



meiji

Integrated Report 2019

Meiji Holdings Co., Ltd.

Beyond meiji

- above imagination -

We have been helping our customers of all ages attain

“Healthier Lives” for more than a century.

We will continue to create value

that exceeds our customers’ expectations

and be a company

that is essential not just to the lives of people

in Japan and around the world.

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/>

GRI Standard Table

Our Website > sustainability > GRI Standard Table

https://www.meiji.com/global/sustainability/gri_standards/

Sustainability

Our Website > Sustainability

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

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Editorial Policy

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

* Reference: The International Integrated Reporting Council Framework

Using the *Integrated Report 2019*

This report is based on the performance results from the fiscal year 2018 (fiscal year ended March 2019). Some content from the fiscal year 2019 (fiscal year ending March 2020) is also included. The content is compiled based on information that is available at the time when the Company created the *Integrated Report 2019*. 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 2019.

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

Group Organization

(As of March 31, 2019)



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.

FY2018 (Fiscal Year Ended March 2019) Business Results

Net Sales

¥1,254.3 billion

year on year

1.1% UP

Pharmaceutical Segment

15.8%



Food Segment
84.2%

Operating Income

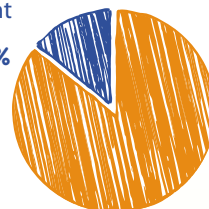
¥98.3 billion

year on year

3.9% UP

Pharmaceutical Segment

14.4%



Food Segment
85.6%

ROE

12.2%

year on year

0.9 pt DOWN

Profit Per Share

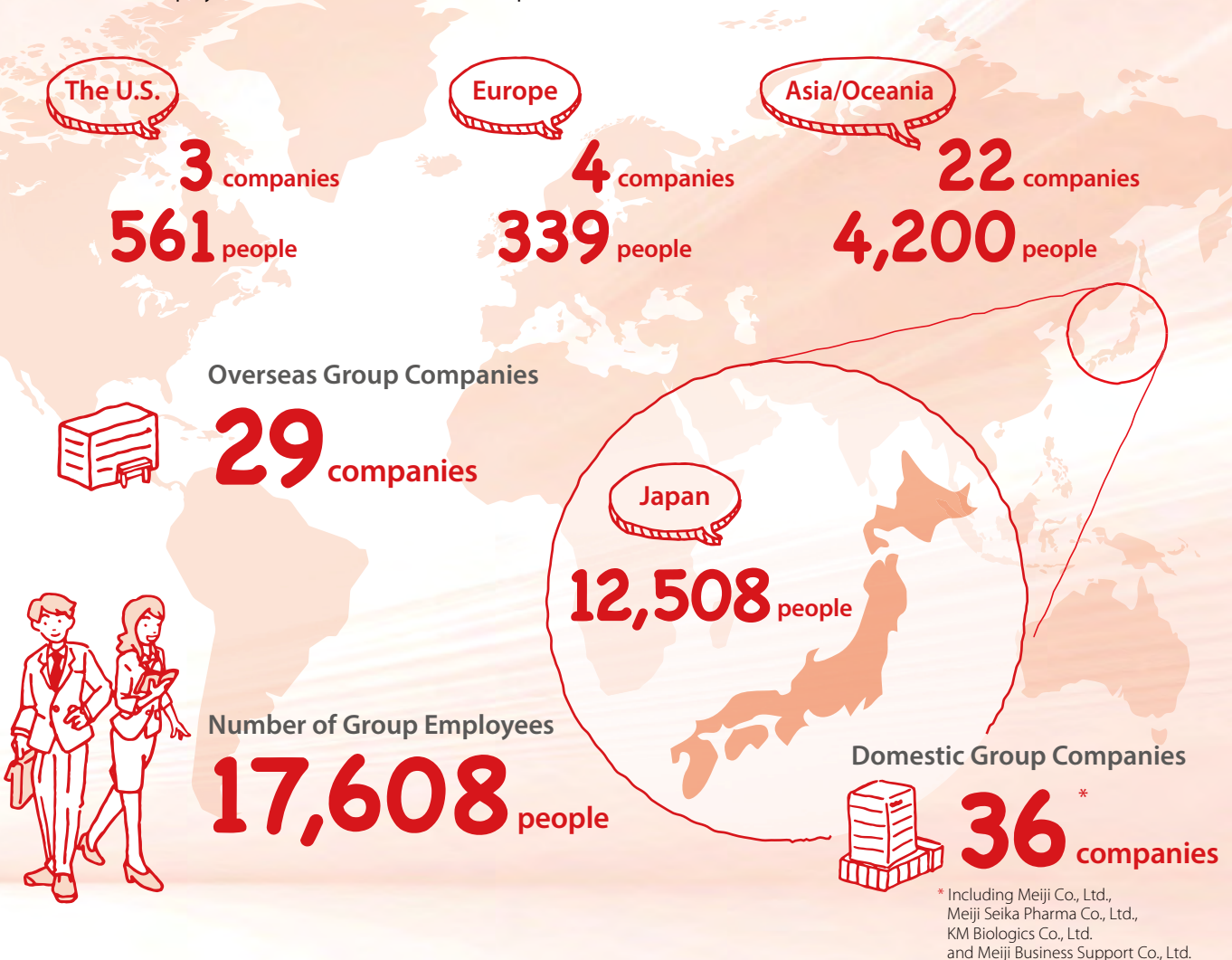
¥426.61

year on year

1.0% UP

Number of Group Companies and Employees (As of March 31, 2019)

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



Overseas Sales Ratio (FY2018)

Food Segment

4.5%

year on year

0.4 pt UP ↗

Pharmaceutical Segment

20.6%

year on year

2.7 pt DOWN ↘

Recognized for Outstanding Health Management in 2019

As part of the Japan Revitalization Strategy 2016, the Ministry of Economy, Trade and Industry established The Nippon Kenko Kaigi (Japan Healthcare Council) to run a Certified Health & Productivity Management Organization Recognition Program. Meiji Holdings Co., Ltd., Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. were recognized as a large corporate sector (White 500) under the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program. This is a program that recognizes and cites organizations for practicing outstanding healthcare management through health promotion efforts. At the Meiji Group, we shall continue striving to create a working environment where employees can thrive in their work.



2019
健康経営優良法人
Health and productivity
ホワイト500

Product and Market Presence

The Meiji Group has built a strong market position by providing products with unique value throughout society. In both the Food and Pharmaceutical businesses, we currently have a number of products with the leading market share in the categories where we are strong: dairy products, confectioneries, nutritional products, ethical drugs and agricultural chemicals.

Food Segment



Yogurt No.1 in Japan

Since 1950 **43.0%**

Based on INTAGE Inc., SRI (yogurt market) April 2018–March 2019 market share (money amount)

Camembert Cheese

No.1 in Japan **44.9%**

Based on INTAGE Inc., SRI (camembert cheese market) April 2018–March 2019 market share (money amount)

Since* 1999

* Started processed cheese production in 1932



Powdered & Granulated Protein

No.1 in Japan **50.9%**

Based on Fuji Keizai Co., Ltd., FY2018

Since 1980



Chocolate

No.1 in Japan **24.3%**

Based on INTAGE Inc., SRI (chocolate market) April 2018–March 2019 market share (money amount)

Since 1926



Pharmaceutical Segment

Antidepressant & Atypical Antipsychotic Drugs

No.4 in Japan

11.3%

Since 1999

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Calculated based on JPM 2019 Mar MAT
Market scope as defined by Meiji Seika Pharma Co., Ltd.
* Reprinted with permission



Systemic Antibacterial Drugs

No.1 in Japan

16.8%

Since 1958

Copyright © 2019 IQVIA.
Calculated based on JPM 2019 Mar MAT
Market scope as defined by Meiji Seika Pharma Co., Ltd.
* Reprinted with permission

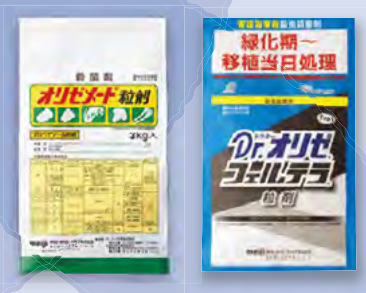
Rice Blast Preventives (Agricultural Chemicals)

Shipping data of Rice blast preventives No.1 in Japan

36.2%

Since 1958

Based on Handbook of Agricultural Chemicals, Japan Plant Protection Association, FY2017



Since 1998

Generic Drugs

No.4 in Japan

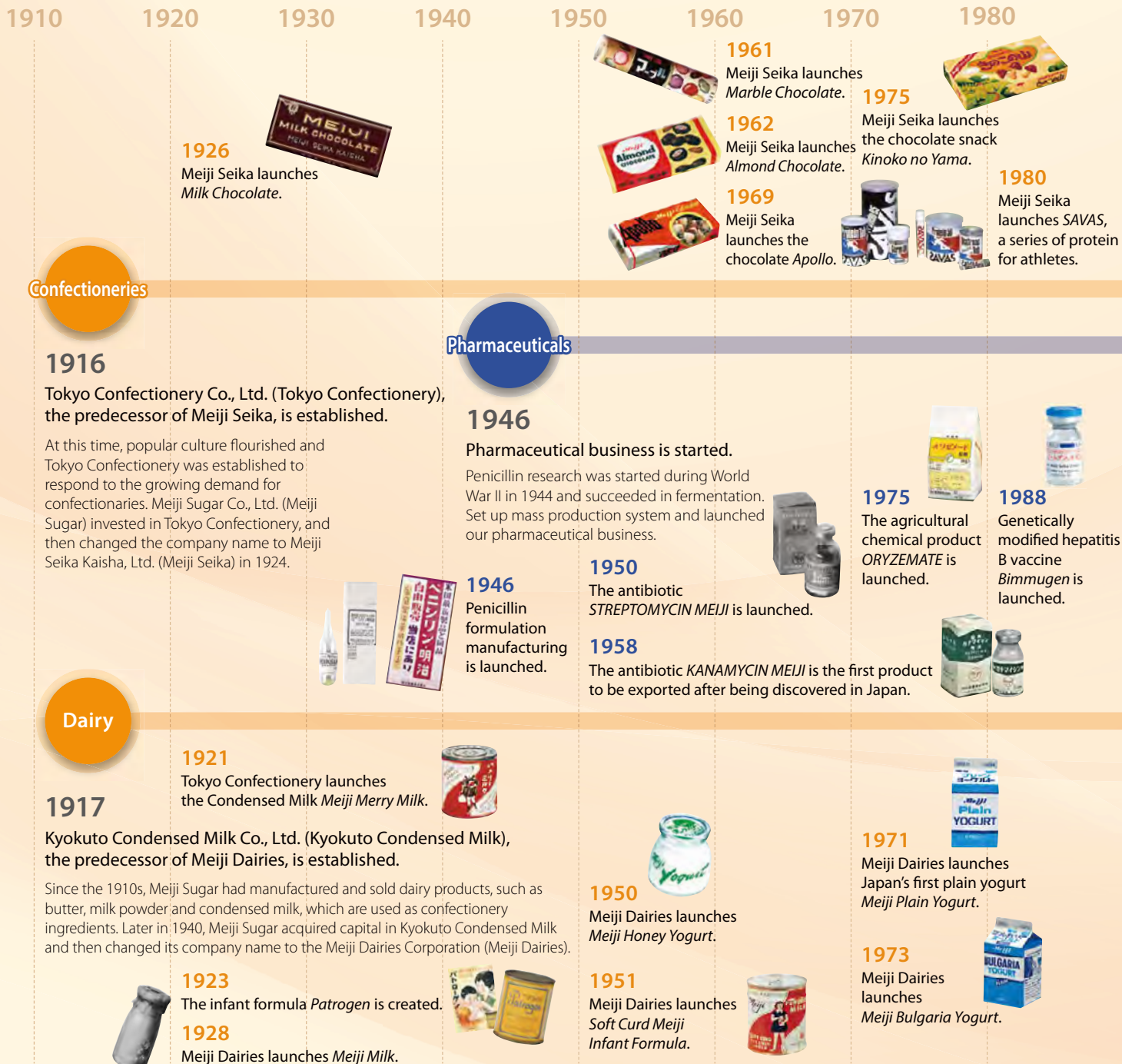
4.8%

Source: CRECON RESEARCH & CONSULTING, INC., FY2018



History

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



Period of flourishing popular culture (1916–1945)

- | | |
|--|---|
| 1916 Albert Einstein published general theory of relativity | 1927 The first subway in Tokyo opened between Ueno and Asakusa |
| 1917 Russian Revolution leads to establishment of Soviet Union | 1928 Dr Fleming discovered Penicillin |
| 1920 The 1st Tokyo-Hakone round-trip college relay race (Hakone Ekiden) | 1929 The Great Depression |
| 1923 The Great Kanto Earthquake occurred | 1935 The 1st Akutagawa Prize <i>Soubou</i> |
| 1925 Chaplin released the movie <i>the Gold Rush</i> | 1936 The 1st Naoki Prize <i>Tsuruhachi Tsurujiro</i> |
| 1926 The era name was changed to Showa | 1936 The steam locomotive <i>D51</i> class was built |
| | 1945 The Pacific War ended |

High economic growth period (1946–1969)

- | | |
|--|--|
| 1946 Serial comics <i>Sazae-san</i> started | 1961 Universal Health Insurance introduced |
| 1949 Hideki Yukawa received the Nobel Prize in Physics as the first Japanese winner | 1962 Kenichi Horie completed the voyage across the Pacific aboard a yacht |
| 1950 The price deregulation of dairy products | 1963 TV cartoon <i>Astro Boy</i> started |
| 1951 San Francisco peace conference | 1964 The <i>Tokaido Shinkansen</i> opened |
| 1953 NHK started television broadcast | 1966 The Beatles came to Japan |
| 1954 <i>Gozilla</i> , the first special effects monster film in Japan, was released | 1967 Group sounds, a genre of Japanese rock music, becomes popular |
| 1957 The Soviet Union launched the artificial satellite <i>Sputnik 1</i> successfully | 1968 Yasunari Kawabata received the Nobel Prize in Literature |
| 1958 Tokyo Tower was built | 1969 The American <i>Apollo 11</i> achieved the first lunar landing |

1990

1988
Meiji Seika launches *Kaju Gummy*.



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



1997
Meiji Seika launches *Xylish Gum*.



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



2000

2002
Meiji Seika launches *Amino Collagen*.



2010

2014
Meiji launches *Meiji The Chocolate*.



2015
Meiji launches *SAVAS Milk*.



2017
Meiji launches *Meiji Spreatable*.



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



2011

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

1990

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



1994

The antibiotic *MEIACT* is launched.



1996

Influenza HA vaccine is launched.



1999

The antidepressant *DEPROMEL* is launched.



2009

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

2008

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



2009

The antidepressant drug *REFLEX* is launched.



Integration Reorganization

Food Segment

Pharmaceutical Segment

2011

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

2018

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

* KM Biologics - formerly The Chemo-Sero-Therapeutic Research Institute which was established in 1945.

1992

Meiji Dairies launches *Meiji Hokkaido Tokachi Cheese*.



1994

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



1995

Meiji Dairies launches the sports nutritional drink *VAAM*.



Meiji Dairies launches the enteral formula *Mei Balance*.



2000

Meiji Dairies launches *Meiji Probio Yogurt LG21*.



2002

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



2007

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



2009

Meiji Dairies launches *Meiji Yogurt R-1*.



2011

The liquid formula *ZAXA* herbicide is launched.



2015

The generic antibiotic *TAZOPIPE MEIJI* is launched.



2016

Treatment for schizophrenia *SYCREST* is launched.



Anti-allergy drug *Bilanoa* is launched.



Stable growth period (1970–1994)

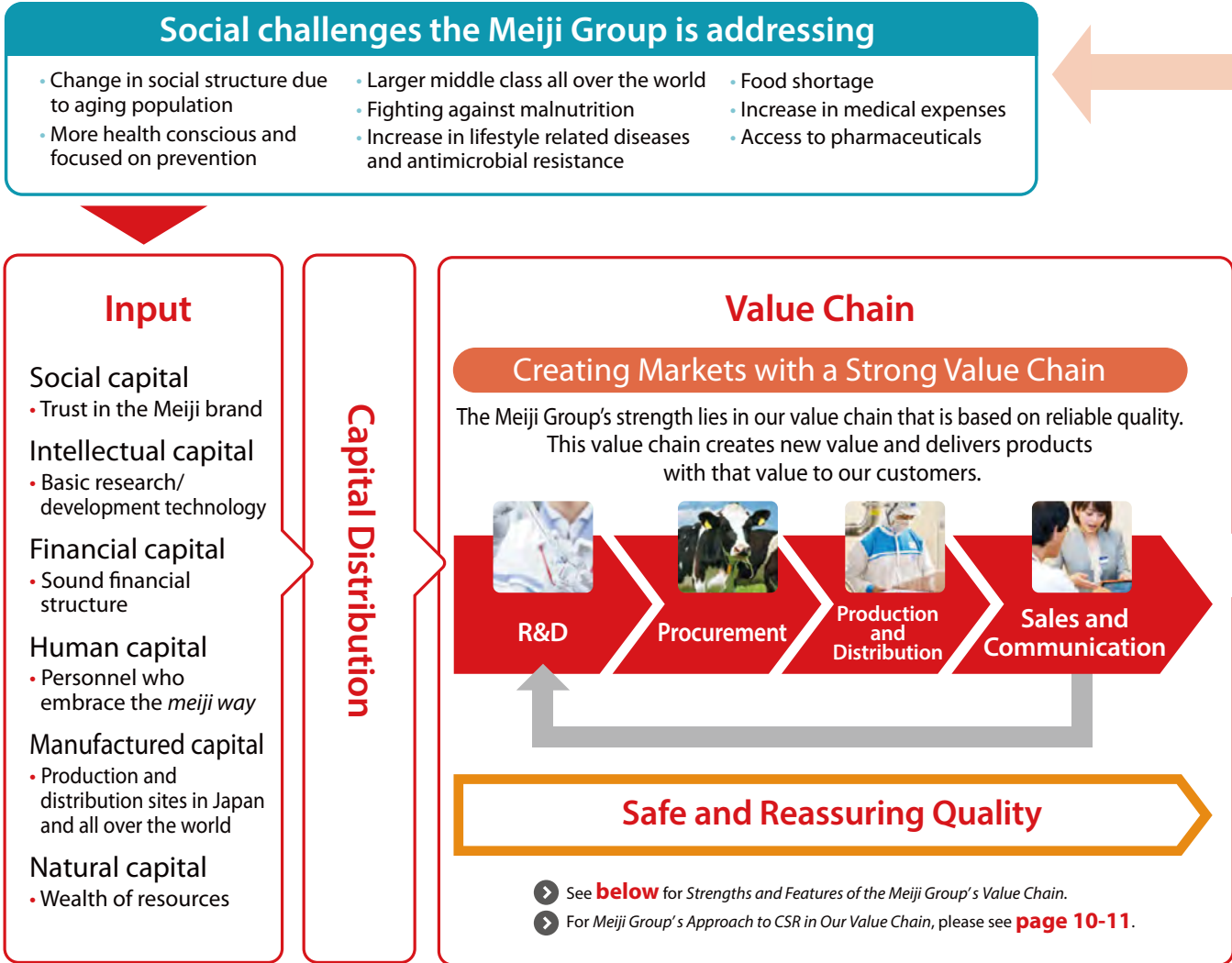
1970	Japan World Exposition, Osaka 1970	1984	Los Angeles 1984 Olympic Games
1972	Sapporo 1972 Winter Olympic Games	1986	Equal Employment Opportunity Law came into effect
1973	The first oil crisis	1987	The Japan National Railways was split up and privatized to form the JR Group
1975	<i>Oyoge! Taiyaki-kun</i> released	1989	The new era <i>Heisei</i> started
1978	New Tokyo International Airport (Narita International Airport) opened	1989	Consumption tax (tax rate 3%) adopted
1979	<i>Walkman</i> launched	1990	German reunification
1980	Momoe Yamaguchi retired	1992	United Nations Conference on Environment and Development (Earth Summit)
1981	Space shuttle <i>Columbia</i> completed the first space flight	1993	Professional Soccer <i>J League</i> started
1982	500-yen coin introduced		

Period of deflation up to present date (1995–2019)

1995	The Great Hanshin-Awaji Earthquake	2010	Asteroid explorer <i>Hayabusa</i> returned to Earth
1995	Tokyo subway sarin gas attack	2011	The Great East Japan Earthquake
1997	Consumption tax was raised from 3% to 5%	2011	The Japan women's national football team (<i>Nadeshiko Japan</i>) won FIFA Women's World Cup
1998	Nagano 1998 Winter Olympic Games	2012	Shinya Yamanaka received the Nobel Prize in Physiology or Medicine
1999	Single currency Euro introduced	2014	Consumption tax was raised from 5% to 8%
2002	2002 FIFA World Cup Korea/Japan	2016	42nd G7 summit (<i>Ise-Shima Summit</i>)
2005	The 2005 World Exposition, Aichi, Japan	2017	Donald Trump was inaugurated as the president of the United States
2006	Japan won the first World Baseball Classic	2019	The new era <i>Reiwa</i> started
2007	The first Tokyo Marathon was held. The number of participants was 30,000		
2008	The global financial crisis		

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 challenges.



Governance ➤ For details, please see **page 56**.

Human Resource ➤ For details, please see **page 44**.

Strengths and Features of the Meiji Group's Value Chain



Research and Development

- Accumulated expertise drawn from basic research (Lactobacilli, cocoa, microbial fermentation, biotechnology and drug discovery research)
- Collection of microorganisms (lactobacilli and actinomycetes)
- Chemical library
- Excellent R&D capability, product commercialization expertise, manufacturing technologies and related patents
- Open innovation and academia-industry alliance



Procurement

- Nationwide network of dairy farmers and the Meiji Group
- Collaboration with cocoa farmers
- Network with related groups
- Cost-competitive and stable procurement of pharmaceuticals using a global supply chain

Our contribution to address social challenges

Making Healthier Lives by creating value that exceeds the customers' expectations

Output

We are increasing product value even more by offering safe and trusted products as well as valuable information related to *Food and Health*.

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 medication
- Scientific data and articles

Variety of products for customers of all ages

- Ensure efficacy and safety
- Consistent quality
- Stable supply
- Improve access to pharmaceuticals

Ensure safe and trusted products

Value for stakeholders

- Accumulate financial capital and steady return to stakeholders
- Lead healthy, fulfilling lives
- Live longer, healthier lives
- Reduce environmental impact
- Establish a workplace environment that utilizes the strength and skills of each employee



Production and Distribution

- Quality control system (Ensure product quality and safety)
- Our distribution network is designed to cover all temperature ranges
- Ideal production and distribution system tailored for domestic and global needs
- Low-cost, global production system for pharmaceuticals



Sales and Communication

- Reliable Meiji brand and brand strength
- Excellent two-way communication
- Strong, close relationship with business partners and our customers
- Sales/marketing capabilities to meet customer needs
- Pharmaceuticals covering prevention and treatment as well as comprehensive customer support

Strengths and Features across the Meiji Group's Value Chain


- Create new markets
- Product categories that span the entire life cycle from infants to the elderly
- Provide Value in *Health and Disease Prevention*

Meiji Group's Approach to CSR in Our Value Chain

In addition to managing its business activities, the Meiji Group identifies important CSR issues per the *Meiji Group CSR 2026 Vision*, taking into account how *R&D, Procurement, Production and Distribution* as well as *Sales and Communication* impact society and the environment in the value chain. By addressing these issues, we can help solve social issues and also achieve sustainable growth.


➤ For details on specific measures, see the "Meiji Group CSR" on **page 36-47**




Healthier Lives


➤ For details, please see **page 40-41**

- Develop products that contribute to healthy diets (lactobacillus, cocoa, reduced sugar and low fat, etc.)
- Develop value-added nutrition products (sports nutrition, infant nutrition and medical nutrition, etc.)
- Develop products that contribute to a super-aged society (liquid foods for the elderly, etc.)
- Develop new pharmaceuticals and vaccines for Infectious Disease




◀ Wells donated to cocoa farmers to improve the standard of living

- Meiji Dairy Advisory (MDA), farm management support program for domestic dairy farmers


Caring for the Earth

➤ For details, please see **page 42-43**

- Develop new, eco-friendly agricultural chemicals
- Extend the expiration dates of food products, changing food expiration labels from year-month-date to year-month formats

- Activities for preserving forests



R&D ➤ Procurement ➤ Production and Distribution ➤ **Use lighter and thinner packaging (plastic) and switch to alternative materials**



A Richer Society

➤ For details, please see **page 44-45**


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

- Promote diversity and inclusion
- Secure and develop human resources

- Employee-friendly workplaces (encourage personal health management)


Sustainable Procurement

➤ For details, please see **page 46-47**



▲ Develop insecticides that eliminate pests and keep beneficial insects such as honey bees

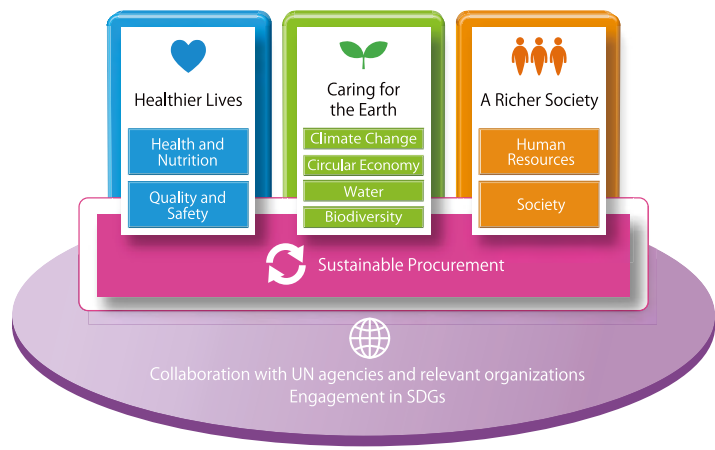
- Procurement based on procurement policies and guidelines
- Strengthen partnerships with dairy farmers
- Promote *Meiji Cocoa Support* (support cocoa farmers, increase amount of traceable cocoa)

➤ For details, please see **page 30-35 "Special Feature"**

- Shift to 100% RSPO-certified palm oil
- Expand use of eco-friendly paper raw materials

Meiji Group CSR 2026 Vision

In the Meiji Group, we established the *Meiji Group CSR 2026 Vision* to help solve social issues through business activities. We broke down this vision into the following categories: *Healthier Lives*, *Caring for the Earth*, *A Richer Society* and *Sustainable Procurement*, and are working to promote CSR in the *meiji way*.





Production and Distribution



Sales and Communication

- Obtain Global Food Safety Initiative (GFSI) certification
- Ensure the sustainable supply of pharmaceuticals

- Disseminate information to promote health and nutrition
 - Offer new food culture and cuisine
 - Improve access to pharmaceuticals in China and Southeast Asia
 - Educate about drug-resistant bacteria
- Educational activities on food and nutrition, *Shokuiku* ▶
- 

- Promote renewable energy
- Introduce energy-efficient equipment
- Reduce industrial waste
- Appropriate Water Management and Water Risk Management
- Improve accuracy of environmental data using a centralized data management system



▲ Introducing renewable energy



▲ Paddy field flooding

- Procurement

Production and Distribution

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

- Human rights due diligence

- Promote CSR activities



▲ Donate infant formulas to homes for infants and orphanages



▲ Discussing Meiji Dairy Advisory

- Disseminate information about raw milk and cocoa



▲ Plant tour, *Meiji Naruhodo Factory in Tokachi, Hokkaido*



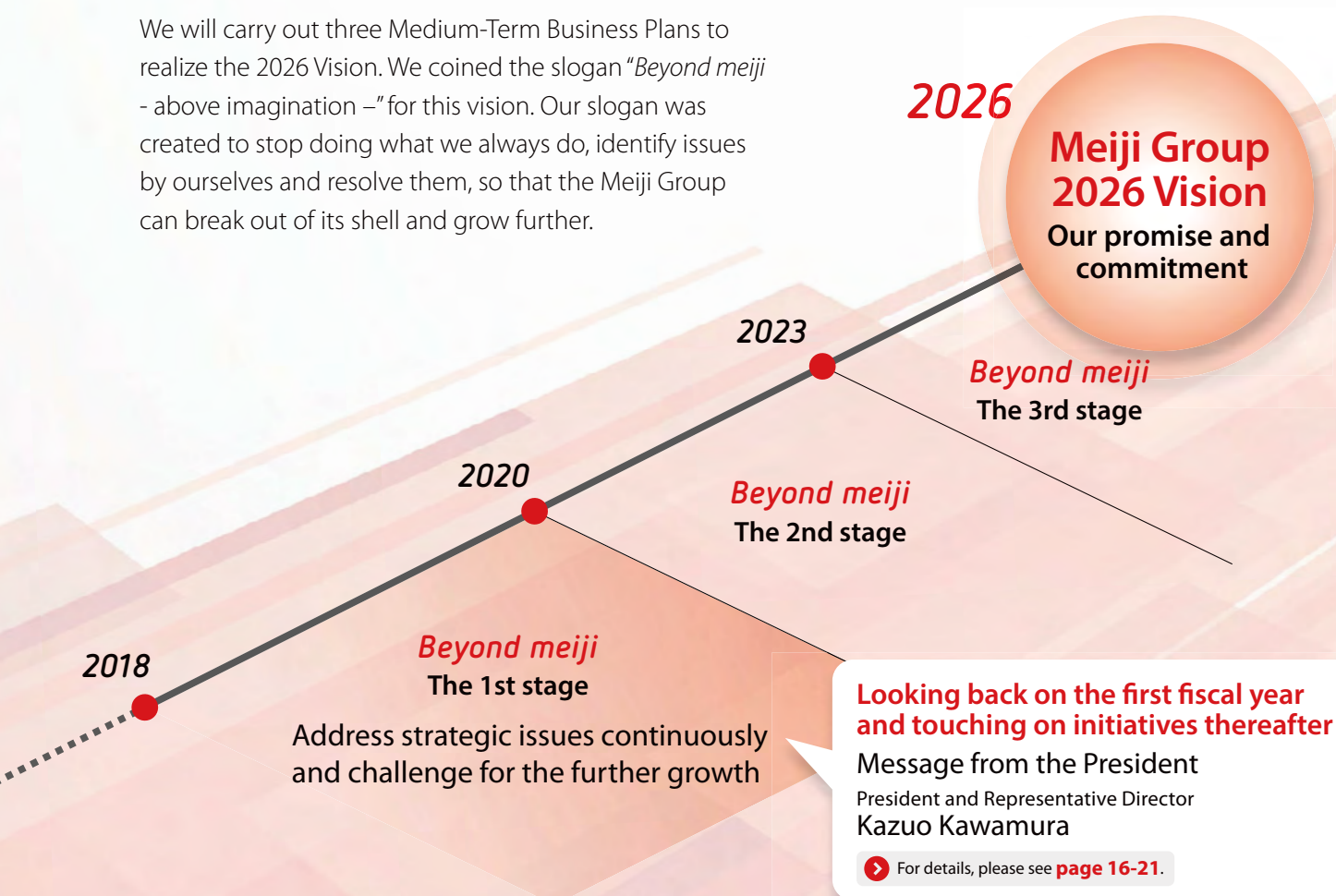
▲ Hello, Chocolate by meiji

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

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

- 1 Change in social structure due to aging population**
 - 30% of Japan's population will be 65 years or older by 2025
 - Aging population is a common issue throughout the world
- 2 More health conscious and focused on prevention**
 - Rise in diseases and disorders due to changes in lifestyle and dietary habits
 - Increasing awareness and focus on prevention and living longer, healthier lives
- 3 Larger middle class all over the world**
 - Rising level of income in emerging countries such as China and India
 - Growing demand for non-essential or luxury grocery items and health related products

