with institutional investors and securities analysts at the end of the first and third quarter.

- We work to promote dialogue with individual shareholders and to inform them about the Group's businesses. In FY2019, we held briefings for individual shareholders in Kansai and Tohoku. We gave individual shareholders guided tours of Sakado plant in Saitama. We will work to increase dialogue and provide Group information to individual shareholders to foster understanding of the Group.

- We are promoting ESG dialogue with investors. We hold one-on-one meetings with institutional investors and conferences for institutional investors and securities analysts.

- We provide information via our website for shareholders and investors. Types of information we post on our website are:
Investment securities reports, Financial statements (Japanese and English), Integrated reports (Japanese and English), Presentation materials (Japanese and English) and video streaming (Japanese) of earnings conferences for analysts and institutional investors, and Q&A summaries (Japanese and English). We also post photos of briefings for individual investors and events for individual shareholders.

- Comments and feedback collected through investor relations activities are summarized into reports. The director in charge of Public Relations & Investor Relations reports to the Executive Committee and the Board of Directors regularly.

- Dialogue with shareholders is held in accordance with the Rules Concerning the Prevention of Insider Trading, which outlines the handling of important information. Due care is also given to insider information during communication. We set quiet period.

Compliance

Basic Views

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

Management System

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

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

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

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

Anti-Corruption

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

Tax Compliance

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

Risk Management

Basic Views and Management System

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

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

The Meiji Group Business Management Risks

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

Strengthening Our Business Continuity Planning (BCP)

We are in the process of further strengthening our business continuity plans and developing our systems. In the event of a major earthquake, pandemic or other large-scale disaster, our obligation as a corporate group involved in Food and Health is to restore operations as quickly as possible so that we can fulfill our mission to supply necessary pharmaceuticals and food products.

* **WEB** See the “Securities Report (FY2019)” on p.15. (Japanese only)
https://www.meiji.com/investor/library/securities/2020/pdf/securities_2020_04.pdf

Visions. The Executive Committee combines these business risks with the Group visions and evaluates and confirms them. We thus build a risk management system that also adapts to changes in the business environment.

Risks are assessed taking into account the likelihood of occurrence and the level of impact on the Group.
 ◎ : Risks of greater importance

➤ For information on the Meiji Group 2026 Vision, please see **page 8-9**.

Business Risks			
	Risks	Countermeasures	Importance to the Group
Sale and supply of products and services	<ul style="list-style-type: none"> Abandon to launch planned product Changes in customer lifestyles and values Negative rumors about the Meiji Group's core materials (milk, cocoa, etc.) 	<ul style="list-style-type: none"> Establish solid Proofs of Concept (POC) Gather information on market trends Develop products that are friendly to the environment and society Create products and services unique to Meiji that address social issues Appropriately disseminate relevant information about products and materials 	○
The majority of profits comes from specific products	<ul style="list-style-type: none"> Sluggish sales of products that account for a considerable portion of sales and profits 	<ul style="list-style-type: none"> Implement promotions that maximize unique value Improve product portfolio management Explore new markets and new business domains 	◎
Supply chains	<ul style="list-style-type: none"> Insufficient or excess procurement or price increases of raw materials Difficulties in procuring raw milk Cessation of production due to production problems, etc. Unstable product supplies due to distribution problems 	<ul style="list-style-type: none"> Gather information on raw materials markets and promote procurement strategies Diversify suppliers and consider alternative materials Strengthen coordination between production and sales divisions Improve distribution efficiency through labor-saving/automation 	○
Technological advances	<ul style="list-style-type: none"> Rapid advances in digital technologies Discovery of innovative treatment methods, manufacturing methods and formulation methods 	<ul style="list-style-type: none"> Consider introducing new technologies as early as possible Research new manufacturing and formulation methods, and search for alliances 	○
Laws and regulations	<ul style="list-style-type: none"> Revisions that significantly impact corporate activities NHI drug price revisions 	<ul style="list-style-type: none"> Obtain information about system revisions early and implement countermeasures Make appropriate approaches to relevant government authorities Expand portfolio of products that are not affected by NHI drug price revisions 	○

Overseas expansion and overseas Group companies	<ul style="list-style-type: none"> Rapid changes in society, or outbreaks of war or terrorism Revisions of the systems that greatly exceed expectations in various countries 	<ul style="list-style-type: none"> Gather information, and investigate and implement countermeasures early Create product supply systems from multiple locations 	◎
Business plans, etc.	<ul style="list-style-type: none"> Failure to achieve the Visions or Medium-Term Business Plans due to change in business conditions Growth slowdowns in Core Business, or failure to achieve targets for overseas markets or new business domains Impairment losses on non-current assets or goodwill Fluctuations in foreign exchange or interest 	<ul style="list-style-type: none"> Enhance unique value and search for new value Provide unique value in overseas markets Manage business portfolio from the perspectives of profitability, growth and productivity Make decisions and monitor investment and M&A plans appropriately Use foreign exchange contracts and borrow at fixed interest rates 	○

Sustainability-related Risks

	Risks	Countermeasures	Importance to the Group
Caring for the Earth	<ul style="list-style-type: none"> Respect for the environment in corporate activities 	<ul style="list-style-type: none"> Reduce CO₂ emissions and prevent fluorocarbon leaks, switch to renewable energies, appropriately treat wastewater and industrial waste, and conduct initiatives in compliance with ISO 14001 Manage supply and demand, and decrease food loss Comply with policies related to the environment 	○
Climate change	<ul style="list-style-type: none"> Address climate change 	<ul style="list-style-type: none"> Analyze climate change scenarios according to the TCFD framework, formulate strategies and release information 	○
A Richer Society	<ul style="list-style-type: none"> Sustainable raw material procurement Consider human rights, and human rights issues Understand diversity, and use a diverse workforce effectively 	<ul style="list-style-type: none"> Increase the ratio of sustainably procured raw materials, such as cocoa beans and palm oil Strengthen cooperation and collaboration with dairy farmers and other suppliers Address challenges of human rights based on due diligence Create organizations and cultures that value diverse perspectives and abilities Comply with policies related to procurement, human rights and society, etc. 	○

Management-related Risks

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

Financial and Non-Financial Highlights (11 Years Summary)

Consolidated Balance Sheet

Financial information			Unit	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2019	Unit *1
For the fiscal year:	Net sales		Millions of yen	1,106,645	1,114,095	1,109,275	1,126,520	1,148,076	1,161,152	1,223,746	1,242,480	1,240,860	1,254,380	1,252,706	11,510,668	Thousands of U.S. dollars
	Segment	Food	Millions of yen	—	988,854	986,319	1,001,551	1,015,265	1,021,806	1,061,398	1,082,115	1,073,655	1,056,637	1,049,559	9,644,024	Thousands of U.S. dollars
		Pharmaceuticals	Millions of yen	—	124,202	125,274	127,361	135,105	141,338	164,542	161,620	168,466	198,688	204,354	1,877,743	Thousands of U.S. dollars
	Segment (Overseas)	Food	Millions of yen	—	—	—	—	29,097	29,418	38,353	38,191	43,474	47,182	48,422	444,931	Thousands of U.S. dollars
		Pharmaceuticals	Millions of yen	—	—	—	—	17,325	23,961	41,961	38,731	39,485 ^{*13}	41,009	43,507	399,775	Thousands of U.S. dollars
	Gross profit		Millions of yen	371,970	381,234	370,774	382,684	394,062	403,386	445,561	461,326	454,882	456,569	462,523	4,249,958	Thousands of U.S. dollars
	Operating profit		Millions of yen	28,786	28,873	20,189	25,859	36,496	51,543	77,781	88,395	94,673	98,383	102,708	943,752	Thousands of U.S. dollars
	Profit before income taxes		Millions of yen	24,100	17,925	14,588	25,214	33,687	48,657	95,210	89,192	91,079	94,586	97,747	898,169	Thousands of U.S. dollars
	Profit attributable to owners of parent		Millions of yen	13,088	9,552	6,805	16,646	19,060	30,891	62,580	60,786	61,278	61,868	67,313	618,516	Thousands of U.S. dollars
	Capital expenditures *2		Millions of yen	—	40,511	38,324	37,668	47,038	64,347	42,354	50,417	71,777	71,243	71,109	653,587	Thousands of U.S. dollars
	Research and development costs		Millions of yen	22,693	23,418	23,823	26,199	26,067	26,105	27,308	26,162	26,507	29,182	31,446	288,951	Thousands of U.S. dollars
	Depreciation *3		Millions of yen	39,087	41,345	40,871	40,821	40,972	41,885	42,077	45,872	46,511	43,033	46,185	424,382	Thousands of U.S. dollars
	Cash flows from operating activities (A)		Millions of yen	47,704	57,995	30,597	50,622	63,847	86,487	105,155	81,888	108,775	112,100	114,103	1,048,453	Thousands of U.S. dollars
	Cash flows from investing activities (B)		Millions of yen	(33,641)	(32,440)	(44,314)	(39,504)	(47,293)	(92,822)	(9,809)	(44,291)	(64,394)	(100,202)	(70,811)	(650,660)	Thousands of U.S. dollars
	Cash flows from financing activities		Millions of yen	(12,674)	(19,570)	4,861	(9,411)	(18,194)	6,846	(85,071)	(46,548)	(40,121)	(13,980)	(30,287)	(278,302)	Thousands of U.S. dollars
	Free cash flows (A+B)		Millions of yen	14,066	25,555	(13,716)	11,118	16,553	(6,335)	95,346	37,597	44,380	11,898	43,291	397,792	Thousands of U.S. dollars
At fiscal year-end:	Total assets		Millions of yen	730,044	716,368	749,985	785,514	779,461	877,367	856,115	883,895	927,544	1,004,143	998,637	9,176,119	Thousands of U.S. dollars
	Interest-bearing debt		Millions of yen	199,400	192,810	205,261	205,394	198,376	221,480	147,828	129,497	119,102	116,385	106,764	981,025	Thousands of U.S. dollars
	Shareholders' equity		Millions of yen	289,886	287,782	291,589	313,383	320,447	370,341	408,874	448,901	487,310	527,310	562,747	5,170,885	Thousands of U.S. dollars
Per share data *4	Profit (EPS)		Yen	88.87	64.82	46.19	112.99	129.40	209.79	425.06	413.11	422.15	426.61	464.04	4.263	U.S. dollars
	Net assets (BPS) *5		Yen	1,966.53	1,953.18	1,979.12	2,127.28	2,175.98	2,515.26	2,777.28	3,064.91	3,360.70	3,635.79	3,879.14	35.644	U.S. dollars
	Cash dividends		Yen	40.00	40.00	40.00	40.00	40.00	50.00	90.00	110.00	130.00	140.00	150.00	1.378	U.S. dollars
Ratios	Return on Equity (ROE)		%	4.6	3.3	2.3	5.5	6.0	8.9	16.1	14.2	13.1	12.2	12.4		
	Return on Assets (ROA)		%	3.9	4.2	3.0	3.8	5.0	6.5	9.4	10.2	10.6	10.3	10.3		
	Equity ratio		%	39.7	40.2	38.9	39.9	41.1	42.2	47.8	50.8	52.5	52.5	56.4		
	Payout ratio		%	45.0	61.7	86.6	35.4	30.9	23.8	21.2	26.6	30.8	32.8	32.3		

Non-financial information

CO ₂ emission volume	Japan	Scope1 *6	10,000 t-CO ₂	—	—	48.4	52.4	58.2	56.8	55.0	23.6	23.0	22.8	22.2				
		Scope2 *6	10,000 t-CO ₂	—	—	—	—	—	—	—	—	28.7	27.4	28.2	28.0			
		Scope3 *7	10,000 t-CO ₂	—	—	—	—	—	—	—	—	—	203.5	318.9	303.5			
	Overseas	Mainland China *8	Scope1	10,000 t-CO ₂	—	—	—	—	—	—	4.1	0.5	0.3	0.5	0.5			
			Scope2	10,000 t-CO ₂	—	—	—	—	—	—	—	—	3.5	3.0	2.5	2.2		
		Asia *9	Scope1	10,000 t-CO ₂	—	—	—	—	—	—	6.1	1.5	1.3	1.1	1.0			
			Scope2	10,000 t-CO ₂	—	—	—	—	—	—	—	5.3	5.5	5.2	4.7			
		The U.S. and Europe *10	Scope1	10,000 t-CO ₂	—	—	—	—	—	—	—	2.6	1.1	1.3	1.1	1.1		
			Scope2	10,000 t-CO ₂	—	—	—	—	—	—	—	—	0.9	0.9	0.9	0.7		
Combined *14	Scope3	10,000 t-CO ₂	—	—	—	—	—	—	—	—	—	—	—	21.9				
Water consumption volume	Japan *11		1,000 m ³	—	—	23,674	22,902	22,723	20,148	24,375	24,104	22,305	22,056	21,822				
	Overseas	Mainland China *8	1,000 m ³	—	—	—	—	—	—	—	—	—	1,192	878	903			
		Asia *9	1,000 m ³	—	—	—	—	—	—	—	—	—	511	487	459			
		The U.S. and Europe *10	1,000 m ³	—	—	—	—	—	—	—	—	—	74	62	56			
Total water discharge volume	Japan *11		1,000 m ³	—	—	21,652	20,864	20,566	16,504	21,214	20,255	17,914	19,702	18,423				
	Overseas	Mainland China *8	1,000 m ³	—	—	—	—	—	—	—	—	—	—	696	790			
		Asia *9	1,000 m ³	—	—	—	—	—	—	—	—	—	—	141	180			
		The U.S. and Europe *10	1,000 m ³	—	—	—	—	—	—	—	—	—	—	47	53			
Energy consumption volume	Japan *12	Fuel oil conversion: 10,000 kl	—	—	25.9	25.8	25.6	25.3	24.9	24.5	24.0	24.6	26.0					
Industrial Waste Volume	Japan *12		10,000 t	—	—	8.7	8.1	7.2	7.4	7.6	5.4	6.3	6.2	6.5				
	Overseas *14		10,000 t	—	—	—	—	—	—	—	—	—	—	0.8				

*1 U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US\$1 = ¥108.83, the exchange rate prevailing on March 31, 2020.

