

# Integrated Report 2021



#### **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.



#### Meiji's New Group Slogan



From babies to the elderly, at every step, the Meiji group has been right there, giving people a reason to smile.

Now we're gearing up to create even more smiles, with something everyone can feel good about - a focus on wellness. After all, people who feel well, with healthy hearts and bodies, have a lot to smile about. And smiling spreads like a wave of positive energy, as people envision a brighter future on a healthy planet. We think you'll see that sharing healthy ideas is something we can all do quite naturally.

Starting today, the Meiji group will be sharing even more good ideas about wellness — ideas that are likely to spread to everyone who wants to feel better.

#### **Editorial Policy**

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

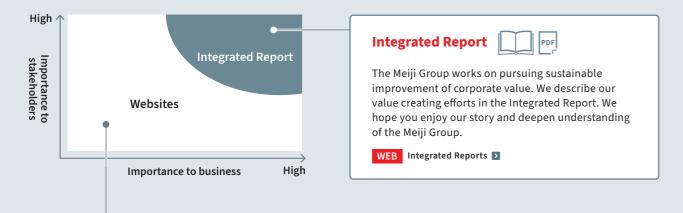
\* Reference: The International Integrated Reporting Council Framework

#### Using the Integrated Report 2021

This report is based on the performance results from FY2020 (fiscal year ended March 2021). Some content from FY2021 (fiscal year ending March 2022) is also included. The content is compiled based on information that is available at the time when the Company created the Integrated Report 2021. 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 2021.

#### The Meiji Group's Information Disclosure

The Integrated Report provides important information to our business and stakeholders. For more detailed information about the Meiji Group, please refer to our websites.



## Websites

Our websites provide detailed and comprehensive information on our corporate profile, financial information, corporate governance, sustainability-related information, the latest

#### Investors

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



- Business Plans 🖸
- Results and Presentations
- Financial Performance D
- Stock Information
- Corporate Governance Business Risks
- Events

#### Sustainability

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



- Top Commitment
  - Sustainability Management
  - Healthier lives
  - Caring for the earth D
  - A Richer Society D
  - Sustainable Sourcing
- Policies
- ESG Data

#### About the Meiji Group

Please visit our websites for details of the Meiji Group's mission and vision, slogan, management structure, business domains, history, and other information.

WEB Who We Are

#### Meiji Holdings Co., Ltd. https://www.meiji.com/global/

Meiji Co., Ltd.

https://www.meiii.co.ip (Japanese version only)

#### Meiji Seika Pharma Co., Ltd.

https://www.meiji-seika-pharma.co.jp/ (Japanese version only)

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

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#### **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 have formulated three Medium-Term Business Plans to realize the Meiji Group 2026 Vision. The Plan in the first stage began in FY2018 and ended in FY2020. We are now in the first fiscal year of the 2023 Medium-Term Business Plan, the second stage.



## Important Operating Environment

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

#### 1 Changes in social structure - Ageing

- 30% of Japan's population will be 65 years or older by 2025
- Aging population is a common issue throughout the world

## 2 Increased health consciousness and disease 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 Growth of the global middle class

- 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

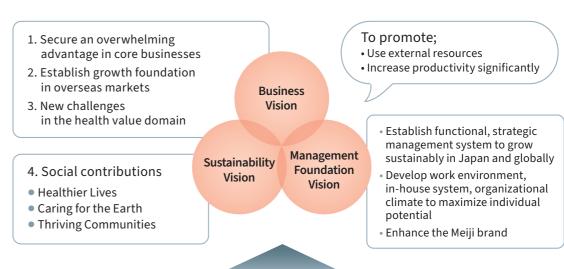
#### The Meiji Group 2026 Vision

#### Long-term Vision - The Meiji Group's Ideal Corporate Identity

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

# Coperating income growth rate growth rate growth rate single-digit (CAGR) 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 Operating income growth rate single-digit (CAGR) Target at 20% ROE Maintain 10% or more

#### Structure of the Meiji Group 2026 Vision



#### 2023 Medium-Term Business Plan, the 2nd Stage

> See page 20 for details

#### Concept Promote the Meiji ROESG® Management effectively

Realize both profit growth and sustainability activities

Key Issues

1. Business Strategy

Food Segment

- 1) Recover from the slump in our core business  $\,$
- 2) Expand overseas business

Pharmaceutical Segment

- Integrate business operations of
   Meiji Seika Pharma and KM Biologics
   (expand vaccine business)
- 2) Expand CMO/CDMO

Group-wide

Venture into new domains

- 2. Improve business management using ROIC effectively
- 3. Invest to grow business while constructing strong financial base
- 4. Promote the Meiji Group Sustainability 2026 Vision

**04** About the Meiji Group

Meiji Holdings Co., Ltd. | Integrated Report 2021 **05** 

<sup>\*</sup> ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

#### At a Glance

Our corporate group consists of Meiji Co., Ltd. - which runs the Food business, and Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. – which run the Pharmaceutical business. Our mission 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.

## **Group Organization** (As of March 31, 2021) Meiji Holdings Co., Ltd. **Food Segment** Meiji Co., Ltd.

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

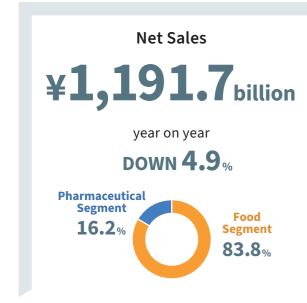
Meiji Holdings is a pure holding company that was established in 2009 after integrating the management for Meiji Seika Kaisha, Ltd. and Meiji Dairies Corporation. The company underwent business reorganization in 2011, and KM Biologics joined the Group in July 2018, leading to the current Group structure.

**Pharmaceutical Segment** Meiji Seika Pharma Co., Ltd.

KM Biologics Co., Ltd.

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.

#### Results for FY2020 (Fiscal Year Ended March 2021)



**Operating Income** ¥106.0 billion year on year UP 3.3% **Pharmaceutical** Segment Food **17.9**% Segment 82.1%

**ROE** year on year DOWN 1.3<sub>pt</sub>

**Profit Per Share** ¥452.52

> year on year **DOWN 2.5**%

#### Number of Group Companies and Employees (As of March 31, 2021)

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



**Overseas Group Companies** 

**Number of Group Employees** 

17,832 people

12,354 people

**Domestic Group Companies** 

Including Meiji, Meiji Seika Pharma, KM Biologics and Meiji Business Support Co., Ltd.

#### Overseas Sales Ratio (FY2020)

**Food Segment** 

year on year

UP 0.3 pt

**Pharmaceutical Segment** 

19.4%

year on year

DOWN 1.9pt

#### **Recognized for Outstanding Health Management** for the Fifth Consecutive Year

The Nippon Kenko Kaigi runs a Certified Health & Productivity Management Outstanding Organizations Recognition Program as part of the Japan Revitalization Strategy 2016. Meiji Holdings, Meiji, and Meiji Seika Pharma have been recognized by the Nippon Kenko Kaigi for the fifth consecutive year as White 500 organizations in the program's large enterprise category. KM Biologics was also recognized in 2021. This program recognizes and cites organizations for practicing outstanding healthcare management through health promotion efforts. At the Meiji Group, we shall continue striving to create a working environment where employees can thrive in their work.

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 have a number of products with the leading market share in the categories where we are strong: dairy products, confectioneries, nutritional products, ethical drugs and agricultural chemicals.

#### **Food Segment**



Yogurt Since **1950**  No.1 in Japan

Based on INTAGE Inc., SRI (yogurt market) April 2020-March 2021 market share (money amount)



Powdered & **Granulated Protein** 

Since 1980

No.1 in Japan Based on Meiji data

as of March 2021



Chocolate No.1 in Japan Since 1926

Based on INTAGE Inc., SRI (chocolate market) April 2020-March 2021 market share (money amount)



Camembert No.1 in Japan Cheese

Since 1999

\* Started processed cheese production

in 1932

Functional yogurt, create

to healthy dietary habits

the market in China and contribute

Based on INTAGE Inc., SRI (chocolate market) April 2020-March 2021 market share (money amount)

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

#### **Other Products**

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



















Product addressing insufficient protein intake among people today, supplementing protein conveniently and efficiently while enjoying the taste

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

Overseas

#### **Pharmaceutical Segment**



**Systemic** Antibacterial Drugs

Since 1946

No.1 in Japan

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#### Influenza HA Vaccine

Since **1972** 

No.1 in Japan

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#### **Generic Drugs**

Since **1998** 

No.6 in Japan

Source: CRECON RESEARCH & CONSULTING, INC., FY2020





#### **Rice Blast Preventives** (Agricultural Chemicals)

Since **1975** 

Shipping data of Rice blast preventives No.2 in Japan

Source: Based on Handbook of Agricultural Chemicals -2020-, Japan Plant Protection Association

#### **Other Products**

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

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



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



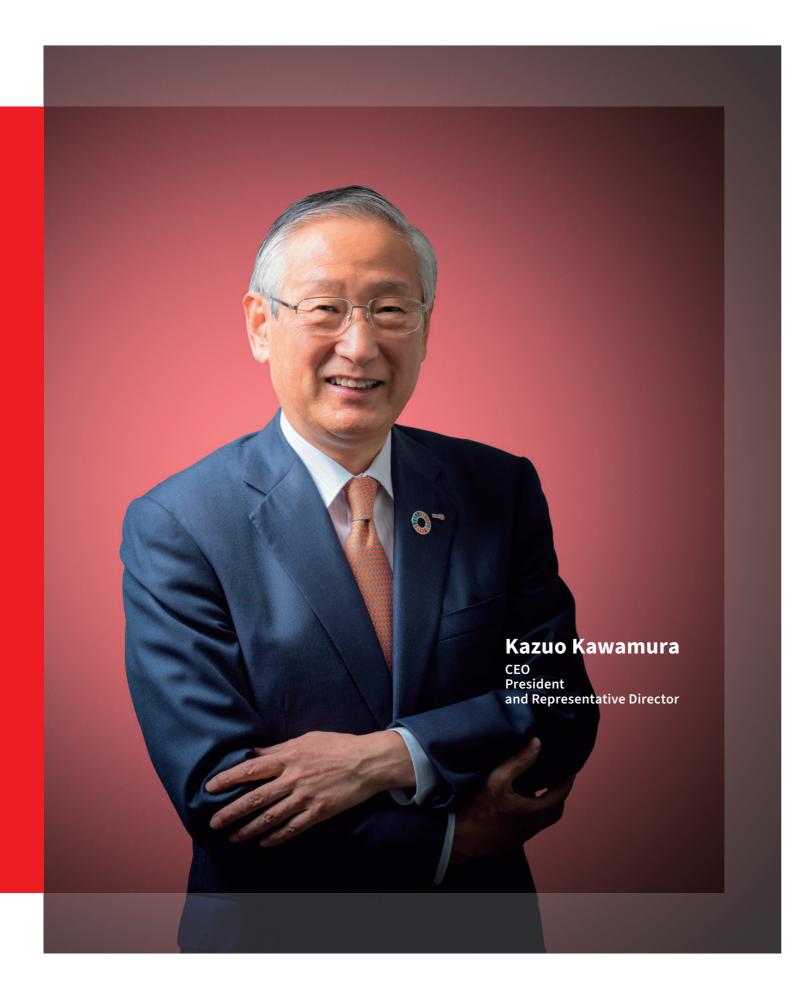


Atypical antipsychotic drug launched in 2016, Japan's first sublingual tablet with proven efficacy and safety

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

08 About the Meiji Group

#### **Message from CEO**



## We will Promote the Meiji ROESG® Management Effectively to Realize Both Profit Growth and Sustainability

#### The Meiji Group's Purpose is "Contributing to the Country through Nutrition," Our Founding Spirit

While society is rapidly changing, the purpose (meaning of existence) of companies is being questioned. What immediately comes to mind as the purpose of the Meiji Group is to "contribute to the country through nutrition," which is part of our Founding Spirit.

The Meiji Group originated from Meiji Sugar Co., Ltd. Back then, sugar manufacturing was an advanced industry with high profitability. Therefore, competitors focused their managerial resources on manufacturing. However, while improving sugar manufacturing efficiency, Meiji Sugar sought a good way to use sugar and cultivated demand for sugar. The Company tried to expand the business based on the idea of "contributing to the country through nutrition." One of these expansions was a confectionary business. The company expanded its confectionary business through M&As and enriched people's dietary habits. The company also launched a condensed milk business. Sweetened condensed milk (with sugar added) is a product to easily supplement calories and protein, a substitute for infant formula. This was how our predecessor expanded business by "contributing to the country through nutrition." The Meiji Group marked its 100th anniversary in 2016. After more than 100 years, our founding spirit has not lost its brightness and freshness. Since I joined the Meiji Group, I myself have felt proud of this spirit and have been motivated to strive for excellence at my work.

## The New Slogan "Now Ideas for Wellness" Expresses Value Linked Directly to Our Purpose

The Meiji Group recently updated our corporate slogan to "Now ideas for wellness." Behind this lies our desire to express the slogan linked to the Meiji founding spirit. I believe we will face tougher global competition for the next 100 years. Therefore, we must establish a stronger corporate identity. Our Group Philosophy states that we provide Tastiness, Enjoyment, Health and Reassurance. Among them, "Health" is our unique and distinct value as it is directly linked to our purpose. Through this slogan, we will communicate our efforts to become a company playing an integral role in the health field across the world through the next 100 years.

Using this new slogan, we will create a sense of togetherness within the Group. The Food and Pharmaceutical segments previously had different slogans, but "Now ideas for wellness" is now being used for both segments. Under this united slogan, we will generate novel synergies between food and pharmaceuticals. We chose this slogan by popular vote and an overwhelming majority of employees voted for this slogan. Employees support this direction, and we will make it the Meiji Group's corporate identity.

<sup>\*</sup> ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

# We Are Further Pursuing the Synergies Between Food and Pharmaceuticals to Create Health Value Unique to the Meiji Group

## Both Food and Pharmaceuticals Ultimately Provide Health Value

Under the new slogan "Now ideas for wellness," we will spread the health value unique to the Meiji Group through the cycle of "Cure, Care and Share." I would like to explain the rationale behind this.

When reviewing business from the perspective of our purpose, I realized that we have cared about products too much. Let's look at an example from the Food segment. I believe customers eat our Meiji Probio Yogurt R-1 for the health value of the product. In other words, we are providing health enhanced by lactobacillus, not just a yogurt product. This also applies to pharmaceuticals. We provide patients with efficacy and safety. Providing health value in our products is the ultimate goal for both segments.

Therefore, we should conduct business based on the idea that we provide the value that consumers are expecting in our products. We will pay close attention to what customers want and pursue them. Hence, we need to think about "Cure" and then "Care." Additionally, how we "Share" such value is crucial. From a legal perspective, food and pharmaceuticals are clearly differentiated. However, I believe we can create health value unique to the Meiji Group. This is the synergy between food and pharmaceuticals.

## Contribute to Help Solving Social Issues through Research on Anti-Aging and Immunity Boosting

We are seeking these food-pharmaceutical synergies in the Co-Creation Center, established directly under Meiji Holdings. Two research programs are currently underway: anti-aging and immunity boosting.

Anti-aging is how we extend healthy life expectancy. We are studying seniors who are playing active roles in the workplace to find out what will be the critical

factors for anti-aging, such as lifestyles, exercise habits, and dietary habits. Although we are still in the second year of the research, we are obtaining interesting findings. The aging population is an irreversible global trend not only in Japan but also in advanced countries. Extending healthy life expectancy will contribute to achieving SDGs. Therefore, our research will lead to resolving social issues.

Also, boosting immune system is important. Humans have an innate immune system, and it is vital that it functions effectively. Of course, vaccines are important, but some people are resistant to infection even in a pandemic, and we are studying why. Some research indicates that dietary habits and lifestyles may boost the immune system. The immune system plays a pivotal in the cancer prevention, development, and defense as well. The remission rate has recently been improved by controlling the immune system. Our research may be applicable to cancer treatment.

We do not yet know whether the output of our research on anti-aging and immunity boosting will be in the form of food or pharmaceuticals. We believe that either is okay, because seeking health value is our purpose. Our goal is to make this business profitable by FY2026. We hope to show early promising results and the business direction during the 2023 Medium-Term Business Plan.



The Co-Creation Center was established in April 2019 as a new research center that realizes new challenges in the health value domain. The organization is composed of the Meiji Group researchers who have various specialties and backgrounds.

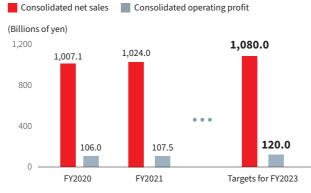
## **Becoming a Corporate Group with a Significant Presence in Sustainability Transformation**

## Further Strengthen Sustainability Activities to Meet Stakeholder Expectations

FY2020 was the final year of our 2020 Medium-Term Business Plan. The Food business had grown rapidly until the end of 2017 Medium-Term Business Plan. Our corporate structure had also improved, and profit had increased to JPY 80 billion from JPY 20 billion at the beginning of management integration in 2009. We formulated the 2020 Medium-Term Management Plan to maintain such momentum. However, our growth slowed, and we missed our profit target. Meanwhile, we included enhancement of our management foundation and sustainability activities, in addition to business growth, as important targets in the 2020 Medium-Term Business Plan. Accordingly, we decided to invest in international businesses, issued sustainability bonds, and formulated the Meiji Group Long-Term Environmental Vision.

We formulated the 2023 Medium-Term Business Plan, which started in FY2021, recognizing drastic change in business environment. Demands to companies by their stakeholders have now changed significantly when compared to that at the time we formulated the 2020 Medium-Term Business Plan. We must improve our sustainability activities because stakeholders are now urging us to resolve social issues, be sustainable, and be resilient against risks. Of course, business expansion and profit growth are important,

## 2023 Medium-Term Business Plan Target for net sales and operating profit



After applying revenue recognition standards for net sales.
 Note: For FY 2020 reference only

now, as the level of sustainability (how serious we are to sustainability activities) is directly linked to corporate evaluations. Realizing both profit growth and sustainability activities is the crucial point in the 2023 Medium-Term Business Plan. Thus, we will achieve the Meiji Group 2026 Vision.

## Pursue Business Opportunities by Resolving Major Social Issues

During the COVID-19 pandemic, we recognized solving social issues is important. We experienced the confusion that the COVID-19 pandemic caused in the world. Infection control has become the biggest matter of interest for society and for sustainability. Facing such social issues seriously and contributing to solving them is an important corporate function. We have learned from this COVID-19 pandemic that we should address social issues seriously. Otherwise, companies will not be highly evaluated and we cannot demonstrate our presence

Meanwhile, I believe that resolving social issues will provide us with a lot of business opportunities. The COVID-19 pandemic has increased profit in vaccine companies. Billions of people across the world are expected to be vaccinated periodically. I believe we can grow our business by developing and supplying vaccines to meet such vaccination needs while contributing to solving social issues to control infectious diseases. People now consider that the biggest driver for corporate innovation to be digital transformation (DX). However, I believe that sustainability transformation (SX) will attract much attention. The Meiji Group should demonstrate a major presence in SX.

# We Will Realize Both Improving ROE and Enhancing ESG in Daily Management Decisions without Causing Conflict Between Them

## The Meiji ROESG is the Key Management Indicator with the Highest Priority in the 2023 Medium-Term Business Plan

The key of the 2023 Medium-Term Business Plan is that we established the Meiji ROESG as a management indicator and set it as the highest priority. We selected five external ESG ratings for KPIs. In addition, we chose six social issues to focus on. These issues include the vaccination rate for influenza vaccines and the amount of protein intake. We can get bonus points when we meet the Meiji ROESG targets for these issues. We set goals adopting a three-layer structure composed of ROE, ESG evaluations, and extra points from ESG initiatives unique to Meiji. For some people, it seems that improving ROE conflicts with enhancing ESG in the short term. However, we will realize both of them by making the right management decisions regularly. The Meiji ROESG is a good indicator to raise awareness towards achieving our goal.

ESG evaluations will be the key to achieving the Meiji ROESG. We need to significantly improve evaluations by external rating agencies, and this will be a very difficult obstacle to overcome. However, I would like to increase awareness among managerial personnel that the Group is determined to work seriously on ESG. Moreover, I would also like them to be aware that social issues can be business opportunities. During the daily business operations, we tend to focus on near-term business results rather than looking 10 years ahead. However, when we look at the future and try hard to address social issues, we have a chance to solve major issues and thus create large markets. Social issues are a rich source of business opportunities. We will generate new businesses when we focus on sustainability.

## Improve Business Management Using Business Portfolio Management and ROIC Effectively

I will focus on five themes as the Group CEO to realize both profit growth and sustainability while operating the Meiji ROESG Management.

The first theme is to strengthen portfolio management. The Food segment, which has net sales of JPY 1 trillion, was reorganized into 10 business categories while the Pharmaceutical segment, which has net sales of JPY 200 billion, into nine categories. We must admit that the number of categories in the Pharmaceutical segment is too many compared to the Food segment. Through selection and concentration we should build a business model with high profitability based on drug discovery innovation. The management team led by the CEO conducts constant monitoring and thus we will enhance portfolio management across the Group. We introduced return on invested capital (ROIC) as a management indicator. We will urge business categories with a low ROIC to reduce their invested capital while improving operating profit margin. If needed, we will review our portfolio.

We are focusing on creating a new portfolio to cope with the changing market. In the future, we may encounter major business opportunities when we continue working on solving social issues. If we add new businesses, we should be flexible to reorganize the portfolio.

The second theme is to improve business management by using ROIC. We have been focusing on increasing operating profit for each business based on profit/loss. However, with the balance sheet in mind, we will shift to capital productivity-oriented business management. We will use ROIC when making decisions for capital expenditure and R&D investment.

## We Will Promote Business Recognizing That We Must Increase Corporate Values to Survive

#### Accelerating Open Innovation and Strengthening Group Management Structure are Also Important

The third theme is accelerating open innovation. We have been adopting in-house development and keeping research resources within the Group. However, we cannot generate innovative ideas if we persist in pursuing in-house development. Thus, we are sending our personnel to academia, such as national research institutions and universities, to keep us up to date. An open innovation approach improves R&D efficiency dramatically, and we will accelerate it further. Also, we will build a collaboration structure with ventures and startups. Specifically, we have started the Meiji Accelerator Program. It is a Meiji Group-sponsored program. We post job opportunity announcements in the Group and select suitable young employees. They work with external ventures and perform R&D together. We hope that this program will activate our Group and can attract outstanding personnel by broadly spreading the fact that the Meiji Group is promoting open innovation.

The fourth theme is to strengthen Group management. When we created the 2023 Medium-Term Business Plan, we set up a Group Strategy Committee composed of the CEO, COO, CFO and CSO. We then discussed and completed an effective Plan under the leadership of Meiji Holdings. We changed the medium-term plan formulation process. The Group Strategy Committee first determined essential features of the Plan, and the operating companies create their strategies based on those features. The strategies are then brought to Meiji Holdings' Board of Directors for review, discussion and finalization. This process has helped to increase the sense of unity between Meiji Holdings and operating companies. Additionally, we will strengthen Meiji Holdings' departments that oversee the Group's human resources strategy, financial strategy, and risk management. Thus we will strive to create greater corporate value.

## **Build Sound Governance: Solid Foundation Supporting Value Creation**

The fifth theme is to build sound governance. We have already implemented succession planning since 2019. Every year, we review appointing or dismissing the presidents of Meiji Holdings and the operating companies, Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd., and select potential successors for the presidents of the three companies. Meanwhile, Outside Directors have pointed out that we have not yet developed a successor talent bench for the three presidents. We will therefore build a system to pool managers who drive the Group forward under the leadership of Meiji Holdings. Meiji Holdings advises operating companies on career paths for talent development, and nurture executives. The Compensation Committee determines remuneration for Directors. In the 2023 Medium-Term Business Plan, we will raise the proportion of performance-based compensation, reflect the achievement of ROIC targets in remuneration, and raise the proportion of stock compensation.

Companies cannot survive unless they create corporate value. This is a tough principle in society. We should build a resilient foundation that supports the creation of corporate value. For that, we should develop sound governance and contribute to solving





## We will Improve Management to Create Corporate Value by Introducing ROESG and ROIC as Performance Indicators

## Profit Increases for the 9th Straight Term in FY2020, Reaching New Record High

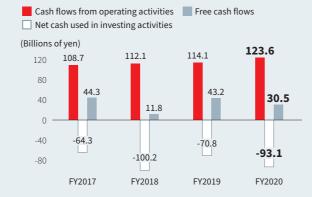
I became CFO in June 2020. My mission is to achieve the ROE target set in the 2023 Medium-Term Business Plan while understanding the entire Group from a financial perspective.

In FY2020, we reviewed the financial status of the Meiji Group and identified what we need in order to realize the Group's optimum capital structure. We ultimately set out three policies: maintain our AA credit rating, set the upper limit on interest-bearing debt, and secure cash and deposits on hand to prepare for risks. Moreover, we examined stable fund procurement methods and reviewed our shareholder return policy. Thus, we issued sustainability bonds in April 2021.

We set targets for net sales, operating profit (margin), overseas sales, and ROE as performance indictors in the 2020 Medium-Term Business Plan. Some indicators improved in three years, but we were unable to meet some of our targets. This is due in part to stagnant growth in yogurt and chocolate. Although sales fell short of the previous year, operating profit increased for the ninth straight year in FY2020, the final year of the 2020

Medium-Term Business Plan, reaching an all-time high. This was because of our efforts to improve profitability. We have invested according to our plan, although cash-out was pushed back due to a delay caused by the COVID-19 pandemic. We consistently generated cash flows of over JPY 110 billion from operating activities every year. Debt-to-equity (D/E) ratio was 0.16 and our financial base was reinforced accordingly. We increased dividends for seven consecutive years and achieved steadily returning profits to shareholders.

#### **Cash Flows**



## Develop Business Management That Helps to Solve Global Social Issues

Amid harsh environmental changes due to the COVID-19 pandemic, the Meiji Group will become a company that helps to solve global social issues related to health and nutrition. A major issue to address is the development of a business management structure for realizing this goal. Specifically, the following initiatives will be important:

- 1. Review the business portfolio constantly
- 2. Focus on allocating management resources in growth fields
- Maintain competitive advantage.
   To achieve this, optimize the above initiatives flexibly and promptly as the business environment changes.

Therefore, we introduced ROESG and ROIC as new performance indicators in our 2023 Medium-Term Business Plan. We set ROESG as our integrated target. We will try to maintain and improve ROE while enhancing sustainability activities, thereby improving our corporate value. ROIC is very useful to evaluate the performance of our businesses appropriately regardless of the business. We set 5% as the least weighted average cost of capital (WACC). We will accelerate business reform, such as reducing invested capital and improving operating profit margin, for businesses with ROIC less than 5%. Through evaluation and management cycles, we will use ROIC as a standard indicator in the whole Group and try to continue creating corporate value.

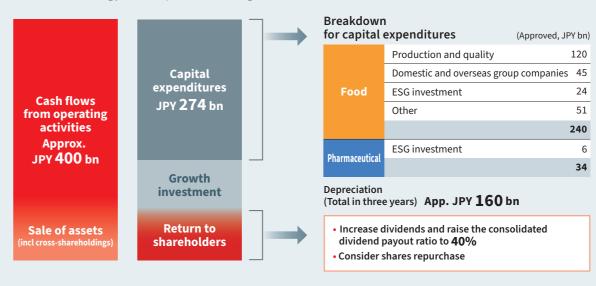
## Invest for Growth While Keeping Sound Finance and Improving Profits Return

Under the 2023 Medium-Term Business Plan, we will generate cash flows of approximately JPY 400 billion from operating activities in three years. We will make balanced investment while considering our goal of realizing both profit growth and sustainability activities. We set JPY 274 billion for capital expenditure, which is mainly allocated to increase production capacity and improve product quality as well as expand international businesses. Of the capital expenditure, JPY 30 billion is set for ESG, such as environment-related investment. We issued sustainability bonds and appropriated them to the part of ESG investment. We will actively invest in future growth maintaining the D/E ratio at less than 0.3. From a cash inflow perspective, we will reduce our cross-shareholdings. We will sell 30% of such shares on a book value basis during the 2023 Medium-Term Business Plan after careful consideration of the appropriateness and significance of these shareholdings.

We recognize that it is important to return profits to shareholders appropriately. We will increase dividends and raise the consolidated dividend payout ratio to 40%. We will consider shares repurchase as necessary, considering optimum capital structure and surplus funds.

The 2023 Medium-Term Business Plan is the second stage toward realizing the Meiji Group 2026 Vision. During this period, we will enhance our Group management and make investment for the future growth. Through these initiatives, we will ensure growth in the next stage.

#### **Financial Strategy and Capital Rationing**



#### Overview of Medium-Term Business Plan and Important Issues in Management Strategies

#### **Review of Medium-Term Business Plan**

The 2020 Medium-Term Business Plan started in FY2018. It was an important step to provide momentum for realizing the Meiji Group 2026 Vision. Operating profit fell short of the target, leaving some issues.

#### Carried out Structural Reform and Sustainability Activities. Need to Improve Profitability Further

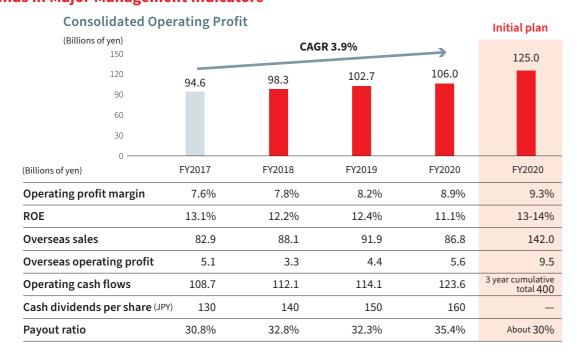
In the 2020 Medium-Term Business Plan, we set five key strategies under the basic concept: address strategic issues continuously and take on challenges for further growth. We achieved results in some strategies, such as implementing structural reforms, enhancing the Group's management platform, and promoting sustainability activities. On the other hand, sales growth for yogurt and chocolate were sluggish and the Pharmaceutical segment struggled in Japan due to the harsh environment. Consequently, we failed to meet the consolidated operating profit target that was established to improve profitability at the beginning of the Plan.

#### **Review of Key Strategies**

Key Strategies	Results	Evaluation
1. Expand share and achieve high profits in core businesses	<ul> <li>In the Food segment, the nutrition business grew, while sales of yogurt (including functional yogurt) and chocolate were sluggish</li> <li>The Pharmaceutical segment entered the vaccine business, while facing major environmental changes due to the COVID-19 pandemic</li> </ul>	\$
2. Expand aggressively in overseas markets and establish growth platform	<ul> <li>Decided to invest in construction of new plant and started selling SAVAS products in China</li> <li>Formed a business tie-up with Danone and expanded to Europe</li> </ul>	\$
3. Propose new value in health care domain	Established the Co-Creation Center	\$
4. Continue structural reforms and resolve specific business issues in each business	<ul> <li>Promoted reconstruction of production systems, such as plant shutdowns, and transfer of non-core businesses</li> <li>Progressed the structural reform of the drinking milk business</li> </ul>	\$\$
5. Enhance Meiji Group management platform and promote sustainability	<ul> <li>Introduced Chief Officer system</li> <li>Established an organization to promote sustainability and formulated a Long-Term Environment Vision</li> </ul>	\$\$

\$\$: Good \$: Average

#### **Trends in Major Management Indicators**

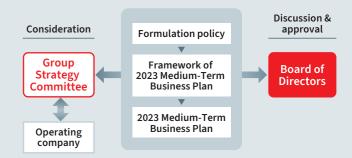


#### Formulating the 2023 Medium-Term Business Plan

#### **Formulation Process**

The Group Strategy Committee Created the Framework, Group Companies Incorporated It into Strategies, and the Board of Directors Resolved to Approve

In formulating the 2023 Medium-Term Business Plan, the Group Strategy Committee met a total of 11 times to discuss the framework of a group-wide plan. The members of the Committee, including chief officers, shared business environment change that the Meiji Group faces, strengths that the Group could exhibit, and issues to be overcome. After sharing their understanding, the chief officers identified the goals of the 2023 Medium-Term Business Plan and discussed them many times at the Board of Directors, including



outside directors. Outside directors provided feedback and advice from a variety of perspectives according to their own experience. Based on this framework, operating companies incorporated what was discussed into specific strategies in their segments. In this way, we formulated the 2023 Medium-Term Business Plan.

#### **Direction of the Meiji Group's Goal**

#### Introduce ROESG and Become a Company That Can Contribute to Solving Social Issues Globally

Based on discussions at the Group Strategy Committee and the Board of Directors, the Meiji Group decided its direction that will contribute to help solve social issues globally. Thus we can realize the materiality for both stakeholders and the Meiji Group together. It is the guiding principle of our management strategies. According to this direction, we established a specific business strategy, financial strategy, and sustainability strategy for the 2023 Medium-Term Business Plan. To realize this direction, we introduced ROESG that combines ROE with ESG to check and confirm progress and results.



#### **Perceptions of Environment**

Opportunities	Threats	Impact of COVID-19 pandemic
Growing consciousness on prevention and health Growth in overseas emerging economies and growing middle-class Aging in Japan Expanding e-commerce Growing environmental awareness and ethical consumption	Shrinking domestic market due to population decline Growing awareness of deflation among consumers Impact of climate change on supply chain Food shortages due to global population growth Transition to digital formats	Increased brand loyalty     Decline in inbound demand     Consumer thriftiness     Workstyle changes     (commuting, working from home)     Patient reluctance to visit medical institutions

#### Strengths and Weaknesses of the Meiji Group

Strengths	Weaknesses
Health-oriented product lines     Sound financial structure     Evidence-based marketing     Expertise, integrating knowledge in Food and Pharmaceuticals     Library and core technology (lactobacillus, nutrition engineering technology, vaccine development, etc.)	Disseminating information (Meiji brand, sustainability)     Diversity & inclusion     Developing overseas markets

Overview of Medium-Term Business Plan and Important Issues in Management Strategies

2023

## Overview of Medium-Term Business Plan

The 2023 Medium-Term Business Plan started in FY2021.
Under the concept of promoting the Meiji ROESG
Management effectively, we will enhance our corporate value.
To achieve the Plan, we identified four key issues.
We will address and solve these issues.

#### Concept

## Promote the Meiji ROESG® Management Effectively

Realize both profit growth and sustainability activities

ROESG is a management indicator proposed by Kunio Ito, a professor at Hitotsubashi University. It is the combination of ROE and ESG. We incorporated indicators unique to the Meiji Group into ROESG and created Meiji ROESG, the new management indictor. We will grow profit, improve ESG indicators, and achieve sustainability goals.

The Meiji ROESG multiplies ROE, which represents business growth, by the index showing the degree of achievement of ESG goals. We have also established indicators unique to Meiji. When these indicators meet their targets, the Meiji ROESG adds points, calculating total scores.

Through the Meiji ROESG management, we will disclose the status of the Meiji Group's ESG initiatives to the public. We will listen to various opinions/demands and communicate with our stakeholders. By engaging and communicating with stakeholders, we will generate an effective cycle that enhances our ESG initiatives.



\* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

#### **ESG Indicators**

Our ESG indicators are the combination of overall ESG evaluation and environment focused rating. We chose MSCI ESG Ratings, '1 DJSI,'2 and FTSE4Good'3 because we need a global perspective for our ESG initiatives as we aspires to achieve growth in the global market. They use only disclosed information when evaluating ESG. Therefore, we should boost information disclosure. In addition to these indicators, we selected two CDP'4 indicators to enhance our initiatives for environmental issues, whose importance is increasing.

#### **Targets**

Evaluation indicator	FY2020	FY2023 target
MSCI ESG Raitings	BB	Α
DJSI	80% (52 pts.)	90% (75 pts.)
FTSE4Good	3.0 pts.	3.5 pts.
CDP (Climate Change)	A-	А
CDP (Water Security)	A-	А

- \*1 MSCI ESG Ratings: ESG ratings calculated by MSCI, an influential financial service firm in the U.S., based on information disclosed by companies
- \*2 DJSI: An ESG investment index developed by U.S.-based Dow Jones and RobecoSAM, a Swiss investment advisory company
- \*3 FTSE4GOOD: An ESG investment index announced by FTSE International, a wholly-owned subsidiary of the London Stock Exchange
- \*4 CDP: An international non-profit organization headquartered in London It collects, analyzes, and evaluates information on environmental activities conducted by major companies across the world and announces their ratings

#### Indicators Unique to Meiji

Shown in the table below are the six indicators the Meiji Group has established. Five of these indicators are selected from the social issues that we particularly focus on under the 2023 Medium-Term Business Plan. We have an edge in such domains and thus, by working comprehensively on these five themes, we may increase our corporate value in the short term. In other words, we can realize both profit growth and sustainability in these fields. We chose "employee engagement" as we consider that human resources are the driver for both business and ESG.

#### **Targets**

Indicator	Target
Extend healthy life expectancy	+1 year (compared to 2016)*1
Amount of protein intake	75 g/day
Vaccination rate for influenza vaccines	60%
Employee engagement score	A*2
Sales growth rate for health-conscious products, nutritional products with added value, products for a super-aged society	At least +10% (compared to FY2020)
Success in and supply of vaccine and therapeutic agent for COVID-19	Development and supply

- \*1 2016 (men 72.14 yrs old/women 74.79 yrs old)
- \*2 2019 survey: Bl

#### Key Issues in the 2023 Medium-Term Business Plan



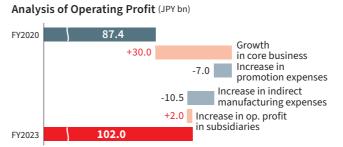
#### KPIs for 2023 Medium-Term Business Plan\*

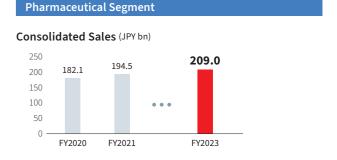
	Indicator	FY 2020	Target for FY 2023
Integrated goal	Meiji ROESG	9 points	13 points
	Consolidated net sales	JPY 1,007.1 bn	JPY 1,080.0 bn
Growth and Profitability	Consolidated operating profit (profit margin)	JPY 106.0 bn (8.9%)	JPY 120.0 bn (11.1%)
	Overseas sales	JPY 86.8 bn	JPY 134.5 bn
Efficiency and Safety	ROIC	10.0%	≥10%
Return	ROE	11.1%	≥11%
to shareholders	Payout ratio	35.4%	40.0%

\* After applying revenue recognition standards for net sales. Note: For FY 2020 reference only

#### 2023 Medium-term Business Plan Target for Sales\* and Operating Profit











<sup>\*</sup> After applying revenue recognition standards for net sales. Note: For FY 2020 reference only

#### What Meiji Aims to Do

## Under the Slogan "Now ideas for wellness," We Will Create Health Value Unique to the Meiji Group

The Meiji Group has created a lot of products cherished by people over many years and built customer trust as a familiar brand. In the meantime, there are a multitude of social issues related to health in our current environment. Such issues include the worldwide spread of infectious disease, increase in lifestyle-related diseases and population aging in advanced countries, and poverty and undernutrition in developing countries. As the Meiji Group is involved in both Food and Pharmaceutical businesses, we believe that contributing to solving these health issues is our mission.

