Meiji Holdings Co., Ltd.

2014

Annual Report

Year ended March 31, 2014

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Meiji Holdings Co., Ltd. Annual Report 2014

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About This Annual Report

The Meiji Group has issued this annual report to inform stakeholders about its business management strategies, priority measures, and CSR initiatives.

Other Publication

To provide further information, we have prepared the report below, which is available on our website. Please read this annual report in conjunction with this report.

http://www.meiji.com/english/

Content	Medium	Published report and its location on our website
CSR	Internet	**CSR initiatives** Provides details about the latest measures the Group has taken based on the CSR philosophy outlined in this annual report Home > Corporate Social Responsibility

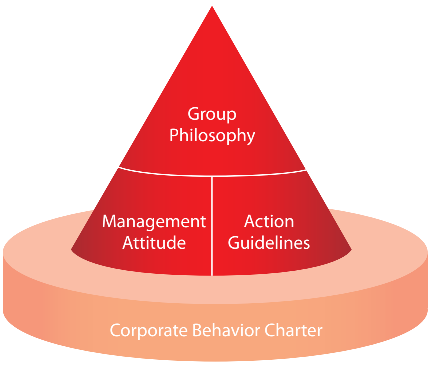
Meiji Group's System of Principles

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.



Management Attitude

Five Fundamentals

1 Commit ourselves to customer-based ideas and behaviors

2 Provide safe and reassuring high-quality products

3 Strive to always produce new value

4 Foster the development of the synergies and capabilities of the organization and each individual

5 Be a transparent, wholesome company trusted by the society

Action Guidelines

meiji way

In order to be an essential part of our customers, partners, and colleagues' daily lives, we must:

1 Listen to and learn from our customers

2 Find ways to identify tomorrow's trends and be prepared to lead the way

3 Make our work exciting, and create exciting work

4 Have the strength and courage to confront any issues, rather than to avoid them

5 Always believe in our team's potential, and make the most of its abilities

Using This Annual Report

- The content of this annual report is based on results in fiscal 2013, ended March 31, 2014. Also, it includes details about certain activities in fiscal 2014, ending March 31, 2015.
- Statements with respect to plans, strategies, and future business results that are not historical facts are forward-looking statements. Meiji Holdings Co., Ltd., therefore wishes to caution that various factors could cause actual results to differ materially from those presented in forward-looking statements. Further, unless specifically stated otherwise, information is as of August 2014.

To Our Stakeholders

The Meiji Group aims to enhance corporate value continually for customers, shareholders, and other stakeholders. To this end, we will do our utmost to enrich the lifestyles of customers of all ages while growing into a global corporate group in the Food and Health fields.

Keeping Closely in Tune with Stakeholders

The Meiji Group's mission is to enrich the daily lives of customers of all ages, from infants to the elderly, by providing them with tastiness and enjoyment as well as products that contribute to their physical and emotional well-being. Since its founding in 1916, the Group has been growing by accumulating expertise and technology and meeting changing needs. "The second founding of the Meiji Group" entailed management integration in 2009 and operational reorganization in 2011. Since then, the Group has embarked upon strategies targeting further growth. In 2016, we will celebrate the 100th anniversary of our foundation. In the coming century, we will continue to earn the trust and fulfill the expectations of stakeholders through the *meiji* brand.

With the Group performing favorably and seeing concrete benefits, it was decided to change the representative directors of Meiji Holdings Co., Ltd. Consequently, former president and representative director Shigetaro Asano has become chairman and representative director, and Masahiko Matsuo has assumed the position of president and representative director. Fiscal 2014, ending March 31, 2015, is an important year in which we will prepare the next medium-term management plan. Under a reinvigorated management team, we intend to use the current favorable momentum to realize the Meiji Group 2020 Vision.

Toward Realization of the Meiji Group 2020 Vision

TAKE OFF 14, the medium-term management plan launched in April 2012, is our first plan based on our long-term business management strategy, the Meiji Group 2020 Vision. The plan's overriding theme is *Higher profitability and strategic investments for future growth*. Accordingly, in the Food segment and the Pharmaceuticals segment we strengthened and expanded priority businesses, fostered new businesses and overseas businesses, and enhanced profitability. As a result, our performance was favorable in fiscal 2012 and 2013.

Meanwhile, we are facing more difficult business conditions than we did when preparing TAKE OFF 14. In the Food segment, yen depreciation and market price volatility have increased raw material costs. In addition, the Pharmaceuticals segment has been affected by NHI drug price revisions more severely due to the Ministry of Health, Labour and Welfare's policy of curbing medical-care costs. Targets for fiscal 2014 reflect these circumstances. Based on the *meiji* brand, we will integrate strengths and spare no effort to finish all of the tasks set out in TAKE OFF 14.

The Meiji Group will continuously create new value in the Food and Health fields and boost the *meiji* brand to sustain growth. With the support of stakeholders, we look forward to growing further.

S. Asano

Shigetaro Asano (Left)
Chairman and Representative Director

Masahiko Matsuo (Right)
President and Representative Director

Meiji Group Strengths

Fiscal 2013 (Fiscal Year Ended March 31, 2014) Business Results

Net Sales

¥1,148.0 billion

Up 1.9% year on year

Operating Income

¥36.4 billion

Up 41.1% year on year

Net Income

¥19.0 billion

Up 14.5% year on year

Operating Income Margin

3.2%

Up 0.9 percentage points year on year

ROE

6.0%

Up 0.5% percentage points year on year

For financial and non-financial highlights, please see page 18.

Human resources supporting growth

A trusted corporate brand in the Food and Health fields

meiji

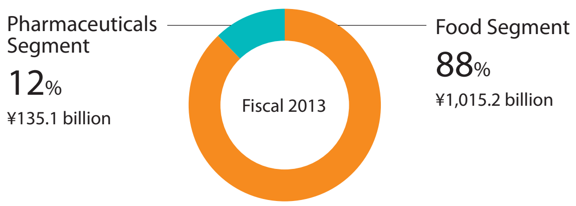
Pursuing quality that ensures safety and reliability

Group Organization

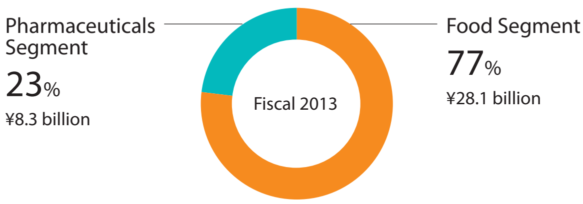
Meiji Holdings Co., Ltd.

- **Meiji Co., Ltd.** (Food Segment)
  - Dairy Business
  - Confectionery Business
  - Healthcare and Nutritionals Business
  - Other
- **Meiji Seika Pharma Co., Ltd.** (Pharmaceuticals Segment)
  - Ethical Pharmaceuticals Business
  - Agricultural Chemicals and Veterinary Drugs Business

Net Sales Breakdown



Operating Income Breakdown



Meiji Group Strengths

Powerful brands enriching the lifestyles of customers of all ages

Food Segment

Meiji Group Strengths

Marketing and sales capabilities

Wealth of superior materials and outstanding R&D capabilities

Pursuing quality that ensures safety and reliability

Human resources supporting growth

History of Using Our Strengths to Create Value

Dairy

1920: We begin the fresh dairy business.
1928: We bring to market "Meiji Milk," and the business grows rapidly as the number of stores carrying the product increases.

Dairy

1971: We unveil Japan's first yogurt with no added sugar: "Meiji Plain Yogurt."

Confectionery

1918: We launch our first chocolate product, which steadily contributes to sales as we work to promote confectionery culture. Meiji becomes a byword for chocolate.

Confectionery

1921: We install Japan's first horizontal freezer and mixer and launch "Kyokuto Ice Cream."

Healthcare and Nutritionals

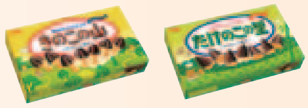
1923: In response to Japan's food problem, we conduct research on nutrition, which leads to the marketing of infant formula's forerunner: "Patrogen."

Overseas

1974: We establish Meiji Seika (Singapore) Pte. Ltd. as a confectionery production and sales base for Southeast Asia.

Dairy

1973: We launch "Meiji Bulgaria Yogurt" after receiving permission from the Republic of Bulgaria to use its name.



Confectionery

1975: We launch "Kinoko no Yama," marking our development of a new product area: chocolate snacks created by combining technology for baked confectionery and chocolate.
1979: We launch "Takenoko no Sato."

Confectionery

1961: We launch "Marble Chocolate," which has a colorful, fun image and becomes a major hit.
Subsequently, we use various ideas to create an array of chocolate products.

Healthcare and Nutritionals

1980: We launch "SAVAS." In 1995, we launch "VAAM." Identifying a growing interest in health, we strengthen our sports nutrition product lineup.

Healthcare and Nutritionals

1981: We market "Soft Curd Meiji Infant Formula FM-K," developed based on the results of investigation and analysis of 1,666 breast milk samples collected from around Japan.

Healthcare and Nutritionals

1983: We market over-the-counter (OTC) drug "ISODINE UGAIGUSURI."

Quality Management System—Meiji Quality Comm

Meiji has developed and implemented a new quality management system that it calls "Meiji Quality Communication." This system is designed to facilitate communication between different sections in the Company to ensure a proper understanding of value and safety as well as communication with stakeholders about Meiji's commitment to quality assurance.

The Meiji Group has been creating new value by anticipating demand and accumulating experience and expertise. These value creation efforts have made *meiji* a strong brand everyone knows.

Current presence

Dairy

1993: We launch "Meiji Bulgaria Yogurt LB81," incorporating *lactobacillus* LB81.
1996: "Meiji Bulgaria Yogurt LB81" becomes the first plain yogurt to obtain permission to display the statement "government-approved food for specified health uses" on its label.

Dairy

2002: We introduce "Meiji Oishii Gyunyu." This product retains milk's original flavor by using the Natural Taste Manufacturing Process, which prevents oxidization during heating by adding a process that removes some oxygen before heating.

Confectionery

1994: We debut "Meiji Essel Super Cup Ultra Vanilla."

Dairy

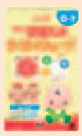
2000: We release "Meiji Probio Yogurt LG21." In 2010, we launch "Meiji Yogurt R-1." Amid growing interest in the benefits of *lactobacilli*, sales of probiotic yogurts grow.

Confectionery

1993: We launch "Meltykiss," thanks to efforts to develop new textures. In 1996, we introduce "Galbo," continuing these efforts.

Healthcare and Nutritionals

1995: We bring to market "Meiji Mei Balance."



Healthcare and Nutritionals

2007: We unveil the revolutionary cube-type infant formula "Meiji Hohoemi Raku Raku Cube."

Overseas

1989: We establish CP-Meiji Co., Ltd., in Thailand, which launches a fresh dairy business in the country.

Yogurt

Market Share **44.3%**
No. 1 in Japan

Source: Meiji Holdings' research, fiscal 2013

Drinking Milk

Market Share **22.1%**
No. 1 in Japan

Source: INTAGE Inc., SRI* (drinking milk market)
April 2013–March 2014 market share (money amount)

Chocolate

Market Share **24.4%**
No. 1 in Japan

Source: INTAGE Inc., SRI* (chocolate market)
April 2013–March 2014 market share (money amount)

Ice Cream Cups

Market Share **36.8%**
No. 1 in Japan

Source: INTAGE Inc., SRI* (ice cream cup market)
April 2013–March 2014 market share (money amount)

Sore Throat Gargle

Market Share **47.6%**
No. 1 in Japan

Source: INTAGE Inc., SDI** (market for sore throat gargles)
April 2013–March 2014 market share (money amount)

* SRI: Market value estimates based on point-of-sales data for food products and daily sundry goods that INTAGE Inc. collected from retail outlets nationwide.
** SDI: Market value estimates based on point-of-sales data for pharmaceuticals that INTAGE Inc. collected from retail outlets nationwide.

Support for Food Education

We support food education by explaining the value and health benefits of food at various events. Also, our website includes educational information about food.

On-site classes and food seminars: Our instructors conduct classes at elementary and junior high schools as well as seminars for youths and seniors. In fiscal 2013, approximately 73,000 people participated in these classes and seminars.

Meiji Cooking Salon: At these classes, participants learn how to cook with milk, cheese, butter, and chocolate. In fiscal 2013, about 13,000 people took part in these classes.

Plant study tours: These tours are planned around seeing and learning about production processes for confectioneries and dairy products. In fiscal 2013, six plants nationwide welcomed approximately 120,000 visitors.

Meiji Group Strengths

Yogurt

Our yogurt is the result of efforts to combine tastiness and functionality. Meiji products dominate the market because they reflect the Group's leading-edge R&D capabilities and technology.

No. 1 market share in Japan

44.3%

Source: Meiji Holdings' research, fiscal 2013

1971

Meiji Group Pioneers the Plain Yogurt Market

We were the first company in Japan to achieve industrial production of yogurt, and we launched "Meiji Honey Yogurt" in 1950. In 1971, we marketed Japan's first yogurt with no added sugar, "Meiji Plain Yogurt," which duplicated Bulgarian yogurt we had encountered at the Bulgarian pavilion in the Osaka World Exposition. After receiving permission from the Bulgarian government to use "Bulgaria" in the product name, we relaunched the yogurt as "Meiji Bulgaria Yogurt" in 1973. Through continuous sales activities and advertising campaigns, we grew sales volume and became the pioneer of the plain yogurt market in Japan.

Approx.

5,000 strains

Lactobacillus Library: A Treasure Trove of Possibilities

We realized the potential of *lactobacilli* in the early 1960s. Before launching plain yogurt, we had already begun full-fledged research activities. In 1963, we established a yogurt product R&D center. In 1983, we founded a center for research on microorganism applications. Today, one of our most precious assets is the *lactobacillus* library in Food Science Research Labs, which has approximately 5,000 strains of *lactobacilli* collected from various regions.

The strain of *lactobacillus* used in fermentation determines yogurt's characteristics. An extensive *lactobacillus* library and the technology for selecting useful *lactobacilli* are strengths of the Meiji Group. One of the most successful products exploiting these strengths is "Meiji Bulgaria Yogurt LB81," launched in 1993. The health benefits of the product—contributing to healthy gut flora and improving digestive comfort—are based on scientific evidence. It was the first plain yogurt in Japan to gain official approval for stating physiological benefits on its label as a Food for Specified Health Uses (FOSHU).

Our research and development on the functionality of *lactobacilli* is evolving. For example, we have discovered that *lactobacillus gasseri* OLL2716 inhibits the multiplication of *H. pylori* and maintains stomach health. Also, our research has revealed that the polysaccharide produced by OLL1073 R-1 *lactobacillus* boosts the activity of natural killer cells and lowers morbidity in common colds. The Meiji Group has obtained patents for these original discoveries. By using these *lactobacilli*, we launched "Meiji Probio Yogurt LG21" in 2000 and "Meiji Yogurt R-1" in 2010. The popularity of these probiotic yogurt products has grown significantly because of the health benefits of *lactobacilli*.

