
JCR conducted evaluation of conformity of the bonds issued by Meiji Holdings Co., Ltd. to the sustainability finance framework

Japan Credit Rating Agency, Ltd. (JCR) has submitted a third-party opinion on conformity of the bonds issued by Meiji Holdings Co., Ltd. to their sustainability finance framework.

*Please refer to the following pages for the details of the written opinion.

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Third-Party Opinions

Scope of evaluation: Conformity of the bonds issued by Meiji Holdings Co., Ltd.
to the sustainability finance framework.

July 14, 2023

Japan Credit Rating Agency, Ltd.

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I. Positioning and Purpose of this Third-Party Opinions

In January 2021, JCR evaluated the Sustainability Finance Framework (this Framework) formulated by Meiji Holdings Co., Ltd. (Meiji Holdings), and consequently assigned SU 1 (F). This Opinion is intended to confirm whether the bonds issued by Meiji Holdings conform to this framework (the scope of this evaluation), which the company has formulated in advance.

II. Items to be confirmed in this Opinion

The items to be confirmed in this Opinion are described below. This Opinion focuses on the use and reporting of the proceeds of the bonds issued by Meiji Holdings.

1. Use of proceeds

Confirm whether the projects are in compliance with the eligibility criteria set forth in the Framework. It also addresses and verifies the possible negative impacts the proceeds could have on the environment and society.

2. Selection standard and processes of the use of proceeds

Ensure that the process for the issuance of this evaluation is in line with the process specified in this Framework.

3. Management of the proceeds

Confirm whether the funds raised by the Evaluation are allocated to the eligible project in accordance with the allocation plan set forth in the Framework and whether they are properly tracked and managed in accordance with the Framework.

4. Reporting

Confirm whether the allocation status and impact reporting items are in line with this framework and whether they are properly disclosed (whether it is clearly planned to be disclosed).

III. The scope of this evaluation

The subject of this evaluation is the bonds listed in the table below issued on April 23, 2021, based on the sustainability finance framework established in advance by Meiji Holdings.

Subject of this evaluation	Issue Amount	Date of Issuance	Redemption Date	Interest rate
Tenth series unsecured bonds (Sustainability Bonds)	JPY 10 billion	April 23, 2021	April 23, 2026	0.050%

IV. Verification of Conformance with the Framework

1. Use of Proceeds (Allocation status)

The use of proceeds subject to this evaluation is shown in the table below. JCR confirmed that all the projects listed in the table met the eligibility criteria.

After carefully examining the possible negative impact on the environment and society of the projects targeted for the use of proceeds, JCR confirmed through interviews with Meiji Holdings that there were no significant adverse impacts from the proceeds and that they were adding them to the use of proceeds.

Based on the above, JCR assessed that the use of proceeds subject to this assessment is compatible with the Framework.

< Summary of the Use of Proceeds (List of Acquisition Asset) >

■ Use of proceeds for the 10th unsecured bonds (Sustainability Bonds)

Theme	Applicable project	Project Category	Use of proceeds
Sustainable Procurement	Sustainable cocoa bean procurement	<u>Green</u> Sustainable environmental management of biological natural resources and land use	Procurement of sustainable cocoa beans
Caring for the Earth	Energy efficiency and energy creation at domestic and overseas plants	<u>Green</u> Renewable energy	Install solar power generation facilities
		<u>Green</u> Pollution prevention and management	Measures to go CFC-free (Install refrigeration/freezer equipment that is energy-saving and CFC-free)
	Securing and conserving domestic and overseas water resources	<u>Green</u> Sustainable water resource and wastewater management	Improve water quality by installing RO membrane systems
	Switching to environmentally friendly packaging (plastic-paper)	<u>Green</u> Prevent pollution (creating a circular society)	Procurement of biomass-based plastic straw
Healthier Lives	Capital investments and R&D for initiatives related to infant nutrition (General infant	<u>Social</u> - Access to necessary services (health) - Food safety	Developing and manufacturing cube-type infant formula, a highly convenient product that helps reduce labor for working parents

	formulas and special formulas)		raising infants
	R&D and capital investments in infectious disease prevention	<u>Social</u> Access to necessary services (health)	Contributing to healthier lives by developing and manufacturing vaccines and pharmaceuticals in response to concerns of new and recurring infectious disease epidemics attributable to global warming and other environmental changes.

2. Selection standard and processes of the use of proceeds

JCR confirmed through interviews with Meiji Holdings that the process conducted in issuing the subject of this evaluation conformed to this framework.

In addition, when issuing the bonds, the goals, standards and processes are explained in advance to investors by disclosing the framework on the Meiji Holdings website.

Based on the above, JCR assessed that the bond process was compatible with the Framework.