*2 Figures for capital expenditures represent property, plant and equipment and intangible fixed assets based on the consolidated statement of cash flows.

*3 Figures for depreciation represent property, plant 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. Data was revised from FY2015 retroactively.

The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019.

*7 Category 4 (Upstream transportation and distribution) and Category 9 (Downstream transportation and distribution) have been added and are included in the calculation for Scope 3 from FY2018. In addition, the calculation for Category 1 was expanded to include the raw materials that make up the majority of what is needed for production. Note that the Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation, and all of the company's production plants were included from FY2019.

*8 Five production plants *9 Four production plants *10 Three production plants. Past data has been revised.

*11 Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. up until FY2014, and the domestic Meiji Group from FY2015. The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's production plants were included from FY2019.

*12 The domestic Meiji Group. The Kumamoto plant for KM Biologics Co., Ltd. was added and included in the calculation from FY2018. From FY2019, all of the company's sites were included in the calculation for energy consumption and all of the company's production plants were included in the calculation for industrial waste volume.

*13 The standard used for calculating the overseas sales was revised from FY2017. *14 Twelve production plants in Mainland China, Asia, the U.S. and Europe

MD&A (The Management Discussion and Analysis)

Consolidated Financial Results

Last year was the second fiscal year of the 2020 Medium-Term Business Plan, during which the Meiji Group made steady progress toward achieving the Plan, following the basic concepts of *Address strategic issues continuously* and *Challenge for further growth*.

The Food and Pharmaceutical segments both experienced a tough economic climate, with concerns about decreasing individual consumption trends in the Food segment and the NHI drug price reduction in October 2019 in the Pharmaceutical segment. However, we focused our management resources on core and growth areas, improved productivity and managed expenses effectively.

Generally, there was only a limited impact on the Group's FY2019 consolidated financial results from the COVID-19 pandemic.

In the Food segment, demand increased for yogurt and functional yogurt in the Fresh and Fermented Dairy business, and for frozen food and prepared foods in the Processed Food business. On the other hand, the Processed Food business saw a fall in sales of processed food products for professional use in the food service industry in Japan, due to the stay-at-home order. There was no comparable impact on the FY2019 consolidated financial results from overseas subsidiaries because their fiscal years ended in December 2019. Operations were temporarily suspended at confectionery and ice cream plants in China in January and February 2020, but the impact on business activities was minor, because it was for a short period of time.

In the Pharmaceutical segment, sales including anti-allergy drug sales decreased because promotion of drugs to doctors by medical representatives in Japan was restricted, and patients stayed at home to avoid the risk of COVID-19 in hospitals. Overseas, although a nationwide lockdown was ordered in India, the impact on business performance for our India subsidiary was minor.

These factors resulted in net sales of JPY 1.252706 trillion (down 0.1% year on year), operating profit of JPY 102.708 billion (up 4.4% year on year), and ordinary profit of JPY 103.324 billion (up 3.6% year on year). Profit attributable to owners of parent company was JPY 67.313 billion (up 8.8% year on year). Net sales fell marginally year on year, but operating profit increased for the eighth consecutive year and produced a record profit.

ROE was 12.4% and the EPS was JPY 464.04.

Gains and Losses

Net Sales

The Group's consolidated net sales for FY2019 were JPY 1.252706 trillion (down 0.1% year on year). Net sales for the

Food segment were JPY 1.049559 trillion (down 0.7% year on year). Net sales of infant formula, liquid diet and cheese were favorable, but net sales of functional yogurt struggled.

Net sales for the Pharmaceutical segment were JPY 204.354 billion (up 2.9% year on year). This was bolstered by Meiji Seika Pharma's full-scale launch of human vaccines manufactured by KM Biologics, in spite of the impact of the NHI drug price reduction.

Consolidated overseas net sales were JPY 91.9 billion (up 4.2% year on year). Overseas subsidiaries achieved steady growth in net sales in both the Food and Pharmaceutical segments.

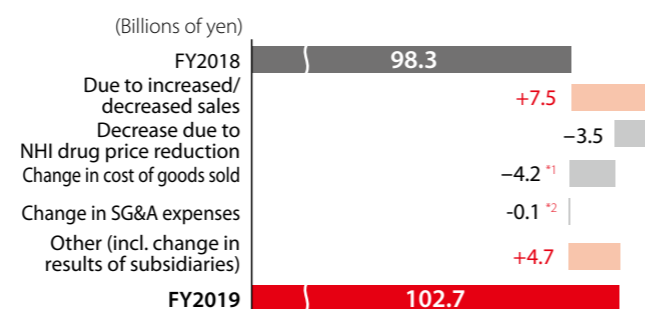
Cost of Sales and Selling, General and Administrative Expenses

Gross profit margin for FY2019 was 36.9% (up 0.5 percentage points year on year) and the cost of sales decreased. Price increase for drinking milk, yogurt and ice cream in the Food segment contributed to these results. The cost of sales in the Pharmaceutical segment increased due to NHI drug price reduction and expiration of patents for mainstay products.

Selling, general and administrative (SG&A) expenses totaled JPY 359.8 billion (up 0.5% year on year). After breaking down the SG&A, carriage and storage charges decreased to JPY 47.7 billion (down 0.9% year on year), but sales promotion expenses and advertising expenses increased to JPY 124.8 billion (up 2.4% year on year). R&D costs totaled JPY 31.4 billion (up 7.8% year on year).

Operating Profit and Profit Attributable to Owners of Parent

Operating profit totaled JPY 102.708 billion (up 4.4% year on year) with an operating profit margin of 8.2% (up 0.4 percentage points year on year). Analysis of consolidated operating profit is shown in the waterfall chart below.



^{*1} (Breakdown) Food – Raw milk price (Japan): -2.0, Packaging materials: -0.4, Other: +0.1
Pharmaceuticals – Gains from changes in inventory revaluation due to revisions in the production system in the previous fiscal year: -3.2, Cost reductions: +1.3

^{*2} (Breakdown) Food – Increase in selling expenses and advertising expenses: -1.9, Increase in logistics cost: -0.8, Other: +0.7
Pharmaceuticals – Loss from disposal of inventory: +1.2, Other: +0.7

Profit attributable to owners of parent was JPY 67.313 billion (up 8.8% year on year). Extraordinary income decreased due to the reduced gain on sales of non-current assets, and gain on bargain purchase concerning

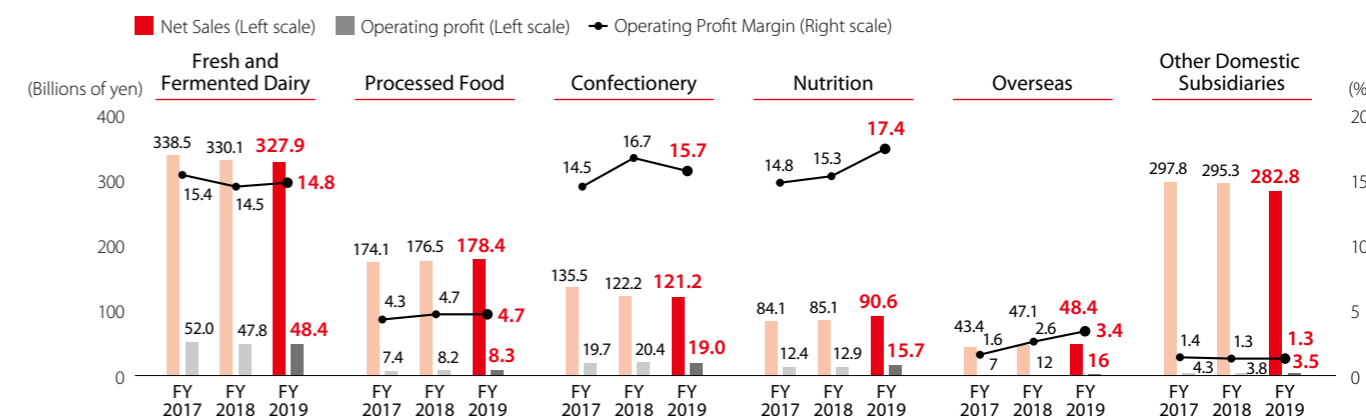
KM Biologics recorded in FY2018. However, extraordinary losses also decreased through impairment loss in the Pharmaceutical segment recorded in FY2018.

Overview by Business (Food Segment)

(Billions of yen)	FY2016	FY2017	FY2018	FY2019	Change from the previous fiscal year
Net sales	1,082.1	1,073.6	1,056.6	1,049.5	-0.7%
Cost of sales	701.4	703.3	698.9	687.4	-1.6%
Gross profit	380.7	370.3	357.7	362.0	+1.2%
Selling, general and administrative expenses	297.7	286.1	272.9	274.7	+0.6%
(Carriage and storage charges)	46.9	43.9	45.7	45.3	-1.0%
(Sales promotion expenses)	124.6	117.4	105.6	108.9	+3.2%
(Labor cost)	55.5	56.1	57.0	56.6	-0.7%
Operating profit	82.9	84.1	84.7	87.3	+3.0%

Net sales were largely unchanged year on year. Net sales increased year on year in the Processed Food business, Nutrition business and Overseas business. Net sales in the Fresh and Fermented Dairy business and the Confectionery business were largely unchanged year on year. Net sales in the other domestic subsidiaries decreased year on year.

In the Nutrition business, operating profit increased year on year primarily due to increased sales of mainstay products, including infant formula and sports nutrition products, and due to price increase.



Fresh and Fermented Dairy Business

Net sales overall were largely unchanged year on year. Net sales of *Meiji Oishii Gyunyu* were favorable and net sales of *SAVAS Milk Protein* grew strongly due to product line extensions. Net sales of functional yogurt and yogurt decreased on a year on year basis despite demand from health-conscious consumers in the fourth quarter due to the COVID-19 pandemic.

Operating profit increased year on year. Increased net sales for *SAVAS Milk Protein* and price increase compensate the reduced net sales of functional yogurt and increased raw material costs.

Processed Food Business

Net sales increased year on year. Net sales of ice cream decreased due to unseasonal weather in summer, but net sales of *Meiji Hokkaido Tokachi Camembert Cheese* increased due to product line extensions.

Operating profit increased year on year primarily due to increased net sales of cheese and the price increase for ice cream in March 2019.

MD&A (The Management Discussion and Analysis)

Confectionery Business

Net sales were largely unchanged year on year. Net sales of *Chocolate Kouka*, *Kinoko no Yama* and *Takenoko no Sato* were favorable, while net sales of gummy products and chewing gum decreased.

Operating profit decreased year on year primarily due to increased logistics cost and promotion expenses.

Nutrition Business

Net sales in Japan increased year on year. Net sales of infant formula were favorable due to demand from inbound tourists, and net sales also increased for sports protein *SAVAS* and liquid diet *Meiji Mei Balance*.

Operating profit increased significantly year on year due to increased sales of mainstay products.

Overseas

Net sales increased year on year due to increased sales of subsidiaries in the U.S. and China.

Operating profit increased significantly year on year due to increased sales of each subsidiary.

Other domestic subsidiaries

Net sales decreased year on year. A meat packing subsidiary was removed from the scope of consolidation following the sale of all stock in the company and net sales of our logistic business decreased.

Operating profit decreased year on year due to the lower revenues from our logistic company.

Japan

Net sales increased year on year. Net sales decreased significantly due to the impact of the NHI drug price reduction; decrease in sales of the antidepressant drug *REFLEX*, whose patent expired; sales of rice blast preventative *ORYZEMATE*. However, net sales exceeded the previous year's level due to increased sales volume for *Influenza HA Vaccine KMB* and the launch of 4-disease combination vaccine *Quattrovac* and other human vaccines during the fiscal year.

Operating profit decreased year on year primarily due to significant decreases in sales of *REFLEX* and *ORYZEMATE*, and the NHI drug price reduction.

Overseas

Net sales increased year on year thanks to the favorable growth of Medreich and Meiji Pharma Spain, S.A. Also exports of the antibacterial drug *MEIACT*, our mainstay product, were favorable.

Operating profit increased significantly year on year. Increased sales in overseas subsidiaries and decreased goodwill amortization for Medreich both contributed to this result.

KM Biologics Co., Ltd.

Net sales increased significantly year on year. KM Biologics became a consolidated subsidiary from the second quarter of FY2018. Thus a net increase in sales for the first quarter of FY2019 and sales of pre-pandemic vaccines contributed to this result.

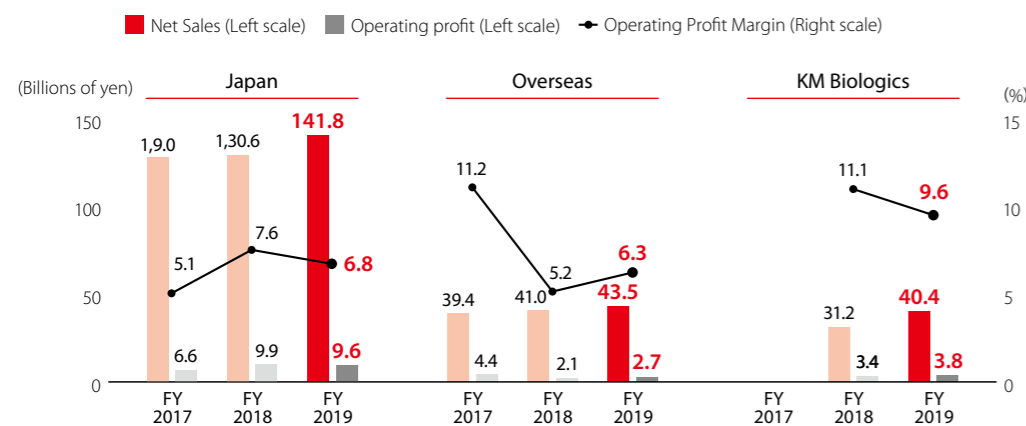
Operating profit significantly outperformed the previous fiscal year due to increased sales of human vaccines and blood plasma products.