We have been conducting joint research on the antiaging benefits of the LB81 *lactobacillus* with the Institut Pasteur in France since November 2011. Through such initiatives, we are furthering research on the potential of *lactobacilli* and reinforcing the Meiji Group's strengths.

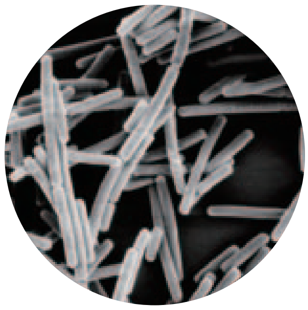
Tastiness and Functionality Combined

Tastiness Encourages Repeat Purchases

We consider both functionality and tastiness to be important factors to inspire long-term customer loyalty. Tastiness comes from the complex interaction of various elements, including fragrance, texture, and flavor. We select optimal *lactobacilli* strains from our extensive library that combine functionality and tastiness. Also, we investigate fermentation conditions to increase tastiness.

For "Meiji Bulgaria Yogurt LB51," launched in 1984, we realized a smooth texture through a prepared-raw-milk production method. In addition, we have offered varieties of yogurt, such as drinking yogurt and fruit yogurt, to meet changing demand in each era. In 2005, we acquired a patent for our low dissolved oxygen and low-temperature fermentation manufacturing technology known as the Maroyaka Tannen Fermentation Method. This fermentation method involves applying the low dissolved oxygen technology used for "Meiji Oishii Gyunyu" to yogurt production. This method shortens the lead time of low-temperature fermentation and realizes smoother texture and mellower flavor.

We create tasty and functional yogurt that meets the demand of the era and contribute to customers' healthy lifestyles.



OLL1073 R-1
lactobacillus

Human resources supporting growth

Key Person's Viewpoint

Yukio Asami, Ph. D.

General Manager
Lactic Acid Bacteria Research Department
Food Science Research Laboratories
R&D Division
Meiji Co., Ltd.

Working with a library of about 5,000 *lactobacilli*, we evaluate and select the functionality of strains and use our unique expertise to create yogurt with new health value. Our systematic development process for new products, which encompasses the screening of *lactobacilli* through to product launches, is a major strength. Such strengths have enabled the Meiji Group to open up new markets for plain yogurt and probiotic yogurts in Japan.

As researchers, we explore the possibilities of *lactobacilli* and always challenge ourselves to create appealing products that amaze customers and offer healthier lifestyles. Not limiting our efforts to yogurt, we will incorporate *lactobacilli* in some other products. In all areas, from basic research to product research and development, we will work together to launch products that amaze customers in the near future.

Meiji Group Strengths

Chocolate

Our chocolate traces its history back almost hundred years. We have always been sensitive to each era's needs and taken on the challenge of developing new value. Our product lineups enjoy an overwhelming market presence.

No. 1 market share in Japan

24.4%

Source: INTAGE Inc., SRI (chocolate market) April 2013–March 2014 market share (money amount)

1918

Meiji Becomes Synonymous with Chocolate

The Meiji Group launched its first chocolate product in 1918. Subsequently, we improved our manufacturing capabilities by introducing production equipment from Germany into the Kawasaki Plant and inviting engineers. The result of these efforts was the launch of "Meiji Milk Chocolate" in 1926. By 1955, we had completed the construction of our state-of-the-art Osaka Plant. Our lineup of chocolate bars proved a major hit. The plant operated at full capacity for many years, and we established a robust position in the market that made Meiji and chocolate inseparable in the public mind. To keep the product up-to-date, we have renewed the packaging and reviewed the ingredients of "Meiji Milk Chocolate," which has become a flagship product and a long-standing favorite among customers.

Packaging of very first "Meiji Milk Chocolate"

Excellent Cacao Beans

Partnerships with Local Communities Ensure Stable Supplies of High-Quality Cacao Beans

The Meiji Group has expertise in development, production, and marketing. In addition, we are very particular about high-quality cacao beans, chocolate's main ingredient.

We are deepening relationships with cacao-producing countries that we source from. With support from local farmers, we improve quality and procure cacao beans stably. We are researching optimal fermentation conditions with local farmers in Brazil. Based on findings, we establish fermentation conditions, and farmers follow them in production. In Ghana, as well as donating wells, mosquito nets, and everyday essentials, we have opened cacao seedling centers and centers for farmers to acquire agricultural skills using personal computers.

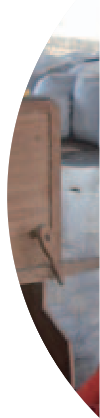
We believe it is important to check the progress and results ourselves. Our research and technical personnel visit Brazil and Ghana every year to communicate with local stakeholders and check each supply chain stage, from farms to export ports. Thanks to these efforts, not only farmers but everyone that handles our cacao beans understands the quality we require. We have developed a deep mutual respect and understanding. We are growing high-quality cacao beans and working together to realize stable supplies.

Human resources supporting growth

Key Person's Viewpoint

Yoshinori Doi
General Manager
Production Division
Confectionery Business Unit
Meiji Co., Ltd.

High-quality ingredients are essential for high-quality products. One of our great strengths is that we have close relationships with people in cacao-producing countries and work with local communities. Consequently, we will strengthen partnerships with them and procure high-quality cacao beans stably.



Initiatives to Create New Value

New Value Establishes Sustainable Competitive Advantages

Throughout its history, the Meiji Group has explored a wide range of possibilities and provided customers with new value. For example, "Meiji Almond Chocolate," featuring the novelty of coating whole almonds with chocolate, was launched in 1962 and became very popular. Similarly innovative and successful was our combining of biscuit and chocolate to realize the chocolate snacks "Kinoko no Yama" in 1975 and "Takenoko no Sato" in 1979. These products have become long sellers many love.

We have a strong interest in developing products with new textures. These products gain significant differentiation and advantages over those of competitors. For example, for "Meltykiss," launched in 1993, we blended in plant oil to make it melt in the mouth more readily than similar products. Another successful product was "Galbo." Launched in 1996, it realized a novel texture by infusing chocolate into biscuit.

With these bold innovations, we have spawned new fields, established technological advantages, and underpinned our strong position as the holder of the largest share of Japan's chocolate market. We will continue taking on challenges to provide customers with new value-added products, thereby building even more robust business foundations.

Human resources supporting growth

Key Person's Viewpoint

Satoru Ida

General Manager
Product Development Department
Confectionery Business Unit
Meiji Co., Ltd.

Chocolate is part of the food culture Japan has imported from Europe. During our long history, however, we have created numerous unique products in Japan. The Meiji Group encourages employees to create innovative value. Through this approach, we will develop differentiated technology and provide unique new products to customers.

Shinji Matsuoka

General Manager
Marketing Department
Confectionery Business Unit
Meiji Co., Ltd.

Long-seller brands are one of our important assets. We routinely review the quality and upgrade the packaging of long-seller brands to reflect customer preferences. Anticipating the important themes of the times, we will create brand identities that feature health and premium value and expand the chocolate business.

Meiji Group Strengths

Global development as a "Specialty and Generic Pharmaceuticals Company"

Pharmaceuticals Segment

Meiji Group Strengths

Marketing and sales capabilities

Wealth of superior materials and outstanding R&D capabilities

Pursuing quality that ensures safety and reliability

Human resources supporting growth

History of Using Our Strengths to Create Value

Infectious diseases

1946: We enter the pharmaceuticals business and **begin penicillin production**.

Infectious diseases

1966: "KANAMYCIN" becomes **Japan's most exported pharmaceutical**, proving the strong reputation that it has earned overseas.

Infectious diseases

1950: We launch antibacterial drug "STREPTOMYCIN." In 1958, we launch Japan's first world-class antibacterial drug: "KANAMYCIN." We establish **original production and development technology**. The *meiji* brand becomes widely known as a leading brand of antibacterial drugs.

Overseas

1950s: We begin exporting bulk powder for "STREPTOMYCIN." The Meiji Group's overseas businesses have been expanding since then.

CNS disorders

1980s: We enter the central nervous system (CNS) disorders field to **meet changing medical needs and establish a balanced product mix**.

Overseas

1974: We establish a subsidiary in Indonesia. In 1979, we establish a subsidiary in Thailand. We enhance production capabilities and local sales.

CNS disorders

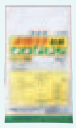
1989: We launch antianxiety drug "MEILAX," which has less side effects and a long-lasting profile.

Agricultural chemicals and veterinary drugs

1961: We enter the agricultural chemicals area.

Agricultural chemicals and veterinary drugs

1955: We enter the veterinary drugs area by **applying accumulated technology and knowledge acquired through R&D for human ethical pharmaceuticals**.



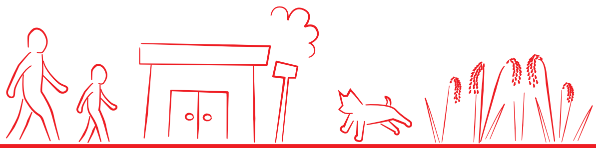
Agricultural chemicals and veterinary drugs

1975: We market rice blast preventative "ORYZEMATE." We steadily improve "ORYZEMATE" to adapt to diversifying farming conditions and cultivation technology, **extending its application to include various agricultural subcategories**.

Providing Quality Products

With regard to pharmaceutical products, the Ministry of Health, Labour and Welfare sets strict rules on R&D, manufacturing, shipment, the accumulation of side-effect information, and the provision of product information. The Pharmaceuticals segment, following consistent policies and Action Guidelines that place top priority on the customer, considers its primary purpose to be "for the patient" and endeavors to provide pharmaceutical products that healthcare practitioners and patients can use with complete confidence in the products' safety. The segment also produces high-quality agricultural chemicals and veterinary drugs that users and healthcare practitioners can use with complete confidence.

We help promote health by researching and developing ethical pharmaceuticals and agricultural chemicals and veterinary drugs. Also, we provide high-quality generic drugs at low prices. Through these activities, we will contribute to the health and well-being of people worldwide.



Current presence

Infectious diseases

1994: We launch in-house-developed oral antibacterial drug "MEIACT," including a granulated version for infants in the product lineup. **The drug becomes established as an antibacterial drug brand.** We sell "MEIACT" not only in Japan but also in **26 countries worldwide**, including Spain and Turkey.

CNS disorders

1999: We introduce antidepressant drug "DEPROMEL," **Japan's first selective serotonin reuptake inhibitor (SSRI).** In addition, "DEPROMEL" is the first drug in Japan for the treatment of OCD (obsessive-compulsive disorder).

CNS disorders

2009: We bring to market antidepressant drug "REFLEX," which has **a new mechanism of action, NaSSA***. Its early onset of an antidepressant effect and good efficacy and safety earn endorsement.

* Noradrenergic and specific serotonergic antidepressant

Generic drugs

1997: We begin the generic drugs business.
In 2006, we set up a business unit.

Generic drugs

2008: We launch calcium channel blocker "AMLODIPINE TABLETS MEIJI." **We leverage trust the *meiji* brand has established through high-quality products, advanced technology, and stable supplies** to enter potential generic drug markets and fields with significant medical needs.

Systemic Antibacterial Drugs

Market Share
11.6%
No. 4 in Japan

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Market scope as defined by Meiji Seika Pharma

Antidepressant Drugs

Market Share
16.7%
No. 3 in Japan

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Market scope as defined by Meiji Seika Pharma

Generic Drugs

No.1
manufacturer of generic drugs among brand-name drug companies in Japan

Source: CRECON RESEARCH & CONSULTING, fiscal 2013

Rice Blast Preventatives (Agricultural Chemicals)

Market Share
36.8%
No. 1 in Japan

Source: Japan Crop Protection Association, 2013 agricultural chemical year (October 2012–September 2013)

Industrial Veterinary Drugs

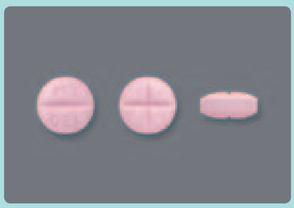
Market Share
8.3%
No. 4 in Japan

Source: Fuji-Keizai, fiscal 2013

Providing Quality Generic Drugs as a Brand-Name Drug Manufacturer

Example of improved formulation: Antidepressant drug "PAROXETINE TABLETS MEIJI"

We have put secant-line crosses on tablets for minute dosage adjustments to suit each patient. Also, we have innovated bulk materials, additives, and production methods to ensure active ingredients are homogeneously distributed in each tablet segment.



Meiji Group Strengths

The Pharmaceuticals segment focuses on two main fields: drugs for infectious diseases, a field where the segment has a long history, and drugs for central nervous system (CNS) disorders, the segment's second pillar. While establishing our presence in these two fields through brand-name drugs, we continue to grow through generic drugs. As a "Specialty and Generic Pharmaceuticals Company," we, the Meiji Group, contribute to the health and well-being of people worldwide.

Drugs for Infectious Diseases

No. 4 market share for systemic antibacterial drugs in Japan

11.6%

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Market scope as defined by Meiji Seika Pharma

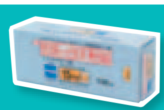
1946

Meiji Group Becomes a Byword for Antibacterial Drugs

During World War II, we began the research and development of penicillin and started manufacturing in 1946. This marked our entry into the pharmaceuticals business. The Meiji Group launched "STREPTOMYCIN" in 1950 and "CYCLIN" in 1954. Only 10 years after we began the pharmaceuticals business, its growth surpassed that of the Food segment. Also, we collaborated with Dr. Hamao Umezawa of the National Institute of Health and launched "KANAMYCIN" in 1958. This product became Japan's most exported pharmaceutical in 1966, proving its strong reputation overseas.

By 1987, our product lineup encompassed systemic antibiotics. To increase our product lineup, we launched in-house-developed oral cephalosporin antibacterial drug "MEIACT" in 1994 in Japan. In addition, we have launched "MEIACT" globally as a flagship product. We help patients with infectious diseases and contribute to longevity and good health.

Drugs for Central Nervous System Disorders



No. 3 market share for antidepressant drugs in Japan

16.7%

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Calculated based on MIDAS 2014 Mar MAT Reprinted with permission
Market scope as defined by Meiji Seika Pharma

Establishment of a Second Pillar

Meiji Group Establishes Rich Product Lineup for Various Symptoms

In Japan, the number of patients with CNS disorders is increasing for various reasons, such as an aging society, changes in lifestyles, and social stress. We launched the antianxiety drug "MEILAX" in 1989 to address such medical needs and modify our product mix to make it less dependent on antibacterial drugs. In 1999, we introduced the antidepressant drug "DEPROMEL," the first SSRI (selective serotonin reuptake inhibitor) approved in Japan. As the first drug in Japan for the treatment of OCD (obsessive-compulsive disorder), it has established a strong position in the market. In 2009, we launched the antidepressant drug "REFLEX," which has a unique mechanism of action—NaSSA (noradrenergic and specific serotonergic antidepressant). By offering a lineup of pharmaceuticals with different mechanisms of action, we contribute to the treatment of depression, which has a variety of symptoms. We will expand and improve our product lineup to become a leading company in the CNS disorders field.