Meiji's corporate image is familiar, safe, friendly, good quality, and trusted by customers. Unfortunately, customers do not recognize our role in supporting health. Therefore, we established our slogan "Now ideas for wellness" so that everyone recognizes "Meiji brand = health" considering our relationship with people, society, and the earth. We will incorporate new ideas into the expertise in food and pharmaceuticals that we have accumulated over more than 100 years since our founding. We will thereby create "health value unique to the Meiji Group" and contribute to realizing a sustainable society.

#### What Is Health Value Unique to the Meiji Group?

With a focus on wellness, the Meiji Group will contribute to customers' physical and emotional well-being for all generations, from babies to the elderly. We will support everybody as much as and as long as possible. Consequently, we will bring healthy, happy smiles and generate a good cycle where people spreads smiles around them. Through a variety of product lines, we will link individual health to the smiles of people all over the world by continually moving through the cycle of Cure, Care and Share. This is the health value unique to the Meiji Group.



#### We Will Provide Health Value to All Stakeholders

The Meiji Group pursues "Now ideas for wellness" and generates the Cure, Care and Share cycle, thus creating health value unique to the Meiji Group. We will provide such value to all stakeholders and contribute to creating a better future for people, society and the earth.

#### **Healthy Society**

- · Thriving communities (Partnership with local communities, social contribution activities)
- · Sustainable sourcing
- · Build mutual trust in relationships with business partners

#### **Healthier Lives** for Customers

- · Live longer, healthier lives
- · Lead healthy, fulfilling lives
- · Tastiness and enjoyment · Product safety and reassurance

#### **Health of Employees**

- · Establish a workplace environment where each employee can demonstrate their strengths and skills
- · Establish workplace environment where employees can stay healthy both mentally and physically

#### **Shareholders & Investors**

- · Sustainable growth
- · Sound financial base, enhanced capital efficiency, and stable profit return







#### **Global Environmental** Health

- · Caring for the earth (environmental conservation, reduced environmental burden, biodiversity conservation)
- · Sustainable sourcing







Now ideas for wellness

#### Based on Strengths Accumulated over the Meiji Group's 100-Year History

The foundation for creating health value unique to the Meiji Group is a number of strengths accumulated over a history of more than 100 years. In the Food segment, we have a wealth of knowledge obtained through our milk, lactobacillus, and cocoa research, as well as excellent nutrition engineering technology. In the Pharmaceutical segment, based on our advanced pharmacological expertise, we have produced results in research on microbial and bio-pharmaceutical technology. We will conduct further study in these domains, and through food-pharmaceutical synergies, will provide new health value that only the Meiji Group can realize.

22 Value Creation Process Meiji Holdings Co., Ltd. | Integrated Report 2021 23

#### **History of Health Value Creation**

The Meiji Group has built more than 100 years of history since our founding. Throughout our history, we have strived to solve many nutritional and health issues faced by society by promoting innovations in the food and pharmaceutical domains. We have launched innovative products that provide more value, thereby creating new markets. Through food and pharmaceuticals, we will continue to create health value unique to the Meiji Group that contributes to help solving social issues. This is the driving force for our motivation to achieve sustainable growth.

#### **Solving Social Issues through Health Value**

1920 **1960** 1980

1923

The infant formula Patrogen is created.

> Sweetened condensed milk was used to supplement breast milk in the Meiji and Taisho eras in Japan. However, it did not provide sufficient nutrition. In 1923, the Food Science Institute Foundation developed Patrogen-Japan's first infant formula including vitamin B1. We obtained the production and marketing rights to this product and introduced it to the market in 1932. We then launched Soft Curd Meiji Infant Formula in 1951, Japan's first soft curd baby formula. It was produced through the heat treatment of milk protein in our effort to help babies' digestion.



Meiji Milk was launched.

Pasteurization of drinking milk became mandatory in 1928. We constructed a pasteurization plant for raw milk after btaining approval under the Milk Business Control Regulations . The production and sale of Meiji Milk started.

Meiji Bulgaria Yogurt was launched.

> In 1971, we launched Meiji Plain Yogurt, which was developed in order to make plain yogurt in Bulgaria, the birthplace of vogurt, In the following year, the Republic of Bulgaria granted naming rights to us and launched Meiji Bulgaria *Yogurt* in 1973. In 1996, *Meiji* Bulgaria Yogurt LB81 Plain received approval of Food for Specified Health Use, It helps achieve a good balance with intestinal bacteria and maintains sound intestinal conditions.



SAVAS series, sports protein for athletes was launched.

SAVAS series were developed and launched based on results from sports nutrition to support on milk protein, we launched

According to our research results SAVAS Milk in 2015. Milk protein is contained in drinking milk and dairy products and SAVAS Milk helps to build physical strength. Its packaging was designed to be easy to drink during exercise

## 1988

Genetically modified hepatitis B vaccine Bimmugen was launched.

> Bimmugen is Japan's first genetically modified hepatitis B vaccine developed by applying genetic recombination technology. It has been adopted for regular vaccination since October 2016.

#### 1989

The benzodiazepine derivative antianxiety drug MEILAX was launched.

> As the aging population grows, we extended our product lines to include central nervous system drugs to improve product mix beyond just antibiotics.

The antibiotic

When we launched MEIACT, we more than 20 countries and areas

The antidepressant DEPROMEL was launched.



メノバランス

Founding Spirit of "Contributing to the Country

through Nutrition" Passed Down to the Present Day

nutrition." Many of the Meiji Group's products were created based on this founding spirit and thus have been passed down continuously to the present day.

The Meiji Group originated from the sugar manufacturing business launched by

the Group's founder, Hanji Soma. Our founder started the business as he wanted

to improve dietary habits in Japan by popularizing sugar, which was a rare food back then. The Company's motto was to "contribute to the country through

The enteral formula Mei Balance was launched.

#### 1998

1995

chocolate Chocolate Kouka was launched.

of the product.

**│ PICK UP /** 

Meiji Mei Balance is to substitute meals at hospitals and nursing homes. The products pursue nutrition, function and tastiness. It is made mainly from casein. a protein derived from cow's milk. Whey, well-balanced amino acids, is added to the products.

The high cocoa content

Chocolate Kouka is seeking the health value of cocoa polyphenol. Consumers eniov the strong flavor and taste of cocoa beans, while gaining health benefits. The product is low carbohydrate and low GI, and blood sugar levels increase slowly after intake

people don't like milk very much. We established the Natural Taste Manufacturing Process to minimize sacrificing the flavor of fresh milk. Using this method, Meiji Oishii Gyunyu has realized the deliciousness of raw milk right after milking

Although everyone knows milk is nutritious, some

2002 The drinking milk Meiji Oishii Gyunyu was launched.



Meiji Probio Yogurt LG21 has created new health value, thereby expanding the possibility of lactobacilli and cultivating new markets

2000 Meiji Probio Yogurt LG21 was launched. 2009 Meiji Probio Yogurt R-1 was launched.

2014 Meiji The Chocolate was launched.

Meiji The Chocolate combines cocoa beans from different producing areas and various processing methods in order to produce rich flavor. We have been supporting cocoa farmers for sustainable production of high-quality cocoa beans.

2020

Hanji Soma

2020 Meiji TANPACT series was launched.





Protein intake among people today has declined to the level of the 1950s. The TANPACT brand contributes to solving undernutrition, a current social issue. Consumers can enjoy delicious protein anytime and

#### 1946

Started manufacturing penicillin

We promoted penicillin research during World War II and started manufacturin penicillin in 1946 after obtaining production approval, Later, we developed a number of antibiotics. including STREPTOMYCIN MEIJI in 1950, KANAMYCIN MEIJI in 1958, and PANIMYCIN in 1975. These antibiotics saved many human lives from the post-war to high economic growth period in Japan.

## 1975

The agricultural chemical product ORYZEMATE was launched.

ORYZEMATE is safe and effective rice blast preventative. It has a novel mechanism of action, inducing disease resistance in rice. It has been greatly contributed to stable production of rice since its launch as a basic rice blast preventative

#### 1994

MEIACT was launched.

promoted its feature, which is potent antimicrobial activity against Staphylococcus aureus. Later we found that it demonstrates antimicrobial activity against penicillin-resistant Streptococcus pneumoniae and beta-lactamase negative ampicillin-resistant Haemophilus influenzae. MEIACT is currently sold in

#### 1999

DEPROMEL is Japan's first selective serotonin reuptake inhibitor (SSRI)

#### 2008

Generic drug business The high blood pressure medication AMLODIPINE MEIJI was launched.

We entered the generic drugs business, where we provide convenient, high-quality, low-priced generic drugs based on technologies developed through new drug development

#### 2009

The antidepressant drug REFLEX was launched.

> REFLEX is classified as the only noradrenergic and specific serotonergic antidepressant (NaSSA).

#### 2016

Treatment for schizophrenia SYCREST was launched.

SYCREST is Japan's first sublingual atypical antipsychotic tablet with proven efficacy and safety

#### 2020

**KM Biologics** promotes development of novel coronavirus and dengue virus vaccines.

Development of vaccines has become a social issue for many countries while the world is exposed to the threat of COVID-19 and other infectious diseases. KM Biologics Co., Ltd. has a wealth of knowledge, expertise and scientific accomplishment in this field The company is advancing research and development of vaccines against COVID-19 and dengue virus.



Strengthen

**Each Capital** 

#### The Meiji Group's Process for Value Creation

The Meiji Group's competitive advantage is attributed to our business model. It is based on the accumulated variety of capital and its strategic distribution as well as our strong value chain. Through these processes, we create health value unique to the Meiji Group across the Food and Pharmaceutical segments. Accordingly, we will contribute to solving various important social issues. When we operate our business, we will realize both profit growth and sustainability and increase our corporate value while placing emphasis on ESG.

#### **External Environment and Social Issues**

Realize the Meiji Group's Ideal Corporate Identity (the Group Philosophy and Meiji Group 2026 Vision)

Input

**Capital Distribution** (Strategy)

**Business Activities** 

Outcome

**Financial** Capital

Intellectual Capital

Human Capital

Manufactured Capital

Social Capital

**Natural** Capital

#### 2023 Medium-Term **Business Plan**

#### **Promote the Meiji ROESG® Management effectively**

Realize both profit growth and sustainability activities

#### **Business Strategy**

- Food Segment
- Pharmaceutical Segment
- Group-wide

**Improve business** management using ROIC effectively

Invest in business for future growth while constructing strong financial base

**Promote the Meiji Group** Sustainability 2026 Vision

Page 20

#### Now ideas for wellness

Combination of the strengths cultivated over the Meiji Group's 100-year history and the latest technology and findings

#### **Value Chain**

#### Creating Markets with a Strong Value Chain

The Meiji Group's strength lies in our value chain that is based on reliable quality. This value chain creates new value and delivers products with that value to our customers.



**Corporate Governance** > Page 68

**Human Resources** 

Page 56

#### **OUTPUT**

#### Valuable Information Related to Food and Health

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

Sports nutrition

(sports protein)

Enteral formula

Infant formula

#### Variety of Products for Improving Health and Nutrition

Yogurt

Drinking milk

Chocolate

Cheese

Food **Business** 

**Pharmaceutical Business** 

- Food-Pharmaceutical **Synergies**
- Systemic antibacterial drugs
- Vaccines
- Antidepressant &
- atypical antipsychotic drugs Generic drugs
- Blood plasma products
- Agricultural chemicals
- Veterinary drugs

#### **Enhance Corporate Value**

- Sustainable corporate growth
- Accumulate financial capital and steady return to stakeholders
- Promote sustainability and contribute to solving social issues

#### **Create Health Value**

Provide all stakeholders with health value unique to the Meiji Group

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#### **Description of Capital**

#### **Financial Capital**

- Can stably generate cash flows for growth investment
- Sound and robust financial structure High profitability through
- high-market share product lines in industry

#### **Intellectual Capital**

- Knowledge and expertise accumulated over a 100-year history
- Basic research (lactobacilli, cocoa, microorganism, fermentation, biotechnology and drug discovery
- Patents Manufacturing technologies
- Product commercialization expertise

#### **Human Capital**

- Personnel who embrace the meiji way WEB Mission and Vision D
- Employee-friendly workplace environments
- Respect diversity

#### **Manufactured Capital**

- · Production and sales bases located in Japan and overseas
- Food distribution network designed to cover all temperature ranges (room temperature, chilled and frozen)
- Production system that guarantees stable supply of high-quality pharmaceuticals

#### **Social Capital**

- Reliable Meiji brand
- Strong brand that produces high market shares
- Relationships with suppliers and business partners
- · Strong, close relationships with our customers
- Engagement with shareholders and investors

#### **Natural Capital**

- Rich ingredients (cocoa, raw milk, microorganisms such as lactobacilli and actinomycetes)
- Energy
- Water

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#### The Meiji Group Value Chain

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

**Initiatives to Enhance Strengths** Healthier Lives Caring for the Earth Sustainability-related Thriving Communities Sustainable Sourcing

#### Research and **Development**



#### Sourcing

Network with dairy farmers

a global supply chain

· Cooperation with cocoa farmers

Network with related organizations



#### **Production and Distribution**

(room temperature, chilled and frozen)

National Health Insurance Systems

formulation technologies

Quality control system (ensure product quality and safety)

Unique manufacturing methods to ensure tastiness

Distribution network designed to cover all temperature ranges

Superior drug production technologies and many advanced drug

Respond to a super-aged society and contribute to maintaining the

• Product lines that cover the entire life cycle from infants to the elderly



#### Sales and Communication



- Accumulated expertise obtained through basic research (lactobacilli, cocoa, microbial fermentation, biotechnology and drug discovery research)
- Collection of microorganisms (lactobacilli and actinomycetes)
- Chemical library (synthetic compounds and microbial metabolites) Excellent R&D capability, product commercialization expertise, manufacturing technologies and related patents
- - Merge expertise in Food and
- Create new markets
- Cultivate a corporate culture that Pharmaceutical businesses encourages taking on challenges
- (use evidence-based ingredients and technologies)
- Discover and develop novel pharmaceuticals

- Implement new R&D approaches in our Co-Creation Center
- Build global supply chains for bulk drugs and raw materials
- suppliers (education and guidance from dedicated
- Stably procure high-quality raw milk in China

· Cost-competitive and stable sourcing of drugs using

Audit and improve quality of bulk drug and raw material

Provide health value from prevention to cure

- that use Japan's robust quality management systems)
- Key Drugs (subsidy to support the stable supply of pharmaceutical products)
- distribution sites

- · Reliable Meiji brand and brand strength
- High market share

the environment

- · Two-way communication and strong, close relationships with business partners and customers
- Drug product lines covering prevention and treatment, as well as comprehensive customer support
- Educate about drug-resistant bacteria

- Develop new value
- Establish evidence through clinical development and post-marketing
- Use open innovation and industry-academia alliances

- Increase production capacity for value-added products
- Develop high-quality, efficient production systems globally (low-cost, high-mix, high-volume production at overseas subsidiaries
- Optimize production and distribution systems in Japan and overseas Examine establishing the technology for manufacturing bulk drugs for
- Improve distribution efficiency and reduce costs by consolidating

· Build supply chains with consideration for social expectations and

- Run marketing campaigns and sales promotions to provide information on product features Provide complete information from prevention to treatment (dedicated medical representatives)
- Enhance network of the Meiji Group and medical specialists
- (pediatrics, ENT, internal medicine, psychiatry, hematology)
- Expand the Meiji Group's drug sales networks established in Asia and Europe (Thailand, Indonesia, China, U.K., Spain)

#### Contribute to healthy eating habits Develop health-conscious products

- Develop nutritional products with added value
- Develop products for a super-aged society

#### Measures against infectious diseases

- Develop novel pharmaceuticals and vaccines for infectious disease
- Superior quality management of clinical trials and clinical data

#### Reduce environmental impact

Develop environment-friendly agricultural chemicals

#### Stable sourcing

Physical and chemical analysis and development of new testing techniques to stably procure premium quality raw milk

#### Dialogue with stakeholders

Conduct supplier audits

#### Stable sourcing

- Technical support and livelihood support for cocoa farmers
- Farm management support program for dairy farmers in Japan
- Secure bulk drug suppliers and have multiple suppliers

#### Responsible sourcing of raw materials (paying attention to human rights and the environment)

- Procure based on Procurement Policies and Guidelines
- Support for cocoa farmers (increase amounts of sustainable cocoa beans)
- Promote the use of 100% RSPO-certified palm oil
- Promote the use of environment-friendly paper
- Support farm management for dairy farmers

#### **Ensure product quality and safety**

• Efforts to obtain Global Food Safety Initiative certification

#### Stable supply of pharmaceuticals

- Ensure the sustainable supply of pharmaceuticals (important antibiotics, etc.)
- Ensure stable supplies of agricultural chemicals and veterinary drugs

#### Reduce CO<sub>2</sub> emissions

- Promote renewable energy Invest in energy-efficient equipment
- Introduce green electricity

#### Eliminate the use of specified fluorocarbons

Promote replacement with CFC substitutes and natural refrigerants

#### Secure water resources

- Appropriate Water Management and Water Risk Management

#### Contribute to healthy eating habits

• Disseminate information to promote health and nutrition

#### Improving nutrition in developing countries

- Improve access to nutrition in developing countries
- Support famine relief in developing countries
- · Offer new food culture and cuisine
- Improve access to medicine (mainly in China and Southeast Asia)

#### **Ensuring product quality and safety**

- · Educate about drug-resistant bacteria
- Provide hygiene education
- Provide infection control expertise to agriculture and livestock industries

#### Reduce water usage

Sustainability-related

#### Reduce CO<sub>2</sub> emissions

Support the TCFD and join the Consortium

#### Reduce environmental impact

- Reduce industrial waste
- Expand use of bioplastics and recycled plastics
- Use lighter and thinner plastic container packaging and switch to alternative materials (paper, etc.)
- Cut food loss through efficient production and distribution

#### **Protect local biodiversity**

- Activities to protect forests Biodiversity conservation
- Promote diversity and develop human resources · Promote diversity & inclusion
- Secure and develop human resources
- Increase the ratio of female managers Increase the ratio of employees with disabilities
- (above the statutory employment quota)
- Procure raw materials (paying attention to human rights and the environment) (cocoa, palm oil, paper, raw milk, bulk drugs)
- Continue to support cocoa farmers and farm management for dairy farmers in Japan

#### **Employee-friendly workplaces**

- Employee-friendly workplace environments (encourage health and productivity management)
- Enhance employee engagement

#### Respect and promote human rights

- · Conduct human rights training
- Implement human rights due diligence

#### Promote philanthropic activities

 Contribute to society through community activities, emergency aid and support in affected areas, and our products

# Main Challenges and Future Initiativ

- Maximize the Meiji Group synergies
- Create unique value that will extend healthy life expectancy
- Combat drug-resistant bacteria

- Increase production capacity for high health value products
  - Pursue the value and benefits of protein and increase protein intake Reduce the environmental impacts resulting from product

Ensure stable supply of environment-friendly agricultural chemicals

- development through to disposal Plan and implement energy-saving and water risk programs
- Promote food and health value through e-commerce channels
- and unique value · Introduce a new food culture into overseas markets Increase sales of drugs manufactured at overseas sites in the

Successfully penetrate overseas markets through Meiji quality

- Expand environment-friendly agricultural chemicals globally
- Expand vaccines overseas, especially to Asia

#### Disseminate the Meiji Group's new slogan, "Now ideas for wellness" Enhance employee engagement

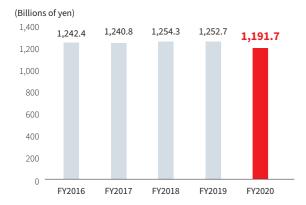
- Respect diversity
- Create a safe and healthy workplace environment

· Contribute to society through community activities, emergency aid and support, and our products

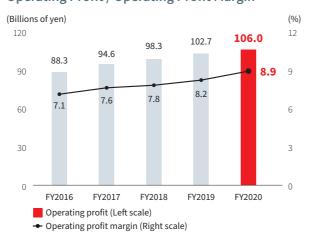
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#### Financial and Non-Financial Highlights (Main Indices)

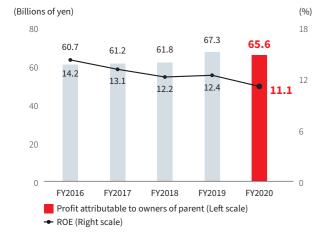
#### **Net Sales**



#### **Operating Profit / Operating Profit Margin**



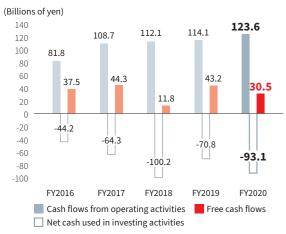
#### Profit Attributable to Owners of Parent / ROE



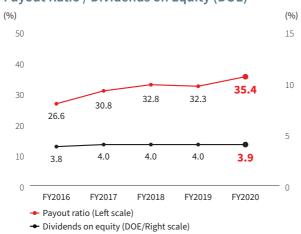
#### Shareholders' Equity / Shareholders' Equity Ratio



#### **Cash Flows**



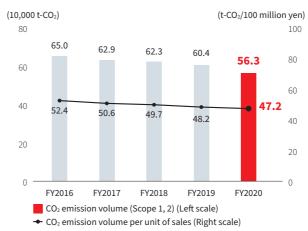
#### Payout Ratio / Dividends on Equity (DOE)



- \*1 Applies to the Meiji Group (the domestic Meiji Group and 12 overseas production plants <13 plants in FY2020>). The per production unit is calculated from the consolidated sales.
- The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019.
- \*2 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales. The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019.
- \*3 Applies to the domestic Meiji Group. The per production units are calculated from domestic consolidated sales. The global data; applies to the Meiji Group (the domestic Meiji Group and 12 overseas production plants <13 plants in FY2020>). The per production unit is

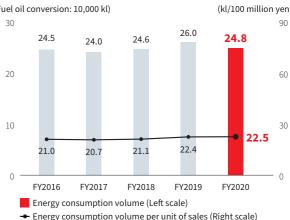
The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's production plants were included from FY2019. From FY2018, only industrial waste generated from production sites was included in the waste volume. Past data has been revised

#### CO<sub>2</sub> Emission Volume (Scope 1, 2) / CO<sub>2</sub> Emission Volume per Unit of Sales \*1



#### Energy Consumption Volume per Unit of Sales \*2 (Fuel oil conversion: 10,000 kl)

**Energy Consumption Volume /** 

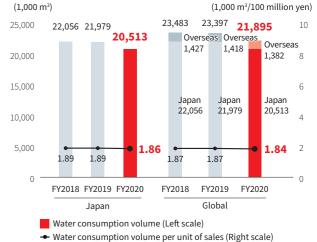


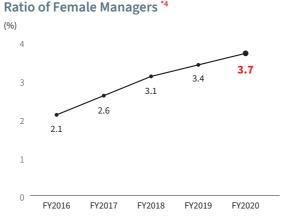
#### Waste Volume / Waste Volume per Unit of Sales \*3



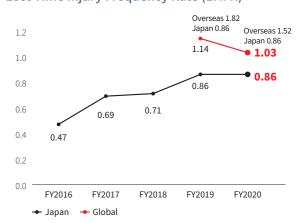
#### Water Consumption Volume per Unit of Sales \*3

Water Consumption Volume /





#### Lost Time Injury Frequency Rate (LTIFR) \*5



- \*4 Applies to Meiji Holdings Co., Ltd., Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd. and KM Biologics Co., Ltd. KM Biologics Co., Ltd. was added and included in the calculation from FY2018
- \*5 For FY2016 through FY2018, applies to all plants and research laboratories in the Meiji Group in Japan including consolidated subsidiaries (but excluding KM Biologics Co., Ltd., Meiji Feed Co., Ltd., OHKURA Pharmaceutical Co., Ltd. and Okinawa Meiji Milk Products Co., Ltd.). The Meiji Group in Japan including consolidated subsidiaries, Okinawa Meiji Milk Products Co., Ltd., and all the operating sites of overseas Group production companies have been included in the calculation since FY2019. Lost Time Injury Frequency Rate: Number of casualties ÷ Total working hours × 1 million



## Under the Banner of the "Meiji Nutrition Statement," We Will Create Unique Value with Our Original Technologies

## Promoting Structural Reform and Establishing a Growth Foundation for Business in China Under the 2020 Medium-Term Business Plan

One of the major achievements of the 2020 Medium-Term Business Plan is structural reform. We liquidated group companies in non-core businesses, shutdown the Hokuriku and Okayama Plants, and discontinued unprofitable products. We are also working on organizational reform and removing internal barriers. We have integrated the sales departments in branches across Japan, which were organized by products, and restructured them by distribution channel. We have also reorganized the head office divisions based on functions such as development, marketing, and sales. We have integrated separate research laboratories in 2020 to build a R&D system that create new products through synergy across business areas, rather than simple addition.

In overseas business, we established a solid growth foundation for sales expansion in China. In 2019, we established Meiji (China) Investment Co., Ltd. as a managing company to optimize business strategies and strengthen management in China. In 2020, we invested in AustAsia Investment Holdings Pte LTD., which operates dairy farms in China, to ensure the quantity and quality of raw milk we source. Furthermore, we have decided to invest in building new plants in Tianjin, Guangzhou and Shanghai.

Meanwhile, in the 2020 Medium-Term Plan, the growth of sales and profit slowed down and remained stable. In FY2020, the final year of the 2020 Medium-Term Business Plan, the impact of the COVID-19 pandemic was significant, and sales of mainstay products such as *Meiji Probio Yogurt R-1* and chocolate were sluggish. Recovering from the slump in these core businesses is one of our major challenges for the future.

(0:11:	FY2019	FY2020		
(Billions of yen)	Results	Results	YoY Change	
Net sales	1,049.5	999.6	-4.8% -49.8	
Operating profit	87.3	87.4	+0.1% +0.1	

#### Breakdown of Consolidated Op. Profit (Billions of yen)



\* Recorded the cost of purchased goods from Group companies, divided into direct manufacturing costs and indirect manufacturing costs

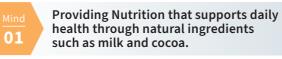
## Provide Society with Products That Meet "Now ideas for wellness" and the "Meiji Nutrition Statement"

Due to the COVID-19 pandemic, people are becoming more health-conscious, and consequently new demand focusing on health is increasing. Contribution to health will help solving social issues, and a lot of food manufacturers are entering this promising area. If competition works well, the market will expand greatly, which will have a positive impact on us. In response to this, we have been focusing on products that maintain good health and increase protein intake in recent years. I believe that the key to success is creating unique value in the future.

To clarify our direction, we have formulated the "Meiji Nutrition Statement." The Statement is to incorporate the spirit of the Meiji Group's new slogan, "Now ideas for wellness," into the Food segment. The Meiji Founding Spirit is "Contributing to the Country through Nutrition." Consequently, we have strived to create products over the years that contribute to people's healthier lives. We created this Statement to seek a sustainable business by contributing to people's healthier lives. I believe that we should only launch products that conform to "Now ideas for wellness" and the "Meiji Nutrition Statement."

#### Meiji Nutrition Statement

#### Meiji continuously evaluates the potential of Nutrition. We always have. We always will.



Providing heartwarming Nutrition through various forms of +1 (Plus One) value.

Using nutrition to help enrich the lives of people in various countries and regions.

WEB Meiji Nutrition Statement

02

## **Expand the Market by Promoting the Unique Health Value of Our Products**

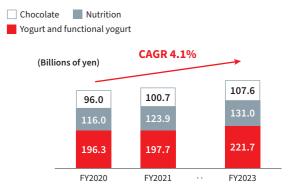
One of the key business strategies in the 2023 Medium-Term Business Plan is to "Recover from the slump in our core business." We should enhance and promote the unique value of our yogurt and functional yogurt to grow them. For example, demand for *Meiji Probio Yogurt R-1* used to grow significantly during the flu season. However, it contributes to a healthy life and maintains good health when you drink it every day. We will promote its value more to society and expand the market.

Meanwhile, using our unique technologies and expertise, we will develop new products that are superior in the market. With new lactobacillus, we are developing a functional yogurt that shows a positive impact for us. We are also considering its potential for "Foods with Function Claims" and hope to spread its value to the world.

In the Nutrition business, sales of sports protein are growing steadily due to the increased health awareness. Sales of *SAVAS* powder have grown significantly because consumers recognize its quality, reaching JPY 21 billion in FY2020. Sales of *SAVAS Milk* have doubled, close to the scale of *SAVAS* powder. The advantage of *SAVAS Milk* is that the milk protein does not coagulate under acidic condition in the stomach and is thus absorbed quickly. This is our unique technology and a major competitive advantage.

To expand the Nutrition business, including sports protein, we will focus on marketing. We will target different products according to age groups, such as *SAVAS* for those aged 15 to 50, *TANPACT* for those in their 50s and 60s, and *Mei Balance* for the elderly. Considering beyond the 2023 Medium-Term Business Plan, we will review our brand strategy to clarify brand identity.

#### **Net Sales in Core Businesses\***



<sup>\*</sup> Before applying revenue recognition standards

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#### **Changing Our Ideas and Pursuing New Growth**

Chocolate, which is one of our core businesses, is currently sluggish. To break through this, we should change our idea about the chocolate business to the cocoa business. We should offer chilled and frozen chocolate products and cocoa drinks to our customers instead of conventional chocolate products. Our unique strength is that we can develop and market products at three serving temperatures—room temperature, chilled, and frozen. Using this to our advantage, we will promote Meiji's unique value and develop new

In the near future, all of our cocoa beans will be sustainable cocoa beans. This means that we will be involved in the entire cocoa bean supply chain and support sustainable cocoa production. When we think of the entire cocoa bean supply chain, there will be many interesting business opportunities. Cocoa beans were originally consumed by middle and south Americans for nutritional enhancement. I believe we can develop products that offer the health value of cocoa beans and create a completely new market. By changing our ideas and expanding our perspective from chocolate to cocoa, I believe we can achieve further growth.

## Increase Investment to Expand Business in China. Develop Strategies that Fit Markets in Europe, the U.S. and Southeast Asia

Accelerating Overseas business is our key business strategy in the 2023 Medium-Term Business Plan. We will expand our business in China, Southeast Asia, Europe and the U.S. In China, we will build four plants in the three years of the 2023 Medium-Term Business Plan to boost our production capacity immediately. We will thereby achieve great results in the next 2026 Medium-Term Business Plan. In addition, we started to sell Meiji Probio yogurt R-1 and LG-21, functional yogurt, in Shanghai in April 2021. Currently, the products are sold exclusively in upscale supermarkets and sales are increasing steadily. As the functional yogurt production line at the local plant was expanded in July 2021, we will increase the supply to encourage market growth. We will introduce a dedicated production line for functional yogurt in the Tianjin Plant in 2023 and eventually the Plant will be our main production base.

In Southeast Asia, we will develop the confectionery business. We will invest in expanding production lines and promote high value-added Meiji products according to local purchasing trends. In the U.S., we are currently producing and selling only confectionery, but we are considering other products such as yogurt. In Europe, we have entered a business partnership with Danone and started production of cube-type infant formula. The product is sold at Boots, a drugstore chain in the U.K., and the sales are favorable.

Eventually, we will expand to other European countries.

Meanwhile, we will continue our structural reforms under the 2023 Medium-Term Business Plan. We have almost finished transferring group companies that have little synergy in terms of facilities, technology, and human resources. During the 2020 Medium-Term Business Plan, we transferred our shares in Meiji Kenko Ham, Asahi Broiler, Meiji Rice Delica, Fresh Logistics, and others to companies that will increase their business value. We introduced ROIC as a management indicator and set targets to improve each business in the 2023 Medium-Term Business Plan. Also, if the businesses do not meet the Meiji Nutrition Statement, we will replace the products with ones that have the Meiji unique wellness value.

#### **Expanding Production Capacity in China**



Production capacity at the end of FY 2023 (Based on monetary amount, compare to FY 2020)

Yogurt About 4 times (Expand capacity in Suzhou'i,

New factory in Tianjin<sup>2</sup>, Guangzhou<sup>3</sup>)

Confectionery About 2 times
(New factory in Guangzhou\*3)

Ice cream About 2 times (New factory in Shanghai<sup>13</sup>)

\*1 FY 2021 \*2 FY 2022 \*3 FY 2023

#### Bring out the Potential of Diverse Human Resources and Venture into New Domains. Also, Build New Business Models using Digital Transformation (DX)

We will strive to "Venture into new domains," set in the 2023 Medium-Term Business Plan. The key is human resources. We have started the Accelerator Program to encourage employees' motivation and bring out potential. About 20 projects have already been launched, including external collaboration. We are creating a system that allows employees to concentrate on these projects away from their current duties. Through these projects, we hope to foster a corporate culture that encourages employees to take on challenges individually. To support that, we will improve the personnel system, and clarify the evaluation criteria so that good results will be rewarded and lead directly to promotion.

We will also promote diversity and inclusion in our human resources. From 2021, Meiji Co., Ltd. is implementing the "DIAMOND Project" under the direct control of the President. The project is to create an environment where women, people with disabilities, and foreign employees can play a more active role at work. To increase female managers, we will recruit experienced women from outside as managers as well as develop competent personnel in-house. We want to raise the awareness and inspire young female employees and vitalize the company by providing role models of female managers.

It is essential for us to use digital technology to "Venture into new domains." One example of Digital Transformation (DX) is the use of the membership database of the Hohoemi Club, a website that we operate. On this website we support child rearing mothers before and after childbirth, and handle various health-related consultations for about one million users. Handling personal information with the utmost care, we analyze the database and are considering a new business model. We will provide necessary nutritional information and products to child rearing mothers according to personal needs.

As DX progresses, our business may change dramatically. For example, instead of just selling yogurt, we can create a new business model to provide novel lactobacilli. Collaborating with various companies, we may offer an innovative service that provides fully optimal yogurt every day made from lactobacilli and *Meiji Oishii Gyuunyuu*, our drinking milk, based on the individual health conditions. We should think boldly, see things from new angles and perspectives, and create new value unique to Meiji using DX.



## We Will Continue to Create New Categories and New Demand

The DNA of the Meiji Founding Spirit "Contributing to the Country through Nutrition" has been passed down to the present day. Looking back on the past, we have been continually launching products that contributes to people's health. Meanwhile, we provide food, and food must taste good. It might be true that "We don't eat to live but we live to eat delicious food," so in that sense, we should eat tasty food more often. Therefore, the products unique to Meiji should be tasty and make customers healthy.

As always, we will continue to create new categories and new demand, as well as stimulate the market. Rather than entering business areas that other companies have cultivated, we will further boost our business strength and create new markets in their surrounding areas. To achieve this goal, we will commit ourselves to creating unique value using Meiji's original technologies and expertise.

Related information in "History of Health Value Creation" (page 24)

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#### We Will Build a Platform for Infection Control by Focusing Management Resources on Businesses that Help to Solve Social Issues

#### A Record-High Profit in FY2020 Thanks to Significant Growth in the Vaccine and Overseas Businesses

One of the major achievements of the 2020 Medium-Term Business Plan was that we entered into the vaccine business as KM Biologics, the No. 1 vaccine company in Japan, joined the Group. As a result, we have built a stable foundation for business growth. Also, we acquired Medreich Ltd. in India in 2014. We succeeded in putting Medreich on a growth track during the 2020 Medium-Term Business Plan. I believe the overseas CMO/CDMO\* business is worth entering to complement and improve the domestic generic business, and is another foundation for major growth in the future.

On the other hand, some new drug candidates failed to meet primary endpoints in clinical studies, and we couldn't achieve the targets to develop drugs discovered in-house. In FY2020, the spread of COVID-19 had a significant impact on our business. Demand for antibacterial drugs, our main product, has been stagnant because people's efforts to prevent infectious diseases resulted in a drastic decline in infections. In addition, the number of outpatients visiting medical institutions decreased significantly. Accordingly, the Japanese pharmaceutical market shrunk.

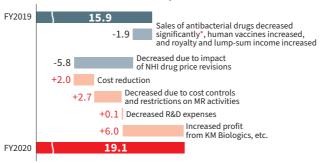
In the second half of FY2020, production yield of influenza vaccines in KM Biologics was good, achieving the record-high

production of 10 million vials. As we started selling our products earlier than competitors, we could secure sales and profits. Ultimately, thanks to the great contribution of KM Biologics and Medreich, the Pharmaceutical segment achieved a record-high profit in FY2020.

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

(Billions of yen)	FY2019 Results	FY2020 Results	YoY Change
Net sales	204.3	193.6	-5.2% -10.6
Operating profit	15.9	19.1	+19.5% +3.1

#### Breakdown of Consolidated Op. Profit (Billions of yen)



\* This was because the number of outpatients visiting to medical institutions decreased due to the COVID-19 pandemic

## Our Urgent Task is to Develop Inactivated Vaccines against COVID-19

During the COVID-19 pandemic, I have reconfirmed that our greatest mission is to develop and supply vaccines and pharmaceuticals against emerging and re-emerging infectious diseases that seriously impact society, as well as antibacterial drugs against drug-resistant bacteria. The stable supply of high-quality pharmaceuticals at a reasonable price is also an important responsibility for us. In the 2023 Medium-Term Business Plan, we will focus our management resources on these business areas and clarify our portfolio. We will also build a platform for infection control in Japan.