The Meiji Group 2026 Vision

Our Promise and Commitment for the 2026 Vision

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



Key Strategies

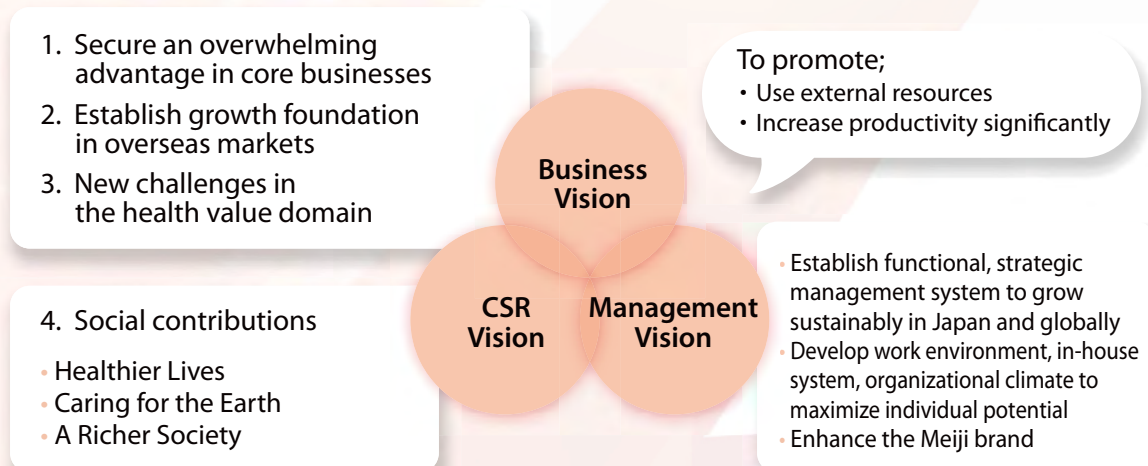
1. Secure an overwhelming advantage in core businesses
2. Establish growth foundation in overseas markets
3. New challenges in the health value domain
4. Social contributions

Op. Income CAGR Mid to high **single-digit** growth

Overseas Sales Ratio Target at **20%**

ROE Maintain **10%** or more

Structure of the Meiji Group 2026 Vision



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

Basic Concept

Address strategic issues continuously and challenge for the further growth

Key Strategies

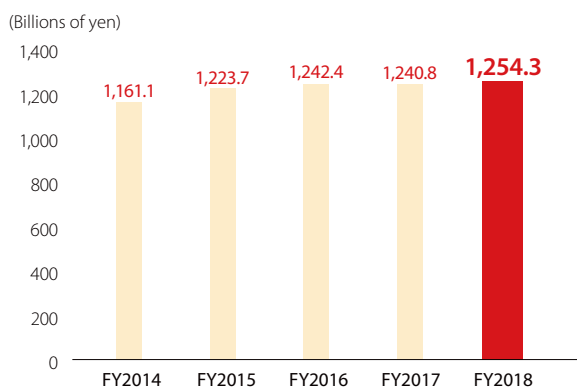
1. Expand share and achieve high revenues in core businesses
2. Expand aggressively in overseas markets and establish growth platform
3. Propose new value in health care domain
4. Continue structural reforms and resolve specific business issues in each business
5. Enhance Meiji Group management platform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

FY2020 Targets

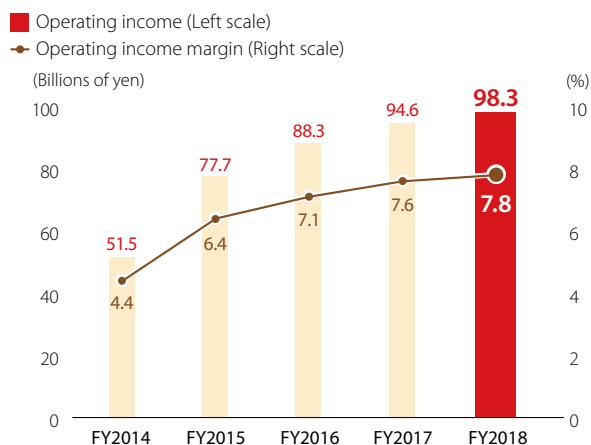
Net Sales JPY **1,350** billion (Overseas sales JPY 142 billion) Op. Income JPY **125** billion (Overseas profits JPY 9.5 billion)

Financial and Non-Financial Highlights (Main Indices)

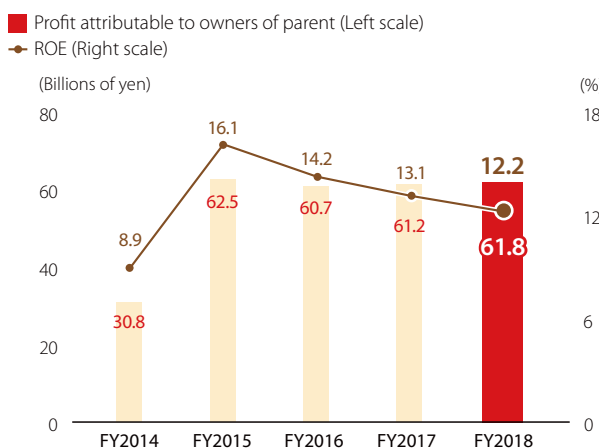
Net Sales



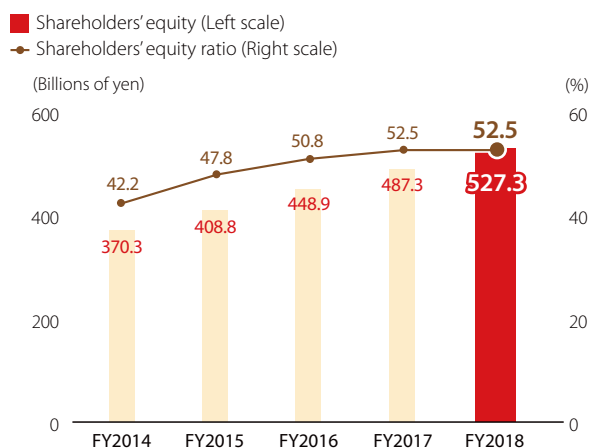
Operating Income/Operating Income Margin



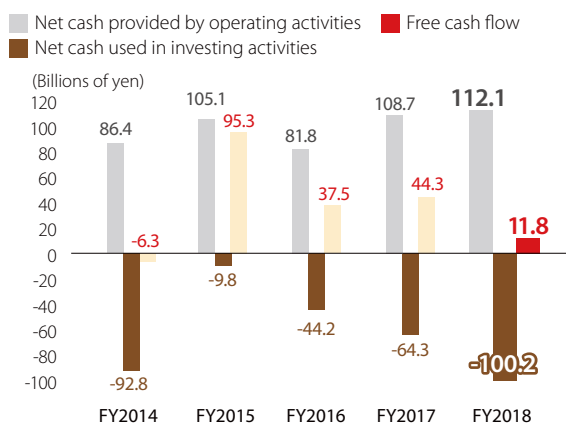
Profit Attributable to Owners of Parent/ROE



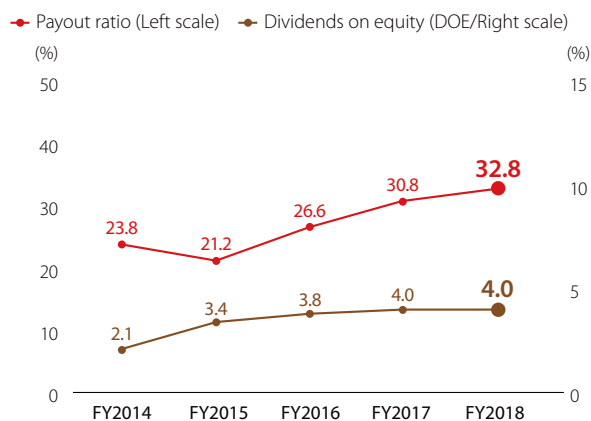
Shareholders' Equity/Shareholders' Equity Ratio



Cash Flow



Payout Ratio/Dividends on Equity (DOE)



*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. Data was revised retroactively because the scope of the calculation was changed.

The Kumamoto plant for KM Biologics Co., Ltd. was added and included in the calculation from FY2018.

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

The Kumamoto plant for KM Biologics Co., Ltd. was added and included in the calculation from FY2018.

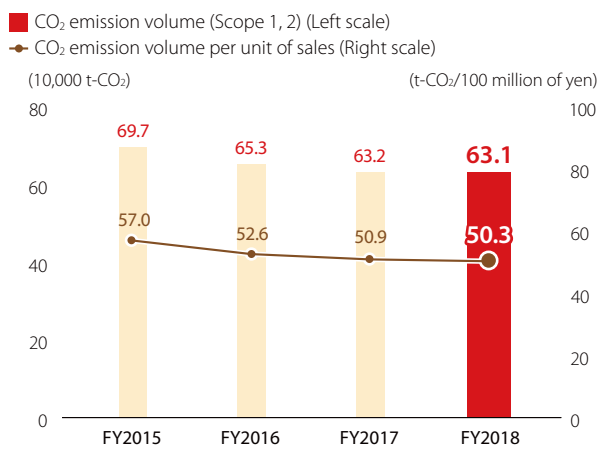
*3 Applies to the domestic Meiji Group. The per production units are calculated from domestic sales.

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

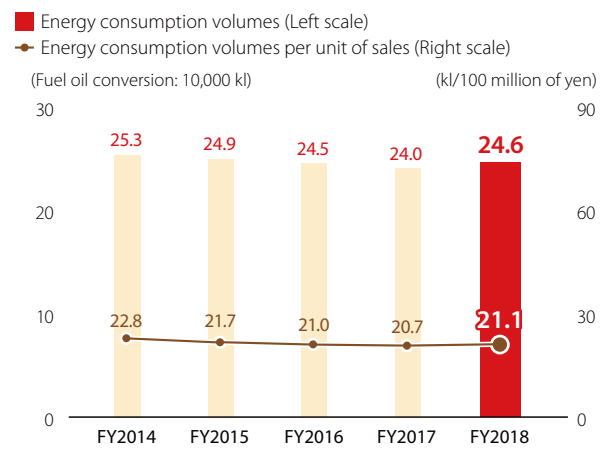
The per production unit is calculated from the consolidated sales. Data was revised retroactively because the scope of the calculation was changed.

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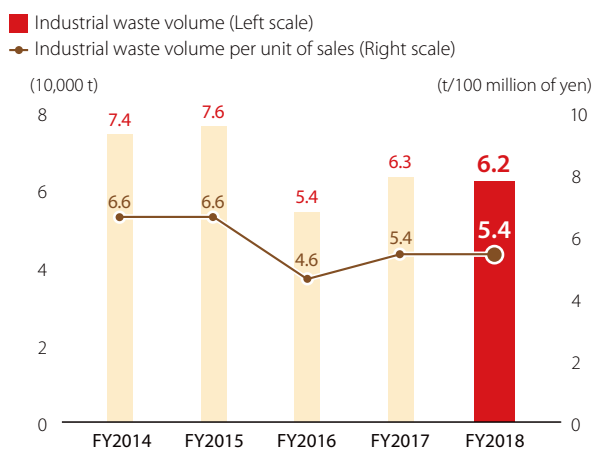
CO₂ Emission Volume (Scope 1, 2)/ CO₂ Emission Volume per Unit of Sales *1



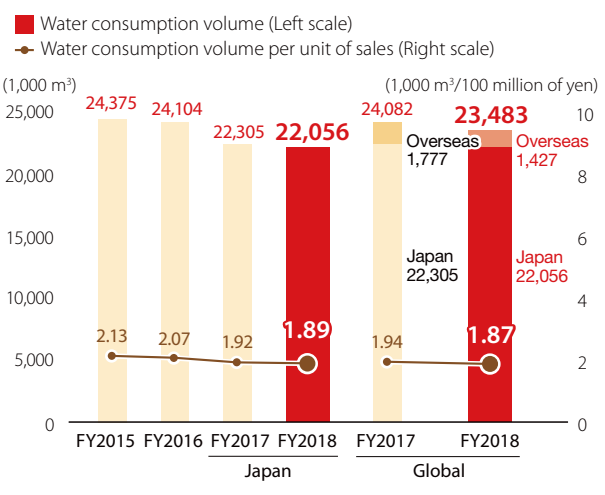
Energy Consumption Volumes/ Energy Consumption Volumes per Unit of Sales *2



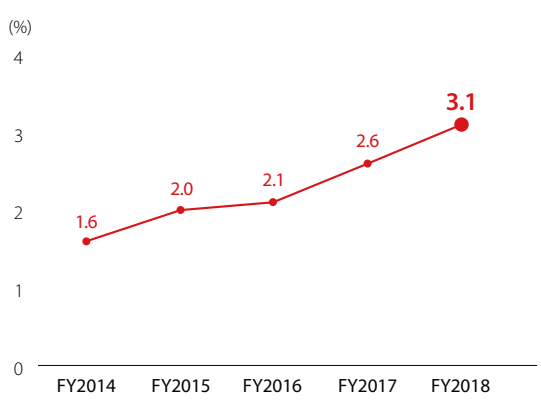
Industrial Waste Volume/ Industrial Waste Volume per Unit of Sales *2



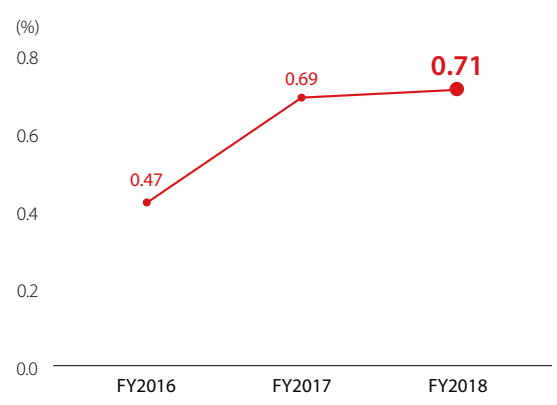
Water Consumption Volume/ Water Consumption Volume per Unit of Sales *3



Ratio of Female Managers *4



Lost Time Injury Frequency Rate (LTIFR) *5



*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 Applies to all plants and research laboratories in the Meiji Group within Japan including consolidated subsidiaries (but excluding KM Biologics Co., Ltd., Meiji Feed Co., Ltd. and Ohkura Pharmaceutical Co., Ltd.).
Lost Time Injury Frequency Rate: Number of casualties ÷ Total working hours × 1 million

Message from the President



Harnessing Our Unique Strengths,
the Meiji Group Looks for Synergy
between the *Food* and
Pharmaceutical Segments
to Create New Markets.

Kazuo Kawamura

President and
Representative Director

The Meiji Group Continues a Wave of Increased Profits for the 7th Straight Term in the First Year of the 2020 Medium-Term Business Plan

The Meiji Group established the *Meiji Group 2026 Vision* (the 2026 Vision), outlining the future direction and strategy of the Group to ensure further growth. We are currently in the 1st stage of the 2026 Vision, the 2020 Medium-Term Business Plan (the 2020 Plan) which covers from FY2018 to FY2020. The consolidated results for the first year FY2018

showed an increase in net sales of approximately 1% from the previous year, but the operating income was up approximately 4% at JPY 98.3 billion, showing an increase in profits for the 7th straight term. The cash dividends were JPY 140, giving a payout ratio of 32.8% and up for the 5th straight term.

Making Headway with the Key Issues in the 2020 Medium-Term Business Plan

In FY2018, we have made steady headway with key issues, but some of them are not always reflected in the performance results. We are implementing some structural reforms that will stretch over the medium-term. Nonetheless, we continue to make good and steady progress.

Two of our key issues in the 2020 Plan for the Food segment include *turning a profit in the milk business*, and *growing and expanding in the international business*. The milk business reported approximately JPY 100 billion in sales, but struggled with profits. We are pushing to improve gains while maintaining a market presence. To be specific, we are restructuring our production system and introducing new product packaging, which are progressing as planned. We will launch new products in the market as well as consolidate existing production lines. One new product example is our delightful *Meiji Oishii Gyunyu Low Fat*, which was launched in April of this year. It uses the world's first *Freeze Concentration* production method and has been well-received by our customers. We will adopt a premium pricing strategy that reflects the value of these innovative products. The structural reform of the milk business is complex, but through these initiatives, we will most certainly turn a profit by FY2020.

On the same note, our international business became profitable in FY2017. The chilled milk business did well in mainland China, which we targeted as a priority region, and we have grown our sales for business in China overall by more than 20% in FY2018. The Food segment still has room for substantial growth in international business, and we will work toward increasing our sales and profits there.

A pressing issue in our Pharmaceutical segment is to overcome the NHI drug price revisions scheduled for October 2019 and April 2020 and ensure continued growth. To achieve this, we will boost sales by promoting our core products *BILANOVA* (oral anti-allergy drug) and *SYCREST* (schizophrenia drug). We also began full scale operations in vaccine sales in FY2018. By reinforcing our sales system, we will increase sales of both vaccines and antimicrobial drugs for Infectious Disease.

The financial strategy in the 2020 Medium-Term Business Plan is basically to maintain business growth while balancing the three points: *investment in future growth*, *returns to shareholders* and *securing a solid financial base*. We will allocate steady and consistent dividends with a target payout ratio of 30% to shareholders in the 2020 Plan.

Establishing the *Co-Creation Center* to Foster Innovation by Combining Food and Pharmaceuticals

The *Co-Creation Center* established in April of this year is a topic for realizing the 2026 Vision. *New challenges in the health value domain* is a key strategy for the Meiji Group in the 2026 Vision, and this new research laboratory embodies that strategy. After integrating the management in 2009, the Meiji Group was able to grow the Food and Pharmaceutical segments and raise the operating income by streamlining and making the Group more efficient. Building on this success, our outside directors had brought up the questions “How can Meiji achieve synergy by combining both businesses?” or “How can the strengths of both the Food and Pharmaceutical businesses result in value creation?” This led to active discussion on the Board. Then, the *Open Innovation Promotion Committee* was formed for projects such as joint research between academia and us as well as investment in venture companies. As our next step, we assembled researchers from the Food and Pharmaceutical segments and established the *Co-Creation Center*.

The *Co-Creation Center* will generate health value that will create new markets using a broad range of expertise developed in Food and Pharmaceuticals. We are trying to foster innovation using the resources and synergy from both Food and Pharmaceuticals. Based on the research being conducted for open innovation, the *Co-Creation Center* is concentrating its activities under three themes:

ageing, medical nutrition therapy (MNT) and human microbiome (intestinal bacterial flora).

For the first theme, we are conducting research on protein that is closely related to *ageing*. One of the root causes for failure or poor condition in the human body is ageing, and it is thought that delaying the ageing process offers the potential for improving the body’s condition. Another theme is *medical nutrition therapy* or *MNT*. Some nutrition therapies or specific diet regimens may help patients spend less time in the hospital and that *MNT* may have the potential for delaying the progression of dementia. The last theme involves the *human microbiome (intestinal bacterial flora)*. Recent studies show that the brain affects the gut health and that the gut may even affect brain health. The communication system between the gut and brain is called the “Gut-brain connection.” A number of foods are beneficial for this connection and may help increase the beneficial bacteria in the gut. By altering the *human microbiome*, it may be possible to improve physical health and brain health.

We will continue to conduct collaborative research with external research institutes and other businesses. We will bring forth innovation through this approach and hope to develop/launch products that will contribute to a longer, healthier life.



The *Co-Creation Center* was set up at the *Meiji Innovation Center* (Hachi-oji city, Tokyo) in April 2019. It combines the strengths and resources from the Group’s Food and Pharmaceutical segments and focuses on research in the three areas: *ageing, medical nutrition therapy and human microbiome (intestinal bacterial flora).*

Making a More Diversified and Well-Rounded Board and Implementing Succession Planning

The Meiji Group is currently looking toward further growth. *Corporate governance* and *sustainability* are key to this future growth. Though we have a good *Business Vision*, *corporate governance* and *sustainability* should be at higher level to achieve sustainable growth. Given this idea, the Meiji Group manages the Group's activities and operations based on the *Management Vision* and the *CSR Vision*. In addition to the *Business Vision*, the *Management Vision* provides excellent corporate governance and the *CSR Vision* promotes more sustainability.

The Meiji Group aims for a substantial boost in growth by targeting continued innovation that we will develop by combining the resources from the Food and Pharmaceutical segments. To achieve this growth, a higher level of corporate governance is absolutely vital. A more diverse, well-rounded Board is fundamental in strengthening the corporate governance. Therefore, we increased the number of outside directors and Audit & Supervisory Board members, which has produced more active discussion in Board meetings. Now on the current Board, there are five outside directors and auditors covering a broad range of experience and expertise, who always contribute to extremely insightful and quality discussions. The content and results of those discussions can clearly be seen in the 2026 Vision, and they provide us thoughtful suggestions and comments for the day-to-day operations.

For beyond FY2019, we have implemented *succession planning* in order to ensure an appropriate management

system stays in place. In FY2018, the Board of Directors agreed upon a set of *Leadership Values*, crucial skills and abilities our next executives should have, after which succession planning was established. This plan identifies the three presidents from Meiji Holdings Co., Ltd., the core operating companies Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. as potential successors. Nomination of the successor and the personnel development plan will be discussed in the Nomination Committee, who will then make a recommendation to the Board of Directors. I believe that incorporating this succession planning increases the transparency in the process for selecting a successor. As we incorporate this succession planning, we will improve and increase the effectiveness of our plan.



Meiji Holdings Co., Ltd. received the *Corporate Governance of The Year*® 2018 award (Japan Association of Corporate Directors) for improving the corporate value using effective, practical corporate governance.

Training and Developing Executives, Innovators and Personnel with a Global Mindset

A critical area in our *Management Vision* is training and developing personnel. Training and developing executives in particular is directly related to the succession planning. Hence, we should actively address this topic in order to develop an effective senior management. The experience required as an executive should be gained in his/her mid-thirties and mid-forties, a time period when one is most active. This will be an important foundation for an executive. However, currently, potential executives are kept within the conventional organization during this time period and become capable personnel with excellent practical skills. But, they will not gain or develop managerial skills. The potential executives should be given exposure to what an executive faces including interaction with outside companies. As a result, we believe that a

separate plan is needed to train and develop those potential executives.

We also think that training and developing personnel with a global mindset is important. The Meiji Group plans to increase the overseas sales ratio to 20% by 2026. The international business is in the growing process and small in scale. Thus, it is challenging to give practical experience working abroad and develop a lot of personnel with a global mindset. Our plan is to preemptively assign personnel to the International Division so they gain experience in Japan doing international business in order to increase their global mindset. We will also actively hire non-Japanese personnel and personnel with overseas experience at other companies to ensure diversity.

Lastly, it is important to train and develop personnel

Message from the President

with innovating minds, as they will be integral to the future growth of the Meiji Group. Innovation does not occur naturally in personnel, therefore we should consciously instill this innovating mindset in each and every employee. The opening of the *Co-Creation Center* is as an internal and external message from management symbolizing the Group's commitment to "Pioneer into new fields." This was also true of the investment into the *Meiji Innovation Center*,

the food research laboratory completed in March 2018. I believe instilling an innovative mindset into researchers will lead to sustainable innovation.

By focusing our efforts on training and developing executives, innovators and personnel with a global mindset, we will create a strong and lasting management foundation that will help ensure sustainable growth for the Group.

Promoting CSR Unique to the Meiji Group through *Nutrition and Agriculture*

The Meiji Group will strengthen CSR activities in order to realize the CSR Vision. Since the Meiji Group follows a B2C business model, we should operate our business considering the environment, human rights and procurement to win strong support from customers. We need to promote CSR activities more aligned with the *meiji way* in order to ensure our corporate social responsibility is recognized by society.

When Hanji Soma founded the Meiji Group 100 years ago, he offered the following words on his business approach: "Contributing to the country through nutrition." I think that this slogan really encapsulates the essence of the Meiji Group. For example, as we recognized the importance of infant formula as a breast-milk substitute to satisfy the nutritional requirements of infants, we allocated resources to this in order to launch products. This product history is an example of contributing to the country through nutrition. In the confectionery business, we do not just provide delicious products, but take it one step further, and have always strived for new health value. To give another example, the decision to go into pharmaceuticals during the height of World War II is based on the idea of contributing to society.

Recently it has been said that the nutritional status of the Japanese has deteriorated even more than it was after the war (1945-55). There are survey results that indicate the dietary intake of protein among young women and the

elderly was higher during that post-war period.

Undernutrition is a serious problem in our contemporary society during an age when food is readily available. I firmly believe that the Meiji Group has an important role in society to address various issues using products with high nutritional or health value.

Furthermore, good ingredients are absolutely necessary for good products, which is true for both Food and Pharmaceuticals. In the Food segment, agriculture is the supply or source for procuring good ingredients, and contributing to agriculture is an important area in the Meiji Group's CSR. Part of our CSR activities includes *Meiji Cocoa Support* (see page 30 for details), which provides support for farmers in cocoa (ingredient for chocolate) producing countries. Another important ingredient in addition to cocoa beans is raw milk for producing dairy products. Recently, Japanese dairy farmers are facing a tougher environment and conditions. The Meiji Group supports improving the quality of milk and also shares information with dairy farmers, such as expertise on how to maintain the quality of raw milk at the shipping stage.

Both *nutrition* and *agriculture* are important CSR areas for the Group and are closely linked with the business activities. We would like each and every employee to focus on their work while holding a sense of ownership over our CSR. This will help us address social issues and improve corporate value.



Employee working as a teacher giving a fun interactive class for elementary and junior high school students (*Shokuiku activities* (food and nutrition education)). In FY2018, 196 thousand students participated in these classes.



Engaging in various activities and building partnerships with domestic dairy farmers to ensure stable procurement of high quality milk

Looking Beyond Today's Success and Staying One Step Ahead for Another 100 Years

In our 100 year history, we have compiled numerous top brand products in the Food segment, and also developed ethical drugs, agricultural chemicals and veterinary drugs in the Pharmaceutical segment. This brought us to merge the Food and Pharmaceutical business and ultimately transform ourselves into the present-day Group. This type of history and corporate group is rarely seen these days. For this reason, my mission is to combine and maximize our unique corporate group, and to unify the Group into One Company.

The Meiji Group exceeded more than JPY 1 trillion in net sales, but we should set higher targets in order to develop a meaningful business in the future. The key terms for that development are *food* and *health*. I would like to drive the Group to create new value by staying true to the Group's philosophy *As Food and Health professionals*. While globalization continues to leap forward, I think it is important to recognize that the Group is rooted in Japan, and therefore we should take advantage of our strengths and promote Meiji's unique approach. In our endeavor to

show off Meiji's uniqueness to the world, blindly scaling up is not the right answer per se. Our corporate character and our quality will be the key to beating out the competition.

To reach the next 100 year mark, we have identified innovation as the most critical proponent for the Meiji Group to grow further. Whenever I am asked about my motto, my reply is always "Staying one step ahead." This comes from a Zen proverb that roughly translates to going one step further or one step higher. To expand on this idea, this alludes to the importance of an approach where you need to take one more step in order to constantly improve and never stay stagnate. Innovation is the embodiment of that feeling of aspiration. We should pour all of our resources and effort into the task at hand. We must try to go even one step further, trusting that it will lead us to a new world, and take on that challenge of the unknown without hesitation. I believe that repeating this process will help us reach the next 100 year mark, and I would like for us to grow not just in Japan and but all over the world.





Meeting Society's Expectations with Value Only Meiji Can Provide

Katsunari Matsuda

President and Representative Director
Meiji Co., Ltd.

FY2018 in Review

Business Makes Steady Progress with Key Strategies in 2020 Medium-Term Business Plan

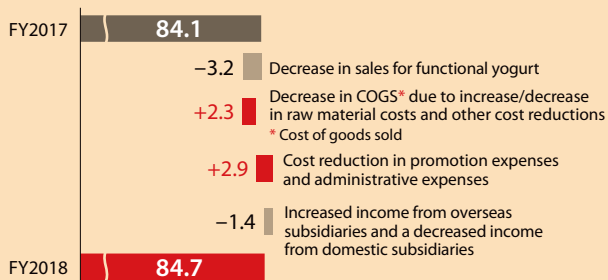
During FY2018, we made steady progress with key strategies in the 2020 Medium-Term Business Plan (the 2020 Plan). Those strategies in the 2020 Plan include: *Expand share and achieve high revenues in core businesses, Expand aggressively in overseas markets and establish a growth platform and Continue structural reforms and resolve specific business issues in each business.*

Sales for our core areas: yogurt, chocolate and nutritional products remained low in the beginning of the fiscal year but slowly recovered thereafter. On the other hand, sales for cheese, frozen dessert products (ice cream) and products for professional use all rose steadily. Specifically, sales for functional yogurt unfortunately did not meet its target, but the *SAVAS Milk Protein* grew more than expected and is showing tremendous potential.

In international business, business in mainland China, a priority region in the 2020 Plan, turned a profit and its growth is accelerating. Thanks to structural reforms such as streamlining our production system (including plant shutdowns) and introducing added value products, we are seeing better results for the drinking milk business—one of our key business areas.

(Billions of yen)	FY2017 Results	FY2018 Results	YoY Change
Net sales	1,073.6	1,056.6	-1.6% -17.0
Operating income	84.1	84.7	+0.7% +0.5

Breakdown of Consolidated Op. Income (Billions of yen)



Food Business

Core

Yogurt
(including functional yogurt)

Chocolate

Nutritional products

- Expand further by investing business resources intensely

Growth

Cheese

Frozen dessert

Products for professional use

- Create new markets
- Become #1 in the future

Reform

Milk

Prepared Foods

Prepared foods operated by subsidiaries

- Pursue unique value
- Improve income through structural reforms

Growth Strategy From FY2019

Yogurt

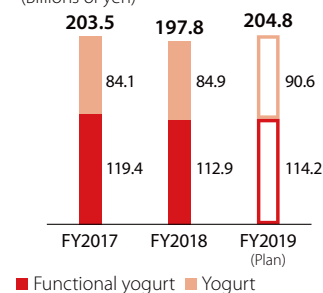
Introducing Highly Anticipated Products, and Growing the Overall Market Including Functional Yogurt

Our pioneering functional yogurt carved out its own market, enjoyed a booming growth period and is now leveling off. Thanks to this success, many of our customers now recognize and purchase *Meiji Probio Yogurt LG21* and *Meiji Probio Yogurt R-1*. We are looking to develop active marketing to achieve stable sales growth. We have registered *Meiji Probio Yogurt PA-3* as a "Food with Functional Claim" (Consumer Affairs Agency). This claim refers to the bacterial strain and its ability to *keep the blood uric acid levels from rising*. We will promote this functional value and expect it to create a new market. Blue (LG21), red (R-1) and yellow (PA-3) packaging will be used to make an effective display in retail outlets. We will differentiate these products from other yogurts and establish a solid position to ensure sustainable growth.