Generic Drugs

No. 1
manufacturer of generic drugs among brand-name drug companies in Japan

Source: CRECON RESEARCH & CONSULTING, fiscal 2013

Distinctive Presence through a "Fusion Strategy"

Meiji Group Enters the Generic Drugs Business

Japan's medical-care costs continue to rise as society ages and medical treatment becomes advanced and complex. To curb the increase in medical-care costs and medication costs, the government is implementing National Health Insurance (NHI) drug price revisions and promoting the use of generic drugs. Responding to such trends, the Meiji Group established a specialized division and entered the generic drugs business in the 1990s. In the generic drugs business, our strategy is to concentrate on fields in which we specialize—infectious diseases and CNS disorders—and on products for which medical needs and market size are significant. Based on that strategy, we promote each product earnestly. The generic drugs business has been growing since we fully entered it in 2006. Our success is attributable to trust earned as a brand-name drug company. The *meiji* brand has established trust by providing stable supply, high quality, and adequate information. These are our advantages in the generic drugs business. In fiscal 2014, the generic drugs business recorded net sales of ¥32.1 billion, maintaining our standing as the No. 1 manufacturer of generic drugs among brand-name drug companies in Japan.

Strategy Integrates Marketing of Brand-Name Drugs and Generic Drugs

As a "Specialty and Generic Pharmaceuticals Company," we have adopted a unique "fusion strategy," providing stable supply, high quality, and adequate information without any distinction between brand-name drugs and generic drugs. With regard to providing information, based on patients' underlying diseases, medical representatives (MRs) propose therapeutic regimens by selecting from a variety of brand-name and generic drugs. Also, recognizing drugs affect people's health and lives, we establish supply and quality assurance systems to ensure patients and healthcare practitioners can rely on our products.

Human resources supporting growth

Key Person's Viewpoint

Yuji Umeki
Member of the Board and Managing Executive Officer
General Manager
Pharmaceutical Marketing Division
Meiji Seika Pharma Co., Ltd.

In the ethical pharmaceuticals business, the role of MRs, as well as the efficacy of products, is very important. MRs ensure drugs are prescribed appropriately by providing accurate information about efficacy and safety. When proposing therapeutic regimens, our MRs choose from a rich selection of brand-name and generic drugs. We provide objective information to healthcare practitioners to earn their trust.

Our ethical pharmaceuticals business is focused on infectious diseases, CNS disorders, and fields with significant medical needs. We achieve efficient operational management in these areas. Also, our advanced supply system and quality assurance system are well regarded among healthcare practitioners and drug wholesalers.

Based on our "Specialty and Generic" fusion strategy, we will maintain credibility with healthcare practitioners and other stakeholders and contribute to patients' health and lives.

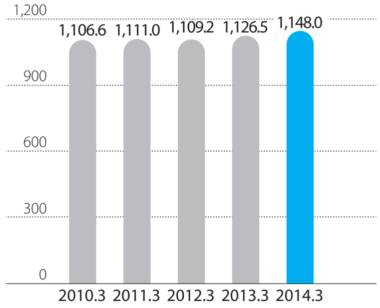
Financial and Non-Financial Highlights

(Fiscal years ended March 31)	Millions of yen 2010	2011	2012	2013	2014	Thousands of U.S. dollars*1 2014
For the fiscal year						
Net sales	¥1,106,645	¥1,111,000	¥1,109,275	¥1,126,520	¥1,148,076	$11,155,033
Food segment	—	988,854	986,319	1,001,551	1,015,265	9,864,605
Pharmaceuticals segment	—	124,202	125,274	127,361	135,105	1,312,725
Cost of sales	734,665	732,931	738,500	743,835	754,013	7,326,212
Selling, general and administrative (SG&A) expenses	343,194	348,109	350,584	356,825	357,565	3,474,211
Operating income	28,786	29,959	20,189	25,859	36,496	354,610
Ordinary income	28,316	30,451	21,882	29,131	39,089	379,800
Net income	13,088	9,552	6,805	16,646	19,060	185,192
Capital expenditures*2	30,546	38,512	35,994	35,275	44,407	431,480
Research and development costs	22,693	23,418	23,823	26,199	26,067	253,279
Depreciation and amortization*3	39,087	41,345	40,871	40,821	40,972	398,095
Net cash provided by operating activities	47,707	57,995	30,597	50,622	63,847	620,361
At fiscal year-end						
Total assets	¥ 730,044	¥ 716,368	¥ 749,985	¥ 785,514	¥ 779,461	$ 7,573,469
Total net assets	297,771	293,530	298,491	320,609	328,121	3,188,125

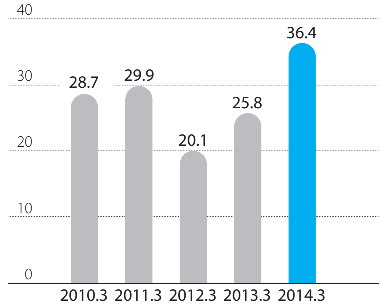
	Yen 2010	2011	2012	2013	2014	U.S. dollars*1 2014
Per share data						
Net income	¥ 177.73	¥ 129.63	¥ 92.38	¥ 225.98	¥ 258.79	$ 2.51
Net assets*4	3,933.05	3,906.36	3,958.24	4,254.56	4,351.96	42.30
Cash dividends	80.0	80.0	80.0	80.0	80.0	0.78
Ratios (%)						
ROE	4.6	3.3	2.3	5.5	6.0	
ROA	1.8	1.3	0.9	2.2	2.4	
Other data						
Energy consumption volumes (Fuel oil conversion: 1,000kl) *8	262	263	250	253	245	
CO_2 emissions (10,000 t-CO_2) *8	49.4	47.2	47.1	50.4	53.8	
Trends in industrial waste volume (t) *8	84,396	81,149	86,822	80,811	71,983	
Number of employees *9	23,914	25,554	25,717	25,738	24,399	

*1. U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US$1 = ¥102.92, the exchange rate on March 31, 2014.
*2. Figures for capital expenditures only represent property, plants and equipment based on consolidated statements of cash flows.
*3. Figures for depreciation and amortization represent property, plants and equipment and intangible fixed assets based on consolidated statements of cash flows.
*4. Net assets per share = (Total net assets – Minority interests) ÷ (Number of shares of common stock issued – Number of shares of treasury stock)
*5. When establishing Meiji Holdings Co., Ltd., on April 1, 2009, the Company issued 0.1 share of Meiji Holdings common stock to Meiji Seika Kaisha, Ltd., for each share of Meiji Seika common stock and 0.117 share to Meiji Dairies Corporation for each share of Meiji Dairies common stock.
*6. As of the year ended March 31, 2012, the presentation method for the income and expenses of real estate rentals has changed due to a change in the management structure of the real estate business accompanying the reorganization of the Group. After retroactive application of this new presentation method, operating income for the year ended March 31, 2011, is ¥29,959 million, a difference of ¥1,086 million compared with the previous figure.
*7. From the year ended March 31, 2012, the Company changed its business segments. Net sales by business segment for the year ended March 31, 2011, have been recalculated retroactively by applying the new business segmentation.
*8. Based on figures for the entire Meiji Group, including its main subsidiaries.
*9. Including average number of temporary personnel

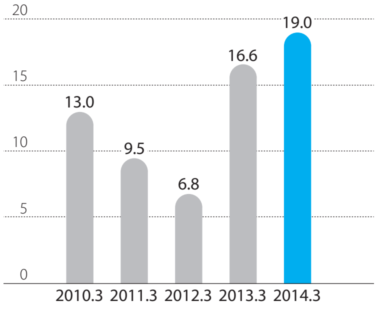
Net Sales



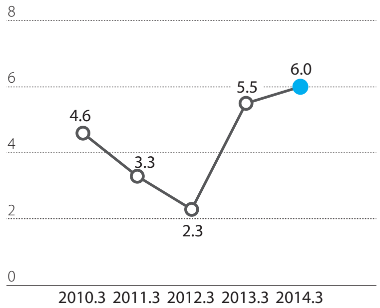
Operating Income



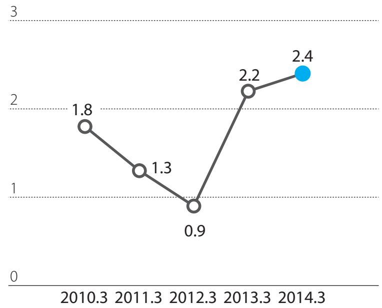
Net Income



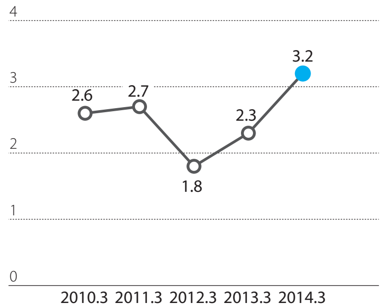
ROE



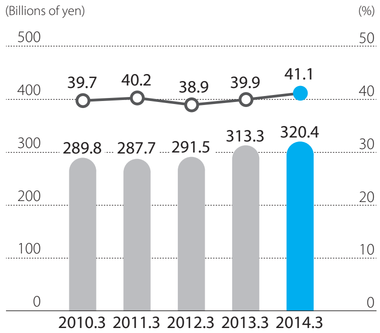
ROA



Operating Income to Net Sales

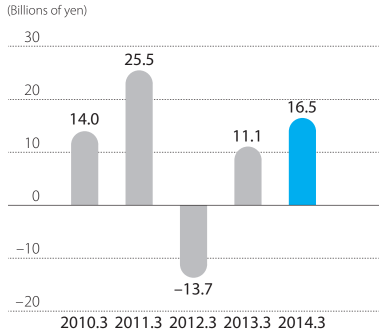


Shareholders' Equity* / Shareholders' Equity Ratio



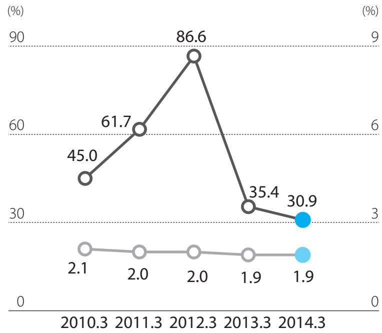
Shareholders' equity (Left scale)
Shareholders' equity ratio (Right scale)
* Total net assets – Minority interests

Free Cash Flow*



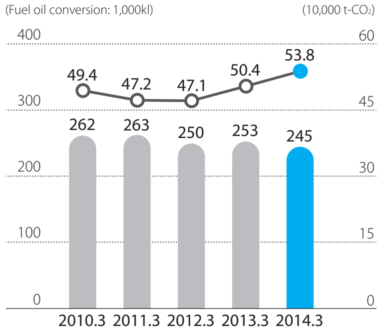
* Net cash provided by operating activities + Net cash used in investing activities

Dividend Payout Ratio / Dividends on Equity (DOE)



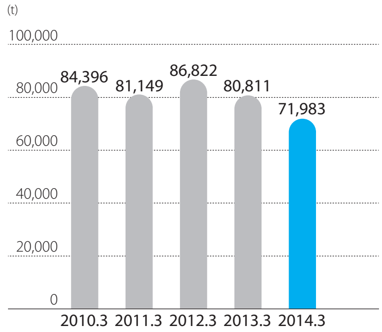
Dividend payout ratio (Left scale)
Dividends on equity (DOE) (Right scale)

Energy Consumption Volumes / CO_2 Emissions

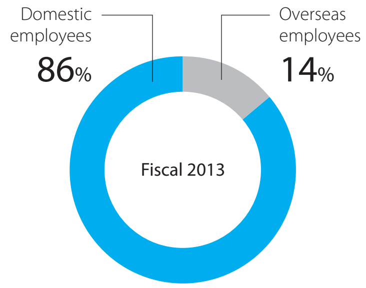


Energy consumption volumes (Left scale)
CO_2 emissions (Right scale)

Trends in Industrial Waste Volume

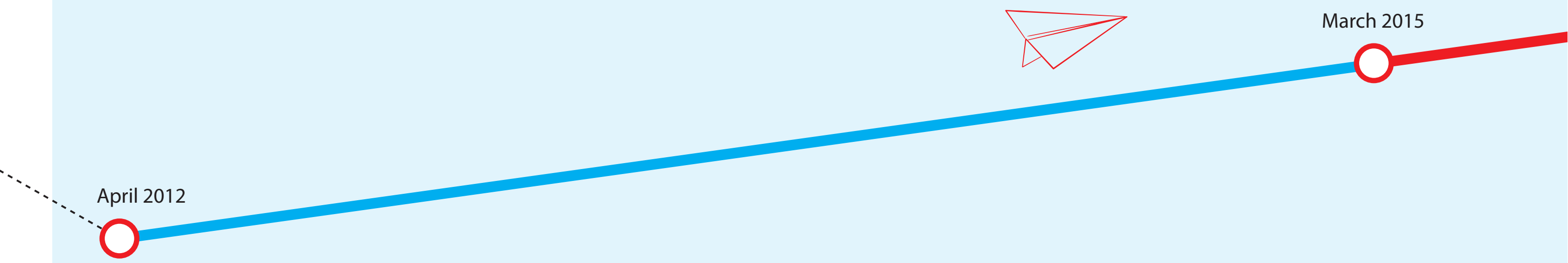


Workforce Composition



Growth Trajectory

Launched in April 2012, the medium-term management plan, TAKE OFF 14, sets out *Higher profitability and strategic investments for future growth* as its overriding theme. Based on this plan, the Group has embarked on a concerted effort to realize its 2020 Vision.