To fulfill this mission, we must work urgently on developing a vaccine against COVID-19. KM Biologics is in charge of the formulation of AstraZeneca's vaccines. We have established a system to supply formulated vaccines using the cold chain built for our seasonal influenza vaccine.

In the meantime, KM Biologics has been developing inactivated vaccines domestically with the government's support, and phase I/II trials are underway. Many inactivated influenza vaccines were developed and approved. We believe that inactivated vaccines are essential if we need to be vaccinated periodically because their safety data has been accumulated.

Furthermore, we have experience in developing prototype vaccines\* for pandemic influenza. Application of this experience to novel coronavirus will enable easier response to variants and prompt manufacture and supply of a desired pandemic vaccine. Success in vaccine development will be a big step toward periodic vaccination, just like flu vaccines. We have to secure vaccines for 120 million Japanese and this will be a big challenge for us. Moreover, we are developing vaccines using new technologies to respond quickly to unknown infection risks.

 A vaccine developed against a family of viruses. They could be quickly modified to protect against specific virus within the family that posed a serious health risk to the world.



Headquarters and Kumamoto Production Center of KM Biologics Co., Ltd. The main building, blood plasma fractionation production building, vaccine production building, etc. are located on a site of about 147,000 m².

WEB

KM Biologics Co., Ltd. 🖸

## Expanding Medreich's CMO/CDMO Business to Contribute to Improving Access to Drugs for People around the World

Expansion of the overseas CMO/CDMO business is also one of the key strategies of the 2023 Medium-Term Business Plan. The world's population is growing rapidly, and consequently, access to drugs is becoming a major social issue, mainly in Asia and Africa. The CMO/CDMO business at Medreich will contribute to help solving this issue. The future growth rate of the CMO/CDMO business is expected to be higher than the average growth rate of the pharmaceutical industry, which is very promising for us. To accelerate this growth, we need to make further major investment, such as the capacity expansion of existing facilities and new plant construction in Medreich. We will review the portfolio in the Pharmaceutical segment and invest management resources efficiently in the CMO/CDMO business to promote growth.

We will use ROIC as an indicator to manage our business portfolio from the 2023 Medium-Term Business Plan. We should develop innovative new drugs, including vaccines. Specifically, the development of biopharmaceuticals requires huge upfront investment, so we cannot to afford to fail. We want to recover this upfront investment and reach break-even point during the 2023 Medium-Term Business Plan. The new drugs will be the growth engines, providing value and a strong foundation for future growth, for the 2026 Medium-Term Business Plan and beyond. To realize this, we need to understand the current status of new drug development in the value chain and make management decisions considering ROIC.



Medreich in India joined the Meiji Group in 2015. The company is playing a leading role in the CMO/CDMO business. It established a structure to manufacture high quality and low-cost generic drug that meets Japanese standard.

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#### **Sending Human Resources Outside** the Company to Promote Open Innovation for Innovative Drug Discovery

Human resource management is extremely important for further growth in the future. The Pharmaceutical segment is facing a situation we never experienced before. To get out from such difficulties we should use external resources and make up for the lack of cutting-edge knowledge. We will recruit excellent researchers from academia and consequently, develop a personnel evaluation system that treats outstanding employees appropriately.

Meanwhile, we send young employees to external institutions to develop them. For example, we have sent researchers to the Office of Pharmaceutical Industry Research, a research institute of the Japan Pharmaceutical Manufacturers Association (JPMA), for three consecutive years to promote research on the utilization of big data and artificial intelligence (AI). In addition, a researcher studying antibiotics against resistant bacteria was hired by the Cabinet Secretariat's Coordination Office of Measures on Emerging Infectious Diseases through open recruitment in 2021. We are also collaborating with academia in the digital transformation (DX) field. We have started joint research with Dr. Shigeto Yamawaki, a professor of "Kansei Brain Science" at Hiroshima University, to implement DX for preventing depression in society.

We are collaborating on drug development for autoimmune diseases with Dr. Tasuku Honjo at Foundation for Biomedical Research and Innovation at Kobe (FBRI), and on drugs for hematopoietic tumors with Dr. Norio Komatsu at Juntendo University. In addition, we are working with Dr. Satoshi Omura at Kitasato University to develop a COVID-19 therapeutic agent derived from Ivermectin analogue, the next-generation derivative, with support from AMED (Japan Agency for Medical Research and Development). Innovative drug discovery is a major theme during the 2023 Medium-Term Business Plan and we strive to achieve our targets through open innovation.



Signed a joint research agreement on "Depression Prevention DX and Social Implementation Using Kansei Brain Science. From left, Professor Shigeto Yamawaki, Professor (Special Appointment) of Hiroshima University: Mitsuo Ochi, President of Hiroshima University: President Kobayashi of Meiji Seika Pharma; President Hara of Macnica Inc.



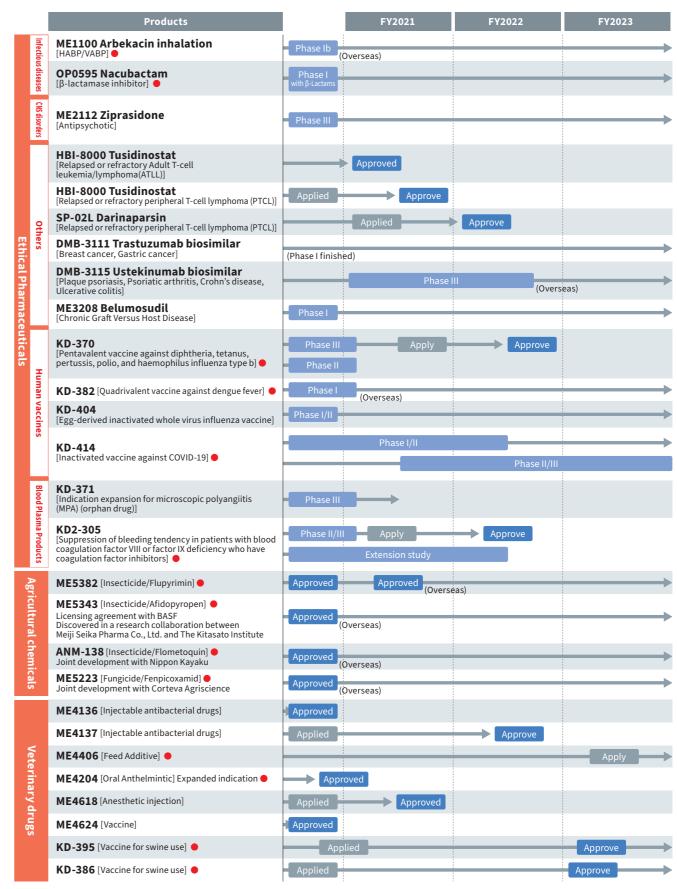
#### **Creating Health Value Unique to** the Meiji Group in Immunological Field by Collaborating with Food segment

Another important theme of the 2023 Medium-Term Business Plan is to "Venture into new domains" by collaborating with Food segment. Although the business structures of Pharmaceutical and Food segments are different, they have one thing in common: they contribute to extending healthy life expectancy when consumed. The pharmaceutical industry is now exploring "Beyond the Pill" and addressing the entire diseases, including nutritional status and lifestyle. In the Meiji Group, various elements in Pharmaceutical and Food segments are connecting each other.

A good example is to develop supplements for patients. These supplements are a part of treatment and to provide necessary nutrients that will decrease due to diseases and science based treatment. Such supplements are classified as food according to Food Sanitation Law. If the Meiji Group can provide both pharmaceuticals and supplements for patients, we can provide treatment and nutritional management in an integrated manner, or CURE and CARE. This will create health value unique to the Meiji Group, which is what we pursue in our new slogan, "Now ideas for wellness." For both food and pharmaceutical products, our goal is to create health value unique to the Meiji Group in immunity. The immune system protects us from infection in various ways. In the Pharmaceutical segment we will practice "Now ideas for wellness" in the field of immunology.

We should become a company that leads the industry in solving social issues through infection control. As an R&D-oriented company, we will continually launch new pharmaceuticals to market. Accordingly, we should enhance the management foundation and rebuild our business portfolio. The 2023 Medium-Term Business Plan is an important period during which we have to achieve these goals. Achieving these goals will be a big challenge for us but we need to do it quickly. We should accelerate further growth by accomplishing these goals.

#### **List of New Products Under Development**



: compounds discovered in-house

\* Out-licensed substances. Please refer to our website for details of the companies and areas out-licensed to.

\* The above information is current as of August 2021



## Toward the Next 100 Years, We Will Design a Future Where Everyone Around the World is Happy and Healthy

## The Meiji Group Will Continue to Grow by Solving Social Issues Through Our Business

The Meiji Group engages in the Food and Pharmaceutical businesses. They both are closely connected to sustainability. Although it seems that pursuing profit conflicts with sustainability, the Meiji Group has grown by solving social issues through our business and contributed to brightening customers' daily lives.

A recent example of such contribution is launching *TANPACT* brand products in the Food segment. Protein intake among people today is insufficient. To increase people's protein consumption, we have developed products across our product categories, such as dairy products, confectionary, and frozen food. We also work together with other companies. Yonekyu Corporation and Yamazaki Baking Co., Ltd. agree to launch *TANPACT* brand products which are not included in our product line. We will further expand our efforts.

In the Pharmaceutical segment, KM Biologics Co., Ltd. is developing a COVID-19 vaccine, which is an urgent issue. We

may launch the vaccine in FY2022 if everything goes well. Even if COVID-19 is successfully controlled, there is still a risk that new infectious diseases will threaten society. The fight against infectious disease is likely to continue forever. We hope to develop both vaccines and therapeutic drugs and build a platform for controlling infections, thereby contributing to society. Pharmaceutical companies that can provide both vaccines and therapeutic drugs are limited, whether overseas or in Japan. We therefore believe that our business is meaningful.

Thus, our businesses are closely connected to sustainability. Companies can no longer improve their corporate value unless they manage business with sustainability in mind. We will incorporate this idea in our 2023 Medium-Term Business Plan, and integrate business management and sustainability through the Meiji ROESG®\* Management.

\* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

### Achieved Significant Progress on our Initiatives for Human Rights and the Environment Issues throughout the Supply Chain in the 2020 Medium-Term Business Plan

#### Formulate the Meiji Group Long-Term Environmental Vision and Make Efforts toward Ambitious Goals

We made significant progress in our sustainability activities under the 2020 Medium-Term Business Plan. We successfully achieved most of the materiality and KPIs. I believe this is the first major step toward achieving the Meiji Group 2026 Vision. However, requirements have gotten higher over the past several years. We should further improve our efforts and continue to work hard.

We achieved three major progresses in the 2020 Medium-Term Business Plan. Firstly, we addressed to human rights and the environment issues, not only within the Group but also throughout our supply chain. We established the Supplier Code of Conduct, identifying issues through dialogue with suppliers and striving to solve them together. To understand the current situation, we have already conducted a survey with 74 primary suppliers in Japan for our major operating companies.\* These suppliers account for approximately 80% of our cost of raw materials and goods. In 2021 and 2022, we will approach the remaining primary suppliers and suppliers for group companies in Japan and overseas. We will promote our efforts for human rights and environment issues.

Secondly, we formulated and announced the Meiji Group Long-Term Environmental Vision: Meiji Green Engagement for 2050. In this Vision, we set four activity domains; "Climate Change," "Water," "Circular Economy," and "Pollution Prevention." They impact on conserving biodiversity and maintaining ecosystems. In the Climate Change domain, we set the goal to realize carbon neutrality throughout our entire supply chain by 2050. It is quite a challenging goal, but we should set difficult goals and make efforts toward them.

Thirdly, we made significant progress on water risks. We had not checked water risks at our domestic and overseas

operating sites yet, especially the plants. Therefore, we analyzed and accessed possible risks for flood, water shortages, and water quality. From a business continuity planning perspective, we prioritized these risks and implemented both physical and non-physical measures.

## Establish the ESG Advisory Board to Further Strengthen the Sustainability Promotion System

Our remarkable progress in sustainability under the 2020 Medium-Term Business Plan was largely attributable to the advanced Meiji Group's sustainability promotion system we have improved. In October 2019, we established the Sustainability Management Department in Meiji Holdings. This helped broaden the scope of our initiatives, enhance the quality of output, and accelerate the strategy execution. As secretariat, the Sustainability Management Department holds meetings for each initiative, and promotes strategy in collaboration with operating companies that implement the initiatives in their business.

In addition, we have been working on two new initiatives since FY2021 to strengthen our promotion system. One is to create a company culture that every employee has a sense of ownership over sustainability activities. In April, we appointed approximately 820 employees as Meiji Brand Promotion Leaders in major operating companies. These leaders work to increase employees' awareness of sustainability through meetings at work.

The other initiative is to establish the ESG Advisory Board. We have invited external experts every year and engaged in dialogue to receive advice on our activities. We will hold the ESG Advisory Board twice a year, regularly from

\* Meiji Co., Ltd., Meiji Seika Pharma Co., Ltd., KM Biologics Co., Ltd.

#### **Identifying Materiality**

Based on dialogue with external experts, we identified materiality in social issues when formulating the Meiji Group 2026 Vision. Since then, we have been updating the materiality based on changes in the business environment and the progress of activities. The table below covers up to FY2023.

Themes	Domains	Social Issues	
		Contribute to healthy diets	
Healthier	Health and Nutrition	Respond to a super-aged society	
Lives		Countermeasures against emerging and re-emerging infectious diseases	
	Climate Change	Reduce CO <sub>2</sub> emissions	
Caring for the Earth	Circular Economy	Reduce environmental impact	
	Water	Secure water resources	

Themes	Domains	Social Issues	
Thriving Communities	Human Resources	Promote diversity and inclusion, and provide training to employees	
Communicies	Society	Respect and promote human rights	
Sustainable Sourcing		Procure raw materials with consideration toward human rights and the environment	

> See pages 48 to 61 and page 82 for the progress of initiatives

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## We Will Focus on Realizing a Circular Economy, in Addition to Climate Change and Water

#### Disseminating Information and Leading a Society Where Sustainability Is Required for Business

The Board of Directors spends a lot of time discussing sustainability more deeply than before. Independent Outside Directors pointed out essential issues and we reflect them to improve our measures. We engaged in dialogue with an external expert, Takeshi Mizuguchi, a professor at Takasaki City University of Economics in FY2020, and we received advice from him. He said, "There are a lot of things the Meiji Group should do to achieve SDGs in the Food and Pharmaceutical business. I would like you to exhibit leadership in the business." While the professor gave positive evaluations for our materiality, he pointed out that some initiatives were not well specified and that we should review some of the KPIs. We will address these issues promptly.

The keywords for the Meiji Group's future sustainability activities are "Environment" and "Human Rights." For the Environment, we will focus on a circular economy, along with climate change and water. We will reduce resources used in our business activities as much as possible and build reusing and recycling systems. For example, our Food segment will use lighter and thinner plastic container packaging, switch to paper materials, and promote reuse and recycling using shipping pallets, etc. For Human Rights, as mentioned earlier, we will respect human rights throughout our supply chain.

Communication with stakeholders is becoming more important. Just explaining our measures may not be sufficient. I believe it is my duty as CSO to communicate the Meiji Group's mission (philosophy) and its concept and

ensure that they are recognized by society. Communicating this information will also increase employees' awareness. Moreover, as a corporate group that handles food, this communication will contribute to creating a trend toward ethical consumption. Through our products and communication, we would like to take the lead in creating a society where sustainability is a requisite for business.

#### Promoting Diversity and Inclusion, and Becoming a Corporate Group Where Diverse Human Resources Actively Participate

The promotion of diversity and inclusion is included in materiality under the 2020 Medium-Term Business Plan. Unfortunately, we failed to produce sufficient results. Independent Outside Directors have pointed out that we should address these issue. Accordingly, we will strive to create a workplace where diverse human resources can actively participate as quickly as possible. Such efforts include to raise the ratio of female managers. Meiji Co., Ltd. has launched the DIAMOND Project Team headed by the president, and the Team is working on internal reforms.

To assess employee engagement, which is the premise for diversity and inclusion, we will conduct an opinion survey to all group employees every year. We will enhance our employee engagement based on result analysis.

See "The Meiji Group Sustainability: Thriving Communities" on page 56 for related information

# Becoming the World's Leading Company in Sustainability Activities When Achieving the Meiji Group 2026 Vision

#### Allocating Budget for ESG Investment and Develop Appropriate Decision-Making Systems for Sustainability

We will actively invest in ESG-related capital expenditure. During the daily operation, frontline workers are reluctant to invest in CO<sub>2</sub> reduction as it increases cost. We have therefore created a system that facilitates ESG-related capital expenditure by allocating budget for ESG investment separate from other investments. In corporate management, it is important to develop appropriate decision-making systems. This applies to sustainability activities. To procure funds, we will issue sustainability bonds that can be used for broader purposes than green bonds.

#### Integrating Management Strategy and Sustainability Strategy and Fulfilling Our Mission for the Future

We hope to become Japan's leading company in sustainability initiatives by the end of the 2023 Medium-Term Business Plan. Also, when we fully achieve the Meiji Group 2026 Vision, we will become one of the world's leading companies; this may not be just a dream. To accomplish this, we must integrate business management and sustainability. The world's most valuable companies have successfully integrated their management strategies and sustainability strategies. We have yet to fully address this issue, so we will

accelerate such integration by promoting the Meiji ROESG
Management set in the 2023 Medium-Term Business Plan.

We have established 2026 and 2030 targets, and 2050 targets for environment issues. Although we are highly motivated, we don't have a roadmap or an action plan to achieve these targets. The gap analyses between our desire and current technologies/infrastructure isn't sufficient. We should find clear path to achieve the targets. Once the direction is determined, all employees in the Meiji Group can work together and generate great power. I will fulfill my duty as CSO to lead the Group.

The Meiji Group recognizes that nothing is more important than sustainability toward the next 100 years. Therefore, we set out the mission, "designing a future where everyone around the world is happy and healthy." We would like to realize a society where people stay healthy and live happy lives with smiles on their faces. We will pursue sustainability activities that aim for such a society.

#### Meiji Group Long-Term Environmental Vision: Meiji Green Engagement for 2050



We formulated the Meiji Group Long-Term Environmental Vision: Meiji Green Engagement for 2050. It is based on the concept of reducing environmental impact associated with business for coexisting with nature into the future.

#### **Three Engagements**

1. Dialogue Aim for 'A Healthy Future. For people. For the Earth'
Dialogue with global environment

2. Promises Promise to maintain a healthy global environment

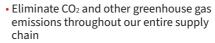
3. Desire to contribute to realization of sustainable global environment Employees voluntarily engage in activities

WEB Environmental Management D

#### Four Activity Domains and Target by 2050



#### Become carbon neutral



Change

• Use 100% renewable energy in facilities



#### Perpetual use of limited water resources

- Reduce water use intensity per unit of sales by 50% compared with FY2017
- Restore 100% of the water used as raw material for products (Water Neutrality)
- Address to reduce water risks in and around facilities and where we procure raw materials



#### Transition to a circular economy

- Achieve zero waste in the manufacturing process
- Use recycled materials in containers and packaging to minimize the use of natural capital



## throughout our business activities Strive to achieve zero pollution due to ch

 Strive to achieve zero pollution due to chemical substances originating from our business activities

**Achieve zero pollution** 

Strive to resolve environmental pollution-related issues throughout our supply

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#### Sustainability Strategy in Medium-Term Business Plan

The Meiji Group's Mission in Sustainability Activities

## Toward the Meiji Group's Next 100 Years, **Designing a Future Where Everyone Around the World is Happy and Healthy**

The Meiji Group will mark the 110th anniversary of our founding in 2026. We must reconstruct our foundations with a view to the next 100 years to further enhance the Group's corporate value. Currently, society is at a major turning point. Companies are required to not only expand their business scale but also contribute to solving social issues through their business activities. We will once again review the significance and role of our business activities in society and strengthen activities unique to the Meiji Group that originated from the idea of solving social issues.

#### The Meiji Group Sustainability 2026 Vision

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

#### **Outline of Vision**

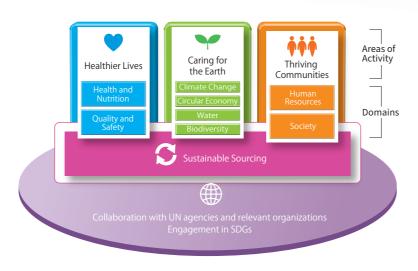
The Meiji Group Sustainability 2026 Vision is broken down into three themes: Healthier Lives, Caring for the Earth and Thriving Communities, plus the shared theme: Sustainable Sourcing. Here, we identify and set materiality issues and KPIs\*. Based on this framework, shown in the figure, we promote specific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

\* KPI: Key Performance Indicator

#### **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. Recognizing that FY2021 marks the beginning of "the Decade of Action"\* to address the SDGs, we are working to achieve the SDGs through the Meiji Group Sustainability 2026 Vision.

\* In January 2020, the United Nations defined the decade up to 2030—the deadline for the achievement of the SDGs —as "the Decade of Action" and called for countries around the world to accelerate and expand their initiatives.





Society is formed based on the environment, and the economy is created based on society. It is essential to work comprehensively on these three fields.

#### Approach to Sustainability Activities under the 2023 Medium-Term Business Plan

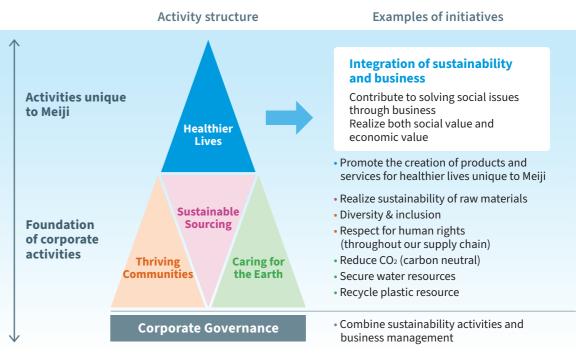
The 2023 Medium-Term Business Plan sets out the concept of realizing both profit growth and sustainability activities. The significance of sustainability has thus increased in business management. We will strengthen our activities so that by FY2023, the Meiji Group will become a company that is highly evaluated internally and externally as an advanced sustainability company in Japan.

#### **Outline of Activity Plan**



#### Structure of the Meiji Group's Sustainability Activities

There is a wide range of sustainability activities. We have organized them into initiatives that exhibit the Meiji Group's uniqueness and initiatives that form the foundation of corporate activities. In particular, we consider that the domain unique to the Meiji Group is centered on "Healthier Lives." Japan faces the issues of a declining population and aging society with a decreasing birthrate, and extending healthy life expectancy is a critical social issue. The Meiji Group aims to contribute to solving these social issues with our Food and Pharmaceutical businesses and to realize both economic value and social value.



#### **Responses to Climate Change**

#### Analyzing Climate Change-Related Long-Term Risks and Opportunities and Reflecting Them in Business Activities

The Meiji Group expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) in FY2019, advancing analysis in line with the Recommendations of the Task Force on Climate-related Financial Disclosures.

#### **Corporate Governance and Risk Management**

We consider climate change-related long-term risks and opportunities and measures to address them at the Group TCFD Committee. The results of the consideration are deliberated on at the Executive Committee, and then reported to and overseen by the Board of Directors. Since the participation of the Risk Management Department in FY2021, which was newly established in Meiji Holdings, we have established a system to recognize and respond to the impact of climate change as a major risk for the Group as a whole.

Climate Change-related
Group Sustainability Promotion System

Board of Directors

Executive Committee

Group Sustainability Committee

Group Sustainability Secretariat Committee

#### **Group TCFD Committee**

Relevant divisions from Meiji Holdings, Meiji, Meiji Seika Pharma and KM Biologics

#### **Results in Scenario (Strategy) Analysis**

In FY2020, we analyzed the medium- to long-term impact of climate change and examined countermeasures for the domains of dairy ingredients, cocoa, antimicrobials (five domestic Key Drugs'1), and vaccines. In the analysis, we established two scenarios (a 2-degree scenario and a 4-degree scenario) based on the information of IPCC'2, IEA'3, etc. and set 2030 and 2050 as the base years.

The analysis for these domains revealed that major impacts (opportunities and risks) expected from climate change have many common features irrespective of the business domain. We also found that these impacts would occur in each process of the supply chain, from sourcing to manufacturing, logistics, and sale.

- \*1 Five of the antimicrobials designated as Key Drugs by four associations (the Japanese Society of Chemotherapy, Japanese Association for Infectious Diseases, the Japanese Society for Clinical Microbiology, and the Japanese Society for Infection Prevention and Control, etc.) are manufactured by Meiji Seika Pharma.
- \*2 Intergovernmental Panel on Climate Change (IPCC): Shared Socioeconomic Pathways, etc.
- \*3 International Energy Agency (IEA): Sustainable Development Scenario, New Policies Scenario, etc.

#### Major impact in the 4-degree scenario

		Change related to climate change	Major impacts	Impact on Meiji Group	
1		Change related to climate change	Major Impacts	Supply chain	Specific impact
	Physical risks	Change in growth environment of biological resources due to changes in temperature, precipitation, etc.	Decrease in yield of raw materials	Sourcing	Impact on raw materials sourcing cost
	*1	Increase in severity and frequency of typhoons, torrential rains, etc.	Opportunity loss from flood damage	Sourcing Manufacturing and logistics	Opportunity loss due to site shutdowns, etc.
(	Opportunities	Change in lifestyle due to rising atmospheric temperatures	Change in demand due to global warming	Sales	Increase in demand for products for thirst quenching, heat stroke prevention, etc.
		Change in lifestyle due to new infectious diseases or increased risk of infectious diseases	Change in demand due to avoidance of infectious disease risk	Sales	Increase in demand for vaccines and immune-activation products

#### Major impact in the 2-degree scenario

	Change related to climate change	Major impacts	Major impacts	Im	ıpact on Meiji Group
	Change related to climate change		Supply chain	Specific impact	
	Reinforcement of the government's environmental regulations	Introduction of carbon pricing	Manufacturing	Increase in carbon pricing cost to be borne by the company	
Transition risks			Sourcing and logistics	Increase in cost of carbon pricing compliance to be borne by farmers and suppliers	
*2	Expansion of investment in power facilities due to increase in renewable energy	Increase in amount of electricity purchased	Manufacturing	Increase in cost of purchasing renewable energy derived electricity	
			Manufacturing	Increase in normal electricity purchase cost	
Opportunities	Change in lifestyle due to improvement of environmental awareness	Expansion of ethical consumption	Sales	Increase in demand for environmentally friendly products	

- \*1 Physical risk: Damage from disasters, etc. caused by climate change
- \*2 Transition risk: Risk arising in transition to a decarbonized society for mitigating climate change

#### Major risk matrix in the 4-degree scenario Major risk matrix in the 2-degree scenario Probability of occurrence Probability of occurrence Flood damage to the company Carbon pricing of fresh milk and dairy ingredients In-house dairy ingredients sourcing cost carbon pricing Flood damage to the supply chain Amount of electricity purchased Cocoa beans by the company Carbon pricing of packaging materials Cost of fuel Carbon pricing of Water sourcing cost due to deterioration of Fuel cost of Carbon pricing of cocoa beans in-house water quality

## Clarify the prioritization of major impacts based on the degree and probability of impacts on the Meiji Group

#### **Response to Major Impacts with High Priority**

[Major Impacts in the Areas where Meiji Group can Respond Proactively]

#### 4-degree scenario

Risks	Assume opportunity loss, such as site shutdowns, resulting from flood damage								
	<ul> <li>Identify areas with high flood risk by evaluating w (Non-structural measures)</li> </ul>	rater risk at the in-house production bases of Meiji Group in FY2020  (Structural measures)							
Responses	Prepare an emergency action manual with top priority on saving lives  Conduct evacuation drills in ordinary times	Risk reduction by decentralizing production bases  Mitigate flood damage by reinforcing waterproofing equipment, such as waterstops and waterproof walls *  See "Caring for the Earth" (pages 52 to 55) for countermeasures							

#### 2-degree scenario

Risks	Assume the application of carbon pricing to in-h purchase of electricity, etc. (Scope 2) in CO <sub>2</sub> emis					
	Establish a long-term target of realizing carbon neutrality by 2050	Effect of introducing carbon pricing		<u> </u>		million yen)
Responses through en activity by of renewal:  Consider a and introde Proactively	• Promote reduction of CO <sub>2</sub> emission volume		4-degree	scenario 2050	2-degree 2030	scenario 2050
	through energy saving activities, energy creation activity by solar power generation, purchase of renewable energy derived electricity, etc.	When taking no measures to reduce CO₂ emission volume	7	11	33	46
	Consider acquisition of SBT certification and introduction of internal carbon pricing	When implementing countermeasures to reduce CO <sub>2</sub> emission volume	4	5	24	32
	Proactively consider introduction of new technologies, next-generation energy, etc.	Effect of countermeasures to reduce impact	3	6	9	14
Risks	Assume increases in the amount of electricity pu	rchased due to the purchasing of renew	able en	ergy de	rived ele	ectricity
Responses	• Reduce amount of electricity purchased by expandi	ng energy saving and energy creation				

#### [Impacts of Concern in Raw Material Sourcing]

	Impact of climate chang	ge on agricultural and livestock products is assumed in both	4-degree and	l 2-degree scenarios			
Risks	beans, due	ase in raw materials, such as fresh milk, dairy ingredients, and cocoa to changes in air temperature, precipitation, etc., implementation heat countermeasures, etc. might affect sourcing cost  2-degree scenario  Assume introdu of carbon pricing raw materials					
	Product-related response	Promote added value enhancement to improve the competitive     Optimize product portfolio	e edge in the r	market			
Responses	Response to maintain stable sourcing	Strengthen our relationship with farmers for stable sourcing of Meiji Group's unique initiatives (Meiji Cocoa Support and Meiji					
Response to reduce CO₂ emission volume  • Study of low carbon dairy farming • Cooperation with dairy farmers for realizing low carbon dairy farming							

#### The Meiji Group Sustainability



#### **Healthier Lives**

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



#### **Health and Nutrition**

SDGs for **Health and Nutrition** 









#### Contribute to healthy diets

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

#### Contributing to Healthy Diets in China Through Lactobacilli

#### **Proposing Health Value to the Market** and Creating a New Yogurt Culture

In April 2021, the Meiji Group started selling MEIJI Probio Yogurt R-1 and Meiji Probio *Yogurt LG21* in China. This marks our first launch of these products in an overseas market.

We have been engaged in the drinking milk and yogurt business in China since 2013, using the technology and expertise developed in Japan. The Meiji brand's image of safety, reassurance and quality is already present in China. This has enabled us to earn the trust of a wide range of customers in Shanghai and other areas in Eastern China.

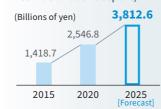
The Chinese government has been promoting the health of the Chinese people under the Healthy China 2030 Plan released in 2016. The yogurt market is expanding in the country with the growth in health awareness. An increasing number of people are also paying attention to lactobacilli as a solution to their own health challenges that they can easily continue to implement.

#### **Disseminating and Promoting Awareness of Characteristics** of the Lactobacilli R-1 and LG21

We have accumulated findings obtained from many years of research on lactobacilli. As a result of this research, we selected the lactobacilli R-1 and LG21. R-1 has the catchphrase "lactobacillus that unlocks your human potential" and LG21 is known as "lactobacillus that works in the stomach." We use these lactobacilli in our MEIJI Probio Yogurt R-1 and Meiji Probio Yogurt LG21, and have contributed to the healthy diets of Japanese consumers through these products. We will also work on developing a functional (probiotics<sup>\*3</sup>) yogurt market in China by promoting awareness of the characteristics of these lactobacilli with information that is based on scientific evidence. Our slogan is "创享酸奶新理念 (Creating a New Philosophy for Yogurt)." We will promote the new habit of selecting yogurt based on the characteristics of *lactobacilli* and contribute to the healthy diets of Chinese

- \*1 "Human potential" expresses our universal desire to live a healthy life.
- \*2 "Works" expresses the characteristic of staying alive in the stomach and propagating better there.
- \*3 "Probiotics" is the term that contrasts with antibiotics. It is defined as a food or bacterial component containing living microorganisms that favorably affect health

**Expanding Yogurt Market** in China (Source: Euromonitor International's Passport)



\* Calculated at a rate of 16.9 yen to the yuan (as of June 30, 2021



Probio Yogurt section at the Lincos Wuxi Suning Plaza store (Maruetsu Inc.)



The sale of MEIJI Probio Yogurt R-1 (left) and Meiji Probio Yogurt LG21 (right) starts in China

#### Promoting Nutrition Education Activities and Online Nutrition Education

> See page 82 for details on progress

#### More than 1 Million Students at 10,000 Elementary and **Junior High Schools Participate in Our Fun Interactive Classes!**

Meiji Co., Ltd. started nutrition education activities in 2006 after the Basic Act on Shokuiku (Food and Nutrition Education) was enacted in 2005. The activities are designed to help increase understanding of food, including the efforts of producers, manufacturing process, and nutritional value, using milk and cocoa beans as themes. We undertake these activities with the aim of fostering the appeal of and gratitude toward food and contributing to customers' healthier lives through understanding of

We have established specialized organizations at the head office and seven bases\* across Japan, and approximately 60 personnel engage in nutrition education activities. As a part of these activities, we started fun interactive classes for elementary and junior high schools in 2006. More than 1 million students at a total of 10,000 schools have participated in the program to FY2020.

In recent years, we have focused on programs tailored to each generation. We hold seminars specifically for senior high schools and colleges, companies, and elderly people to target a wide range of generations. Among these programs is one on health and productivity management targeted at corporate employees. This program has been particularly well received as the theme has been attracting much attention recently.

In FY2020, we started nutrition education seminars online amid COVID-19. The online seminars have helped prevent the spread of infection and expanded participating areas to include areas where our seminars were not previously available, such as remote islands. Going forward, we will further enhance our programs and expand our activities to include even more generations, from children to the elderly.

\* Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima and Fukuoka

#### [Results of fun interactive classes for elementary and junior high schools]

• FY2020

**77,403** students at 775 schools

- Total from FY2006 to FY2020 1 million students
- at around **10,000** schools \* Both figures are cumulative



Online nutrition education seminars have helped pave the way for new opportunities, such as expanded participating areas.

#### Social Issues

#### Nutrition improvement in developing countries

Malnutrition is a serious issue in developing countries. The Meiji Group is implementing a number of initiatives globally to address this issue. We increase awareness of eating habits by providing information on nutrition and promoting appropriate products in cooperation with the Japan International Cooperation Agency (JICA), which works on nutrition improvement.

#### Nutrition Improvement Program for Female Factory Workers in Vietnam

#### **Providing 650,000 female factory workers** with nutrition education by 2030

In recent years, malnutrition among women has become a social issue in Vietnam. Pregnant women, nursing mothers, and female workers in particular face the issue of their nutrition improvement. To contribute to solving this issue, we are working on a program to improve nutrition among female factory workers. The program is aimed at improving the nutritional conditions of women working at factories by nutritionists from MEIJI FOOD VIETNAM CO., LTD. providing them with nutrition education and nutritionally-fortified milk. Up to this point, we have conducted several nutrition improvement seminars at factories of two major Japanese manufacturers, attracting the participation of a total of 370 female workers.

The nutrition research that we conducted in collaboration with Hanoi Medical University has proved that nutrition education and dietary guidance help improve health conditions, including increasing levels of iron, zinc, and calcium in the blood. The research results were presented by Nguyen Thuy Linh, a Doctor of Nutrition at Hanoi Medical University, at an international symposium marking the university's 60th anniversary. In the future, we will expand our nutrition improvement initiative based on this evidence. Our aim is to provide nutrition education to 650,000 female factory workers by 2030.



Nutrition improvement seminar conducted by a MEIJI FOOD VIETNAM CO., LTD. nutritionist



The nutritionally-fortified milk *MEILIFÉ* provided along with a nutrition improvement seminar





Social Issues

#### Countermeasures against Emerging and Re-emerging Infectious Diseases

With more than one year having passed since the emergence of COVID-19, we have renewed our recognition that countermeasures against emerging and re-emerging infectious diseases is a significant social issue. Meiji Seika Pharma and KM Biologics are actively working on the development, production, and distribution of vaccines and therapeutic drugs. They are also proactively providing patients and medical institutions with information that promotes the appropriate use of antibiotics.

#### Initiatives for Development and Provision of a COVID-19 Vaccine

#### **Promoting Development of a Domestically Produced Inactivated Vaccine**

KM Biologics is developing an inactivated vaccine (KD-414)<sup>1</sup> against the COVID-19, leveraging the expertise acquired over the years of developing vaccines. The development is being conducted in collaboration with the National Institute of Infectious Diseases, the Institute of Medical Science, the University of Tokyo, and the National Institutes of Biomedical Innovation, Health and Nutrition.

In March 2021, the company started clinical studies in healthy adults and elderly people, investigating the safety and immunogenicity of the vaccine (Phase I and II clinical studies). KM Biologics is the first company conducting clinical studies for an inactivated COVID-19 vaccine in Japan.

KM Biologics has already obtained approval for production and sale of a prototype vaccine against novel influenza, which may cause a pandemic like COVID-19. We have thus developed a system that enables the vaccine to be produced expeditiously and provided at the time of emergence of pandemic influenza. A new virus could cause a pandemic in the future. Therefore, we will scientifically investigate whether it is also possible to apply for approval for production and sale of the inactivated vaccine being currently developed as a prototype vaccine.

Vaccines developed earlier overseas have been provided in Japan. However, the development of domestically produced vaccines is vital for early containment of COVID-19. We will accelerate our development so that we can provide a vaccine produced in Japan as soon as possible. In doing so, we will strive to realize a society where people can live with peace of mind.