Overview by Business (Pharmaceutical Segment)

(Billions of yen)	FY2016	FY2017	FY2018	FY2019	Change from the previous fiscal year
Net sales	161.6	168.4	198.6	204.3	+2.9%
Cost of sales	80.6	83.6	99.5	103.7	+4.2%
Gross profit	80.9	84.8	99.1	100.6	+1.5%
Selling, general and administrative expenses	75.1	73.8	84.8	84.6	-0.3%
Operating profit	5.7	11.0	14.2	15.9	+12.2%

Net sales increased year on year despite NHI drug price reduction in Japan in October 2019. This is thanks to the addition of earnings to full-year accounting from KM Biologics, which became a consolidated subsidiary from the second quarter of the previous fiscal year, and increased net sales of *Influenza HA Vaccine KMB* and overseas subsidiaries

Operating profit increased year on year despite the NHI drug price reduction as net sales of *Influenza HA Vaccines KMB* and overseas subsidiaries increased. In addition, goodwill amortization for Medreich, our subsidiary in India, decreased.



Assets, Liabilities and Capital

Total assets at the end of FY2019 totaled JPY 998.637 billion (down JPY 5.506 billion year on year). Increases were recorded of JPY 15.263 billion in buildings and structures (net) and JPY 12.09 billion in cash and deposits, but this is attributed to decreases of JPY 22.261 billion in notes and accounts receivable - trade and JPY 8.906 billion in investment securities.

Total liabilities were JPY 401.069 billion (down JPY 42.443 billion year on year). This is attributed to decreases of JPY 13.161 billion in notes and accounts payable - trade, JPY 8.859 billion in income taxes payable, JPY 6.897 billion in long-term borrowings, JPY 2.722 billion in short-term borrowings, and JPY 2.528 billion in deferred tax liabilities.

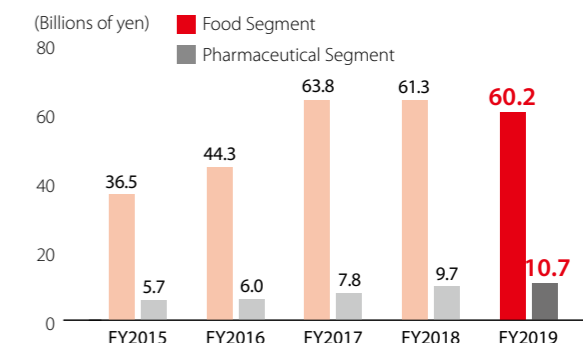
Total net assets were JPY 597.567 billion (up JPY 36.936 billion year on year). While there were decreases of JPY 6.292 billion in valuation difference on available-for-sale securities and JPY 2.892 billion in remeasurements of defined benefit plans, this is attributed to an increase of JPY 45.779 billion in retained earnings.

As a result, the current ratio at the end of FY2019 was 162.5% (up 17.9 percentage points year on year), the debt/equity ratio was 0.19 times (down 0.03 percentage points) and the equity ratio was 56.4% (up 3.9 percentage points). Liquidity of funds and stability of finances were both maintained. Net assets per share at the end of FY2019 were JPY 3,879.14 (up JPY 243.35 year on year).

Capital Expenditures

Capital expenditures on a cash basis (including intangible assets) for FY2019 were JPY 71.1 billion, with main transactions as indicated below.

- Manufacturing building and chocolate production facilities (Sakado Plant)
- Protein production plant (Kurashiki Plant)
- Manufacturing building and infant formula production facilities (Saitama Plant)



Cash Flows

Cash flows from operating activities in FY2019 totaled JPY 114.103 billion due to an increase of JPY 2.002 billion from the previous fiscal year. Although payments increased due to decreases in trade payables and impairment loss, this is attributed to more income from decrease in trade receivables.

Cash flows from investing activities totaled JPY 70.811 billion in payments (down JPY 29.39 billion year on year). This is attributed to decreased expenditure on purchase of shares of subsidiaries associated with changes in the scope of consolidation.

As a result, free cash flow (the sum of the cash flows from operating activities and investing activities) totaled JPY 43.291 billion (up JPY 31.393 billion year on year).

The free cash flow generated was allocated for returns to shareholders paid as dividends, and for paying down interest bearing debt. As a result, dividends increased and returns to shareholders were improved. We will continue making stable and sustainable profit returns for shareholders. Total payments as dividends for FY2019 totaled JPY 20.987 billion (up JPY 1.095 billion year on year) representing a payout ratio of 32.3%.

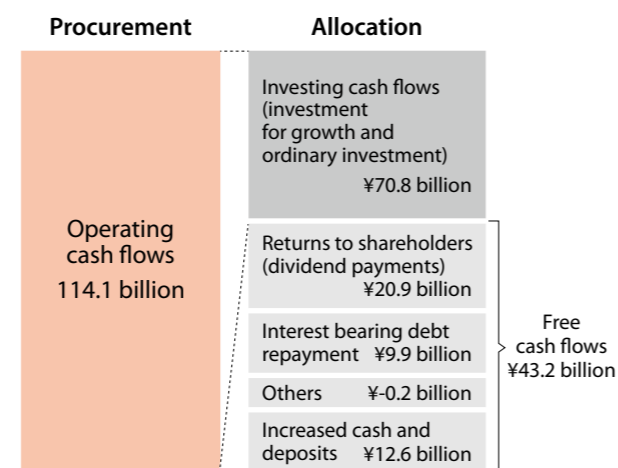
Cash flows from financing activities totaled JPY 30.287 billion in expenditures (up JPY 16.307 billion year on year). While repayments of long-term borrowings decreased, this is attributed to decreased income from proceeds from long-term borrowings and proceeds from share issuance to non-controlling shareholders.

These results produced a balance of JPY 37.11 billion in cash and cash equivalents at the end of FY2019.

Working capital for business activities in FY2019 was procured through loans and commercial paper issued by financial institutions. The recent COVID-19 pandemic has not impacted cash flows.

Future impact on cash flows due to the COVID-19 pandemic is expected to be limited. Accordingly there will be no change in our approach to allocating cash to investment for growth and returns to shareholders. If the impact from the COVID-19 pandemic increases, we will increase cash and deposits on hand by deferring investment and increasing debt as necessary.

The relationship between financing and cash allocation during FY2019 is detailed below.



Changes in Financial Indices

Changes in financial indices are detailed below.

	FY2015	FY2016	FY2017	FY2018	FY2019
Return on Equity (ROE)	16.1%	14.2%	13.1%	12.2%	12.4%
Return on Assets (ROA)	9.4%	10.2%	10.6%	10.3%	10.3%
Earnings per Share (EPS)	¥425.06	¥413.11	¥422.15	¥426.61	¥464.04
Debt-Equity Ratio (interest-bearing debt to equity ratio)	0.36 times	0.28 times	0.24 times	0.22 times	0.19 times

(Note) Calculation methods for each index

Return on equity (ROE) = Profit attributable to owners of parent/Shareholders' equity (average of beginning and end of the year)

Return on assets (ROA) = Ordinary profit/Net assets (average of beginning and end of the year)

Earnings per share (EPS) = Profit attributable to owners of parent/ (Number of issued shares - Number of shares of treasury stock)

Debt-equity ratio (interest-bearing debt to equity ratio) = Interest-bearing debt/Shareholders' equity

(Note) A 2-for-1 common stock split was implemented on October 1, 2015. Earnings per share (EPS) reflects this stock split.

Outlook for FY2020

Despite concerns about the significant impact of the COVID-19 pandemic on the global economy and domestic consumption trends in FY2020, we will work to grow our core businesses and to develop businesses that will become future growth drivers.

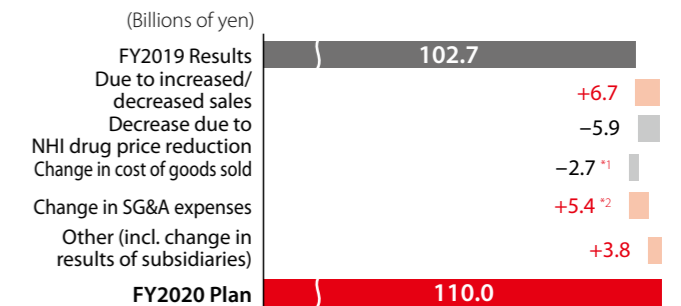
Food segment

Consumer trends in health and nutrition are expected to be higher than ever in Japan. We will promote the health benefits of functional yogurt and yogurt, and increase sales of the new Meiji TANPACT series and products in the nutritional segment, such as SAVAS. Overseas, we will accelerate the expansion of production capacity and sales capabilities, particularly in China. In the meantime, we will pursue the potential for new businesses.

Pharmaceutical segment

We will promote the stable supply of antibacterial drugs and other pharmaceuticals while cooperating with the relevant institutions. With increasing concerns about infectious diseases, we expect more people will wish to receive influenza vaccines. Accordingly, we will work to expand shipment volumes. We have started research to develop a vaccine against COVID-19, applying our advanced technology, facilities, and experience. With the cooperation of research institutions, we will work toward commercializing the vaccine to overcome the COVID-19 disease. We are also starting discussions about contract manufacturing and distribution of new vaccines being developed overseas to supply them within Japan.

We forecast the Group net sales of JPY 1.253 trillion (no change year on year), operating profit of JPY 110 billion (up 7.1% year on year), and an operating profit margin of 8.8% (up 0.6 percentage points year on year) for FY2020. The analysis of operating profit is shown in the waterfall chart below.



^{*1} (Breakdown) Food - Raw material procurement costs: -2.0, Ingredient change and optimization: +0.9
Pharmaceuticals - Gains from inventory revaluation due to revisions in the production system: -3.5, Cost reductions: +1.9

^{*2} (Breakdown) Food - Decrease in selling expenses and advertising expenses: +4.0, Increase in logistic expenses: -1.1, Other: -0.2
Pharmaceuticals - Decrease in promotion expenses: +0.9, Other: +1.8

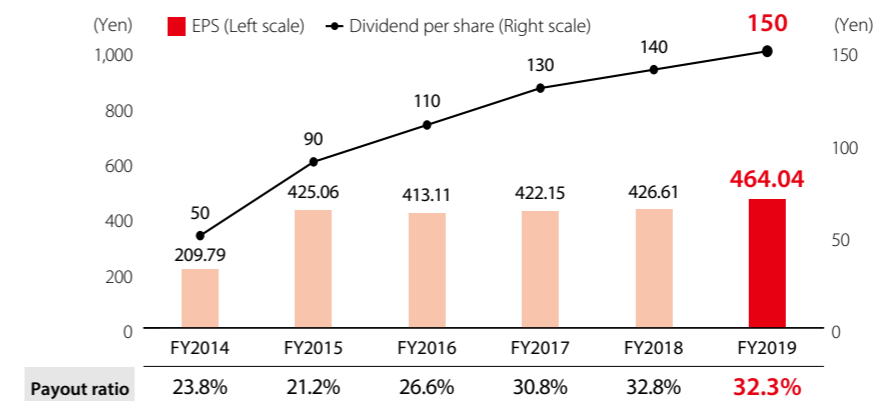
Dividend Policy

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

The year-end dividend for FY2019 was JPY 80 per share. Together with the dividend paid at the end of the first half, the full-year dividend amount was JPY 150 and the consolidated dividend payout ratio was 32.3%.

For FY2020, we plan to pay a full-year dividend of JPY 150 (JPY 75 first half, JPY 75 year-end) and the consolidated dividend payout ratio is forecast to be 31.3%.

Changes in dividends and earnings per share (EPS) are detailed below.



Consolidated Balance Sheet

Meiji Holdings Co., Ltd. / As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
ASSETS			
Current assets:			
Cash and deposits ^(Note 10)	¥ 37,446	¥ 25,356	\$ 344,082
Notes and accounts receivable-trade ^(Notes 10, 15)	179,931	202,193	1,653,329
Merchandise and finished goods ^(Note 10)	111,028	105,757	1,020,196
Work in process	3,729	4,578	34,271
Raw materials and supplies	58,542	55,589	537,922
Others ^(Note 10)	27,454	28,149	252,267
Allowance for doubtful accounts	(1,247)	(176)	(11,462)
Total current assets	416,885	421,447	3,830,608
Non-current assets:			
Property, plant and equipment			
Buildings and structures	353,843	334,729	3,251,346
Accumulated depreciation	(172,887)	(169,035)	(1,588,600)
Buildings and structures, net ^(Note 10)	180,956	165,693	1,662,745
Machinery, equipment and vehicles	539,437	533,595	4,956,694
Accumulated depreciation	(384,661)	(381,789)	(3,534,518)
Machinery, equipment and vehicles, net ^(Note 10)	154,775	151,806	1,422,175
Tools, furniture and fixtures	58,049	54,826	533,396
Accumulated depreciation	(43,478)	(42,237)	(399,509)
Tools, furniture and fixtures, net	14,570	12,589	133,886
Land ^(Note 10)	69,363	70,765	637,357
Leased assets	3,046	2,891	27,997
Accumulated depreciation	(2,166)	(2,243)	(19,909)
Leased assets, net	880	648	8,087
Construction in progress	23,645	31,988	217,265
Total property, plants and equipment	444,191	433,491	4,081,518
Intangible assets:			
Goodwill	680	73	6,257
Others	13,333	13,480	122,520
Total intangible assets	14,014	13,553	128,777
Investments and other assets:			
Investment securities ^(Note 13)	84,598	93,504	777,345
Retirement benefit asset	15,500	20,274	142,432
Deferred tax assets	16,341	14,409	150,153
Others	7,171	7,557	65,894
Allowance for doubtful accounts	(66)	(94)	(611)
Total investments and other assets	123,545	135,651	1,135,214
Total non-current assets	581,751	582,696	5,345,511
Total assets	¥ 998,637	¥ 1,004,143	\$ 9,176,119

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
LIABILITIES			
Current liabilities:			
Notes and accounts payable-trade ^(Note 15)	¥ 112,317	¥ 125,479	\$ 1,032,046
Short-term borrowings ^(Notes 9, 10)	30,874	33,597	283,695
Accrued expenses	45,457	46,286	417,691
Income taxes payable	12,164	21,023	111,771
Provision for bonuses	12,090	11,895	111,091
Provision for sales returns	256	757	2,355
Provision for sales rebates	1,908	2,443	17,539
Others	41,451	50,021	380,884
Total current liabilities	256,520	291,504	2,357,076
Non-current liabilities:			
Bonds payable	20,000	20,000	183,772
Long-term borrowings ^(Notes 9, 10)	55,890	62,788	513,556
Deferred tax liabilities	8,122	10,650	74,630
Retirement benefit liability	55,410	53,830	509,149
Provision for retirement benefits for directors	121	106	1,112
Others	5,004	4,632	45,988
Total non-current liabilities	144,549	152,008	1,328,210
Total liabilities	401,069	443,512	3,685,287
NET ASSETS			
Shareholders' equity:			
Share capital	30,000	30,000	275,659
Capital surplus	100,245	100,061	921,124
Retained earnings	453,723	407,943	4,169,102
Treasury shares	(30,288)	(30,422)	(278,306)
Total shareholders' equity	553,681	507,582	5,087,580
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	26,968	33,261	247,807
Deferred gains or losses on hedges	53	3	495
Foreign currency translation adjustment	(3,279)	(1,751)	(30,131)
Remeasurements of defined benefit plans	(14,677)	(11,785)	(134,866)
Accumulated other comprehensive income	9,066	19,728	83,305
Non-controlling interests	34,819	33,320	319,947
Total net assets	597,567	560,630	5,490,832
Total liabilities and net assets	¥ 998,637	¥ 1,004,143	\$ 9,176,119

See accompanying notes to consolidated financial statements.