2012–2014 Medium-Term Management Plan

(Fiscal 2012–Fiscal 2014)

TAKE OFF 14

Higher profitability and strategic investments for future growth

TAKE OFF 14 Basic Policies

- Strengthen and expand existing businesses (growth and priority businesses)
- Foster growth businesses (new and international businesses)
- Improve profitability

Management Targets

	Fiscal 2012 Business Results	Fiscal 2013 Business Results	Fiscal 2014 Plan	TAKE OFF 14 Fiscal 2014 Initial Targets
Net sales	¥1.12 trillion	¥1.14 trillion	¥1.14 trillion	¥1.19 trillion
Operating income	¥25.8 billion	¥36.4 billion	¥37.5 billion	¥40.0 billion
ROE	5.5%	6.0%	6.6%	7%

Meiji Group
2020 Vision

Targets (Fiscal 2020)	
Net sales	¥1.5 trillion
Operating income margin	more than 5 %
ROE	10 %

Growth Targets by Business Segment

		Fiscal 2012 Business Results	Fiscal 2013 Business Results	Fiscal 2014 Plan	TAKE OFF 14 Fiscal 2014 Initial Targets
Food segment	Net sales	¥1,001.5 billion	¥1,015.2 billion	¥1,006.0 billion	¥1,050.0 billion
	Operating income	¥19.3 billion	¥28.1 billion	¥30.0 billion	¥30.0 billion
Pharmaceuticals segment	Net sales	¥127.3 billion	¥135.1 billion	¥136.5 billion	¥140.0 billion
	Operating income	¥6.4 billion	¥8.3 billion	¥7.6 billion	¥10.0 billion

For details on the medium-term management plan, TAKE OFF 14, please see the pages below.

For the Food segment, please see page 28.
For the Pharmaceuticals segment, please see page 33.

A Message from the Newly Appointed President

To grow and develop into a global corporate group in the Food and Health fields, the Meiji Group will fulfill corporate responsibilities sincerely, thereby meeting the expectations of its stakeholders and earning their further trust.

Masahiko Matsuo
President and Representative Director

Renewed Senior Management Team

I would like to take this opportunity to inform stakeholders of my appointment as the president and representative director of Meiji Holdings Co., Ltd.

As a director of Meiji Holdings, following the management integration of 2009, and as president and representative director of Meiji Seika Pharma Co., Ltd., following the business reorganization of 2011, I have endeavored to advance the businesses of the Meiji Group. And, I will step up these efforts as part of a renewed senior management team comprising Shigetaro Asano, who has become chairman and representative director; Kazuo Kawamura, who remains president and representative director of the food company Meiji Co., Ltd.; and Daikichiro Kobayashi, who has assumed the position of president and representative director of the pharmaceuticals company Meiji Seika Pharma.

Grow and Advance the Meiji Group

No matter how business conditions change, my mission is to grow and advance the Meiji Group from a medium-to-long-term viewpoint. The Group is tackling the initiatives of its medium-term management plan, TAKE OFF 14, to realize the Meiji Group 2020 Vision. In fiscal 2014, ending March 31, 2015, we are doing our utmost to reach the targets for the final fiscal year of TAKE OFF 14.

Also, fiscal 2014 is an important year because we will prepare our next medium-term management plan. Although business conditions have changed significantly since we prepared the Meiji Group 2020 Vision, we will pave the way toward achieving the vision's goal: to be a global Food and Health corporate group.

To this end, I believe our main focus should be on heightening competitiveness as a corporate group. Therefore, we will strengthen cost-competitiveness, profitability, product development, marketing, and global rollout capabilities. In Japan, the population is continuing to fall as the birthrate declines and society ages. Meanwhile, globalization is advancing, and emerging countries' markets for food and pharmaceuticals keep growing. In response, to become a corporate group loved in Japan and overseas, we will mobilize technology and expertise accumulated over many years; safe, reliable quality; and the personnel capabilities that support them.

The Meiji Group provides unique *Tastiness*, *Enjoyment, Health, and Reassurance* to customers of all ages, from infants through to the elderly. Furthermore, the *meiji* brand, which has earned the trust of many customers and users, is an important management resource. We will heighten the value of the *meiji* brand through steady efforts. As we do so, we should keep in mind that we must benefit society.

Achieved Steady Progress in Fiscal 2013, the Second Year of TAKE OFF 14

In fiscal 2013, our primary focus was on adapting to changes in business conditions, such as yen depreciation and increases in raw material costs. In these efforts, our goal was to grow earnings and thereby bring the targets of the plan's final year within reach. Consequently, we expanded priority businesses, including the dairy business, the confectionery business, and the ethical pharmaceuticals business. Also, we developed the healthcare and nutritionals business and overseas businesses as growth businesses and promoted structural reform to improve profitability. Thanks to these efforts, the Group progressed steadily in the second year of TAKE OFF 14, posting year-on-year increases of 1.9% in net sales, to ¥1,148.0 billion, and 41.1% in operating income, to ¥36.4 billion.

In the Food segment, net sales rose 1.4% year on year, to ¥1,015.2 billion, while operating income grew 45.4% year on year, to ¥28.1 billion. In April 2013, we reorganized businesses in the segment to improve the profitability of each business. Responding to expectations of yen depreciation and higher raw material costs, we concentrated on mainstay products while reassessing products with low profitability. At the same time, we reformed the business structures of subsidiaries. We saw the benefits of these efforts emerge from the first quarter of fiscal 2013 onward. For the full fiscal year, our efforts absorbed a ¥7.0 billion increase in raw material costs.

In the Pharmaceuticals segment, net sales rose 6.1% year on year, to ¥135.1 billion, and operating income was up 29.3% year on year, to ¥8.3 billion. In Japan, higher revenues from ethical pharmaceuticals, mainly drugs for central nervous system (CNS) disorders and generic drugs, offset lower revenues from the agricultural chemicals and veterinary drugs business. We continued efforts to realize low-cost operations, and we accelerated our R&D pipeline.

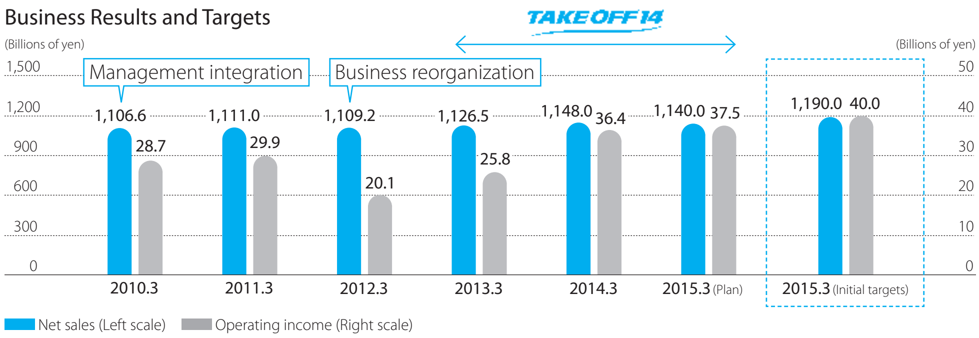
Despite an extraordinary loss of ¥6.9 billion, which included impairment losses arising from the structural reform of the Food segment, the Group's net income rose a significant 14.5% from the previous fiscal year's level, to ¥19.0 billion.

A Message from the Newly Appointed President

Improve Profitability and Invest Strategically in Fiscal 2014

The initial targets of TAKE OFF 14 were net sales of ¥1,190.0 billion, operating income of ¥40.0 billion, and ROE of 7.0%. However, taking into account higher-than-expected increases in raw material costs and the effect of National Health Insurance (NHI) drug price revisions, we have adjusted fiscal 2014 targets to net sales of ¥1,140.0 billion, operating income of ¥37.5 billion, and ROE of 6.6%. By taking advantage of the *meiji* brand's strength, we will spare no effort to improve profitability and achieve the initial targets of TAKE OFF 14.

Business Results and Targets



Increase Efficiency and Reinforce Strengths in the Food Segment

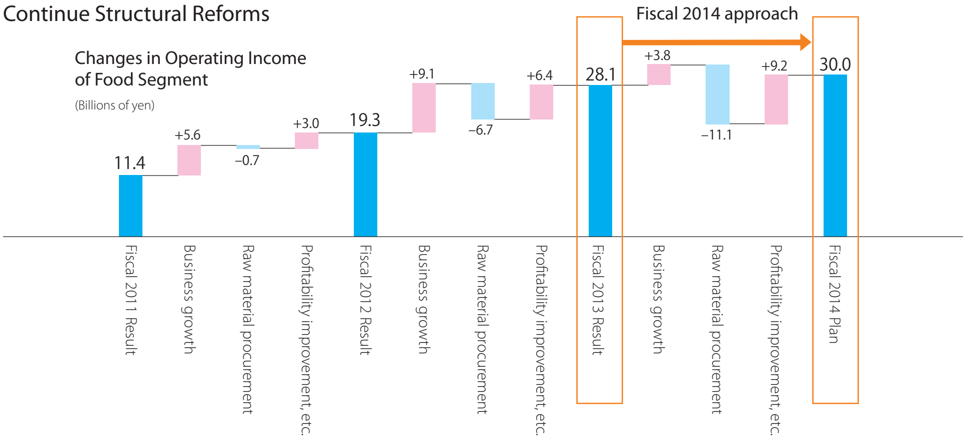
In fiscal 2014, the Food segment will continue to reduce costs and improve the competitiveness of priority businesses. Through these efforts, we will achieve the initial operating income target of ¥30.0 billion.

This target factors in an ¥11.1 billion rise in the costs of raw materials, such as domestic raw milk, imported dairy ingredients, cacao beans, and packaging. To compensate for these higher costs, plans call for cost reductions that will save a total of ¥12.0 billion. Specifically, we will improve production efficiency, heighten logistics efficiency through the reorganization and integration of operating sites, use sales promotion and advertising expenses efficiently, pass on higher costs to prices, and reduce the net volumes of products.

To strengthen priority businesses, our approach is to leverage mainstay products. This approach entails the dairy business focusing on yogurt; the confectionery business on long sellers, particularly chocolate; and the healthcare and nutritionals business on infant formula and protein for sports use.

With sales surpassing ¥150.0 billion, yogurt has become one of the Group's flagship products. We use expertise and technology accumulated over many years and evaluate approximately 5,000 strains of *lactobacilli* to create our lineup of yogurt products. Against a backdrop of increasing health consciousness, our probiotic yogurt "Meiji Yogurt R-1" has grown sales rapidly since fiscal 2012. However, I think there is room to increase public awareness of "Meiji Yogurt R-1." Therefore, we will grow sales of "Meiji Yogurt R-1" steadily through sales campaigns while securing production capacity to meet growing demand. Our plain yogurt "Meiji Bulgaria Yogurt" has become a byword for yogurt in Japan. We will provide customers more information from joint research with the Institut Pasteur in France and boost sales of "Meiji Bulgaria Yogurt." In the confectionery business, chocolate snacks "Otona no Kinoko no Yama" and "Otona no Takenoko no Sato," which feature a slightly bitter taste and high quality, became big hits in fiscal 2013. In the current fiscal year, we expect similar contributions from other long sellers. With the increasing interest in the health benefits of cacao polyphenol, we will focus on products that highlight such health benefits. In the healthcare and nutritionals business, we will exploit the high added value of such offerings as sports nutrition products and enteral formula by expanding sales of mainstay products that have large shares of growing markets. In infant formula, we will focus on such high-value-added offerings as cube-type products, which are gaining endorsement.

Continue Structural Reforms



Realize Another Solid Year for the Pharmaceuticals Segment despite NHI Drug Price Revisions

In Japan's pharmaceuticals industry, government policies to curb social insurance and medical costs are reforming the systems for drug pricing and medical fee reimbursement. Exceeding our projections when preparing TAKE OFF 14, the most recent NHI drug price revision in April 2014 is likely to have a ¥9.2 billion negative effect on earnings. On the other hand, the generic drugs market promises to expand due to such factors as measures to promote the use of generic drugs. Given that Meiji Seika Pharma has been counteracting the effect of NHI drug price revisions while pursuing a unique strategy for generic drugs, this market growth provides a favorable opportunity for us to enlarge our business.

Meiji Seika Pharma is working to develop as a "Specialty and Generic Pharmaceuticals Company." Accordingly, the company pursues a strategy of promoting a variety of products, both brand-name drugs and generic drugs, which we call the "fusion strategy."

In fiscal 2014, Meiji Seika Pharma will strengthen its promotion of mainstay brand-name drugs and generic drugs to grow sales. We will focus lineup development on generic drugs that are in our specialized fields—infectious diseases and CNS disorders—or for which there are significant medical needs. We earn healthcare practitioners' trust by giving priority to quality assurance on a par with that for brand-name drugs, supplying products stably, and providing useful product information. With these strengths, we will heighten our presence in generic drugs markets that promise growth. In the agricultural chemicals and veterinary drugs business, we will concentrate efforts on growing sales of mainstay

Business Conditions of Pharmaceuticals Segment

Market conditions and background	• National policy to reduce social insurance and medical costs • Government-outlined GE usage goals: 60% and higher by the end of March 2018
Impact of NHI price revisions	• Additional price reductions on long-term listed drugs • Categorization of GE prices into three tiers; Lower initial listing rate
Factors for generic drugs market expansion	• Increase pharmacy compensation • Promote GE use in DPC hospitals

products and rolling out products overseas. And, plans call for increasing production capacity and reducing costs rigorously in our global production system. As product development has advanced through the stages of the R&D pipeline, annual R&D costs have been about ¥15.0 billion in the past two fiscal years. In fiscal 2014, we will reduce R&D costs to their former level of approximately ¥13.0 billion by prioritizing R&D and increasing its efficiency and productivity. Based on these plans, the Pharmaceuticals segment is targeting operating income of ¥7.6 billion in fiscal 2014.

Develop and Strengthen Food and Pharmaceuticals Businesses Overseas

For future growth, the Meiji Group is developing and strengthening food and pharmaceuticals businesses overseas by using proprietary technology. The Group is also developing its overseas businesses in a variety of ways—through mergers, tie-ups, or wholly owned subsidiaries—best suited to each local situation. Through this approach, we will create businesses that are rooted in and contribute to local communities. For the current fiscal year, including the sales of nonconsolidated companies, we have set overseas sales targets of ¥61.0 billion for the Food segment and ¥20.0 billion for the Pharmaceuticals segment.

In the Food segment, we will give priority to three areas overseas with growth potential: China, other countries in Asia, and the United States. In the dairy business, we will focus on chilled milk and yogurt. For example in Thailand, CP-Meiji Co., Ltd., a joint venture established with the CP Group that manufactures and sells chilled milk and yogurt, launched "Meiji Bulgaria Yogurt" in August 2013. Also, from December 2013 we began selling chilled milk and "Meiji Bulgaria Yogurt" in China, primarily in Shanghai through two consolidated subsidiaries, Meiji Dairies (Suzhou) Co., Ltd., and Meiji-Dairy Trading Shanghai Co., Ltd. We are sourcing high-quality raw milk locally and marketing products through volume retailers and convenience stores. In Thailand and China, sweet yogurt dominates the market. Nevertheless, as we did 40 years ago when we launched "Meiji Bulgaria Yogurt" in Japan, we will open up markets for plain yogurt through unrelenting marketing efforts.

In the confectionery business, we will focus on chocolate and chocolate snacks. We will expand operations. For example, we manufacture and sell mainstay "Hello Panda" chocolate snack in Singapore and export it to approximately 40 countries. In China, Shanghai is the hub of our manufacture and sale of chocolate and chocolate snacks. In accordance with TAKE OFF 14, we are expanding and improving confectionery lineups and realizing low-cost operations to raise profitability.