The *Meiji Bulgaria Yogurt* is the top brand in the yogurt market. Our marketing strategy is to appeal to its health value as our classic plain yogurt, but not reduce the retail price. We will also focus our sales on products with high added value, such as zero fat, or calcium and iron fortified yogurt.

Finally, we will stimulate the overall yogurt market by introducing new yogurt categories, such as rich and highly nutritious *Meiji The Greek Yogurt* and our dessert yogurt *Meiji Yogurt Dolce Torokeruto*.

Net Sales (Functional Yogurt, Yogurt)
(Billions of yen)



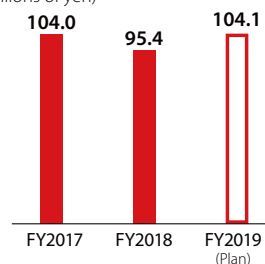
Chocolate

Focusing on Health and Premium Value

Recently, we have extended the chocolate market by offering and appealing to the health benefits and premium quality chocolates. In particular, chocolates with health benefits have maintained strong sales. The *Chocolate Kouka* series with high-cocoa and polyphenol-rich properties show strong growth compared to the previous year. Our new product *Oligosmart Milk Chocolate* is developing a reputation for using fructooligosaccharides (FOS), which is not absorbed as a sugar.

That being said, the premium chocolate *Meiji THE Chocolate* is trailing a bit. In light of returning to our original strategy of building a culture for adults to enjoy the indulgence and luxury of chocolate, we are revising our product strategy. Therefore we will concentrate our marketing activities from a medium-term perspective.

Net Sales
(Billions of yen)



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

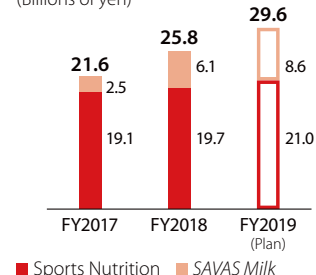
Nutritional products

Strengthening Our Brand and Gaining Market Share Based on Unique Value

Some of our nutritional products drive the market. Among those products, we will focus on three categories to prop up our business: infant formula, sports nutrition and enteral formula. We believe by developing unique products that offer greater value and providing evidence to that fact, we will be able to stay away from a price war.

For the *SAVAS* series in sports nutrition, we will improve our brand value by carefully differentiating our product line and defining target consumers in order to achieve a competitive edge. We have been carving out new markets and growing those businesses a lot. We will use this experience in sports nutrition as well to offer consumers a new lifestyle.

Net Sales
(Sports Nutrition, SAVAS Milk Protein)
(Billions of yen)



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

Growth Strategy From FY2019

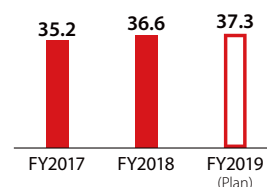
Cheese

Accelerating Growth with Products Supported by Meiji's Unique Technology

Our basic approach with cheese, frozen dessert products and products for professional use, is to create new markets by increasing products with unique value. *Meiji Hokkaido Tokachi Smart Cheese* is processed cheese that utilizes the features and advantages of natural cheese. *Meiji Hokkaido Tokachi Camembert Cheese* is tailored to the Japanese palate. It is very popular among Japanese customers and we expect further sales growth.

We will continue launching products supported by Meiji's unique technology, offering value not found anywhere else. The cheese market is growing steadily, and we intend to actively invest in our production capacity to meet increasing sales.

Net Sales
(Billions of yen)

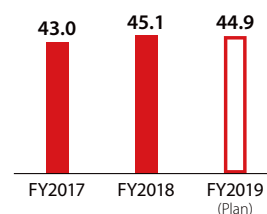


Frozen dessert

Introducing Innovative Products in the Traditional Ice Cream Market

Frozen dessert products is our new marketing category replacing ice cream. We are looking to revolutionize traditional ice cream and create a new market. The traditional selling space of ice cream has not changed for a long while, and now, we would like to introduce innovative desserts that go beyond the framework of conventional ice cream.

Net Sales
(Billions of yen)

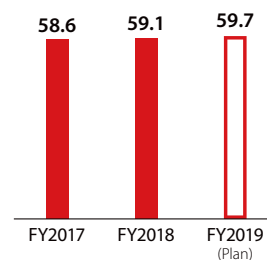


Products for Professional Use

Meiji will Offer Unique Value and Products in the Expanding Markets for Ready-Made Meals and Dining Out

Compared to other major food manufacturers, sales in our products for professional use account for a small part of the overall sales in the Food segment. With the recent rise in the elderly, the markets for ready-made meals and dining out are expanding and we believe that there will be a growing need for products for professional use. We will enhance marketing activities in this field where we see great potential for growth. We are looking to secure a certain market share by introducing unique products by Meiji.

Net Sales
(Billions of yen)



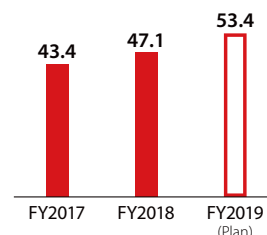
International Business

Strong Dairy Business in China, and Introducing Japanese Quality Overseas

Expanding international business is a major challenge for us to ensure further growth. China is a priority region in the 2020 Medium-Term Business Plan. Demand for chilled milk and plain yogurt is increasing due to the increased income of consumers and a rising health consciousness in China. We will increase our production capacity, and expand our business faster and in a dynamic way.

Not only in China but around the world, we will work on introducing our products such as chocolate, yogurt and nutritional products, which are our core products in Japan. We will tailor them to fit each country's market by using our unique technology.

Net Sales
(Billions of yen)



Growth Strategy From FY2019

Milk Business

Boosting Sales and Raising Revenue with the Meiji Oishii Series

The milk business is improving steadily. *Meiji Oishii Gyunyu* is one of our staple products and well regarded by many for its delicious and fresh taste, giving us a good position to stay out of a price war. In FY2019, due to the rising cost of raw milk procured from the dairy farmers, we had to raise the price of milk and yogurt, but it did not really impact sales. We were able to communicate and justify the cost adjustment to the consumers and distributors. We also adopted a lightproof package and improved the sealing cap, thereby increasing the value of the product. This enabled us to maintain our sales despite the price hike.

In addition, in April 2019 we launched an innovative product *Meiji Oishii Low Fat*, which uses the world's first *Freeze concentration manufacturing method* that can reduce the fat content of milk while preserving its rich flavor. We also launched *Meiji Oishii Milk Calcium* to promote and market three products together for the *Meiji Oishii* series, which will raise the consumer perception of product on the market and boost sales more.

Cap Improvement



Top Commitment

Making Bold Changes in the Organization and Working Atmosphere for Future Growth

What the market expects from us are: produce unique value in the product using Meiji's technology, and carve out new product categories and new markets. To achieve this, we need to strengthen product development and revise the sales system.

Since I joined the Group, I have been involved with sales for a long time, and I believe that we cannot beat out the competition any more using the traditional sales model. It is important to roll out added value products into the market as fast as we can, and that is something sales must focus on. For that reason, I pushed for a major reorganization in order to drive growth in FY2018. I think

that this has raised the level and effectiveness of the entire organization. At the same time, I have encouraged employees to change their mindset and awareness. I would like to build a positive working environment within the company, offering an atmosphere where each employee can set a challenging target based on their own motives and feel free to carry that out without any fear of failure.

It is important to have a healthy sense of urgency and create a resilient organization especially when business is good. I firmly believe that this leads to sustainable growth and helps the Group create new markets.

Supporting the Olympic and Paralympic Games Tokyo 2020 with Dairy Products & Confectionery

Meiji Co., Ltd. entered into a sponsor agreement with The Tokyo Organizing Committee of the Olympic and Paralympic Games to become a *Tokyo 2020 Gold Partner (Dairy Products & Confectionery)*. Meiji has been an official sponsor of the Japan Wrestling Federation since 1996 and Japan national volleyball teams under the Japan Volleyball Association since 2011. In addition, Meiji is an official supplier for the Japanese national basketball teams for both men and women. Meiji has also provided nutritional management support for the Japan national rugby union teams for both men and women as well as for the Japan national baseball team (*Samurai Japan*). As a *Tokyo 2020 Gold Partner (Dairy Products & Confectionery)*, we would like to deliver the *Joy of Sports* and *Importance of Food* to our customers through our dairy products and confectioneries. We will use this opportunity to support the health of both the athletes and all of our customers.



WEB POWER! One Bite
<https://www.meiji.co.jp/power> (Japanese only)



We will utilize a variety of strengths to grow more globally

Daikichiro Kobayashi

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

FY2018 in Review

Big Jump in Domestic Business Sales and Profits, with International Business on Track for Growth

It was a big year for the Pharmaceutical segment in FY2018. While there was a significant impact from the National Health Insurance (NHI) drug price revision in April 2018, the segment ultimately recorded an increase in sales and profits.

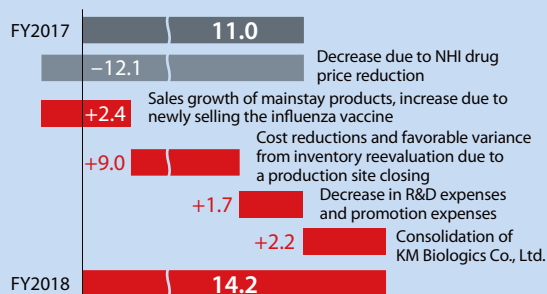
Despite a rough start for the fiscal year, the domestic sales recovered from the second quarter. Two factors contributed to this recovery: the Meiji Group acquiring KM Biologics Co., Ltd. in July 2018 and launching sales for the influenza vaccine in September 2018. In addition, *Bilanoa* (anti-allergy drug) and *SYCREST* (antipsychotic drug), both launched in 2016, together lifted the segment's performance in the second half of the year. This offset the negative impact of the NHI drug price revisions in the domestic business.

In the international business, stable production was realized in Medreich Ltd., the Indian company acquired in 2014. The product sales for the Japanese market are slowly increasing and we expect a steady growth path going forward.

(Billions of yen)	FY2017 Results	FY2018 Results	YoY Change
Net sales	168.4	198.6	+17.9% +30.2
Operating income	11.0	14.2	+29.2% +3.2

KM Biologics Co., Ltd. Q2-Q4 Results (Non-consolidated)
Net sales JPY 31.2 bn, Op. income JPY 3.4 bn

Breakdown of Consolidated Op. Income (Billions of yen)



Pharmaceutical Business

	Ethical Pharmaceuticals		Agricultural Chemicals and Veterinary Drugs	
	Japan	Overseas ^{*1}	Japan	Overseas
Core	Infectious diseases/Vaccines		Newly developed agricultural chemicals (sales of active ingredient/royalty)	
	Generic drugs (distributed by Meiji/CMO and CDMO) ^{*2} ^{*3}			
	Biopharmaceuticals			
	CNS disorders			
Growth/Reform	Immune system and inflammatory disorders		Agricultural chemicals (distributed by Meiji)	
	Hematologic cancer/PDT ^{*4}	Export	Veterinary drugs	
New	Healthcare solutions			

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

Growth Strategy From FY2019

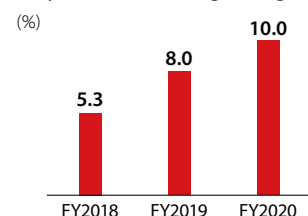
Brand-name Drugs

Developing *Bilanoa* and *SYCREST* into Best-in-Class Drugs

Bilanoa launched in 2016 and there are surveys from patients as well as ear, nose and throat (ENT) specialists that show favorable results. Our plan is to use the clinical benefits of *Bilanoa* to increase sales to JPY 10 billion by 2020 following the Medium-Term Business Plan.

We are also strong in the area of central nervous system (CNS) disorders. *SYCREST* launched in 2016 and has recorded a big jump in YoY sales for FY2018. July 2019 marks 3 years since its launch and we will use this opportunity to increase its brand value. We will actively provide the latest data from postmarketing drug-use survey and develop it into the best-in-class drug.

Target market share for Bilanoa in systemic anti-allergic drug



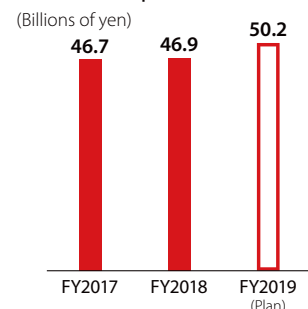
Copyright © 2019 IQVIA.
Calculated based on JPM 2019 Mar MAT
Market scope as defined by
Meiji Seika Pharma Co., Ltd.
Internal estimate for FY2019 and FY2020
* Reprinted with permission

Generic Drugs

Applying Our Selection and Concentration Strategy to Meet Growing Demand and Weather the NHI Drug Price Revisions

The generic drug business is an important driver for our growth. As the ageing population expands in Japan, the risks of disease and illness also increase. Accordingly, we believe demand for drugs to treat lifestyle related diseases will increase. However, the drug price will continue to decline because of the NHI drug price revisions. Based on this business climate and related factors, we will drive our selection and concentration strategy in the generic drugs business further. In this strategy, we will focus on products such as antibiotics, drugs for CNS disorders and lifestyle related diseases, and our medical representatives (MRs) will be visiting and targeting internal medicine, pediatrics, ENT and neurology departments.

Net Sales (Japan)



Vaccines

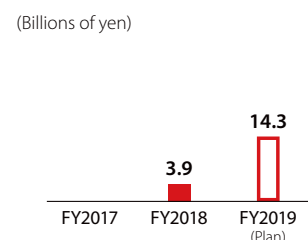
Embracing a Sense of Urgency and Responsibility to Ensure the Supply of Essential Drugs

In FY2019, Meiji Seika Pharma Co., Ltd. started full-scale sales operations for vaccines manufactured by KM Biologics Co., Ltd. We will deliver influenza vaccines, our mainstay product, to medical institutions ahead of the flu season to show our customers that can rely on us. In addition, KM Biologics Co., Ltd. supplies many single supply products^{*1} and orphan drugs^{*2}. As a supplier of drugs that are essential to public health, we embrace a sense of urgency and responsibility in our mission to advance our vaccine business.

*1 Products available in Japan only manufactured by KM Biologics Co., Ltd., without any alternatives manufactured by other pharmaceutical companies

*2 Drugs designated by the Ministry of Health, Labor and Welfare for diseases or conditions that have fewer than 50 thousand patients with therapeutic needs in Japan

Net Sales (Japan) (Influenza vaccine)



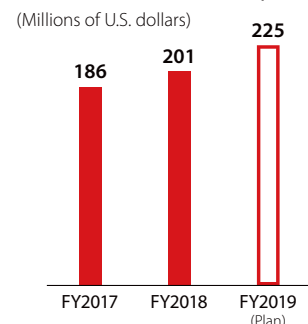
International Business

Expanding the CMO/CDMO Business Globally at Medreich

Medreich develops our CMO/CDMO business^{*3} and is an important subsidiary to lead the international business. With an increase in orders from existing customers and a push to acquire new customers, we are eyeing steady growth globally.

Medreich also manages production of generic drugs for the Japanese market. Though the government's goal is to have an 80% usage rate of generic drugs, the generic drug price has been dropping significantly due to revisions in the NHI pricing system. In light of this particular climate, it is imperative for us to establish a stable system in Medreich that delivers quality and inexpensive products.

Net Sales (Medreich Group)



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

Growth Strategy From FY2019

Agricultural Chemicals and Veterinary Drugs

Four New, Promising Agricultural Chemicals in the Pipeline, with Big Profit Earning Expectations

We started antibiotic R&D just before the end of the World War II. In our quest to discover useful compounds, we have established the basic technology that purifies and assesses the activity and profile of microbial metabolites in bacterial cultures. Our agricultural chemicals business was created from developing this technology and that strength is incorporated into our current products and product pipelines.

The rice blast preventative *ORYZEMATE* has been our best seller for the last 40 years. We will continue to secure its profitability going forward. There are currently four new, promising agricultural chemicals in the development pipeline. In particular, we believe the agricultural insecticide *ME5382* is very promising. It has already been registered in Japan, and we are seeking to register it in India's massive market by FY2020. Registration in Europe and the U.S. for the agricultural insecticide *ME5343* and the agrochemical fungicide *ME5223* is moving along smoothly, and we will seek registration in other locations overseas beyond 2020 as well.

In our veterinary drugs business, we expect the corporate synergy with KM Biologics Co., Ltd. will have a positive effect. Thus far, our main products have been antibiotics that have primarily targeted cows and pigs. KM Biologics Co., Ltd. has been developing and selling vaccines for chickens. We believe that there is much more room to grow the business by allocating resources more effectively in both companies.

Market Size* for New Agricultural Chemicals

ME5382 Insecticide

Japan JPY 30 bn
India JPY 60 bn (CAGR 12%)
Europe & Americas JPY 200 bn

ME5343 Insecticide

Japan JPY 20 bn
Overseas JPY 300 bn

ME5223 Fungicide

Japan JPY 10 bn
Europe JPY 150 bn

Green chemicals manufactured by innovative fermentation technology

* Meiji Holdings Co., Ltd.'s estimate

R&D Pipeline

Promoting Open Innovation with New Promising Drug Candidates

In the ethical pharmaceuticals, our product pipelines include promising candidates such as *ME2125 Safinamide* and *ME1111* (see the table on the next page for details). In addition, DM Bio Ltd., the joint enterprise established in Korea, succeeded in commercial level production of biosimilars (biologic medical product that is almost an identical copy of an original product) and will start clinical development in Europe.

With our sales volume, the R&D expenses are naturally limited, but we believe that creating a new drug is not necessarily related to the R&D budget. What is important and critical is a good researcher. Therefore we are sending researchers to external institutes, such as the Foundation for Biomedical Research and Innovation at Kobe/Institute of Biomedical Research and Innovation, to develop good researchers. We will continue to promote open innovation by collaborating closely with leading research institutes, creating a network of researchers and developing new product pipelines.

Joint R&D examples

Drug discovery research on autoimmune disease and cancer

Joint development with the Foundation for Biomedical Research and Innovation at Kobe

R&D on the novel β -lactamase inhibitor *OP0595*

Japan Agency for Medical Research and Development
CiCLE: Cyclic Innovation for Clinical Empowerment

R&D on antifrailty drugs and treatment

Japan Agency for Medical Research and Development
CiCLE: Cyclic Innovation for Clinical Empowerment

Top Commitment

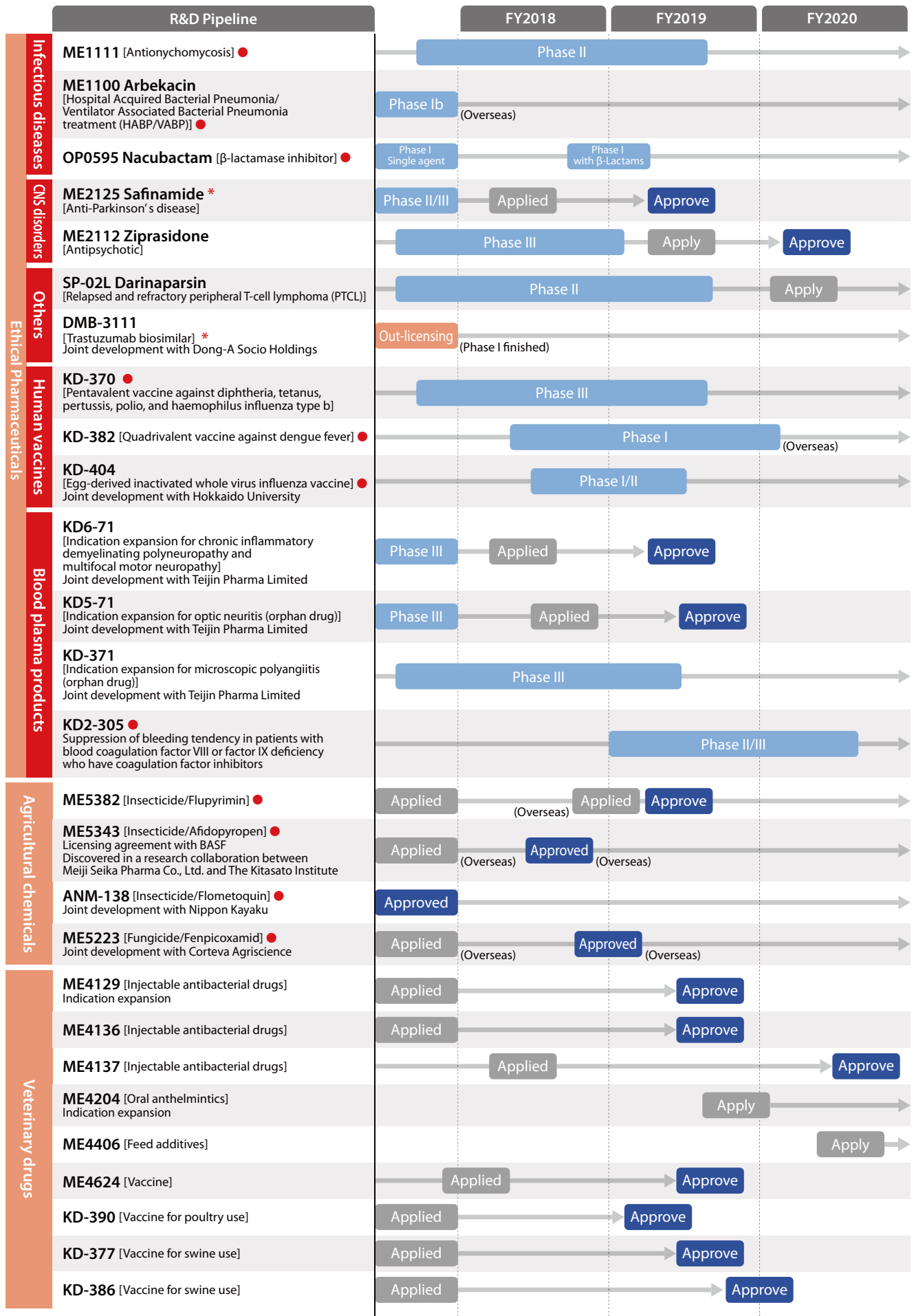
Staying Customer-Focused and Fulfilling our Responsibility in Supplying Drugs Essential to Public Health

Our number one priority is ensuring our business development stays focused on customers. To stay focused on customers, we will maintain an appropriate number of MRs in the field. Because we handle a wide range of products including generic drugs, the MRs' activities go beyond just providing information related to our pharmaceuticals and confirming their safety. We believe the MR has an important role in providing a broad range of detailed and useful information to the doctors, such as combinations of both our products and generic drugs, prescriptions and adverse events. By carrying out this mission, we can build trust in our products

and in us.

Up until now, the Meiji Group has been a lead manufacturer of antibiotics in the treatment of infectious diseases. After entering the vaccine business last year, we have become involved with the prevention of infection and recognize our responsibility in supplying drugs that are essential to public health. While the business atmosphere in pharmaceuticals can be quite challenging and tough, we will work to grow more globally as a company that is essential to society.

R&D Pipeline

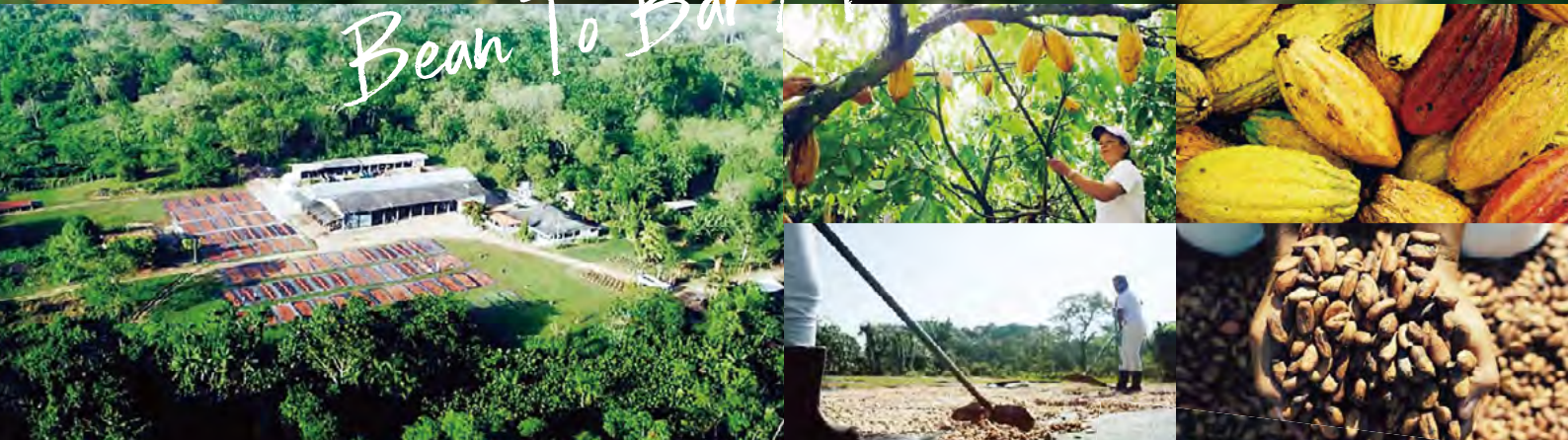


● : compounds discovered in-house

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



Bean To Bar / Farm To Bar



Realize Sustainable Cocoa Production While Building a New Chocolate Culture in Japan and Supporting Farmers in Cocoa Producing Countries

Cocoa is the raw ingredient that gives chocolate its flavor and is one essential resource in the Meiji Group's Food segment. The Group offers *Meiji Cocoa Support*, a support program for farmers in cocoa producing countries, and at the same time, is seeking to diversify the conventional image of chocolate among customers who enjoy chocolate in Japan. By doing this, we will link the producing countries with the consuming countries to achieve sustainable cocoa production.



SDGs for Meiji Cocoa Support



What is Meiji Cocoa Support?

Current Status of Cocoa

Continuing to Support Farmers and Activities for Sustainable Cocoa Production

The amount of chocolate consumption keeps increasing globally. Cocoa is the main ingredient of chocolate and cocoa producing countries are limited to only some equatorial regions. There is concern about the sustainable cocoa production. Cocoa farmers are facing a number of challenging issues and conditions, such as ageing trees, not enough saplings and fertilizer, and inadequate knowledge of cultivation techniques. To address these issues, the Meiji Group started *Meiji Cocoa Support*, a cocoa farmer support activity, in 2006. It is designed to help the farmers resolve these challenges to produce cocoa sustainably.



Support Cocoa Farmers Through *Meiji Cocoa Support*

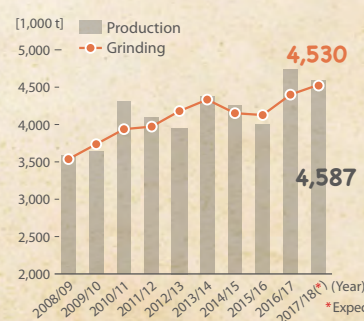


As of 2019, *Meiji Cocoa Support* covers eight countries around the world. This program's goal is to help cocoa farmers earn more income and help build a society for steady cocoa farming.

Chocolate Market in the World and in Japan

The global demand for cocoa has been increasing recently, and the chocolate production volume in Japan is rising as shown in the figure. We are focused more on the environment the farmers are facing, and achieving sustainable cocoa production is becoming a societal issue.

Global supply and demand of cocoa beans



Chocolate production in Japan



Source: Chocolate & Cocoa Association of Japan



Meiji Cocoa Support

Meiji's Unique Support Activities



Employees Onsite and Engaging in Direct Support Activities

In order to understand the current status of cocoa production areas, we cannot overstate the value of being onsite and speaking directly with the cocoa farmers through *Meiji Cocoa Support*. We are able to check and identify what is actually needed and then can determine the appropriate support. Through these activities, we want to help improve cocoa production and stabilize the farmers' lives.

Initiatives to Improve Cocoa Farmers' Productivity and Income

Workshops on Technical Assistance such as Meiji Fermentation Process, and Distribution of Fertilizer



Fermentation is a crucial part of chocolate production that brings out the rich flavor of the cocoa beans. Meiji offers a cocoa-specific fermentation method and this unique method produces high quality fermented cocoa, supporting farmers both technically and financially. In addition, we are engaged in other activities like the free distribution of fertilizer for cocoa cultivation.

Samplng Center to Provide Saplings for Free



We opened a sapling center close to the cocoa farms and provided high quality saplings to the cocoa farmers in the surrounding area.

Farmer Training School



We hold some seminars for the cocoa farmers. We provide instructions on cultivation methods to increase yield, appropriate use of fertilizer and agricultural chemicals and also health management.

Cocoa Farm Equipment Center



We opened a *Cocoa Farm Equipment Center* to relieve some of the financial burden on cocoa farmers. The center loans out farm equipment (free of charge) for pruning, weeding and spraying pesticide. The repair and maintenance of equipment can also be done at the center.

Initiatives to Enhance the Living Environment of the Cocoa Farmers

Donated Wells and Mosquito Nets



Securing daily water is an important issue, so we dig wells at various locations and donate them. To prevent the spread of malaria, we also provided mosquito nets to local families.

Holding Art Classes



We started cocoa-themed art classes for the local children to enjoy drawing pictures and making crafts and to help deepen their understanding about cocoa. The classes are quite popular and well-received by students and parents.

Educational Support with Donations of School Equipment and Supplies



We are donating school equipment and supplies to the local schools near the cocoa farms, such as writing materials, blackboards, shelving, maps and fans. We believe improving the education level of the local residents will enrich the people's lives in the area over the long term.

Support Activities through the World Cocoa Foundation

Funding a Program to Raise Farmers' Incomes and Working to Prevent Deforestation in Cocoa Producing Countries

Since there is a limit to how much support the Meiji Group alone can provide, we joined the World Cocoa Foundation* (WCF) in 2006 and have been participating in their activities. There are more than 100 companies participating in the WCF, and we, along with 15 other companies, have contributed funds to the Cocoa Livelihoods Program, a flagship program that helps raise the income of farmers in western African countries such as Ghana.

In 2017, we also joined the Cocoa & Forests Initiative, a program led by the WCF that helps prevent deforestation caused by cocoa farming. We will stay involved in these activities while working alongside local governments and related organizations.

* NPO that provides agricultural support for making the cocoa economy sustainable



World Cocoa Foundation

WEB

World Cocoa Foundation
<http://www.worldcocoafoundation.org>



Cocoa & Forests Initiative

Future of Meiji Cocoa Support

Promoting Sustainability in the Cocoa Sector and Building Societies Where Quality Cocoa Production is Passed Down to the Next Generation

Since we started *Meiji Cocoa Support*, I myself have been to a number of cocoa producing countries. Every time I receive a welcoming smile from the farmers, I realize the importance of those activities. In recent years, younger staff from our R&D team also have been visiting these countries to provide skills and knowledge to the farmers. This program also focuses on farm management training to increase the farmers' income so that they can continue to pass on the business to the next generation. We believe this will contribute toward promoting sustainability in the cocoa sector.



Yoshinori Doi

Associate General Manager
Technology Dept.
Production Div.
Meiji Co., Ltd.



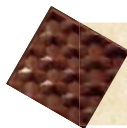
Using Cocoa's Appeal to Build a New Chocolate Culture

Goals for Meiji The Chocolate



The New Aspect of Enjoying Chocolate that Meiji Cocoa Support Brings

Another goal of Meiji Cocoa Support is also to help realize the production process *Bean to Bar* and *Farm to Bar*. Meiji The Chocolate was produced using this process by carefully selecting the cocoa to maximize its characteristics and flavor. By offering customers a new aspect of enjoying chocolate, we will stimulate demand for premium cocoa and redistribute profits to cocoa farmers.