Consolidated Statement of Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales	¥ 1,252,706	¥ 1,254,380	\$ 11,510,668
Cost of sales ^(Note 20)	790,183	797,811	7,260,709
Gross profit (loss)	462,523	456,569	4,249,958
Selling, general and administrative expenses ^(Notes 19, 20)	359,814	358,185	3,306,206
Operating profit (loss)	102,708	98,383	943,752
Non-operating income:			
Interest income	229	130	2,112
Dividend income	1,326	1,286	12,192
Royalty income	285	331	2,627
Insurance claim income	1,238	—	11,381
Others	1,861	2,096	17,101
Total non-operating income	4,942	3,844	45,414
Non-operating expenses:			
Interest expenses	717	778	6,588
Foreign exchange losses	546	356	5,018
Share of loss of entities accounted for using equity method	793	390	7,288
Others	2,269	992	20,856
Total non-operating expenses	4,326	2,518	39,752
Ordinary profit (loss)	103,324	99,709	949,414
Extraordinary income:			
Gain on sales of tangible and intangible assets ^(Note 21)	1,142	6,516	10,501
Gain on bargain purchase	—	6,584	—
Gain on sales of investment securities	886	102	8,141
Others	1	235	12
Total extraordinary income	2,030	13,439	18,654
Extraordinary losses:			
Loss on disposal of tangible and intangible assets ^(Note 22)	2,549	2,020	23,430
Impairment loss ^(Note 23)	2,390	12,242	21,962
Provision of allowance for doubtful accounts	1,096	—	10,076
Others	1,570	4,299	14,429
Total extraordinary losses	7,607	18,563	69,899
Profit (loss) before income taxes	97,747	94,586	898,169
Income taxes-current	28,784	34,358	264,486
Income taxes-deferred	(787)	(3,383)	(7,235)
Income taxes-total	27,996	30,975	257,250
Profit (loss)	69,751	63,610	640,918
Profit (loss) attributable to non-controlling interests	2,438	1,742	22,402
Profit (loss) attributable to owners of parent	¥ 67,313	¥ 61,868	\$ 618,516

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit (loss)	¥ 69,751	¥ 63,610	\$ 640,918
Other comprehensive income:			
Valuation difference on available-for-sale securities	(6,320)	66	(58,072)
Deferred gains or losses on hedges	51	58	469
Foreign currency translation adjustment	(1,461)	(1,615)	(13,430)
Remeasurements of defined benefit plans, net of tax	(2,608)	(84)	(23,968)
Share of other comprehensive income of entities accounted for using equity method	(53)	(523)	(490)
Total other comprehensive income ^(Note 24)	(10,392)	(2,097)	(95,492)
Comprehensive income	¥ 59,358	¥ 61,512	\$ 545,426
(Profit attributable to)			
Comprehensive income attributable to owners of parent	¥ 56,651	¥ 59,881	\$ 520,547
Comprehensive income attributable to non-controlling interests	2,707	1,631	24,878

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Meiji Holdings Co., Ltd. / For the year ended March 31, 2020

	Millions of yen						Millions of yen						
	Number of common shares (Thousands)	Shareholders' equity					Accumulated other comprehensive income						Total net assets
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2018	152,683	¥ 30,000	¥ 99,841	¥ 366,276	¥ (30,521)	¥ 465,595	¥ 33,188	¥ (53)	¥ 268	¥ (11,689)	¥ 21,714	¥ 7,866	¥ 495,177
Changes during period:													
Dividends of surplus				(19,940)		(19,940)							(19,940)
Profit (loss) attributable to owners of parent				61,868		61,868							61,868
Purchase of treasury shares					(49)	(49)							(49)
Disposal of treasury shares			177		148	326							326
Change in ownership interest of parent due to transactions with non-controlling interests			42			42							42
Change in scope of consolidation				(261)		(261)							(261)
Net changes in items other than shareholders' equity							72	56	(2,019)	(96)	(1,986)	25,453	23,466
Total Changes during period	—	—	220	41,667	99	41,986	72	56	(2,019)	(96)	(1,986)	25,453	65,453
Balance at March 31, 2019	152,683	¥ 30,000	¥ 100,061	¥ 407,943	¥ (30,422)	¥ 507,582	¥ 33,261	¥ 3	¥ (1,751)	¥ (11,785)	¥ 19,728	¥ 33,320	¥ 560,630
Cumulative effects of changes in accounting policies				(500)		(500)							(500)
Restated balance	152,683	30,000	100,061	407,442	(30,422)	507,081	33,261	3	(1,751)	(11,785)	19,728	33,320	560,129
Changes during period:													
Dividends of surplus				(21,032)		(21,032)							(21,032)
Profit (loss) attributable to owners of parent				67,313		67,313							67,313
Purchase of treasury shares					(33)	(33)							(33)
Disposal of treasury shares			145		168	313							313
Purchase of shares of consolidated subsidiaries			0			0							0
Change in ownership interest of parent due to transactions with non-controlling interests			38			38							38
Net changes in items other than shareholders' equity							(6,292)	50	(1,528)	(2,892)	(10,661)	1,499	(9,162)
Total Changes during period	—	—	184	46,280	134	46,599	(6,292)	50	(1,528)	(2,892)	(10,661)	1,499	37,437
Balance at March 31, 2020	152,683	¥30,000	¥100,245	¥453,723	¥(30,288)	¥553,681	¥26,968	¥ 53	¥ (3,279)	¥(14,677)	¥ 9,066	¥34,819	¥597,567

	Thousands of U.S. dollars						Thousands of U.S. dollars						
	Number of common shares (Thousands)	Shareholders' equity					Accumulated other comprehensive income						Total net assets
		Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2019	152,683	\$ 275,659	\$ 919,432	\$ 3,748,448	\$ (279,543)	\$ 4,663,996	\$ 305,624	\$ 30	\$ (16,090)	\$ (108,290)	\$ 181,273	\$ 306,165	\$ 5,151,436
Cumulative effects of changes in accounting policies				(4,601)		(4,601)							(4,601)
Restated balance	152,683	275,659	919,432	3,743,846	(279,543)	4,659,394	305,624	30	(16,090)	(108,290)	181,273	306,165	5,146,834
Changes during period:													
Dividends of surplus				(193,260)		(193,260)							(193,260)
Profit (loss) attributable to owners of parent				618,516		618,516							618,516
Purchase of treasury shares				0	(310)	(310)							(310)
Disposal of treasury shares			1,334		1,547	2,882							2,882
Purchase of shares of consolidated subsidiaries			1			1							1
Change in ownership interest of parent due to transactions with non-controlling interests			356			356							356
Net changes in items other than shareholders' equity							(57,816)	464	(14,041)	(26,575)	(97,968)	13,781	(84,187)
Total Changes during period	—	—	1,692	425,256	1,237	428,185	(57,816)	464	(14,041)	(26,575)	(97,968)	13,781	343,998
Balance at March 31, 2020	152,683	\$ 275,659	\$ 921,124	\$ 4,169,102	\$ (278,306)	\$ 5,087,580	\$ 247,807	\$ 495	\$ (30,131)	\$ (134,866)	\$ 83,305	\$ 319,947	\$ 5,490,832

Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd. / For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from operating activities			
Profit (loss) before income taxes	¥ 97,747	¥ 94,586	\$ 898,169
Depreciation	46,185	43,033	424,382
Impairment loss	2,390	12,242	21,962
Amortization of goodwill	48	1,641	442
Gain on bargain purchase	—	(6,584)	—
Loss on retirement of property, plant and equipment	2,546	1,981	23,401
Loss (gain) on valuation of investment securities	150	473	1,383
Increase (decrease) in allowance for doubtful accounts	1,061	(83)	9,750
Increase (decrease) in provision for bonuses	298	654	2,743
Increase (decrease) in retirement benefit liability	2,915	3,987	26,790
Interest and dividend income	(1,556)	(1,416)	(14,304)
Interest expenses	717	778	6,588
Share of loss (profit) of entities accounted for using equity method	793	390	7,288
Loss (gain) on sales of property, plant and equipment	(1,006)	(6,171)	(9,249)
Loss (gain) on sales of investment securities	(878)	(138)	(8,071)
Decrease (increase) in trade receivables	20,701	(773)	190,217
Decrease (increase) in inventories	(8,685)	(4,307)	(79,805)
Increase (decrease) in trade payables	(11,323)	2,142	(104,051)
Others, net	(2,554)	1,522	(23,475)
Subtotal	149,550	143,959	1,374,162
Interest and dividends received	1,958	1,426	17,991
Proceeds from insurance income	1,432	—	13,158
Interest paid	(726)	(782)	(6,678)
Income taxes paid	(38,110)	(32,502)	(350,182)
Net cash provided by (used in) operating activities	114,103	112,100	1,048,453
Cash flows from investing activities			
Purchase of property, plant and equipment	(68,217)	(67,246)	(626,830)
Purchase of intangible assets	(2,912)	(3,996)	(26,757)
Proceeds from sales of property, plant and equipment and intangible assets	2,161	9,850	19,857
Purchase of investment securities	(2,473)	(4,153)	(22,725)
Proceeds from sales of investment securities	1,004	322	9,230
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(33,879)	—
Purchase of investments in capital of subsidiaries resulting in change in scope of consolidation	(656)	—	(6,028)
Proceeds from sales of shares of subsidiaries resulting in change in scope of in consolidation	39	—	361
Others, net	243	(1,098)	2,233
Net cash provided by (used in) investing activities	¥ (70,811)	¥ (100,202)	\$ (650,660)

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	¥ (4,487)	¥ (8,886)	\$ (41,231)
Proceeds from long-term borrowings	358	19,782	3,291
Repayments of long-term borrowings	(4,851)	(13,904)	(44,575)
Decrease (increase) in treasury shares	268	263	2,465
Dividends paid	(20,987)	(19,891)	(192,842)
Dividends paid to non-controlling interests	(154)	(499)	(1,418)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(7)	—
Proceeds from share issuance to non-controlling shareholders	—	10,200	—
Others, net	(434)	(1,036)	(3,990)
Net cash provided by (used in) financing activities	(30,287)	(13,980)	(278,302)
Effect of exchange rate change on cash and cash equivalents	(375)	(393)	(3,447)
Net increase (decrease) in cash and cash equivalents	12,628	(2,475)	116,042
Cash and cash equivalents at beginning of period	24,481	26,913	224,953
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	43	—
Cash and cash equivalents at end of period ^(Note 18)	¥ 37,110	¥ 24,481	\$ 340,995

See accompanying notes to consolidated financial statements.

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 ¥108.83 to US\$1, the amount prevailing on March 31, 2020. 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 59 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 using equity method. The difference between the investment amount and the net assets of acquired consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of 5 years on a straight-line basis.

b) Translation of Foreign Currency

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

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

c) Investment Securities

Investment securities are valued using the following standards and methods.

Available-for-sale securities

Securities that have market prices:

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

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

Securities that have no market prices:

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

d) Derivatives

Derivatives are valued by the market value method.

e) Inventories

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

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

The straight-line method is primarily used for depreciation.

The estimated useful lives of the assets are as follows:

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

g) Intangible Assets (excluding leased assets)

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

h) Leased Assets

Leased assets relating to finance lease transactions that do not transfer ownership

For the depreciation of leased assets, the straight-line method is applied based on the lease term as the useful life of the asset and the residual value of zero.

i) Investments in Real Estate

The straight-line method is primarily used for depreciation.

j) Allowance for Doubtful Accounts

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

k) Provision for Bonuses

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

l) Provision for Sales Returns

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

m) Provision for Sales Rebates

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

n) Provision for Retirement Benefits for Directors

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

o) Retirement Benefits

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

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

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

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

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

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

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

p) Cash and Cash Equivalents

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

q) Derivative Financial Instruments

(1) Method of hedge accounting

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

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

(2) Hedge instruments and hedged items

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

(3) Hedge policy

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

(4) Method of evaluating the effectiveness of the hedge

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

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

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

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

Bond issuance cost is recognized in expenses as incurred.