- \*1 A vaccine produced from pathogens or their components obtained by collecting virus particles or bacterial cells from a virus or bacterium cultured in large quantities, refining them, and removing their infectivity and toxicity using chemicals, etc.
- \*2 A mock-up vaccine produced and developed using the model virus for vaccine production before the occurrence of a pandemic on the premise that the vaccine strain produced at the time of a pandemic is changed as needed



Japan's first clinical study for an inactivated vaccine started in March 2021



Inactivated vaccine against COVID-19 being developed by KM Biologics



Developing a domestically produced vaccine is an urgent issue. Development is underway, aiming for the fastest possible

#### Business Agreement on Supply of the AstraZeneca Vaccine in Japan

Meiji Seika Pharma and KM Biologics respectively concluded an agreement with AstraZeneca to supply VAXZEVRIA™ Intramuscular Injection<sup>13</sup>, a COVID-19 vaccine, in Japan. AstraZeneca was granted a Special Approval by MHLW in May 2021 for manufacturing and marketing this vaccine in Japan.

In accordance with the agreements, KM Biologics receive the vaccine bulk in March 2021 and undertook the formulation and packaging. Meiji Seika Pharma takes over storage, shipping and collection of safety information of the AstraZeneca vaccine, by using its own vaccine distribution and supply system. It started domestic operations for distribution of the vaccine in August 2021.

\*3 The vaccine jointly developed by AstraZeneca and Oxford University

#### Initiative to Develop Therapeutic Drugs for COVID-19

To control COVID-19, it is necessary to expand the testing system and develop effective therapeutic drugs as well as development of vaccines. Meiji Seika Pharma has already launched Check MR-COV19, an antigen test kit as a tool for expanding the testing system, in June 2021. As for therapeutic drugs, the company is developing a low molecular weight therapeutic agent and therapeutic antibodies.

#### **Creating Ground-breaking Therapeutics by Using Next-generation Ivermectin Derivatives and Building a Foundation** for Antiviral Drugs\*1

Preventing severe cases of COVID-19 has also become a major challenge. This has increased demand for the development of safe and highly effective therapeutic drugs. In May 2021, Meiji Seika Pharma started joint research and development with the Kitasato Institute, which is known its history and track records of research on infectious disease. The joint work is aimed at creating therapeutic drugs using next-generation derivatives of ivermectin and building a foundation for antiviral drugs. Ivermectin derivatives may be used for treatment of COVID-19 and prevention of the after effects (of the disease), as they have both anti-inflammatory and immune-regulatory effects in addition to antiviral effects. Through this research and development, we aim to create ground-breaking therapeutic drugs for various infectious diseases.

#### Research and Development of Therapeutic Antibodies for COVID-19<sup>\*2</sup>

Meiji Seika Pharma is also working on research and development of therapeutic antibodies for COVID-19. Antibody therapy is considered to be highly effective for COVID-19. We plan to analyze human monoclonal antibodies<sup>13</sup>, select ones that are effective for COVID-19, determine therapeutic antibodies, and consider production methods for the investigational drug used in non-clinical and clinical studies.



Meiji Seika Pharma President Daikichiro Kobayashi (left) and Distinguished Emeritus Professor of Kitasato University Satoshi Omura (right) at a press conference on joint research and development

- \*1 Selected as a project under the Cyclic Innovation for Clinical Empowerment (CiCLE) program of the Japan Agency for Medical Research and Developmen (AMED)
- \*2 Selected as a project under the Research Program on Emerging and Re-emerging Infectious Diseases of AMED
- \*3 Antibodies with a single amino acid sequence that react with only one type of antigenic determinant (epitope)

KM Biologics' Factory Tours and Activities to Increase Awareness of Prevention of Infectious Disease

#### Conducting Factory Tours for Students to Learn About Influenza Vaccine Production Process

KM Biologics conducts factory tours for students to help them learn about the production process for influenza vaccines. Due to the spread of COVID-19, the number of tours decreased in FY2020. We plan to gradually resume tours when the current pandemic settles down.

As we were unable to provide plant tours, we started offering fun interactive classes for elementary and junior high schools to increase awareness of preventing infectious disease.

#### **Providing Fun Interactive Classes for Elementary and Junior High Schools to Communicate the Importance of Health**

With the spread of COVID-19, health awareness is growing. KM Biologics provides fun interactive classes that communicate the importance of health. The classes are aimed at increasing knowledge and consciousness of infectious disease and raising awareness of prevention of infectious disease by teaching basic knowledge of immunity and methods to prevent infectious disease in an easy-to-understand manner. The company conducted the classes at five elementary schools and one junior high school in Kumamoto prefecture in FY2020 (a total of 2,232 students participated). After participating in the classes, students gave us comments, such as "I realized that I need to take thorough prevention measures, such as hand washing and getting vaccinated, in order avoid being infected with COVID-19." Teachers also gave feedback, stating, "The program was so great, offering something that teachers alone would not have been able to provide.

Infectious disease is not limited to COVID-19. We do not know what type of new infectious diseases will appear and when such diseases will cause a pandemic. For this reason, it is necessary for each and every one of us to acquire knowledge on infectious disease and take preventive measures. We will further expand this activity and contribute to realizing a healthy, fulfilling future.



Fun interactive class provided by a KM Biologics employee. It is conducted online during the COVID-19 pandemic.

#### The Meiji Group Sustainability



#### **Caring for the Earth**

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

Under the Meiji Group Environmental Policy, we strive to reduce environmental impact generated from business activities. We also practice corporate management that seeks harmonization with the environment and coexistence with nature.





## **Climate Change**

SDGs for Climate Change





#### Social Issues

#### Reduce CO<sub>2</sub> emissions

In our Meiji Group Long-Term Environmental Vision, we have set the goal of "eliminating all CO<sub>2</sub> and other greenhouse gas emissions throughout our entire supply chain by 2050 (carbon neutral)." We plan to join the international initiative "RE100" and will further promote use of renewable energy. To implement steadily these initiatives, we also aim to obtain Science Based Target (SBT) certification as early as possible.

#### **Energy-Saving Measures**

> See page 82 for details on progress

## Saving Energy by Introducing Highly Energy-Efficient Equipment

We are working to save energy in all stages of our business activities. We reduced CO<sub>2</sub> emissions (Scope 1 and Scope 2) by approximately 24.1% in FY2020 compared to FY2015. We are continually introducing highly energy-efficient equipment in our production sites. For example, we brought two co-generation systems (with an output of 3,200 kW each) into operation at Tokachi Plant in Hokkaido in April 2021. These systems helped reduce CO<sub>2</sub> emissions by approximately 510 tons in one month from the start of

operation. Operating sites are also working to save energy by adopting energy-efficient equipment and reducing operating time through improved operational efficiency of equipment.



Co-generation system at Tokachi Plant of Meiji Co., Ltd.

#### Promoting Use of Renewable Energy

> See page 82 for details on progress

#### **Using Renewable Power at 3 Major Operating Sites**

The Meiji Group has set the goal of increasing the share of renewable energy to 100% of power usage at company sites by 2050. At present, we use renewable power at three operating sites in Japan and overseas (see the table on the right). To achieve our goal, we will continue to expand the use of renewable energy while strengthening our energy creation activities.

#### Energy Consumption Volume and CO<sub>2</sub> Emission Volume for FY2020

	Domestic	Overseas
Energy consumption vol	ume <b>9,766</b> тЈ <b>☑</b>	<b>1,674</b> TJ
CO2 emission vo	olume	
Scope 1	215 thousand tons-CO₂ ☑	24 thousand tons-CO <sub>2</sub>
😞 Scope 2	254 thousand tons-CO₂ ☑	70 thousand tons-CO <sub>2</sub>
Scope 3	2,949 thousand *	187 thousand tons-CO <sub>2</sub>

\* Category 1: Including **2,261** thousand tons-CO<sub>2</sub>

#### (Domestic)

The scope of the consumption volume that are included is noted on p.85. The energy consumption volume is calculated based on the Act on the Rational Use, etc. of Energy (Energy Conservation Act). Scopes 1 and 2 are calculated based on the Act on Promotion of Global

Warming Countermeasures.

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, cardboard, steel, aluminum and glass bottles) used in the food and pharmaceutical businesses.

\* Database of Emissions Unit Values for Calculation of Greenhouse Gas Emissions, etc., by Organizations Throughout the Supply Chain (Ver. 3.1)

#### (Overseas)

13 overseas production plants are included in the calculation. The energy consumption volume is calculated based on the Act on the Rational Use, etc. of Energy (Energy Conservation Act). 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.

#### Sites Using Renewable Energy

Site name	Address
Aichi Plant	Japan
Medreich Limited	India
Medreich plc	United Kingdom

## Installing and Using Solar Power Generation and Other Renewable Energy Facilities

We are installing and using renewable energy facilities, including solar power generation equipment, to reduce CO<sub>2</sub> emissions. We have already introduced solar power generation equipment at 10 sites in Japan and overseas. In March 2021, Tokai Meiji Co., Ltd. installed solar power generation equipment with a capacity of 262 kW. It expects to reduce CO<sub>2</sub> emissions by approximately 190 tons-CO<sub>2</sub> per year. Meanwhile, Meiji Oils and Fats Co., Ltd. increased its use of solar power to account for about 7% of its total power usage (approximately 250,000 kWh per year in FY2020). This initiative was recognized by the Kita-Osaka Chamber of Commerce and Industry which granted a Environmental Improvement Special Award. Some of our other plants are using methane gas resulting from methane fermentation processing as fuel for boilers.



Solar power generation equipment at Tokai Meiji Co., Ltd.



## **Circular Economy**





#### Social Issues

#### ☼ Reduce environmental impact

The Meiji Group aims to utilize limited natural capital as effectively as possible. Based on the idea of a circular economy, we are taking on the challenge of almost eliminating environmental impact from our business activities. We are strengthening our initiatives for plastic resources, in particular. We established the Meiji Group Plastic Policy in June 2020, addressing issues of marine pollution caused by plastic garbage contamination.

#### Reducing Plastic Usage

> See page 83 for details on progress

#### **Shifting to Bioplastics for Packaging and Straws**

In accordance with the Meiji Group Plastic Policy, we have set the target of reducing plastic usage, including packaging, by at least 25% compared to FY2017 by FY2030. Based on the Design for the Environment (DfE) approach, we are reviewing our product designs to reduce plastic usage as much as possible. We also intend to increase use of bioplastics going forward. We have already been replacing plastic cups used for the SAVAS series with packaging that uses bioplastics, starting from products produced in January 2021. Such replacement is taking place for the 650 million straws we use annually. We have been replacing them with straws using bioplastics since February 2021.





Examples of beverages that come with a straw

#### Initiatives to Reduce Food Loss and Waste

> See page 83 for details on progress

#### Reducing Food Loss and Waste Through Year-Month Expiration Labels and Extension of Expiration Dates

Since February 2020, the Meiji Group has been changing food expiration labels for more than 120 products from year-month-date to year-month formats. This is expected to help reduce food loss and waste in the Group's entire supply chain, from production to distribution and marketing. We are also extending the expiration dates of products after confirming that the extension will not affect their quality. For example, we have recently extended the expiration date of *Meiji Hohoemi Raku Raku Milk* from 14 months to 18 months. We also support the Japan Association for the World Food Programme's Zero Hunger Challenge, and are actively working with organizations seeking to reduce food loss and waste.



Meiji Hohoemi Raku Raku Milk

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#### Secure water resources

With the increase in population and economic growth, demand for water is surging across the globe. The Meiji Group recognizes that securing water resources is a key social issue. Water resources are indispensable for our business activities. We therefore work to use water resources efficiently and manage wastewater appropriately. The Meiji Group established the Meiji Group Water Resources Policy in September 2020. We aim to halve our water consumption volume per unit of sales by 2050 and achieve water neutrality\*.

\* Initiative to return the same amount of water used as a raw material for products to nature through water recharge activities

#### Water Consumption Volume for FY2020



The scope of the water consumption volume that is included is noted on p.85. The numerical data indicated with ☑ have been assured by an

#### (Overseas)

13 overseas production plants are included in the calculation

> See page 83 for details on progress

#### Initiatives for Efficient Use of Water

#### **Reducing and Reusing Water at Plants**

We have established a target of reducing the water consumption volume (per unit of sales) of the entire Meiji Group, including overseas sites, by at least 20% by FY2030 and at least 50% by FY2050 compared with the FY2017 baseline. As a result of advancing our initiatives to reduce and reuse water, we achieved a 5.3% reduction in usage per unit of sales in FY2020 compared to the FY2017 baseline. For example, to reduce water usage, we have optimized the amount of water used for the internal cooling coils of process air dehumidifier systems used in the incubation process at Gifu Plant. This is expected to help reduce well water usage at the plant by 450,000 m<sup>3</sup> per year (equivalent to approximately 17%). We are also introducing water-saving hoses and nozzles and using rainwater for toilets. As an initiative to reuse water, we are promoting circular use of water used in the cooling process.

#### Initiatives Related to Quality of Wastewater

#### **Treating Wastewater in Accordance with Strict Self-Control Standards**

To control the quality of wastewater, we have established self-control standards stricter than the laws and regulations of relevant countries. We use an activated sludge treatment method to treat wastewater. For liquid waste with a large drainage load, we adopt a two-step treatment approach, adding a methane fermentation treatment to the normal drainage process. PT. Meiji Indonesia Pharmaceutical Industries actively invests to strengthen its treatment facilities, thereby ensuring compliance with the wastewater control standards.



PT Meiji Indonesia Pharmaceutical Industries' activated sludge treatment system

#### Measures Against Flooding

#### Establishing BCP and Gradually Introducing Facilities to Minimize Flood Damage

We implement both physical and non-physical measures to address flooding risks. As a non-physical measure, we are formulating BCP\* in consideration of the water risk of each business site. As a physical measure, we calculate an estimated amount of damage from the occurrence of risks. We then implement necessary measures at sites in order of estimated amount of damage, starting with the largest. At Odawara Plant, we have already introduced provisional water stops, installed waterproof banks to the transformer substation, and introduced backup boards for the outdoor units of air conditioners. We are also preparing flood procedure manuals for each area while conducting comprehensive drills for flooding.



A drill to set up provisional water stops held at Meiji Seika Pharma Co., Ltd.'s Odawara Plant

\* Business Continuity Plan



SDGs for **Procurement** 





#### Social Issues

#### Protection of local biodiversity

As the businesses of the Meiji Group depend on the abundant gifts of nature, we recognize that loss of biodiversity is a significant social issue. Accordingly, the Meiji Group established the Biodiversity Conservation Activity Policy in October 2020 to maintain the biodiversity of our entire supply chain. We also participate in Japan Business Initiative for Biodiversity (JBIB) and work with other member companies to solve social issues related to biodiversity.

Please visit our website to see the diagram for "Relationship between **Our Business Activities** and Biodiversity."

#### Assessment of Biodiversity Risk in Meiji Group Sites

> See page 83 for details on progress

#### **Research and Assessment** in Key Biodiversity Conservation Areas

The main causes of damage to biodiversity are human activities. Among them, corporate activities in particular have a huge impact. We thus conducted research in areas within a 10 km radius of the business sites of the Meiji Group using IBAT'1 to assess biodiversity risks posed by our business activities. The research revealed that the production plants of the Meiji Group are close to key biodiversity conservation areas, such as nature reserves and KBA'2. We also found that endangered species on the Red List live in some of these areas. Up to this point, we have not confirmed cases where our businesses have directly damaged biodiversity. Based on this assessment, we will make further efforts toward coexistence with nature.

- \*1 Integrated Biodiversity Assessment Tool
- \*2 Key Biodiversity Area

#### Activities in Meiji Group Sites

#### **Conducting Research on the Natural Environment to Improve Biodiversity**

To conserve biodiversity at Meiji Group sites, we conducted research on the natural environment in the Meiji Group Nature Conservation Area Kumamoto Sunlight Forest in 2020. The area is located within KM Biologics Co., Ltd.'s Kikuchi Research Center. The research revealed that Kumamoto Sunlight Forest is a secondary forest with places where Satoyama-like natural environment has been preserved. We also confirmed the existence of endangered wild plants and animals, including clusters of Golden orchid and Gin-ran and Jewel beetle, which are listed in the Red Lists of threatened species published by the Japanese government and Kumamoto Prefecture. Furthermore, we found that the forest served as an important biotope, a green corridor, for the region, with rich ecosystems being preserved. We will endeavor to enhance biodiversity by promoting the recovery of forested lands that have been partially wasted. We will also work with local communities to solve ecosystem issues.



Gin-ran found in Kumamoto Sunlight

#### Supply Chain Activities

> See page 84 for details on progress

#### **Conserving Biodiversity Through Environment-Friendly Procurement Activities**

In procuring cocoa beans, palm oil and paper, which are major raw materials of the Meiji Group, we take human rights and the environment into account. This has contributed to conserving biodiversity.

See "Sustainable Sourcing" on page 60 for related information

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#### The Meiji Group Sustainability



### **Thriving Communities**

The Meiji Group is involved in the Food and Health business and recognizes the importance of this responsibility. We will develop our business in a healthy way to fulfill our social responsibilities. We respect and promote human rights for everyone involved with our business 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 Sourcing







#### Social Issues

#### Promote diversity and develop human resources

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

#### Reinvigorating Group Human Resources to Achieve Sustainable Growth

#### **Established the Group HR Strategy Department in April 2021**

We established the Group HR Strategy Department within Meiji Holdings to help realize the Meiji Group 2026 Vision. The department aims to make the most of our human resources, who are vital management resources for the Group. We will incorporate group management and business optimization perspectives when recruiting and developing human resources and deploying personnel. We will also promote corporate culture reform to enhance employee engagement and increase medium- to long-term corporate value.

#### **Enhancing Employee Engagement as a Management Issue**

Values in the labor market are changing, due in part to the diversification of workstyles. Companies are now seeking to build a relationship of mutual choice with their employees. Thus, it is vital to create an environment where employees understand and empathize with their companies' visions and can devote themselves passionately to their work to achieve sustainable growth. With this in mind, we set out employee engagement as a key management issue in our 2023 Medium-Term Business Plan. We also established an engagement score\* as a target that is linked to remuneration for Directors (and other officers). We will improve management's communication of the Group's vision and promote dialogue at workplace meetings. Through these initiatives, we will proactively create a corporate culture in which the Group and employees unite as one to pursue growth. We will also conduct an engagement survey once a year to understand the status of employees' engagement and perform improvement activities at an early stage.



Workplace meeting (General Affairs Dept. of Meiji Seika Pharma)

#### **Improving Corporate Capability by Each and Every Employee Exhibiting Their Individuality**

Promoting diversity and inclusion is an important issue for the Meiji Group. Respecting the diversity of individuals, including differences in gender, age, language and values, as well as creating value by integrating diverse human resources is vital to enhancing corporate competitiveness. This is why Meiji Co., Ltd. started the "DIAMOND\* Project" in April 2021. The project focuses on initiatives for female empowerment, people with disabilities, seniors, LGBTO+, and global human resources as key domains. We will plan and execute a variety of measures to address these issues.

#### Female Global **Empowerment Human Resources** All Employees Values, Experience, Skills) LGBTQ+ People with **Disabilities** Seniors

**DIAMOND Project** 

#### Interview on DIAMOND Project

#### Hoping to See Each and Every Employee at Meiji Co., Ltd. Shine Like a Diamond

I was transferred back to the Human Resources Department for the first time in 10 years. After starting to work here again, I came to feel that even though Meiji Co., Ltd. has many outstanding employees, it hasn't been able to completely draw out their potential. I identified the company's issues as a person responsible for D&I'1 promotion. I found that it had not fully addressed female empowerment, people with disabilities, seniors, LGBTQ+, and global human resources. Around the same time, I heard that the Olympics and Paralympics Promotion Department was advancing activities to help D&I become a part of corporate culture as a reminder of the Tokyo 2020 Games. I strongly believed that this was an issue that needed to be addressed by the entire company across organizational boundaries. Therefore, I launched a project for D&I promotion and received support from related divisions and departments.

The project name "DIAMOND" expresses various wishes. Each and every employee is a treasure, a stone that will shine if polished. Their talent will sparkle anywhere in the world, enabling them to succeed in the workplace. Also, in the same way that even small diamonds dazzle when put together, the integration of diverse human resources will generate major innovation.

The values of customers and society are diversifying. This can be seen in words like "VUCA"<sup>3</sup> and "new normal." Through this DIAMOND Project, we will break free from homogenization within the company. We will build a corporate culture that enables us to make the most of diverse human resources. I believe this will lead to innovations that can meet the expectations of various stakeholders.

- \*1 Stands for Diversity & Inclusion
- \*2 Comes from the initial letters of Diversity & Inclusion Activities—Meiji's Open & New Directions
- \*3 Comes from the initial letters of Volatility, Uncertainty, Complexity, Ambiguity



Sayaka Sueyoshi Personnel Team **Human Resources Department** Meiji Co., Ltd.



Members launching the Diamond Project

#### Social Issues **Employee-friendly workplaces**

We consider creating a safe and healthy workplace environment to be a corporate responsibility. We are promoting health management, advancing workstyle reforms, and strengthening occupational health and safety to create such an environment.

Promoting Health Management and Turning Employees' Health into a Driving Force for Growth

#### Taking Responsibility for Employees' Health as a Company Promoting "Now Ideas for Wellness"

We aim to continue growing as a corporate group that represents "Now ideas for wellness." The driving force behind growth is the healthier lives of employees. The Meiji Group has published the Pledge of Health and Productivity Management as our policy on promotion of health management. We have also established the Group Personal Health Management Committee, comprised of Group companies and the Meiji Group Health Insurance Society. We determine key targets and initiatives for health management through discussions in this committee, and work accordingly.

Meiji Holdings, Meiji Co., Ltd., and Meiji Seika Pharma have been designated as Certified Health & Productivity Management Outstanding Organizations (White 500 organizations) for five consecutive years since 2017 in recognition of ongoing initiatives for employees' health. These are designations under the Certified Health & Productivity Management Outstanding Organizations Recognition Program operated by the Ministry of Economy, Trade and Industry. KM Biologics was also recognized as a White 500 organization in 2021.

WEB Pledge of Health and Productivity Management D

See "At a Glance" on page 7 for related information

#### **Health Issues and Key Targets**

We have established key targets for health management and implemented initiatives. The establishment of these targets has helped to increase employees' understanding of health management and change their ways of thinking.

#### [Key Targets and Results]

- Achieve a regular health checkup participation rate of 100% (Achieved for four consecutive years from FY2017 to FY2020)
- Maintain a secondary health checkup coverage rate of 100% (Achieved for two consecutive years in FY2019 and FY2020)
- Achieve a participation rate of 70% by FY2023 in a walking campaign designed to encourage regular exercise (The result for FY2020 was 59.8%)

<sup>\*</sup> An indicator that measures employees' empathy for the company

<sup>\*</sup> Stands for Diversity & Inclusion Activities—Meiji's Open & New Directions















#### **©** Respect and promote human rights

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

#### The Meiji Group's Initiatives and System for Promoting Respect for Human Rights

## Identify Issues at the Group Human Rights Meeting and Reflect Them in Business Activities

The Meiji Group has declared respect for human rights in our Corporate Behavior Charter. We engage in corporate activities based on the strong belief that all people are inherently free and deserve equal respect and rights. We launched the Group Human Rights Meeting in July 2019 and have been promoting human rights due diligence. Subcommittees address salient human rights issues, working to understand the present situation and implementing initiatives for remediation. We report these activities to the Group Sustainability Committee twice a year. We also discuss them at the Executive Committee and Board of Directors as necessary so that these activities are linked to business management. We will promote respect for human rights throughout the Group and fulfill the Group's responsibilities.

#### **Past Activities**

2016	Established the Meiji Group Policy on Human Rights
2019	Joined the UN Global Compact     Established the Group Human Rights     Meeting and began human rights     due diligence
2020	Revised the Meiji Group Policy on Human Rights     Established the Meiji Group Supplier Code of Conduct     Began sustainable sourcing surveys for major suppliers     Announced UK Modern Slavery Act Statement

#### Promotion of Human Rights Education to Employees

## Disseminate Human Rights Policy to All Group Employees through E-learning

In FY2020, we provided e-learning on business and human rights to approximately 9,000 employees in Japan. We will provide human rights education to employees of group companies in Japan and overseas starting in FY2021. Through these activities, we will disseminate the Meiji Group Policy on Human Rights and increase employees' awareness of human rights risks in daily operations.

> See page 84 for details on progress



We provide opportunities for employees to learn about human rights from many different perspectives. The document on the left is part of the materials we have created

#### Initiatives for Foreign Workers

#### **Understanding Foreign Workers at Directly-owned Plants in Japan**

In February 2020, we conducted a survey about foreign workers and their work status at domestic directly-owned plants and research institutes of Meiji Co., Ltd. and Meiji Seika Pharma. We confirmed that there were no problems with employment contracts concluded with directly-employed foreign workers and their labor management. We plan to confirm workers' proficiency in Japanese, the presence of technical intern trainees, and the details of duties and the chain of command at 12 operating sites that accept dispatched foreign workers.

#### **Conducting Follow-up Interviews with Domestic Group Companies**

We are conducting interviews with group companies hiring foreign workers based on the results of a survey on foreign workers conducted in FY2019. Due to the impact of COVID-19, we were only able to interview one company. In FY2021, we plan to interview an additional six companies while using the online meeting format.

#### Human Rights Initiatives Implemented Overseas

#### **Announcement of the Modern Slavery Act Statement**

In August 2020, the Meiji Group released a statement describing the human rights initiatives taken in the Group's business activities and supply chain. This statement was based on the Modern Slavery Act 2015<sup>11</sup> established in the UK to addressing modern slavery issues.

We also conducted a simplified assessment on COVID-19 and human rights at domestic operating companies and major group companies overseas. We evaluated the risk of modern slavery under the effects of COVID-19 in light of the UK government's demands in relation to the Modern Slavery Act 2015. We confirmed that, while infections occurred across countries, necessary measures had been taken. Such measures include the development of a working environment for ensuring the health and safety of employees, the protection of privacy and other considerations for those infected with COVID-19, as well as understanding of risks related to suppliers.

In FY2021, we plan to use an assessment system provided by EcoVadis<sup>\*2</sup> and conduct assessments of the sustainability of major Group companies overseas from a broader perspective. We will also conduct assessments of each Group company's suppliers in stages.

- \*1 PDF Modern Slavery Act Transparency Statement 2019
- \*2 A provider of sustainability ratings for supply chains

#### Initiatives to Develop a Responsible Supply Chain

> See page 84 for details on progress

## Continuing to Engage in Dialogue with Suppliers and Seeking Sustainable Sourcing

In recent years, there have been international demands for fair and free competition, fair transactions, and responsible sourcing. The Meiji Group will fulfill our corporate social responsibility by addressing social issues, such as child labor, forced labor, and environmental destruction, throughout the supply chain as well as in the Group. To this end, we established the Meiji Group Supplier Code of Conduct in June 2020. This code shows our vision toward achieving sustainable sourcing based on the Meiji Group Procurement Policy. We take into account our social responsibility, including human rights and the environment, together with our business partners, while always keeping in mind fairness, transparency, anti-corruption, and compliance with laws and regulations. Moreover, in October 2020, we started conducting sustainable sourcing survey for the Meiji Group's 1st-tier suppliers. Through the surveys, we work to identify issues related to human rights and the environment in our supply chain. If there is an issue, the Meiji Group will work to improve the situation together with the business partners.

Since April 2021, we have been giving feedback on the analysis of survey results to our business partners. If there is something that needs to be improved, we collaborate and engage in dialogue to solve the issue. We will also expand the scope of our dialogue with business partners and endeavor to build an even more robust and responsible supply chain.

#### FY2020 Initiatives

#### June 2020 Established the Meiji Group Supplier Code of Conduct Distributed Code of Conduct brochures to 563 business partners of Meiji Co., Ltd., Meiji Seika Pharma, and KM Biologics October 2020 Held a supplier briefing before conducting sustainable sourcing surveys (Participant companies: 74) Conducted sustainable sourcing surveys of 74 business partners of Meiji Co., Ltd., Meiji Seika Pharma, and KM Biologics [Breakdown of companies responding to sustainable sourcing surveys] Companies responding to EcoVadis surveys: 35 Companies responding to Meiji's own surveys: 39 January to Analyzed survey responses March 2021

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#### The Meiji Group Sustainability



## **Sustainable Sourcing**

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

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

## Sourcing

SDGs for Sourcing









Social Issues

#### Responsible sourcing of raw materials toward human rights and the environment

The Meiji Group implements unique initiatives to support sustainable production activities for raw milk and cocoa, which are important raw materials for the Group's business. We also consider human rights and the environment when we buy raw milk, cocoa, palm oil, and paper and perform supplier audits.

#### **Cocoa Sourcing**

> See page 84 for details on progress

#### **Sourcing 100% Sustainable Cocoa Beans**

The Meiji Group conducts Meiji Cocoa Support—a unique activity for supporting farmers to help realize sustainable production of cocoa beans. We have also joined the World Cocoa Foundation. We provide support to increase cocoa farmers' incomes and work on activities to reduce deforestation in cocoa-producing countries through the foundation's Cocoa & Forests Initiative. We have set increasing the sourcing ratio of sustainable cocoa beans\* to 100% by FY2026 as a KPI. Under this KPI, we will improve the sourcing of cocoa beans produced while considering the prevention of deforestation and child labor in particular.



Constructed well with a cisterr

\* Cocoa beans produced in regions where we provided support to farmers

#### Palm Oil Sourcing

> See page 84 for details on progress

> See page 84 for details on progress

#### Promoting 100% Use of RSPO-certified Palm Oil and Basing Sourcing on NDPE Policies

The Meiji Group has set using 100% certified palm oil globally by FY2023 as a KPI. We have proceeded with the replacement with RSPO-certified palm oil. We also incorporated support for NDPE (No Deforestation, No Peat and No Exploitation) policies into our Palm Oil Procurement Guidelines when we revised them in January 2021.

#### Paper Sourcing

#### Aiming for 100% Use of Eco-friendly Paper by FY2023

The Meiji Group has set using paper raw materials with 100% forest certified (FSC®, PEFC) and/or recycled paper as a KPI and has been working toward that target. We sponsored the FSC® Award in FY2020, and Meiji Co., Ltd. obtained a COC certification\* (license No.: FSC®-C159538). We will keep expanding the scope of our initiative to include overseas group companies and work towards 100% replacement of paper raw materials with eco-friendly paper.

\* Chain of Custody (COC) certification is a certification system that ensures products are appropriately managed and processed during processing and distribution. It includes products using Forest Management (FM) certified wood from forests and other raw materials that lead to appropriate use of forest resources



#### Raw Milk Sourcing

#### **Approaches to Raw Milk Sourcing**

The Meiji Group believes it is important to support environmentally conscious dairy farming and to care about the cows' health, in addition to pursuing tastiness in its drinking milk production. We also take into account human rights, the environment, and animal welfare in collaboration with our business partners based on the Meiji Group Procurement Policy and the Raw Milk Procurement Guideline. Also, in the 2023 Medium-Term Business Plan. we established a new KPI related to support activities for dairy farmers that are unique to the Meiji Group. We will realize sustainable production of raw milk through these activities.

#### **Meiji Dairy Advisory—Support Program for Dairy Farmers** that is Unique to the Group

Japan's dairy farming industry faces the issue of strengthening its foundation for producing raw milk. The Meiji Group is undertaking the Meiji Dairy Advisory (MDA), a farm management support activity for dairy farmers, to address this issue.

MDA is an initiative to support sustainable dairy farming. It helps dairy farms to carry out their own improvement activities. It also helps to create environments where every worker can work equally with a sense of fulfillment and grow together everyone involved in the activities. More specifically, Meiji Group specialist staff consider how farms should operate (principles, vision, and targets) together with managers. The staff also discuss various matters such as how to meet targets and what needs to be checked.

We will help dairy farm owners to improve their farm management skills through this MDA and contribute to the enduring development of Japan's dairy farming industry.

#### [Past Results]

Farms where the MDA has been conducted: about 50 farms nationwide; number of visits to dairy farms: a total of 948 times

#### **New KPI**

#### **Dairy farm management support** activity MDA (Meiii Dairy Advisory)

Conduct at least 400 times annually, and a total of at least 2,150 times by FY2023

#### [Examples of MDA Activities]



Study groups for foreign interns



#### Interview with Dairy Farmer \_

#### **Productivity Has Improved Significantly Thanks to Support for Human Resource Development and Breeding Management**

I am the president of the Kusunoki Dairy Production Association. We have a farm in Nogata City, Fukuoka Prefecture, where we currently raise about 85 dairy cows. In recent years, with the expansion of our farm, we have faced issues with securing workers. I believe it is an issue common to all dairy farmers. To secure human resources, our association considered accepting foreign interns a few years ago. We asked for advice from Meiji's Milk Procurement Department and started receiving management support.

Meiji Group staff members formed a team for our association, and we implemented various initiatives together with the members. First, we undertook 5S activities\* with them aimed at developing good working environments before accepting interns. We also standardized milking and other procedures so that even dairy farming beginners could carry out the work without getting confused. Moreover, we have regularly provided Japanese language training and study groups on dairy farming skills to foreign interns taught by Meiji staff. We have also received specialized advice on breeding management for dairy cows, and this has helped to reduce illness in calves and promote their growth. Thanks to such support, our productivity has improved, leading to improvement in the quality and quantity of raw milk supplied to Meiji's Kyushu Plant. As a result, we have developed a mutually beneficial relationship with the Meiji Group. We also hope to receive support on farm management in the future when the scale of our association expands.

By working with Meiji staff, we gained a wealth of knowledge and developed the ability to solve issues on our own. Going forward, we would like to share these results with local dairy farmers and contribute to the development of the entire dairy farming industry.



#### Mr. Ryudai Matsuno

President Kusunoki Dairy Production Association (Fukuoka Prefecture)

(From left) Mr. Ryudai Matsuno and his wife. Yuka: five foreign interns (front row on the right); and two farmers (back row on the right)

Improvement activities based on 5Ss: seiri (sort), seiton (set in (standardize), and shitsuke



#### 1 Kazuo Kawamura

President and Representative Director President (Corporate Development Dept., Group HR Strategy Dept., and Co-Creation Center)

#### **Significant Concurrent Positions**

Member of the Board, Meiji Member of the Board, Meiji Seika Pharma President, Japan Dairy Association (J-Milk) Chairperson, Japan Food Industry Association (JFIA)

#### 4 Koichiro Shiozaki

CFO\*

Member of the Board and Senior Executive Officer Senior Managing Executive Officer (Corporate Administration Dept., and Risk Management Dept.)

#### **Significant Concurrent Positions**

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

#### 2 Daikichiro Kobayashi

COO<sup>\*2</sup> (Pharmaceutical Segment) Member of the Board and Executive Officer

#### **Significant Concurrent Positions**

President and Representative Director, Meiji Seika Pharma Chairman and Representative Director. **KM Biologics** 

**Significant Concurrent Positions** 

President and Representative Director,

3 Katsunari Matsuda

COO<sup>\*2</sup> (Food Segment)

Member of the Board

and Executive Officer

#### 5 Jun Furuta

CSO\*4

Member of the Board and Senior Executive Officer Managing Executive Officer (PR & IR Dept.) **Managing Executive Officer** (Sustainable Management Dept.)

#### **Significant Concurrent Positions**

Member of the Board, Meiji

#### 6 Mariko Matsumura

Member of the Board (Outside) Independent Director

#### **Significant Concurrent Positions**

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

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

#### 7 Masaya Kawata

Member of the Board (Outside) Independent Director

#### **Significant Concurrent Positions**

Chairman and Representative Director, Nisshinbo Holdings Inc. Outside Director, Central Glass Co., Ltd.

#### 10 Takayoshi Ohno

Audit & Supervisory Board Member

#### 8 Michiko Kuboyama

Member of the Board (Outside) **Independent Director** 

#### **Significant Concurrent Positions**

Outside Director, Isetan Mitsukoshi Holdings Ltd. External Director, Kids Smile Holdings Inc. Outside Director, Sumitomo Mitsui Banking Corporation

#### 9 Hiroaki Chida

Audit & Supervisory Board Member

#### **11** Hajime Watanabe

Audit & Supervisory Board Member (Outside)

Independent Director

#### **Significant Concurrent Positions**

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

#### **12** Makoto Ando

Audit & Supervisory Board Member (Outside)

Independent Director

#### **Significant Concurrent Positions**

Certified Public Accountant/ Ando Certified Public Accountant Joint Office

Unaffiliated Auditor,

Nippon Concrete Industries Co., Ltd.

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## Responsibilities of Members of the Board and Audit & Supervisory Board Members $_{\rm (As\ of\ Jun\ 29,\ 2021)}$

#### Members of the Board

		Positions and areas of	Attendance at meetings (FY2020)	Number of years				Main exp	ertise and bac	kground			Advisory body members	to the Board of Directors
	Name	responsibility in the Company	Board of Directors	as Member of the Board	the Company's shares held	Management strategies	Global business	Sales Marketing	Accounting	HR	Legal affairs	Corporate communication	Nomination Committee	Compensation Committee
	Kazuo Kawamura	CEO President and Representative Directo	or 16/16	9 years	39,079 shares								Chairperson	Chairperson
	Daikichiro Kobayashi	COO (Pharmaceutical Segment) Member of the Board and Executive Officer	<b>16</b> /16	<b>7</b> years	13,171 shares									
	Katsunari Matsuda	COO (Food Segment) Member of the Board and Executive Officer	<b>16</b> /16	3 years	11,396 shares									
	Koichiro Shiozaki	CFO Member of the Board and Senior Executive Officer	<b>16</b> /16	6 years	12,275 shares									
	Jun Furuta	CSO Member of the Board and Senior Executive Officer	<b>16</b> /16	7 years	6,228 shares									
	Mariko Matsumura	Member of the Board (Outside) Independent Director	<b>16</b> /16	3 years	365 shares									
Outside	Masaya Kawata	Member of the Board (Outside) Independent Director Career summary/Ex- President and Representative Director and Chairman and Representative Director, Nisshinbo Holdings Inc.	Appointed in June 2	021	_									
	Michiko Kuboyama	Member of the Board (Outside) Independent Director Career summary/Communication Fellow, Lifestyle Research Department, Kao Corporation	Appointed in June 2	021	_									

#### Audit & Supervisory Board Member

		Positions and areas of	Attendance at meetings (FY2020					Main ex	pertise and bac	kground			Advisory body members	to the Board of Directors
	Name		Audit & Supervisory Bo	as Member of ard the Board	the Company's shares held	Management strategies	Global business	Sales Marketing	Accounting	HR	Legal affairs	Corporate communication	Nomination Committee	Compensation Committee
	Hiroaki Chida	Audit & Supervisory Board Member	Appointed in Jur	e 2021	3,552 shares									
	Takayoshi Ohno	Audit & Supervisory Board Member	Appointed in Ju	e 2021	3,021 shares									
Out	Hajime Watanabe	Audit & Supervisory Board Member (Outside) Independent Director	<b>16</b> /16 <b>15</b> /15	8 years	_									
utside	Makoto Ando	Audit & Supervisory Board Member (Outside) Independent Director	<b>14</b> /16 <b>14</b> /15	4 years	2,029 shares									

WEB Directors and Audit & Supervisory Board Members D

#### **Message from Independent Outside Director**

#### Message from Independent Outside Audit & Supervisory Board Member



I will monitor the Meiji
Group's governance from
the consumer's perspective
in addition to the attorney's viewpoint.
Thus I will contribute to achieving
the Meiji Group 2026 Vision.