3. Management of the proceeds

The status of allocation of the bond's proceeds is shown in the table below. JCR has confirmed all of the JPY 10 billion bonds' proceeds raised by the end of FY2022 have been allocated to eligible projects.

JCR confirmed that the tracking management with respect to the bonds was implemented by the method specified in this Framework by interviewing Meiji Holdings and the documents provided by the company.

Based on the above, JCR has evaluated that the fund management system of the bonds conforms to the Framework.

■10th Unsecured Bond Funds Allocation Status

Theme	Applicable Project	Use of Proceeds	Expenditure (JPY 100 million)		
			FY2021	FY2022	Total
Sustainable Procurement	Sustainable cocoa bean procurement	Procurement of sustainable cocoa beans	14.7	14.2	28.9
Caring for the Earth	Energy efficiency and energy creation at domestic and overseas plants	Installing solar power generation facilities	1.3	5.8	7.1
		Installing refrigeration/freezer equipment that is energy-saving and CFC-free *1	2.3	4.0	6.3
	Securing and conserving domestic and overseas water resources	Installing RO membrane systems	7.5	0.7	8.2
	Switching to environmentally friendly packaging (plastic-paper)	Procurement of biomass-based plastic straw	4.3	4.6	8.9
Healthier Lives	Capital investments and R&D for initiatives related to infant nutrition (General infant formulas and special formulas)	Installing manufacturing facilities in Saitama Plant	22.9	27.2	50.1
	R&D and capital investments in infectious disease prevention	Development of vaccine for Dengue virus	4.3	0.3	4.6
Grand total *2			57.3	56.8	114.1

*1 Fluorocarbons reduction costs include switching to natural refrigerants and fluorocarbons alternatives.

*2 JPY 10 billion of the total expenditures was allocated to these applicable projects.

4. Reporting

a. Reporting on the proceeds allocation

Meiji Holdings shall disclose the following items on the Meiji Holdings website as the appropriation of funds for this evaluation.

- Outline of the project subject to the use of proceeds
- Amount appropriated

The results for FY 2021 have already been disclosed on the company's website and will be disclosed by adding the FY 2022 results confirmed in previous section.

JCR has evaluated that the above Disclosures conform to the content contained in this Framework.

b. Reporting on Environmental Improvement Effects and Social Benefits

Meiji Holdings shall disclose the following items as impact reporting on the Meiji Holdings website.

As well as the proceeds allocation, the results for FY2021 have already been disclosed on the company's website, and they are planned to be disclosed by adding the results for fiscal 2022.

Applicable Project	Impact Reporting				Impact (Effects Arising From Outcome)
	Output (Project Progress and Results)	Outcome (Effects Related to Issue Resolutions)	FY2021	FY2022	
Sustainable cocoa bean procurement	Procurement of cocoa beans with sustainable programs	Procurement of sustainable cocoa beans as a percentage of total cocoa beans procured	42%	62%	- Improvement in producer livelihoods - Ensure food quality and safety for consumers
Energy efficiency and energy creation at domestic and overseas plants	Reduce CO2 emissions by at least 50% compared with FY2019 by FY2030	Reduce CO2 emissions through energy conservation measures at new and existing plants	1,329t-CO2	3,709t-CO2 (Total of FY2021 and FY2022 results)	Reduce CO2 emission
	Expand use of electricity derived from renewable energy sources to	Reduce CO2 emissions through solar power generation	1,669t-CO2	2,358t-CO2 (Total of FY2021 and	

	at least 50% by FY2030			FY2022 results)	
	Eliminate use of specified fluorocarbons at domestic production sites by FY2030.	Number of facilities switched to natural refrigerants or fluorocarbons alternatives	446 unit	565 unit (Total of FY2021 and FY2022 results)	Protection of the ozone layer
Securing and conserving domestic and overseas water resources	Upgrade equipment at existing plants and offices	Reduction rate of water consumption (basic unit) *Reduce water consumption compared with FY2020 (From FY2022) (Unit of sales after applying the Accounting Standard for Revenue Recognition and other standards)	8.4% (compared with FY2017)	13.3% (Total of FY2021 and FY2022 results)	Reduce environmental impact through efficient use of water and appropriate wastewater management, etc.
	Introduce water-saving equipment at new plants, etc.				
	Reduce water consumption by at least 15% compared with FY2020 by FY2030 in global *The base year and KPI were changed because sales after applying the Accounting Standard for Revenue Recognition and other standards were used in the per unit calculation.				