3 Changes in Accounting Policies

Some overseas consolidated subsidiaries have adopted IFRS 16 "Leases" from the current consolidated fiscal year. The impact on the consolidated financial statements from adopting this accounting standard is immaterial.

4 Change in Method of Presentation (Consolidated Statement of Income)

"Gain on sales of investment securities," was included in "Others" under "Extraordinary income" for the consolidated fiscal year ended March 31, 2019, which has been disclosed independently for the consolidated financial statements for the current fiscal year as the balance became (quantitatively) significant. Amounts disclosed for the consolidated fiscal year ended March 31, 2019 have been reclassified to reflect this change in method of presentation.

As a result, ¥338 million, which was presented in "Others" under "Extraordinary income" in the Consolidated Statement of Income for the consolidated fiscal year ended March 31, 2019, has been reclassified as ¥102 million in "Gain on sales of investment securities" and ¥235 million in "Others."

5 Accounting Standards, etc., Not Yet Adopted

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

a) Overview

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

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

b) Effective Date

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

c) Impact from Applying New Accounting Standards, etc.

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

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

a) Overview

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

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

b) Effective Date

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

c) Impact from Applying New Accounting Standards, etc.

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

- "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020).

a) Overview

Paragraph 125 of International Accounting Standard 1 "Presentation of Financial Statements" (IAS 1), which was published by the International Accounting Standards Board (IASB) in 2003, requires that "sources of estimation of uncertainty" be disclosed. Following a request to also consider disclosing such sources in notes, as those information are considered highly useful to the users of financial statements, the Accounting Standards Board of Japan developed and published the Accounting Standard for Disclosure of Accounting Estimates.

The basic policy behind the ASBJ developing the Accounting Standard for Disclosure of Accounting Estimates was not to expand individual notes, and only provides general principle (purpose of disclosure), for the companies to determine specific details to disclose in light of the purpose of this disclosure. In developing the standard, reference was given to the provisions of paragraph 125 of IAS 1.

b) Effective Date

The Company plans to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

- "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020).

a) Overview

Following the recommendation that consideration be given to enhance notes concerning "Accounting Principles and Procedures Adopted if Relevant Accounting Standards, etc. are not prescribed," the ASBJ made necessary revisions, and published the revised Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Corrections of error.

In addition, when enhancing notes concerning "Accounting Principles and Procedures Adopted if Relevant Accounting Standards, etc. are prescribed," the provisions of notes to Japanese GAAP (Note 1-2) are to be continuously applied so as not to affect past practice if relevant accounting standards, etc. are clearly established.

b) Effective Date

The Company plans to adopt the accounting standard from the end of the fiscal year ending March 31, 2021.

6 Notes Regarding Lease Transactions

1) Finance lease transactions (lessee side)

Finance lease transactions that do not transfer ownership

(1) Content of leased assets

Property, plant and equipment

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

(2) Method of depreciation of leased assets

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

7 Notes Regarding Financial Instruments

1) Overview of financial instruments

(1) Policy for financial instruments

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

(2) Content and risks of financial instruments

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

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

Loans, commercial paper and bonds are mainly used to raise funds for capital investment and working capital. Their redemption dates are at maximum 8 years after the balance sheet date. Some of these have forward foreign exchange contracts and variable interest rates and currency, thus they are exposed to interest rate and currency fluctuation risk. However, the Group uses derivative transactions (interest rate and currency swap transactions) to hedge such risk.

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of financial instruments includes prices based on market prices, and prices rationally calculated in cases where there are no market prices. Variable factors are incorporated

into the calculation of such prices, therefore, different assumptions could result in different prices.

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

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

(1) The carrying value on the consolidated balance sheet, fair value and their difference as of March 31, 2020 and 2019, 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, 2020	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 37,446	¥ 37,446	¥ —	\$ 344,082	\$ 344,082	\$ —
(2) Notes and accounts receivable-trade	179,931	179,931	—	1,653,329	1,653,329	—
(3) Securities:						
Available-for-sale securities	1,343	1,343	—	12,341	12,341	—
(4) Investment securities:						
Available-for-sale securities	64,214	64,214	—	590,043	590,043	—
Total assets	282,935	282,935	—	2,599,796	2,599,796	—
(5) Notes and accounts payable-trade	112,317	112,317	—	1,032,046	1,032,046	—
(6) Short-term borrowings	22,911	22,911	—	210,522	210,522	—
(7) Accrued expenses	45,457	45,457	—	417,691	417,691	—
(8) Bonds payable	20,000	19,984	(16)	183,772	183,625	(147)
(9) Long-term borrowings	63,853	63,978	124	586,729	587,872	1,142
Total liabilities	264,539	264,648	108	2,430,763	2,431,758	995
Derivative transactions *						
(10) Derivative transactions for which hedge accounting is not applied	45	45	—	418	418	—
(11) Derivative transactions for which hedge accounting is applied	78	78	—	724	724	—
Total derivative transactions	¥ 124	¥ 124	¥ —	\$ 1,142	\$ 1,142	\$ —

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

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

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

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

(4) Investment securities

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

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

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

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

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

(8) Bonds payable

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

(9) Long-term borrowings

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

Long-term borrowings with a fixed rate 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 borrowings is included in these long-term borrowings.

(10) Derivative transactions for which hedge accounting is not applied, (11) Derivative transactions for which hedge accounting is applied

See 25. Derivative transactions.

(Note 2) Convertible bonds (carrying value on the consolidated balance sheet: ¥1,096 million (\$10,076 thousand) and unlisted Stock (carrying value

on the consolidated balance sheet: ¥20,384 million (\$187,302 thousand)) are not included in "Assets: (3) Securities and (4) Investment securities" as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2019	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 25,356	¥ 25,356	¥ —
(2) Notes and accounts receivable-trade	202,193	202,193	—
(3) Investment securities: Available-for-sale securities	73,002	73,002	—
Total assets	300,551	300,551	—
(4) Notes and accounts payable-trade	125,479	125,479	—
(5) Short-term borrowings	27,771	27,771	—
(6) Accrued expenses	46,286	46,286	—
(7) Bonds payable	20,000	20,078	78
(8) Long-term borrowings	68,613	68,724	110
Total liabilities	¥ 288,150	¥ 288,339	¥ 188
Derivative transactions*			
(10) Derivative transactions for which hedge accounting is not applied	136	136	—
(11) Derivative transactions for which hedge accounting is applied	5	5	—
Total derivative transactions	¥ 141	¥ 141	—

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

(Note) Unlisted Stock (carrying value on the consolidated balance sheet: ¥20,502 million) are not included in "(3) Investment securities" as their market prices are not available and it is extremely difficult to determine the fair value.

(2) Scheduled redemption of monetary claims and securities with maturity dates after the balance sheet date

As of March 31, 2020	Millions of yen			
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years
Cash and deposits	¥ 37,446	—	—	—
Notes and accounts receivable-trade	179,931	—	—	—
Securities				
Negotiable deposits	1,343	—	—	—
Total	¥ 218,721	—	—	—

As of March 31, 2020	Thousands of U.S. dollars			
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years
Cash and deposits	\$ 344,082	—	—	—
Notes and accounts receivable-trade	1,653,329	—	—	—
Securities				
Negotiable deposits	12,341	—	—	—
Total	\$ 2,009,753	—	—	—

As of March 31, 2019	Millions of yen			
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years
Cash and deposits	¥ 25,356	—	—	—
Notes and accounts receivable-trade	202,193	—	—	—
Total	¥ 227,549	—	—	—

(3) Scheduled repayment of bonds payable, borrowings and other interest-bearing debt after the balance sheet date

As of March 31, 2020	Millions of yen					
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	¥ 22,911	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	—	10,000	—	10,000	—
Long-term borrowings	7,963	4,367	14,295	4,059	21,812	11,355
Total	¥ 30,874	¥ 4,367	¥ 24,295	¥ 4,059	¥ 31,812	¥ 11,355

As of March 31, 2020	Thousands of U.S. dollars					
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	\$ 210,522	\$ —	\$ —	\$ —	\$ —	\$ —
Bonds payable	—	—	91,886	—	91,886	—
Long-term borrowings	73,172	40,134	131,352	37,297	200,430	104,341
Total	\$ 283,695	\$ 40,134	\$ 223,238	\$ 37,297	\$ 292,317	\$ 104,341

(Note) Debt for the 6th series of unsecured straight bonds was transferred in accordance with a bond trust-type debt assumption agreement. Since the Company's bond redemption obligations to bond holders will remain until the bonds have been redeemed, they are noted on the consolidated balance sheet as a contingent liability.

As of March 31, 2019	Thousands of U.S. dollars					
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	¥ 27,771	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	—	—	10,000	—	10,000
Long-term borrowings	5,825	7,973	4,376	14,299	4,061	32,077
Total	¥ 33,597	¥ 7,973	¥ 4,376	¥ 24,299	¥ 4,061	¥ 42,077

8 Notes regarding Investment Securities

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

1) Held-to-maturity securities

As of March 31, 2020

None

As of March 31, 2019

None

2) Available-for-sale securities with market prices

As of March 31, 2020	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	¥ 60,033	¥ 20,841	¥ 39,191	\$ 551,626	\$ 191,506	\$ 360,120
Securities whose acquisition cost exceeds their carrying value:						
Stocks	4,180	4,779	(599)	38,416	43,920	(5,504)
Others	1,343	1,343	—	12,341	12,341	—
Subtotal	5,523	6,122	(599)	50,757	56,261	(5,504)
Total	¥ 65,557	¥ 26,964	¥ 38,592	\$ 602,384	\$ 247,768	\$ 354,615

(Note) The unlisted stocks (carrying value on the consolidated balance sheet: ¥2,144 million (\$19,705 thousand)) that are classified as available-for-sale securities, as well as convertible bonds (carrying value on the consolidated balance sheet: ¥1,096 million (\$10,076 thousand), are not included as available-for-sale securities in the table above as their market prices are not available and it is extremely difficult to determine their fair values.

As of March 31, 2019	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 72,416	¥ 24,920	¥ 47,495
Securities whose acquisition cost exceeds their carrying value:			
Stocks	586	711	(125)
Total	¥ 73,002	¥ 25,632	¥ 47,370

(Note) The unlisted stocks (carrying value on the consolidated balance sheet: ¥2,264 million) that are classified as available-for-sale securities are not included as available-for-sale securities in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

3) Available-for-sale securities sold during the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Sales amounts	¥ 1,010	¥ 314	\$ 9,283
Total gains on sales	886	110	8,145
Total losses on sales	8	0	74

4) Securities that were subject to impairment during the fiscal years ended March 31, 2020 and 2019

Impairment loss recorded in the fiscal year ended March 31, 2020, was ¥150 million (available-for-sale securities: ¥150 million (\$1,383 thousand)).

Impairment loss recorded in the fiscal year ended March 31, 2019, was ¥473 million (available-for-sale securities: ¥5 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.

9 Short-term Borrowings and Long-term Borrowings

As of March 31, 2020 and 2019, short-term borrowings and long-term borrowings are as follows:

1) Short-term borrowings

	Weighted-average interest rate	Millions of yen		Thousands of U.S. dollars
		2020	2019	2020
Short-term borrowings	1.07%	¥ 22,911	¥ 27,771	\$ 210,522
Current portion of long-term borrowings	0.53%	7,963	5,825	73,172
Total		¥ 30,874	¥ 33,597	\$ 283,695

2) Long-term borrowings

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unsecured bonds due 2021, 0.52% (Note 14, 6th series)	¥ —	¥ —	\$ —
Unsecured bonds due 2024, 0.22%	10,000	10,000	91,886
Unsecured bonds due 2023, 0.12%	10,000	10,000	91,886
Borrowings from domestic banks, insurance companies, government agencies and others	63,853	68,613	586,729
Subtotal	83,853	88,613	770,502
Current portion of long-term borrowings	(7,963)	(5,825)	73,172
Total	¥ 75,890	¥ 82,788	\$ 697,329

As of March 31, 2020, the aggregate annual maturities of long-term borrowings are as follows:

Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars
	2020	2020
More than one year up to two years	¥ 4,367	\$ 40,134
More than two years up to three years	24,295	223,238
More than three years up to four years	4,059	37,297
More than four years up to five years	31,812	292,317
More than five years	11,355	104,341
Total	¥ 75,890	\$ 697,329

10 Pledged Assets and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2020 and 2019, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥ 146	¥ 146	\$ 1,347
Buildings and structures	1,427	19,389	13,119
Machinery, equipment and vehicles	1,222	857	11,235
Land	—	2,910	—
Others	—	9,572	—
Total	¥ 2,797	¥ 32,877	\$ 25,701

Note that cash and deposits are pledged as collateral in order to guarantee business transactions.

A summary of secured liabilities as of March 31, 2020 and 2019, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term borrowings	¥ —	¥ 1,351	\$ —
Long-term borrowings	17,201	18,784	158,056
Total	¥17,201	¥20,135	\$ 158,056

11 Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Retirement benefit liability	¥ 20,029	¥ 18,663	\$ 184,047
Accrued enterprise tax and others	881	1,361	8,095
Accrued expenses	2,721	2,892	25,010
Investment securities	1,020	1,287	9,375
Provision for bonuses	3,690	3,624	33,912
Depreciation	5,104	4,269	46,902
Impairment loss	1,400	2,004	12,869
Unrealized gain	1,268	888	11,653
Losses carried forward *	3,793	3,420	34,861
Others	8,296	8,021	76,232
Subtotal deferred tax assets	48,207	46,434	442,958
Valuation allowance for losses carried forward *	(3,131)	(2,604)	(28,777)
Valuation allowance for deductible temporary differences	(3,948)	(4,592)	(36,278)
Subtotal valuation allowance	(7,079)	(7,197)	(65,055)
Total deferred tax assets	41,127	39,237	377,903
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	(7,662)	(7,521)	(70,407)
Valuation difference on available-for-sale securities	(11,569)	(14,018)	(106,307)
Retirement benefit asset	(5,439)	(5,830)	(49,984)
Valuation difference due to purchase of investments in subsidiaries	(2,669)	(2,824)	(24,531)
Adjustment account for tax liabilities	(3,234)	(4,196)	(29,719)
Others	(2,332)	(1,088)	(21,429)
Total deferred tax liabilities	(32,908)	(35,478)	(302,380)
Net deferred tax assets (liabilities)	¥ 8,219	¥ 3,758	\$ 75,523

* Schedule of carryforward periods for tax losses carried forward and corresponding deferred tax assets as of March 31, 2020.