#### Mariko Matsumura

Attorney at Law (Shinwa Sogo Law Offices)
Independent Outside Director

I have been an Outside Director of Meiji Holdings since 2018 and have also been serving as a member of the Nomination and Compensation Committees.

As an attorney at law, I have been involved in domestic and foreign corporate legal affairs, consultation and litigation on individual disputes, and bankruptcy cases over roughly 33 years. As a bar association executive, I have investigated petitions for redress of human rights filed by Japanese and foreign individuals, dealt with whistleblowing consultation services, and promoted gender equality. Moreover, I engage in public service, including serving as a governmental committee member and an educational board member, while providing consultation and handling litigation for municipalities. I have accumulated many valuable knowledge and expertise through these experiences. My duty in the Meiji Group is to monitor the Group's governance from various points of view based on my career—including but not limited from a corporate management perspective, I believe it is important to check from the perspective of the consumer of Meiji products.

Outside Directors account for over one third of the Meiji Group's Board of Directors. The Group also has one attorney at law and one certified public accountant as Independent Outside Audit & Supervisory Board Members. At Board of Directors meetings, we pose questions and exchange opinions about important issues intensely over time. Thus, I believe the Meiji Group's Board of Directors is highly effective. In FY2020, we spent a lot of time formulating the Meiji Group's 2023 Medium-Term Business Plan. We examined why the Group did not achieve some of the targets set in the 2020 Medium-Term

Business Plan. Further, we discussed goals for the 2023 Medium-Term Business Plan and actions we should take to achieve them. Ultimately, we concluded "selection and concentration" is the key to success, and we reviewed the Group's business portfolio. Also, we recognized building a firm governance system in global operations is an urgent issue because the Group is accelerating the overseas expansion.

The Meiji Group handles foods and pharmaceuticals—products essential for people's lives—accordingly, the Group is required to maintain high ethical standards. Therefore, engaging in environmental and human rights issues is essential, in addition to seeking profits. In the Meiji Group 2026 Vision, the Group has set out the Sustainability Vision, along with the Business Vision and Management Foundation Vision, and has established numerical targets. The Group should try hard to realize these Visions to achieve the 2026 Vision. After these fruitful discussions, the Group has formulated a well-balanced medium-term plan that includes all material issues to increase corporate value.

Personally, I pay close attention to the progress of initiatives for diversity and inclusion in the Meiji Group. In the 2026 Vision, it has set out the targets to increase the ratio of female managers to 10% and achieve a ratio of employees with disabilities at least 2.2%. While the Group has already achieved the target for the ratio of employees with disabilities, its female manager ratio currently stands at 3.7%. I will therefore discuss measures to improve the Group's diversity and inclusion further with other members of the Board of Directors.

As a certified public accountant, I have been involved in audits for listed companies and supporting accounting and management for overseas subsidiaries of Japanese corporations. I also have experience of working at an economic crimes investigation bureau. Utilizing knowledge acquired through these experiences for audits, I contribute to the Meiji Group's business management. As an Audit & Supervisory Board Member independent of the Board of Directors, I effectively communicate with auditors at business subsidiaries, internal audit departments, and the accounting auditor. Through these communication activities, along with facility tours, I work to keep track of the Group's situation. When I come across something that does not sound right at Board of Directors meetings or on other occasions, I pose questions and deepen the discussion to guide the Group to appropriate decisions.

The Meiji Group has cultivated its unique corporate identity over the past 100-year history. Using this strength, the Group has achieved remarkable growth since management integration in 2009. The Meiji Group 2026 Vision is the Group's ideal corporate identity. In the 2026 Vision, one of the Group's key strategies is to grow in overseas markets and the Group is working hard to grow further. I have cherished the Meiji Brand since I was a child. I feel very happy when imagining people all over the world enjoying Meiji products.

The 2020 Medium-Term Business Plan was the first stage to grow in overseas markets. Under the Plan, the Group determined specific directions to expand its overseas business and established business management structures, including introduction of a chief officer system. It was thus a period the

Group established its growth foundation to expand business in overseas markets further.

The 2023 Medium-Term Business Plan represents the second stage. Under the Plan, the Meiji Group is carrying out large-scale investments to realize growth in overseas markets. In the Food segment, the Group is constructing plants to launch new products to China's eastern market and expand into the northern and southern markets. In the Pharmaceutical segment, it is increasing production capacity to strengthen its CMO/CDMO\* business. These projects require long-term capital investment, and the Group may face various difficulties before their completion. I will always monitor the progress of the projects and pay close attention to the point that the Group is making appropriate management decisions particularly when something happens that requires changes to the projects. It is also important to prepare for potential risks at the sites, immediately identify what is actually happening, and check whether the Group is dealing with such events appropriately. I will examine whether the Group is flexibly building and maintaining its risk management system and whether the system is functioning properly.

I am now on my second term as an Audit & Supervisory Board Member. I will play a part in securing well-ordered business management and fulfill my duties as an Audit & Supervisory Board Member. As a result, the Group can successfully realize both profit growth and sustainability activities simultaneously.

\* CMO: Contract manufacturing organization CDMO: Contract development and

I will pay close attention to management decisions so that the Group can successfully realize both profit growth and sustainability simultaneously

#### **Makoto Ando**

Certified Public Accountant (Ando Certified Public Accountant Joint Office) Independent Outside Audit & Supervisory Board Member



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#### **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

The basic approach to management of the Group is that the operating companies manage businesses autonomously while collaborating with each other under the holding company's control. The main roles of Meiji Holdings Co., Ltd. are as follows: promoting Groupwide

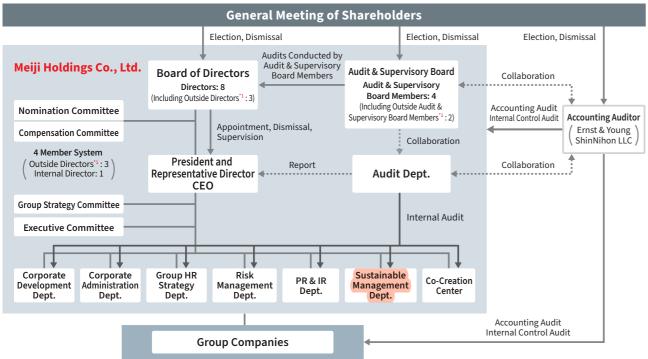
management strategies; creating an optimal operating structure; and overseeing the business management of each company. Responsibility for operational execution is delegated to the operating companies appropriately. Within the Group, oversight and execution of business management are separated. Accordingly,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

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

WEB Corporate Governance

#### **Corporate Governance Structure**

(As of June 29, 2021)



#### **Corporate Governance Data**

(As of June 29, 2021)

	Items related to corporate governance	Content				
Basic views o	n corporate governance	Established				
Organization	Form	Company with Audit & Supervisory Board				
Directors	Term of Directors	1 year				
	Chairperson of the Board	President				
	Number of Directors (including Outside Directors)	8 (3 Outside Directors <sup>1</sup> , including 2 female Directors)				
	Number of Board of Directors meetings	16 times (FY2020)				
	Attendance of Outside Directors at Board of Directors meetings	100% (FY2020)				
Audit & Supervisory	Number of Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members)	4 (2 Outside Audit & Supervisory Board Members 1, including 1 female member)				
Board	Attendance of Outside Audit & Supervisory Board Members at Board of Directors meetings	94% (FY2020)				
	Principal meetings auditors attend	Board of Directors, Executive Committee <sup>2</sup> , Audit & Supervisory Board, Audit Department Liaison Meeting, and others				
	Number of Audit Committee meetings	15 times (FY2020)				
	Attendance of Outside Audit & Supervisory Board Members at Audit Committee meetings	97% (FY2020)				
Election of In	dependent Director	5 (3 Outside Directors, 2 Outside Audit & Supervisory Board Members)				
Accounting A	uditor	Ernst & Young ShinNihon LLC				
Audit departr	nent (internal auditing)	Audit Department				
Audit departr	nent (internal auditing)	Audit Department				

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

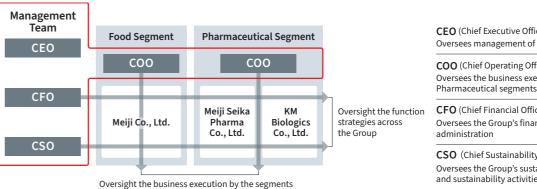
#### Features of the Meiji Group **Corporate Governance**

Since Meiji Holdings Co., Ltd. was established in 2009, the Meiji Group have been building and strengthening our corporate governance system suitable for the Group's management structure. Management is particularly committed to sustainable improvement of corporate value, focused on our medium- to long-term management policy developed based on the Meiji Group Philosophy. We have introduced an executive officer system to separate oversight and execution of business management. In that way, we have improved the effectiveness of management.

We also incorporate the opinions of Outside Directors and Auditors into management to improve the effectiveness and transparency of the Board of Directors. Through this system, we are driving governance reform.

In 2020, we introduced a chief officer system to strengthen the Group's management. The chief officers direct and oversee businesses and functions across the Group in accordance with the basic management policies determined by the Board of Directors. They meet at the Group Strategy Committee comprised of the chief officers once a month in principle. The Committee decides on the directions of key issues, such as our Group-wide vision, management plans, business policies, and the allocation of management resources.

#### **Chief Officer Management Structure**



CEO (Chief Executive Officer) Oversees management of the entire Group

COO (Chief Operating Officer) Oversees the business execution of the Food or

CFO (Chief Financial Officer) Oversees the Group's financial strategy and business

CSO (Chief Sustainability Officer) Oversees the Group's sustainability business strategy and sustainability activities

#### Initiatives to Enhance the Corporate Governance System and Improve its Effectiveness

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

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

- Nominating internal director candidates
- We nominate persons who are major executives and are senior managers in major operating companies. All such candidates must have the following qualifications:
- Extensive experience
- Specialist expertise
- · Business decision making
- Upstanding character
- Nominating outside director candidates
- We nominate persons with the following qualifications:
- Ability to analyze the Company's business operations objectively and from multiple perspectives
- Ability to strictly monitor whether the management is making sound decisions
- · Character, insight and ability to express one's views and opinions as necessary
- All such candidates must meet our Criteria for Independence.
- Appointing senior managers
- We nominate persons who can drive the Group toward sustainable growth based on past achievements. To implement our corporate philosophy and promote our corporate value, we look for the following qualifications:
- Effective decision-making ability: Transparent and bold business decisions swiftly and impartially
- Group management: Achieve optimal Group-wide management
- Nominating Audit & Supervisory Board member candidates For our Audit & Supervisory Board members to properly audit the Group's operations for lawfulness and appropriateness, and to bring any issues to our attention from an objective and impartial perspective, we nominate persons with the following qualifications:
- Upstanding character
- Excellent insight
- Specialist expertise
- High moral standards

At least one of the candidates must have solid grounding in finance and accounting.

■ Nominating method

The Board of Directors makes the final decision on who to nominate as candidates for the Board of Directors and Audit & Supervisory Board and who to appoint as senior managers. Audit & Supervisory Board Member candidates are selected by the Board of Directors following approval by the Audit & Supervisory Board.

On this matter, it first consults the opinion of the Nomination Committee, which comprises three outside directors and one internal director.

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

## Criteria for Independence of **Outside Directors and Auditors**

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

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

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

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

## **Reasons for Nomination** of Outside Directors and Auditors

## **Outside Director**

#### Mariko Matsumura

We elected Mariko Matsumura as an outside director because her extensive career as a lawyer would enable her to offer professional and insightful advice on company management and to effectively oversee execution of duties. We expected that through such work, she would contribute to improving corporate governance. While she has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that she would be able to perform her duties appropriately as an Outside Member of the Board for the reasons mentioned above.

#### Masaya Kawata

Masaya Kawata served as Representative Director and President Nisshinbo Holdings before becoming Director and Chairman in 2019, and is involved in Group management and global business management. We elected him as an outside director because his extensive experience, significant achievement and vast knowledge related to business management would enable him to provide Group management with valuable advice and ensure the appropriate monitoring of business execution for our Group. We expect that through such work, he will contribute to improving corporate governance.

#### Michiko Kuboyama

Michiko Kuboyama has vast experience related to product development and marketing through her roles at Kao having worked in the Products Public Relations Center before serving as Center manager and as a communications fellow in the Lifestyle Research Department. We elected her as an outside director because she would be able to provide Group management with valuable advice and ensure the appropriate monitoring of business execution from the perspective of the consumer and a diverse range of other perspectives. We expect that through such work, she will contribute to improving corporate governance. While she has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that she would be able to perform her duties appropriately as an Outside Director for the reasons mentioned above.

## Outside Audit & Supervisory Board Member

#### **Hajime Watanabe**

Hajime Watanabe has a prolific career as an attorney at law and has deep expertise in international business transactional law areas. We elected him as an Outside Audit & Supervisory Board Member so that he can supervise the execution of the Group's business operations from an objective and impartial perspective. While he has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that he would be able to perform his duties appropriately as an Outside Audit & Supervisory Board Member for the reasons mentioned above.

#### Makoto Ando

Makoto Ando has built a prolific career and gained deep expertise in both the private sector, working in major audit firms and accounting firms in Japan and overseas as a certified public accountant, and the public sector. We elected her as an Outside Audit & Supervisory Board Member so that she can supervise the execution of the Group's business operations from an objective and impartial perspective. While he has not been involved in corporate management in the past, except as an Outside Director or an Outside Audit & Supervisory Board Member, we concluded that he would be able to perform his duties appropriately as an Outside Audit & Supervisory Board Member for the reasons mentioned above

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

## Succession Planning for the CEO and Other Top Executives

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

In addition, the development policy for our succession planning was discussed and decided by the Board meeting in March 2019 after careful discussion by the Nomination Committee. The policy stipulates that the nomination

and development of candidates for the presidents of the Company and major group companies are to be discussed by the Nomination Committee.

Following these policies, we created an annual timeline covering gathering of information on candidates for discussion in Nomination Committee and implemented it from FY2019. In January 2020, the Nomination Committee discussed the appointment and dismissal of an incumbent president and representative director, as well as the nomination of successor candidates and a successor talent bench for the position. The progress of succession planning in FY2020, which was the second year of planning, was reported and discussed at the May 2021 Board of Directors meeting. The nomination of executive candidates was also discussed and decided at the meeting.

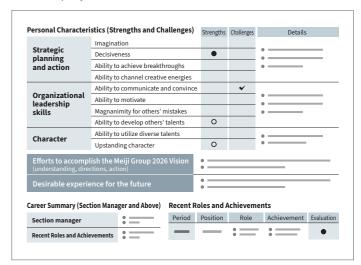
### **Leadership Values, Competencies** for managers who drive the Group forward

## Ability to instigate change and lead reform efforts



#### **Discussions in the Nominating Committee**

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



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## **Effectiveness of the Board of Directors**

## Plans to improve the effectiveness of the Board of Directors

The Board of Directors generally meets once a month. Meeting materials are distributed in advance to facilitate substantive and lively discussions. The board's secretariat briefs major topics to independent outside directors, if necessary, to clarify points of meetings.

Moreover, to improve the effectiveness of the Board of Directors, independent outside directors and outside Audit & Supervisory Board Member hold regular meetings. In the meetings, they exchange objective ideas and share information. They also better understand segment-specific business. Outside directors and auditors tour major facilities a few times a year.

## Meetings of outside directors and auditors

Outside directors and auditors met three times during FY2020. Some topics for the meetings were as follows:

• Meiji's business in China

Vision for developing high value-added products toward 2030

## Facility tours by outside directors and auditors

In FY2020, facility tours were not conducted due to the COVID-19 pandemic.

#### **Evaluation of the Board of Directors**

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

## Method for analyzing/evaluating effectiveness of the Board in FY2020

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

In compliance with the Corporate Governance Policy, the Meiji Group has conducted self-assessments for the effectiveness of the Board once each year since FY2015. We use a questionnaire prepared by the Board's secretariat. Based on the survey results, we analyze and evaluate the Board and identify issues for improving its effectiveness. The survey for FY2020 was conducted in May 2021.

### Self-assessment questionnaire categories

Self-assessment categories are set from the following perspectives.

#### Corporate Governance Policy

Roles of the Board (setting strategic direction, overseeing company, preparing succession plan, discussing/deliberating/reporting on business matters) and composition of the Board

## Running the Board of Directors

Meeting management by Chairperson, quality of meeting materials and presentations, and secretariat's performance

#### Issues to be addressed from the previous fiscal year

Progress in achieving challenges set in the previous fiscal year

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

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

# Results of analyzing/evaluating the effectiveness of the Board in FY2020, and initiatives for FY2021

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

Based on the results of self-evaluations, we identified the following issues we should improve:

- Strengthening monitoring
- Encourage constructive discussion on the Company's response to revisions to the Corporate Governance Code

Individual interviews between the Chairperson of the Board and independent outside directors, the following subjects were discussed for improving the efficacy of the Board of Directors. The subjects discussed include enhancing risk management, promoting digital transformation (DX), the Company's succession plan, diversity and inclusion, and human resource development. Meetings were also frank discussions about how the Group should execute strategy during the 2023 Medium-Term Business Plan and under the Chief Officer system. We are reflecting their opinions in our plans and executing those plans.

FY2018 Issues	FY2019 Initiatives	FY2019 Issues	FY2020 Issues	FY2021 Plan
Self-evaluation using questionnaires (from FY2015)  • Execution of the Meiji Group succession planning development policy  • Improving the quality of meeting materials and presentations	Holding Individual interview independent outside directo  Starting the succession planning according to the development policy and reporting on progress and performance  Supporting preparation of meeting materials and presentations that focus on important points		Enhancing the implementation of the Meiji Group succession planning     Further improving the quality of meeting materials and presentations     Enhancing the reporting of business operations and clarifying issues in unachieved targets	Strengthening monitoring     Encourage constructive     discussion in invigorating     Board of Directors     following the revised     Corporate Governance     Code

## Remuneration for Directors (and Other Officers)

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

## Director Remuneration (Excluding Outside Directors)

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

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

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

#### positions.

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

## Outside Director and Audit & Supervisory Board Member Remuneration

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

## **Methods for Determining Amounts**

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

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

#### **Breakdown of Director Remuneration (FY2020)**

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 FY2020 are as follows.

		Monetary Compensation				Stock-based Compensation			
Type of Director	Total Amount of	Base Compensation		Performance-linked Compensation					
	Remuneration	Total Amount	Number of Officers	Total Amount	Number of Officers	Total Amount	Number of Officers		
Directors (other than outside directors)	¥285 million	¥142 million	7	¥106 million	5	¥37 million	5		
Audit & Supervisory Board members (other than Outside Audit & Supervisory Board Member)	¥55 million	¥55 million	2	-	_	_	_		
Outside Director	¥43 million	¥43 million	3	_	_	_	_		
Outside Audit & Supervisory Board Member	¥26 million	¥26 million	2	_	_	_	_		
Total	¥410 million	¥267 million	14	¥106 million	5	¥37 million	5		

- (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)
  - 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-based 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-based compensation is the amount recorded as an expense in the fiscal year being reported.

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## Overview of System for Remuneration for Directors (and Other Officers) in FY2021

## Revisions to system for remuneration for directors (and other officers)

We revised our system for remuneration for directors (and other officers) considering its intended objectives. Specifically, we revised the compensation composition ratio and the details of performance-linked compensation and stock-based compensation so that compensation is linked to the key performance indicator set in the 2023 Medium-Term Business Plan. These revisions are described below.

We have not changed the method of calculating compensation for Audit & Supervisory Board members since FY2020. Amounts of compensation for Audit & Supervisory Board members are decided through discussion among the Audit & Supervisory Board members and fall within a general range decided at the General Meeting of Shareholders.

#### Compensation composition ratio

To increase incentives for improved performance and promote the sharing of interests with our stakeholders, we set compensation composition ratio that is approximately a 50-50 mix of fixed (base) compensation and variable compensation (performance-linked compensation and stock-based compensation). We apply a higher rate of variable compensation as the rank and position of the executive increases. We set ratios of 45% to 50% for fixed compensation and 50% to 55% for variable compensation.

### Details of performance-linked compensation

#### **Outline of revisions**

Our 2023 Medium-Term Business Plan aims to achieve growth in operating profit by improving capital productivity. We have thus set consolidated operating profit and ROIC as performance indicators for the Company. We have also introduced medium-and long-term target evaluations to achieve these targets in addition to fiscal year targets.

#### Payment amount calculation method

We set standard amounts for each performance indicator for the Company and individuals. We then calculate performance-linked compensation by multiplying each amount by a coefficient calculated based on the level of achievement for each performance indicator. The total of the amounts calculated for each performance-linked compensation category represents the total amount of performance-linked compensation.

## Performance indicator for the Company

#### 1. Fiscal year Target Evaluation

Consolidated operating profit:

• When achieving fiscal year target, it will be 100%. The coefficient fluctuates 0% to 200% based on the achievement ratio (50% to 150%) against the fiscal year target.

#### ROIC.

- When achieving fiscal year target, it will be 100%. The coefficient fluctuates 0% to 200% based on the achievement ratio (80% to 120%) against the fiscal year target.
- Regardless of the achievement against the fiscal year target, the coefficient is reduced by half if earnings are less than capital costs.

## **2. Medium- and Long-term Target Evaluation** Consolidated operating profit:

• When achieving the medium- and long-term target, which is separate from the fiscal year target, it will be 100%. The coefficient fluctuates 0% to 200% based on the achievement ratio against the medium- and long-term target.

## Performance indicator for individuals

- The coefficient fluctuates 0% to 200% based on a seven-tier evaluation, which is determined through comprehensive assessment by the CEO, President and Representative Director.
- There is no individual performance evaluation for the CEO, President and Representative Director.

## Details of stock-based compensation

#### Outline of revisions

The previous system included stock-based compensation. This was designed to provide incentives for improving the Group corporate value and to share interests with shareholders and other stakeholders. We have modified the design of the previous system to further motivate the achievement of these objectives. Under the revised system, the monetary amount for restricted stock paid by the Company fluctuates annually based on Meiji ROESG® from the previous fiscal year. The transfer restriction period and other conditions have not changed from the previous system in FY2020.

#### Payment amount calculation method

We set the Meiji ROESG as a performance indicator. The Meiji ROESG is calculated based on ROE and the achievement of ESG initiatives. The payment amount is calculated as detailed below.

- 100% for achieving 13pt, the target set for the 2023 Medium-Term Business Plan.
- The coefficient fluctuates 50% to 150% depending on the actual Meiji ROESG figure, 9pt to 17pt, respectively.
- No stock-based compensation will be allocated if the Meiji ROESG is lower than 5pt for two consecutive years.
- \* ROESG is a registered trademark for a management indicator developed by Kunio Ito, a professor at Hitotsubashi University.

## **Strategic Cross-Shareholding**

Meiji Holdings Co., Ltd. holds cross-shareholdings when we consider it would: 1) Accelerate the Group's financial operations, 2) Strengthen our relationship with our group companies, 3) Strengthen the Group's transactional relationships and 4) Be reasonable in light of our responsibility to shareholders.

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

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

Following its September 2020 review, the Board of Directors concluded that the Company should continue holding 31 of the brands. Later, from the perspective of reducing strategic cross-shareholding as is outlined in the Corporate Governance Code,

in FY2020 we sold all shares of one brand and partially sold another brand. By the end of the 2023 Medium-Term Business Plan, we plan to reduce strategic cross-shareholding by 30% based on book value.

As a rule, Meiji Holdings will exercise the voting rights in line with the wishes of the stock issuing company's Board of Directors. However, we will decline to do so if we think that it would negatively impact the business relationships with the Meiji Group or if it would clearly harm the common interests of shareholders.

## Constructive Dialogue with Shareholders

Meiji Holdings engages in shareholder dialogue positively and voluntarily and promote constructive dialogue. To make the dialogue constructive, we are engaging in the followings:

- The PR & IR Department manages the dialogue with shareholders. The Department is administered by the Director in charge of Public Relations & Investor Relations.
- To support shareholder dialogue, the Director in charge of the PR & IR Department holds meetings with other departments, including Corporate Development Dept., Corporate Administration Dept., Risk Management Dept., and Sustainable Management Dept. so that they can share information.
- Dialogue with shareholders is not limited to one-on-one meetings. The Company holds earnings conferences twiceyearly for institutional investors and securities analysts after announcing the second quarter and the annual results. In addition to such conferences, the Company holds small meetings led by the President. At the end of the first and third quarter, we host earnings conference calls for institutional investors and securities analysts.
- For dialogue with individual investors, we held online briefings about the Group in FY2020. We will continue to promote dialogue with individual investors and work to increase their understanding of the Group.
- We are promoting ESG dialogue with investors. We hold one-on-one meetings with institutional investors and conferences with institutional investors and securities analysts.
- We provide information for shareholders and investors on our website. We publish our annual securities reports, financial statements (Japanese/English), integrated reports (Japanese/English), and earnings conference materials (Japanese/English). Video of our earnings conferences are available online (Japanese/English) and we post a Q&A summary (Japanese/English) to promote communication. Also, we post reports on briefings and events for individual investors on our website.
- Comments and feedback collected through investor relations activities are summarized into reports. The Director in charge of Public Relations & Investor Relations reports to the Executive Committee and the Board of Directors regularly.
- Dialogue with shareholders is held in accordance with the Rules Concerning the Prevention of Insider Trading, which outlines the handling of relevant information. Due care is also given to insider information during communication. We set quiet period.

## **Risk Management**

## **Basic Views** and Risk Management System

The Meiji Group recognizes that risk management is not just for responding when emergencies or disasters occur and severely impact business activities. It is also important to take preventive measures to control and mitigate/avert risks. The Meiji Group has established a risk management structure that promotes further growth to realize the Meiji Group 2026 Vision. Under this risk management structure, we identify overall Group management risks, reduce risks, and manage appropriate risk-taking.

In April 2021, Meiji Holdings Co., Ltd. established Risk Management Department and strengthened the Group-wide risk management. Our Executive Committee and Board of Directors evaluate and confirm management risks aligned with our Group Vision. Thus we can manage risks adapting to changes in our operating environment.

Furthermore, we have developed risk management systems that are suited to the Food and Pharmaceutical businesses respectively. We regularly share risk information across the company, which includes risks common to all our businesses and risks that impact on the whole Group. Accordingly, we identify, evaluate, treat, and solve risks promptly.

### Risk Management System



## The Meiji Group Business Management Risks

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

Listed on the following page are risks inherent in matters indicated in our securities report in relation to the status of operations and accounting. The management recognizes them as major risks that may significantly affect the financial position, operating performance, or cash flows of our consolidated results.

The future risks outlined in the tables are categorized based on our medium- and long-term management strategy. We have assessed their importance to the Group, taking into account the likelihood of occurrence and the level of impact on the Group.

The information represents risks recognized by the Meiji Group as of the date of submission of the securities report. These risks are not a comprehensive representation of all the risks related to our businesses.

For information on the Meiji Group 2026 Vision, please see page 4-5.

#### Importance Change in risk recognition from to the **Risks** Countermeasures previous vear Group • Abandon to launch planned product Establish solid Proofs of Concept (POC) Sale and supply • Changes in customer lifestyles and values · Gather information on market trends of products and Negative rumors about the Meiji Group's core • Develop products that are friendly to services materials (milk, cocoa, etc.) the environment and society $\uparrow$ · Create products and services unique to Meiji that address social issues Appropriately disseminate relevant information about products and materials The majority of · Sluggish sales of products that account for • Implement promotions that maximize a considerable portion of sales and profits unique value profits comes $\rightarrow$ \$\$ • Improve product portfolio management from specific • Explore new markets and new business products domains Supply chains • Insufficient or excess procurement or price • Gather information on raw materials markets increases of raw materials and promote procurement strategies Difficulties in procuring raw milk · Diversify suppliers and consider alternative materials • Cessation of production due to production 7 Strengthen coordination between problems, etc. production and sales divisions Unstable product supplies due to distribution problems Improve distribution efficiency through labor-saving/automation Technological Rapid advances in digital technologies Consider introducing new technologies as early as possible Discovery of innovative treatment methods, advances manufacturing methods and formulation Research new manufacturing and 7 formulation methods, and search for methods alliances Revisions that significantly impact corporate Obtain information about system revisions I aws and activities early and implement countermeasures regulations NHI drug price revisions Make appropriate approaches to relevant Ś government authorities · Expand portfolio of products that are not affected by NHI drug price revisions · Rapid changes in society, or outbreaks of · Gather information, and investigate and Overseas war or terrorism implement countermeasures early expansion and \$\$ $\rightarrow$ Revisions of the systems that greatly exceed · Create product supply systems from multiple overseas Group expectations in various countries

\$\$: Risks of greater importance \$: Risks of great importance

 $\rightarrow$ 

• Enhance unique value and search for new

• Provide unique value in overseas markets

perspectives of profitability, growth and

· Make decisions and monitor investment and

Use foreign exchange contracts and borrow

Manage business portfolio from the

M&A plans appropriately

at fixed interest rates

## Sustainability-related Risks

Failure to achieve the Visions or Medium-

Term Business Plans due to change in

Growth slowdowns in core business, or

Impairment losses on non-current assets or

• Fluctuations in foreign exchange or interest

failure to achieve targets for overseas

markets or new business domains

business conditions

goodwill

companies

Business plans,

**Business Risks** 

	Risks	Countermeasures	Change in risk recognition from previous year	Importance to the Group
Caring for the Earth	Environment friendliness in corporate activities	<ul> <li>Reduce CO<sub>2</sub> emissions and prevent fluorocarbon leaks, switch to renewable energies, appropriately treat wastewater and industrial waste, and conduct initiatives in compliance with ISO 14001</li> <li>Manage supply and demand, and decrease food loss</li> <li>Comply with policies related to the environment</li> </ul>	71	\$
Climate change	Address climate change	<ul> <li>Analyze climate change scenarios according to the TCFD framework, formulate strategies and release information</li> </ul>	7	\$

value

productivity

Continued on page 78

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#### **Risk Management**

#### Thriving Increase the ratio of sustainably procured Sustainable raw material procurement raw materials, such as cocoa beans and palm Consider human rights, and human rights Communities Strengthen cooperation and collaboration · Understand diversity, and use a diverse with dairy farmers and other suppliers workforce effectively Address challenges of human rights based $\supset$ Ś on due diligence Create organizations and cultures that value diverse perspectives and abilities · Comply with policies related to procurement, human rights and society, etc.

Management F	Foundation-related Risks			
	Risks	Countermeasures	Change in risk recognition from previous year	Importance to the Group
Corporate Governance	Make business decisions in a timely and appropriately manner     Internal or external non-compliance	Improve effectiveness of the Board of Directors     Enhance corporate governance systems     Provide education on compliance and social media usage, and comply with internal and external policies	71	\$
Damage to the Meiji brand	<ul> <li>Product recalls or withdrawals from the market due to quality defects or unexpected side effects of pharmaceuticals, etc.</li> <li>Unexpected harmful rumors about the Meiji Group or its products</li> </ul>	<ul> <li>Pursue quality and safety</li> <li>Communicate appropriately with each stakeholder</li> </ul>	<b>↑</b>	\$\$
Human capital and culture	Recruit and develop human capital required for corporate growth     Employee engagement     Effects of business environment on productivity	Appropriately implement succession planning     Improve employee training     Enhance employee engagement     Enhance health and productivity management and create comfortable work environments	$\rightarrow$	\$\$
Information asset leaks	<ul> <li>Information leaks and system shutdowns due to unauthorized access, etc.</li> <li>Data breaches due to inappropriate system management</li> </ul>	Strengthen information management systems and information security     Strengthen education on information management and comply with regulations and policies	7	\$
Disaster, emergency or other unforeseen circumstances	Temporary or full suspension of business operations due to disasters, pandemics or other unexpected emergency     Increases or decreases in product demand due to changes in business conditions in an emergency	Develop business continuity plans and risk management plans for swift recovery     Maintain a broad product portfolio across the Group	$\rightarrow$	\$

There was an incident that hypnotic substance was contaminated in Itraconazole tablets manufactured by Kobayashi Kako Co., Ltd. and sold by Meiji Seika Pharma Co., Ltd. Meiji Seika Pharma stopped shipments of such products and instituted a voluntary recall. The Meiji Group works to confirm and enhance the reliability assurance structure applied to contract manufacturers and development partners.

The Meiji Group will fulfill the product supply responsibilities as a manufacturer of essential foods and pharmaceuticals. To undertake these responsibilities, we are working to improve workplace hygiene and establish safe and secure

work environments at all manufacturing facilities in Japan and overseas. Due to the COVID-19 pandemic, we are seeing dramatic changes in our business environment: increase in prevention awareness and health consciousness, the significant expansion of e-commerce, workstyle changes, and decrease in numbers of outpatient visits to medical institutions. We will continue to perform our responsibilities to ensure a stable supply as Food and Health professionals. Also, we will try hard to develop and launch vaccine against COVID-19, and propose products that match people's needs living with COVID-19.

## Compliance

### **Basic Views**

The Meiji Group complies with the laws, regulations and social rules in 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 with high ethical standards and shall remain a company trusted by society.

## **Management System**

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

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

Meiji Seika Pharma Co., Ltd. has established the Compliance Program Guidelines and the Meiji Seika Pharma Code of Practice. As we work in pharmaceutical business, we are closely related to the health and lives of people. Thus we, all executives and employees, are required to act in accordance with high ethical standards.

At KM Biologics Co., Ltd., we are continually improving our compliance promotion system. We conduct regular educational programs to raise compliance awareness among frontline workers. To detect issues before they happen and solve problems early, we are working to strengthen our audit function, ensure independence in auditing, and clarify responsibilities and authority. We will continue seeking a stringent compliance system.