Paradigm Shift Where Consumers Choose Chocolate with Their Favorite Aromas

The flavor and aroma of cocoa vary depending on the producing region and production method. We have separated the aromas of cocoa beans into three unique categories: *Nutty*, *Fruity* and *Floral*, so that we can offer our customers different aromas and selections for Meiji The Chocolate. These products with different aromas will set new criteria for selecting chocolate, providing more than just simple sweet and bitter options.

Three Aromas



Nutty
Pleasant and savory like a nut



Fruity
Tart and fresh like a fruit



Floral
Abundant aroma and fragrant like a flower



Changing How We See Chocolate with New Shapes and Packaging

We designed various shapes and complex patterns on the surface of Meiji The Chocolate. With this new makeover, our customers can enjoy a change in flavor as the chocolate melts in their mouths. We also created new package designs to match aromas and flavors. This customer approach is quite different from traditional chocolate products and has garnered a lot of attention.

Meiji The Chocolate Offers Various Shapes with Different Flavors

Mini blocks

Softens the bitterness and taste

Dome shape

Enhances the richness of milk chocolates



Jagged maze-like texture

Makes the cocoa aroma stand out more

Stick shape

For enjoying strong flavors

AWARD

Meiji The Chocolate received international awards

Meiji The Chocolate's uniqueness has gained recognition all over the world. In 2018, Meiji The Chocolate received the Superior Taste Award from the International Taste Institute (formerly iTQi). This product also has received many other awards from the ICA (International Chocolate Awards), from the Great Taste Awards in England hosted by the Guild of Fine Food as well as from the Academy of Chocolate Awards—which bestows and distinguishes the world's best chocolate.



Received the Superior Taste Award from the International Taste Institute for three consecutive years from 2016 to 2018



iTQi Superior Taste Award [Belgium]



International Chocolate Awards



Great Taste Award [UK]

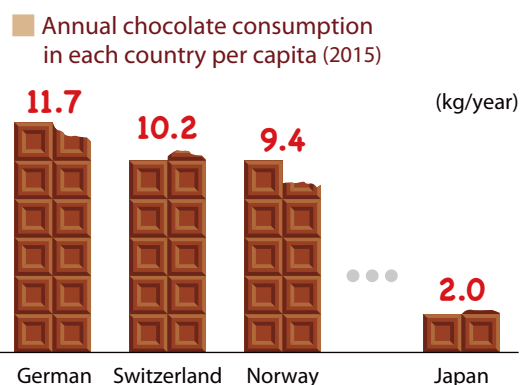


Academy of Chocolate Awards [UK]

Expanding the Japanese Chocolate Market

Supplying Both Products & Information for Adults to Enjoy Premium Chocolate as a Special Treat

The chocolate consumption per person in Japan is roughly one-sixth compared to Germany. In Europe, chocolate is likened to wine and coffee and is considered a premium product in daily life for adults. In order to build a similar culture in Japan, we should supply information with our products to effect change. We will actively disseminate useful information about cocoa including its health benefits. This will help expand the chocolate market and at the same time support sustainable cocoa production.



Source: Chocolate & Cocoa Association of Japan

Opened an Interactive Customer Center: *Hello, Chocolate by meiji*

Customers Experiencing Cocoa Cultivation and Harvesting Through Virtual Reality

Hello, Chocolate by meiji was opened in November 2018 as an interactive center for customers and to disseminate information about chocolate. Here, customers can get a new, fresh perspective about cocoa and chocolate, offering them a life-like experience visiting cocoa producing regions through a virtual reality program. We provide another program that mimics and shows the differences in flavors and aromas through images and sounds.



Providing opportunities to learn the characteristics of chocolate



Virtual reality ▲ experience using goggles

Meiji Looks to Build a Cocoa Culture in Japan and Throughout the World

Since 2015 we have been an exhibitor at the chocolate fair *Salon du chocolat* held every year in Paris, France. In addition to product sales, we also focus on introducing initiatives such as *Meiji Cocoa Support* and *Bean to Bar/Farm to Bar*, and our presentation has been well-received every year. We will work at spreading this chocolate culture of focusing on cocoa beans throughout Japan and beyond.



Meiji booth crowded with visitors

Partial Proceeds Earmarked for Supporting Cocoa Farmers

Meiji Cocoa Support is also introduced at *Hello, Chocolate by meiji* and some of the proceeds are earmarked to purchase saplings for supporting the cocoa producing regions. Visitors are able to empathize with the activities of *Meiji Cocoa Support*, and it connects consumers with cocoa producers.

Initiatives to Create New Markets

Enhance Communication with Customers to Make Cocoa Part of Our Everyday Lives

As part of the *Meiji Cocoa Support* program, our marketing and sales representatives visit cocoa farmers to deepen understanding about cocoa. We will improve our communication with our customers, by having representatives convey their experience and enjoyment of cocoa and chocolate. We will provide our customers with the experience of actually making chocolate from cocoa and pairing it with beverages to enjoy its delightful taste and flavors. This experience will be more than just eating chocolate. In the future, we would like to build a culture where we cast off the traditional idea of chocolate and celebrate cocoa in daily life, and thus create new markets.



Hidekazu Hagiwara

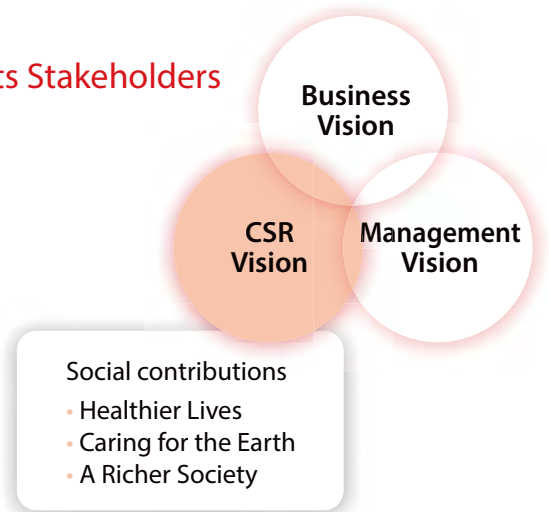
General Manager
Cacao Marketing Dept.
Marketing Div.
Meiji Co., Ltd.

Meiji Group's Approach to CSR

Our Target Profile

— A Corporate Group Essential to and Trusted by Its Stakeholders

The basis of the *Meiji Group's Approach to CSR* is to fulfill corporate social responsibility (CSR) by putting the Group Philosophy into practice on a day-to-day basis in mainstay businesses and by remaining a corporate group society needs. We have created the *Meiji Group CSR 2026 Vision*. It represents the goals and image our Group is striving for, and promoting CSR is one of our highest priority areas within that vision. The *Meiji Group CSR 2026 Vision* was designed specifically to carry out *Social contributions*.



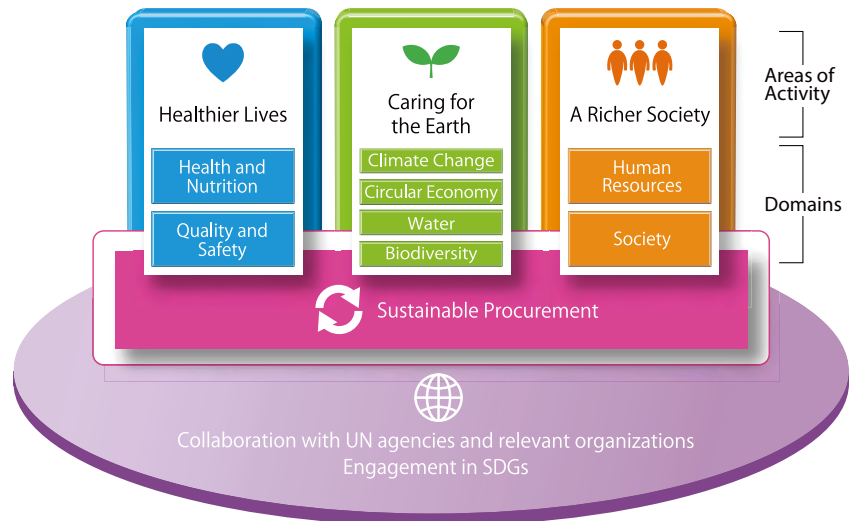
Meiji Group CSR 2026 Vision

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

Outline of Vision

The *Meiji Group CSR 2026 Vision* is broken down into three themes: *Healthier Lives*, *Caring for the Earth* and *A Richer Society*, 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 CSR activities and address social issues.

* KPI: Key Performance Indicator



Progress of CSR 2026 Vision

- 2017** • Began discussions to establish vision
- 2018** • Established 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

Joined UN Global Compact

The Meiji Group pledged its support to the *UN Global Compact* (UNGC) in April 2019. We are working to improve our employees' understanding about the Ten Principles of the UNGC, which cover the fundamental responsibilities in the area of *human rights, labor, environment, and anti-corruption*. In FY2019, we are focusing our efforts particularly on *human rights* and the *environment* as well as pursuing and achieving a sustainable society.



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 CSR 2026 Vision*.

The 13 Main SDGs the Meiji Group is Targeting



The Group CSR System

We have established the *Group CSR Committee*, with the President and Representative Director of Meiji Holdings Co., Ltd. at its helm, and will continue to engage in activities following this committee's direction. This committee meets twice annually. It monitors the progress of activities to achieve KPIs in the *Meiji Group CSR 2026 Vision* and also establishes CSR policies. There is a CSR Secretariat that meets monthly and is made up of the CSR representatives from Meiji Holdings Co., Ltd. and the operating companies. We share information to address issues, such as climate change and sustainable procurement, while staying on target with the SDGs. The progress of these Group CSR activities is reported twice annually at the Board meetings.



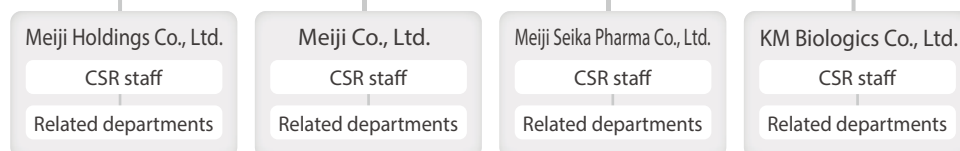
The Group CSR Committee

The Group CSR Committee (meets two times per year)

Chairman: President and representative director, Meiji Holdings Co., Ltd.
 Vice chairman: President and representative director, Meiji Co., Ltd.
 Vice chairman: President and representative director, Meiji Seika Pharma Co., Ltd.
 Vice chairman: President and representative director, KM Biologics Co., Ltd.
 Committee members: Managing officers and full-time Audit & Supervisory Board members, Meiji Holdings Co., Ltd.
 Managing officer in charge of CSR from Meiji Holdings Co., Ltd. and operating companies

CSR Secretariat (Secretariat meetings held monthly)

Head of the secretariat:
 General Manager, PR & IR Department



Feedback from Experts

In April 2019, Mr. Peter David Pedersen and Mr. Kawamura from Meiji Holdings Co., Ltd. discussed the Group's CSR. Their dialogue covered a frank and lively exchange about a number of topics, including challenges the Group should prepare for after the *Meiji Group CSR 2026 Vision* as well as CSR activities unique to the Meiji Group. Use the link below to see the details of this discussion.

WEB 2019 Stakeholder Dialogue <https://www.meiji.com/csr/stakeholder-dialog/2019/> (Japanese only)

What to Expect from the Meiji Group

The global population is expected to balloon to ten billion people by 2050, with 3 billion expected to live in slums and 52% of the population facing water stress or water scarcity. Social problems in the future can be viewed as a potential business chance so to speak. Therefore, it is important to weigh social issues appropriately and change them to business opportunities.

I believe, the Meiji Group can be classified as one of those companies that is essential to daily life. The Group must define the social issues that people face. It is my hope that the Group will bring employees together and successfully actualize innovation, solve problems as well as ensure growth globally.



▲ The left side of the picture
Mr. Peter David Pedersen

Co-founder, NELIS
 Director, TAFL
 Co-founder, E-Square Inc.




Meiji Group's Approach to CSR

Progress on Materiality





After conferring with experts outside of the company, we identified materiality and set KPIs. As we continue to promote CSR activities to achieve our KPIs, we shall report on our progress each year.

Red font: Identify materiality issues

Healthier Lives

Areas/SDGs	Social Issues	KPIs & FY2018 Results
<p>Health and Nutrition</p> 	<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 	<p>1. Develop products that contribute to healthy diets and a super-aged society</p> <p>Result Health-conscious products 47</p> <p>Nutritional products with added value 32</p> <p>Products for a super-aged society 6</p>  <p>2. Enroll a total of 500,000 participants into nutrition and healthy diet education within three years from FY2018 to FY2020</p> <p>Target Three years from FY2018 to FY2020 Result 196,000</p> <p>Total 500,000</p>
<p>Quality and Safety</p> 	<ul style="list-style-type: none"> • Ensure product quality and safety 	<p>Obtain Global Food Safety Initiative (GFSI) certification, which includes HACCP* for all domestic food plants by FY2020</p> <p>* HACCP: Hazard Analysis and Critical Control Point</p> <p>Target Domestic food plants with GFSI certification by FY2020 100%</p> <p>Result 50% (New: 6 plants, Total: 24 plants)</p>

Caring for the Earth

Areas/SDGs	Social Issues	KPIs & FY2018 Results																		
<p>Climate Change</p> 	<ul style="list-style-type: none"> • Reduce CO₂ emission volume • Eliminate the Use of Specified Fluorocarbons 	<p>Reduce total domestic CO₂ emission volume by more than 15% compared with FY2013 baseline by FY2030</p> <p>Target More than 15% reduction by FY2030</p> <p>Compared to FY2013</p> <p>Result 16.8% reduction</p> <p>The domestic Meiji Group, excluding KM Biologics Co., Ltd.</p> <p>Domestic CO₂ Emission Volume (10,000 t-CO₂)</p> <table border="1"> <tr><th>Year</th><td>FY2013</td><td>FY2016</td><td>FY2017</td><td>FY2018</td><td>FY2030</td></tr> <tr><th>Volume</th><td>58.2</td><td>52.3</td><td>50.4</td><td>48.4</td><td>49.5</td></tr> <tr><th>Label</th><td>[Base year]</td><td></td><td></td><td></td><td>[Target]</td></tr> </table>	Year	FY2013	FY2016	FY2017	FY2018	FY2030	Volume	58.2	52.3	50.4	48.4	49.5	Label	[Base year]				[Target]
Year	FY2013	FY2016	FY2017	FY2018	FY2030															
Volume	58.2	52.3	50.4	48.4	49.5															
Label	[Base year]				[Target]															
<p>Circular Economy</p> 	<ul style="list-style-type: none"> • Reduce environmental impact 																			
<p>Water</p> 	<ul style="list-style-type: none"> • Secure water resources 	<p>Reduce domestic water consumption volume (per unit of sales) by more than 20% compared with FY2015 baseline by FY2030</p> <p>Target More than 20% reduction by FY2030</p> <p>Compared to FY2015</p> <p>Result 12.2% reduction</p> <p>The domestic Meiji Group, excluding KM Biologics Co., Ltd.</p> <p>Domestic Water Consumption Volume (1,000 m³/100 million of yen) (per Unit of Sales)</p> <table border="1"> <tr><th>Year</th><td>FY2015</td><td>FY2016</td><td>FY2017</td><td>FY2018</td><td>FY2030</td></tr> <tr><th>Volume</th><td>2.13</td><td>2.07</td><td>1.92</td><td>1.87</td><td>1.70</td></tr> <tr><th>Label</th><td>[Base year]</td><td></td><td></td><td></td><td>[Target]</td></tr> </table>	Year	FY2015	FY2016	FY2017	FY2018	FY2030	Volume	2.13	2.07	1.92	1.87	1.70	Label	[Base year]				[Target]
Year	FY2015	FY2016	FY2017	FY2018	FY2030															
Volume	2.13	2.07	1.92	1.87	1.70															
Label	[Base year]				[Target]															
<p>Biodiversity</p> 	<ul style="list-style-type: none"> • Secure local biodiversity 																			



A Richer Society

Areas/SDGs

Social Issues

KPIs & FY2018 Results

Human Resources



Promote diversity and inclusion

- Employee-friendly workplace

1. Raise the ratio of female managers from 2.6% in FY2017 to greater than 10% by FY2026. Triple the number of female leaders* to more than 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)

Target More than **10%** female managers by FY2026

Result Female managers **3.1%**

Female leaders* in FY2026
Minimum of **420**

Female leaders **171**

* Leader: Manager and assistant manager

2. Raise the ratio of employees with disabilities above the statutory employment quota
(The combined total targets for Meiji HD Co., Ltd., Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. alone, excluding affiliates)

Target The ratio of employees with disabilities More than **2.2%**
From April 1, 2018

Result **2.29%**

Society



Respect and promote human rights

- Communicate with stakeholders
- Promote CSR activities

- 100% of employees receive training on human rights
(Meiji HD Co., Ltd., Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. alone, excluding affiliates)

Target Employees receive training on human rights **100%**

Result **100%**

Shared Themes

Areas/SDGs

Social Issues

KPIs & FY2018 Results

Sustainable Procurement



Procure raw materials with consideration toward human rights and the environment

- Provide stable procurement

1. Improve traceability of cocoa

Result Approximately **10%** reduction in usage from previous year

Reason: Did not meet chocolate usage targets



2. Use 100% of RSPO*-certified palm oil by FY2023

* RSPO: Roundtable on Sustainable Palm Oil

Target Use **100%** by FY2023

Result Using approximately **2%**

Plan Use approximately **10%** by FY2019



3. Use 100% paper raw materials from forests certified for sustainability practices (FSC®, PEFC) and/or from recycled paper by FY2020

Target Use **100%** by FY2020
Packaging paper for products manufactured domestically

Result **55.3%**

The domestic Meiji Group, excluding KM Biologics Co., Ltd.

Healthier Lives

Policies & Plan

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

Health and Nutrition

SDGs for Health and Nutrition



We use our strengths developed in the food and pharmaceutical businesses as well as our expertise from the nutrition and healthcare areas in order to address social issues: more specifically, contribute to healthy diets, respond to a super-aged society, improve nutrition in emerging countries, ensure the sustainable supply of pharmaceuticals and fight against infectious diseases.

Infant and Toddler Nutrition

Contributing to Healthy Growth with Our Infant Formula Featuring More Added Value

Since first launching in Japan a vitamin B1 fortified infant formula in 1923, the Meiji Group has been committed to the infant and toddler nutrition business to promote their healthy growth. We are currently supporting health in babies and toddlers by focusing on *Meiji Hohoemi*, which can be used as a breast milk replacement for infants, and on *Meiji Step*, which helps provide suitable nutrition for toddlers up to age 3. In addition, we developed the world's first infant formula in *cube form* to help in the child rearing process. It is designed for anyone to prepare the baby formula easily even for late night feedings, so that everyone in the family can participate in child rearing. In March 2019, we also launched a formula in *liquid form* that can be stored and fed at room temperature and offers a long shelf life. This is not only convenient when feeding outside of the home but gives mothers peace of mind as an emergency supply in the event of a disaster or emergency situation.



Meiji Hohoemi Raku Raku Milk

WEB

Meiji Hohoemi Brand Site
<https://www.meiji.co.jp/baby/hohoemi/> (Japanese only)

Securing a stable supply of special formulas for babies that cannot be breast fed or drink typical infant formulas

We are securing a stable supply of special milk formulas for babies with food allergies or metabolic disorders. We started this business in 1980, and we are manufacturing and providing a free, stable supply (through government subsidy) of 12 *registered special formulas* for children with inborn errors of metabolism and also a free, stable supply (through corporate sponsorship) of 6 *unregistered special formulas* for children with disorders not listed above.

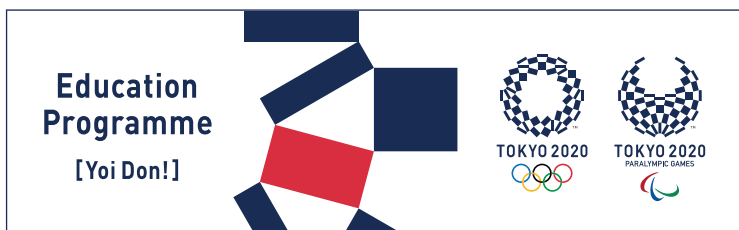
Promoting Shokuiku Activities (Food and Nutrition Education)

Meiji has been active in food and nutrition education since 2006, and we visit schools and teach elementary and junior high school students through fun interactive classes. In FY2018, we had 196 thousand students participate in these classes. In Meiji's food and nutrition education program, we also created a learning program for the Olympics and Paralympics with the goal of stimulating children's interest in sports and at the same time giving them a broader global perspective and understanding.

Through the activities in the *Tokyo 2020's Education Programme*, Meiji is helping develop the next generation of people lead healthier and richer lives.

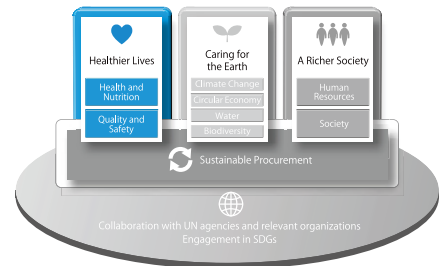


A fun interactive class at a school through the Tokyo 2020's Education Programme. These classes provide information about exercise and nutrition as well as build and broaden global understanding using chocolate and yogurt.



WEB

Meiji's Shokuiku, Tokyo 2020's Education Programme
<https://www.meiji.co.jp/meiji-shokuiku/tokyo2020/> (Japanese only)



Fight Against Infectious Diseases

Depending on the economic climate, public health system and access to pharmaceuticals throughout the world, patients can't always be administered the appropriate antibiotics for the right dosage and/or for the appropriate treatment period. This is one of the reasons for the emerging antimicrobial resistance (AMR). Asia and Africa in particular are more at risk to infections caused by drug-resistant bacterium, and more than 10 million fatalities are estimated to be caused by these infections in 2050. The Meiji Group will use our expertise to reinforce countermeasures to fight against drug-resistant bacteria and to address this social issue.

Public Awareness Activities Concerning Antimicrobial Resistance (AMR)

As one of the Meiji Group's initiatives, we are carrying out public awareness activities in collaboration with related organizations. We have joined the *AMR Stewardship* project sponsored by the Japan Pharmaceutical Manufacturers Association and have created posters and video under the keyword *Stop AMR*. We have asked healthcare related organizations to put up our posters and show our video to help raise public awareness. We are also involved in other activities that help disseminate information on AMR to medical institutions.



Two posters created by Japan Pharmaceutical Manufacturers Association as a part of public awareness activities that promote understanding about AMR

β-Lactamase Inhibitor R&D

Countermeasures to fight against AMR is an urgent global issue, and it was discussed at the G20 Osaka summit in June 2019. In Japan as well, the *National Action Plan on Antimicrobial Resistance* was drawn to promote the research and development of new preventive, diagnostic and treatment techniques to battle against infection caused by drug-resistant bacteria. The Meiji Group has developed the new β-lactamase inhibitor *OP0595* and it was selected as part of a national program, *Cyclic Innovation for Clinical Empowerment (CiCLE)*. CiCLE is a program to conduct R&D and innovate new drugs through industrial, academic and governmental collaboration. *OP0595* possesses unique characteristics not found in conventional β-lactamase inhibitors and is expected to provide effective treatment for multidrug-resistant bacteria. Clinical development is already underway in Japan, and we are continuing R&D and targeting overseas applications.

What is a β-lactamase inhibitor?

There are a number of antibiotic resistance mechanisms in bacteria. One type is a bacteria that produces an enzyme called β-lactamase to withstand the antimicrobial activity. The β-lactamase inhibitor blocks or inhibits the β-lactamase to maintain antimicrobial activity.

Meiji's Specific Expertise and Research with Infection Helping Pave the Way for AMR Countermeasures

As one of the group leaders in the *AMR Stewardship* project sponsored by the Japan Pharmaceutical Manufacturers Association, I worked alongside a number of companies, who develop, manufacture and sell antibiotics, and created *Stop AMR* posters and video. We are collaborating with many institutes and related organizations to roll out public awareness activities in order to communicate messages, such as *Learn about antibiotics and use them appropriately = Stop the spread of drug-resistant bacteria* as well as *What you can do to Stop AMR*. Thanks to Meiji's expertise in infection, we are using this valuable opportunity to contribute to society.



Tomoko Morita Manager
Infection Product Management Group
Marketing Planning & Strategy Dept.
Meiji Seika Pharma Co., Ltd.

Policies & Plan

We, the Meiji Group, in recognition of the fact that our business operations originate from the bounty of nature, will contribute to the creation of a sustainable society. To this end, we intend to harmonize our business activities with the global environment and manage the Group in a way that protects the environment.

WEB Meiji Group Environmental Policy https://www.meiji.com/global/sustainability/policies/#Policies01_04

Environmental Management System

There is The Group Environmental Meeting, which is made up of representatives from our Food segment and Pharmaceutical segment as well as the CSR representatives from Meiji Holdings Co., Ltd. Under this system, the Meeting sets a long-term vision, plans specific measures as well as carries out risk management, and essentially oversees the environmental management for the whole Group.



Climate Change

SDGs for a Climate Change



Implementing countermeasures against global warming such as reducing CO₂ emission volume are essential and urgent issues for businesses and companies. We have set long-term targets for FY2030 in the Meiji Group CSR 2026 Vision in order to do our part to help battle global warming. We are planning and carrying out a number of energy-saving measures at various stages in our operations to facilitate achieving a decarbonization.

Introducing Renewable Energy

Using renewable energy such as solar power helps prevent global warming. The Meiji Group is using renewable energy and has installed large solar panels at the following locations: Osaka Plant and Aichi Plant in Japan (domestic Food business), and Santa Ana (CA) Plant in the U.S. (Meiji America Inc.). The Group has plans to introduce and expand our power facilities for renewable energy at both domestic and overseas locations.






Meiji Co., Ltd. Osaka Plant



Meiji America Inc. Santa Ana (CA) Plant

CO₂ Emission Volume for FY2018

	Domestic	Overseas
 Scope 1	228 thousand tons-CO ₂ ✓	35 thousand tons-CO ₂
 Scope 2	282 thousand tons-CO ₂ ✓	86 thousand tons-CO ₂
 Scope 3	3.189 million* tons-CO ₂	
	* Category 1 2.437 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.107.

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 Sold Products

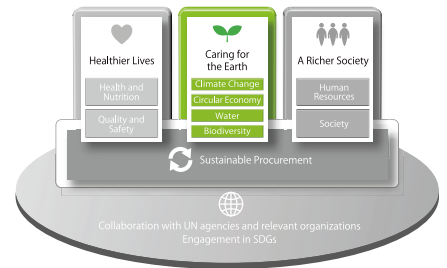
Category 1: Calculated by multiplying Emissions Unit Values* by the purchase price for main raw materials and packaging materials (paper, plastic and cardboard) used in the food and pharmaceutical businesses.

* Database of Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver 2.4)

(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.



Circular Economy

SDGs for a Circular Economy



In order to preserve and protect the Earth's limited resources, we have adopted initiatives to reduce waste based on the reduce, reuse, recycle (3Rs) approach. We are 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.

Initiatives for Recycling Plastic Resources

Massive amounts of plastic garbage contaminating the oceans causing marine pollution has become a global concern. The Meiji Group has been addressing the problem of plastic debris littering our oceans. In the Food segment, we established the *Plastic Recycling Action Statement* and are focusing on product designs that use less plastic, such as lightweight or thinner plastic packaging, containers and bottles. In addition, we are working with recycling companies to promote recycling for any plastic waste generated from our production processes. Beyond that, we are cleaning the riversides and coastal areas to reduce the plastic waste that flows into the oceans and help protect the marine environment.



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

Water

SDGs for Water



Water resources are essential for operations in the Meiji Group, and managing water resources to ensure a sustainable society is extremely important. We are not only installing equipment to conserve water and use it efficiently but also managing the quality of wastewater. In order to evaluate the risks related to water resources and their impact on operations, we use AQUEDUCT (international water risk assessment software launched by the World Resources Institute) at all of our domestic and overseas production sites to perform risk assessments and collect onsite information. We will identify production sites with potential risks and then prepare specific countermeasures and carry them out.

Water Consumption Volume for FY2018



(Domestic)
The scope of the water consumption volume that are included is noted on p.107.
The numerical data indicated with have been assured by an independent practitioner.

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

Water Intake

The Meiji Group has been conserving water and is re-using and/or recycling water resources. For example, at some of our sites we engage in efficient water practices such as using rain water to flush toilets and re-using cooling water.

Paddy field flooding at KM Biologics Co., Ltd.

KM Biologics Co., Ltd. uses groundwater for production and waterlogs fields (saturate the soil with water) as part of a program to reduce the impact on the environment. We replenish and recharge the groundwater by diverting water from the Shirakawa River nearby and flood the fields with water for about 3 months before planting crops. We have been doing this since 2005 and have been recharging approximately 500 thousand tons of ground water annually, which is more than what is used at the head office and the Kumamoto Plant.



Flooded paddy field

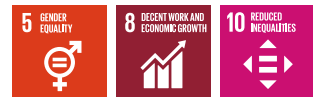


Policies & Plan

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

Human Resources

SDGs for 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. As a result, we focus on developing human resources and improving a workplace environment to support this approach.

Human Resource Development Policy and System

Working in the Meiji Group

Based on the *meiji way* Action Guidelines as noted in the Meiji Group's System of Principles, we seek personnel who take the initiative in setting ambitious innovation-oriented goals. Further, we want our personnel to be capable of drawing on their expertise and the Group's strength to achieve these goals.

WEB

Mission and Vision
<https://www.meiji.com/global/about-us/mission-and-vision/>

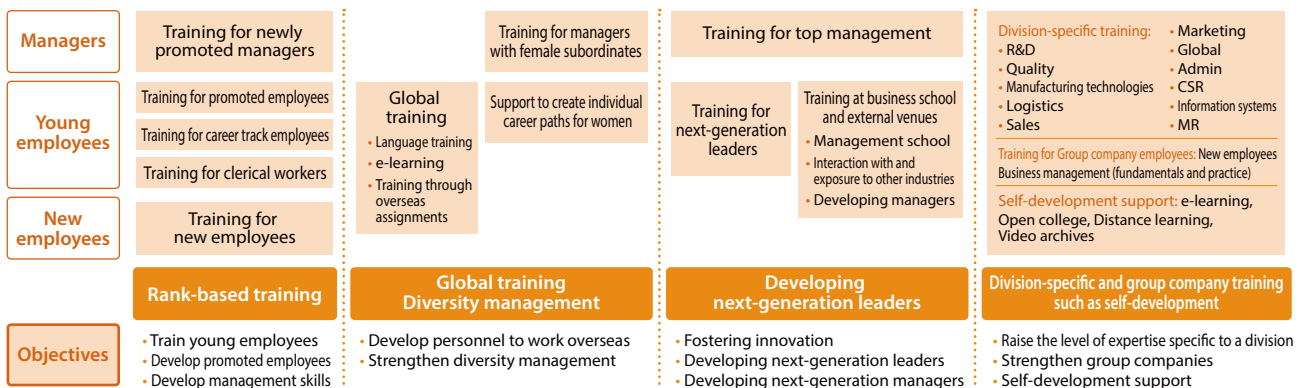
Human Resource Development

In order to develop personnel with the qualities and skills that the Meiji Group seeks, we have an employee development system to promote growth in each employee as well as career development based on our *Basic policies for developing the capabilities of personnel*.