In the Pharmaceuticals segment, we have bases in Spain, Thailand, Indonesia, and China that manufacture and sell pharmaceuticals. Overseas bases play an important role in the low-cost operations of our global production system. Cost-competitiveness is becoming critical due to downward pressure on pharmaceuticals costs not only in Japan but worldwide. Therefore, the Group will seek cost-competitiveness and build a production system to meet rising demand.

On June 11, 2014, we announced the acquisition of all outstanding shares of the pharmaceuticals company Medreich Limited, of India. Through this acquisition, we will cater to rising demand for generic drugs and low-priced pharmaceuticals, acquire cost-competitive manufacturing infrastructure, and broaden our sales networks in India, elsewhere in Asia, and Africa. The acquisition will also allow us to grow our generic drugs business and expand our international business with a focus on Asia and emerging countries in other regions in accordance with the goals of the Meiji Group 2020 Vision.

Advance Strategic Investments for Future Growth

Strategic investments are a part of the overriding theme of TAKE OFF 14. In fiscal 2013, investment rose ¥9.4 billion year on year, to ¥47.0 billion, which included investment to increase probiotic yogurt production capacity. At the end of fiscal 2013, interest-bearing debt stood at ¥198.3 billion, down ¥7.1 billion from the previous fiscal year-end, and the debt-to-equity ratio was 0.64 times.

For fiscal 2014, we have earmarked ¥55.0 billion for capital expenditures, up ¥8.0 billion from the previous fiscal year. The amount will increase because payments are due for capital expenditures in western Japan: an enteral formula plant in the Kansai region and a new yogurt and milk plant in Aichi Prefecture. Fiscal 2014's investment will bring total investment during the term of TAKE OFF 14 to ¥139.6 billion. This figure is less than the plan's initial target of ¥161.7 billion due to the carrying over of payment periods. Nevertheless, we expect to implement investment projects in accordance with the plan.

Also, the purchase price of the shares agreed with the shareholders of Medreich is US$290 million.* However, investment of ¥55.0 billion earmarked for fiscal 2014 does not include this amount. In addition, even taking into account fund-raising associated with this acquisition, the debt-to-equity ratio will not exceed TAKE OFF 14's benchmark of 0.8 times. Therefore, we do not believe the acquisition will affect our financial strategy significantly. We will source investment funds from equity and loans while maintaining financial soundness.

* The purchase price will be adjusted prior to closing in accordance with a customary mechanism agreed between Meiji Seika Pharma and the shareholders of Medreich. Further, the share acquisition will be completed promptly after obtaining necessary approvals from the regulatory authorities.

Improve ROE and Returns to Shareholders

TAKE OFF 14 sets ROE of 7.0% as a benchmark for management efficiency. Our strategy to improve ROE is to grow earnings. In fiscal 2013, thanks to improvements in the profitability of all businesses, ROE improved 0.5 percentage points, to 6.0%. In fiscal 2014, we expect ROE of 6.6% due to the adjustment of the operating income target from ¥40.0 billion to ¥37.5 billion, which we undertook to reflect changes in business conditions.

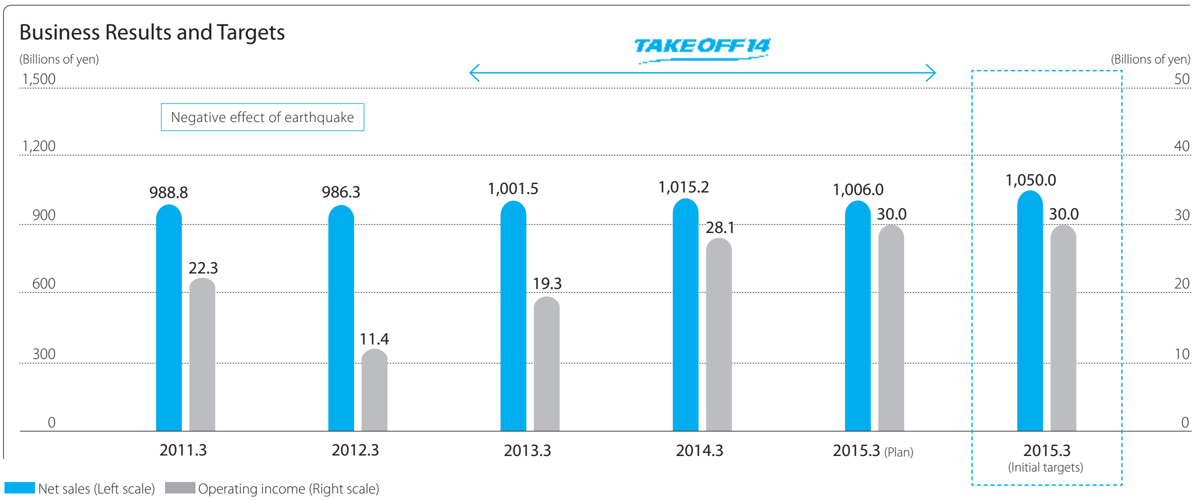
The Meiji Group's basic policy is to realize stable and continuous returns to shareholders. Accordingly, for fiscal 2013 we paid a full-year dividend of ¥80.0 per share, the same as we paid for the previous fiscal year.

We are committed to working with our stakeholders to fulfill our responsibilities as a corporate group.

Masahiko Matsuo
President and Representative Director

Progress by Segment under TAKE OFF 14

Food Segment



* From fiscal 2011, the Company changed its business segments. The figures for fiscal 2010 are for reference and result from the retroactive application of the new business segmentation.

Fiscal 2013—Goals for the Second Year of TAKE OFF 14

- **Improve profitability of whole segment by expanding and restructuring mainstay businesses**
- **Develop overseas businesses steadily**
- **Adapt to changes in business conditions, such as yen depreciation, higher raw material costs, and consumption tax hike**

Net Sales ¥1,015.2 billion Up 1.4% year on year

- The previous fiscal year's trends continued in the Food segment. Yogurt sales in the dairy business increased, and the mainstay products of the confectionery business and the healthcare and nutritionals business sold favorably. Earnings increased significantly thanks to the structural reform of businesses and cost reduction throughout the segment, which offset a sharp rise in raw material costs.
- The dairy business recorded higher revenues and earnings. Probiotic yogurts continued to sell briskly, improving the business's product mix significantly.

Operating Income ¥28.1 billion Up 45.4% year on year

- The confectionery business improved earnings by concentrating on long sellers.
- The healthcare and nutritionals business recorded increased revenues as mainstay products sold well. Further, the business improved profitability by raising sales productivity and moved into the black.
- The Group implemented structural reform in all of its businesses, including subsidiaries in Japan and overseas. We newly included two overseas subsidiaries in consolidation.

Fiscal 2014—Goals for the Final Year of TAKE OFF 14

- **Improving profitability by restructuring businesses and reducing costs**
- **Enhancing competitiveness of winning brands**
- **Offsetting rising raw material costs**

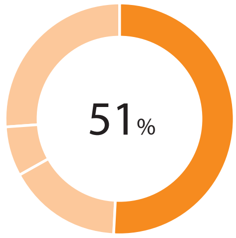
Net Sales ¥1,006.0 billion Down 0.9% year on year

Operating Income ¥30.0 billion Up 6.4% year on year

Dairy Business

Net sales breakdown by Food segment

Fiscal 2013



Fiscal 2013 Business Results Summary

Net Sales ¥638.7 billion Up 4.3% year on year

Operating Income ¥25.3 billion Up 37.3% year on year

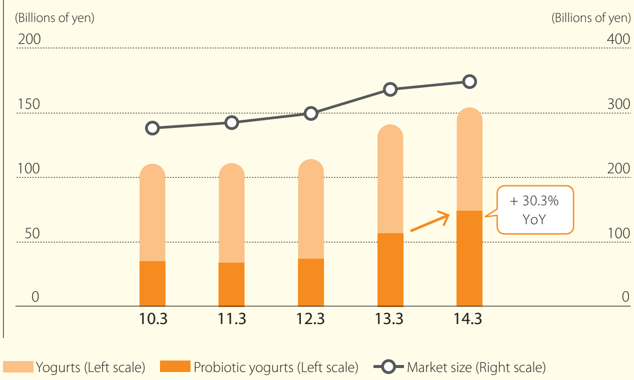
- In yogurt, sales of probiotic yogurts grew significantly because of marketing campaigns to increase brand recognition. Consequently, the product mix improved. Although sales of "Meiji Bulgaria Yogurt" declined year on year, "Meiji Bulgaria Yogurt Drink" sold briskly thanks to customer endorsement of new packaging.
- While drinking milk sales were lower than those in the previous fiscal year, sales of "Meiji Oishii Gyunyu" were higher due to successful marketing highlighting its distinctive value.
- In processed food products, sales of cheese rose year on year as "Meiji Hokkaido Tokachi Camembert Cheese" performed favorably. Despite market sluggishness stemming from extreme summer heat, sales of margarine for commercial use were maintained year on year.
- The dairy business achieved higher revenues and earnings due to improved efficiency, reduced costs, and revised product strategies. These factors more than compensated for increased raw material costs, including imported dairy ingredients, and advertising expenses.

Initiatives in Fiscal 2013

Established Overwhelming Superiority in Yogurt Market

- The Meiji Group's probiotic yogurts drove expansion of Japan's yogurt market to more than ¥340 billion.
- Our probiotic yogurts became flagship products, with sales up more than 30% year on year to surpass ¥70 billion. We raised production capacity to cater to strong demand.

Japan's Yogurt Market and the Meiji Group's Sales of Yogurt Products



* Source (Market size): Meiji Holdings' research

Investment to Increase Production Capacity for Probiotic Yogurts (announced on November 18, 2013)

Investment: ¥4.8 billion

- Expanded facilities at Moriya Plant and Kyoto Plant
- Raised production capacity for small plastic bottles approximately 1.3 times
- Began production in December 2013

Efforts to Offset Higher Raw Material Costs

- We reduced costs by improving production and logistics efficiency, and for some products we revised pricing or reduced net volumes.

Goals for the Final Year of TAKE OFF 14

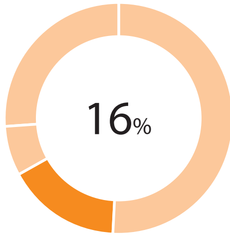
- We are increasing the competitive superiority of the yogurt business. For probiotic yogurts, we are continuing marketing campaigns to increase brand recognition while raising production capacity.
- The Meiji Group is continuing structural reform. For lower margin products, we are reassessing and adjusting pricing, net volumes, and packaging. To reduce costs, we are improving the efficiency of production and logistics.
- Scheduled to begin operating in fiscal 2014, a new plant in Aichi Prefecture will become our core plant in the Tokai area for the production of fresh dairy products. We will improve logistics efficiency by integrating and relocating five of the area's chilled and room-temperature warehouses to the new plant, which will also serve as a logistics base.

Progress by Segment under TAKE OFF 14: Food Segment

Confectionery Business

Net sales breakdown by Food segment

Fiscal 2013



Fiscal 2013 Business Results Summary

Net Sales ¥194.4 billion Down 1.1% year on year

- Mainstay chocolate improved business results year on year due to strong sales of long sellers. Chewing gum sales declined from the previous fiscal year's level due to market stagnation. Sales of gummy products grew significantly year on year, due to newly launched "Kaju Gummy" flavors.

Operating Income ¥5.2 billion Up 55.8% year on year

- Ice cream sales were lower than in the previous fiscal year, despite higher sales of mainstay "Meiji Essel Super Cup," because of flagging sales of other ice cream products.
- Despite the dissolution of a tie-up for certain products, net sales in the confectionery business were approximately maintained year on year. We focused on long sellers and reduced costs, which led to a steep rise in operating income.

Initiatives in Fiscal 2013

Increased Profitability and Product Appeal

- For chocolate, we concentrated on long sellers, such as "Meiji Milk Chocolate," and reduced the number of new products.
- "Otona no Kinoko no Yama" and "Otona no Takenoko no Sato" invigorated sales of the mainstay chocolate snacks as a whole. Launched in September 2013, the products target adults and feature the delicious flavor of carefully selected cacao beans. Also, growing interest in cacao polyphenol led to significantly higher sales of "Chocolate Koka" and "Black Chocolate."
- In ice cream, we boosted sales of "Meiji Essel Super Cup" and enhanced the brand appeal of "Meiji Milk Chocolate Ice Cream" and "Meiji The Premium Gran."
- To enhance profitability, we increased the efficiency of marketing expenditures, production, and logistics.

Meiji Milk Chocolate


Otona no Kinoko no Yama


Meiji Essel Super Cup


Meiji The Premium Gran


Chocolate Koka


Otona no Takenoko no Sato


Meiji Milk Chocolate Ice Cream


Meiji Chocolate Ice Cream Bar

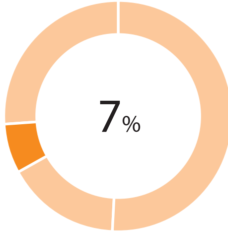
Goals for the Final Year of TAKE OFF 14

- We are launching products focused on long sellers, particularly chocolate, and reducing the number of new products.
- The Meiji Group is growing sales based on its high-value-added products that leverage expertise, technology, and marketing capabilities accumulated over many years.
- To offset the rising costs of such imported raw materials as cacao and nuts, we are improving the efficiency of marketing expenditures, production, and logistics.

Healthcare and Nutritionals Business

Net sales breakdown by Food segment

Fiscal 2013



Fiscal 2013 Business Results Summary

Net Sales ¥86.5 billion Up 8.9% year on year

Operating Income ¥2.7 billion Up ¥3.6 billion year on year

- In the healthcare category, substantially higher year-on-year sales of "SAVAS" reflected the success of promotional activities focused on communication with runners and junior athletes at nutritional seminars. Meanwhile, sales of the hydrolyzed collagen "Amino Collagen" declined year on year.

- In the nutritionals category, infant formula recorded significant year-on-year sales growth, and enteral formula sales surpassed the previous fiscal year's level. Sales of food for the elderly recorded a large increase as sales channels expanded to include drugstores.
- The healthcare and nutritionals business grew net sales year on year and moved into the black, a significant improvement compared with the previous fiscal year's operating loss.

Initiatives in Fiscal 2013

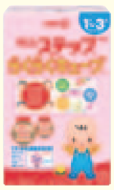
Increased Market Shares of Mainstay Brands in Expanding Market

- Functional healthcare products: We reinvigorated "Amino Collagen" by launching "Amino Collagen Profec," which increases *bifidobacterium* spp. in the intestine.

Amino Collagen

Amino Collagen Profec

- Infant formula: Customer endorsement of cube-type products led to significantly higher sales year on year.