## **Anti-Corruption**

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

## **Tax Compliance**

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

## Financial and Non-Financial Highlights (11 Years Summary)

## **Consolidated Balance Sheet**

ion		Unit	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020	Unit *1
															Thousands of U.S. dollars
	Food						· · ·								Thousands of U.S. dollars
Jeginene															Thousands of U.S. dollars
Segment												· ·			Thousands of U.S. dollars
(Overseas)			_										•	•	Thousands of U.S. dollars
Gross profit	THATHACCACIC												· · · · · · · · · · · · · · · · · · ·		Thousands of U.S. dollars
													-		Thousands of U.S. dollars
<u> </u>												· ·	•	-	Thousands of U.S. dollars
	rs of parent												•		Thousands of U.S. dollars
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	t costs						· · · · · · · · · · · · · · · · · · ·					· ·	•	,	Thousands of U.S. dollars
·	1 0000											· ·	•	-	Thousands of U.S. dollars
	activities (A)											· ·		-	Thousands of U.S. dollars
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														1.445	0.0. dollars
. , ,		%													
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	Scone 1 *6	10 000 t-CO							23.6	23.0	22.8	22.2	21.5		
Japan			_	48.4	52.4	58.2	56.8	55.0							
	<u> </u>														
Overseas Mainland China			_		_	_				203.3	310.9	303.5			
Overseas Maintana Cilina	o acobe i								0.5	U 3	0.5	0.5			
	Scope 2	10,000 t-CO <sub>2</sub>	_		_	_	_	4.1	0.5	0.3	0.5	0.5	0.3		
A.*. /	Scope 2	10,000 t-CO <sub>2</sub>	_		_	_	_	4.1	3.5	3.0	2.5	2.2	0.3 2.6		
Asia (excluding	Scope 1	10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub>			_	-		6.1	3.5 1.5	3.0 1.3	2.5 1.1	2.2 1.0	0.3 2.6 1.0		
China) *9	Scope 1 Scope 2	10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub>			-	_			3.5 1.5 5.3	3.0 1.3 5.5	2.5 1.1 5.2	2.2 1.0 4.7	0.3 2.6 1.0 3.6		
China) *9  North America	Scope 1 Scope 2 Scope 1	10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub>	_ 	_ 	_ 	_ 			3.5 1.5 5.3 1.1	3.0 1.3 5.5 1.3	2.5 1.1 5.2 1.1	2.2 1.0 4.7 1.1	0.3 2.6 1.0 3.6 1.1		
China) *9  North America and Europe *10	Scope 1 Scope 2 Scope 1 Scope 2	10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub>		_ 	_ 	_ 	_ _	6.1	3.5 1.5 5.3 1.1 0.9	3.0 1.3 5.5 1.3 0.9	2.5 1.1 5.2 1.1 0.9	2.2 1.0 4.7 1.1 0.7	0.3 2.6 1.0 3.6 1.1 0.8		
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China) *9  North America and Europe *10  Combined *14  Japan *11	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3	10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub> 10,000 t-CO <sub>2</sub>	- - -	23,674	_ _ _ _ 	_ _ _ _ _ 		6.1 2.6 — 24,375	3.5 1.5 5.3 1.1 0.9 — 24,104	3.0 1.3 5.5 1.3 0.9 — 22,305	2.5 1.1 5.2 1.1 0.9 — 22,056	2.2 1.0 4.7 1.1 0.7 21.9 21,979	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup>	- - - -					2.6 ————————————————————————————————————	3.5 1.5 5.3 1.1 0.9 — 24,104	3.0 1.3 5.5 1.3 0.9 — 22,305 1,192	2.5 1.1 5.2 1.1 0.9 — 22,056 878	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding 0	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3 *8 China) *9	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup>	- - - - -	23,674 — —				2.6 ————————————————————————————————————	3.5 1.5 5.3 1.1 0.9 — 24,104 —	3.0 1.3 5.5 1.3 0.9 — 22,305 1,192 511	2.5 1.1 5.2 1.1 0.9 — 22,056 878 487	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding Control America and Europe *10  Asia (excluding Control America and Europe *10)	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3 *8 China) *9	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup>	- - - - - -	23,674				6.1 2.6 ———————————————————————————————————	3.5 1.5 5.3 1.1 0.9 — 24,104 —	3.0 1.3 5.5 1.3 0.9 - 22,305 1,192 511 74	2.5 1.1 5.2 1.1 0.9 — 22,056 878 487 62	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding on North America and Japan *11	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3  *8 China) *9 nd Europe *10	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup>	- - - - - - -	23,674 — — — — — — 21,652		22,723 ————————————————————————————————————		6.1 2.6 ———————————————————————————————————	3.5 1.5 5.3 1.1 0.9 — 24,104 — — 20,255	3.0 1.3 5.5 1.3 0.9 — 22,305 1,192 511 74 17,914	2.5 1.1 5.2 1.1 0.9 - 22,056 878 487 62 19,702	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56 18,415	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58 17,248		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding on North America and Japan *11  Overseas Mainland China	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3  *8 China) *9 nd Europe *10	10,000 t-CO <sub>2</sub> 10,000 m <sup>3</sup> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup> 1,000 m <sup>3</sup>	- - - - - - - -	23,674 — — — — — 21,652 —	22,902 ————————————————————————————————————	22,723 ————————————————————————————————————	20,148 ————————————————————————————————————	2.6 ————————————————————————————————————	3.5 1.5 5.3 1.1 0.9 — 24,104 — — — 20,255 —	3.0 1.3 5.5 1.3 0.9 - 22,305 1,192 511 74 17,914 -	2.5 1.1 5.2 1.1 0.9 — 22,056 878 487 62 19,702 696	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56 18,415 790	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58 17,248		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding on North America and Japan *11  Overseas Mainland China Asia (excluding on North America and North America and Japan *11)  Overseas Mainland China Asia (excluding of North America and North Amer	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3  *8 China) *9 nd Europe *10  *8 China) *9	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup>	- - - - - - - - -	23,674 — — — — 21,652 —				6.1  2.6  — 24,375  — — 21,214  — —	3.5 1.5 5.3 1.1 0.9 - 24,104 20,255	3.0 1.3 5.5 1.3 0.9 22,305 1,192 511 74 17,914	2.5 1.1 5.2 1.1 0.9 — 22,056 878 487 62 19,702 696 141	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56 18,415 790 180	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58 17,248 761 162		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding on North America and Japan *11  Overseas Mainland China	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3  *8 China) *9 nd Europe *10  *8 China) *9	10,000 t-CO <sub>2</sub> 10,000 m <sup>3</sup> 1,000 m <sup>3</sup>	- - - - - - - -	23,674 — — — — — 21,652 —	22,902 ————————————————————————————————————	22,723 ————————————————————————————————————	20,148 ————————————————————————————————————	2.6 ————————————————————————————————————	3.5 1.5 5.3 1.1 0.9 — 24,104 — — — 20,255 —	3.0 1.3 5.5 1.3 0.9 - 22,305 1,192 511 74 17,914 -	2.5 1.1 5.2 1.1 0.9 — 22,056 878 487 62 19,702 696	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56 18,415 790	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58 17,248		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding on North America and Japan *11  Overseas Mainland China Asia (excluding on North America and North America and Japan *11)  Overseas Mainland China Asia (excluding of North America and North Amer	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3  *8 China) *9 nd Europe *10  *8 China) *9	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup>	- - - - - - - - -	23,674 — — — — 21,652 —				6.1  2.6  — 24,375  — — 21,214  — —	3.5 1.5 5.3 1.1 0.9 - 24,104 20,255	3.0 1.3 5.5 1.3 0.9 22,305 1,192 511 74 17,914	2.5 1.1 5.2 1.1 0.9 — 22,056 878 487 62 19,702 696 141	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56 18,415 790 180	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58 17,248 761 162		
China) *9  North America and Europe *10  Combined *14  Japan *11  Overseas Mainland China Asia (excluding on North America and Japan *11  Overseas Mainland China Asia (excluding on North America and North Ameri	Scope 1 Scope 2 Scope 1 Scope 2 Scope 3  *8 China) *9 nd Europe *10  *8 China) *9	10,000 t-CO <sub>2</sub> 1,000 m <sup>3</sup>	- - - - - - - - -	23,674 — — — — — — 21,652 — — —	22,902 ————————————————————————————————————		20,148 ————————————————————————————————————	6.1  2.6  — 24,375  — — 21,214  — — —	3.5 1.5 5.3 1.1 0.9 - 24,104 20,255	3.0 1.3 5.5 1.3 0.9 - 22,305 1,192 511 74 17,914	2.5 1.1 5.2 1.1 0.9 - 22,056 878 487 62 19,702 696 141 47	2.2 1.0 4.7 1.1 0.7 21.9 21,979 903 459 56 18,415 790 180 53 26.0	0.3 2.6 1.0 3.6 1.1 0.8 18.7 20,513 845 479 58 17,248 761 162 54		
r	Gross profit Operating profit Profit before income taxes Profit attributable to owne Capital expenditures *2 Research and developmen Depreciation *3 Cash flows from operating Cash flows from investing a	Net sales    Segment   Food   Pharmaceutical	Net sales Segment Food Pharmaceuticals Millions of yen Profit before income taxes Profit attributable to owners of parent Millions of yen Profit attributable to owners of parent Capital expenditures *2 Millions of yen Perciation *3 Millions of yen Perciation *3 Millions of yen Cash flows from operating activities (A) Millions of yen Cash flows from financing activities (B) Millions of yen Cash flows from financing activities Millions of yen Pree cash flows (A+B) Millions of yen Total assets Millions of yen Interest-bearing debt Millions of yen Profit (EPS) Yen Net assets (BPS) *5 Yen Return on Equity (ROE) Return on Assets (ROA) Equity ratio Payout ratio Marchada Scope 1 *6 10,000 t-CO2 Total Scope 2 *6 10,000 t-CO2 Total Scope 2 *6 Total Cope 1 *6 Total Cope 1 *6 Total Cope 1 *6 Total Cope 1 *6 Total Cope 2 *6 Total Cope 1 *6 Total Cope 2 *6 Total Cope 1 *6 Total Cope 2 *6 Total Cope 2 *6 Total Cope 1 *6 Total Cope 2 *6 Total C	Net sales Segment Segment Food Pharmaceuticals Millions of yen Pharmaceuticals Millions of yen Pharmaceuticals Millions of yen Segment (Overseas) Segment (Overseas) Food Pharmaceuticals Millions of yen Segment (Overseas) Frood Millions of yen Pharmaceuticals Millions of yen Segment Millions of yen Segment Segment (Overseas) Frood Millions of yen Segment Millions of yen Millions of yen Segment Millions o	Net sales   Food   Millions of yen   Millions of yen   988,854   986,319	Net sales	Net sales         Food         Millions of yen         1,114,095         1,109,275         1,126,520         1,148,076           Segment         Food         Millions of yen         988,854         986,319         1,001,551         1,015,265           Segment (Overseas)         Food         Millions of yen         124,202         125,274         127,361         135,105           Gross profit         Millions of yen (Overseas)         Millions of yen (Dverseas)         381,234         370,774         382,684         394,062           Operating profit         Millions of yen (Dverseas)         Millions of yen (Dverseas)         28,873         20,189         25,859         36,496           Profit before income taxes         Millions of yen (Dverseas)         Millions of yen (Dverseas)         17,925         14,588         25,214         33,687           Profit attributable to owners of parent (Dverseas)         Millions of yen (Dverseas)         9,552         6,805         16,646         19,060           Capital expenditures '2         Millions of yen (Dverseas)         9,552         6,805         16,646         19,060           Capital expenditures '2         Millions of yen (Dverseas)         41,345         40,871         40,921         40,972           Capital expenditures '2         Millions of yen	Net sales   Food   Millions of yen   1,114,095   1,109,75   1,126,520   1,148,076   1,148,076   1,012,180	Net sales	Net sales	No sales   Female   Female	Post Sales   Found   Found	No.   Part   P	No.   Profile   No.   No.	No.   No.

<sup>\*1</sup> U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US\$1 = ¥110.71, the exchange rate prevailing on March 31, 2021.

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

<sup>\*3</sup> Figures for depreciation represent property, plant and equipment and intangible fixed assets based on the consolidated statement of cash flows.

<sup>\*4</sup> A 2-for-1 common stock split was issued on October 1, 2015. This value was retro-actively applied.

<sup>\*5</sup> Net assets per share = (Total net assets – Non-controlling interests) ÷ (Number of shares of common stock issued – Number of treasury shares)

The domestic Meiji Group. Past data has been revised.

The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's sites were included from FY2019. Category 4 (Upstream transportation and distribution) and Category 9 (Downstream transportation and distribution) have been added and are included in

the calculation for Scope 3 from FY2018. In addition, the calculation for Category 1 was expanded to include the raw materials that make up the majority of what is needed for production. Note that the Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's production plants were included from FY2019.

<sup>\*8</sup> Five production plants \*9 Four production plants \*10 Three production plants (four plants in FY2020)

<sup>\*11</sup> Meiji Co., Ltd. and Meiji Seika Pharma Co., Ltd. up until FY2014, and the domestic Meiji Group from FY2015. The Kumamoto Plant of KM Biologics Co., Ltd. was included in the calculation from FY2018, and all of the company's production plants were included from FY2019. Past data has been revised.

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

<sup>\*13</sup> The standard used for calculating the overseas sales was revised from FY2017.

<sup>\*14</sup> Twelve production plants in Mainland China, Asia (excluding China), North America and Europe (13 plants in FY2020)

<sup>\*15</sup> In the first quarter of the consolidated fiscal year ended March 31, 2021, we finalized provisional accounting treatment pertaining to a business combination. Accordingly, major management indicators for the fiscal year ended March 31, 2020 represent amounts reflecting the revisions to the initial allocation of the acquisition cost resulting from the finalization of provisional accounting treatment.

## Non-Financial Performance (Progress on Materiality)

Materiality related to social issues

New KPIs

[ ] Scope of KPI Meiji G: the Meiji Group (consolidated) Meiji HD: Meiji Holdings Co., Ltd.

Meiji : Meiji Co., Ltd. : Meiji Seika Pharma Co., Ltd. : KM Biologics Co., Ltd.

The 13 Main SDGs the Meiji Group Can Address















## **Healthier Lives**



## Health and Nutrition SDGs: 2, 3, 4

				Performar	nce			
Social Issues	KPI			FY2019	FY2020			
Contribute to	Develop products that contribute to	Health-conscious products	47	20	28			
healthy diets  Respond to	healthy diets (until FY2020) [Meiji, unconsolidated]	Nutritional products with added value	32	45	46			
a super-aged society	Develop products that contribute to a s [Meiji, unconsolidated]	super-aged society (until FY2020)	6	2	2			
	Enroll a total of 500,000 participants int within three years from FY2018 to FY20.	196,000 people	407,000 people	504,000 people				
	Increase sales of health-conscious products, nutritional products with added value, and products for a super-aged society by at least 10% in FY2023, compared with FY2020 baseline [Meiji, consolidated (domestic)]							
	Enroll a total of 700,000 participants into nutrition and healthy diet education within three years from FY2021 to FY2023 [Meiji, unconsolidated]							
<ul> <li>Stable supply of pharmaceuticals</li> </ul>	Achieve a volume share of at least 50% [MSP, consolidated (domestic)]	in five Key Drugs by FY2023						
☼ Countermeasures against emerging and re-emerging infectious diseases*	Aim for launch of COVID-19 vaccines by [MSP, KMB, unconsolidated]	FY2023						

<sup>\*</sup> Set as materiality for the 2023 Medium-Term Business Plan



## Quality and Safety SDGs: 3, 12

0 111	VD)	Performance			
Social Issues	KPI		FY2019	FY2020	
♠ Ensuring product quality and safety ¹¹	Obtain third party GFSI certification, which includes Hazard Analysis and Critical Control Point (HACCP), at all domestic food plants by FY2020 and all global food plants by FY2021 <sup>12</sup> [Meiji, consolidated]	50% *3	87% *3	Japan: 100% Overseas: 100%	

\*1 Materiality until FY2020 \*2 Expanded globally in FY2020 \*3 In Japan GFSI: Global Food Safety Initiative



## **Caring for the Earth**



## Climate Change SDGs: 7, 13

		Performance			
Social Issues	KPI		FY2019	FY2020	
♠ Reduce CO₂ emissions	Reduce company-wide CO <sub>2</sub> emissions (Scope 1, 2) by at least 40% by FY2030 (compared to FY2015) [Meiji G, consolidated]	-11.9% *1	-18.5% *2	-24.1% *2	
	Expand renewable energy usage to make up at least 50% of total company-wide usage by FY2030 [Meiji G, consolidated]	0.2%	2.1%	2.5%	
	Reduce $CO_2$ emissions (Scope 3 from purchased goods and services, upstream a and distribution, and end of life treatment of sold products) by at least 14% by F [Meiji G, consolidated]				
<ul> <li>Eliminate the use of specified fluorocarbons</li> </ul>	Total abolition of CFC-using refrigeration, freezer, and other equipment at all domestic production sites by FY2030 [Meiji G, consolidated (domestic)]	*4	*4	Base year	

- \*1 The Meiji Group excluding KM Biologics Co., Ltd.
- \*2 The emission volume for the base year was 742,000 t-CO<sub>2</sub>, which includes CO<sub>2</sub> emissions from KM Biologics Co., Ltd.

## Circular Economy SDGs: 12

Co. dallacono	VDI	Performance						
Social Issues	KPI		FY2019	FY2020				
☼ Reduce environmental	Consolidated domestic recycle rate 97% or above [Meiji G, consolidated (domestic)]	95.6%	94.6%	77.7% *2				
impact*1	Consolidated domestic recycle rate 85% or above by FY2023 [Meiji G, consolidated	(domestic)]						
	Reduce product waste in our domestic food business by 50% by FY2025 (compared to FY2016) [Meiji, consolidated (domestic)]	-21.9%	-25.1%	-29.3%				
	Reduce domestic plastic usage (packaging, etc.) by at least 25% by FY2030 (compared to FY2017), and expand usage of bioplastics and recycled plastics (until FY2020) [Meiji G, consolidated (domestic)]	-8.2%	-9.8%	*3				
	Reduce domestic plastic usage (packaging, etc.) by at least 25% by FY2030 (compared to FY2017) [Meiji G, consolidated (domestic)]							
	Ensure 100% effective use of materials used by our logistics division (pallets, crates, and stretch film, etc.) by FY2030, through reuse and recycling. [Meiji G, consolidated (domestic)]							
	Expand usage of bioplastics and recycled plastics [Meiji G, consolidated (domestic)]							

<sup>\*1</sup> Set as materiality for the 2023 Medium-Term Business Plan

<sup>\*3</sup> To be calculated in FY2021



## Water SDGs: 6, 14

Contable and	VDI	Performance			
Social Issues	КРІ		FY2019	FY2020	
Secure water resources	Reduce company-wide water consumption volume per unit of sales by at least 20% by FY2030, compared with FY2017 [Meiji G, consolidated]	-1.5%	-3.8%	-5.3%	
	Replenish an amount of water to nature equivalent to 45% the amount used in a [Meiji G, consolidated]	our produc	ts by FY20	30	

<sup>\*</sup> The Meiji Group excluding KM Biologics Co., Ltd.

## Biodiversity SDGs: 6, 15

6 111	1/51	Performance			
Social Issues	KPI		FY2019	FY2020	
Protection of local biodiversity	Conduct biodiversity activities at all production sites in Japan by FY2020, and all production sites worldwide by FY2023 [Meiji G, consolidated]	62.0%	80.8%	Japan: 36.2% Overseas: 45.0%	
	Conduct biodiversity activities at all production sites worldwide by FY2023 [Meiji	G, consolid	ated]		

<sup>\*</sup> Japan

## **Enhancement of Environmental Management**

Social Issues	КРІ
_	Obtain ISO 14001 Multisite Certification at all domestic production locations by FY2021 [Meiji G, consolidated (domestic)]

<sup>\*2</sup> In FY2020, the calculation method for the recycling rate has been changed: thermal recovery is not included in the amount of recycling

#### Non-Financial Performance (Progress on Materiality)



## Thriving Communities



## Human Resources SDGs: 5, 8, 10

Contable on a	VDI	Performance				
Social Issues	КРІ	FY2018	FY2019	FY2020		
<ul> <li>Promote diversity and inclusion, and provide training</li> </ul>	Increase the ratio of female managers to over 10% by FY2026, compared with the FY2017 result of 2.6% [Meiji HD, Meiji, MSP, KMB, unconsolidated]		3.4%	3.7%		
to employees	Increase the number of female managers (including assistant managers) to at least 420 by FY2026 (approximately triple the number as in FY2017) [Meiji HD, Meiji, MSP, KMB, unconsolidated]		189 people	208 people		
	Raise the ratio of employees with disabilities above the statutory employment quota [Meiji HD, Meiji, MSP, KMB, unconsolidated]	2.29%	2.28%	2.42%		
<ul> <li>Employee-friendly workplaces</li> </ul>	iendly Continue to be recognized by the Nippon Kenko Kaigi as White 500 organizations [Meiji HD, Meiji, MSP, KMB, unconsolidated]					



## Society SDGs: 8, 10, 17

0.11			Performance				
Social Issues	KPI	FY2018	FY2019	FY2020			
Respect and promote human rights	100% attendance rate at human rights training among new employees and those promoted to managing positions (until FY2020) [Meiji HD, Meiji, MSP, KMB, unconsolidated]		100%	100%			
	All domestic Meiji Group employees to attend a human rights training (including e-learning) at least once annually [Meiji G, consolidated (domestic)]						
	All overseas Meiji Group employees to attend a human rights training (including e-learning) at least once by FY2023 [Meiji G, consolidated (global)]						
<ul> <li>Engagement with stakeholders</li> </ul>	Hold an ESG session for investors, and advisory board meetings at least three times annually [Meiji HD]						
Promote social  All domestic Meiji Group employees to participate in social contribution activities at least twice annually (at least once each 6-month period) [Meiji G, consolidated (domestic)]							

## **Shared Themes**



## Sustainable Sourcing SDGs: 8, 12, 15, 17

0.11	VO	Performance							
Social Issues	КРІ	FY2018	FY2019	FY2020					
OPProcure raw materials with consideration toward human rights	Start conducting a sustainable sourcing survey of suppliers for domestic Group companies by FY202 Start conducting a sustainable sourcing survey of suppliers for major overseas Group companies by [Meiji G, consolidated]								
and the environment	Sourcing 100% Sustainable Cocoa by FY2026*1 [Meiji, consolidated]	-	-	Approx. 40%					
	Use 100% certified palm oil globally by FY2023 <sup>*1</sup> (until FY2020) [Meiji, consolidated]		21%	68%					
	Use 100% RSPO-certified palm oil by FY2023 [Meiji, consolidated]								
	Use paper raw materials with 100% forest certified (FSC®, PEFC) and/or recycled paper by FY2020 (until FY2020) [Meiji G, consolidated (domestic)]	55% *2	60%	77%					
	Use 100% environmentally-friendly paper by FY2023 [Meiji G, consolidated]								
Conduct MDA, an activity to provide management support to dairy farmers, at least 400 time and also at least 2,150 times on a cumulative basis by FY2023 [Meiji, consolidated (domestic)]									

<sup>\*1</sup> Newly set in FY2020 \*2 The domestic Meiji Group, excluding KM Biologics Co., Ltd.

FSC®: Forest Stewardship Council®

PEFC: Programme for the Endorsement of Forest Certification Schemes

MDA: Meiii Dairy Advisory

## Independent Practitioner's Assurance of Energy Consumption Volume, CO<sub>2</sub> 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 energy consumption volume, the domestic CO<sub>2</sub> emission volume (Scope 1, Scope 2 and Scope 3 category 1) and the domestic water consumption volume for FY2020 indicated on p.52 and 54 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.



(TRANSLATION)

Independent Practitioner's Assurance Report

August 6, 2021

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

Masahiko Sugiyama Representative Director Deloitte Tohmatsu Sustainability Co., Ltd. 3-2-3, Marunouchi, Chiyoda-ku, Tokyo

We have undertaken a limited assurance engagement of the domestic energy consumption volume, the domestic CO<sub>2</sub> emission volume (Scope1,Scope2,Scope3 category1) and the domestic water consumption volume indicated with for the year ended March 31, 2021 (the "Quantitative Environmental Information") included in the "Integrated Report 2021" (the "Report") of Meiji Holdings Co., Ltd. (the "Company").

The Company's Responsibility

The Company's Responsibility

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

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

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Quantitative Environmental Information based
Our Responsibility Our responsibility is to express a limited assurance conclusion on the Quantitative Environmental Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board ("IAASB"), ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the IAASB and the Practical Guideline for the Assurance of Sustainability Information, issued by the Japanese Association of Assurance Organizations for Sustainability Information. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. These procedures also included the following:

- the following:

  Evaluating whether the Company's methods for estimates are appropriate and had been consistently applied.

  However, our procedures did not include testing the data on which the estimates are based or reperforming the
  - esumates.

    Performing interviews of responsible persons and inspecting documentary evidence to assess the completeness of the data, data collection methods, source data and relevant assumptions applicable to the sites.

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

inflied Assurance Conclusion

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

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

### Scope of domestic energy consumption volume, domestic CO<sub>2</sub> 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 Meiji Co., Ltd., Tochigi Meiji Milk Products Co., Ltd., Meiji Oils and Fats Co., Ltd., Chiba Meiji Milk Products Co., Ltd., Donan Shokuhin Co., Ltd., Zao Shokuhin Kaisha, Ltd., Meiji Sangyo Co., Ltd., Meiji Chewing Gum Co., Ltd., Tokai Nuts Co., Ltd., Okayamaken Shokuhin Co., Ltd., Nihon Kanzume, Co., Ltd., Meiji Feed Co., Ltd., Asahi Broiler Co., Ltd., Okinawa Meiji Milk Products Co., Ltd., Meiji Logitech Co., Ltd.), Meiji Seika Pharma Co., Ltd. and group companies (OHKURA Pharmaceutical Co., Ltd.), and KM Biologics Co., Ltd. Note that the energy consumption volume and CO<sub>2</sub> emission volume for Meiji Logitech Co., Ltd. only include the fuel used in company-owned delivery vehicles/trucks.

## Scope of domestic CO<sub>2</sub> emission volume (Scope 3 category 1)

This scope includes the main raw materials and packaging materials (paper, plastic, cardboard, steel, aluminum and glass bottles) that will be introduced into the domestic production locations for Meiji Co., Ltd., and the group companies (Shikoku Meiji Co., Ltd., Tokai Meiji Co., Ltd., Gunma Meiji Co., Ltd., Tochigi Meiji Milk Products Co., Ltd., Meiji Oils and Fats Co., Ltd., Chiba Meiji Milk Products Co., Ltd., Donan Shokuhin Co., Ltd., Meiji Sangyo Co., Ltd., Meiji Chewing Gum Co., Ltd., Tokai Nuts Co., Ltd., Nihon Kanzume, Co., Ltd., Okinawa Meiji Milk Products Co., Ltd.), Meiji Seika Pharma Co., Ltd. and the group companies (OHKURA Pharmaceutical Co., Ltd.), as well as KM Biologics Co., Ltd.

RSPO: Roundtable on Sustainable Palm Oil

## **Consolidated Financial Statements**

## **Consolidated Balance Sheet**

Meiji Holdings Co., Ltd. / As of March 31, 2021

SSETS   Current assets:		Million	Thousands of U.S. dollars	
Current assets:   Cash and deposits   \$40,328		2021	2020	2021
Cash and deposits   Nover 11	ASSETS			
Notes and accounts receivable-trade Merchandise and finished goods Merchandise and finished goods Mork in process 117,445 111,028 1,060,336 Raw materials and supplies 60,488 58,542 546,370 Others 28,353 27,454 256,104 Allowance for doubtful accounts (2,347) (1,247) Total current assets  Property, plant and equipment Buildings and structures Buildings and structures 355,394 Saccumulated depreciation (177,630) Machinery, equipment and vehicles 550,069 Machinery, equipment and vehicles Machinery, equipment and vehicles Machinery, equipment and vehicles, net [Mode 11, 10] Machinery, equipment and equipment [Mode 11, 10] Machinery, equipment and equipment [Mode 11,	Current assets:			
Merchandise and finished goods	Cash and deposits (Note 11)	¥ 40,328	¥ 37,446	\$ 364,275
Work in process	Notes and accounts receivable-trade	177,730	179,931	1,605,368
Raw materials and supplies	Merchandise and finished goods	117,445	111,028	1,060,836
Others         28,353         27,454         256,104           Allowance for doubtful accounts         (2,347)         (1,247)         (21,205)           Total current assets         426,053         416,885         3,848,376           Non-current assets:         Property, plant and equipment           Buildings and structures         353,94         353,843         3,210,137           Accumulated depreciation         (177,630)         (172,887)         (1,604,463)           Buildings and structures, net (Nucleus), 150         177,764         180,956         1,605,673           Machinery, equipment and wehicles         550,069         539,437         4,966,563           Accumulated depreciation         (390,691)         (384,661)         (3,528,962)           Machinery, equipment and wehicles, net (Nucleus), 150         159,378         154,775         1,439,601           Tools, furniture and fixtures         60,909         58,049         550,170           Accumulated depreciation         (46,435)         (43,478)         (419,437)           Tools, furniture and fixtures, net (Nucleus)         14,473         14,570         130,733           Leased assets         2,781         3,046         25,121           Accumulated depreciation         (2,067)         <	Work in process	4,054	3,729	36,626
Allowance for doubtful accounts   (2,347)   (1,247)   (21,205)     Total current assets   426,053   416,885   3,848,376     Non-current assets:	Raw materials and supplies	60,488	58,542	546,370
Total current assets	Others	28,353	27,454	256,104
Non-current assets: Property, plant and equipment Buildings and structures Accumulated depreciation (177,630) Buildings and structures, net (Notes 11,16) Buildings and structures (Notes 11,16) Buildings and structures, net (Notes 11,16) Buildings and struct	Allowance for doubtful accounts	(2,347)	(1,247)	(21,205)
Property, plant and equipment Buildings and structures Accumulated depreciation Buildings and structures, net (Notes 11, 16) Machinery, equipment and vehicles S50,069 539,437 4,968,563 Accumulated depreciation (390,691) (384,661) (3,528,962) Machinery, equipment and vehicles, net (Notes 11, 16) Tools, furniture and fixtures 60,909 58,049 550,170 Accumulated depreciation (46,435) (43,478) (419,437) Tools, furniture and fixtures, net (Note 10) Leased assets (2,781 3,046 25,121 Accumulated depreciation (2,067) (2,166) (18,671) Leased assets, net 714 880 6,450 Construction in progress 35,025 23,645 316,367 Total property, plants and equipment 454,994 444,191 4,109,790  Intangible assets: Goodwill 42 57 382 Others 15,950 14,240 144,074 Total intangible assets Investments and other assets Investment securities (Note 10) Deferred tax assets 113,135 16,341 118,648 Others 8,133 7,171 73,468 Allowance for doubtful accounts (66) (572) Total investments and other assets 169,959 123,545 1,555,174 Total non-current assets 560,046 582,034 5,789,422	Total current assets	426,053	416,885	3,848,376
Property, plant and equipment Buildings and structures Accumulated depreciation Buildings and structures, net (Notes 11, 16) Machinery, equipment and vehicles S50,069 539,437 4,968,563 Accumulated depreciation (390,691) (384,661) (3,528,962) Machinery, equipment and vehicles, net (Notes 11, 16) Tools, furniture and fixtures 60,909 58,049 550,170 Accumulated depreciation (46,435) (43,478) (419,437) Tools, furniture and fixtures, net (Note 10) Leased assets (2,781 3,046 25,121 Accumulated depreciation (2,067) (2,166) (18,671) Leased assets, net 714 880 6,450 Construction in progress 35,025 23,645 316,367 Total property, plants and equipment 454,994 444,191 4,109,790  Intangible assets: Goodwill 42 57 382 Others 15,950 14,240 144,074 Total intangible assets Investments and other assets Investment securities (Note 10) Deferred tax assets 113,135 16,341 118,648 Others 8,133 7,171 73,468 Allowance for doubtful accounts (66) (572) Total investments and other assets 169,959 123,545 1,555,174 Total non-current assets 560,046 582,034 5,789,422				
Buildings and structures Accumulated depreciation Buildings and structures, net Notes 11, 160 Buildings and structures Buildings and	Non-current assets:			
Accumulated depreciation (177,630) (172,887) (1,604,463)  Buildings and structures, net (1004,611,160) 177,764 180,956 1,605,673  Machinery, equipment and vehicles 550,069 539,437 4,968,563  Accumulated depreciation (390,691) (384,661) (3,528,962)  Machinery, equipment and vehicles, net (1004,11,160) 159,378 154,775 1,439,601  Tools, furniture and fixtures 60,909 58,049 550,170  Accumulated depreciation (46,435) (43,478) (419,437)  Tools, furniture and fixtures, net (1004,180) 14,473 14,570 130,733  Land (1004,131) 67,639 69,363 610,963  Leased assets 2,781 3,046 25,121  Accumulated depreciation (2,067) (2,166) (18,671)  Leased assets, net 714 880 6,450  Construction in progress 35,025 23,645 316,367  Total property, plants and equipment 454,994 444,191 4,109,790  Intangible assets:  Goodwill 42 57 382  Others 15,950 14,240 144,074  Total intangible assets 15,992 14,297 144,457  Investments and other assets:  Investment securities (1006,14) 118,648  Others 8,133 7,171 73,468  Allowance for doubtful accounts (63) (66) (572)  Total investments and other assets 169,959 123,545 1,535,174  Total inon-current assets 640,946 582,034 5,789,422	Property, plant and equipment			
Buildings and structures, net   Notes 11, 160   177,764   180,956   1,605,673	Buildings and structures	355,394	353,843	3,210,137
Machinery, equipment and vehicles         550,069         539,437         4,968,563           Accumulated depreciation         (390,691)         (384,661)         (3,528,962)           Machinery, equipment and vehicles, net (Notes 11,160)         159,378         154,775         1,439,601           Tools, furniture and fixtures         60,909         58,049         550,170           Accumulated depreciation         (46,435)         (43,478)         (419,437)           Tools, furniture and fixtures, net (Note 16)         14,473         14,570         130,733           Land (Note 11)         67,639         69,363         610,963           Leased assets         2,781         3,046         25,121           Accumulated depreciation         (2,067)         (2,166)         (18,671)           Leased assets, net         714         880         6,450           Construction in progress         35,025         23,645         316,367           Total property, plants and equipment         454,994         444,191         4,109,790           Intangible assets:           Goodwill         42         57         382           Others         15,950         14,240         144,457           Investments and other assets:	Accumulated depreciation	(177,630)	(172,887)	(1,604,463)
Accumulated depreciation         (390,691)         (384,661)         (3,528,962)           Machinery, equipment and vehicles, net (Notes 11,16)         159,378         154,775         1,439,601           Tools, furniture and fixtures         60,909         58,049         550,170           Accumulated depreciation         (46,435)         (43,478)         (419,437)           Tools, furniture and fixtures, net (Note 16)         14,473         14,570         130,733           Land (Note 11)         67,639         69,363         610,963           Leased assets         2,781         3,046         25,121           Accumulated depreciation         (2,067)         (2,166)         (18,671)           Leased assets, net         714         880         6,450           Construction in progress         35,025         23,645         316,367           Total property, plants and equipment         454,994         444,191         4,109,790           Intangible assets:           Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets:         15,992         14,297         144,457           Investments and other assets:         125,494	Buildings and structures, net (Notes 11, 16)	177,764	180,956	1,605,673
Machinery, equipment and vehicles, net (Notes 11,16)         159,378         154,775         1,439,601           Tools, furniture and fixtures         60,909         58,049         550,170           Accumulated depreciation         (46,435)         (43,478)         (419,437)           Tools, furniture and fixtures, net (Note 16)         14,473         14,570         130,733           Land (Note 13)         67,639         69,363         610,963           Leased assets         2,781         3,046         25,121           Accumulated depreciation         (2,067)         (2,166)         (18,671)           Leased assets, net         714         880         6,450           Construction in progress         35,025         23,645         316,367           Total property, plants and equipment         454,994         444,191         4,109,790           Intangible assets:           Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets:         15,992         14,297         144,457           Investments and other assets:         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500 </td <td>Machinery, equipment and vehicles</td> <td>550,069</td> <td>539,437</td> <td>4,968,563</td>	Machinery, equipment and vehicles	550,069	539,437	4,968,563
Tools, furniture and fixtures	Accumulated depreciation	(390,691)	(384,661)	(3,528,962)
Accumulated depreciation         (46,435)         (43,478)         (419,437)           Tools, furniture and fixtures, net (Note 16)         14,473         14,570         130,733           Land (Note 11)         67,639         69,363         610,963           Leased assets         2,781         3,046         25,121           Accumulated depreciation         (2,067)         (2,166)         (18,671)           Leased assets, net         714         880         6,450           Construction in progress         35,025         23,645         316,367           Total property, plants and equipment         454,994         444,191         4,109,790           Intangible assets:           Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets         15,992         14,297         144,457           Investments and other assets:         1125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           All	Machinery, equipment and vehicles, net (Notes 11, 16)	159,378	154,775	1,439,601
Tools, furniture and fixtures, net (Note 16)	Tools, furniture and fixtures	60,909	58,049	550,170
Land (Note 11)       67,639       69,363       610,963         Leased assets       2,781       3,046       25,121         Accumulated depreciation       (2,067)       (2,166)       (18,671)         Leased assets, net       714       880       6,450         Construction in progress       35,025       23,645       316,367         Total property, plants and equipment       454,994       444,191       4,109,790         Intangible assets:         Goodwill       42       57       382         Others       15,950       14,240       144,074         Total intangible assets       15,992       14,297       144,457         Investments and other assets:       1       125,494       84,598       1,133,547         Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422	Accumulated depreciation	(46,435)	(43,478)	(419,437)
Leased assets       2,781       3,046       25,121         Accumulated depreciation       (2,067)       (2,166)       (18,671)         Leased assets, net       714       880       6,450         Construction in progress       35,025       23,645       316,367         Total property, plants and equipment       454,994       444,191       4,109,790         Intangible assets:         Goodwill       42       57       382         Others       15,950       14,240       144,074         Total intangible assets       15,992       14,297       144,457         Investments and other assets:       1125,494       84,598       1,133,547         Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422	Tools, furniture and fixtures, net (Note 16)	14,473	14,570	130,733
Accumulated depreciation         (2,067)         (2,166)         (18,671)           Leased assets, net         714         880         6,450           Construction in progress         35,025         23,645         316,367           Total property, plants and equipment         454,994         444,191         4,109,790           Intangible assets:           Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets         15,992         14,297         144,457           Investments and other assets:         1         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Land (Note 11)	67,639	69,363	610,963
Leased assets, net       714       880       6,450         Construction in progress       35,025       23,645       316,367         Total property, plants and equipment       454,994       444,191       4,109,790         Intangible assets:         Goodwill       42       57       382         Others       15,950       14,240       144,074         Total intangible assets       15,992       14,297       144,457         Investments and other assets:         Investment securities (Note 14)       125,494       84,598       1,133,547         Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422	Leased assets	2,781	3,046	25,121
Construction in progress         35,025         23,645         316,367           Total property, plants and equipment         454,994         444,191         4,109,790           Intangible assets:           Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets         15,992         14,297         144,457           Investments and other assets:           Investment securities (Note 14)         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Accumulated depreciation	(2,067)	(2,166)	(18,671)
Total property, plants and equipment   454,994   444,191   4,109,790	Leased assets, net	714	880	6,450
Intangible assets:         Goodwill       42       57       382         Others       15,950       14,240       144,074         Total intangible assets       15,992       14,297       144,457         Investments and other assets:         Investment securities (Note 14)       125,494       84,598       1,133,547         Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422	Construction in progress	35,025	23,645	316,367
Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets         15,992         14,297         144,457           Investments and other assets:           Investment securities (Note 14)         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Total property, plants and equipment	454,994	444,191	4,109,790
Goodwill         42         57         382           Others         15,950         14,240         144,074           Total intangible assets         15,992         14,297         144,457           Investments and other assets:           Investment securities (Note 14)         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Intangihle assets:			
Others         15,950         14,240         144,074           Total intangible assets         15,992         14,297         144,457           Investments and other assets:           Investment securities (Note 14)         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	-	42	57	382
Investments and other assets:         15,992         14,297         144,457           Investments and other assets:         125,494         84,598         1,133,547           Retirement benefit asset         23,258         15,500         210,083           Deferred tax assets         13,135         16,341         118,648           Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422				
Investments and other assets:         Investment securities (Note 14)       125,494       84,598       1,133,547         Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422				
Investment securities (Note 14)       125,494       84,598       1,133,547         Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422		.,	, ,	
Retirement benefit asset       23,258       15,500       210,083         Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422	Investments and other assets:			
Deferred tax assets       13,135       16,341       118,648         Others       8,133       7,171       73,468         Allowance for doubtful accounts       (63)       (66)       (572)         Total investments and other assets       169,959       123,545       1,535,174         Total non-current assets       640,946       582,034       5,789,422	Investment securities (Note 14)	125,494	84,598	1,133,547
Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Retirement benefit asset	23,258	15,500	210,083
Others         8,133         7,171         73,468           Allowance for doubtful accounts         (63)         (66)         (572)           Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Deferred tax assets			
Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Others	8,133	7,171	73,468
Total investments and other assets         169,959         123,545         1,535,174           Total non-current assets         640,946         582,034         5,789,422	Allowance for doubtful accounts	(63)	(66)	(572)
Total non-current assets <b>640,946</b> 582,034 <b>5,789,422</b>	Total investments and other assets		123,545	
	Total non-current assets			
1 ±1001,000	Total assets	¥1,067,000	¥ 998,920	\$ 9,637,799

See accompanying notes to consolidated financial statements.