	Millions of yen						Total
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years	
Losses carried forward ^(a)	¥198	¥170	¥123	¥112	¥89	¥3,099	¥3,793
Valuation allowance	184	84	123	82	82	2,574	3,131
Deferred tax assets	13	85	0	30	6	525	662

(a) Losses carried forward are the total amount after multiplying by the statutory tax rate.

	Thousands of U.S. dollars						Total
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years	
Losses carried forward ^(a)	\$ 1,820	\$ 1,570	\$ 1,136	\$ 1,037	\$ 818	\$ 28,478	\$ 34,861
Valuation allowance	1,697	780	1,133	755	755	23,654	28,776
Deferred tax assets	123	789	3	281	62	4,824	6,084

(a) Losses carried forward are the total amount after multiplying by the statutory tax rate.

2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate after the adoption of tax-effect accounting for the fiscal years ended March 31, 2020 and 2019, is as follows:

	2020	2019
Statutory tax rate	30.6%	30.6%
Entertainment and other permanently non-deductible expenses	0.7	0.8
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	(1.9)	(1.4)
Increase (decrease) in valuation allowance	0.7	1.2
Amortization of goodwill, etc.	0.0	1.4
Consolidation adjustments for loss (gain) on sales of shares of subsidiaries and affiliates	(2.2)	—
Others	0.4	(0.2)
Effective tax rate	28.6%	32.7%

12 Retirement and Severance Benefits

Outline of the retirement benefit plans adopted by the Group

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Beginning balance of retirement benefit obligations	¥ 140,519	¥ 137,171	\$ 1,291,185
Service cost	6,138	5,794	56,400
Interest cost	767	765	7,049
Actuarial gains or losses	1,530	(1,629)	14,062
Retirement benefits paid	(7,695)	(7,666)	(70,711)
Prior service costs incurred during fiscal year	(1,195)	379	(10,982)
Increase from newly consolidated subsidiary	—	5,715	—
Decrease due to exclusion from consolidation	(897)	—	(8,249)
Others	(14)	(11)	(135)
Ending balance of retirement benefit obligations	¥ 139,152	¥ 140,519	\$ 1,278,618

(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
	2020	2019	2020
Beginning balance of plan assets	¥ 106,963	¥ 107,618	\$ 982,847
Expected return on plan assets	2,395	2,479	22,008
Actuarial gains or losses	(6,166)	(4,631)	(56,659)
Contributions from employer	1,686	1,589	15,494
Retirement benefits paid	(5,193)	(5,681)	(47,718)
Increase from newly consolidated subsidiary	—	5,619	—
Decrease due to exclusion from consolidation	(411)	—	(3,779)
Others	(31)	(30)	(292)
Ending balance of plan assets	¥ 99,242	¥ 106,963	\$ 911,901

(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
	2020	2019	2020
Retirement benefit obligations of funded plans	¥ 133,158	¥ 134,168	\$ 1,223,542
Plan assets	(99,242)	(106,963)	(911,901)
	33,915	27,205	311,641
Retirement benefit obligations of non-funded plans	5,993	6,350	55,075
Net amount of liability and asset recorded on the consolidated balance sheet	39,909	33,556	366,717
Retirement benefit liability	55,410	53,830	509,149
Retirement benefit asset	(15,500)	(20,274)	142,432
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 39,909	¥ 33,556	\$ 366,717

4) Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 6,138	¥ 5,794	\$ 56,400
Interest cost	767	765	7,049
Expected return on plan assets	(2,395)	(2,479)	(22,008)
Amortization of actuarial gains or losses	2,194	3,478	20,161
Amortization of prior service cost	39	23	359
Others	(9)	(7)	(87)
Retirement benefit cost related to defined benefit plans	¥ 6,733	¥ 7,575	\$ 61,874

(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 (before tax effect)

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Amortization of actuarial gains or losses	¥ (5,425)	¥ 477	\$ (49,851)
Amortization of prior service cost	1,262	(364)	11,599
Total	¥ (4,162)	¥ 112	\$ (38,251)

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
	2020	2019	2020
Unrecognized actuarial gains or losses	¥ 21,925	¥ 16,499	\$ 201,461
Unrecognized prior service cost	(779)	483	(7,161)
Total	¥ 21,145	¥ 16,982	\$ 194,300

7) Plan Assets

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

	2020	2019
Bonds	39%	35%
Stocks	15	22
Alternatives	37	25
Cash and deposits	4	3
Others	5	15
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 9% in the current consolidated accounting period and 11% 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:

	2020	2019
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 ¥1,226 million (\$11,270 thousand) in the current consolidated accounting period and ¥1,230 million in the previous consolidated accounting period.

13 Unconsolidated Subsidiaries and Affiliates

As of March 31, 2020 and 2019, investment securities of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investment securities (stock)	¥18,239	¥18,238	\$167,597

14 Contingent Liabilities

As of March 31, 2020 and 2019, 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
	2020	2019	2020
PT MEIJI FOOD INDONESIA	¥ —	¥ 55	\$ —
Sendai Feed Co., Ltd.	64	76	590
Makiba Feed Co., Ltd.	1,158	—	10,642
Meiji India Pvt. Ltd	24	—	229
DM Bio Limited	874	—	8,032
Employees	47	68	432
Total	¥2,168	¥200	\$19,927

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
4th Series of Unsecured Straight Bond	¥ —	¥20,000	\$ —
6th Series of Unsecured Straight Bond	15,000	15,000	137,829
Total	¥15,000	¥35,000	\$137,829

2) Notes receivable discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes receivable-trade discounted	¥ 9	¥23	\$ 85
Notes receivable-trade endorsed	52	34	483

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Notes receivable-trade	—	¥ 277	—
Notes payable-trade	—	3,138	—

16 Commitment Line Agreements

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

The unused portion of the commitment line based on these agreements as of March 31, 2020 and 2019, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Maximum loan amount	¥20,000	¥30,000	\$183,772
Used portion of the commitment line	—	—	—
Balance	¥20,000	¥30,000	\$183,772

17 Consolidated Statement of Changes in Equity**1) Matters related to types and total numbers of shares issued and treasury stock**

Types of shares	Number of shares as of March 31, 2019 (Thousands)	2020		Number of shares as of March 31, 2020 (Thousands)
		Increase (Thousands)	Decrease (Thousands)	
Shares issued:				
Common stock	152,683	—	—	152,683
Treasury stock:				
Common stock (Notes 1, 2)	7,650	4	41	7,613

(Note 1) The treasury common stock increased by 4 thousand shares due to an increase in the purchase of shares that are less than one unit.

(Note 2) The treasury common stock decreased by 41 thousand shares due to the disposal of 40 thousand treasury stock used for restricted stock compensation and decreased by 0 thousand shares due to the sales of shares that were less than one unit.

Types of shares	Number of shares as of March 31, 2018 (Thousands)	2019		Number of shares as of March 31, 2019 (Thousands)
		Increase (Thousands)	Decrease (Thousands)	
Shares issued:				
Common stock	152,683	—	—	152,683
Treasury stock:				
Common stock (Notes 1, 2)	7,680	5	36	7,650

(Note 1) The increase in treasury common stock of 5 thousand shares was attributable to the purchase of 5 thousand shares that are less than one unit.

(Note 2) The treasury common stock decreased by 36 thousand shares due to the disposal of 36 thousand treasury stock used for restricted stock compensation and a decrease in sales of 0 thousand shares that are less than one unit.

2) Matters related to dividends**(1) Cash dividends paid**

Resolution	Types of shares	2020					
		Total amount of dividends		Dividends per share		Cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Board of Directors' meeting held on May 13, 2019	Common stock	¥10,877	\$99,949	¥75.00	\$0.68	March 31, 2019	June 6, 2019
Board of Directors' meeting held on November 8, 2019	Common stock	10,155	93,311	75.00	0.64	September 30, 2019	December 6, 2019

Resolution	Types of shares	2019					
		Total amount of dividends		Dividends per share			
		Millions of yen		Yen			
Board of Directors' meeting held on May 11, 2018	Common stock	¥10,512		¥72.50		March 31, 2018	June 6, 2018
Board of Directors' meeting held on November 7, 2018	Common stock	9,427		65.00		September 30, 2018	December 6, 2018

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2020, and with the effective date in the fiscal year ending March 31, 2021

Resolution	Types of shares	2020					
		Total amount of dividends		Dividends per share			
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Board of Directors' meeting held on May 22, 2020	Common stock	¥11,605	\$106,639	Retained earnings	¥80.00 \$0.73	March 31, 2020	June 10, 2020

Resolution	Types of shares	2019					
		Total amount of dividends		Dividends per share			
		Millions of yen		Yen	U.S. dollars		
Board of Directors' meeting held on May 13, 2019	Common stock	¥10,877		¥75.00		March 31, 2019	June 6, 2019

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

(1) The following table represents a reconciliation of cash and cash equivalents as of March 31, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥37,446	¥25,356	\$344,082
Time deposits with maturities of more than three months	(1,679)	(2,238)	(15,428)
Securities with maturities up to three months	1,343	1,364	12,341
Cash and cash equivalents	¥37,110	¥24,481	\$340,995

19 Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2020 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Carriage and storage charges	¥47,732	¥48,157	\$438,596
Sales promotion expenses	103,093	101,276	947,293
Labor cost	75,519	74,874	693,919
Provision for accrued bonuses	7,190	7,008	66,066
Employees' retirement benefit cost	5,563	5,951	51,120
Allowance for sales rebates	1,908	2,443	17,539

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, 2020 and 2019, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Research and development costs	¥31,446	¥29,182	\$ 288,951

21 Gain on sales of tangible and intangible assets

Gain on sales of tangible and intangible assets for the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land	¥ 1,066	¥ 5,505	\$ 9,802
Other non-current assets	76	1,011	698
Total	¥ 1,142	¥ 6,516	\$ 10,501

22 Loss on disposal of tangible and intangible assets

Loss on disposal of tangible and intangible assets for the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥ 177	¥ 268	\$ 1,635
Machinery, equipment and vehicles	1,242	798	11,416
Others	1,129	953	10,378
Total	¥ 2,549	¥ 2,020	\$ 23,430

23 Impairment Loss

Impairment losses for the fiscal year ended March 31, 2020, are as follows:

Application	Type	Location
Assets in use	Machinery, equipment and buildings, etc.	Kasai-gun, Hokkaido
Assets in use	Buildings and structures, etc.	Kamiyama-shi, Yamagata Prefecture
Idle assets	Land and buildings, etc.	Hiroshima-shi, Hiroshima Prefecture
Idle assets	Machinery, equipment and buildings, etc.	Nonoichi-shi, Ishikawa Prefecture
Idle assets	Buildings and structures	Fujieda-shi, Shizuoka Prefecture
Assets in use	Intangible assets	Madrid, Spain
Assets in use	Building, tools, furniture and fixtures	Sakai-shi, Osaka Prefecture
Assets in use	Building, tools, furniture and fixtures	Kyoto-shi, Kyoto Prefecture

We group our assets based on the business types for the impairment test. In addition, assets leased to others and idle assets are individually assessed for impairment.

In the fiscal year ended March 31, 2020, due to a decrease in the profitability of some assets, the carrying values of those assets were reduced to recoverable amounts, and impairment losses of ¥2,390 million (\$21,962 thousand) were recognized as extraordinary losses.

Of this amount, for assets in use, ¥814 million (\$7,486 thousand) was buildings and structures; ¥862 million (\$7,927 thousand) was machinery, equipment and vehicles; ¥30 million (\$277 thousand) was tools, furniture and fixtures; ¥6 million (\$57 thousand) was intangible assets.

In addition, for idle assets, ¥144 million (\$1,331 thousand) was buildings and structures; ¥243 million (\$2,233 thousand) was machinery, equipment and vehicles; ¥4 million (\$45 thousand) was tools, furniture and fixtures; ¥283 million (\$2,602 thousand) was land.

Impairment losses for the fiscal year ended March 31, 2019, are as follows:

Application	Type	Location
Other assets	Goodwill	Medreich Limited
Assets in use	Machinery, equipment and intangible assets, etc.	London, UK
Idle assets	Land, etc.	Odawara-shi, Kanagawa Prefecture
Idle assets	Machinery and equipment	Madrid, Spain
Idle assets	Machinery and equipment	Guangzhou, China
Assets in use	Intangible assets	Chuo-ku, Tokyo Prefecture

We group our assets based on the business types for the impairment test. In addition, assets leased to others and idle assets are individually assessed for impairment.

In the fiscal year ended March 31, 2019, due to a decrease in the profitability of some assets, the carrying values of those assets were reduced to recoverable amounts, and impairment losses of ¥12,242 million were recognized as extraordinary losses.

Of this amount, for assets in use, ¥405 million was machinery, equipment and vehicles; ¥26 million was tools, furniture and fixtures; ¥1,329 million was intangible assets.

In addition, for idle assets, ¥7 million was buildings and structures; ¥93 million was machinery, equipment and vehicles; ¥999 million was land. For other assets, ¥9,379 million was goodwill.

Additionally, the recoverable amounts of assets in use with decreased profitability have been measured based on value in use. For assets in use in Kasai-gun, Hokkaido Prefecture, the value in use is calculated by discounting the future cash flow at a rate of 5.00%.

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

Note that an impairment loss of ¥9,379 million in goodwill is the amortization of goodwill as required by paragraph 32 in the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (Accounting Practice Committee Report No. 7, February 16, 2018).

