

April 15, 2020

Notice concerning acquisition of shares of AustAsia Investment Holdings Pte LTD., operating dairy farms in China

~Secure a stable and high quality milk procurement in China to accelerate Meiji's Business growth in China~

Meiji Co., Ltd. (hereinafter "Meiji") (President and Representative Director: Katsunari Matsuda) is pleased to announce that Meiji has decided to acquire a 25.0% stake in AustAsia Investment Holdings Pte LTD. (hereinafter "AustAsia"), which operates dairy farms in China, for US\$ 254.4 million (approximately JPY 28 billion¹) for the purpose of expanding Meiji's dairy business in China. We have reached an agreement on the acquisition and have signed a sale and purchase agreement with Japfa LTD. (hereinafter, "Japfa"), the shareholder of AustAsia. After the completion of the acquisition, AustAsia is expected to become an equity-method affiliate of Meiji.

1. Purpose of the Share Acquisition

The Meiji Group aims to improve its long-term corporate value based on business plan named, *the Meiji Group 2026 Vision*, in which we set a key strategy for *Establish growth foundation in overseas markets*. We have focused on China market as a priority area for achieving this goal.

In China we are engaged in the milk and yogurt business, ice cream business and confectionery business, and the businesses are steadily expanding. In particular, the market for chilled milk has been growing significantly mainly in East China due to consumers' preference of the taste of chilled milk and health consciousness. In response to the strong sales, we will expand production capacity of the existing Meiji Dairies (Suzhou) Co Ltd.(factory for milk and yogurt production in Suzhou) from 2021 Spring and will build new factory in Tianjin (operation starts in the second half of FY2022).

In this market environment, vertical integration is progressing in China such as farm management by dairy manufacturers. For sustainable growth, it is essential to procure a stable and high quality raw milk supply. We believe this acquisition will strengthen the value chain from raw milk procurement to finished products operation, and establish a sustainable growth base in China.

<Farm Operation by AustAsia>



Taian AustAsia Modern Dairy Farm



Dongying Shenzhou AustAsia Modern Dairy Farm

¹ Converted with FX rate of 1US\$=108.23JPY (as of April 13, 2020)

2. About AustAsia

With superior milk yields, AustAsia is one of the leading producers of premium raw milk in China. AustAsia operates seven farms in China and is a major supplier of raw milk to Meiji's dairy business. With about 80,000 dairy cows, AustAsia provides high quality raw milk, gaining the trust from its business partners and achieving high growth and profitability. Meiji believes that Austasia's commitment to quality is consistent with the Meiji Group's philosophy of health and security.

Japfa Ltd is the parent company of AustAsia and is listed on the Singapore Stock Exchange, achieving high business growth in Southeast Asian countries, especially in Indonesia. Japfa specializes in producing protein staples (poultry, beef, swine and aquaculture) and packaged foods that nourish millions of people. In addition to its dairy farming business in China, Japfa also has dairy operations in Indonesia.

<Overview of AustAsia>

- (1) Company name: AustAsia Investment Holdings Pte LTD. URL : <http://www.greenfieldsdairy.com.cn/en/pasture/>
- (2) CEO: Edgar Dowse Collins
- (3) Establishment date: 17 April 2009
- (4) Registered office: 42 Horne Road, Singapore
- (5) Sales (FY2019): US\$ 380 million²
- (6) EBITDA (FY2019): US\$ 122 million^{2, 3}
- (7) PAT (FY2019): US\$ 73 million²
- (8) Present Shareholder(s): Japfa LTD. (100%)
- (9) Others: AustAsia will operate mainly the dairy farms in China upon completion of its internal restructuring as announced by Japfa in April 2020

3. Future Outlook

The completion date of the acquisition is targeted for July 2020. The impact of this transaction on 2020 financial performance is not material.

4. Key Products from Dairy/Yogurt Business in China



² Unaudited financials of AustAsia assuming the dairy division restructuring announced by Japfa on 2 April 2020 was completed on 1 January 2019.

³ EBITDA refers to profit before tax from continuing operations, excluding interest income, finance costs, depreciation and amortisation expenses, and also excluding changes in fair value of biological assets and derivative relates to foreign exchange hedging and foreign exchange adjustments gains/(losses).