	Millions	of yen	Thousands of U.S. dollars
	2021	2020	2021
LIABILITIES			
Current liabilities:			
Notes and accounts payable-trade	¥ 104,974	¥ 112,317	\$ 948,190
Short-term borrowings (Notes 10, 11)	17,250	30,874	155,816
Accrued expenses	46,840	45,457	423,092
Income taxes payable	22,421	12,164	202,522
Provision for bonuses	11,948	12,090	107,924
Provision for sales returns	424	256	3,830
Provision for sales rebates	1,886	1,908	17,038
Others	47,266	41,451	426,941
Total current liabilities	253,011	256,520	2,285,356
Non-current liabilities:			
Bonds payable	30,000	20,000	270,978
Long-term borrowings (Notes 10, 11)	54,525	55,890	492,505
Deferred tax liabilities	10,343	8,399	93,432
Retirement benefit liability	55,198	55,410	498,590
Provision for retirement benefits for directors	96	121	867
Others	4,466	5,004	40,339
Total non-current liabilities	154,630	144,826	1,396,714
Total liabilities	407,642	401,347	3,682,071
NET ASSETS			
Shareholders' equity:			
Share capital	30,000	30,000	270,978
Capital surplus	100,693	100,245	909,528
Retained earnings	496,766	453,729	4,487,094
Treasury shares	(30,177)	(30,288)	(272,578)
Total shareholders' equity	597,282	553,687	5,395,022
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	33,962	26,968	306,771
Deferred gains or losses on hedges	37	53	343
Foreign currency translation adjustment	(4,026)	(3,279)	(36,370)
Remeasurements of defined benefit plans	(5,828)	(14,677)	(52,645)
Accumulated other comprehensive income	24,145	9,066	218,097
Non-controlling interests	37,930	34,819	342,607
Total net assets	659,358	597,573	5,955,727
Total liabilities and net assets	¥1,067,000	¥ 998,920	\$9,637,799

See accompanying notes to consolidated financial statements.

## **Consolidated Financial Statements**

## **Consolidated Statement of Income**

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Million	Millions of yen		
	2021	2020	2021	
Net sales	¥1,191,765	¥1,252,706	\$10,764,747	
Cost of sales (Note 21)	742,139	790,183	6,703,458	
Gross profit	449,625	462,523	4,061,288	
Selling, general and administrative expenses (Notes 20, 21)	343,563	359,812	3,103,277	
Operating profit	106,061	102,710	958,011	
Non-operating income:				
Interest income	290	229	2 627	
Dividend income		1,326	2,627	
Foreign exchange gains	1,286 734	1,520	11,617	
Share of profit of entities accounted for using equity method	1,578	_	6,637	
Subsidy income	•	200	14,257	
Others	710	299	6,417	
Total non-operating income	2,335 6,936	3,086 4,942	21,093 62,651	
Total non-operating income	0,530	4,342	02,031	
Non-operating expenses:				
Interest expenses	622	717	5,620	
Foreign exchange losses	_	546	_	
Share of loss of entities accounted for using equity method	_	793	_	
Compensation expenses	370	_	3,345	
Others	1,828	2,269	16,515	
Total non-operating expenses	2,821	4,326	25,481	
Ordinary profit	110,176	103,326	995,181	
Extraordinary income:				
Gain on sales of tangible and intangible assets (Note 22)	533	1,142	4,821	
Gain on sales of investment securities	346	886	3,131	
Gain on sales of shares of subsidiaries and associates	928	_	8,388	
Subsidy income	371	_	3,357	
Others	_	1	_	
Total extraordinary income	2,180	2,030	19,698	
Extraordinary losses:				
Loss on disposal of tangible and intangible assets (Note 23)	2,981	2,549	26,932	
Impairment loss (Note 24)	2,762	2,390	24,950	
Provision of allowance for doubtful accounts	1,078	1,096	9,745	
Others	2,351	1,570	21,237	
Total extraordinary losses	9,174	7,607	82,865	
Profit before income taxes	103,183	97,749	932,015	
Income taxes-current	35,300	28,784	318,852	
Income taxes-deferred	(2,197)	(791)	(19,846)	
Income taxes-total	33,102	27,992	299,006	
Profit	70,080	69,756	633,008	
Profit attributable to non-controlling interests	4,424	2,438	39,963	
Profit attributable to owners of parent	¥ 65,655	¥ 67,318	\$ 593,044	

See accompanying notes to consolidated financial statements.

## **Consolidated Statement of Comprehensive Income**

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Million	s of yen	Thousands of U.S. dollars
	2021	2020	2021
Profit	¥ 70,080	¥ 69,756	\$ 633,008
Other comprehensive income:			
Valuation difference on available-for-sale securities	7,037	(6,320)	63,570
Deferred gains or losses on hedges	(15)	51	(135)
Foreign currency translation adjustment	(1,219)	(1,461)	(11,017)
Remeasurements of defined benefit plans, net of tax	9,016	(2,608)	81,445
Share of other comprehensive income of entities accounted for using equity method	404	(53)	3,649
Total other comprehensive income (Note 25)	15,224	(10,392)	137,512
Comprehensive income	¥ 85,304	¥ 59,364	\$770,521
(Profit attributable to)			
Comprehensive income attributable to owners of parent	¥ 80,735	¥ 56,656	\$729,251
Comprehensive income attributable to non-controlling interests	4,568	2,707	41,269

See accompanying notes to consolidated financial statements.

## **Consolidated Statement of Changes in Equity**

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	_			Millions of yen			N	Millions of yen		
				Shareholders' equity	,		Accumulated other comprehensive i	income		
	Number of common shares (Thousands)	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		emeasurements Total accumulated defined benefit other comprehensive plans income	Non-controlling interests	Total net assets
Balance at March 31, 2019	152,683	¥ 30,000	¥ 100,061	¥ 407,943	¥ (30,422)	¥ 507,582	¥ 33,261 ¥ 3 ¥ (1,751)	¥(11,785) ¥ 19,728	¥ 33,320	¥ 560,630
Cumulative effects of changes in accounting policies				(500)		(500)				(500)
Restated balance	152,683	30,000	100,061	407,442	(30,422)	507,081	33,261 3 (1,751)	(11,785) 19,728	33,320	560,129
Changes during period:										
Dividends of surplus				(21,032)		(21,032)				(21,032)
Profit attributable to owners of parent				67,318		67,318				67,318
Purchase of treasury shares					(33)	(33)				(33)
Disposal of treasury shares			145		168	313				313
Purchase of shares of consolidated subsidiaries			0			0				0
Change in ownership interest of parent due to transactions with non-controlling interests			38			38				38
Net changes in items other than shareholders' equity							(6,292) 50 (1,528)	(2,892) (10,661)	1,499	(9,162)
Total Changes during period		_	184	46,286	134	46,605	(6,292) 50 (1,528)	(2,892) (10,661)	1,499	37,443
Balance at March 31, 2020	152,683	¥ 30,000	¥ 100,245	¥ 453,729	¥ (30,288)	¥ 553,687	¥ 26,968 ¥ 53 ¥ (3,279)	¥ (14,677) ¥ 9,066	¥ 34,819	¥ 597,573
Changes during period:										
Dividends of surplus				(22,488)		(22,488)				(22,488)
Profit attributable to owners of parent				65,655		65,655				65,655
Purchase of treasury shares					(25)	(25)				(25)
Disposal of treasury shares			141		136	277				277
Change in scope of consolidation				(130)		(130)				(130)
Change in ownership interest of parent due to transactions with non-controlling interests			306			306				306
Net changes in items other than shareholders' equity							6,993 (15) (747)	8,849 15,079	3,110	18,189
Total Changes during period	_	_	447	43,037	110	43,595	6,993 (15) (747)	8,849 15,079	3,110	61,785
Balance at March 31, 2021	152,683	¥30,000	¥100,693	¥ 496,766	¥ (30,177)	¥ 597,282	¥33,962 ¥37 ¥(4,026)	¥ (5,828) ¥ 24,145	¥37,930	¥659,358

		Thousands of U.S. dollars					Thousands of U.S. dollars
				Shareholders' equity	у		Accumulated other comprehensive income
	Number of common shares (Thousands)	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference Foreign currency Remeasurements Total accumulated on available-for-sale Deferred gains or translation of defined benefit other comprehensive Non-controlling securities losses on hedges adjustment plans income interests Total net ass
Balance at March 31, 2020	152,683	\$ 270,978	\$ 905,482	\$ 4,098,357	\$ (273,580)	\$ 5,001,237	\$ 243,599 \$ 487 \$ (29,619) \$ (132,576) \$ 81,890 \$ 314,513 \$ 5,397,64
Changes during period:							
Dividends of surplus				(203,126)		(203,126)	(203,12
Profit attributable to owners of parent				593,044		593,044	593,04
Purchase of treasury shares					(229)	(229)	(2)
Disposal of treasury shares			1,275		1,231	2,506	2,50
Change in scope of consolidation				(1,181)		(1,181)	(1,18
Change in ownership interest of parent due to transactions with non-controlling interests			2,770			2,770	2,77
Net changes in items other than shareholders' equity							63,171 (144) (6,750) 79,930 136,207 28,093 164,30
Total Changes during period	_	_	4,045	388,737	1,001	393,784	63,171 (144) (6,750) 79,930 136,207 28,093 558,08
Balance at March 31, 2021	152,683	\$270,978	\$909,528	\$4,487,094	\$ (272,578)	\$5,395,022	\$306,771 \$343 \$(36,370) \$(52,645) \$218,097 \$342,607 \$5,955,77

## **Consolidated Financial Statements**

## **Consolidated Statement of Cash Flows**

Meiji Holdings Co., Ltd. / For the year ended March 31, 2021

	Millions	Thousands of U.S. dollars	
	2021	2020	2021
Cash flows from operating activities			
Profit before income taxes	¥103,183	¥ 97,749	\$ 932,015
Depreciation	48,411	46,198	437,281
Impairment loss	2,762	2,390	24,950
Amortization of goodwill	15	33	139
Loss on retirement of property, plant and equipment	2,958	2,546	26,726
Loss (gain) on valuation of investment securities	212	150	1,915
Increase (decrease) in allowance for doubtful accounts	1,098	1,061	9,919
Increase (decrease) in provision for bonuses	(18)	298	(169)
Increase (decrease) in retirement benefit liability	5,647	2,915	51,013
Interest and dividend income	(1,577)	(1,556)	(14,245)
Interest expenses	622	717	5,620
Share of loss (profit) of entities accounted for using equity method	(1,578)	793	(14,257)
Loss (gain) on sales of property, plant and equipment	(413)	(1,006)	(3,732)
Loss (gain) on sales of shares of subsidiaries and associates	(592)	_	(5,348)
Loss (gain) on sales of investment securities	(256)	(878)	(2,318)
Decrease (increase) in trade receivables	2,769	20,701	25,012
Decrease (increase) in inventories	(9,556)	(8,685)	(86,316)
Increase (decrease) in trade payables	(7,502)	(11,323)	(67,766)
Others, net	497	(2,554)	4,491
Subtotal	146,683	149,550	1,324,931
Interest and dividends received	2,119	1,958	19,142
Proceeds from insurance income	_	1,432	_
Interest paid	(627)	(726)	(5,664)
Income taxes paid	(24,492)	(38,110)	(221,227)
Net cash provided by (used in) operating activities	123,683	114,103	1,117,182
Cash flows from investing activities			
Purchase of property, plant and equipment	(63,029)	(68,217)	(569,318)
Purchase of intangible assets	(4,871)	(2,912)	(44,001)
Proceeds from sales of property, plant and equipment and intangible assets	2,645	2,161	23,893
Subsidies received	2,674	_	24,153
Purchase of investment securities	(32,821)	(2,473)	(296,464)
Proceeds from sales of investment securities	1,296	1,004	11,714
Purchase of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	_	(656)	_
Proceeds from sales of shares of subsidiaries resulting in change			
in scope of consolidation	2,164	39	19,549
Others, net	(1,168)	243	(10,553)
Net cash provided by (used in) investing activities	¥ (93,110)	¥ (70,811)	\$ (841,026)

		Thousands of
Million	s of yen	U.S. dollars
2021	2020	2021
¥ (10,319)	¥ (4,487)	\$ (93,216)
3,267	358	29,515
(8,219)	(4,851)	(74,241)
9,957	_	89,945
236	268	2,138
(22,446)	(20,987)	(202,748)
(607)	(154)	(5,486)
(162)	(434)	(1,471)
(28,293)	(30,287)	(255,563)
(378)	(375)	(3,419)
1,901	12,628	17,173
37,110	24,481	335,205
¥ 39,011	¥37,110	\$ 352,378
	2021 ¥ (10,319) 3,267 (8,219) 9,957 236 (22,446) (607) (162) (28,293) (378) 1,901 37,110	¥ (10,319) ¥ (4,487) 3,267 358 (8,219) (4,851) 9,957 — 236 268 (22,446) (20,987) (607) (154) (162) (434) (28,293) (30,287) (378) (375) 1,901 12,628 37,110 24,481

See accompanying 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 ¥110.71 to US\$1, the amount prevailing on March 31, 2021. 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.

In the first quarter of the consolidated fiscal year ended March 31, 2021, the Company also finalized provisional accounting treatment pertaining to a business combination. Accordingly, consolidated financial statements and related notes for the fiscal year ended March 31, 2020 represent amounts reflecting the revisions to the initial allocation of the acquisition cost resulting from the finalization of provisional accounting treatment.

## 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 57 consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose fiscal yearends are December 31 have been included using financial information at that date with appropriate adjustment where necessary. Investments in seven affiliates are accounted for using equity method. The difference between the investment amount and the net assets of acquired consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of five years on a straight-line basis.

#### b) Translation of Foreign Currency

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

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

## c) Investment Securities

Investment securities are valued using the following standards and methods.

Available-for-sale securities

Securities that have market prices:

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

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

Securities that have no market prices:

Primarily by the cost method based on the movingaverage method.

#### d) Derivatives

Derivatives are valued by the market value method.

#### e) Inventories

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

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

The straight-line method is primarily used for depreciation. The estimated useful lives of the assets are as follows:

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

### g) Intangible Assets (excluding leased assets)

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

#### h) Leased Assets

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

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

#### i) Investments in Real Estate

The straight-line method is primarily used for depreciation.

## j) Allowance for Doubtful Accounts

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

#### k) Provision for Bonuses

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

## l) Provision for Sales Returns

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

## m) Provision for Sales Rebates

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

#### n) Provision for Retirement Benefits for Directors

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

#### o) Retirement Benefits

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

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

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

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

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

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

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

#### p) Cash and Cash Equivalents

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

## q) Derivative Financial Instruments

#### (1) Method of hedge accounting

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

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

#### (2) Hedge instruments and hedged items

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

#### (3) Hedge policy

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

### (4) Method of evaluating the effectiveness of the hedge

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

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

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

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

Bond issuance cost is recognized in expenses as incurred.

## **3** Significant Accounting Estimates

#### a) Valuation of investment in an affiliate

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

Investment securities ¥29,387 million (valued as of March 31, 2021 using the equity method)

The Food segment of the Company aims to strengthen its value chain from raw milk procurement through production and establish a basis for sustainable growth in dairy production business in China. As described in "6. Additional Information", the Company acquired 25% of the shares in AustAsia Investment Holdings Pte LTD. ("AustAsia"), which operates raw milk production business in China, for ¥28,540 million and has applied the equity method accounting from the current fiscal year.

The amounts in excess of the Company's shares in the net assets of the AustAsia as of the end of the current fiscal year are as follows:

Customer-related assets ¥10,700 million; Goodwill ¥1,929 million

### (2) Additional information that will help the users of the consolidated financial statements

[1] Calculation method for amounts disclosed in the consolidated financial statements for the current fiscal year

As the method for measuring the fair value of customerrelated assets at the time of the share purchase, the Company used the income approach and discounted estimated future cash flows, which is calculated by the business plan based revenue expected to be generated in the future from existing customers after taking certain attrition rates into consideration.

Goodwill is calculated as a remainder after deducting the customer-related assets from the difference between the invested amount and the fair value of the corresponding net assets.

Customer-related assets and goodwill will be amortized on a straight-line basis over a period of 10 years, as the cumulative earnings before interest and taxes (EBIT) calculated based on the business plan, exceeds the amount of customer-related assets and goodwill after this period.

[2] Key assumptions used for calculating amounts recorded

in the consolidated financial statements for the current fiscal year

In the business plan used for determining the fair value of customer-related assets and the number of years for amortization, the Company determined increase in consumption of raw milk resulting from the Westernization of Chinese people's lifestyles, the execution of farm development plan in response to increase in sales volume and rise in raw milk prices as key assumptions.

In estimating the future cash flow for the measurement of the fair value, the Company estimated a sales growth rate of 2.6% while using a sales attrition rate of 2% in consideration of customer defection. As for the discount rate used for discounting the future cash flow to the present value, the Company used a discount rate of 11%, which is calculated based on weighted average cost of capital.

[3] Impact on the consolidated financial statements for the following fiscal year

If the actual results of farm development, the actual sales volume and the price of raw milk deviate significantly from the business plan, the Company may identify this as an indication of impairment and recognize impairment losses by reconsidering the future business plan of AustAsia.

### b) Impairment of non-current assets of equitymethod affiliate

## (1) Amounts recorded in the consolidated financial statements for the current fiscal year

The investment securities of ¥125,494 million recorded on the consolidated balance sheet for the current fiscal year include an equity-method investment balance of ¥4,346 million for DM Bio Limited ("DM Bio"), in which the Pharmaceutical segment of the Company has a 49% of shares. Major assets held by DM Bio are non-current assets related to the production and development of biopharmaceuticals, and the balance of non-current assets in DM Bio is ¥11,704 million as of the end of the current fiscal year.

## (2) Additional information that will help the users of the consolidated financial statements

[1] Calculation method for amounts recorded in the consolidated financial statements for the current fiscal year

Indication of impairment for the non-current assets held by DM Bio has been identified due to continuous operating losses recorded. However, impairment loss was not recognized in the current fiscal year, as the recoverable amount exceeds the book value.

Note that DM Bio measures the recoverable amount of non-current assets based on their value in use and calculates the value in use by discounting their future cash flow to the present value.

[2] Key assumptions used for calculating amounts recorded in the consolidated financial statements for the current fiscal year

Key assumptions used in measuring value in use are the discount rate, the growth rate and sales period for major development items. The figures used in these assumptions are based on the business plan that reflects management decision by the management of DM Bio.

[3] Impact on the consolidated financial statements for the following fiscal year

The Company deems that the key assumptions used in determining whether to recognize impairment loss are reasonable.

However, if the actual results of clinical trials for the development of biopharmaceuticals differ from the projection, or the discount rate and the growth rate deviate significantly from the projected rates, the Company may record impairment loss on non-current assets of DM Bio.

## 4 Change in Method of Presentation

## a) Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Company applies the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020), starting from the consolidated financial statements as of the end of the current consolidated fiscal year, and provides notes to significant accounting estimates in the consolidated financial statements.

However, in accordance with the transitional treatment stipulated in the proviso to paragraph 11 of the Accounting Standard, the Company does not include descriptions regarding the consolidated fiscal year ended March 31, 2020.

#### b) Consolidated statement of income

"Subsidy income," which was included in "Others" under "Non-operating income" presented in the consolidated fiscal year ended March 31, 2020, has been reported independently in the current consolidated fiscal year because the monetary amounts have become more significant. Also, "Insurance claim income" and "Royalty income," which were reported independently under "Non-operating income" presented in the consolidated fiscal year ended March 31, 2020, have been included in "Others" under "Non-operating income" in the current consolidated fiscal year because the monetary amounts have become less significant. To reflect these changes in method of presentation, amounts disclosed for the consolidated fiscal year ended March 31, 2020 have been reclassified.

As a result, ¥1,238 million, ¥285 million and ¥1,861 million, which were presented in "Insurance claim income," "Royalty income" and "Others," respectively, under "Non-operating income" in the consolidated statement of income for the consolidated fiscal year ended March 31, 2020, have been reclassified as ¥299 million in "Subsidy income" and ¥3,086 million in "Others."

## 5 Accounting Standards, etc., Not Yet Adopted

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020).
- "Implementation Guidance on Accounting Standard for Revenue Recognition"
   (ASBJ Guidance No. 30, March 26, 2021).
- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments"
   (ASBJ Guidance No. 19, March 31, 2020).

#### a) Overview

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

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

#### b) Effective Date

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

### c) Impact from Applying New Accounting Standards, etc.

At the moment, impact from adopting "Accounting Standard for Revenue Recognition," etc., to the consolidated financial statements is being assessed. In applying the "Accounting Standard for Revenue Recognition," etc., the Company will adopt a method under which the cumulative effects arising from the retroactive application of the new accounting policy to before the beginning of the following consolidated fiscal year will be added to or subtracted from retained earnings at the beginning of the following consolidated fiscal year.

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

#### a) Overview

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

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

#### b) Effective Date

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

## c) Impact from Applying New Accounting Standards,

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

#### 6 Additional Information

#### Overview of the acquisition of AustAsia shares

On April 15, 2020, the Company, reached an agreement with Japfa LTD., a shareholder of AustAsia, to acquire a portion of the shares in AustAsia. Subsequently in conjunction with the Company's acquisition of 25% of the shares in AustAsia on July 3, 2020, AustAsia became an equity-method affiliate of the Company.

The following is an overview of the investee company AustAsia.

Trade name (Name of the investee company)	AustAsia Investment Holdings Pte LTD.
Primary business domain	Raw milk production, etc. in China
Application date of equity method	July 1, 2020
Percentage of voting rights after share acquisition	25%
Other	Upon business realignment conducted in April 2020, AustAsia became a company mainly operating raw milk production business in China

## a) Period for which the financial results of the AustAsia are included in the consolidated statement of income for the current fiscal year

The balance sheet date of AustAsia is December 31, which differs by three months from the consolidated balance sheet

As the equity method applied to AustAsia from July 1, 2020, the financial results of the AustAsia for the period from July 1, 2020 to December 31, 2020 are included in the consolidated statement of income for the current fiscal year.

## b) Outline of the accounting treatment applied

(1) Acquisition cost of the investee company and breakdown of the cost

Consideration for acquisition	Cash	¥27,805 million		
Expenses directly related to acquisition	Advisory fees, etc.	¥	734 million	
Acquisition cost		¥2	8,540 million	

## (2) Amount of recorded goodwill included in the investment securities, reason for the recognition, amortization method and amortization period

[1] Amount of recorded goodwill included in the investment securities

¥2,114 million

In the second quarter of the fiscal year, the Company used provisional accounting treatment with respect to the allocation of the acquisition cost based on reasonable information available at the time of the preparation of the quarterly consolidated financial statements. This provisional accounting treatment was finalized in the third quarter of the fiscal year.

- [2] Reason for the recognition Goodwill was recognized due to the future excess earning power expected to be generated from the expansion of
- [3] Amortization method and amortization period Straight-line method over 10 years
- (3) Amount, type of asset and amortization period of the investment securities allocated to intangible assets recorded other than goodwill

Туре	Amount	Amortization period	
Customer-related assets	¥11,725 million	10 years	

## 7 Notes Regarding Lease Transactions

#### 1) Finance lease transactions (lessee side)

Finance lease transactions that do not transfer ownership

#### (1) Content of leased assets

their business.

Property, plant and equipment

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

#### (2) Method of depreciation of leased assets

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

## 8 Notes Regarding Financial Instruments

## 1) Overview of financial instruments

#### (1) Policy for financial instruments

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

#### (2) Content and risks of financial instruments

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

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

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

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

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

#### (3) Risk management for financial instruments

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

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

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

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

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

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

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

For investment securities, the Company regularly reevaluates the fair value and the financial situation of the issuer (business partner), and continues to review the holdings taking into consideration the relationship with the business partner. At some consolidated subsidiaries, each related department engages in derivative transactions based on derivative transaction management rules, which establish the transaction authority and amount limitations.

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

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

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

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

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

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

(1) The carrying value on the consolidated balance sheet, fair value and their difference as of March 31, 2021 and 2020, 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, 2021		Millions of yen		Thousands of U.S. dollars		ars
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 40,328	¥ 40,328	¥ —	\$ 364,275	\$ 364,275	\$ -
(2) Notes and accounts receivable-trade	177,730	177,730	_	1,605,368	1,605,368	_
(3) Securities: Available-for-sale securities	_	_	_	_	_	_
(4) Investment securities: Available-for-sale securities	74,192	74,192	_	670,151	670,151	_
Total assets	292,251	292,251	_	2,639,795	2,639,795	_
(5) Notes and accounts payable-trade	104,974	104,974	_	948,190	948,190	_
(6) Short-term borrowings	12,875	12,875	_	116,298	116,298	_
(7) Accrued expenses	46,840	46,840	_	423,092	423,092	_
(8) Bonds payable	30,000	30,030	30	270,978	271,249	270
(9) Long-term borrowings	58,900	59,143	243	532,023	534,221	2,198
Total liabilities	253,590	253,863	273	2,290,583	2,293,052	2,469
Derivative transactions *						
(10) Derivative transactions for which hedge accounting is not applied	_	_	_	_	_	_
(11) Derivative transactions for which hedge accounting is applied	57	57	_	516	516	_
Total derivative transactions	¥ 57	¥ 57	¥ —	\$ 516	\$ 516	\$ -

<sup>\*</sup> Net receivables and payables arising as a result of derivative transactions are stated in net amounts.

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

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

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

(4) Investment securities

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

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

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

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

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

(8) Bonds payable

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

(9) Long-term borrowings

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

Long-term borrowings with a fixed rate are calculated based on the total of the principal and interest discounted by the interest rate that is assumed if new borrowings were made with similar terms.

In addition, the current portion of long-term borrowings is included in these long-term borrowings.

(10) Derivative transactions for which hedge accounting is not applied, (11) Derivative transactions for which hedge accounting is applied See 26. Derivative transactions.

(Note 2) Convertible bonds (carrying value on the consolidated balance sheet: ¥2,175 million (\$19,650 thousand)) and unlisted stock (carrying value on the consolidated balance sheet: ¥51,302 million (\$463,395 thousand)) are not included in "Assets: (3) Securities and (4) Investment securities" as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2020	Millions of yen					
	Carrying value	Fair value	Difference			
(1) Cash and deposits	¥ 37,446	¥ 37,446	¥ —			
(2) Notes and accounts receivable-trade	179,931	179,931	_			
(3) Securities: Available-for-sale securities	1,343	1,343	_			
(4) Investment securities: Available-for-sale securities	64,214	64,214	_			
Total assets	282,935	282,935	_			
(5) Notes and accounts payable-trade	112,317	112,317	_			
(6) Short-term borrowings	22,911	22,911	_			
(7) Accrued expenses	45,457	45,457	_			
(8) Bonds payable	20,000	19,984	(16)			
(9) Long-term borrowings	63,853	63,978	124			
Total liabilities	264,539	264,648	108			
Derivative transactions *						
(10) Derivative transactions for which hedge accounting is not applied	45	45	_			
(11) Derivative transactions for which hedge accounting is applied	78	78	_			
Total derivative transactions	¥ 124	¥ 124	¥ —			

<sup>\*</sup> Net receivables and payables arising as a result of derivative transactions are stated in net amounts.

(Note) Convertible bonds (carrying value on the consolidated balance sheet: ¥1,096 million) and unlisted stock (carrying value on the consolidated balance sheet: ¥20,384 million) are not included in "Assets: (3) Securities and (4) Investment securities" as their market prices are not available and it is extremely difficult to determine the fair value.

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

As of March 31, 2021	Millions of yen				
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years	
Cash and deposits	¥ 40,328	_	_	_	
Notes and accounts receivable-trade	177,730	_	_	_	
Total	¥218,059	_	_	_	

As of March 31, 2021	Thousands of U.S. dollars				
	Within one year	More than one year up to five years	More than five years up to ten years	More than ten years	
Cash and deposits	\$ 364,275	_	_	_	
Notes and accounts receivable-trade	1,605,368	_	_	_	
Total	\$1,969,644	_	_	_	

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

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

As of March 31, 2021			Million	s of yen		
	Within one year	More than one year up to two years	More than two years up to three years	More than three years up to four years	More than four years up to five years	More than five years
Short-term borrowings	¥12,875	¥ –	¥ –	¥ –	¥ –	¥ —
Bonds payable	_	10,000	10,000	10,000	_	_
Long-term borrowings	4,375	14,299	4,060	21,812	12,913	1,438
Total	¥17,250	¥24,299	¥14,060	¥31,812	¥12,913	¥1,438
As of March 31, 2021		Thousands of U.S. dollars				
	Within	More than one year up to two	More than two years up to three	More than three years up to four	More than four years up to five	More than five

	one year	year up to two years	years up to three years	years up to four years	years up to five years	years
Short-term borrowings	\$ 116,298	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds payable	_	90,326	90,326	90,326	_	_
Long-term borrowings	39,518	129,160	36,680	197,027	116,646	12,990
Total	\$ 155,816	\$219,486	\$127,006	\$287,353	\$116,646	\$12,990
A f M   21 2020	March 21, 2020					

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

## 9 Notes regarding Investment Securities

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

## 1) Held-to-maturity securities

As of March 31, 2021

None

As of March 31, 2020

None

### 2) Available-for-sale securities with market prices

As of March 31, 2021	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	¥72,909	¥24,011	¥48,898	\$658,565	\$216,888	\$441,677
Others	413	408	5	3,737	3,685	51
Subtotal	73,323	24,419	48,903	662,302	220,573	441,729
Securities whose acquisition cost exceeds their carrying value:						
Stocks	868	1,034	(165)	7,848	9,344	(1,495)
Subtotal	868	1,034	(165)	7,848	9,344	(1,495)
Total	¥74,192	¥ 25,454	¥48,738	\$670,151	\$229,917	\$440,233

(Note) Among available-for-sale securities, unlisted stocks (carrying value on the consolidated balance sheet: ¥2,050 million (\$18,519 thousand)) and convertible bonds (carrying value on the consolidated balance sheet: ¥2,175 million (\$19,650 thousand)) are not included as available-for-sale securities in the table above as their market prices are not available and it is extremely difficult to determine their fair values.

As of March 31, 2020	Millions of yen				
	Carrying value	Acquisition cost	Unrealized gain (loss)		
Securities whose carrying value exceeds their acquisition cost:					
Stocks	¥ 60,033	¥ 20,841	¥ 39,191		
Securities whose acquisition cost exceeds their carrying value:					
Stocks	4,180	4,779	(599)		
Others	1,343	1,343	_		
Subtotal	5,523	6,122	(599)		
Total	¥ 65,557	¥ 26,964	¥ 38,592		

(Note) Among available-for-sale securities, unlisted stocks (carrying value on the consolidated balance sheet: ¥2,144 million) and convertible bonds (carrying value on the consolidated balance sheet: ¥1,096 million) are not included as available-for-sale securities in the table above as their market prices are not available and it is extremely difficult to determine their fair values.

#### 3) Available-for-sale securities sold during the fiscal years ended March 31, 2021 and 2020

	Million	s of yen	Thousands of U.S. dollars
	2021	2020	2021
Sales amounts	¥1,296	¥ 1,010	\$ 11,711
Total gains on sales	346	886	3,131
Total losses on sales	90	8	813

#### 4) Securities that were subject to impairment during the fiscal years ended March 31, 2021 and 2020

Impairment loss recorded in the fiscal year ended March 31, 2021, was ¥212 million (available-for-sale securities: ¥212 million (\$1,915 thousand)).

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

## 10 Short-term Borrowings and Long-term Borrowings

As of March 31, 2021 and 2020, short-term borrowings and long-term borrowings are as follows:

### 1) Short-term borrowings

	Weighted-average	Million	s of yen	Thousands of U.S. dollars
	interest rate	2021	2020	2021
Short-term borrowings	1.13%	¥ 12,875	¥ 22,911	\$ 116,298
Current portion of long-term borrowings	0.80%	4,375	7,963	39,518
Total		¥ 17,250	¥30,874	\$ 155,816

### 2) Long-term borrowings

	Millions	s of yen	Thousands of U.S. dollars
	2021	2020	2021
Unsecured bonds due 2024, 0.22%	¥10,000	¥ 10,000	\$ 90,326
Unsecured bonds due 2023, 0.12%	10,000	10,000	90,326
Unsecured bonds due 2023, 0.001%	10,000	_	90,326
Borrowings from domestic banks, insurance companies, government agencies and others	58,900	63,853	532,023
Subtotal	88,900	83,853	803,002
Current portion of long-term borrowings	(4,375)	(7,963)	(39,518)
Total	¥84,525	¥75,890	\$763,483

As of March 31, 2021, the aggregate annual maturities of long-term borrowings are as follows:

	Millions of yen	Thousands of U.S. dollars
Fiscal year ended March 31	2021	2021
More than one year up to two years	¥ 24,299	\$219,486
More than two years up to three years	14,060	127,006
More than three years up to four years	31,812	287,353
More than four years up to five years	12,913	116,646
More than five years	1,438	12,990
Total	¥ 84,525	\$763,483

## 11 Pledged Assets and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2021 and 2020, is as follows:

	Million	s of yen	Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 146	¥ 146	\$ 1,324
Buildings and structures	1,351	1,427	12,207
Machinery, equipment and vehicles	951	1,222	8,591
Land	49		446
Total	¥ 2,498	¥2,797	\$ 22,568

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

A summary of secured liabilities as of March 31, 2021 and 2020, is as follows:

	Million	s of yen	Thousands of U.S. dollars
	2021	2020	2021
Long-term borrowings (including the current portion of long-term borrowings)	¥15.653	¥ 17.201	\$141.393
(metading the editerior of tong term borrowings)	1 20,000	1 11,201	Q 1 11,000

## 12 Deferred Tax Assets and Liabilities

## 1) The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020, are as follows:

	Millions	Thousands of U.S. dollars	
	2021	2020	2021
Deferred tax assets:			
Retirement benefit liability	¥ 19,799	¥ 20,029	\$ 178,841
Accrued enterprise tax and others	1,448	881	13,086
Accrued expenses	2,966	2,721	26,792
Investment securities	1,155	1,020	10,433
Provision for bonuses	3,654	3,690	33,010
Depreciation	4,469	5,104	40,370
Impairment loss	1,507	1,400	13,617
Unrealized gain	824	1,268	7,450
Losses carried forward *	3,694	3,793	33,367
Others	9,217	8,296	83,253
Subtotal deferred tax assets	48,737	48,207	440,225
Valuation allowance for losses carried forward *	(3,396)	(3,131)	(30,680)
Valuation allowance for deductible temporary differences	(4,969)	(3,948)	(44,886)
Subtotal valuation allowance	(8,366)	(7,079)	(75,567)
Total deferred tax assets	40,371	41,127	364,658
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	(7,077)	(7,662)	(63,929)
Valuation difference on available-for-sale securities	(14,667)	(11,569)	(132,484)
Retirement benefit asset	(7,839)	(5,439)	(70,814)
Valuation difference due to purchase of investments in subsidiaries	(3,675)	(2,947)	(33,198)
Adjustment account for tax liabilities	(2,276)	(3,234)	(20,564)
Others	(2,042)	(2,332)	(18,450)
Total deferred tax liabilities	(37,579)	(33,185)	(339,442)
Net deferred tax assets	¥ 2,791	¥ 7,941	\$ 25,215

\* Schedule of carryforward periods for tax losses carried forward and corresponding deferred tax assets as of March 31, 2021.

				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)	¥96	¥123	¥91	¥68	¥1,213	¥2,100	¥3,694
Valuation allowance	69	118	64	68	1,194	1,880	3,396
Deferred tax assets	27	5	26	_	18	219	297

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

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	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)	\$874	\$1,118	\$823	\$616	\$10,959	\$18,974	\$33,367
Valuation allowance	628	1,072	581	616	10,792	16,989	30,680
Deferred tax assets	245	46	242	_	166	1,985	2,686

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

# 2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate after the adoption of tax-effect accounting for the fiscal years ended March 31, 2021 and 2020, is as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Entertainment and other permanently non-deductible expenses	0.6	0.7
Dividend and other permanently non-taxable income	(0.0)	(0.1)
Per capital inhabitant's tax	0.3	0.4
Tax credit for experimentation and research expenses	(1.8)	(1.9)
Increase (decrease) in valuation allowance	1.2	0.7
Amortization of goodwill, etc.	0.0	0.0
Consolidation adjustments for loss (gain) on sales of shares of subsidiaries and affiliates	0.6	(2.2)
Others	0.6	0.4
Effective tax rate	32.1%	28.6%

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

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### **Defined benefit plans**

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Beginning balance of retirement benefit obligations	¥139,152	¥ 140,519	\$ 1,256,905
Service cost	5,987	6,138	54,082
Interest cost	747	767	6,754
Actuarial gains or losses	352	1,530	3,181
Retirement benefits paid	(7,497)	(7,695)	(67,725)
Prior service costs incurred during fiscal year	_	(1,195)	_
Decrease due to exclusion from consolidation	(832)	(897)	(7,519)
Others	62	(14)	565
Ending balance of retirement benefit obligations	¥137,971	¥139,152	\$ 1,246,243

(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
	2021	2020	2021
Beginning balance of plan assets	¥ 99,242	¥ 106,963	\$896,416
Expected return on plan assets	2,294	2,395	20,724
Actuarial gains or losses	8,145	(6,166)	73,572
Contributions from employer	1,712	1,686	15,464
Retirement benefits paid	(5,245)	(5,193)	(47,381)
Decrease due to exclusion from consolidation	_	(411)	_
Others	(117)	(31)	(1,058)
Ending balance of plan assets	¥106,030	¥ 99,242	\$ 957,736

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

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligations of funded plans	¥ 132,645	¥ 133,158	\$1,198,130
Plan assets	(106,030)	(99,242)	(957,736)
	26,614	33,915	240,393
Retirement benefit obligations of non-funded plans	5,326	5,993	48,113
Net amount of liability and asset recorded on the consolidated balance sheet	31,940	39,909	288,507
Retirement benefit liability	55,198	55,410	498,590
Retirement benefit asset	(23,258)	(15,500)	210,083
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 31,940	¥ 39,909	\$ 288,507

### 4) Components of retirement benefit cost

	Millions	Millions of yen	
	2021	2020	2021
Service cost	¥ 5,987	¥ 6,138	\$ 54,082
Interest cost	747	767	6,754
Expected return on plan assets	(2,294)	(2,395)	(20,724)
Amortization of actuarial gains or losses	5,232	2,194	47,258
Amortization of prior service cost	(72)	39	(652)
Others	(7)	(9)	(70)
Retirement benefit cost related to defined benefit plans	¥ 9,592	¥ 6,733	\$ 86,648

(Note) Includes cost calculated using the simplified method and excludes employees' contributions to the corporate pension funds.