Meiji Step Raku Raku Cube

- Sports nutrition: Amid growing interest in health, nutritional seminars focused on direct communication boosted sales.

SAVAS

VAAM

- Enteral formula, food for the elderly: The market continued to grow due to Japan's aging society and the promotion of nursing care at home. Also, the expansion of sales channels led to a significant year-on-year increase in sales.

Meiji Mei Balance

Improved Profitability

- We relocated some personnel to the Head Office organization and raised sales productivity.
- We used sales promotion expenditures effectively.

Goals for the Final Year of TAKE OFF 14

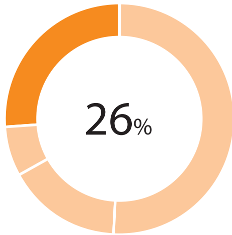
- While carefully monitoring consumption trends following the increase in the consumption tax, we are growing sales of mainstay brands in infant formula, sports nutrition, and enteral formula.
- In enteral formula, a new plant in the Kansai region will start operations to cater to market growth.
- In the healthcare and nutritionals business, to offset the rising costs of imported raw materials we will reduce costs and improve business efficiency. We will implement structural reform, use sales promotion expenditures effectively, and package in-house.

Progress by Segment under TAKE OFF 14: Food Segment

Other Businesses

Net sales breakdown by Food segment

Fiscal 2013



Fiscal 2013 Business Results Summary

Net Sales ¥328.4 billion Up 2.8% year on year

- In Japan, raw material cost hikes affected the feedstuffs and livestock products business. Also, the reform of the business led to a loss on valuation of real estate for sale.

Operating Income –¥2.0 billion Down ¥4.2 billion year on year

- Overseas, we developed new businesses while improving the earnings of existing businesses. At the end of fiscal 2013, we consolidated two subsidiaries that produce and sell chilled milk and yogurt in China.

Products We Sell Overseas

China

Chilled milk

Plain yogurt

Chocolate snacks

Chocolate

Other Asian Countries

Chocolate snacks

Infant formula

United States

Crackers

Chocolate snacks

Goals for the Final Year of TAKE OFF 14

- In Japan, the Group is implementing structural reform of businesses.
- Overseas, we are steadily cementing business foundations with China, other parts of Asia, and the United States as priority areas.

TOPIC Expand Drinking Milk and Yogurt Business in Asia

We are expanding our drinking milk and yogurt business overseas. With our innovative production technology and R&D capabilities cultivated in Japan, we manufacture chilled milk and yogurt products that are high-quality, safe, and delicious, thereby expanding the business.

In Thailand

CP-Meiji Co., Ltd., has established a leading brand that claims an approximately 50% share of the chilled milk market. The company is an equity-method affiliate and a joint venture with the CP Group.

“Meiji Bulgaria Yogurt” sold in Thailand

Given increasing health consciousness among consumers in Thailand, we launched “Meiji Bulgaria Yogurt” in August 2013.

We will increase market penetration of the *meiji* brand and post sales of ¥20 billion in fiscal 2015.

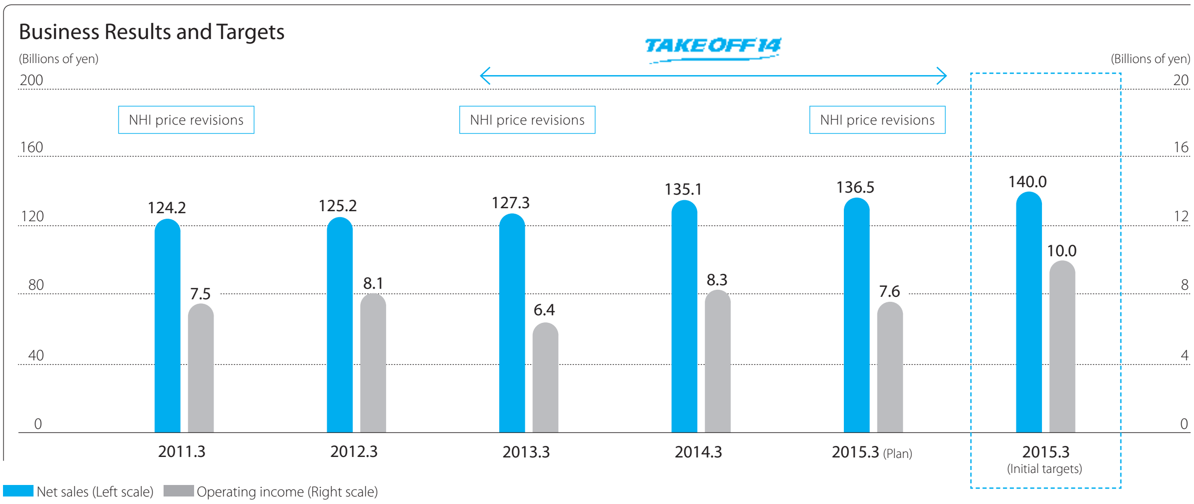
In China

An advertisement for “Meiji Bulgaria Yogurt” in China

We launched chilled milk and “Meiji Bulgaria Yogurt” in the Shanghai area in December 2013. Our sales target is ¥2 billion by fiscal 2016. Due to changes in lifestyles and preferences and an increasing interest in health in recent years, China’s chilled milk and yogurt markets have been growing and demand for quality and flavor has been diversifying. To entrench products offering health value and tastiness, the Meiji Group undertakes marketing activities steadily.

Progress by Segment under TAKE OFF 14

Pharmaceuticals Segment



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Fiscal 2013—Goals for the Second Year of TAKE OFF 14

- **Maintain favorable performance of ethical pharmaceuticals business in Japan**
- **Expand generic drugs business**
- **Promote overseas business development and low-cost operations**
- **Invest in R&D effectively and accelerate drug development pipeline**

Net Sales ¥135.1 billion Up 6.1% year on year

Operating Income ¥8.3 billion Up 29.3% year on year

- The Pharmaceuticals segment increased revenues year on year. Earnings rose significantly due to a sales increase in the domestic ethical pharmaceuticals business and cost reduction efforts.
- Sales of drugs for central nervous system (CNS) disorders and generic drugs in the ethical pharmaceuticals business increased in Japan.
- In the agricultural chemicals and veterinary drugs business, sales of agricultural chemicals were maintained year on year, while sales of veterinary drugs decreased due to a shift in the market from treatment-based to prevention-first and harsh competition.
- We pursued low-cost operations through the selection of optimal production bases in Japan and overseas. Also, we accelerated the R&D pipeline.

Fiscal 2014—Goals for the Final Year of TAKE OFF 14

- **Counteracting effects of NHI drug price revisions**
- **Expanding ethical pharmaceuticals business in Japan based on "fusion strategy" as "Specialty and Generic Pharmaceuticals Company"**

Net Sales ¥136.5 billion Up 1.0% year on year

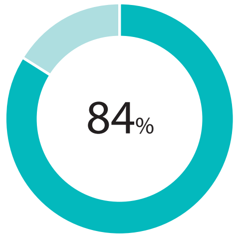
Operating Income ¥7.6 billion Down 9.0% year on year

Progress by Segment under TAKE OFF 14: Pharmaceuticals Segment

Ethical Pharmaceuticals Business

Net sales breakdown by Pharmaceuticals segment

Fiscal 2013



Fiscal 2013 Business Results Summary

Net Sales ¥113.5 billion Up 7.5% year on year

- In Japan, the antibacterial drug "ORAPENEM," the antidepressant drug "REFLEX", and generic drugs grew sales steadily.
- We pursued low-cost operations based on the selection of optimal production bases.
- R&D progressed through development phases. R&D costs were ¥14.7 billion in fiscal 2013.

Initiatives in Fiscal 2013

"Specialty and Generic"

- Medical representatives (MRs) propose therapeutic regimens based on patients' underlying diseases, using brand-name drugs and generic drugs. The business grew by implementing a "fusion strategy," which is one of our strengths. In fiscal 2013, higher sales in the ethical pharmaceuticals business drove growth in the Pharmaceuticals segment.
- We have developed lineups of generic drugs in our strategic fields and generic drugs with significant medical needs and with large markets. In fiscal 2013, the generic drugs business recorded a significant year-on-year rise in revenues due to the performance of existing products and products launched in June and December 2013.
- We increased the number of MRs and used IT-enabled media to provide information to doctors.

R&D Pipeline of Ethical Pharmaceuticals

Field	Compound	Development (Fiscal 2012 – Fiscal 2014)
Infectious Diseases	ME1111: In-house / Antionychomycosis	Phase I (overseas) → Phase II (overseas)
Infectious Diseases	ME1100 (Arbekacin): In-house / Hospital acquired bacterial pneumonia, Ventilator associated bacterial pneumonia treatment	Phase I (overseas)
Infectious Diseases	OP0595: In-house / β-lactamase inhibitor	Phase I
CNS Disorders	SME3110 (Fluvoxamine): AbbVie (Co-development) / Selective serotonin reuptake inhibitor (SSRI) (Pediatric OCD)	Phase III
CNS Disorders	ME2136 (Asenapine): Merck Sharp & Dohme (Netherlands) / Antipsychotic drug	Phase III
CNS Disorders	"REFLEX": MSD / Fibromyalgia treatment (Expanded indication)	Phase II
CNS Disorders	ME2112 (Ziprasidone): RaQualia Pharma / Antipsychotic drug	Phase II
CNS Disorders	ME2125 (Safinamide): Newron Pharmaceuticals (Italy) / Anti-Parkinson's disease	Phase I
New Fields	Laserphyrin: Malignant brain tumor treatment (Expanded indication)	Approved
New Fields	ME3113 (Udenafil): Dong-A ST (South Korea) / Benign prostatic hyperplasia treatment	Phase I–II
New Fields	DMB-3111 (Trastuzumab) (biosimilar): Dong-A Pharmaceutical (South Korea) / Breast cancer, Gastric cancer	Phase I

Realize Global Business Development and Low-Cost Operations

- Overseas businesses play an important role because they increase sales in growing markets and build effective production systems that realize high quality, stable supply, and low-cost operations.
- We manufacture and sell pharmaceuticals through subsidiaries in Spain, Thailand, Indonesia, and China (Shandong). We also sell pharmaceuticals in Russia and Vietnam through tie-ups with local companies.

Effective R&D Investment and Acceleration of Drug Development

- We advanced drug candidates through the R&D pipeline and increased the number of drug candidates in it. We focused on our speciality areas and markets that promise significant sales.
- We began phase III clinical trials of "Fluvoxamine" as a pediatric indication for obsessive-compulsive disorder (announced on June 12, 2013).
- We began phase I clinical trials of topical agent ME1111 in the United States for antionychomycosis (announced on April 18, 2013). Phase II clinical trials for ME1111 are currently ongoing.
- We began phase I clinical trials of ME1100 ("Arbekacin Inhalation Solution") in the United States for hospital acquired bacterial pneumonia and ventilator associated bacterial pneumonia treatment (announced on July 26, 2013).
- We received approval for an additional indication of a photosensitizing agent for malignant brain tumor treatment, "LASERPHYRIN 100 mg for Injection" (announced on September 20, 2013).
- We launched "Oxis 9 μg Turbuhaler 60 doses," a treatment for chronic obstructive and pulmonary disease (COPD), as an addition to "Oxis 9 μg Turbuhaler 28 doses" (announced on November 29, 2013).

Goals for the Final Year of TAKE OFF 14

- The NHI drug price revisions in fiscal 2014 surpassed our expectations when preparing TAKE OFF 14. Therefore, we are counteracting the effects of these revisions as a priority task.
- As a "Specialty and Generic Pharmaceuticals Company," we are promoting the antibacterial drugs "MEIACT" and "ORAPENEM" and the antidepressant drug "REFLEX" and growing sales of generic drugs.
- We are using our global production system based on the selection of optimal sites to increase production capacity. Also, we are improving our profitability through cost reduction in procurement and production divisions.
- We are expanding overseas businesses in emerging countries in Asia and other regions.

TOPIC Pharmaceuticals Industry and Fiscal 2014 NHI Drug Price Revisions

- In the pharmaceuticals industry, due to the government's policy of curbing medical-care costs, drug pricing and medical fee reimbursement are decreasing and the further use of generic drugs is being promoted.
- Fiscal 2014 NHI drug price revisions resulted in additional price reductions on long-term listed drugs and changes to drug price calculation rules for generic drugs.
- The government's policy of promoting the use of generic drugs will expand the generic drugs market.

TOPIC Acquisition of Medreich Limited (announced on June 11, 2014)

Medreich Limited has manufacturing facilities based in India and is globally engaged in the contract manufacturing organization (CMO) and the contract development and manufacturing organization (CDMO) businesses as well as in the manufacture and sale of generic drugs. The clients of Medreich's CMO business are major global pharmaceuticals companies, and the cost efficiency of Medreich and the quality of its products and services are highly regarded worldwide.

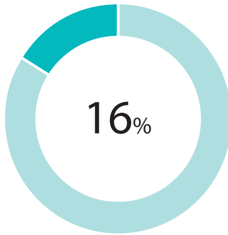
This acquisition gives us manufacturing infrastructure that will enable low-cost production and increased production capacity. It will allow us to broaden our generic drugs sales network in India, elsewhere in Asia, and Africa, where needs for low-priced pharmaceutical products are expected to increase. We will realize proactive expansion of our international business and expansion of our generic drugs business, which are strategies set out in the Meiji Group 2020 Vision.

Progress by Segment under TAKE OFF 14: Pharmaceuticals Segment

Agricultural Chemicals and Veterinary Drugs Business

Net sales breakdown by Pharmaceuticals segment

Fiscal 2013



Fiscal 2013 Business Results Summary

Net Sales ¥21.5 billion Down 0.9% year on year

- Sales of agricultural chemicals rose year on year because sales of "ZAXA," a liquid formula foliage herbicide, were up significantly from those of the previous fiscal year, while sales of mainstay rice blast preventative "ORYZEMATE" were maintained year on year.
- Sales of veterinary drugs were significantly lower than those of the previous fiscal year because of year-on-year decreases in sales of livestock drugs and companion animal drugs.

Initiatives in Fiscal 2013

Agricultural Chemicals: Increased Sales in Japan and Advanced Overseas Rollouts

- We promoted a wide variety of formulations and boosted sales of "ORYZEMATE" in Japan. Also, product rollouts in South Korea made a promising start.
- "ZAXA," posted significant sales growth due to the success of marketing and the addition of new products.
- We concluded an agreement with Dow AgroSciences LLC for the co-development and commercialization of a fungicide for agrochemical use (announced on July 10, 2013).