WEB

Basic policies for developing the capabilities of personnel
https://www.meiji.com/global/sustainability/a_richer_society/human_resources/

Skills Development Structure



Employee-Friendly Workplaces

Work-style Reform

We believe it is our corporate responsibility to create a safe and healthy environment at the workplace. To achieve this, we are creating a positive and comfortable work environment to promote a good work-life balance.

Improving long working hours

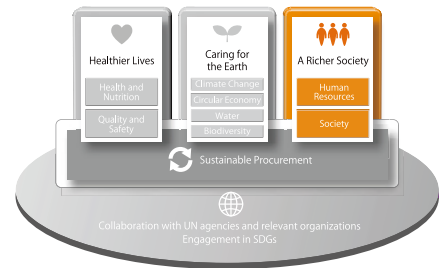
- Reporting and managing working hours appropriately
- No-overtime days (once per week)
- Improving productivity by implementing a *work-focus time* strategy
- More effective meetings to increase productivity
- Streamlining work tasks at each workplace to improve efficiency

Encouraging employees to take paid leave

- Encourage employees to take paid leave for five consecutive days
- President advocates employees taking consecutive paid leave
- Schedule vacation at the beginning of the year and share it at work
- Follow up with employees who do not take paid leave

Promoting flexible work-style

- Implement work-at-home programs and flextime system
- Support male employees who wish to take childcare leave
- Run programs to help employees continue their jobs during life events
- Expand applicable time periods to work *short shifts to accommodate childcare*



Society

SDGs for Society



As a company, it is our fundamental duty to ensure human rights are promoted and respected. Therefore, the Meiji Group manages its operations considering all of our stakeholders' rights. To help build a richer society, we stay active in community activities, providing emergency aid and support as well as providing our products to welfare facilities.

Respect and Promote Human Rights

The Meiji Group Human Rights Meeting

In FY2019, the Meiji Group launched an inter-organizational *Group Human Rights Meeting* to address a broad range of human rights issues concerning the overall Group. The meeting reviews issues prioritized in the risk assessment of each business and weighs specific preventive measures and mitigation strategies. Having regular meetings will raise awareness of human rights throughout the Group. We will also have a system in place to address various issues domestically and abroad.

Human Rights Management System

Group CSR Committee

CSR secretariat

Group Human Rights Meeting

Primary participants are CSR representatives from Meiji Holdings Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd.

Implementing Human Rights Due Diligence

The Meiji Group has adopted the *United Nations Global Compact*. We have also implemented human rights initiatives based on the *Meiji Group Policy on Human Rights* and encourage our employees and supply chain to follow suit. Before implementing the human rights due diligence, we finished identifying and assessing risks at each stage of the value chain for both the Food and Pharmaceutical segments as part of an ongoing risk management process in FY2018.

WEB Meiji Group Policy on Human Rights https://www.meiji.com/global/sustainability/policies/#Policies01_01

Social Contribution Activities

Infant Formulas for National Council of Homes for Infants

As a leading company in infant formulas, we wanted to help promote healthy growth of infants and toddlers, and therefore we started donating *Meiji Hohoemi* in June 2019 to infant homes and orphanages nationwide through the National Council of Homes for Infants. We donated more than 1,200 cans of *Meiji Hohoemi* (800 gram/can) to 135 facilities, and have plans to donate once more this year.



Infant home, Tokyo Keimei Gakuen Nyuji-bu

Donating to the Children's Future Support Fund

Poverty in children is a major social issue and it is said that 1 in 7 children under 17 years old lives in poverty (according to the Comprehensive Survey of Living Conditions conducted in 2016 by Ministry of Health, Labor and Welfare). The Cabinet Office earmarked *measures against child poverty* as a future investment. The office is collecting donations from companies and individuals and other resources under the *Children's Future Support Fund* and is also managing the *Future Support Network Project* to support groups and organizations nationwide that help provide academic support and food for children. The Meiji Group has pledged its support to this cause since 2017 and donates every year to the *Children's Future Support Fund*.



WEB Measures against child poverty - Children's Future Support National Movement <https://www.kodomohinkon.go.jp> (Japanese only)

Sustainable Procurement

Policies & Plan

When procuring raw materials and basic ingredients for our corporate activities, the Meiji Group has established the *Meiji Group Procurement Policy* in order to provide our customers with safe and reassuring high-quality products. Based on this policy, we always consider fairness, transparency and compliance with laws and regulations, and take into account our corporate social responsibility, including human rights and the environment.

Procurement

SDGs for Procurement



The Meiji Group takes into consideration human rights and the environment when procuring raw materials, such as cocoa, palm oil and paper from suppliers and when performing supplier audits. In addition, the Group is involved in support programs like *Meiji Cocoa Support* (see page 30 for details) and one for domestic dairy farmers to ensure the stable supply of cocoa and raw milk. We are also helping improve food productivity by providing a stable supply of agricultural chemicals and veterinary drugs, including research and development of environmentally benign drugs and chemicals (green chemicals).

Formulating and Disclosure of Procurement Guidelines

Based on the *Meiji Group Procurement Policy*, the Meiji Group formulated Procurement Guidelines in September 2018 for cocoa, palm oil and paper in order to ensure human rights and the environment are taken into consideration during the procurement of raw materials. We disclosed these guidelines on our website and disseminated them both inside and outside the company. By working with our business partners, we ensure our procurement practices and those of our partners take into account human rights and the environment.

WEB Meiji Group Procurement Policy https://www.meiji.com/global/sustainability/policies/#Policies01_03

Cocoa Procurement Guideline

The Meiji Group complies with all the laws and regulations in the producing countries or regions, and ensures that the working environment and conditions do not infringe on human rights and preserves local biodiversity. The Group also continues its own farmer support program *Meiji Cocoa Support*, collaborates with the World Cocoa Foundation and engages in other cocoa procurement activities that take into account human rights and the environment.

Palm Oil Procurement Guideline

We joined the Roundtable on Sustainable Palm Oil (RSPO) in 2016. We will increase the amount of RSPO-certified palm oil and our goal is to use 100% of this oil by 2023.

Paper Procurement Guideline

For product packaging, containers, printing and copy paper and other paper-based materials, we are striving to use 100% paper raw materials from forests certified for sustainability practices (such as FSC®*) and/or from recycled paper by FY2020.

* Forest Stewardship Council®



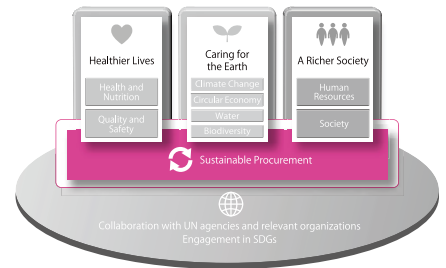
Using the FSC®-certified Paper and Displaying the Logo on Our Products

Based on our Paper Procurement Guideline, we are striving to use 100% paper raw materials from forests certified for sustainability practices (FSC®, PEFC) and/or from recycled paper by FY2020. Since FY2019, we have been increasing the use of environmentally-friendly paper (such as the one certified by FSC®) and recycled paper specifically in our product packaging, containers, printing and copy paper as well as other paper-based materials. We will increase the visibility and familiarity of the FSC® logo through our participation in the *FSC® Forest Work 2019* (Jul – Sep) and by displaying the logo on our product packaging.



FSC® logo on the back of Kinoko no Yama ▶

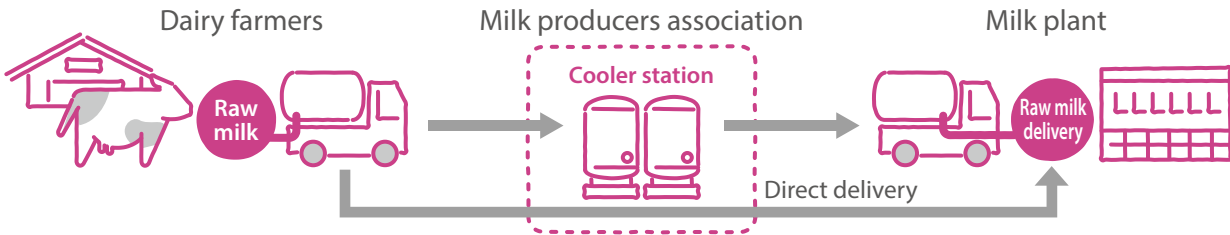




Partnership with Domestic Dairy Farmers to Ensure Stable Raw Milk Procurement

By closely working with dairy farmers, the Meiji Group is supporting stable and high quality milk production in order to deliver our customers delicious and quality milk.

Raw milk delivery and quality control



Initiatives for stable procurement of premium quality raw milk

Production sites

- Check feed and environment for breeding cows
- Hold seminars for the milk producers association on raw milk flavor

Receiving at plants

- Train taste testers and ensure thorough incoming inspections

Research laboratory

- Physical and chemical analysis of properties and ingredients for maintaining and improving quality
- Conduct taste assessment and disseminate information
- Technology development for more accurate and quicker inspections

Support dairy farmers using our unique operations support for producers

In domestic dairy farming, there are concerns about the raw milk production base weakening, and dairy farmers are having problems, such as a lack of labor force and/or training that labor force. To address these issues, the Meiji Group is currently pouring resources into the Meiji Dairy Advisory (MDA), which is our own farm management support program designed to help improve farms' productivity.

The goals of the MDA are to increase work efficiency and to improve work satisfaction for the employees. For management, the goals are to raise the productivity of the farm overall and to attract and secure good workers. To be more specific, the Meiji Group has assigned specialized advisory staff and is creating a system that provides continuous and various support. That support includes building a sense of ownership in each employee, reducing waste or loss on the farm and standardizing work processes or tasks. Thanks to the help of the Meiji Feed Co., Ltd., our Group company who is building a close relationship with producers nationwide, this MDA initiative will be developed even more. Accordingly, we hope to secure sustainable dairy production by improving work on farms and developing management skills.



Discussion on production base support

MDA is helpful in seeing management issues more clearly

After participating in the Meiji Group's MDA program, I understand the importance of standardization and feel comfortable delegating tasks to others. I have more free time and can see the different management issues more clearly. At the same time, I also feel more confident as a farm manager. Going forward, I hope that more family-operated dairy farms begin using MDA to strengthen the production base and improve production efficiency.



Yosuke Tomita Limited private company Kao-Tomita Farm, Kumamoto prefecture

Directors and Audit & Supervisory Board Members

(As of June 27, 2019)



Audit & Supervisory
Board Member
Hiroyuki Tanaka

Audit & Supervisory
Board Member (Outside)
Hajime Watanabe

Member of the Board and
Managing Executive Officer
Koichiro Shiozaki

Member of the Board
(Outside)
Tomochika Iwashita

Member of the Board
(Outside)
Mariko Matsumura

Member of the Board
Katsunari Matsuda

President and
Representative Director
Kazuo Kawamura



Audit & Supervisory
Board Member (Outside)
Makoto Ando

Member of the Board and
Senior Managing Executive Officer
Michiro Saza

Member of the Board
(Outside)
Tohru Murayama

Member of the Board and
Managing Executive Officer
Jun Furuta

Audit & Supervisory
Board Member
Mineo Matsuzumi

Chairman and
Representative Director
Masahiko Matsuo





Member of the Board
Daikichiro Kobayashi

Responsibilities of Members of the Board and Audit & Supervisory Board Members (As of June 27, 2019)

Members of the Board

Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY2018)		Number of years as Member of the Board	Number of the Company's shares held (Shares)	
		Board of Directors				
	Masahiko Matsuo Chairman and Representative Director Chairman and Director, Meiji Seika Pharma Co., Ltd. Chairman and Representative Director, KM Biologics Co., Ltd. Member of Nomination Committee Member of Compensation Committee	16/16		10 years	26,396 shares	
	Kazuo Kawamura President and Representative Director Member of the Board, Meiji Co., Ltd. Member of the Board, Meiji Seika Pharma Co., Ltd. Chairperson of Nomination Committee Chairperson of Compensation Committee	16/16		7 years	31,246 shares	
	Michiro Saza Member of the Board and Senior Managing Executive Officer (Corporate Development Dept. and HR & General Affairs Dept.) Member of the Board, Meiji Co., Ltd. Member of the Board, KM Biologics Co., Ltd.	16/16		7 years	12,455 shares	
	Koichiro Shiozaki Member of the Board and Managing Executive Officer General Manager, Financial & Accounting Department	16/16		4 years	9,906 shares	
	Jun Furuta Member of the Board and Managing Executive Officer General Manager, PR & IR Department	15/16		5 years	3,966 shares	
	Daikichiro Kobayashi Member of the Board President and Representative Director, Meiji Seika Pharma Co., Ltd.	16/16		5 years	9,334 shares	
	Katsunari Matsuda Member of the Board President and Representative Director, Meiji Co., Ltd.	12/12*		1 year	7,298 shares	
Outside		Tomochika Iwashita Member of the Board (Outside) Independent director Member of Nomination Committee Member of Compensation Committee	16/16		3 years	723 shares
		Tohru Murayama Member of the Board (Outside) Independent director Member of Nomination Committee Member of Compensation Committee	16/16		3 years	530 shares
		Mariko Matsumura Member of the Board (Outside) Independent director Member of Nomination Committee Member of Compensation Committee	12/12*		1 year	65 shares

Audit & Supervisory Board Member

Name	Positions and areas of responsibility in the Company	Attendance at meetings (FY2018)		Number of years as Audit & Supervisory Board Member	Number of the Company's shares held (Shares)	
		Board of Directors	Audit & Supervisory Board			
	Mineo Matsuzumi Audit & Supervisory Board Member Audit & Supervisory Board Member, KM Biologics Co., Ltd.	16/16	15/15	2 years	3,152 shares	
	Hiroyuki Tanaka Audit & Supervisory Board Member	16/16	15/15	2 years	6,973 shares	
Outside		Hajime Watanabe Audit & Supervisory Board Member (Outside) Independent director	16/16	15/15	6 years	—
		Makoto Ando Audit & Supervisory Board Member (Outside) Independent director	16/16	15/15	2 years	800 shares

	Main expertise and background							
	Management strategies	Global business	Sales Marketing	IT	Accounting	HR	Legal affairs	Corporate communication
	●	●	●					
	●		●					●
	●			●	●	●		
	●				●		●	
	●	●			●			●
	●		●					
	●		●					
	●		●			●		
	●	●	●	●				
							●	
								<p>Career summary</p> <p>Ex-Executive Vice President, Tokio Marine & Nichido Fire Insurance Co., Ltd. Ex-President, Tokio Marine & Nichido Life Insurance Co., Ltd. Director (External), DCM Holdings Co., Ltd.</p> <p>Ex-Representative Director and President and Ex-Director and Chairman, Accenture Japan Ltd. Visiting Professor, Faculty of Science and Engineering, Waseda University</p> <p>Attorney at Law Outside Audit & Supervisory Board Member, Adastria Co., Ltd.</p>

* Attendance since appointment to Member of the Board on June 29, 2018

	Main expertise and background							
	Management strategies	Global business	Sales Marketing	IT	Accounting	HR	Legal affairs	Corporate communication
				●	●	●		
				●				
							●	
					●			
								<p>Career summary</p> <p>Attorney at Law Outside Audit & Supervisory Board Member, FURYU Corporation</p> <p>Certified Public Accountant Unaffiliated Auditor, Nippon Concrete Industries Co., Ltd.</p>

Three Outside Directors Discuss the Meiji Group



Outside director
Tohru Murayama

Outside director
Tomochika Iwashita

Achieving Targets in the Meiji Group 2026 Vision

Meiji Holdings Co., Ltd. welcomes three outside directors with different specializations to the Board to strengthen the function of the Board of Directors and to establish more effective corporate governance. Here, Mr. Tomochika Iwashita, Mr. Tohru Murayama and Ms. Mariko Matsumura discuss the issues to achieve the Meiji Group 2026 Vision targets and provide insight on resolving those issues.

Achieve sustainable growth by staying on track in 2026 Vision

Matsumura It was the first fiscal year of the 2020 Medium-Term Business Plan last year. Despite increased sales and profits, the Group did not reach the initial targets. And, the results fell short of the stakeholders' expectations.

Iwashita I understand that is because the performance of the Food segment slowed down. On the other hand, the Food segment also underwent major reform. The marketing organization was restructured, and it is now rearranged according to function rather than by business segment. This move was made to better communicate Meiji's unique value to the customers. Once all employees have a clear understanding of the reform's goal and manage the business accordingly, then it should certainly lead to

substantial results.

Despite a tough business climate, the Pharmaceutical segment exceeded the targets and recorded an increase in sales and profits. This segment offers an array of unique advantages. When the Group uses these strengths and acts more quickly, I believe the Group can grow steadily.

Murayama Of course, emphasis on business performance for each fiscal year is important. However, achieving sustainable growth is key for the Meiji Group. For this reason, we established the Meiji Group 2026 Vision (the 2026 Vision). I believe that we, as outside directors, should monitor and ensure that the Meiji Group manages its businesses in line with this Vision.

In the Food segment, strengthening the marketing



Attorney at Law (Shinwa Sohgo Law Offices)
Outside director

Mariko Matsumura

is vital in order to further expand the new markets that the Group carved out. In light of this, the Group carried out this radical organizational reform. I believe that this restructuring is a well-regarded move. In addition, we are working toward reforming the business structure in the Pharmaceutical segment. While the direction of this restructuring is clear, the key issue is how do we accelerate this process.

Currently, I believe that both segments are operating their business following the course that is mapped out in the 2026 Vision. Mr. Iwashita and I have

been involved in formulating the 2026 Vision. We will check to ensure that the Group does follow the path and policies in the 2026 Vision.

Matsumura I started working as an outside director for Meiji Holdings Co., Ltd. a year ago. In the Board meetings, the directors are quite active in the discussions, and I was surprised to see how the meetings always went beyond the scheduled time period. I feel that the exchange between all the directors is frank, which makes the discussions very fruitful.

As the Meiji Group progresses into the 2nd stage of management integration, the Co-Creation Center stands out as a symbol

Iwashita I have high expectations for the *Co-Creation Center*, which was the research laboratory established in April 2019. Since the 2026 Vision was established, I suggested that *One of Meiji's biggest advantages is having both Food and Pharmaceutical segments. Integrating or combining these segments would produce tremendous value.* Establishing the *Co-Creation Center* was a major step in our strategy to combine resources and realize synergy.

Murayama I think that the *Co-Creation Center* has great appeal and should be publicized more. It is a symbol of Meiji's progress into the 2nd stage of

management integration. We successfully created a new management system in the 1st stage, merging two management departments to reinforce that new system, which was well received in the stock market. Now in the 2nd stage, both the Food and Pharmaceutical segments must be combined to create a new business platform. The *Co-Creation Center* is a stepping stone and embodies the 2026 Vision's slogan *Beyond meiji.*

Matsumura International business will also be an important topic for the Meiji Group. From discussions in the Board meetings I believe that there is a lot of room

Three Outside Directors Discuss the Meiji Group

for growth in international business. The Food business in China has continued to grow steadily. I understand that the Group wants business in China to maintain steady growth while keeping a close eye on food safety, rather than just following the market's momentum.

Murayama The scale and growth rate of the international business may be a little lagging from the perspective of external stakeholders. As outside directors, we have brought up this point many times. However, recently I have tried to see this from a different perspective.

Since the Meiji Group deals with food products, as a Japanese company it should provide high quality and safe products to the customers. The Group tries very hard to deliver products with added value that are both attractive and delicious to the market. That is the *meiji way* and by sticking to this approach, the Group has grown enormously in Japan. I know it is important to achieve rapid growth in the international business. But I also understand that maintaining the *meiji way* at each location is important. We should balance these strategies to optimize international business development.

Iwashita My impression of the Meiji Group's business approach can be described as very devoted and methodical. The Group does what needs to be done one task at a time, carefully building up and developing the business. The Group is using this same approach to develop the international business. Even though it may take time, it should lead to a successful business in the long run.

Murayama I think the Meiji Group should actively publicize its approach on international business in the market so that investors understand the Group's strategy.



Fostering the next generation of management early on is an important issue

Matsumura I think that the Meiji Group has a heightened sense of corporate governance. Revising the Corporate Governance Code made its way quickly to the Board meeting discussion. There has been a very active Q&A on the corporate governance of KM Biologics Co., Ltd., which became part of the Group last July. All the outside directors visited KM Biologics Co., Ltd. last year, and we have had frequent reports from their president in the Board meetings. We are keeping

abreast of the progress and improvements they make in their corporate governance.

Iwashita The other day, a practical succession plan was developed. A pending topic over the last few years was creating a system to screen and select directors, which was finally established. However, first, we have to focus our efforts in developing potential candidates for the process leading up to the succession plan. One thing that the Meiji Group needs for further growth is to continue to innovate. Innovation means accumulating various expertise and skills to produce something new that changes society. Fostering such innovation is a vital topic among management. And, I think a system that develops the next generation of management early on is a part of that succession plan.

Murayama The Meiji Group can achieve sustainable growth by following the 2026 Vision and revising that strategic plan when necessary. So a succession plan should be linked with it.

In addition, in order to achieve the 2026 Vision, we



need to overcome the inter-organizational, business and regional obstacles. For the future, it is critical to give these types of opportunities to the next generation of management and challenge them. By assigning them projects that need inter-organizational collaboration,

we will train and educate the next generation of management and broaden their minds. The newly established *Co-Creation Center* is a platform where personnel can gain that experience, and we are hoping that this center will be a training ground for them.

The Meiji Group should be a leading company for diversity and sustainability

Matsumura I have heard that becoming more diverse was one of the top business priorities since I joined the company. Recently, I have been focusing more on this topic. For example, the current ratio of female managers is 3 to 4%, and I think the presence of women is a little behind. It is imperative to have a diverse staff, including people from other countries, in order to support the different tastes of consumers and the globalization of business. What we face now is how we accelerate the Group to be more diverse.

Murayama I think that the Meiji Group is quite popular among students who are looking for jobs and has a strong chance of hiring excellent and capable young workers. That is why we must not follow conventional trends with a low ratio of female employees. Hence, currently the Group is trying to boost female staff systematically, which also translates into promoting female employees. I hope that we can help the female employees to achieve their potential and become a leading company in the industry.

Matsumura In terms of a work-life balance, the Meiji Group has incorporated systems such as a flextime system and a telecommuting system. It would be nice to offer a flexible working style and become a model company for society.

Iwashita I think that there should be more active exchange between the Food and Pharmaceutical segments. This is also part of our strategy to promote diversity in workplace. When employees with different backgrounds work together, it can have a tremendous impact. I believe certain stress can be an opportunity for growth. Personnel will learn and grow when they are challenged to view their own organization or department more objectively from the outside.

With regard to sustainability, the Group is steadily building up its activities one step at a time through its main businesses in Food and Pharmaceuticals.

Murayama I think that nowadays the company's efforts toward sustainability are directly linked to the corporate brand value. I am afraid that the current activities may be lacking from the viewpoint of a branding strategy. We should integrate the *meiji way* into our efforts for sustainability. I do hope that each and every employee learns about the essence of sustainability and not only participates in activities but strives for a higher level.



Matsumura Providing opinions from a woman's point of view, I would like to help improve the corporate value of the Meiji Group. In particular, I can provide a different take on issues at the workplace. Also, I am happy to make suggestions as a consumer to contribute to our business and products.

Iwashita For the future growth of the Meiji Group, I believe each employee should always keep the 2026 Vision in mind, and try to work hard almost with a sense of urgency. I will monitor the progress and check for any deviation or delays, and then report back to the Meiji Group as necessary.

Murayama As an outside director, I always question myself to make sure I have not lost my ability to see things in a fresh and different way. And to help the Group stay on track in the 2026 Vision, I will be sure to draw attention to anything that comes to mind or anything I see.

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.

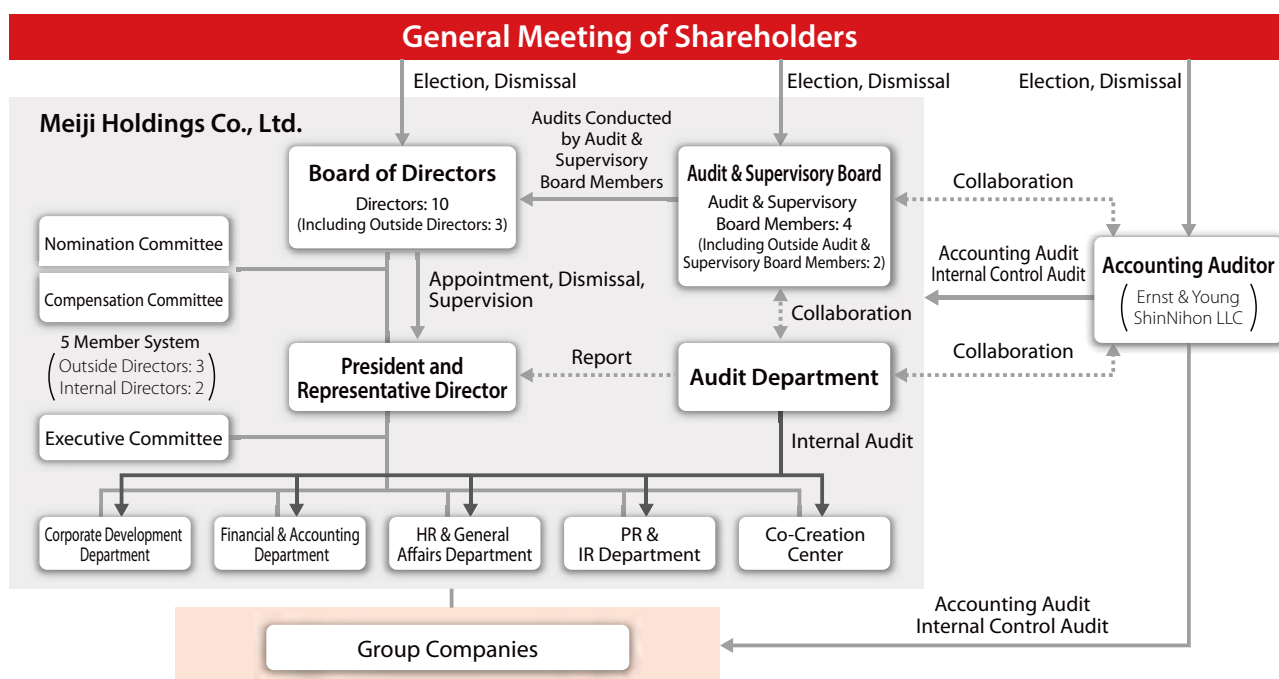
The main role of Meiji Holdings Co., Ltd. is to advance

Groupwide management strategies, create an optimal operating structure, and oversee the business management of each company. Responsibility for operational execution is delegated to the operating companies appropriately. Within the Group, oversight and execution of business management are separated.

Accordingly, the Group has established and operates a corporate governance system including a Board of Directors. Meiji Holdings Co., Ltd. is a company with Audit & Supervisory Board members. Oversight by the Board of Directors and auditing by the Audit & Supervisory Board enhance the objectivity and transparency of the business management.

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

Corporate Governance System (As of June 27, 2019)



Corporate Governance Data

(As of June 27, 2019)

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) 10 (3 Outside Directors, including one female Director) Number of Board of Directors meetings 16 times (FY2018) Attendance of Outside Directors at Board of Directors meetings 100% (FY2018)
Audit & Supervisory Board	Number of Audit & Supervisory Board Members (including Outside Auditors) 4 (2 Outside Auditors, including one female Auditors) Attendance of Outside Auditors at Board of Directors meetings 100% (FY2018) Principal meetings auditors attend Board of Directors, Executive Committee*, Audit & Supervisory Board, Audit Department Liaison Meeting, and others * Attended only by full-time members of Audit & Supervisory Board Number of Audit Committee meetings 15 times (FY2018) Attendance of Outside Auditors at Audit Committee meetings 100% (FY2018)
Election of Independent Director	5 (3 Outside Directors, 2 Outside Audit & Supervisory Board members)
Accounting Auditor	Ernst & Young ShinNihon LLC
Audit department (internal auditing)	Audit Department

Director Remuneration

Policy on Determining Remuneration Amounts and Calculation Methods

The remuneration of internal directors in the Company is comprised of three components: 1. Base compensation, which is fixed according to the position and responsibilities, 2. Performance based compensation as a short-term incentive, which is assigned according to the Company's and individual's performances from the prior fiscal year, and 3. Stock compensation as a medium- to long-term incentive, which is based on the Company's stock price movement. The base compensation and performance-linked compensation are paid out in cash, and stock compensation is allocated as restricted stock. Note that 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.

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

The amount of compensation for a director falls within a general range that is decided at the General Meeting of Shareholders. The amount is calculated based on an evaluation of the company's performance and the individual's performance, while referencing the standard compensation level at other companies provided by an

external research agency.

The 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 higher-ranked a director is, the more the company performance metrics count toward performance-linked compensation relative to the director's performance. The performance-linked compensation for the two top executives (the Chairman and Representative Director and the President and Representative Director) is based entirely on the two metrics.

The following table shows the operating results used to calculate the performance-linked compensation paid in FY2018.

	Consolidated Net Sales	Consolidated Op. Income
Results (FY2017)	¥1.24086 trillion	¥94.673 billion
Targets FY2017	¥1.261 trillion	¥94.5 billion
Results from previous year (FY2016)	¥1.24248 trillion	¥88.395 billion

The calculated compensation is then decided by the Board of Directors based on a recommendation from the Compensation Committee, which is made up of at least 3 members with a majority of independent outside directors.

Breakdown of Director Remuneration (FY2018)

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 FY2018 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)	¥396 million	¥204 million	8	¥143 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	4	—	—	—	—
Audit & Supervisory Board Member (Outside)	¥26 million	¥26 million	2	—	—	—	—
Total	¥522 million	¥329 million	16	¥143 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.

Evaluation of the Board of Directors

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

1. Method for analyzing/evaluating how effectively the Board functioned in FY2018

In May 2019, we analyzed/evaluated how effectively the Board of Directors functioned in FY2018 in line with our own corporate governance guidelines, which we established in October 2015. We used a self-assessment survey questionnaire (prepared by the Board's secretariat) to collect feedback from each director and each member of the Audit & Supervisory Board.

This questionnaire covers the following categories:

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

The feedback items are summarized as follows:

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

2. Results of analysis/evaluation

According to members' self-evaluations and Board meeting records, the Board is operating effectively.

Issues identified last fiscal year:

- Systematize succession planning and develop a procedure and operational method
- Establish criteria for including/excluding topics in the agenda
- Manage Board meetings effectively.

These issues were addressed appropriately and the Board has become more effective.

This evaluation also highlighted some issues for discussion in the Board meetings:

- Ensuring steady progress of the development policy for our succession planning
- Improving the quality of meeting materials and presentations.

Succession Planning

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 have a say in the succession planning.

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

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

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

In addition, the development policy for our succession planning was discussed and decided in the Board meeting in March 2019 as recommended by the Nomination Committee.