The recoverable amounts for assets in use have been measured based on the value in use, but they are valued as zero as the estimated future cash flow is negative.

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

24 Consolidated Statement of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities:			
Amount incurred during the current year	¥ (7,616)	¥ 272	\$ (69,986)
Reclassification adjustments for gains and losses included in profit	(1,075)	(103)	(9,885)
Amount before tax effect	(8,692)	169	(79,872)
Tax effect	2,372	(102)	21,799
Valuation difference on available-for-sale securities	(6,320)	66	(58,072)
Deferred gains or losses on hedges:			
Amount incurred during the current year	73	85	676
Reclassification adjustments for gains and losses included in profit	—	—	—
Asset acquisition costs adjustments	—	—	—
Amount before tax effect	73	85	676
Tax effect	(22)	(26)	(207)
Deferred gains or losses on hedges	51	58	469
Foreign currency translation adjustment:			
Amount incurred during the current year	(1,461)	(1,615)	(13,430)
Reclassification adjustments for gains and losses included in profit	—	—	—
Foreign currency translation adjustment	(1,461)	(1,615)	(13,430)
Remeasurements of defined benefit plans, net of tax:			
Amount incurred during the current year	(6,494)	(3,370)	(59,672)
Reclassification adjustments for gains and losses included in profit	2,331	3,482	21,421
Amount before tax effect	(4,162)	112	(38,251)
Tax effect	(1,554)	(196)	(14,282)
Remeasurements of defined benefit plans, net of tax	(2,608)	(84)	(23,968)
Share of other comprehensive income of entities accounted for using equity method:			
Amount incurred during the current year	(53)	(523)	(490)
Total other comprehensive income	¥ (10,392)	¥ (2,097)	\$ (95,492)

25 Derivative Financial Instruments

Matters related to derivative transactions in the fiscal year ended March 31, 2020

1) Derivative transactions for which hedge accounting is not applied**(1) Currency-related transactions**

Type of transactions	Millions of yen				Thousands of U.S. dollars			
	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	391	—	45	45	3,600	—	418	418
Total	¥391	¥—	¥45	¥45	\$3,600	\$—	\$418	\$418

(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			Thousands of U.S. dollars		
		Contract amount, etc.	Portion with maturity over one year	Fair value	Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:							
Principle method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable-trade	¥3,567	¥—	¥78	\$32,777	\$—	\$724
Sell							
U.S. dollar	Accounts receivable-trade	—	—	—	—	—	—
Hedge accounting method:							
Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable-trade	826	—	(Notes)	7,591	—	(Notes)
Euro	Accounts payable-trade	—	—	(Notes)	—	—	(Notes)
Pound	Accounts payable-trade	237	—	(Notes)	2,179	—	(Notes)
Australian dollar	Accounts payable-trade	30	—	(Notes)	279	—	(Notes)
Sell							
U.S. dollar	Accounts receivable-trade	—	—	(Notes)	—	—	(Notes)
Euro	Accounts receivable-trade	—	—	(Notes)	—	—	(Notes)
Total		¥4,660	¥—	¥78	\$42,828	\$—	\$724

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.

(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable-trade and accounts receivable-trade, their fair values are included in the fair value information of the respective accounts payable-trade and accounts receivable-trade.

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen			Thousands of U.S. dollars		
		2020			2020		
		Contract amount, etc.	Portion with maturity over one year	Fair value	Contract amount, etc.	Portion with maturity over one year	Fair value
Method of hedge accounting:							
Integrated method (shortcut method, allocation method) of interest rate and currency swap							
Interest rate and currency swap contracts							
Fixed rate payments/ variable rate receipts	Long-term borrowings	¥15,702	¥14,655	(Note)	\$144,287	\$134,668	(Note)

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

Matters related to derivative transactions in the fiscal year ended March 31, 2019

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

Type of transactions	Millions of yen			
	2019			
	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	1,209	399	136	136
Total	¥1,209	¥399	¥136	¥136

(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		
		2019		
		Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:				
Principle method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable-trade	¥1,582	¥—	¥5
Sell				
U.S. dollar	Accounts receivable-trade	—	—	—
Hedge accounting method:				
Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable-trade	217	—	(Notes)
Euro	Accounts payable-trade	—	—	(Notes)
Pound	Accounts payable-trade	123	—	(Notes)
Australian dollar	Accounts payable-trade	101	—	(Notes)
Sell				
U.S. dollar	Accounts receivable-trade	—	—	(Notes)
Euro	Accounts receivable-trade	—	—	(Notes)
Total		¥2,025	¥—	¥5

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.

(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable-trade and accounts receivable-trade, their fair values are included in the fair value information of the respective accounts payable-trade and accounts receivable-trade.

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen		
		2019		
		Contract amount, etc.	Portion with maturity over one year	Fair value
Method of hedge accounting:				
Integrated method (shortcut method, allocation method) of interest rate and currency swap				
Interest rate and currency swap contracts				
Fixed rate payments/ variable rate receipts	Long-term borrowings	¥16,749	¥15,702	(Note)

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

26 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				
	2020				
	Reporting segments		Total	Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Food	Pharmaceutical				
Net sales					
(1) Sales to third parties	¥1,048,963	¥203,742	¥1,252,706	¥ —	¥1,252,706
(2) Intersegment sales and transfers	596	611	1,207	(1,207)	—
Total	1,049,559	204,354	1,253,914	(1,207)	1,252,706
Segment income (loss)	87,340	15,982	103,322	(614)	102,708
Segment assets	¥705,346	¥271,809	¥977,155	¥21,481	¥998,637
Other items					
Depreciation	¥37,469	8,502	45,972	213	46,185
Impairment Loss	2,076	313	2,390	—	2,390
Amortization of goodwill (Note 3)	15	32	48	—	48
Equity in income of affiliates	7,199	5,182	12,382	—	12,382
Increase in property, plant and equipment/intangible assets	¥55,729	¥10,067	¥65,797	¥156	¥65,953

	Thousands of U.S. dollars				
	2020				
	Reporting segments		Total	Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Food	Pharmaceutical				
Net sales					
(1) Sales to third parties	\$9,638,547	\$1,872,120	\$11,510,668	\$ —	\$11,510,668
(2) Intersegment sales and transfers	5,476	5,623	11,099	(11,099)	—
Total	9,644,024	1,877,743	11,521,767	(11,099)	11,510,668
Segment income (loss)	802,539	146,856	949,395	(5,643)	943,752
Segment assets	6,481,176	2,497,560	8,978,736	197,382	9,176,119
Other items					
Depreciation	344,296	78,125	422,421	1,960	424,382
Impairment Loss	19,080	2,882	21,962	—	21,962
Amortization of goodwill (Note 3)	141	301	442	—	442
Equity in income of affiliates	66,151	47,623	113,775	—	113,775
Increase in property, plant and equipment/intangible assets	\$512,082	\$92,504	\$604,587	\$1,434	\$606,021

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥614 million or negative \$5,643 thousand) includes the elimination of expenses for intersegment transactions (¥13 million or \$122 thousand) and the corporate expenses not allocated to each reporting segment (negative ¥627 million or negative \$5,766 thousand). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥21,481 million or \$197,382 thousand) includes the elimination of intersegmental assets (negative ¥87,399 million or negative \$803,084 thousand) and the corporate assets not allocated to each reporting segment (¥108,880 million or \$1,000,467 thousand).

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

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

(Note 3) The balance of goodwill as of the end of the current fiscal year was ¥680 million (\$6,257 thousand), comprising ¥57 million (\$530 thousand) for the Food segment and ¥623 million (\$5,726 thousand) for the Pharmaceutical segment, and there were no adjustments.

	Millions of yen				
	2019				
	Reporting segments		Total	Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Food	Pharmaceutical				
Net sales					
(1) Sales to third parties	¥1,056,107	¥198,273	¥1,254,380	¥ —	¥1,254,380
(2) Intersegment sales and transfers	530	415	946	(946)	—
Total	1,056,637	198,688	1,255,326	(946)	1,254,380
Segment income (loss)	84,763	14,243	99,007	(624)	98,383
Segment assets	¥690,914	¥282,855	¥973,770	¥30,373	¥1,004,143
Other items					
Depreciation	¥34,517	¥8,212	¥42,730	¥302	¥43,033
Impairment Loss	1,024	11,218	12,242	—	12,242
Amortization of goodwill (Note 3)	3	1,637	1,641	—	1,641
Equity in income of affiliates	6,493	6,175	12,668	—	12,668
Increase in property, plant and equipment/intangible assets	60,127	10,865	70,993	175	71,169

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥624 million) includes the elimination of expenses for intersegment transactions (¥14 million) and the corporate expenses not allocated to each reporting segment (negative ¥638 million). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥30,373 million) includes the elimination of intersegmental assets (negative ¥85,387 million) and the corporate assets not allocated to each reporting segment (¥115,760 million).

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

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

(Note 3) The total balance of goodwill as of the end of the current fiscal year was ¥73 million, comprising ¥73 million for the Food segment and zero for the Pharmaceutical segment, and there were no adjustments.

27 Information About Related Parties

Transactions between the company submitting the consolidated financial statements and the related parties in the fiscal year ended March 31, 2020

Officers and principal shareholders (only for individual parties) for the company submitting the consolidated financial statements and related items

Category	Name of person, company, etc.	Common shares	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related parties	Description of transaction	Amount of transaction		Account	Balance at the end of the fiscal year being reported
							Millions of yen	Thousands of U.S. dollars		
Director	Masahiko Matsuo	—	Chairman and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	¥11	\$103	—	—
Director	Kazuo Kawamura	—	President and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	18	172	—	—
Director of significant subsidiary	Katsunari Matsuda	—	The Member of the Board and President and Representative Director of Meiji	0.0%	—	Contributions in kind for monetary compensation claims	14	132	—	—
Director of significant subsidiary	Daikichiro Kobayashi	—	The Member of the Board and President and Representative Director of Meiji Seika Pharma	0.0%	—	Contributions in kind for monetary compensation claims	11	105	—	—

(Note) Transaction conditions and policy for establishing transaction conditions, etc.

This refers to contributions in kind for monetary compensation claims based on the Restricted Stock Compensation Plan.

Transactions between the company submitting the consolidated financial statements and the related parties in the fiscal year ended March 31, 2019

Officers and principal shareholders (only for individual parties) for the company submitting the consolidated financial statements and related items

Category	Name of person, company, etc.	Common shares	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related parties	Description of transaction	Amount of transaction		Account	Balance at the end of the fiscal year being reported
							Millions of yen	Account		
Director	Masahiko Matsuo	—	Chairman and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	¥11	—	—	—
Director	Kazuo Kawamura	—	President and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	18	—	—	—
Director of significant subsidiary	Katsunari Matsuda	—	The Member of the Board and President and Representative Director of Meiji	0.0%	—	Contributions in kind for monetary compensation claims	14	—	—	—
Director of significant subsidiary	Daikichiro Kobayashi	—	The Member of the Board and President and Representative Director of Meiji Seika Pharma	0.0%	—	Contributions in kind for monetary compensation claims	11	—	—	—

(Note) Transaction conditions and policy for establishing transaction conditions, etc.

This refers to contributions in kind for monetary compensation claims based on the Restricted Stock Compensation Plan.

28 Significant Subsequent Events

(Application of equity method due to stock acquisition)

On April 15, 2020, Meiji Co. Ltd. (hereafter referred to as "Meiji") consolidated subsidiary of the Company concluded a stock transfer agreement with Japfa LTD., a shareholder of AustAsia Investment Holdings Pte LTD. (hereafter referred to as "AustAsia"), which operates dairy farms business in China, to acquire a 25.0% stake in AustAsia. After the stock acquisition, AustAsia is expected to become an affiliate and accounted for using equity method.

1) Purpose of stock acquisition

Boasting superior milk yields, AustAsia is one of the leading producers of premium raw milk in China, and is currently a major supplier of raw milk to Meiji's drinking milk and yogurt business in China.

The stable procurement of high-quality raw milk is essential for Meiji to achieve continuous growth in China's chilled milk and yogurt market.

The purpose of this stock acquisition is to strengthen Meiji's value chain, from raw milk procurement through to production, and to establish a platform for sustainable growth in China business.

2) Name of partner company in stock acquisition

Japfa LTD.

3) Name and business domain of company being acquired

- (1) Name: AustAsia Investment Holdings Pte LTD.
- (2) Primary business domain: Dairy production, etc. in China
- (3) Other: Following the business reorganization announced in April 2020, AustAsia will become the core company for raw milk production in China.

4) Timing of stock acquisition

July 2020 (planned)

5) Number of shares to be acquired, acquisition value, and equity ratio after acquisition

- (1) Number of shares to be acquired: 84,027,991 shares
- (2) Acquisition value: \$254.4 million (approximately ¥28.0 billion)
- (3) Equity ratio after acquisition: 25.0%

6) Procurement of paid capital and method of payment

Payment for acquisition will be made in cash, based on funds on hand within the Group and external procurement.

(Comprehensive resolution concerning the issuance of bonds)

At the Board of Directors meeting held on May 13, 2020, we passed a comprehensive resolution as follows regarding the issuance of domestic unsecured straight bonds.

(1) Total issue amount

¥100 billion (\$918,864 thousand) or less

However, multiple issuances within this range shall be permitted.

(2) Planned issue period

From June 2020 to March 2021

If a bond subscription is offered during this period, it shall be included even if the payment date is after this period.

(3) Amount of payment

¥100 (\$0.91) or more per bond amount of ¥100 (\$0.91)

(4) Interest rate

Swap rate with same term as bond plus no more than 1.0%

(5) Redemption term

10 years or less

(6) Redemption method

Lump-sum redemption upon maturity

(7) Purpose of funds

Operating funds, funds for equipment, investment and lending funds, loan repayment capital, commercial paper redemption capital

(8) Special conditions

These bonds shall include a negative pledge clause.