Switching to environmentally friendly packaging (plastic-paper)	Reduce plastic used for one-way plastic containers and packaging by at least 25% compared with FY2017 by FY2030	Plastic reduction	13% FY2020	16% FY2021	Solve the issues of marine pollution caused by plastic waste
Capital investments and R&D for initiatives related to infant nutrition (General infant formulas and special formulas)	Develop and produce cube-type infant formula	Investment in production facilities for cube-type infant formula			<ul style="list-style-type: none"> - Achieve healthy growth of infants and toddlers - Reduce childcare burden on caregivers
		High-speed line production facility construction	JPY 1.3 billion	JPY 2.36 billion	
		Utilities construction	JPY 0.99 billion	JPY 0.36 billion	
R&D and capital investments in infectious disease prevention	Product development	Status of projects in development	Phase I trials underway (overseas)	Phase II clinical trial in preparation	<ul style="list-style-type: none"> - Decrease the number of patients suffering from infectious diseases - Support domestic medical systems - Prevent severe disease through the impact of vaccines

The output and outcome indicators for securing and protecting domestic and overseas water resources have been changed from last year's disclosure. Target region of water consumption is changed to global from domestic, and the baseline fiscal year for reduction rates is changed from FY2017 to FY2020. In addition, the reduction target is changed from 20% to 15%. The reason for these changes is that the new revenue recognition standard was applied from FY2021, which changed the method of calculating sales required for the calculation of water consumption intensity. The new baseline fiscal year is set to FY2020 because it is the earliest year for which sales can be calculated

based on the new revenue recognition standard. According to data disclosed by Meiji Holdings¹, global water consumption was reduced by approximately 4% during 2018 and 2020, and we believe that the level of the revised target is equivalent to that before the change. JCR has evaluated that the above Disclosures conform to the content contained in this Framework.

V. Conclusion

From the above considerations, JCR confirmed that this evaluation object conforms to each element of this framework.

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¹ Meiji Holdings Co., Ltd., ESG data collection: <https://www.meiji.com/sustainability/esg/?active-tab=tab-4>

Important explanation of this third-party opinion

1. Assumptions, Significance, and Limitations of JCR Third-Party Opinions

The third-party opinions assigned and provided by the Japan Credit Rating Agency, Ltd. (JCR) represent JCR's overall opinion at the present time as to the relevance of the Sustainability Finance Framework formulated by the issuers to be evaluated, and do not represent the environmental improvement effects or social benefits brought by the subject evaluation.

This Third Party Opinion evaluates current plans or circumstances based on information provided by the Client and information independently collected by JCR and does not guarantee an assessment of future status. In addition, this third-party opinion does not quantitatively prove the environmental improvement effects and social benefits of the Sustainability Bonds and is not responsible for their effects. JCR verifies the environmental and social effects of the funds raised through the issuance of sustainability bonds are measured quantitatively and qualitatively by the issuer or by a third party requested by the issuer, but in principle this is not directly measured.

2. International initiatives, principles, etc. referred to in carrying out this evaluation

In conducting this evaluation, JCRs refer to the following principles and guides developed by ICMA, LMAs, APLMA, LSTA, the Ministry of the Environment, and the Financial Services Agency.

- Green Bond Principles (2021)
- Social Bond Principles (2023)
- Sustainability Bonds Guidelines (2021)
- Green Bond Guidelines (2022)
- Social Bond Guidelines (2021)

3. Relationship with activities related to credit rating business

The conduct of providing this Third-Party Opinion is conducted by JCR as a related business and is different from the conduct related to the credit rating business.

4. Relationship with Credit Ratings

The Assessment differs from the Credit Rating and does not promise to provide or make available for inspection a predetermined Credit Rating.

5. Third-party character of JCR

There is no conflicts of interest related to capital or human resources relationships between the subject of this evaluation and JCR.

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■ Glossary

Third-party Opinion: This report expresses, at the request of our clients, a third-party opinion on the sustainability bonds issued by the issuers from an independent, neutral and equitable standpoint as to their conformity to the sustainability finance framework developed by the issuers.

■ Registration status as an external evaluator of sustainable finance, etc.

- Members of the Working Group on the Impact Financial Initiative for the United Nations Environment Programme
- Ministry of the Environment's external green bond reviewer registration
- Climate Bonds Initiative Approved Verifier (Climate Bonds Initiative Accreditation Verification Organization)
- ICMA (registration with the International Capital Markets Association as an observer) Principles for Social Bonds, Members of Climate Transition Finance Working Group

■ Status of registration as a credit rating agency, etc.

- Credit Rating Agency: the Commissioner of the Financial Services Agency (Rating) No.1
- EU Certified Credit Rating Agency
- NRSRO: JCR has registered with the following four of the five credit rating classes of the Securities and Exchange Commission's NRSRO (Nationally Recognized Statistical Rating Organization). (1) Financial institutions, broker dealers, (2) insurance companies, (3) general business corporations, and (4) government and local governments. If the disclosure is subject to Section 17 g-7(a) of the Securities and Exchange Commission Rule, such disclosure is attached to the news releases posted on the JCR website (<https://www.jcr.co.jp/en>).

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