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

We will identify and develop new leaders based on the criteria listed in the succession planning, specifically by selecting leadership candidates, building their careers strategically, and building a talent bench.

Risk Management

Basic Views

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

Management System

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

※ **WEB** See the "Securities Report (FY2018)" on p.16. (Japanese only)
https://www.meiji.com/investor/library/securities/2019/pdf/securities_2019_04.pdf

Strengthening Our Business Continuity Planning (BCP)

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

Connecting Risk to Growth Opportunities

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

➤ See p.12 for the "Meiji Group 2026 Vision" and p.36 for the "Meiji Group CSR 2026 Vision."

Compliance

Basic Views

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

Management System

The Meiji Group has *Compliance Regulations* as well as related rules and committees in place, and also uses an internal reporting system.

At Meiji Co., Ltd., our approach uses the risk management and compliance in close conjunction with one another, and we have a Compliance & Risk Management Committee to promote a variety of activities and programs. We promote activities to nurture and

foster compliance awareness so as to ensure compliance is the cornerstone of our operations and to ensure those operations are conducted fairly and faithfully.

Meiji Seika Pharma 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. joined the Meiji Group in July 2018 and has initiated the Winning Back Trust project 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 new member of the Meiji Group, we will establish compliance system with higher standards.

Financial and Non-Financial Highlights (10 Years Summary)

Consolidated Balance Sheet

Financial information		Unit	FY2009	FY2010	FY2011		
For the fiscal year:	Net sales	Millions of yen	1,106,645	1,114,095	1,109,275		
	Segment	Food	Millions of yen	—	988,854	986,319	
		Pharmaceuticals	Millions of yen	—	124,202	125,274	
	Segment (Overseas)	Food	Millions of yen	—	—	—	
		Pharmaceuticals	Millions of yen	—	—	—	
	Gross profit	Millions of yen	371,970	381,234	370,774		
	Operating income	Millions of yen	28,786	28,873	20,189		
	Profit before income taxes	Millions of yen	24,100	17,925	14,588		
	Profit attributable to owners of parent	Millions of yen	13,088	9,552	6,805		
	Capital expenditures *2	Millions of yen	—	40,511	38,324		
	Research and development costs	Millions of yen	22,693	23,418	23,823		
	Depreciation *3	Millions of yen	39,087	41,345	40,871		
	Net cash provided by operating activities (A)	Millions of yen	47,707	57,995	30,597		
	Net cash used in investing activities (B)	Millions of yen	(33,641)	(32,440)	(44,314)		
Net cash used in financing activities	Millions of yen	(12,674)	(19,570)	4,861			
Free cash flow (A+B)	Millions of yen	14,066	25,555	(13,716)			
At fiscal year-end:	Total assets	Millions of yen	730,044	716,368	749,985		
	Interest-bearing debt	Millions of yen	199,400	192,810	205,261		
	Shareholders' equity	Millions of yen	289,886	287,782	291,589		
Per share data *4	Profit (EPS)	Yen	88.87	64.82	46.19		
	Total net assets (BPS) *5	Yen	1,966.53	1,953.18	1,979.12		
	Cash dividends	Yen	40.00	40.00	40.00		
Ratios	Return on Equity (ROE)	%	4.6	3.3	2.3		
	Return on Assets (ROA)	%	3.9	4.2	3.0		
	Equity ratio	%	39.7	40.2	38.9		
	Payout ratio	%	45.0	61.7	86.6		
Non-financial information							
CO ₂ emission volume	Japan	Scope1 *6	10,000 t-CO ₂	—	—	48.4	
		Scope2 *6	10,000 t-CO ₂	—	—	—	
		Scope3 *7	10,000 t-CO ₂	—	—	—	
	Overseas	Mainland China *8	Scope1	10,000 t-CO ₂	—	—	—
			Scope2	10,000 t-CO ₂	—	—	—
		Asia *9	Scope1	10,000 t-CO ₂	—	—	—
			Scope2	10,000 t-CO ₂	—	—	—
		The U.S. and Europe *10	Scope1	10,000 t-CO ₂	—	—	—
			Scope2	10,000 t-CO ₂	—	—	—
Water consumption volume	Japan *11		1,000 m ³	—	—	23,674	
	Overseas	Mainland China *8	1,000 m ³	—	—	—	
		Asia *9	1,000 m ³	—	—	—	
		The U.S. and Europe *10	1,000 m ³	—	—	—	
Total water discharge volume	Japan *11		1,000 m ³	—	—	21,652	
	Overseas	Mainland China *8	1,000 m ³	—	—	—	
		Asia *9	1,000 m ³	—	—	—	
		The U.S. and Europe *10	1,000 m ³	—	—	—	
Energy consumption volume	Japan *12	Fuel oil conversion: 10,000 kl	—	—	21.3		
Industrial Waste Volume	Japan *12	10,000 t	—	—	4.4		

*1 U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US\$1 = ¥110.99, the exchange rate prevailing on March 31, 2019.

*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 FY2013 retroactively. The Kumamoto plant for KM Biologics Co., Ltd. was added and included in the calculation from FY2018.

FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018	Unit *1
1,126,520	1,148,076	1,161,152	1,223,746	1,242,480	1,240,860	1,254,380	11,301,744	Thousands of U.S. dollars
1,001,551	1,015,265	1,021,806	1,061,398	1,082,115	1,073,655	1,056,637	9,520,177	Thousands of U.S. dollars
127,361	135,105	141,338	164,542	161,620	168,466	198,688	1,790,151	Thousands of U.S. dollars
—	29,097	29,418	38,353	38,191	43,474	47,182	425,110	Thousands of U.S. dollars
—	17,325	23,961	41,961	38,731	39,485 *13	41,009	369,489	Thousands of U.S. dollars
382,684	394,062	403,386	445,561	461,326	454,882	456,569	4,113,607	Thousands of U.S. dollars
25,859	36,496	51,543	77,781	88,395	94,673	98,383	886,416	Thousands of U.S. dollars
25,214	33,687	48,657	95,210	89,192	91,079	94,586	852,205	Thousands of U.S. dollars
16,646	19,060	30,891	62,580	60,786	61,278	61,868	557,421	Thousands of U.S. dollars
37,668	47,038	64,347	42,354	50,417	71,777	71,243	641,889	Thousands of U.S. dollars
26,199	26,067	26,105	27,308	26,162	26,507	29,182	262,930	Thousands of U.S. dollars
40,821	40,972	41,885	42,077	45,872	46,511	43,033	387,724	Thousands of U.S. dollars
50,622	63,847	86,487	105,155	81,888	108,775	112,100	1,010,008	Thousands of U.S. dollars
(39,504)	(47,293)	(92,822)	(9,809)	(44,291)	(64,394)	(100,202)	(902,803)	Thousands of U.S. dollars
(9,411)	(18,194)	6,846	(85,071)	(46,548)	(40,121)	(13,980)	(125,961)	Thousands of U.S. dollars
11,118	16,553	(6,335)	95,346	37,597	44,380	11,898	107,205	Thousands of U.S. dollars
785,514	779,461	877,367	856,115	883,895	927,544	1,004,143	9,047,153	Thousands of U.S. dollars
205,394	198,376	221,480	147,828	129,497	119,102	116,385	1,048,611	Thousands of U.S. dollars
313,383	320,447	370,341	408,874	448,901	487,310	527,310	4,750,975	Thousands of U.S. dollars
112.99	129.40	209.79	425.06	413.11	422.15	426.61	3.843	U.S. dollars
2,127.28	2,175.98	2,515.26	2,777.28	3,064.91	3,360.70	3,635.79	32.757	U.S. dollars
40.00	40.00	50.00	90.00	110.00	130.00	140.00	1.261	U.S. dollars
5.5	6.0	8.9	16.1	14.2	13.1	12.2		
3.8	5.0	6.5	9.4	10.2	10.6	10.3		
39.9	41.1	42.2	47.8	50.8	52.5	52.5		
35.4	30.9	23.8	21.2	26.6	30.8	32.8		
52.4	58.2	56.8	56.7	23.6	23.0	22.8		
—	—	—	—	28.7	27.4	28.2		
—	—	—	—	—	203.5	318.9		
—	—	—	4.1	0.5	0.3	0.5		
—	—	—	—	3.5	3.0	2.5		
—	—	—	6.1	1.5	1.3	1.1		
—	—	—	—	5.3	5.5	5.2		
—	—	—	2.9	1.4	1.6	1.9		
—	—	—	—	0.9	0.9	0.8		
22,902	22,723	20,148	24,375	24,104	22,305	22,056		
—	—	—	—	—	1,192	878		
—	—	—	—	—	511	487		
—	—	—	—	—	74	62		
20,864	20,566	16,504	21,214	20,255	17,914	19,702		
—	—	—	—	—	—	696		
—	—	—	—	—	—	141		
—	—	—	—	—	—	47		
25.8	25.6	25.3	24.9	24.5	24.0	24.6		
8.1	7.2	7.4	7.6	5.4	6.3	6.2		

*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 for KM Biologics Co., Ltd. was added and included in the calculation.

*8 Five production plants Data was revised retroactively because the scope of the calculation was changed.

*9 Four production plants Data was revised retroactively because the scope of the calculation was changed.

*10 Three production plants Data was revised retroactively because the scope of the calculation was changed.

*11 Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. up until FY2014, and the domestic Meiji Group from FY2015.

The Kumamoto plant for KM Biologics Co., Ltd. was added and included in the calculation from FY2018.

*12 Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. in FY2011, and the domestic Meiji Group from FY2012.

*13 The standard used for calculating the overseas sales was revised from FY2017.

MD&A (The Management Discussion and Analysis)

Consolidated Financial Results

It was the first fiscal year of the 2020 Medium-Term Business Plan last year. We have focused our management resources on core and growth areas for the Food and Pharmaceutical segments based on the basic concept *Address strategic issues continuously* and *Challenge for further growth*. During FY2018, we increased sales further and developed business overseas. Meanwhile, the Food segment faced rising logistic and labor costs and the Pharmaceutical segment was severely impacted by the NHI drug price revisions. Amid this tough economic climate, we have improved productivity and managed expenses effectively.

These steps resulted in JPY 1.25438 trillion in net sales (up 1.1% year on year), JPY 98.383 billion in operating income (up 3.9% year on year) and JPY 99.709 billion in the ordinary income (up 4.0% year on year). Net income attributable to shareholders of parent company was JPY 61.868 billion (up 1.0% year on year). ROE was 12.2%, and the EPS was at JPY 426.61.

In July 2018, Meiji Holdings Co., Ltd. and Meiji Seika Pharma Co., Ltd., our business subsidiary, acquired a stake in KM Biologics Co., Ltd. to make it a consolidated subsidiary. KM Biologics Co., Ltd. inherited the main business of The Chemo-Sero-Therapeutic Research Institute.

Gains and Losses

Net Sales

Meiji Group's consolidated net sales for FY2018 was JPY 1.2543 trillion (up 1.1% year on year). Net sales for the Food segment was JPY 1.0566 trillion, down 1.6% year on year. This decrease is attributed to less revenue in functional yogurt and the impact of changes in our commercial transaction system in the Confectionery business.

On the other hand, the Pharmaceutical segment generated JPY 198.6 billion in net sales, up 17.9% year on year. Even though the sales were impacted by the NHI drug price revision enacted in April 2018, the growth in domestic sales for our mainstay products and the sales of KM Biologics Co., Ltd. contributed to a significant sales increase from the last fiscal year. KM Biologics Co., Ltd. was consolidated in July 2018.

In addition, consolidated overseas sales was JPY 88.1 billion (up 6.4% year on year). This is attributed to strong sales for the Food segment in Taiwan and Mainland China.

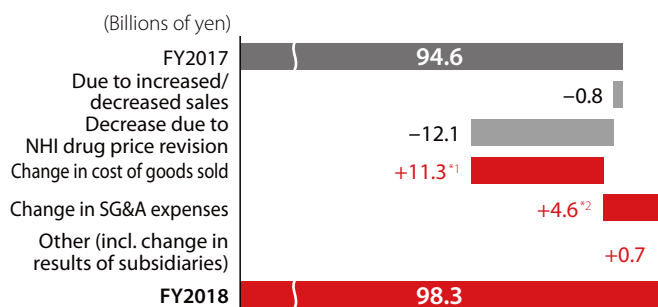
Cost of Sales and Selling, General and Administrative Expenses

Gross profit ratio for FY2018 was 36.4% (down 0.3 percentage points year on year), a slight dip from the previous fiscal year. We worked on cost reduction for all Group companies. However, the cost of sales rose, primarily due to a deteriorating sales mix in the Food segment and due to the impact of the NHI drug price revision in the Pharmaceutical segment.

Selling, general and administrative (SG&A) expenses came to JPY 358.1 billion (down 0.6% year on year). After breaking down the SG&A, the carriage and storage charges increased to JPY 48.1 billion (up 4.2% year on year). The sales promotion and advertising expenses decreased to JPY 122 billion (down 8.7% year on year). In each business, we worked toward cost control for sales promotion and advertising expenses in order to cover the rising labor and logistic costs. On the other hand, R&D costs came to JPY 29.1 billion (up 10.1% year on year). The consolidation of KM Biologics Co., Ltd. increased R&D costs in the Pharmaceutical segment.

Operating Income and Profit Attributable to Owners of Parent Company

Operating income came to JPY 98.3 billion (up 3.9% year on year) with an operating income ratio of 7.8% (up 0.2 percentage points year on year). Analysis of consolidated operating income is shown in the waterfall chart below.



^{*1} (Breakdown) Food segment - Decrease in raw material procurement costs: +1.3, Merchandise policy and increasing efficiency: +1.0
Pharmaceuticals - Gains from changes in inventory valuation due to cost reductions and revisions in the production system: +9.0

^{*2} (Breakdown) Food segment - Increase in logistic costs: -1.1, Other: +4.0
Pharmaceuticals - Decrease in R&D costs (excluding KM Biologics Co., Ltd.): +1.1, Promotion expenses: +2.5, Other: -1.9

Net income attributable to shareholders of parent company was JPY 61.8 billion (up 1.0% year on year). Due to the Group-wide structural reforms, including restructuring the production system, we recorded the impairment loss, and loss on disposal of property, plants and equipment under extraordinary losses. Gain on negative goodwill was also recorded under extraordinary gains due to the consolidation of KM Biologics Co., Ltd.

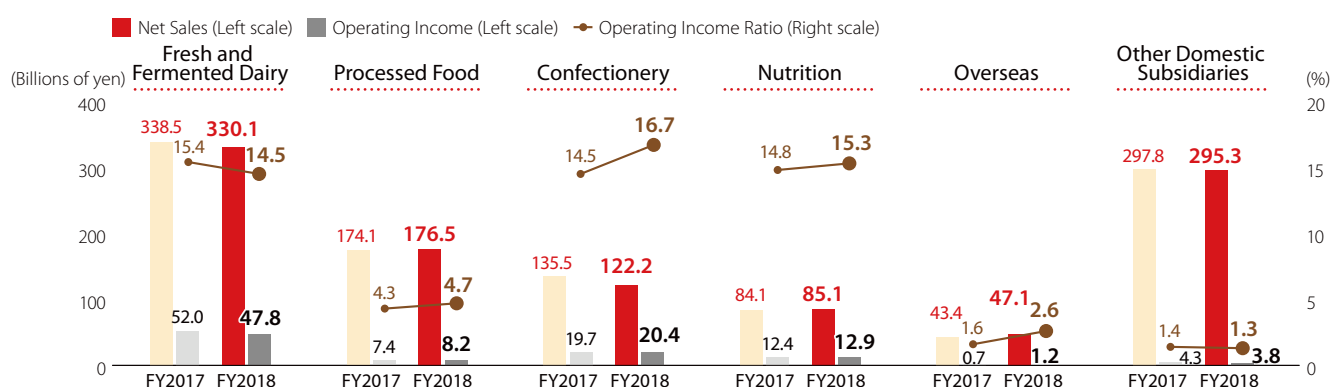
Overview by Business (Food Segment)

(Billions of yen)	FY2015	FY2016	FY2017	FY2018	
					Change from the previous fiscal year
Net sales	1,061.3	1,082.1	1,073.6	1,056.6	-1.6%
Cost of sales	700.6	701.4	703.3	698.9	-0.6%
Gross profit	360.7	380.7	370.3	357.7	-3.4%
Selling, general and administrative expenses	292.4	297.7	286.1	272.9	-4.6%
(Carriage and storage charges)	45.1	46.9	43.9	45.7	+4.1%
(Sales promotion expenses)	124.7	124.6	117.4	105.6	-10.1%
(Labor cost)	55.7	55.5	56.1	57.0	+1.5%
Operating income	68.2	82.9	84.1	84.7	+0.7%

Net sales decreased year on year. Net sales of Processed Food business, Nutrition business, and Overseas business increased year on year. Net sales of Fresh and Fermented Dairy business decreased year on year due to decrease in sales of functional yogurt. Net sales of the Confectionery business decreased year on year due to the change in our

commercial transaction system and the cut in the sales area for the savory snack.

Overall operating income was largely unchanged year on year. Sales of functional yogurt decreased, but this was compensated for by reducing net content of some other products and various expenses.



Fresh and Fermented Dairy Business

Net sales decreased year on year. Net sales of *Meiji Bulgaria Yogurt* increased year on year thanks to contributions from revamped plain yogurt, but net sales of functional yogurt decreased year on year. *SAVAS Milk Protein* series grew favorably thanks to contributions from new flavors.

Operating income decreased year on year due to decreased revenues and increased logistics expenses.

Processed Food Business

Overall net sales increased year on year. Net sales of *Meiji Hokkaido Tokachi Camembert Cheese* and fresh cream for professional use were favorable. Net sales of ice cream increased year on year thanks to contributions from *Meiji Essei Super Cup* series.

Operating income increased significantly year on year due to increase in sales of our mainstay products.

Confectionery Business

Net sales decreased year on year due to a sales price reduction (because the commercial transaction system was revised in April 2018) and a cut in the sales area for the savory snack.

Operating income increased year on year due to reducing various expenses despite the impact of decline in sales.

Nutrition Business

Net sales increased year on year thanks to the favorable growth of sport nutrition *SAVAS* and *VAAM*. Also, *Meiji Mei Balance* series increased year on year.

Operating income increased year on year thanks to the higher revenues from mainstay products despite increase in promotion expenses.

MD&A (The Management Discussion and Analysis)

Overseas

Net sales increased year on year. Net sales of infant formula in Taiwan were favorable. Also, net sales of businesses in China increased year on year thanks to favorable growth of dairy products.

Operating income increased significantly year on year thanks to subsidiaries in China.

Other Domestic Subsidiaries

Sales were largely unchanged year on year. Sales of our sugar trade subsidiary and livestock products subsidiary decreased, but this was compensated for by increased revenues from logistics subsidiary and feed subsidiary.

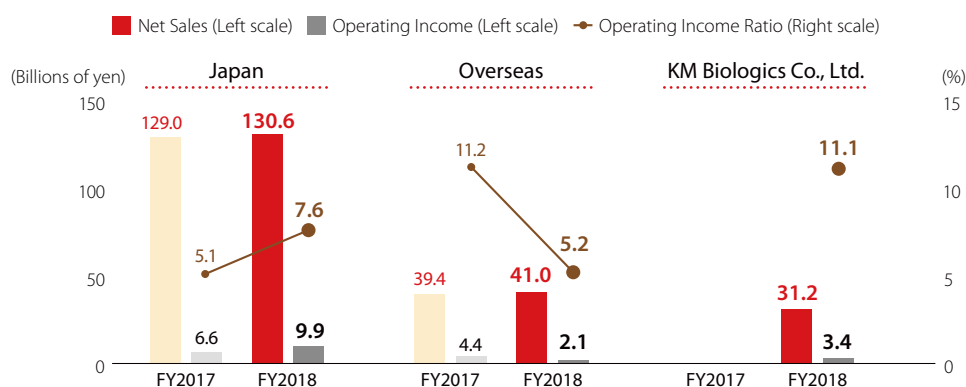
Operating income decreased significantly year on year due to lower revenues from sugar trade subsidiary and livestock subsidiary.

Overview by Business (Pharmaceutical Segment)

(Billions of yen)	FY2015	FY2016	FY2017	FY2018	
					Change from the previous fiscal year
Net sales	164.5	161.6	168.4	198.6	+17.9%
Cost of sales	79.3	80.6	83.6	99.5	+19.1%
Gross profit	85.2	80.9	84.8	99.1	+16.8%
Selling, general and administrative expenses	75.1	75.1	73.8	84.8	+14.9%
Operating income	10.1	5.7	11.0	14.2	+29.2%

Net sales increased significantly year on year. Although sales were impacted by NHI pricing revision enacted in April 2018, sales volume for mainstay products grew in Japan. Also, KM Biologics Co., Ltd. consolidated in July 2018 contributed.

Operating income increased significantly year on year. Sales growth of our mainstay products, procurement cost savings and cost reduction in promotion expenses offset the impact of NHI pricing revisions. Operating income from KM Biologics Co., Ltd. also contributed.



Japan

Net sales in Japan increased year on year. Sales were impacted by the NHI pricing revision, but sales of the schizophrenia drug *SYCREST* and the anti-allergy drug *BILANOVA* grew significantly. Sales of the influenza vaccine launched in September 2018 also contributed.

Operating income increased significantly year on year. Income was impacted by the NHI pricing revision, but we strived to increase revenues from mainstay products and to review procurement costs.

Overseas

Net sales increased year on year thanks to the favorable growth of subsidiaries such as in Indonesia.

Operating income decreased significantly year on year due to increased costs for export products.

KM Biologics Co., Ltd.

Net sales were favorable for the mainstay influenza vaccine and the 4-way vaccine *Quattrovac*.

Operating income was on par with forecasts due to favorable sales of mainstay products.

Assets, Liabilities and Capital

Total assets at the end of FY2018 came to JPY 1.0041 trillion, up JPY 78.9 billion year on year. While there was a dip in goodwill of JPY 10.5 billion, this is attributed to an increase of JPY 19.5 billion in buildings and structures (net), JPY 19.3 billion in machinery and equipment (net), JPY 18.8 billion in goods and products, JPY 9.6 billion in construction in progress, JPY 9.3 billion in raw materials and supplies, and JPY 6.4 billion in notes and accounts receivable.

Total liabilities at the end of FY2018 came to JPY 443.5 billion, up JPY 13.4 billion year on year. While there was a decrease of JPY 16.1 billion in short-term loans payable, this is attributed to an increase of JPY 13.4 billion in long-term loan payable, JPY 5.3 billion in notes and accounts payable, JPY 3.4 billion in retirement benefit liabilities, JPY 2.7 billion in income taxes payable, JPY 2.3 billion in accrued expenses and JPY 1.0 billion in accrued bonuses for employees.

Total net assets came to JPY 560.6 billion, up JPY 65.4 billion year on year. While the foreign currency translation adjustments was down slightly by JPY 2.0 billion, this is attributed to an increase of JPY 41.6 billion in retained earnings and JPY 25.4 billion in minority interests.

However, the equity ratio was 52.5%, on par with 52.7% in the previous fiscal year. Debt/equity ratio dropped from 0.24 in the previous fiscal year to 0.22 due to a more significant increase in shareholders' equity than the increase in total liabilities.

Capital Expenditures

Capital expenditures on a cash basis (includes intangible assets) for the current term were JPY 71.2 billion (down 0.7% year on year), 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 flow from operating activities in FY2018 totaled JPY 112.1 billion thanks to an increase of JPY 3.3 billion from the previous fiscal year. While payment increased due to a decrease in trade payables, this is attributed to more income from a decrease in trade receivables.

Cash flow from investing activities totaled JPY 100.2 billion in payments, up JPY 35.8 billion year on year. This is attributed to changes in the scope of our consolidated companies and therefore an increase in payments for acquiring shares of that subsidiary.

In summary, there was a JPY 32.4 billion decrease in free cash flow year on year, totaling JPY 11.8 billion, which is the sum of the cash flows for operating activities and investing activities.

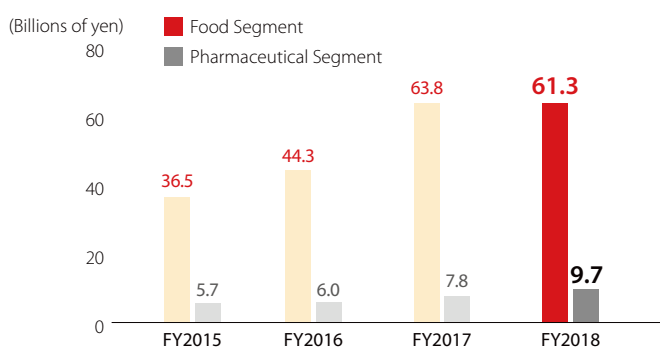
Cash flow from financing activities totaled JPY 13.9 billion in expenditures, down JPY 26.1 billion year on year. This is attributed to decreased payments from redemption of straight bonds.

These results produced a balance of JPY 24.4 billion in cash and cash equivalents at end of FY2018 (down JPY 2.4 billion from the end of FY2017).

Dividend Policy

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

The annual dividends for FY2018 were JPY 140 per share, up JPY 10 in cash dividends year on year. This translated into a consolidated dividend payout ratio of 32.8%.



Consolidated Financial Statements

Consolidated Balance Sheet

Meiji Holdings Co., Ltd./As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Assets			
Current assets:			
Cash and deposits ^(Notes 11)	¥ 25,356	¥ 27,613	\$ 228,457
Notes and accounts receivable ^(Notes 11, 17)	210,180	203,229	1,893,684
Inventories ^(Note 10)	165,924	136,468	1,494,950
Other current assets ^(Notes 11)	20,162	15,895	181,659
Allowance for doubtful accounts	(176)	(202)	(1,586)
Total current assets	421,447	383,004	3,797,166
Fixed assets:			
Property, plant and equipment:			
Buildings and structures ^(Notes 11)	334,729	319,894	3,015,848
Machinery, equipment, vehicles and fixtures ^(Notes 11)	588,421	558,326	5,301,575
Land ^(Notes 11)	70,765	71,454	637,587
Lease assets	2,891	2,710	26,055
Construction in progress	31,988	22,323	288,210
Accumulated depreciation	(595,305)	(590,746)	(5,363,598)
Total property, plant and equipment (net)	433,491	383,962	3,905,679
Investments and other assets:			
Investment securities ^(Notes 8)	75,266	75,048	678,138
Investment securities (unconsolidated subsidiaries and affiliates) ^(Note 14)	18,238	15,825	164,323
Intangible assets ^(Note 16)	13,553	22,555	122,112
Deferred tax assets ^(Note 12)	14,409	15,729	129,823
Net defined benefit asset ^(Note 13)	20,274	20,777	182,665
Other	7,557	8,427	68,095
Allowance for doubtful accounts	(94)	(93)	(849)
Total investments and other assets	149,204	158,270	1,344,308
Total fixed assets	582,696	542,232	5,249,987
Total assets	¥ 1,004,143	¥ 925,237	\$ 9,047,153

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable ^(Notes 17)	¥ 133,639	¥ 131,064	\$ 1,204,072
Short-term loans payable (including current portion of long-term loans payable) ^(Notes 9, 11)	33,597	49,749	302,704
Income taxes payable	21,023	18,253	189,418
Accrued expenses	46,286	43,919	417,029
Accrued bonuses for employees	11,895	10,857	107,174
Allowance for sales returns	757	72	6,827
Allowance for sales rebates	2,443	1,943	22,014
Other current liabilities	41,861	38,569	377,162
Total current liabilities	291,504	294,429	2,626,403
Long-term liabilities:			
Long-term loans payable, less current portion ^(Notes 9, 11)	82,788	69,353	745,906
Deferred tax liabilities ^(Note 12)	10,650	10,371	95,959
Net defined benefit liability ^(Note 13)	53,830	50,330	485,001
Reserve for directors' retirement benefits	106	148	961
Other long-term liabilities	4,632	5,426	41,737
Total long-term liabilities	152,008	135,629	1,369,567
Total liabilities	443,512	430,059	3,995,970
Net assets ^(Note 19) :			
Shareholders' equity:			
Common stock			
Authorized	560,000,000 shares, at March 31, 2018		
	560,000,000 shares, at March 31, 2019		
Issued	152,683,400 shares, at March 31, 2018		
	152,683,400 shares, at March 31, 2019	30,000	30,000
Capital surplus		100,061	99,841
Retained earnings		407,943	366,276
Treasury stock, at cost	7,680,613 shares, at March 31, 2018	(30,422)	(30,521)
	7,650,137 shares, at March 31, 2019		
Total shareholders' equity	507,582	465,595	4,573,229
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	33,261	33,188	299,676
Deferred gains or losses on hedges	3	(53)	30
Foreign currency translation adjustments	(1,751)	268	(15,776)
Remeasurements of defined benefit plans ^(Note 13)	(11,785)	(11,689)	(106,183)
Non-controlling interests	33,320	7,866	300,207
Total net assets	560,630	495,177	5,051,182
Total liabilities and net assets	¥ 1,004,143	¥ 925,237	\$ 9,047,153

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Income

Meiji Holdings Co., Ltd./For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales	¥ 1,254,380	¥ 1,240,860	\$11,301,744
Cost of sales ^(Note 22)	797,811	785,978	7,188,137
Gross profit	456,569	454,882	4,113,607
Selling, general and administrative expenses ^(Notes 21, 22)	358,185	360,208	3,227,190
Operating income	98,383	94,673	886,416
Other income (expenses):			
Interest and dividend income	1,416	1,341	12,762
Interest expenses	(778)	(755)	(7,015)
Equity in income of affiliates	(390)	(209)	(3,519)
Rent income on real estate	132	137	1,197
Rent cost of real estate	(48)	(56)	(433)
Other	994	746	8,961
Extraordinary gains ^(Notes 23, 24)	13,439	7,561	121,087
Extraordinary losses ^(Notes 23, 25, 26)	(18,563)	(12,358)	(167,251)
Profit before income taxes	94,586	91,079	852,205
Income taxes—current ^(Note 12)	34,358	31,647	309,567
Income taxes—deferred ^(Note 12)	(3,383)	(2,529)	(30,482)
Profit	63,610	61,962	573,120
Profit attributable to non-controlling interests	1,742	683	15,698
Profit attributable to owners of parent	¥ 61,868	¥ 61,278	\$ 557,421
	Yen		U.S.dollars
Amounts per share of common stock:			
Profit	¥426.61	¥422.15	\$ 3.843
Cash dividends	140.00	130.00	1.261

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd./For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit	¥63,610	¥61,962	\$573,120
Other comprehensive income:			
Net unrealized holding gains or losses on securities	66	8,071	603
Deferred gains or losses on hedges	58	(50)	531
Foreign currency translation adjustments	(1,615)	(1,686)	(14,558)
Remeasurements of defined benefit plans	(84)	1,715	(762)
Equity in affiliates accounted for by the equity method	(523)	788	(4,713)
Total other comprehensive income ^(Note 27)	(2,097)	8,838	(18,899)
Comprehensive income	¥61,512	¥70,800	\$554,221
(Breakdown)			
Comprehensive income attributable to owners of parent	¥59,881	¥70,102	\$539,522
Comprehensive income attributable to non-controlling interests	1,631	698	14,698

See accompanying notes to consolidated financial statements.