R&D Pipeline of Agricultural Chemicals

	Fiscal 2012	Fiscal 2013	Fiscal 2014
AF-02 "TRY": Fungicide			Launched
ANM-138: Insecticide		Filed	
ME5343 (Japan, overseas): BASF (Germany) / Insecticide			
Fungicide for agrochemical use (Japan, overseas): Dow AgroSciences (U.S.) (Co-development)			Filed (overseas)

Veterinary Drugs: Grew Sales of Mainstay Products and Increased Market Presence of Companion Animal Drugs Actively

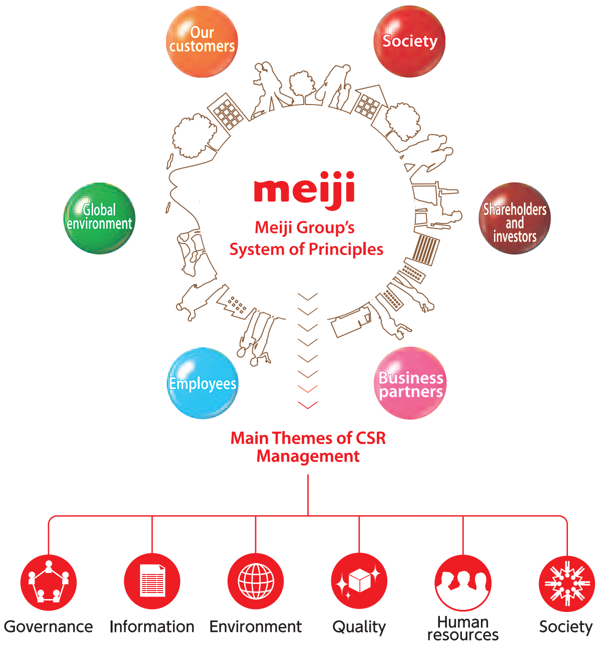
- In response to a shift in the livestock drugs market from treatment-based to prevention-first, we focused on mainstay products. We also collaborated with Meiji Feed Co., Ltd., a Group company.
- Although the companion animal drugs market is expanding, competition is intensifying. In fiscal 2013, we increased sales capabilities by establishing a specialized organization, and we launched a series of new products.
- We launched the injectable anesthetic for cats and dogs "Alfaxan" in February 2014. The features of this anesthetic include rapid and smooth induction and recovery, no tissue irritation when injected, minimal disruption to the cardiovascular system, a wide safety margin, and excellent muscle relaxation.

Injectable anesthetic for cats and dogs "Alfaxan"

Goals for the Final Year of TAKE OFF 14

- In agricultural chemicals, we are growing sales of mainstay products in Japan and advancing rollouts overseas.
- In veterinary drugs, we are focusing on mainstay products and expanding our lineup of companion animal drugs to increase sales.
- We are improving profitability through the optimization of procurement processes and other cost reduction efforts.

The Meiji Group's CSR



Our target profile —a company essential to and trusted by its stakeholders

The basis of "the Meiji Group's Approach to CSR" is to fulfill corporate social responsibility (CSR) by putting the Company's Group Philosophy into practice on a day-to-day basis in mainstay operations and by remaining a corporate group society needs.

The Meiji Group's System of Principles sets out the social missions, roles, responsibilities, and conduct we should realize in a variety of areas, including compliance, quality, the environment, information, and risk management.

CSR Management of the Meiji Group

The Meiji Group advances corporate social responsibility (CSR) activities through the Group CSR Committee, which comprises senior executives of Meiji Holdings Co., Ltd., Meiji Co., Ltd., and Meiji Seika Pharma Co., Ltd. Each Group company undertakes various independent initiatives. In addition, we advance Groupwide CSR initiatives based on three common tasks: risk management, diversity, and stakeholder communication.

Under the Group CSR Committee, we have established the CSR secretariat. At monthly meetings, the secretariat receives reports on operating companies' initiatives and checks the progress of each initiative. Further, we invite outside experts to participate in discussions on various CSR-related topics, thereby obtaining useful information on the latest CSR trends.

1. Risk management

Strengthening the Group's initiatives for compliance, risk management, business continuity plans, and information security

2. Diversity

Diversifying the Group's human resources by hiring non-Japanese personnel, women, retired employees, and the disabled

3. Stakeholder communication

Increasing effective communication with stakeholders, including customers, society, shareholders and investors, business partners, employees, and the global environment

The Group CSR Committee, which convenes three times a year

Outside experts conducting a diversity seminar

Corporate Governance

Fundamental Policy

Reflecting the Meiji Group's System of Principles, the Meiji Group ensures highly transparent management for its customers, society, shareholders and investors, suppliers, employees, and all other stakeholders as well as for matters relating to the global environment through prompt, effective decision making and the timely disclosure of appropriate corporate information. Through this proactive stance, the Meiji Group aims to grow corporate value continuously.

Operational Structure

In the Meiji Group, the holding company Meiji Holdings Co., Ltd., controls two operating companies. A company with audit & supervisory board members, Meiji Holdings has a two-tier checking system comprising auditing and the Board of Directors' oversight of operational implementation.

The Board of Directors arrives at appropriate operational decisions based on extensive knowledge and expertise. Also, the Board of Directors utilizes the operational auditing conducted by audit & supervisory board members to ensure its business management is highly transparent, objective, and appropriate. In the Company's view, the above-mentioned structure is the most rational manner in which to realize effective corporate governance. In addition, the Company has enhanced its governance system by appointing two outside directors and two outside audit & supervisory board members who are independent and have accumulated diverse professional experience and expertise during their careers. Further, one of the two outside directors the Company has appointed is a woman.

Moreover, the Company is strengthening its corporate governance structure through the following initiatives.

1. Appointment of two outside directors and two outside audit & supervisory board members, all of whom are designated as independent directors
2. Limitation of the term of service for directors to one year
3. Introduction of an executive officer system to separate business execution and audit functions and to accelerate management decisions while clarifying management responsibility

Organizational structure	Company with audit & supervisory board members
Chairman of the Board of Directors	President and representative director
Directors	10 (including 2 outside directors)
Audit & supervisory board members	4 (including 2 outside audit & supervisory board members)
Appointment of independent directors	2 outside directors, 2 outside audit & supervisory board members
Number of times the Board of Directors convened in fiscal 2013	14
Number of times the Audit & Supervisory Board convened in fiscal 2013	15

Attendance of Outside Directors and Outside Audit & Supervisory Board Members at Meetings of Board of Directors and Audit & Supervisory Board (Fiscal 2013)

	Board of Directors	Audit & Supervisory Board
Outside directors	100%	—
Outside audit & supervisory board members	Approximately 96%	100%

Reasons for Appointment of Outside Directors

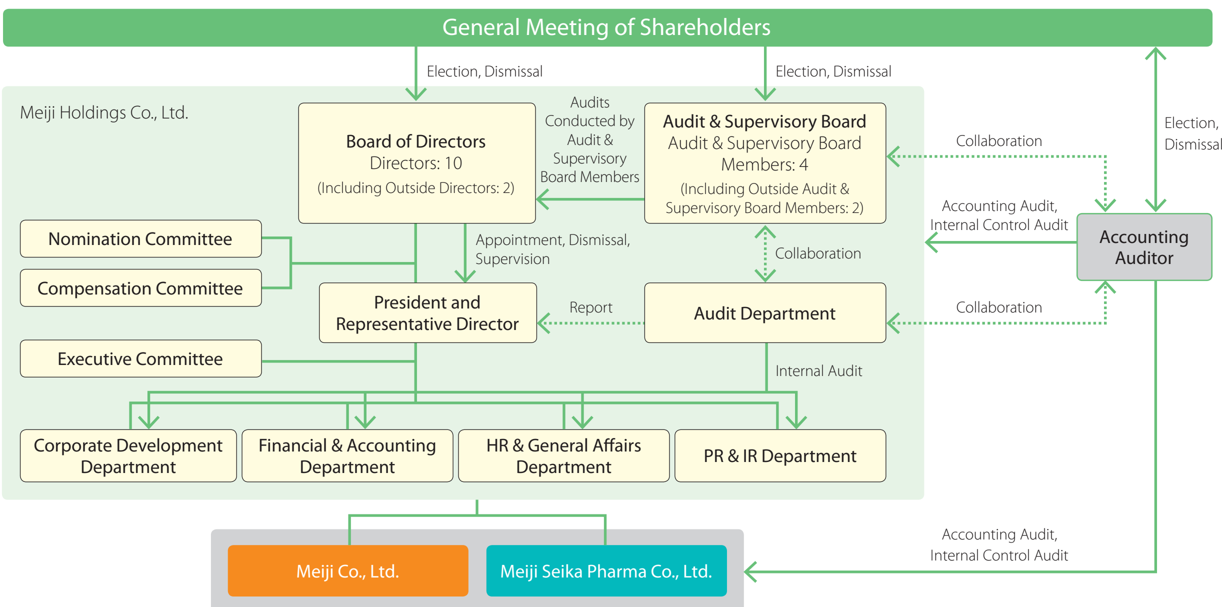
Hidetoshi Yajima

The Company has appointed Mr. Yajima as an outside director because extensive experience and expertise accumulated during his career enables him to provide a wide range of advice on the Company's business management.

Yoko Sanuki

The Company has appointed Ms. Sanuki as an outside director because extensive experience as an attorney and a high degree of expertise in corporate law enables her to provide advanced, expert advice on the Company's business management.

Corporate Governance System



Reasons for Appointment of Outside Audit & Supervisory Board Members

Kenichi Yamaguchi

The Company has appointed Mr. Yamaguchi as an outside audit & supervisory board member because he has accumulated extensive experience and expertise during his career as an attorney.

Hajime Watanabe

The Company has appointed Mr. Watanabe as an outside audit & supervisory board member because he has accumulated extensive experience and a high degree of expertise in corporate international transactions law during his career as an attorney.

Functions and Roles of Respective Committees

- **Executive Committee (convenes twice a month in principle)**

  Members: Directors and executive officers

  Role: Advisory body to the president and representative director

  Function: Deliberating general important matters concerning operational implementation

- **Nomination Committee**

  Members: 2 outside directors, 2 internal directors

  Role: Recommending candidates for the positions of director or executive officer to the Board of Directors

- **Compensation Committee**

  Members: 2 outside directors, 2 internal directors

  Role: Evaluating the performances and considering the compensation of directors and executive officers

Auditing Structure

Independent auditor	Ernst & Young ShinNihon LLC
Audit department (internal auditing)	Audit Department
Principal meetings auditors attend	Board of Directors, Executive Committee, Audit Department Liasion Meeting, Audit & Supervisory Board, and others

Compensation of Directors and Auditors

Method of Determination

Directors	Calculated based on the Company's business results and the individual's performance, in light of peer compensation levels as shown by the data of external research companies, and maintained within the total amount approved by a resolution of the General Meeting of Shareholders. After consulting with the Compensation Committee, the Board of Directors approves the calculated amounts of compensation.
Audit & supervisory board members	Determined based on mutual consultation with audit & supervisory board members and maintained within the total amount approved by a resolution of the General Meeting of Shareholders.

Details of the Compensation of Directors and Audit & Supervisory Board Members (Fiscal 2013)

Position	Number of persons provided with compensation	Compensation (¥ million)
Directors (excluding outside directors)	7	298
Audit & supervisory board members (excluding outside audit & supervisory board members)	4	58
Outside directors and audit & supervisory board members	5	55
Total	16	412

*1. The figures include the compensation of 2 audit & supervisory board members and 1 outside director that retired on June 27, 2013.
*2. Resolution of the General Meeting of Shareholders sets a limit of ¥1 billion on the compensation of directors for one year.
*3. Resolution of the General Meeting of Shareholders sets a limit of ¥300 million on the compensation of audit & supervisory board members for one year.

Internal Control System

The Meiji Group provides products and services to a large number of customers through its food and pharmaceuticals business operations. In accordance with the Corporate Behavior Charter adopted in April 2009, the Meiji Group has established an internal control system befitting the Group that is based on mutual collaboration and multifaceted checking functions to ensure directors, executive officers, and other employees comply with the Food Sanitation Act, the Pharmaceutical Affairs Act, and other statutory laws and regulations and the Articles of Incorporation, thereby ensuring fair and sound business activities firmly rooted in compliance.

Compliance and Risk Management System

Regarding "compliance as the cornerstone of its operations," the Meiji Group abides by statutory laws and regulations, international agreements, social norms, and the regulations of respective Group companies. The Group advances concerted initiatives aimed at inculcating and entrenching compliance awareness to ensure that employees carry out their duties equitably and honestly and based on a well-developed awareness of compliance and high ethical standards. Such efforts include improving and expanding educational and training programs, disseminating information through an in-house intranet, and making hotlines available.

Regarding risk management, the Company has established specific rules for risk management and constructed an appropriate risk management system. For the whole Group, the Company systemically conducts precise risk management. In addition, it has established systems to minimize damage in the event of an emergency.

In light of lessons learned from the Great East Japan Earthquake in March 2011, the Group has established basic policies for business continuity plans as stated below.

Basic Policies for Business Continuity Plans

To ensure it can provide customers with the products and services they require, even in disaster, the Meiji Group has set out business continuity plans based on the following policies.