## 5) Remeasurements of defined benefit plans recorded in the consolidated statement of comprehensive income (before tax effect)

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Amortization of actuarial gains or losses	¥13,059	¥ (5,425)	\$ 117,965
Amortization of prior service cost	(72)	1,262	(652)
Total	¥12,987	¥ (4,162)	\$117,312

## 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
	2021	2020	2021
Unrecognized actuarial gains or losses	¥ 8,865	¥ 21,925	\$80,075
Unrecognized prior service cost	(707)	(779)	(6,387)
Total	¥ 8,158	¥21,145	\$73,688

#### 7) Plan Assets

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

	2021	2020
Bonds	35%	39%
Stocks	15	15
Alternatives (Note 1)	36	37
Cash and deposits	6	4
Others	8	5
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 pension funds and the lump-sum severance payment plan representing 8% in the current consolidated accounting period and 9% 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:

	2021	2020
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  $\pm 1,213$  million ( $\pm 10,960$  thousand) in the current consolidated accounting period and  $\pm 1,226$  million in the previous consolidated accounting period.

## 14 Unconsolidated Subsidiaries and Affiliates

As of March 31, 2021 and 2020, investment securities of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities (stock)	¥ 49,252	¥ 18,239	\$444,876

## 15 Contingent Liabilities

As of March 31, 2021 and 2020, 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
	2021	2020	2021
Sendai Feed Co., Ltd.	¥ 51	¥ 64	\$ 467
Makiba Feed Co., Ltd.	1,038	1,158	9,382
Meiji India Pvt. Ltd	_	24	_
DM Bio Limited	958	874	8,657
Employees	31	47	282
Total	¥2,080	¥2,168	\$ 18,790

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
6th Series of Unsecured Straight Bond	¥—	¥15,000	\$-

#### 2) Notes receivable discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Notes receivable-trade discounted	¥ —	¥ 9	\$ -
Notes receivable-trade endorsed	19	52	180

## 16 Reduced Entry

The following amounts were deducted from the acquisition costs of property, plant and equipment due to the granting of national subsidies, etc.

	Millions	Thousands of U.S. dollars	
	2021	2021	
Buildings and structures	¥ 194	¥ —	\$ 1,754
Machinery, equipment and vehicles	269	177	2,438
Tools, furniture and fixtures	61	_	552
Total	¥ 525	¥177	\$ 4,745

## 17 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, 2021 and 2020, is as follows:

	Millions	s of yen	Thousands of U.S. dollars
	2021	2020	2021
Maximum loan amount	¥20,000	¥20,000	\$180,652
Used portion of the commitment line	_	_	_
Balance	¥20,000	¥20,000	\$180,652

## 18 Consolidated Statement of Changes in Equity

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

			2021	
Types of shares	Number of shares as of March 31, 2020 (Thousands)	Increase (Thousands)	Decrease (Thousands)	Number of shares as of March 31, 2021 (Thousands)
Shares issued:				
Common stock	152,683	_	_	152,683
Treasury stock:				
Common stock (Notes 1, 2)	7,613	4	33	7,584

(Note 1) The treasury common stock increased by 4 thousand shares due to an increase in the purchase of 3 thousand shares that are less than one unit and free-of-charge acquisition of 1 thousand restricted shares.

(Note 2) The treasury common stock decreased by 33 thousand shares due to the disposal of 33 thousand treasury stock used for restricted stock compensation and decreased by 0 thousand shares due to the sales of shares that were less than one unit.

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

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

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

## 2) Matters related to dividends

## (1) Cash dividends paid

				2021		
	Total amoun	t of dividends	Dividends	per share		
Types of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Cut-off date	Effective date
Common stock	¥11,605	\$104,828	¥80.00	\$0.72	March 31, 2020	June 10, 2020
Common stock	10,882	98,297	75.00	0.67	September 30, 2020	December 8, 2020
				2020		
	Total amoun	t of dividends	Dividends	per share		
Types of shares	Million	ns of yen	Ye	en	Cut-off date	Effective date
Common stock	¥10	),877	¥75	5.00	March 31, 2019	June 6, 2019
Common stock	10	),155	75	5.00	September 30, 2019	December 6, 2019
	Common stock Common stock  Types of shares Common stock Common	Types of shares  Common stock  Common stock  10,882  Total amoun  Types of shares  Common stock  Total amoun  Types of shares  Common stock  Common stock  Common	Types of shares yen U.S. dollars  Common stock ¥11,605 \$104,828  Common stock 10,882 98,297  Total amount of dividends  Types of shares Millions of yen  Common stock ¥10,877  Common	Types of shares    Millions of yen   U.S. dollars	Total amount of dividends  Millions of yen U.S. dollars  Common stock  Types of shares  Common stock  Total amount of dividends  Ven dollars  Yen dollars  Yen dollars  Yen dollars  Yen dollars  Types of shares  Types of shares  Millions of yen  Types of shares  Common stock  Types of shares  Common stock  Yen dollars  Yen  2020  Dividends per share  Yen  Common stock  Yen  2020  Total amount of dividends  Types of shares  Millions of yen  Yen  Common stock  Yen	Total amount of dividends

## (2) Dividends with the cut-off date in the fiscal year ended March 31, 2021, and with the effective date in the fiscal year ending March 31, 2022

					2021			
		Total amoun	t of dividends		Dividends	per share		
Resolution	Types of shares	Millions of yen	Thousands of U.S. dollars	Source of dividends	Yen	U.S. dollars	Cut-off date	Effective date
Board of Directors' meeting held on May 18, 2021	Common stock	¥12,333	\$111,402	Retained earnings	¥85.00	\$0.76	March 31, 2021	June 7, 2021
					2020			
		Total amoun	t of dividends		Dividends	per share		
Resolution	Types of shares	Million	ns of yen	Source of dividends	Ye	en	Cut-off date	Effective date
Board of Directors' meeting held on May 22, 2020	Common stock	¥11	1,605	Retained earnings	¥80	0.00	March 31, 2020	June 10, 2020

#### 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.

## 19 Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2021 and 2020:

	Million	s of yen	Thousands of U.S. dollars
	<b>2021</b> 2020		2021
Cash and deposits	¥40,328	¥ 37,446	\$ 364,275
Time deposits with maturities of more than three months	(1,317)	(1,679)	(11,897)
Securities with maturities up to three months	_	1,343	_
Cash and cash equivalents	¥39,011	¥37,110	\$ 352,378

## 20 Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2021 and 2020, are as follows:

	Millions	Millions of yen	
	2021	2020	2021
Carriage and storage charges	¥ 45,584	¥ 47,732	\$411,746
Sales promotion expenses	98,970	103,093	893,961
Labor cost	72,742	75,519	657,051
Provision for accrued bonuses	6,955	7,190	62,822
Employees' retirement benefit cost	7,597	5,563	68,625
Allowance for sales rebates	1,886	1,908	17,038

### 21 Research and Development Costs

The research and development costs that were included in manufacturing expenses and selling, general and administrative expenses during the fiscal years ended March 31, 2021 and 2020 are as follows:

	Million	s of yen	U.S. dollars
	2021	2020	2021
Research and development costs	¥31,404	¥31,446	\$283,662

## 22 Gain on sales of tangible and intangible assets

Gain on sales of tangible and intangible assets for the fiscal years ended March 31, 2021 and 2020

Millions of yen		U.S. dollars
2021	2020	2021
¥ 463	¥1,066	\$4,185
70	76	636
¥ 533	¥1,142	\$4,821
	2021 ¥ 463 70	2021 2020 ¥463 ¥1,066 70 76

## 23 Loss on disposal of tangible and intangible assets

Loss on disposal of tangible and intangible assets for the fiscal years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Buildings and structures	¥ 277	¥ 177	\$ 2,509
Machinery, equipment and vehicles	1,320	1,242	11,926
Others	1,383	1,129	12,495
Total	¥2,981	¥ 2,549	\$ 26,932

## 24 Impairment Loss

Impairment losses for the fiscal year ended March 31, 2021, are as follows:

Application	Туре	Location
Assets in use	Machinery, equipment and buildings, etc.	Kasai-gun, Hokkaido
Idle assets	Machinery, equipment and buildings, etc.	Kurashiki-shi, Okayama Prefecture
Assets in use and idle assets	Buildings and structures, etc.	Nonoichi-shi, Ishikawa Prefecture
Assets in use	Land	Kasaoka-shi, Okayama Prefecture
Idle assets	Machinery, equipment and structures, etc.	Sapporo-shi, Hokkaido
Assets in use	Buildings and structures	Shizuoka-shi, Shizuoka Prefecture
Assets in use	Machinery, equipment, tools, furniture and fixtures, etc.	Kamiyama-shi, Yamagata Prefecture
Assets in use	Intangible assets	Madrid, Spain

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

In the fiscal year ended March 31, 2021, due to a decrease in the profitability of some assets, the carrying values of those assets were reduced to recoverable amounts, and impairment losses of ¥2,762 million (\$24,950 thousand) were recognized as extraordinary losses.

Of this amount, for assets in use, ¥747 million (\$6,751 thousand) was buildings and structures; ¥854 million (\$7,714 thousand) was machinery, equipment and vehicles; ¥34 million (\$309 thousand) was tools, furniture and fixtures; ¥250 million (\$2,264 thousand) was land; and ¥3 million (\$30 thousand) was intangible assets.

In addition, for idle assets, ¥150 million (\$1,356 thousand) was buildings and structures; ¥707 million (\$6,394 thousand) was machinery, equipment and vehicles; and ¥14 million (\$128 thousand) was tools, furniture and fixtures.

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

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

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

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

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

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

Of this amount, for assets in use, ¥814 million was buildings and structures; ¥862 million was machinery, equipment and vehicles; ¥30 million was tools, furniture and fixtures; ¥6 million was intangible assets.

In addition, for idle assets, ¥144 million was buildings and structures; ¥243 million was machinery, equipment and vehicles; ¥4 million was tools, furniture and fixtures; ¥283 million was land.

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

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

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Thousands of

## 25 Consolidated Statement of Comprehensive Income

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

	Millions	of yen	U.S. dollars
	2021	2020	2021
Valuation difference on available-for-sale securities:			
Amount incurred during the current year	¥10,485	¥ (7,616)	\$ 94,707
Reclassification adjustments for gains and losses included in profit	(311)	(1,075)	(2,815)
Amount before tax effect	10,173	(8,692)	91,891
Tax effect	(3,134)	2,372	(28,316)
Valuation difference on available-for-sale securities	7,037	(6,320)	63,570
Deferred gains or losses on hedges:			
Amount incurred during the current year	(21)	73	(195)
Reclassification adjustments for gains and losses included in profit	_	_	_
Asset acquisition costs adjustments	_	_	_
Amount before tax effect	(21)	73	(195)
Tax effect	6	(22)	59
Deferred gains or losses on hedges	(15)	51	(135)
Foreign currency translation adjustment:			
Amount incurred during the current year	(1,219)	(1,461)	(11,017)
Reclassification adjustments for gains and losses included in profit	_		_
Foreign currency translation adjustment	(1,219)	(1,461)	(11,017)
Remeasurements of defined benefit plans, net of tax:			
Amount incurred during the current year	7,827	(6,494)	70,706
Reclassification adjustments for gains and losses included in profit	5,159	2,331	46,606
Amount before tax effect	12,987	(4,162)	117,312
Tax effect	3,970	(1,554)	35,867
Remeasurements of defined benefit plans, net of tax	9,016	(2,608)	81,445
Share of other comprehensive income of entities accounted for using equity method:			
Amount incurred during the current year	404	(53)	3,649
Total other comprehensive income	¥15,224	¥ (10,392)	\$137,512

## **26** Derivative Financial Instruments

Matters related to derivative transactions in the fiscal year ended March 31, 2021

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

None

Thousands of

(2) Interest rate-related transactions

None

## 2) Derivative transactions for which hedge accounting is applied

#### (1) Currency-related transactions

			Millions of yen		Thou	sands of U.S. do	ollars
			2021			2021	
Type of transactions	Primary hedged items	Contract amount, etc.	Portion with maturity over one year	Fair value	Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:							
Principle method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable-trade	¥ 1,295	¥—	¥ 57	\$ 11,703	\$-	\$516
Sell							
U.S. dollar	Accounts receivable-trade	_	_		_	_	
Hedge accounting method:							
Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable-trade	624	_	(Notes)	5,638	_	(Notes)
Euro	Accounts payable-trade	_	_	(Notes)	_	_	(Notes)
Pound	Accounts payable-trade	39	_	(Notes)	359	_	(Notes)
Australian dollar	Accounts payable-trade	_	_	(Notes)	_	_	(Notes)
Sell							
U.S. dollar	Accounts receivable-trade	_	_	(Notes)	_	_	(Notes)
Euro	Accounts receivable-trade	_	_	(Notes)	_	_	(Notes)
Total		¥ 1,959	¥—	¥ 57	\$ 17,701	\$-	\$516

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

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

#### (2) Interest rate-related transactions

		Millions of yen Thousands of			sands of U.S. do	of U.S. dollars	
			2021			2021	
			Portion with			Portion with	
Type of transactions	Primary hedged items	Contract amount, etc.	maturity over one year	Fair value	Contract amount, etc.	maturity over one year	Fair value
Method of hedge accounting:							
Integrated method (shortcut method, allocation method) of interest rate and currency swap							
Interest rate and currency swap contracts							
Fixed rate payments/ variable rate receipts	Long-term borrowings	¥14,655	¥13,609	(Note)	\$132,381	\$122,925	(Note)

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

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

## 1) Derivative transactions for which hedge accounting is not applied

### (1) Currency-related transactions

	Millions of yen						
		202	20				
Type of transactions	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)			
Transactions other than market transactions:							
Currency swap contracts							
Buy							
U.S. dollar	391	_	45	45			
Total	¥391	¥—	¥45	¥45			

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

#### (2) Interest rate-related transactions

None

## 2) Derivative transactions for which hedge accounting is applied

## (1) Currency-related transactions

			Millions of yen	
			2020	
Type of transactions	Primary hedged items	Contract amount, etc.	Portion with maturity over one year	Fair value
Hedge accounting method:				
Principle method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable-trade	¥ 3,567	¥—	¥78
Sell				
U.S. dollar	Accounts receivable-trade	_	_	_
Hedge accounting method:				
Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable-trade	826	_	(Notes)
Euro	Accounts payable-trade	_	_	(Notes)
Pound	Accounts payable-trade	237	_	(Notes)
Australian dollar	Accounts payable-trade	30	_	(Notes)
Sell				
U.S. dollar	Accounts receivable-trade	_	_	(Notes)
Euro	Accounts receivable-trade		_	(Notes)
Total		¥ 4,660	¥—	¥78

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

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

### (2) Interest rate-related transactions

		Millions of yen			
		2	020		
Type of transactions	Primary hedged items	Contract matu	on with rity over e year Fair value		
Method of hedge accounting:					
Integrated method (shortcut method, allocation method) of interest rate and currency swap					
Interest rate and currency swap contracts					
Fixed rate payments/ variable rate receipts	Long-term borrowings	¥15,702 ¥3	14,655 (Note)		

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

Total

¥ 1,252,706

¥ 281,215

#### **Notes to Consolidated Financial Statements**

## 27 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		
			2021		
	Reporting	segments			Amount presented in consolidated
	Food	Pharmaceutical	Total	Adjustments (Note 1)	statement of income (Note 2)
Net sales					
(1) Sales to third parties	¥998,988	¥192,776	¥ 1,191,765	¥ –	¥ 1,191,765
(2) Intersegment sales and transfers	684	888	1,573	(1,573)	_
Total	999,673	193,664	1,193,338	(1,573)	1,191,765
Segment income (loss)	87,463	19,105	106,568	(507)	106,061
Segment assets	¥755,214	¥286,387	¥1,041,601	¥ 25,399	¥ 1,067,000
Other items					
Depreciation	¥ 39,259	¥ 8,937	¥ 48,196	¥ 215	¥ 48,411
Impairment Loss	2,758	3	2,762	_	2,762
Amortization of goodwill (Note 3)	15	_	15	_	15
Equity in income of affiliates	37,070	4,346	41,416	_	41,416
Increase in property, plant and equipment/intangible assets	55,859	12,671	68,531	179	68,710

		Tł	housands of U.S. dolla	rs	
			2021		
	Reporting	segments			Amount presented
	Food	Pharmaceutical	Total	Adjustments (Note 1)	in consolidated statement of income (Note 2)
Net sales					
(1) Sales to third parties	\$ 9,023,475	\$1,741,272	\$10,764,747	\$ -	\$10,764,747
(2) Intersegment sales and transfers	6,185	8,026	14,212	(14,212)	_
Total	9,029,661	1,749,298	10,778,960	(14,212)	10,764,747
Segment income (loss)	790,021	172,574	962,595	(4,583)	958,011
Segment assets	\$ 6,821,554	\$2,586,824	\$ 9,408,378	\$229,420	\$ 9,637,799
Other items					
Depreciation	\$ 354,614	\$ 80,724	\$ 435,338	\$ 1,942	\$ 437,281
Impairment Loss	24,920	30	24,950	_	24,950
Amortization of goodwill (Note 3)	139	_	139	_	139
Equity in income of affiliates	334,840	39,257	374,097	_	374,097
Increase in property, plant and equipment/intangible assets	504,558	114,456	619,014	1,619	620,634

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥507 million or negative \$4,583 thousand) includes the elimination of expenses for intersegment transactions (¥3 million or \$29 thousand) and the corporate expenses not allocated to each reporting segment (negative ¥510 million or negative \$4,613 thousand). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥25,399 million or \$229,420 thousand) includes the elimination of intersegmental assets (negative ¥90,809 million or negative \$820,251 thousand) and the corporate assets not allocated to each reporting segment (¥116,209 million or \$1,049,671 thousand). The main corporate assets include the Company's (holding company) surplus management funds (cash and deposits), long-term investment funds (investment securities) and other assets held by the Company (holding company).

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

(Note 3) The balance of goodwill as of the end of the current fiscal year was ¥42 million (\$382 thousand), comprising ¥42 million (\$382 thousand) for the Food segment and zero for the Pharmaceutical segment, and there were no adjustments.

	Millions of yen									
	2020									
		Reporting	segments							presented
	F	ood	Pharma	ceutical	T	otal	Adjustm (Note		statemer	solidated nt of income ote 2)
Net sales										
(1) Sales to third parties	¥	1,048,963	¥	203,742	¥	1,252,706	¥	_	¥	1,252,706
(2) Intersegment sales and transfers		596		611		1,207		(1,207)		_
Total		1,049,559		204,354	1	1,253,914		(1,207)		1,252,706
Segment income (loss)		87,340		15,984		103,324		(614)		102,710
Segment assets	¥	705,346	¥	272,092	¥	977,438	¥	21,481	¥	998,920
Other items										
Depreciation	¥	37,469	¥	8,515	¥	45,984	¥	213	¥	46,198
Impairment Loss		2,076		313		2,390		_		2,390
Amortization of goodwill (Note 3)		15		18		33		_		33
Equity in income of affiliates		7,199		5,182		12,382		_		12,382
Increase in property, plant and equipment/intangible assets		55,729		10,330		66,060		156		66,216

(Note 1) The adjustments are as follows.

The adjustments in the segment income (negative ¥614 million) includes the elimination of expenses for intersegment transactions (¥13 million) and the corporate expenses not allocated to each reporting segment (negative ¥627 million). The corporate expenses are expenses related to the Company's (holding company) operations, etc.

The adjustments in the segment assets (¥21,481 million) includes the elimination of intersegmental assets (negative ¥87,399 million) and the corporate assets not allocated to each reporting segment (¥108,880 million).

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

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

(Note 3) The balance of goodwill as of the end of the current fiscal year was ¥57 million, comprising ¥57 million for the Food segment and zero for the Pharmaceutical segment, and there were no adjustments.

### 28 Related Information

Sales to third parties

Related information for the consolidated fiscal years ended March 31, 2021 and 2020

#### (1) Information by product and service

fermented dairy

¥ 394,591

				Millions of yen						
		2021								
	Fresh and fermented dairy	Processed food	Confectionery	Nutritionals	Pharmaceuticals	Other	Total			
Sales to third parties	¥380,954	¥160,182	¥119,264	¥88,702	¥192,776	¥249,885	¥1,191,765			

		Thousands of U.S. dollars  2021								
	Fresh and	Processed		2021						
	fermented dairy	food	Confectionery	Nutritionals	Pharmaceuticals	Other	Total			
Sales to third parties	\$3,441,008	\$1,446,866	\$1,077,270	\$801,213	\$1,741,272	\$2,257,115	\$10,764,747			
				Millions of yen						
				2020						
	Fresh and	Processed								

Confectionery

¥ 128,214

¥ 85,711

¥ 203,742

¥ 159,230

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#### (2) Information by region

	Millions of yen					
	2021					
	Japan	Asia	Other	Total		
Property, plant and equipment	¥414,171	¥36,360	¥4,462	¥454,994		

_	Thousands of U.S. dollars					
	2021					
	Japan	Asia	Other	Total		
Property, plant and equipment	\$3,741,045	\$328,432	\$40,312	\$4,109,790		

		Millions	of yen			
	2020					
	Japan	Asia	Other	Total		
Property, plant and equipment	¥408,264	¥30,925	¥5,001	¥444,191		

## 29 Information About Related Parties

Transactions between the company submitting the consolidated financial statements and the related parties in the fiscal year ended March 31, 2021

Officers and principal shareholders (only for individual parties) for the company submitting the consolidated financial statements and related items

Ca	itegory	Name of person, company, etc.	Common shares	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related parties	Description of transaction (Note)	Amount of Millions of yen	Thousands of U.S. dollars	Account	Balance at the end of the fiscal year being reported
Dire	ector	Kazuo Kawamura	_	President and Representative Director	0.0%	_	Contributions in kind for monetary compensation claims	¥18	\$169	_	_
sign	ector of nificant osidiary	Katsunari Matsuda	_	The Member of the Board and President and Representative Director of Meiji	0.0%	_	Contributions in kind for monetary compensation claims	14	130	_	_
sign	ector of nificant osidiary	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.

 $This \ refers\ to\ contributions\ in\ kind\ for\ monetary\ compensation\ claims\ based\ on\ the\ Restricted\ Stock\ Compensation\ Plan.$ 

Transactions between the company submitting the consolidated financial statements and the related parties in the fiscal year ended March 31, 2020

Officers and principal shareholders (only for individual parties) for the company submitting the consolidated financial statements and related items

Category	Name of person, company, etc.	Common shares	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related parties	Description of transaction (Note)	Amount of transaction  Millions of yen	Account	Balance at the end of the fiscal year being reported
Director	Masahiko Matsuo	_	Chairman and Representative Director	0.0%	_	Contributions in kind for monetary compensation claims	¥11	_	_
Director	Kazuo Kawamura	_	President and Representative Director	0.0%	_	Contributions in kind for monetary compensation claims	18	_	_
Director of significant subsidiary	Katsunari Matsuda	_	The Member of the Board and President and Representative Director of Meiji	0.0%	_	Contributions in kind for monetary compensation claims	14	_	_
Director of significant subsidiary	Daikichiro Kobayashi	_	The Member of the Board and President and Representative Director of Meiji Seika Pharma	0.0%	_	Contributions in kind for monetary compensation claims	11	_	_

(Note) Transaction conditions and policy for establishing transaction conditions, etc.

 $This \ refers \ to \ contributions \ in \ kind \ for \ monetary \ compensation \ claims \ based \ on \ the \ Restricted \ Stock \ Compensation \ Plan.$ 

## 30 Per Share Information

	Ye	U.S. dollars	
	2021	2021	
Net assets per share	¥ 4,282.80	¥3,879.18	\$38.68
Earnings per share	452.52	464.08	4.08

(Note 1) Diluted earnings per share are not presented because there are no potential shares.

(Note 2) The basis for calculation of earnings per share is as follows:

	Million	Millions of yen		
	2021	2021		
Profit attributable to owners of parent	¥ 65,655	¥ 67,318	\$593,044	
Amount not attributable to common shareholders	_	_	_	
Profit attributable to owners of parent related to common stock	65,655	67,318	593,044	
Average number of common shares during the fiscal year				
(thousand shares)	145,089	145,058		

## **Independent Auditor's Report**



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Tel: +81 3 3503 1100 Fax: +81 3 3503 1197

### **Independent Auditor's Report**

The Board of Directors Meiji Holdings Co., Ltd.

#### **Opinion**

We have audited the accompanying consolidated financial statements of Meiji Holdings Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

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Allocation of the cost of the investment in AustAsia Investment Holdings Pte LTD. at the acquisition date to assets and liabilities and the amortization period for customer-related assets and goodwill

#### Description of Key Audit Matter

financial statements, the Group acquired 25% | procedures regarding the allocation of the cost of the shares in AustAsia Investment Holdings | of the investment in AustAsia to assets and Pte LTD. (hereinafter, "AustAsia") on July 3, | liabilities and the amortization period for the 2020 and it became an equity-method affiliate of the Group. The cost of acquiring the shares in AustAsia was ¥28,540 million.

For investment in an affiliate accounted for by the equity method, the difference between the investment amount and the Group's share of the carrying amount of the net assets of the investee comprises (i) the difference between the net assets of the investee and the fair value of the identifiable assets and liabilities of the investee as of the acquisition date and (ii) goodwill arising from the investment, both of which are included in the carrying amount of investment in an affiliate accounted for by the equity method.

In allocating the investment amount to assets and liabilities, the Group identifies the customer-related assets and recognizes the remaining amount as goodwill.

The Group decided to use a 10-year amortization period for customer-related assets of ¥11,725 million and goodwill of ¥2,114 million recognized upon the acquisition in consideration of the period that it will take to recover the customer-related assets and goodwill by the cumulative earnings before interest and taxes (EBIT) based on the business plan.

Based on the above, considering that management is required to make significant judgments related to the series of accounting treatments, we have determined that the allocation of the investment amount in AustAsia at the investment date to assets and liabilities and the amortization period for the customer-related assets and goodwill are key audit matters.

### Auditor's Response

As described in Notes 3 and 6 to the consolidated | We mainly performed the following audit customer-related assets and goodwill.

- We evaluated the competence, capabilities, and objectivity of specialists used by the
- We evaluated key assumptions used by the Group in its assessment of the fair value of the customer-related assets and the business plan forming the basis for determining the amortization period for such assets, namely, farm development plan, raw milk consumption and raw milk prices, by making inquiries of management and comparing these assumptions to available external data.
- We evaluated the method applied by the Group for measuring the customer-related assets as well as the sales growth rate, sales attrition rate, and discount rate used in determining the future cash flow for the assessment of fair value of the assets by involving our valuation specialist at EY network firms and making inquiries of the specialists utilized by the Group for the above assessment.
- We inspected materials that were referenced in considerations of the amortization period for the customer-related assets and goodwill and discussed the details of such materials with management.

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**Independent Auditor's Report** 

Estimates of value in use utilized in impairment testing for fixed assets held by DM Bio Limited.

#### Description of Key Audit Matter

In the consolidated balance sheet as of the end of the fiscal year ended March 31, 2021, the Group has been recorded a balance of equity method investment of ¥4,346 million for DM Bio Limited. (hereinafter, "DM Bio") in which the Group has a 49% of shares.

Major assets held by DM Bio are non-current assets related to the production and development of biopharmaceuticals, and the balance of non-current assets in DM Bio is ¥11,704 million as of the end of the current fiscal year.

As described in Note 3 to the consolidated financial statements, indication of impairment for the non-current assets held by DM Bio has been identified due to continuous operating losses recorded. Accordingly, the non-current assets were tested for impairment and, as a result, no impairment loss was recognized since the value in use exceeds the carrying amount of the non-current assets.

Key assumptions used in measuring value in use are the discount rate, growth rate and sales period for major development items. In addition, estimates include significant judgments by management regarding the results of clinical trials for the development of biopharmaceuticals.

Based on the above, considering that estimates of value in use are significantly affected by the assumptions and judgments of management and thus subject to uncertainty, we have determined that estimates of value in use utilized in impairment testing for non-current assets at DM Bio are key audit matters.

#### Auditor's Response

We mainly performed the following audit procedures in considering the valuation of non-current assets held by DM Bio.

- We evaluated the competence, capabilities, and objectivity of specialists used by the Group.
- In order to evaluate estimates of future cash flows used in determining value in use, we made inquiries of management about their approach to formulating future the business plan, which serve as the basis for estimates of future cash flows.
- We evaluated key assumptions underlying future cash flows used in determining value in use, namely, growth rate and sales period for major development items, by comparing these assumptions to available external data.
- With regards to the discount rate used in determining value in use, we evaluated the acceptability of the valuation method and compared the source data to available external data.

## Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board for the Consolidated Financial Statements

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

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are
  appropriate in the circumstances for our risk assessments, while the purpose of the audit of
  the consolidated financial statements is not expressing an opinion on the effectiveness of the
  Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities
  or business activities within the Group to express an opinion on the consolidated financial
  statements. We are responsible for the direction, supervision and performance of the group
  audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Member and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Financial and Non-Financial Performance



**Independent Auditor's Report** 

We also provide the Audit and Supervisory Board Member and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Member and the Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC Tokyo, Japan

June 29, 2021

高田慎司疆

Shinji Takada
Designated Engagement Partner
Certified Public Accountant

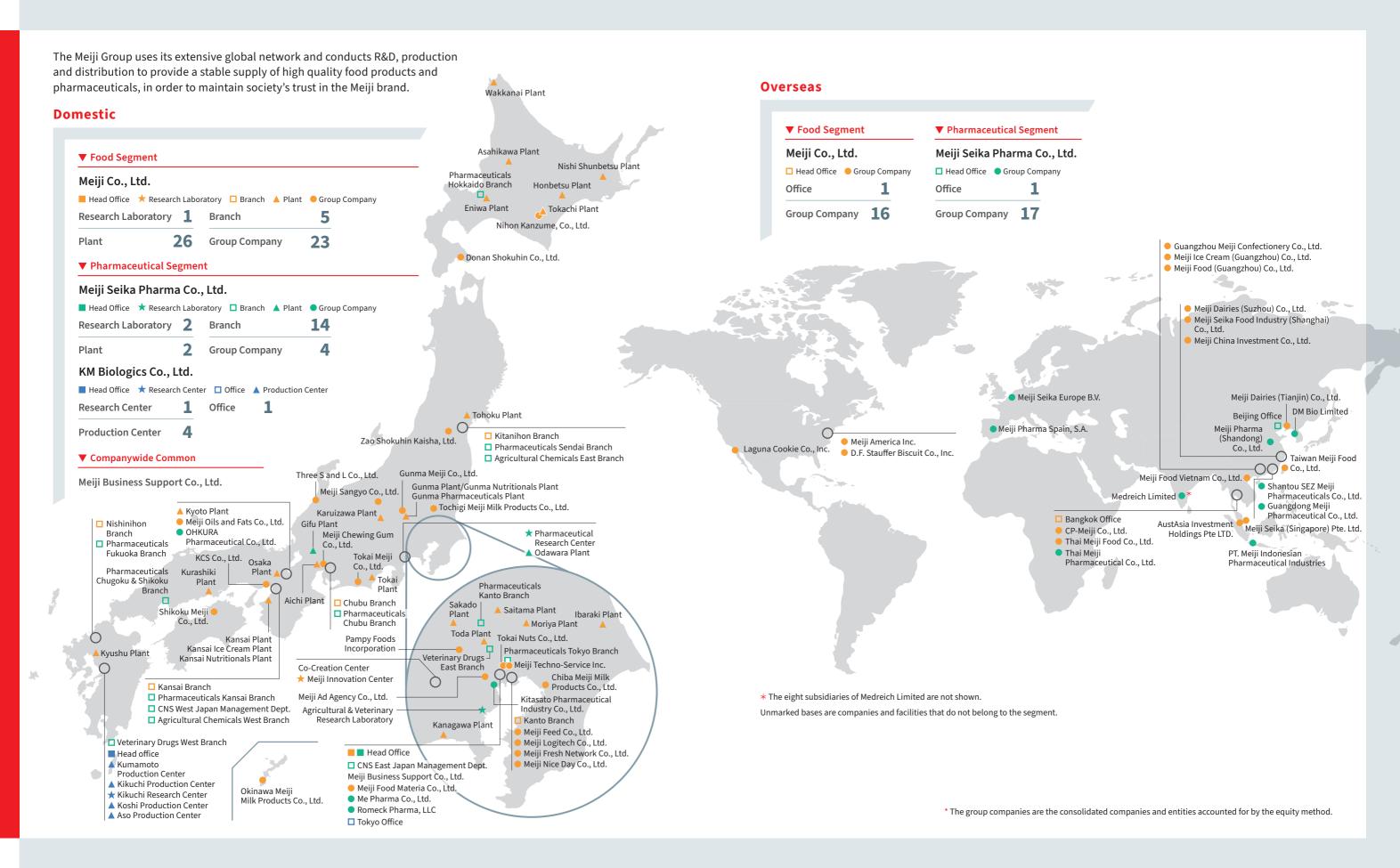
江村 羊条子 Yonako Emura

Designated Engagement Partner
Certified Public Accountant

衣川清隆鼺

Kiyotaka Kinugawa Designated Engagement Partner Certified Public Accountant

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## Corporate Data / Stock Information (As of March 31, 2021)

## **Corporate Data**

#### **Company Name**

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

#### **Head Office**

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

#### Incorporated

April 1, 2009

#### **Share Capital**

JPY 30.0 billion

### **Number of Group Employees**

17,832

#### **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	shares held (Thousands)	total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,337	10.69
Custody Bank of Japan, Ltd. (Trust Account)	7,756	5.08
Nippon Life Insurance Company	3,348	2.19
Mizuho Bank, Ltd.	3,117	2.04
The Norinchukin Bank	2,892	1.89
Meiji Holdings Trading-Partner Shareholding Association	2,649	1.73
Meiji Holdings Employee Shareholding Association	2,620	1.71
Resona Bank, Limited	2,347	1.53
STATE STREET BANK WEST CLIENT-TREATY 505234	2,242	1.46
Custody Bank of Japan, Ltd. (Trust Account 5)	2,037	1.33

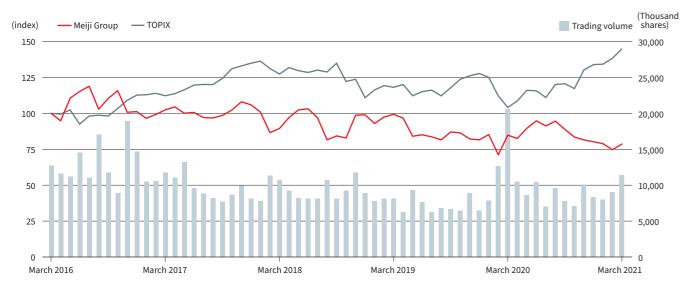
(Notes) 1. The Company holds 7,584,887 treasury shares as of March 31, 2021.

The shareholding ratio is calculated by subtracting the treasury share from the total shares of common stock issued.

## Shareholding by Type of Shareholder



## **Stock Price and Trading Volume**



(Notes) The closing price as of March 31, 2016 is 100.

#### **External Evaluation of ESG**

Meiji Holdings Co., Ltd. is working to achieve sustainable growth through sustainability management. These efforts have been received positively by external bodies and the Company is included in ESG indices in Japan and overseas.

Dow Jones Sustainability Indices



## **Editor's Postscript**

In collaboration with

Thank you for reading the fourth issue of our Integrated Report.

We considered the many opinions and valuable feedback given regarding our past reports when preparing the FY2021 report. We paid attention to the following three points in particular.

First, we gave thorough explanations of the matters that are viewed as important by the stakeholders reading the report, especially shareholders and investors. Second, we used plain language to communicate the ideas behind our new slogan, "Now ideas for wellness," and approaches to our new Medium-Term Business Plan for the years up to FY2023. Third, we combined our business growth strategies and sustainability initiatives and explained them as a narrative.

The Meiji Group has Food and Pharmaceutical businesses in a single group. Therefore, we have focused on foods that contribute to healthier lives and pharmaceuticals that prevent and treat disease. COVID-19 began to spread around February 2020. The pandemic has dragged on and we have been forced to change our lives and values significantly. This has also led to our stronger desire to become resistant to illness and be healthy.

Therefore, the Meiji Group will gather knowledge about foods and pharmaceuticals and grow its products and services businesses that contribute to healthier lives for customers. We aim to enhance our corporate value under the slogan "Now ideas for wellness."

The report introduces the ideas and initiatives behind "Now ideas for wellness" from each chief officer. We look forward to receiving honest opinions and feedback on the report from stakeholders. We hope that the report will encourage productive dialogue.



Youichirou Yamagata General Manager, Public Relations & Investor Relations Department, Meiji Holdings Co., Ltd.

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