Consolidated Financial Statements

Consolidated Statement of Changes in Net Assets

Meiji Holdings Co., Ltd./For the year ended March 31, 2019

	Millions of yen						
	Numbers of shares of common stock (Thousands)	Shareholders' equity					Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at March 31, 2017	152,683	¥ 30,000	¥ 99,762	¥ 322,856	¥ (16,607)	¥ 436,011	
Changes during the fiscal period:							
Cash dividends				(17,858)		(17,858)	
Profit attributable to owners of parent				61,278		61,278	
Acquisition of treasury stock					(14,058)	(14,058)	
Disposal of treasury stock			170		144	314	
Change in treasury shares of parent arising from transactions with noncontrolling shareholders			(91)			(91)	
Change in scope of consolidation							
Net changes in items other than those in shareholders' equity							
Total changes during the fiscal period	—	—	78	43,420	(13,913)	29,584	
Balance at March 31, 2018	152,683	¥ 30,000	¥ 99,841	¥ 366,276	¥ (30,521)	¥ 465,595	
Changes during the fiscal period:							
Cash dividends				(19,940)		(19,940)	
Profit attributable to owners of parent				61,868		61,868	
Acquisition of treasury stock					(49)	(49)	
Disposal of treasury stock			177		148	326	
Change in treasury shares of parent arising from transactions with noncontrolling shareholders			42			42	
Change in scope of consolidation				(261)		(261)	
Net changes in items other than those in shareholders' equity							
Total changes during the fiscal period	—	—	220	41,667	99	41,986	
Balance at March 31, 2019	152,683	¥30,000	¥100,061	¥407,943	¥(30,422)	¥507,582	

	Thousands of U.S. dollars						
	Numbers of shares of common stock (Thousands)	Shareholders' equity					Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Treasury stock		
Balance at March 31, 2018	152,683	\$ 270,294	\$ 899,550	\$ 3,300,085	\$ (274,995)	\$ 4,194,935	
Changes during the fiscal period:							
Cash dividends				(179,655)		(179,655)	
Profit attributable to owners of parent				557,421		557,421	
Acquisition of treasury stock					(447)	(447)	
Disposal of treasury stock			1,603		1,340	2,943	
Change in treasury shares of parent arising from transactions with noncontrolling shareholders			384			384	
Change in scope of consolidation				(2,352)		(2,352)	
Net changes in items other than those in shareholders' equity							
Total changes during the fiscal period	—	—	1,988	375,413	892	378,294	
Balance at March 31, 2019	152,683	\$ 270,294	\$ 901,539	\$ 3,675,499	\$ (274,103)	\$ 4,573,229	

Millions of yen

Accumulated other comprehensive income						
Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
¥ 25,120	¥ (5)	¥ 1,181	¥ (13,406)	¥ 12,890	¥ 8,289	¥ 457,190
						(17,858)
						61,278
						(14,058)
						314
						(91)
8,068	(48)	(912)	1,716	8,824	(422)	8,401
8,068	(48)	(912)	1,716	8,824	(422)	37,986
¥ 33,188	¥ (53)	¥ 268	¥ (11,689)	¥ 21,714	¥ 7,866	¥ 495,177
						(19,940)
						61,868
						(49)
						326
						42
						(261)
72	56	(2,019)	(96)	(1,986)	25,453	23,466
72	56	(2,019)	(96)	(1,986)	25,453	65,453
¥ 33,261	¥ 3	¥ (1,751)	¥ (11,785)	¥ 19,728	¥ 33,320	¥ 560,630

Thousands of U.S. dollars

Accumulated other comprehensive income						
Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Noncontrolling interests	Total net assets
\$ 299,025	\$ (481)	\$ 2,418	\$ (105,316)	\$ 195,645	\$ 70,878	\$ 4,461,460
						(179,655)
						557,421
						(447)
						2,943
						384
						(2,352)
651	511	(18,195)	(866)	(17,899)	229,328	211,428
651	511	(18,195)	(866)	(17,899)	229,328	589,722
\$ 299,676	\$ 30	\$ (15,776)	\$ (106,183)	\$ 177,746	\$ 300,207	\$ 5,051,182

Consolidated Financial Statements

Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd./For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 94,586	¥ 91,079	\$ 852,205
Depreciation and amortization	43,033	46,511	387,724
Impairment loss	12,242	4,214	110,306
Amortization of goodwill	1,641	1,641	14,789
Gain on negative goodwill	(6,584)	—	(59,321)
Loss (gain) on disposal of property, plant and equipment	1,981	4,726	17,856
Loss (gain) on valuation of investment securities	473	8	4,268
Increase (decrease) in allowance for doubtful accounts	(83)	(177)	(753)
Increase (decrease) in accrued bonuses for employees	654	356	5,897
Increase (decrease) in net defined benefit liability	3,987	3,944	35,925
Interest and dividend income	(1,416)	(1,341)	(12,762)
Interest expenses	778	755	7,015
Equity in loss (income) of affiliates	390	209	3,519
Loss (gain) on sales of property, plant and equipment	(6,171)	(6,403)	(55,607)
Loss (gain) on sales of investment securities	(138)	597	(1,250)
Decrease (increase) in trade receivables	(773)	(12,724)	(6,968)
Decrease (increase) in inventories	(4,307)	(3,313)	(38,813)
Increase (decrease) in notes and accounts payable	2,142	9,170	19,305
Other	1,522	(497)	13,713
Subtotal	143,959	138,758	1,297,048
Interest and dividends received	1,426	1,354	12,851
Interest paid	(782)	(775)	(7,051)
Income taxes paid	(32,502)	(30,562)	(292,840)
Net cash provided by operating activities	112,100	108,775	1,010,008
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(67,246)	(69,833)	(605,877)
Payments for purchases of intangible fixed assets	(3,996)	(1,943)	(36,011)
Proceeds from sales of property, plant and equipment and intangible fixed assets	9,850	9,269	88,749
Payments for purchases of investment securities	(4,153)	(1,059)	(37,425)
Proceeds from sales of investments securities	322	746	2,905
Payments for acquisition of shares of subsidiaries that result in change in scope of consolidation ^(Note 20)	(33,879)	—	(305,244)
Proceeds from sale of shares of subsidiaries that result in change in scope of consolidation	—	126	—
Other	(1,098)	(1,700)	(9,899)
Net cash used in investing activities	¥(100,202)	¥(64,394)	\$ (902,803)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	¥ (8,886)	¥ 8,720	\$ (80,066)
Proceeds from long-term loans payable	19,782	13,802	178,239
Repayment of long-term loans payable	(13,904)	(22,557)	(125,280)
Proceeds from issuance of bonds	—	19,909	—
Payments for redemption of bonds	—	(30,000)	—
Decrease (increase) in treasury stock	263	(10,208)	2,371
Cash dividends paid	(19,891)	(17,835)	(179,222)
Cash dividends paid to non-controlling shareholders	(499)	(95)	(4,502)
Payments for acquisition of shares of subsidiaries that do not result in change in scope of consolidation	(7)	(833)	(67)
Proceeds from stock issuance to non-controlling shareholders	10,200	—	91,900
Other	(1,036)	(1,023)	(9,334)
Net cash used in financing activities	(13,980)	(40,121)	(125,961)
Effect of exchange rate changes on cash and cash equivalents	(393)	1	(3,545)
Net increase (decrease) in cash and cash equivalents	(2,475)	4,260	(22,301)
Cash and cash equivalents at beginning of the year	26,913	22,624	242,485
Increase in cash and cash equivalents from newly consolidated subsidiaries	43	—	391
Decrease in cash and cash equivalents due to changes in scope of consolidation	—	28	—
Cash and cash equivalents at end of the year ^(Note 20)	¥ 24,481	¥ 26,913	\$220,575

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiji Holdings Co., Ltd.

1. Basis of Presenting Consolidated Financial Statements

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to present the information in a form familiar to readers outside Japan. The accounts and the financial statements of the Company and its subsidiaries are maintained in Japanese yen. For the convenience of the reader, the accompanying consolidated financial statements are also presented in U.S. dollars by converting Japanese yen amounts at the exchange rate of ¥110.99 to US\$1, the amount prevailing on March 31, 2019. 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 by the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of 5–10 years on a straight-line basis.

b) Translation of Foreign Currency

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

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

c) Investment Securities

Investment securities are valued using the following standards and methods.

Other securities

Securities that have market prices:

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

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

Securities that have no market prices:

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

d) Derivatives

Derivatives are valued by the market value method.

e) Inventories

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

f) Property, Plant and Equipment (excluding lease 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 Lease Assets)

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

h) Lease Assets

Finance lease assets whose ownership does not transfer to the lessee

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

i) Investments in Real Estate

The straight-line method is primarily used for depreciation.

j) Allowance for Doubtful Accounts

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

k) Accrued Bonuses for Employees

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

l) Allowance for Sales Returns

In order to provide 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 an allowance (under Allowance for Sales Returns).

m) Allowance for Sales Rebates

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

n) Reserve for Directors' Retirement Benefits

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

o) Retirement and Severance Benefits

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

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

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

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

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

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

p) Cash and Cash Equivalents

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

q) Derivative Financial Instruments

(1) Method of hedge accounting

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

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

(2) Hedge instruments and hedged items

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

Notes to Consolidated Financial Statements

(3) Hedge policy

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

(4) Method of evaluating the effectiveness of the hedge

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

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

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

Bond issuance cost is recognized in expenses as incurred.

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

3. Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates (Change in Depreciation Method for Property, Plants and Equipment)

In the Food segment, the Company had used the declining balance method (straight-line method was used for buildings acquired after April 1, 1998 and for structures and facilities attached to buildings acquired after April 1, 2016) as a depreciation method for property, plants and equipment of some domestic consolidated subsidiaries and confectionary plants in Meiji Co., Ltd. However, the Company has changed the depreciation method to the straight-line method starting from this consolidated fiscal year.

Based in the 2026 Vision, the 2020 Medium-Term Business Plan started from this consolidated fiscal year and offers policies for expanding share and achieving high revenues in core businesses. In particular, as the market for core businesses expands where the Company has a highly competitive advantage, such as chocolate sold for health benefits, the

Meiji Group plans to concentrate management resources on those core businesses and make relevant capital investments. After considering the operations of production equipment, that equipment is expected to be used regularly over the long term. Therefore, the Company has decided to use the straight-line method to evenly distribute the acquisition costs over the estimated useful lives of the equipment, which is more accurately aligned with the future management of the Group.

When compared to the previous method used, this change has increased the operating income, the ordinary income and the income before income taxes by ¥4.920 billion (\$44.328 million) for the consolidated fiscal year.

4. "Partial Amendments to Accounting Standard for Tax Effect Accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ [Accounting Standards Board of Japan] Statement No. 28, February 16, 2018. Hereafter, referred to as "Partial Amendments to Tax Effect Accounting.") takes effect at the beginning of this consolidated fiscal year. Due to these changes, the deferred tax assets are categorized under investments and other fixed assets, and the deferred tax liabilities are categorized under long-term liabilities. In addition, the notes for the tax effect accounting have also been revised.

As a result, in the consolidated balance sheets from the previous consolidated fiscal year, the "Deferred tax assets" under the "Current assets" decreased ¥9.67 billion, and the "Deferred tax assets" under the "Investments and other fixed assets" increased ¥7.362 billion. In addition, "Deferred tax liabilities" included in "Other" under "Current liabilities" decreased ¥0 million, and "Deferred tax liabilities" under "Long-term liabilities" decreased ¥2.306 billion.

Note that the deferred tax assets and the deferred tax liabilities of the same taxable entity are offset. After this change, the total assets decreased ¥2.307 billion.

In the notes for the tax effect accounting, (Note 8) (excluding the total for the valuation allowance) and (Note 9) in the "Annotations on Implementation Guidance on Accounting Standard for Tax Effect Accounting" stipulated in paragraph 3 to paragraph 5 of "Partial Amendments to Tax Effect Accounting" have been added. Further, contents that are relevant to prior consolidated fiscal year are omitted in accordance with the provisional measure stipulated in paragraph 7 in the partial amendments to tax effect accounting.

5. Accounting Standards, etc., Not Yet Adopted

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

a) Overview

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

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

b) Effective Date

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

c) Impact from Applying New Accounting Standards, etc.

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

6. Notes Regarding Lease Transactions

1) Finance lease transactions (lessee side)

Finance lease transactions whose ownership does not transfer

(1) Content of lease assets

Property, plant and equipment

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

(2) Method of depreciation of lease assets

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

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

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

Loans, commercial paper and bonds are mainly used to raise funds for capital investment and working capital. Their redemption dates are at maximum 9 year after the balance sheet date. Some of these have forward foreign exchange contracts and variable interest rates and currency, thus they are exposed to interest rate and currency fluctuation risk. However, the Group uses derivative transactions (interest rate and currency swap transactions) to hedge such risk.

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

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

Notes to Consolidated Financial Statements

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying value, fair value and their difference as of March 31, 2019 and 2018, 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, 2019	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 25,356	¥ 25,356	¥ —	\$ 228,457	\$ 228,457	\$ —
(2) Notes and accounts receivable	202,193	202,193	—	1,821,723	1,821,723	—
(3) Investment securities:						
Other securities	73,002	73,002	—	657,738	657,738	—
Total assets	300,551	300,551	—	2,707,919	2,707,919	—
(4) Notes and accounts payable	125,479	125,479	—	1,130,547	1,130,547	—
(5) Short-term loans payable	27,771	27,771	—	250,216	250,216	—
(6) Accrued expenses	46,286	46,286	—	417,029	417,029	—
(7) Bonds	20,000	20,078	78	180,196	180,899	702
(8) Long-term loans payable	68,613	68,724	110	618,198	619,196	998
Total liabilities	¥288,150	¥288,339	¥188	\$2,596,187	\$2,597,888	\$1,701

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

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

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

(3) Investment securities

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

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

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

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

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

(7) Bonds

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

(8) Long-term loans payable

Long-term loans payable 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 loans payable 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 loans payable is included in these long-term loans payable.

(Note 2) Unlisted stocks (carrying value on the consolidated balance sheet: ¥20,502 million (\$184,723 thousand)) are not included in other securities under

"(3) Investment securities" above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2018	Millions of yen		
	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 27,613	¥ 27,613	¥ —
(2) Notes and accounts receivable	195,760	195,760	—
(3) Investment securities:			
Other securities	72,811	72,811	—
Total assets	296,185	296,185	—
(4) Notes and accounts payable	120,107	120,107	—
(5) Short-term loans payable	36,483	36,483	—
(6) Accrued expenses	43,919	43,919	—
(7) Bonds	20,000	19,994	(6)
(8) Long-term loans payable	62,619	62,020	(598)
Total liabilities	¥ 283,129	¥ 282,524	¥ (604)

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

Notes to Consolidated Financial Statements

8. 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, 2019

None

As of March 31, 2018

None

2) Other securities with market prices

As of March 31, 2019	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	¥72,416	¥24,920	¥47,495	\$652,457	\$224,530	\$427,926
Securities whose acquisition cost exceeds their carrying value:						
Stocks	586	711	(125)	5,281	6,411	(1,130)
Total	¥73,002	¥25,632	¥47,370	\$657,738	\$230,942	\$426,796

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,264 million (\$20,399 thousand)) are not included in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2018	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥72,078	¥24,835	¥47,243
Securities whose acquisition cost exceeds their carrying value:			
Stocks	734	778	(44)
Total	¥72,812	¥25,613	¥47,199

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

3) Other securities sold during the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Sales amounts	¥314	¥547	\$2,835
Total gains on sales	110	353	995
Total losses on sales	0	1	0

4) Securities that were subject to impairment during the fiscal years ended March 31, 2019 and 2018

Impairment loss recorded in the fiscal year ended March 31, 2019, was ¥473 million (other securities: ¥5 million (\$4,268 thousand)).

Impairment loss recorded in the fiscal year ended March 31, 2018, was ¥8 million (other securities: ¥8 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 Loans Payable and Long-Term Loans Payable

As of March 31, 2019 and 2018, short-term loans payable and long-term loans payable are as follows:

1) Short-term loans payable

	Weighted-average interest rate	Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
Short-term loans payable	0.86%	¥27,771	¥36,483	\$250,216
Current portion of long-term loans payable	0.82%	5,825	13,266	52,488
Current portion of long-term loans payable (bonds)		—	—	—
Total		¥33,597	¥49,749	\$302,704

2) Long-term loans payable

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unsecured bonds due 2019, 0.51% <small>(Note 15, 4th series)</small>	—	—	—
Unsecured bonds due 2021, 0.52% <small>(Note 15, 6th series)</small>	—	—	—
Unsecured bonds due 2024, 0.22%	¥10,000	¥10,000	\$90,098
Unsecured bonds due 2023, 0.12%	10,000	10,000	90,098
Loans from domestic banks, insurance companies, government agencies and others	68,613	62,619	618,198
Subtotal	88,613	82,619	798,394
Current portion of long-term loans payable	(5,825)	(13,266)	(52,488)
Total long-term loans payable	¥82,788	¥69,353	\$745,906

As of March 31, 2019, the aggregate annual maturities of long-term loans payable are as follows:

Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars
	2019	2019
More than one year up to two years	¥7,973	\$71,839
More than two years up to three years	4,376	39,428
More than three years up to four years	24,299	218,938
More than four years up to five years	4,061	36,590
More than five years	42,077	379,109
Total	¥82,788	\$745,906

Notes to Consolidated Financial Statements

10. Inventories

Inventories as of March 31, 2019 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Goods and products	¥ 105,757	¥ 86,929	\$ 952,852
Work in progress	4,578	3,344	41,248
Raw materials and supplies	55,589	46,194	500,848
Total	¥ 165,924	¥ 136,468	\$ 1,494,950

11. Collateral and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2019 and 2018, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 146	¥ 146	\$ 1,320
Buildings and structures	19,389	1,140	174,697
Machinery, equipment, vehicles and fixtures	857	1,505	7,726
Tools and furniture and fixtures	—	51	—
Land	2,910	1,093	26,220
Other	9,572	—	86,250
Total	¥ 32,877	¥ 3,937	\$ 296,216

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

A summary of secured liabilities as of March 31, 2019 and 2018, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term loans payable	¥ 1,351	¥ 3,720	\$ 12,174
Long-term loans payable	18,784	2,823	169,245
Total	¥ 20,135	¥ 6,543	\$ 181,419

12. Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Net defined benefit liability	¥ 18,663	¥ 17,771	\$ 168,154
Accrued enterprise tax and others	1,361	1,134	12,268
Accrued expenses	2,892	2,247	26,061
Investment securities	1,287	1,191	11,596
Accrued bonuses for employees	3,624	3,318	32,657
Depreciation of fixed assets	4,269	6,025	38,466
Impairment loss	2,004	1,688	18,064
Unrealized gain	888	732	8,002
Losses carried forward *	3,420	2,741	30,820
Other	8,021	5,578	72,276
Subtotal deferred tax assets	46,434	42,431	418,369
Valuation allowance for losses carried forward *	(2,604)	—	(23,465)
Valuation allowance for deductible temporary differences	(4,592)	—	(41,379)
Subtotal valuation allowance	(7,197)	(6,037)	(64,845)
Total deferred tax assets	39,237	36,393	353,523
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	(7,521)	(7,295)	(67,764)
Unrealized holding gains or losses on securities	(14,018)	(13,915)	(126,303)
Net defined benefit asset	(5,830)	(5,904)	(52,528)
Valuation difference due to purchase of investments in subsidiaries	(2,824)	(2,791)	(25,446)
Adjustment account for tax liabilities	(4,196)	—	(37,807)
Other	(1,088)	(1,128)	(9,808)
Total deferred tax liabilities	(35,478)	(31,035)	(319,658)
Net deferred tax assets (liabilities)	¥ 3,758	¥ 5,358	\$ 33,865

Notes to Consolidated Financial Statements

* Schedule of carryforward periods for tax losses carried forward and corresponding deferred tax assets as of March 31, 2019.

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	Total
Losses carried forward ^(a)	¥43	¥115	¥107	¥53	¥93	¥3,007	¥3,420
Valuation allowance	23	37	36	53	52	2,402	2,604
Deferred tax assets	20	78	70	0	41	605	816

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

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	Total
Losses carried forward ^(a)	\$ 393	\$ 1,037	\$ 968	\$ 483	\$ 840	\$ 27,097	\$ 30,820
Valuation allowance	207	334	331	480	470	21,641	23,465
Deferred tax assets	185	703	636	3	370	5,455	7,355

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

(Changes in presentation method)

"Impairment loss" was included in "Other" under the "Deferred tax assets" for the previous consolidated fiscal year, and is disclosed separately from this fiscal year due to increase in materiality.

In order to reflect this change in the presentation method, ¥7.266 billion presented for "Other" in the previous consolidated fiscal year has been re-categorized as ¥1.688 billion in "Impairment loss" and ¥5.578 billion under "Other."

2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate for the fiscal years ended March 31, 2019 and 2018, is as follows:

	2019	2018
Statutory tax rate	30.6%	30.9%
Entertainment and other permanently non-deductible expenses	0.8	0.9
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	(1.4)	(2.1)
Increase (decrease) in valuation allowance	1.2	0.5
Amortization of goodwill, etc.	1.4	0.6
Other	(0.2)	0.9
Effective tax rate	32.7%	32.0%

(Changes in presentation method)

"Amortization of goodwill, etc." was included in "Other" for the previous consolidated fiscal year, and is disclosed separately from this fiscal year due to increase in materiality.

In order to reflect this change in the presentation method, 1.5% presented for "Other" in the previous consolidated fiscal year has been re-categorized as 0.6% in "Amortization of goodwill, etc." and 0.9% under "Other."

13. Retirement and Severance Benefits

Outline of the retirement benefit plans adopted by the Group

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

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

Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Beginning balance of retirement benefit obligations	¥ 137,171	¥ 137,722	\$ 1,235,891
Service cost	5,794	5,741	52,211
Interest cost	765	753	6,900
Actuarial gains or losses	(1,629)	380	(14,683)
Retirement benefits paid	(7,666)	(7,248)	(69,074)
Prior service costs incurred during fiscal year	379	23	3,422
Increase from newly consolidated subsidiary	5,715	—	51,495
Other	(11)	(201)	(107)
Ending balance of retirement benefit obligations	¥ 140,519	¥ 137,171	\$ 1,266,056

(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
	2019	2018	2019
Beginning balance of plan assets	¥ 107,618	¥ 109,768	\$ 969,621
Expected return on plan assets	2,479	2,432	22,341
Actuarial gains or losses	(4,631)	(906)	(41,725)
Contributions from employer	1,589	1,453	14,317
Retirement benefits paid	(5,681)	(5,065)	(51,187)
Increase from newly consolidated subsidiary	5,619	—	50,626
Other	(30)	(63)	(274)
Ending balance of plan assets	¥ 106,963	¥ 107,618	\$ 963,720

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

Notes to Consolidated Financial Statements

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
	2019	2018	2019
Retirement benefit obligations of funded plans	¥ 134,168	¥ 131,320	\$ 1,208,838
Plan assets	(106,963)	(107,618)	(963,720)
	27,205	23,702	245,117
Retirement benefit obligations of non-funded plans	6,350	5,851	57,218
Net amount of liability and asset recorded on the consolidated balance sheet	33,556	29,553	302,336
Net defined benefit liability	53,830	50,330	485,001
Net defined benefit asset	(20,274)	(20,777)	(182,665)
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 33,556	¥ 29,553	\$ 302,336

4) Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 5,794	¥ 5,741	\$ 52,211
Interest cost	765	753	6,900
Expected return on plan assets	(2,479)	(2,432)	(22,341)
Amortization of actuarial gains or losses	3,478	3,492	31,341
Amortization of prior service cost	23	12	211
Other	(7)	(9)	(71)
Retirement benefit cost related to defined benefit plans	¥ 7,575	¥ 7,558	\$ 68,251

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Amortization of actuarial gains or losses	¥ 477	¥ 2,225	\$ 4,297
Amortization of prior service cost	(364)	(10)	(3,286)
Total	¥ 112	¥ 2,215	\$ 1,011

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
	2019	2018	2019
Unrecognized actuarial gains or losses	¥ 16,499	¥ 16,976	\$ 148,660
Unrecognized prior service cost	483	118	4,352
Total	¥ 16,982	¥ 17,095	\$ 153,012

7) Plan assets

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

	2019	2018
Bonds	35%	42%
Equities	22	20
Alternatives	25	25
Cash and deposits	3	3
Other	15	10
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 11% in the current consolidated accounting period and 13% in the previous consolidated accounting period.

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

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

8) Actuarial assumptions

Actuarial assumptions are as follows:

	2019	2018
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 ¥1,230 million (\$11,084 thousand) in the current consolidated accounting period and ¥1,300 million in the previous consolidated accounting period.

14. Unconsolidated Subsidiaries and Affiliates

As of March 31, 2019 and 2018, investment securities of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investment securities (stock)	¥18,238	¥15,825	\$ 164,323

Notes to Consolidated Financial Statements

15. Contingent Liabilities

As of March 31, 2019 and 2018, 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
	2019	2018	2019
PT MEIJI FOOD INDONESIA	¥ 55	¥ 164	\$ 500
Sendai Feed Co., Ltd.	76	89	691
Employees	68	90	616
Total	¥200	¥ 344	\$ 1,808

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

	Millions of yen		Thousands of U.S. dollars
	2019		2019
4th Series of Unsecured Straight Bond	¥20,000		\$ 180,196
6th Series of Unsecured Straight Bond	15,000		135,147
Total	¥35,000		\$ 315,343

2) Notes receivable discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notes receivable discounted	¥23	¥ 6	\$ 209
Notes receivable endorsed	34	67	309

16. Goodwill

As of March 31, 2019 and 2018, goodwill is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Goodwill	¥73	¥10,590	\$ 659

17. 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 consolidated fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notes receivable	¥ 277	¥ 339	\$ 2,497
Notes payable	3,138	3,380	28,273

18. 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, 2019 and 2018, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Maximum loan amount	¥30,000	¥30,000	\$270,294
Used portion of the commitment line	—	—	—
Balance	¥30,000	¥30,000	\$270,294

19. Net Assets

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

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

(Note 1) The treasury common stock increased by 5 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 36 thousand shares due to the disposal of 36 thousand shares of treasury stock used for restricted stock compensation and decreased by 0 thousand shares due to the sales of shares that were less than one unit.

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

(Note 1) The increase in treasury common stock of 1,497 thousand shares was attributable to the acquisition of 1,490 thousand shares of treasury stock based on the Board of Directors' resolution and the purchase of 7 thousand shares that are less than one unit.

(Note 2) The treasury common stock decreased by 35 thousand shares due to the disposal of 34 thousand shares of treasury stock used for restricted stock compensation and a decrease in sales of 0 thousand shares that are less than one unit.

Notes to Consolidated Financial Statements

2) Matters related to dividends

(1) Cash dividends paid

		2019					
Resolution	Type of shares	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 11, 2018	Common stock	¥10,512	\$98,952	¥72.50	\$0.65	March 31, 2018	June 6, 2018
Board of Directors' meeting held on November 7, 2018	Common stock	9,427	88,735	65.00	0.58	September 30, 2018	December 6, 2018

		2018					
Resolution	Type of shares	Total amount of dividends		Dividends per share		Cut-off date	Effective date
		Millions of yen		Yen			
Board of Directors' meeting held on May 12, 2017	Common stock	¥9,520		¥65.00		March 31, 2017	June 7, 2017
Board of Directors' meeting held on November 8, 2017	Common stock	8,337		57.50		September 30, 2017	December 6, 2017

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2019, and with the effective date in the fiscal year ending March 31, 2020

		2019						
Resolution	Type of shares	Total amount of dividends		Source 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	\$98,004	Retained earnings	¥75.00	\$0.67	March 31, 2019	June 6, 2019

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

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.

20. Supplemental Cash Flow Information

(1) The following table represents a reconciliation of cash and cash equivalents as of March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥25,356	¥27,613	\$228,457
Time deposits with maturities of more than three months	(2,238)	(2,142)	(20,171)
Securities with maturities up to three months	1,364	1,442	12,289
Cash and cash equivalents	¥24,481	¥26,913	\$220,575

(2) Breakdown of main assets and liabilities for a new consolidated subsidiary absorbed into the Group through the acquisition of stock during this consolidated fiscal year ended March 31, 2019

The following offers a breakdown of the assets and liabilities at the time when KM Biologics Co., Ltd was newly absorbed into the Group through the acquisition of stock. The acquisition cost of stocks and the corresponding payment (net) for that stock is also shown.

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets	¥43,651	\$393,289
Fixed assets	32,558	293,342
Current liabilities	(7,913)	(71,302)
Long-term liabilities	(4,858)	(43,775)
Negative goodwill	(6,584)	(59,321)
Non-controlling interests	(14,352)	(129,316)
Acquisition cost of stocks	42,500	382,917
Cash and cash equivalents	(8,620)	(77,673)
Deduction: Payment for acquisition	¥33,879	\$305,244

21. Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2019 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Carriage and storage charges	¥48,157	¥46,234	\$433,887
Sales promotion expenses	101,276	110,563	912,483
Labor cost	74,874	72,265	674,605
Provision for accrued bonuses for employees	7,008	6,605	63,142
Employees' retirement benefit cost	5,951	5,992	53,626
Allowance for sales rebates	2,443	1,943	22,014

22. 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, 2019 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Research and development costs	¥29,182	¥26,507	\$262,930

Notes to Consolidated Financial Statements

23. Extraordinary Gains and Losses

The major elements of extraordinary gains and losses during the fiscal years ended March 31, 2019 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Extraordinary gains:			
Gain on sales of fixed assets	¥ 6,516	¥ 6,459	\$ 58,714
Gain on negative goodwill	6,584	—	59,321
Other	338	1,101	3,051
Total	13,439	7,561	121,087
Extraordinary losses:			
Loss on disposal of fixed assets	2,020	4,753	18,202
Impairment loss	12,242	4,214	110,306
Other	4,299	3,390	38,742
Total	¥18,563	¥12,358	\$167,251

(Note) "Gain on liquidation of subsidiaries" and "Gain on sale of subsidiaries and affiliates' stocks" were reported independently under "Extraordinary gains" and "Loss on sale of subsidiaries and affiliates' stocks" and "Transfer related costs" were reported under "Extraordinary losses" in previous consolidated fiscal year ended March 31, 2018. However, these items have been included in "Other" under "Extraordinary gains" and "Extraordinary losses" for this consolidated fiscal year ended March 31, 2019, because the monetary amount has become insignificant.

Amounts disclosed for the fiscal year 2018 in the above schedule has been reclassified in line with the disclosed items for the fiscal year 2019.

As a result, under "Extraordinary gains" in the consolidated statement of income of the fiscal year ended March 31, 2018, ¥464 million for "Gain on liquidation of subsidiaries," ¥226 million for "Gain on sale of subsidiaries and affiliates' stocks" and ¥410 million for "Other" have been reclassified as ¥1,101 million for "Other." Under "Extraordinary losses" in the same, ¥1,224 million for "Loss on sale of subsidiaries and affiliates' stocks," ¥1,662 million for "Transfer related costs" and ¥503 million for "Other" have been reclassified as ¥3,390 million for "Other."

24. Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Land	¥5,505	¥5,516	\$49,602
Other fixed assets	1,011	942	9,112
Total	¥6,516	¥6,459	\$58,714

25. Loss on disposal of property, plant and equipment

Loss on disposal of property, plant and equipment for the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings and structures	¥ 268	¥ 732	\$ 2,418
Machinery and equipment	798	1,977	7,196
Other	953	2,043	8,587
Total	¥2,020	¥4,753	\$18,202

26. Impairment Loss

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 fixed 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 fixed assets	Chuo-ku, Tokyo Prefecture

We group our assets based on the business types for the impairment test. In addition, leased assets 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 the reductions were recognized as "Impairment loss" of ¥12,242 million (\$110,306 thousand) under "Extraordinary losses."

Of this amount, for assets in use, ¥405 million (\$3,654 thousand) was machinery, equipment and vehicles; ¥26 million (\$240 thousand) was tools, furniture and fixtures; ¥1,329 million (\$11,975 thousand) was intangible assets.

In addition, for idle assets, ¥7 million (\$70 thousand) was buildings and structures; ¥93 million (\$846 thousand) was machinery, equipment and vehicles; ¥999 million (\$9,006 thousand) was land. For other assets, ¥9,379 million (\$84,512 thousand) was goodwill.

Note that ¥9,379 million (\$84,512 thousand) for the impairment loss in goodwill is the amortization of goodwill as required by paragraph 32 in the "Implementation Guidance on Procedure for Capital Consolidation in 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 reduced to memorandum values or expected sales amounts, etc.

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

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

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

In the fiscal year ended March 31, 2018, due to a decrease in the profitability of some assets and the decision to dismantle existing facilities to make way for the new facility construction, the carrying values of said assets were reduced to recoverable amounts, and the reductions were recognized as "Impairment loss" of ¥4,214 million under "Extraordinary losses."

Of this amount, for assets in use, ¥1,398 million was buildings and structures; ¥1,433 million was machinery, equipment and vehicles; ¥30 million was tools, furniture and fixtures; ¥362 million was land; ¥1 million was intangible assets; and ¥9 million was construction in progress.

In addition, for idle assets, ¥19 million was buildings and

structures; ¥749 million was machinery, equipment and vehicles; ¥3 million was tools, furniture and fixtures; ¥21 million was land; and ¥26 million was intangible assets. For rental assets, ¥45 million was buildings.

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

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

27. Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized holding gains or losses on securities:			
Amount arising during the year	¥ 272	¥ 11,947	\$ 2,457
Reclassification adjustments for gains and losses included in profit	(103)	(329)	(930)
Amount before tax effect	169	11,617	1,526
Tax effect	(102)	(3,545)	(923)
Net unrealized holding gains or losses on securities	66	8,071	603
Deferred gains or losses on hedges:			
Amount arising during the year	85	(72)	768
Reclassification adjustments for gains and losses included in profit	—	—	—
Asset acquisition costs adjustments	—	—	—
Amount before tax effect	85	(72)	768
Tax effect	(26)	22	(236)
Deferred gains or losses on hedges	58	(50)	531
Foreign currency translation adjustments:			
Amount arising during the year	(1,615)	(1,323)	(14,558)
Reclassification adjustments for gains and losses included in profit	—	(363)	—
Foreign currency translation adjustments	(1,615)	(1,686)	(14,558)
Remeasurements of defined benefit plans:			
Amount arising during the year	(3,370)	(1,290)	(30,365)
Reclassification adjustments for gains and losses included in profit	3,482	3,505	31,376
Amount before tax effect	112	2,215	1,011
Tax effect	(196)	(499)	(1,773)
Remeasurements of defined benefit plans	(84)	1,715	(762)
Equity in affiliates accounted for by the equity method:			
Amount arising during the year	(523)	788	(4,713)
Total other comprehensive income	¥ (2,097)	¥ 8,838	\$ (18,899)

28. Derivative Financial Instruments

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				Thousands of U.S. dollars			
	2019				2019			
	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:								
Currency swap contracts								
Buy								
U.S. dollar	1,209	399	136	136	10,894	3,600	1,228	1,228
Total	¥ 1,209	¥ 399	¥ 136	¥ 136	\$ 10,894	\$ 3,600	\$ 1,228	\$ 1,228

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

Notes to Consolidated Financial Statements

(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		
		2019			2019		
		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	¥1,582	¥—	¥5	\$14,259	\$—	\$46
Sell							
U.S. dollar	Accounts receivable	—	—	—	—	—	—
Hedge accounting method:							
Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable	217	—	(Notes)	1,960	—	(Notes)
Euro	Accounts payable	—	—	(Notes)	—	—	(Notes)
Pound	Accounts payable	123	—	(Notes)	1,116	—	(Notes)
Australian dollar	Accounts payable	101	—	(Notes)	917	—	(Notes)
Sell							
U.S. dollar	Accounts receivable	—	—	(Notes)	—	—	(Notes)
Euro	Accounts receivable	—	—	(Notes)	—	—	(Notes)
Total		¥2,025	¥—	¥5	\$18,253	\$—	\$46

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.

(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable and accounts receivable, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

(2) Interest rate-related transactions

Type of transactions	Primary hedged items	Millions of yen			Thousands of U.S. dollars		
		2019			2019		
		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 loans payable	¥16,749	¥15,702	(Note)	\$150,911	\$141,479	(Note)

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

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

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

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

(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		
		2018		
		Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:				
Principle method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable	¥4,251	¥—	¥(80)
Euro	Accounts payable	—	—	—
Sell				
U.S. dollar	Accounts receivable	12	—	0
Hedge accounting method:				
Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable	790	—	(Notes)
Euro	Accounts payable	35	—	(Notes)
Pound	Accounts payable	273	—	(Notes)
Australian dollar	Accounts payable	—	—	(Notes)
Sell				
U.S. dollar	Accounts receivable	20	—	(Notes)
Euro	Accounts receivable	157	—	(Notes)
Total		¥5,541	¥—	¥(80)

(Note 1) Fair value is based on the statements received from the counterparty financial institutions.

(Note 2) For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable and accounts receivable, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

Notes to Consolidated Financial Statements

(2) Interest rate-related transactions

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

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

29. Business combination transactions

Business combination from acquisition

1) Overview of business combinations

KM Biologics Co., Ltd. succeeded the main business of Chemo-Sero-Therapeutic Research Institute (hereafter referred to as "Kaketsuken") by transfer through contributions in kind, etc. Further, on March 13, 2018, the Company and its consolidated subsidiary Meiji Seika Pharma Co., Ltd. entered into a share transfer agreement with Kaketsuken. Thereafter, the Company's subsidiary KMB Co., Ltd. acquired a stake in KM Biologics Co., Ltd. on July 2, 2018 based on this agreement. Consequently, KM Biologics Co., Ltd. became a consolidated subsidiary of Meiji Group.

Note that KMB Co., Ltd. is a company independently established by Meiji Holdings, Meiji Seika Pharma Co., Ltd., the Kumamoto Prefecture company consortium (EGAO HOLDINGS Co., Ltd., Kimigafuchi Educational Foundation, Kumamoto Broadcasting Co., Ltd., Saishunkan Co. Ltd., Kumamoto Telecasting Corporation, TOMITA Pharmaceutical and The Higo Bank, Ltd.) and Kumamoto Prefecture for the purpose of this acquisition. Meiji Holdings and Meiji Seika Pharma Co., Ltd. have a voting rights of 49%. After this acquisition, KM Biologics Co., Ltd. and KMB Co., Ltd. merged on September 2, 2018 and KM Biologics Co., Ltd. became the surviving entity of this merger.

(1) Acquired company and business description

Acquired company: KM Biologics Co., Ltd.

Description of business: Research, development, manufacturing and supply of biological pharmaceuticals such as vaccines for human use, plasma derivatives and vaccines for veterinary use

(2) Main objectives for combining businesses

In the "Meiji Group 2026 Vision" (hereafter referred to as the "2026 Vision"), the Meiji Group has laid out key strategies. Based on advanced expertise in health and particularly in the fields of pharmaceuticals and nutrition related to preventative medicine, the Meiji Group will maximize our unique strengths in the food product and pharmaceutical businesses in order to build up our approach in the field of "Health and preventative medicine" and provide new nutritional value to Japan and the rest of the world.

Based in Kumamoto Prefecture, Kaketsuken has been engaged in the research, development, manufacturing and supply of biological agents such as vaccines for human use, plasma derivatives and vaccines for veterinary use in Japan for over 70 years.

For these reasons, we believe that this acquisition will help us achieve our 2026 Vision and increase the corporate value of the Meiji Group.

(3) Date of business combination

July 2, 2018

(4) Legal form of business combination

Acquisition of stock in cash

(5) Name of the company after combining businesses

No change.

(6) Voting right ratio

49%

KMB Co., Ltd. acquired 100% of the voting rights of KM Biologics Co., Ltd., but after KMB Co., Ltd. and KM Biologics Co., Ltd. merged on September 2, 2018, the Company's voting right ratio in KM Biologics Co., Ltd. is now 29% and Meiji Seika Pharma Co., Ltd. is 20%.

(7) Rationale to determine the acquiring company

As KMB Co., Ltd. has gained practical control by acquiring stock in compensation for cash.

2) Fiscal period of acquired company included in the consolidated statements of income from this consolidated fiscal year ended March 31, 2019

From July 1, 2018 to March 31, 2019

3) Overview of subsidiary acquisition**(1) Breakdown of cost for acquisition and compensation**

Compensation for acquisition by KMB Co., Ltd.; Cash ¥42.5 billion (Acquisition cost ¥42.5 billion (\$382.917 million))

Note that the Company and Meiji Seika Pharma Co., Ltd. have ¥9.8 billion (\$88.296 million) in common stock and ¥7.5 billion (\$67.573 million) in non-voting stock of KMB Co., Ltd.

(2) Amounts for acquisition related expenses and their classifications

Acquisition related expenses for the business combination totaled ¥938 million (\$8.456 million) (from which ¥818 million (\$7.375 million) is applied to this consolidated fiscal year ended March 31, 2019) and is recorded under the "Selling, general and administrative expenses" in the consolidated statements of income.

4) Gain on negative goodwill and source of gain**(1) Gain on negative goodwill**

¥6.584 billion (\$59.321 million)

(2) Source of gain

As the acquired net assets and liabilities exceed the acquisition cost of the stock, that difference is recorded as a gain on negative goodwill.

5) Breakdown of assets and liabilities acquired on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥43,651	\$ 393,289
Fixed assets	32,558	293,342
Total assets	76,209	686,632
Current liabilities	7,913	71,302
Long-term liabilities	4,858	43,775
Total liabilities	¥12,772	\$ 115,077

6) Estimated amount that will impact the consolidated statements of income (assuming that the business combination is completed on the start date of the consolidated fiscal year) and the calculation method

Due to the immateriality of the impact, we omit further disclosure.

Notes to Consolidated Financial Statements

30. 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				
	2019				
	Reporting segments			Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Food	Pharmaceutical	Total			
Sales, operating income (loss) and assets					
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
Equity in income of affiliates	6,493	6,175	12,668	—	12,668
Increase in property, plant and equipment/intangible fixed assets	60,127	10,865	70,993	175	71,169

	Thousands of U.S. dollars				
	2019				
	Reporting segments			Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Food	Pharmaceutical	Total			
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	\$9,515,339	\$1,786,405	\$11,301,744	\$ —	\$11,301,744
(2) Intersegment sales and transfers	4,778	3,745	8,524	(8,524)	—
Total	\$9,520,117	\$1,790,151	\$11,310,268	\$ (8,524)	\$11,301,744
Segment income (loss)	\$ 763,705	\$ 128,333	\$ 892,039	\$ (5,622)	\$ 886,416
Segment assets	6,225,015	2,548,480	8,773,496	273,657	9,047,153
Other items					
Depreciation	\$ 311,000	\$ 73,996	\$ 384,996	\$ 2,728	\$ 387,724
Impairment Loss	9,228	101,077	110,306	—	110,306
Equity in income of affiliates	107,345	56,978	164,323	—	164,323
Increase in property, plant and equipment/intangible fixed assets	541,739	97,900	639,640	1,585	641,225

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥624 million or negative \$5,622 thousand) includes the elimination of expenses for intersegment transactions (¥14 million or \$134 thousand) and the corporate expenses not allocated to each reporting segment (negative ¥638 million or negative \$5,756 thousand). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥30,373 million or \$273,657 thousand) includes the elimination of intersegmental assets (negative ¥85,387 million or negative \$769,323 thousand) and the corporate assets not allocated to each reporting segment (¥115,760 million or \$1,042,981 thousand). The main corporate assets include the Company's (holding company) surplus management funds (cash and deposits), long-term investment funds (investment securities) and other assets held by the Company (holding company).

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

	Millions of yen				
	2018				
	Reporting segments			Adjustments (Note 1)	Amount presented in consolidated statement of income (Note 2)
Food	Pharmaceutical	Total			
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	¥ 1,073,077	¥ 167,783	¥ 1,240,860	¥ —	¥ 1,240,860
(2) Intersegment sales and transfers	577	683	1,261	(1,261)	—
Total	¥ 1,073,655	¥ 168,466	¥ 1,242,121	¥ (1,261)	¥ 1,240,860
Segment income (loss)	¥ 84,189	¥ 11,025	¥ 95,214	¥ (541)	¥ 94,673
Segment assets	661,397	212,702	874,099	53,445	927,544
Other items					
Depreciation	¥ 40,188	¥ 6,006	¥ 46,195	¥ 315	¥ 46,511
Impairment Loss	1,024	11,218	12,242	—	12,242
Equity in income of affiliates	6,029	6,028	12,057	—	12,057
Increase in property, plant and equipment/intangible fixed assets	66,234	8,400	74,635	37	74,673

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥541 million) includes the elimination of expenses for intersegment transactions (negative ¥7 million) and the corporate expenses not allocated to each reporting segment (negative ¥533 million).

The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥53.445 billion) includes the elimination of intersegmental assets (negative ¥77,163 million) and the corporate assets not allocated to each reporting segment (¥130,608 million).

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

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

31. Information About Related Parties

Transactions between the company submitting the consolidated financial statements and the related parties

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 stock	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	\$ 101	—	—
Director	Kazuo Kawamura	—	President and Representative Director	0.0%	—	Contributions in kind for monetary compensation claims	18	169	—	—
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	129	—	—
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	103	—	—

(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.

Notes to Consolidated Financial Statements

32. Significant Subsequent Events

None

Independent Auditor's Report



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Independent Auditor's Report

The Board of Directors
Meiji Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of Meiji Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets, and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Meiji Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Operating Bases and Group Companies (As of July 31, 2019)

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.

Meiji Co., Ltd.				
■ Head Office	★ Research Laboratory	□ Branch	▲ Plant	● Group Company
Research Laboratory	1	Branch	5	
Plant	29	Group Company	29	

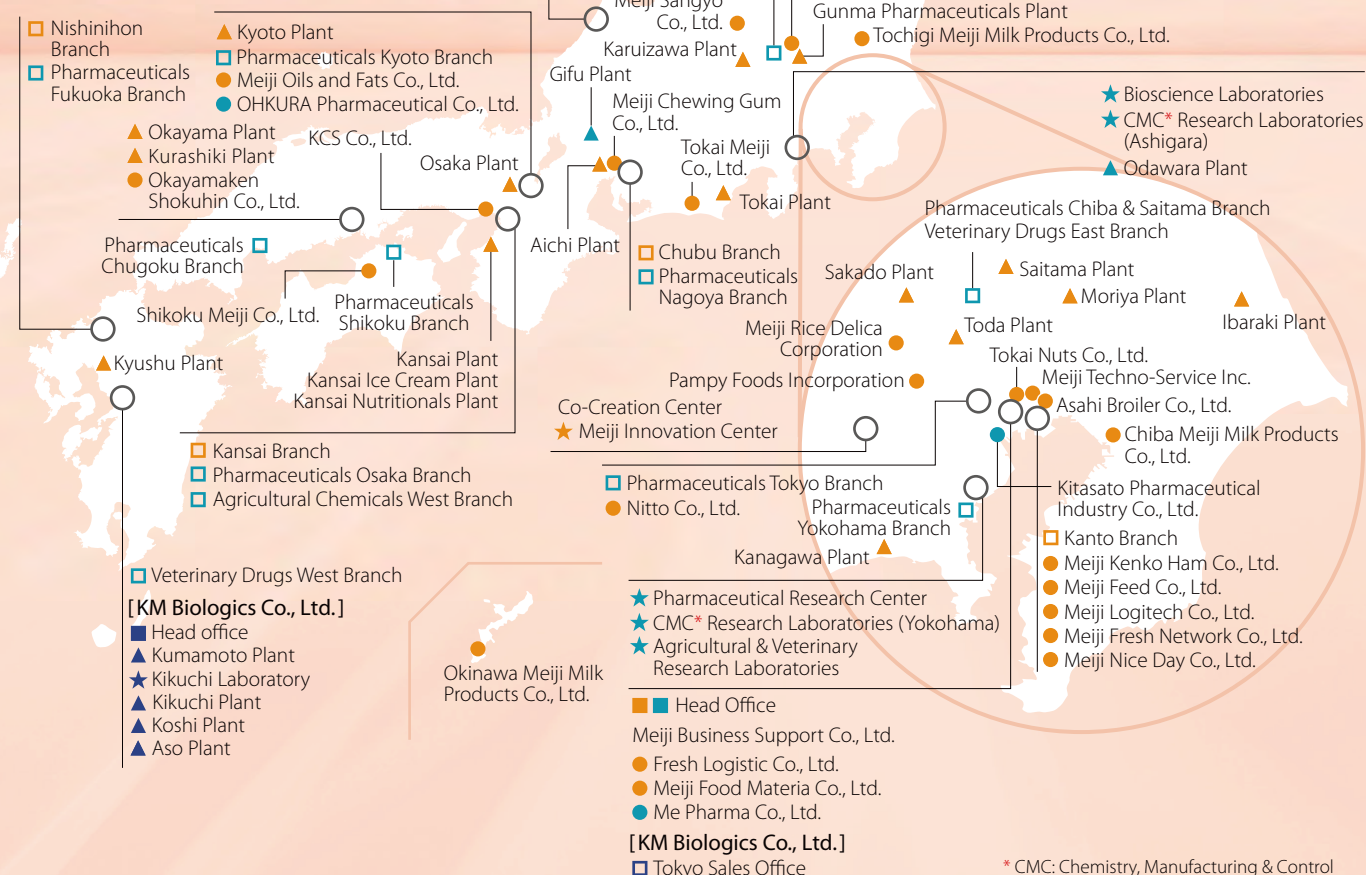
▼ Pharmaceuticals Segment

Meiji Seika Pharma Co., Ltd.

Meiji Seika Pharma Co., Ltd.				
■ Head Office	★ Research Laboratory	□ Branch	▲ Plant	● Group Company
Research Laboratory	4	Branch	16	
Plant	2	Group Company	3	

KM Biologics Co., Ltd.

KM Biologics Co., Ltd.			
■ Head Office	★ Research Laboratory	□ Sales Office	▲ Plant
Research Laboratory	1	Sales Office	1
Plant	4		



* CMC: Chemistry, Manufacturing & Control

Overseas

▼ Food Segment

Meiji Co., Ltd.

□ Head Office ● Group Company

Office **2**

Group Company **11**

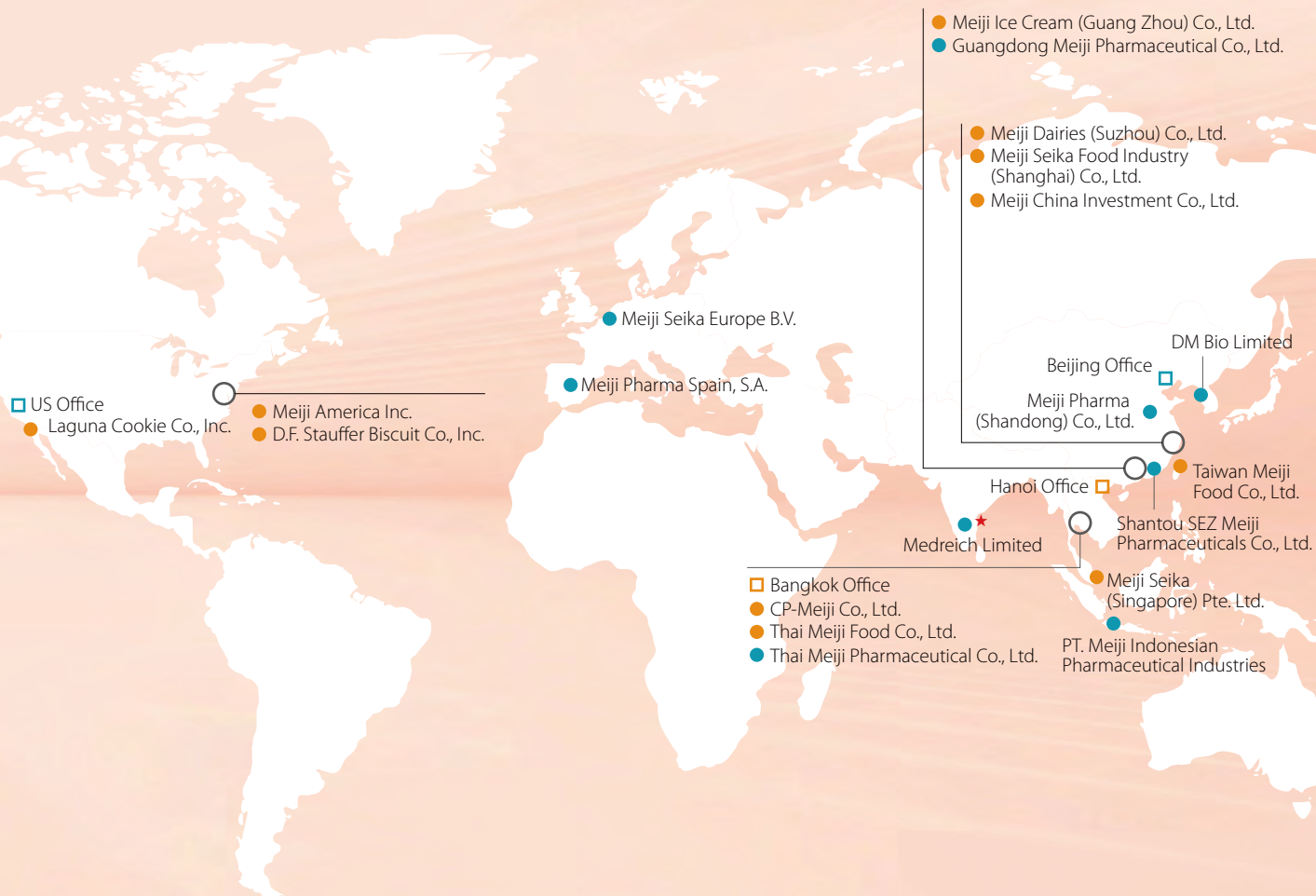
▼ Pharmaceuticals Segment

Meiji Seika Pharma Co., Ltd.

□ Head Office ● Group Company

Office **2**

Group Company **18**



*1 Set to close in September 2019

★ The nine subsidiaries of Medreich Limited are not shown.

Unmarked bases are companies and facilities that do not belong to the segment.

Corporate Data/Stock Information (As of March 31, 2019)

Corporate Data

Company Name

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

Head Office

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

Incorporated

April 1, 2009

Paid-in Capital

JPY 30.0 billion

Number of Group Employees

17,608

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.

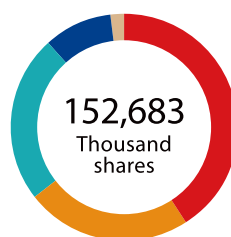
Stock Information

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,905	8.45
Japan Trustee Services Bank, Ltd. (Trust Account)	7,450	4.87
Mizuho Bank, Ltd.	4,617	3.02
Nippon Life Insurance Company	3,348	2.19
Resona Bank, Limited	3,047	1.99
The Norinchukin Bank	2,892	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,790	1.82
Meiji Holdings Trading-Partner Shareholding Association	2,570	1.68
STATE STREET BANK WEST CLIENT - TREATY 505234	2,525	1.65
Meiji Holdings Employee Shareholding Association	2,450	1.60

(Notes) 1. The Company holds 7,650,137 shares of treasury stock as of March 31, 2019.
2. The shareholding ratio is calculated by subtracting the treasury stock from the total shares of common stock issued.

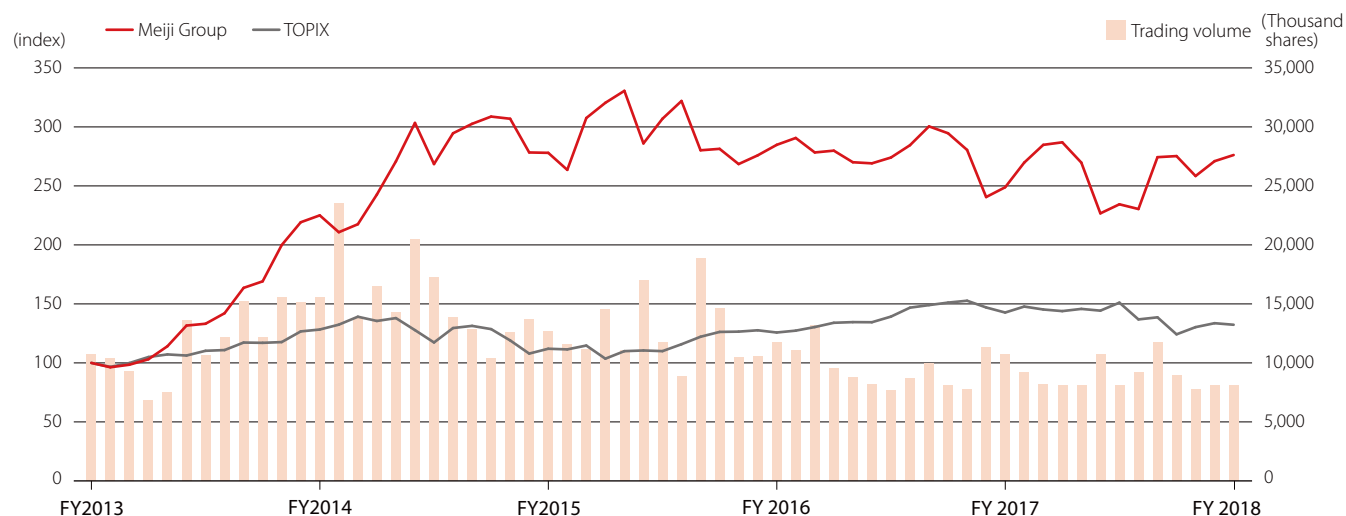
Shareholding by Type of Shareholder



Financial Institution	41.03%
Individuals and Others	23.59%
Foreign Companies, etc.	23.72%
Other Companies	9.89%
Financial Instruments Dealers	1.74%
Government and Public Bodies	0.00%

* Individuals and Others includes treasury stock.

Stock Price and Trading Volume

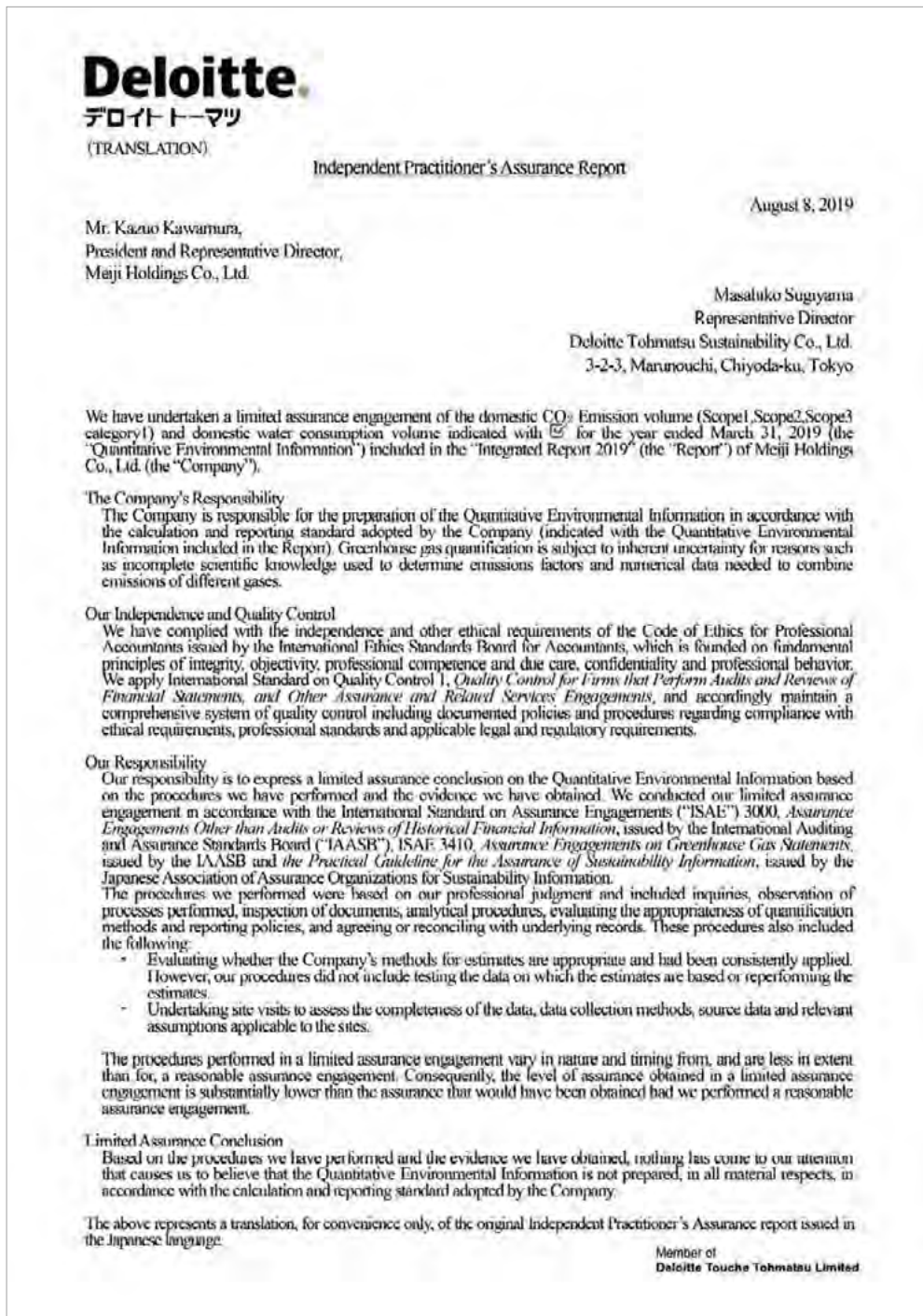


(Notes) 1. The closing price as of March 31, 2014 is 100.

2. A 2-for-1 common stock split was issued on October 1, 2015. This value was retro-actively applied.

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 FY 2018 indicated on p.42 and 43 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.



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. (Kumamoto Plant)

Note that CO₂ emission volume for Meiji Logitech Co., Ltd. only include the fuel used in company owned delivery vehicles/ trucks. In addition, data for the CO₂ emission volume from company owned vehicles is collected only for Meiji Holdings Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. (Kumamoto plant.)

Scope of domestic CO₂ emission volume (Scope 3, category 1)

This scope includes the main raw materials and packaging materials (paper, plastic and cardboard) that will be introduced into the domestic production locations for Meiji Co., Ltd. and the group companies, Meiji Seika Pharma Co., Ltd. and the group companies, as well as KM Biologics Co., Ltd. (Kumamoto plant).

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