(9) Other

Decisions concerning the matters set forth in the items of Article 676 of the Companies Act of Japan and all other matters required for the issuance of corporate bonds shall be left to the discretion of the President & Representative Director up to the abovementioned limits, and shall be reported at the first Board of Directors' meeting held after the issuance.



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Independent Auditor's Report

The Board of Directors
Meiji Holdings Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Meiji Holdings Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.


Ernst & Young ShinNihon LLC
Tokyo, Japan
June 26, 2020

永澤 宏一 

Koichi Nagasawa
Designated Engagement Partner
Certified Public Accountant

江村 羊奈子 

Yonako Emura
Designated Engagement Partner
Certified Public Accountant

衣川 清隆 

Kiyotaka Kinugawa
Designated Engagement Partner
Certified Public Accountant

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Introduction

Our Value Creation Story

Our Activities for Sustainability

Financial and Non-Financial Section

Corporate Information

Operating Bases and Group Companies (As of June 30, 2020)

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

Domestic

Food Segment

Meiji Co., Ltd.

Head Office	★ Research Laboratory	□ Branch	▲ Plant	● Group Company
Research Laboratory	1	Branch	5	
Plant	26	Group Company	25	

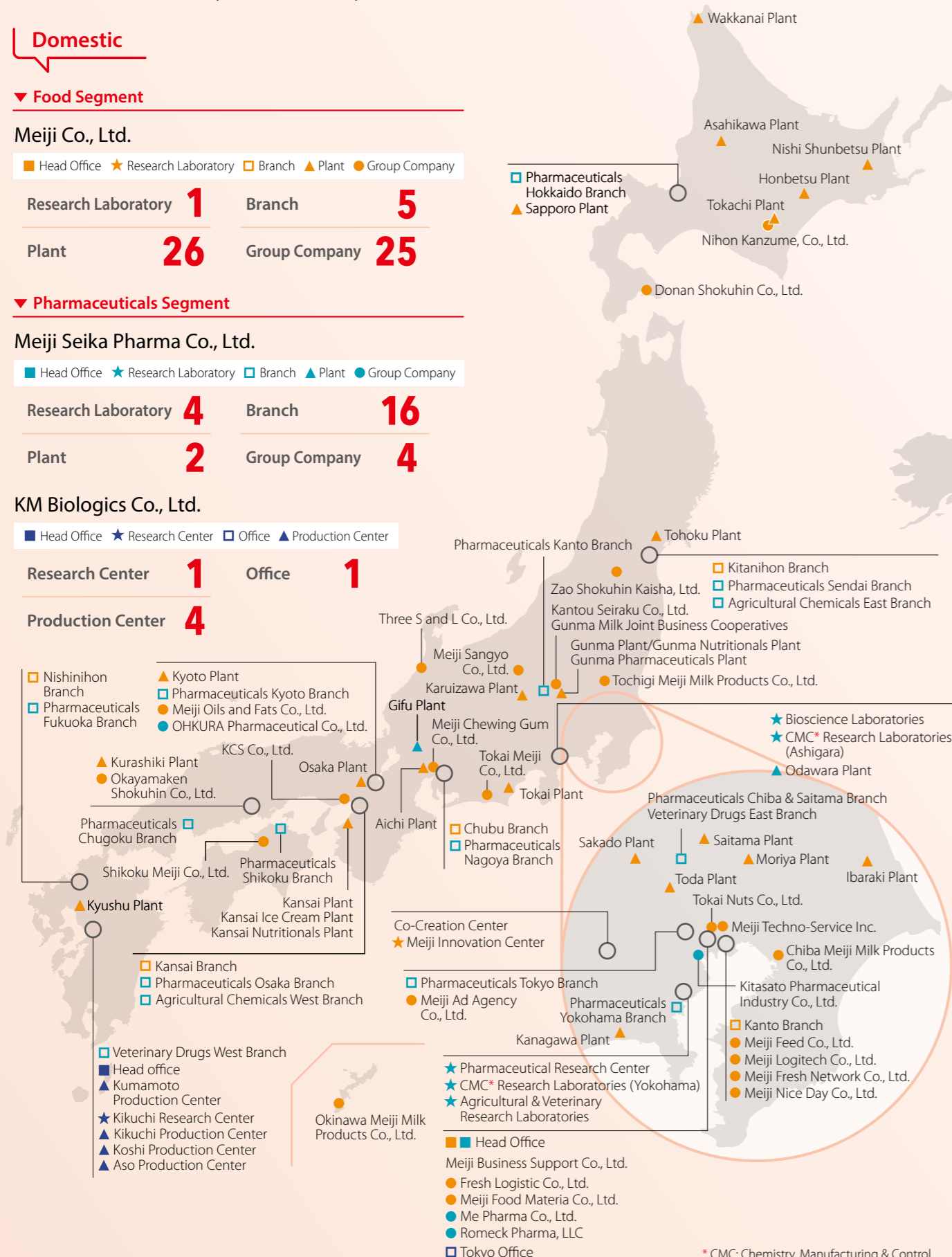
Pharmaceuticals Segment

Meiji Seika Pharma Co., Ltd.

Head Office	★ Research Laboratory	□ Branch	▲ Plant	● Group Company
Research Laboratory	4	Branch	16	
Plant	2	Group Company	4	

KM Biologics Co., Ltd.

Head Office	★ Research Center	□ Office	▲ Production Center
Research Center	1	Office	1
Production Center	4		



Overseas

Food Segment

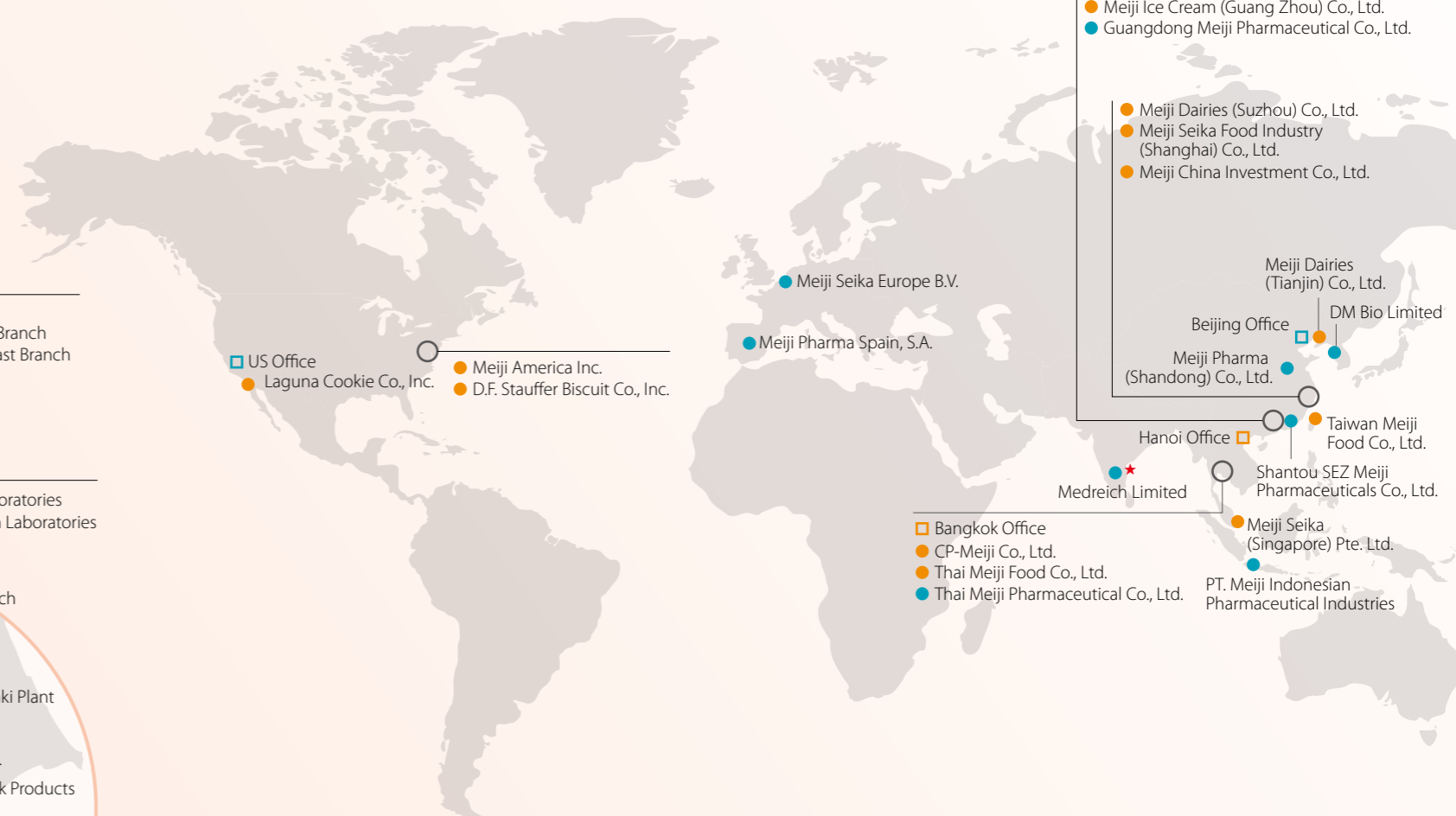
Meiji Co., Ltd.

Head Office	● Group Company
Office	2
Group Company	12

Pharmaceuticals Segment

Meiji Seika Pharma Co., Ltd.

Head Office	● Group Company
Office	2
Group Company	18



★ The nine subsidiaries of Medreich Limited are not shown.
 Unmarked bases are companies and facilities that do not belong to the segment.

* CMC: Chemistry, Manufacturing & Control

Corporate Data / Stock Information (As of March 31, 2020)

Corporate Data

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

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

Incorporated
April 1, 2009

Share Capital
JPY 30.0 billion

Number of Group Employees
17,571

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

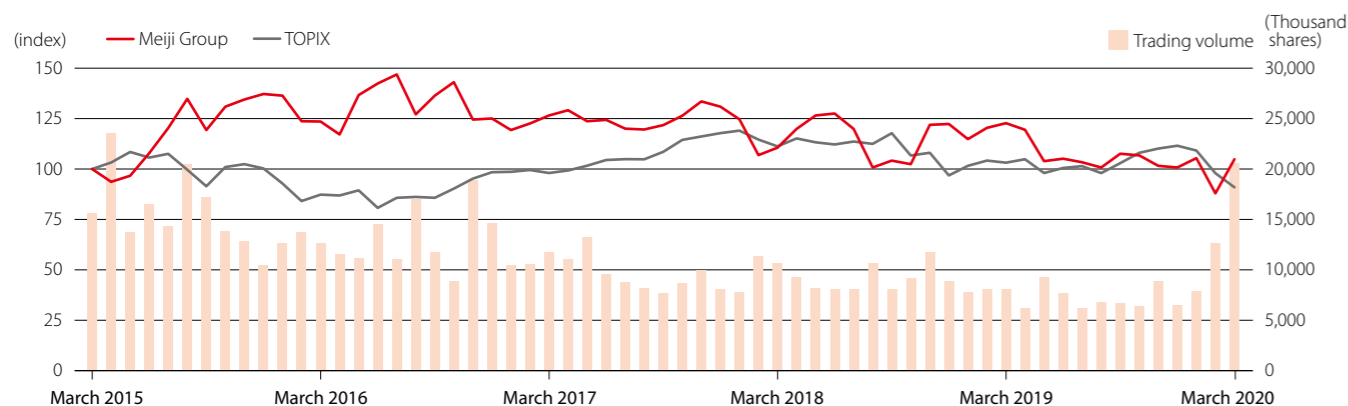
Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,070	10.39
Japan Trustee Services Bank, Ltd. (Trust Account)	8,832	6.09
Nippon Life Insurance Company	3,348	2.31
Mizuho Bank, Ltd.	3,117	2.15
The Norinchukin Bank	2,892	1.99
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,705	1.87
Meiji Holdings Trading-Partner Shareholding Association	2,613	1.80
Meiji Holdings Employee Shareholding Association	2,523	1.74
JP MORGAN CHASE BANK 385151	2,349	1.62
Resona Bank, Limited	2,347	1.62

(Notes) 1. The Company holds 7,613,416 shares of treasury stock as of March 31, 2020.
2. The shareholding ratio is calculated by subtracting the treasury stock from the total shares of common stock issued.

Shareholding by Type of Shareholder



Stock Price and Trading Volume



(Notes) 1. The closing price as of March 31, 2015 is 100.
2. A 2-for-1 common stock split was issued on October 1, 2015. This value was retro-actively applied.

External Evaluation of ESG

Meiji Holdings Co., Ltd. is working to achieve sustainable growth through sustainability management. These efforts have been received positively by external bodies and the Company is included in ESG indices in Japan and overseas.



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

In order to improve the reliability of the data, Meiji Holdings Co., Ltd. obtained the independent practitioner's assurance for the domestic CO₂ emission volume (Scope 1, Scope 2 and Scope 3 category 1) and domestic water consumption volume for FY2019 indicated on p.44 and 45 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 7, 2020

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

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

We have undertaken a limited assurance engagement of the domestic CO₂ emission volume (Scope1, Scope2, Scope3 category1) and domestic water consumption volume indicated with for the year ended March 31, 2020 (the "Quantitative Environmental Information") included in the "Integrated Report 2020" (the "Report") of Meiji Holdings Co., Ltd. (the "Company").

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

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

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

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

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

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

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

Member of
Deloitte Touche Tohmatsu Limited

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

Meiji Holdings Co., Ltd., Meiji Co., Ltd. and group companies (Shikoku Meiji Co., Ltd., Tokai Meiji Co., Ltd., Gunma 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., Meiji Seika Pharma Co., Ltd. and group companies (OHKURA Pharmaceutical Co., Ltd.), and KM Biologics Co., Ltd.

Note that CO₂ emission volume for Meiji Logitech Co., Ltd. only include the fuel used in company owned delivery vehicles/trucks.

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

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

meiji

Meiji Holdings Co., Ltd.

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