(1) Ensure the safety of the lives of persons involved in the Group and their families
(2) Discharge the Group's social responsibility
(3) Minimize damage to businesses arising from cessation of operations

Disclosure Policy

- Include Basic Principles of Disclosure on the "Investor Relations" section of the Company's website

  http://www.meiji.com/english/investor/indicator/disclosure/

- Post disclosure information, other important information, and documents of financial results briefings, in principle, in both Japanese and English on the "Investor Relations" section of the Company's website as quickly as possible

Board of Directors and Audit & Supervisory Board As of June 27, 2014

Members of the Board of Directors

Chairman and Representative Director
Shigetaro Asano

Apr. 1966 Joined Meiji Dairies
Apr. 1994 General Manager, Marketing Planning Department, Meiji Dairies
Jun. 1995 Director, Meiji Dairies
Jun. 1995 General Manager, Personnel Department, Meiji Dairies
Jun. 1999 Senior Managing Director, Meiji Dairies
Jun. 2001 Executive Vice President and Representative Director, Meiji Dairies
Apr. 2003 President and Representative Director, Meiji Dairies
Apr. 2009 Executive Vice President and Representative Director, Meiji Holdings
Apr. 2011 Representative Director, Meiji Holdings
Apr. 2011 President and Representative Director, Meiji
Jun. 2012 President and Representative Director, Meiji Holdings
Jun. 2012 Member of the board, Meiji
Jun. 2012 Member of the board, Meiji Seika Pharma (incumbent)
Jun. 2014 Chairman and Representative Director, Meiji Holdings (incumbent)

Significant concurrent positions
Director, Meiji Seika Pharma
Chairman, Japan Dairy Association (J-Milk)
Chairman, The Japan Containers and Packaging Recycling Association

President and Representative Director
Masahiko Matsuo

Apr. 1969 Joined Meiji Seika
Jul. 1999 General Manager, Pharmaceutical International Division, Meiji Seika
Jun. 2001 Executive Officer, Meiji Seika
Jun. 2002 Director, Meiji Seika
Jun. 2003 Managing Executive Officer, Meiji Seika
Jun. 2007 Senior Managing Executive Officer, Meiji Seika
Apr. 2009 Member of the Board, Meiji Holdings
Apr. 2011 President and Representative Director, Meiji Seika Pharma
Jun. 2014 President and Representative Director, Meiji Holdings (incumbent)
Jun. 2014 Member of the board, Meiji (incumbent)
Jun. 2014 Member of the board, Meiji Seika Pharma (incumbent)

Significant concurrent positions
Member of the Board, Meiji
Member of the Board, Meiji Seika Pharma

Member of the Board and Managing Executive Officer
Takashi Hirahara

Apr. 1974 Joined Meiji Dairies
Apr. 2007 General Manager, Administration Department, Meiji Dairies
Jun. 2007 Director, Meiji Dairies
Apr. 2009 Executive Officer, Meiji Holdings
Apr. 2009 General Manager, Financial & Accounting Department, Meiji Holdings (incumbent)
Jun. 2009 Executive Officer, Meiji Dairies
Apr. 2011 Managing Executive Officer, Meiji Holdings
Jun. 2011 Member of the Board and Managing Executive Officer, Meiji Holdings (incumbent)

Member of the Board and Managing Executive Officer
Michiro Saza

Jun. 1978 Joined Meiji Seika
Jun. 2007 General Manager, Corporate Strategy Department, Meiji Seika
Jun. 2008 Executive Officer, Meiji Seika
Apr. 2009 Executive Officer, Meiji Holdings
Apr. 2009 General Manager, Corporate Development Department, Meiji Holdings (incumbent)
Jun. 2012 Member of the Board and Executive Officer
Jun. 2013 Member of the Board and Managing Executive Officer (incumbent)

Member of the Board and Executive Officer
Jun Furuta

Apr. 1981 Joined Meiji Seika
Jun. 2012 General Manager, Public Relations Department, Meiji
Jun. 2013 Executive Officer, Meiji
Jun. 2014 Member of the Board and Executive Officer, Meiji Holdings (incumbent)
Jun. 2014 General Manager, PR & IR Department, Meiji Holdings (incumbent)

Member of the Board and Executive Officer
Shuichi Iwashita

Apr. 1977 Joined Meiji Dairies
Apr. 2011 General Manager, General Affairs & Legal Department, Meiji
Jun. 2014 Member of the Board and Executive Officer, Meiji Holdings (incumbent)
Jun. 2014 General Manager, HR & General Affairs Department, Meiji Holdings (incumbent)

Member of the Board
Kazuo Kawamura

Apr. 1976 Joined Meiji Dairies
Apr. 2007 General Manager, Nutritionals Consolidated Marketing Division, Meiji Dairies
Jun. 2007 Director, Meiji Dairies
Jun. 2009 Executive Officer, Meiji Dairies
Jun. 2010 Director and Managing Executive Officer, Meiji Dairies
Apr. 2011 Member of the board and Senior Managing Executive Officer, Meiji
Jun. 2012 President and Representative Director, Meiji (incumbent)
Jun. 2012 Member of the Board, Meiji Holdings (incumbent)

Significant concurrent positions

President and Representative Director, Meiji
Chairman, Japan Dairy Industry Association
Chairman, All Nippon Kashi Association

Member of the Board
Daikichiro Kobayashi

Apr. 1979 Joined Meiji Seika
Jun. 2010 Executive Officer, Meiji Seika
Apr. 2011 Executive Officer, Meiji Seika Pharma
Jun. 2013 Member of the board, Meiji Seika Pharma
Jun. 2013 Managing Executive Officer, Meiji Seika Pharma
Jun. 2014 President and Representative Director, Meiji Seika Pharma (incumbent)
Jun. 2014 Member of the Board, Meiji Holdings (incumbent)

Significant concurrent position

President and Representative Director, Meiji Seika Pharma

Member of the Board (Outside)
Hidetoshi Yajima

Dec. 1959 Joined Nihon Aeroplane Manufacturing Company
Jun. 1977 Joined Shimadzu Corporation
Jun. 1990 Director, Shimadzu
Jun. 1994 Managing Director, Shimadzu
Jun. 1996 Senior Managing Director, Shimadzu
Jun. 1998 President and Director, Shimadzu
Jun. 2003 Chairman and Director, Shimadzu
Jun. 2006 Director, Meiji Seika
Apr. 2009 Member of the Board, Meiji Holdings (incumbent)

Significant concurrent positions

Outside Director, Mitsubishi Motors Corporation
Outside Director, Tsubakimoto Chain Co.

Member of the Board (Outside)
Yoko Sanuki

Apr. 1981 Registered as Attorney at Law
Nov. 2001 Opened NS Law Office
Jun. 2003 Alternate Auditor, Meiji Dairies
Jun. 2007 Auditor, Meiji Dairies
Apr. 2009 Member of the Board, Meiji Holdings (incumbent)

Significant concurrent positions

Attorney at Law
Outside Director, Resona Holdings, Inc.

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Hideaki Sato

Apr. 1976 Joined Meiji Dairies
Jun. 2009 Executive Officer, Meiji Dairies
Apr. 2011 Executive Officer, Meiji
Jun. 2013 Audit & Supervisory Board Member, Meiji Holdings (incumbent)

Audit & Supervisory Board Member
Hiroshi Tago

Apr. 1975 Joined Meiji Seika
Jun. 2009 Executive Officer, Meiji Seika
Apr. 2011 Executive Officer, Meiji
Jun. 2013 Audit & Supervisory Board Member, Meiji Holdings (incumbent)

Audit & Supervisory Board Member (Outside)
Kenichi Yamaguchi

Apr. 1982 Registered as Attorney at Law
Apr. 1991 Opened Yamaguchi Law Office
Jun. 2007 Audit & Supervisory Board Member, Meiji Seika
Apr. 2009 Audit & Supervisory Board Member, Meiji Holdings (incumbent)

Significant concurrent position

Attorney at Law

Audit & Supervisory Board Member (Outside)
Hajime Watanabe

Apr. 1987 Registered as Attorney at Law
Apr. 1987 Joined Mori Sogo Law Office
Sep. 1994 Became Registered Foreign Lawyer in Illinois, the United States
May 1995 Registered as Attorney at Law in New York, the United States
Apr. 2007 Opened Sueyoshi Sogo Law Office (current STW & PARTNERS Law Office)
Jun. 2010 Alternate Auditor, Meiji Holdings
Jun. 2013 Audit & Supervisory Board Member, Meiji Holdings (incumbent)

Significant concurrent positions

Attorney at Law
Outside Audit & Supervisory Board Member, SEIKO PMC CORPORATION

Review and Analysis of Fiscal 2013 Results

Meiji Holdings Co., Ltd.

Overall Operating Results

Business Overview

In fiscal 2013, ended March 31, 2014, Japan's economy recovered modestly. Against the backdrop of yen depreciation and rising stock prices, corporate earnings improved, capital investment picked up, and consumer spending was solid. In the second half of fiscal 2013, rush demand preceded the April 2014 increase in the consumption tax rate. Meanwhile, consumers remain budget-minded, and a cause for concern is the possibility of a downturn in consumer spending following the consumption tax increase.

The food industry continued to face increasingly challenging conditions. As increases in raw material prices accompanying yen depreciation and price fluctuations put pressure on earnings, competition among companies became fiercer. In the pharmaceuticals industry, conditions remained tough due to the government's policy of curbing medical-care costs.

Revenue and Earnings

In fiscal 2013, the interim year of its fiscal 2012–2014 medium-term management plan, TAKE OFF 14, the Meiji Group focused on the plan's overriding theme of *Higher profitability and strategic investments for future growth*. We continued to strengthen and expand existing businesses, foster growth businesses, and improve profitability.

In the Food segment, in April 2013 we reorganized businesses to strengthen earnings foundations. We also reduced costs and restructured while taking steps in response to rapidly rising raw material costs. Probiotic yogurts drove sales and the yogurt business expanded further. In the Pharmaceuticals segment, we pursued our "Specialty and Generic" fusion strategy. At the same time, we advanced low-cost operations that leverage manufacturing bases in Japan and overseas and conducted R&D for the future. In Japan, the ethical pharmaceuticals business posted higher sales of drugs for central nervous system (CNS) disorders and generic drugs.

	Millions of yen			Yen
	Net Sales	Operating Income	Net Income	Net Income Per Share
Fiscal 2013	**¥1,148,076**	**¥36,496**	**¥19,060**	**¥258.79**
Fiscal 2012	1,126,520	25,859	16,646	225.98
Year-on-year change (%)	1.9	41.1	14.5	14.5

As a result, in fiscal 2013 the Group achieved year-on-year increases of 1.9% in net sales, to ¥1,148,076 million; 41.1% in operating income, to ¥36,496 million; and 14.5% in net income, to ¥19,060 million.

Segment Results

Food Segment

Both the dairy business and the healthcare and nutritionals business posted higher sales year on year. Meanwhile, the confectionery business saw sales edge down due to the dissolution of a tie-up for certain products. As a result, the segment posted a 1.4% year-on-year rise in net sales, to ¥1,015,265 million.

As for earnings, the dairy business, the healthcare and nutritionals business, and the confectionery business each grew operating income. The Group reduced costs rigorously and took steps in response to rapidly rising raw material costs. The product mix of the dairy business improved thanks to higher sales of probiotic yogurts. The confectionery business adopted a strategy of concentrating on brands that are long sellers, with a particular focus on chocolate. The healthcare and nutritionals business increased sales of mainstay products and enhanced sales productivity. The above efforts helped improve the earnings of the Food segment, which achieved a steep 45.4% year-on-year rise in operating income, to ¥28,190 million.

	Millions of yen		
	Food Segment	Pharmaceuticals Segment	Total
Net sales			
Fiscal 2013	**¥1,015,265**	**¥135,105**	**¥1,150,370**
Fiscal 2012	1,001,551	127,361	1,128,912
Year on year	13,714	7,744	21,458
Year-on-year change (%)	1.4	6.1	1.9
Segment income			
Fiscal 2013	**¥28,190**	**¥8,356**	**¥36,546**
Fiscal 2012	19,383	6,461	25,845
Year on year	8,807	1,895	10,701
Year-on-year change (%)	45.4	29.3	41.4

Note: Net sales and segment income are calculated based on figures before adjustments.

● Dairy Business

In yogurt, sales of "Meiji Bulgaria Yogurt" declined year on year. However, "Meiji Bulgaria Yogurt Drink" sold briskly thanks to new packaging launched in September 2013. In probiotic yogurts, sales of "Meiji Yogurt R-1" and "Meiji Probio Yogurt LG21" grew significantly as marketing activities heightened awareness of the products.

Although drinking milk sales were lower year on year, sales of "Meiji Oishii Gyunyu" were higher due to successful marketing.

Sales of cheese for commercial use rose year on year as "Meiji Hokkaido Tokachi Camembert Cheese" sold favorably.

Sales of margarine for commercial use were approximately unchanged year on year because market sluggishness resulting from extreme summer heat offset strong sales of "Meiji Corn-Soft" and "Meiji Nutte kara Yaku! Cheese ga Kongari Soft," which was launched in September 2013.

● Confectionery Business

Regarding mainstay chocolate, chocolate snacks "Otona no Kinoko no Yama" and "Otona no Takenoko no Sato," launched in September 2013 targeting adults, enjoyed brisk sales, while sales of "Chocolate Koka" and "Black Chocolate" grew significantly due to increasing interest in cacao polyphenol. Chewing gum sales declined from the previous fiscal year due to market stagnation. The launch of new "Kaju Gummy" flavors resulted in significant year-on-year growth in sales of gummy products.

Ice cream sales were down from the previous fiscal year's level because higher sales of mainstay "Meiji Essel Super Cup" were unable to compensate completely for flagging sales of other ice cream products.

● Healthcare and Nutritionals Business

In sports nutrition, sales of "SAVAS" were substantially higher year on year, reflecting the success of promotional activities focused on communication with consumers, including nutritional seminars for runners and junior athletes.

In functional healthcare products, "Amino Collagen" sales declined year on year. Infant formula recorded significant sales growth, and enteral formula sales surpassed the previous fiscal year's level. Sales of food for the elderly registered a large increase as sales channels expanded centered on drugstores.

Pharmaceuticals Segment

The segment grew net sales 6.1% year on year, to ¥135,105 million. The ethical pharmaceuticals business recorded favorable sales in Japan, which compensated for a year-on-year decline in sales of the agricultural chemicals and veterinary drugs business.

The segment posted a 29.3% year-on-year increase in operating income, to ¥8,356 million, which resulted from higher sales of the ethical pharmaceuticals business in Japan and rigorous efforts to realize low-cost operations.

● Ethical Pharmaceuticals Business

In antibacterial drugs, "MEIACT" sales decreased, but ORAPENEM" sales increased sharply. In antidepressant drugs, "REFLEX" sales significantly surpassed the previous fiscal year's level.

Generic drugs saw a substantial year-on-year increase in sales. In particular, the calcium channel blocker "AMLODIPINE MEIJI" and the Alzheimer-type dementia treatment "DONEPEZIL MEIJI" grew sales markedly. As a result, the ethical pharmaceuticals business achieved significantly higher sales year on year.

● Agricultural Chemicals and Veterinary Drugs Business

Sales of agricultural chemicals increased from the previous fiscal year's level, reflecting significantly higher sales of "ZAXA," a liquid formula foliage herbicide. Sales of mainstay rice blast preventative "ORYZEMATE" were approximately unchanged year on year.

Sales of veterinary drugs were considerably lower because a year-on-year rise in marine chemicals sales did not completely offset year-on-year decreases in sales of livestock drugs and companion animal drugs.

Review and Analysis of Fiscal 2013 Results

Financial Position

Assets

Total assets at the end of the consolidated fiscal year under review amounted to ¥779,461 million, down ¥6,052 million from the previous fiscal year-end. This decline mainly reflected decreases of ¥13,705 million in notes and accounts receivable and ¥38,373 million in other in total investments and other fixed assets, which counteracted the recording of net defined benefit asset of ¥22,999 million and increases of ¥15,633 million in machinery, equipment, vehicles and fixtures and ¥11,262 million in construction in progress.

Liabilities

Total liabilities at the end of the consolidated fiscal year under review stood at ¥451,339 million, down ¥13,565 million from the previous fiscal year-end. This decline was principally due to decreases of ¥33,363 million in short-term loans payable (including current portion of long-term loans payable), ¥15,133 million in notes and accounts payable, ¥2,532 million in allowance for sales rebates, ¥6,799 million in deferred tax liabilities, and ¥22,338 million in accrued employees' retirement benefits, which more than offset increases of ¥3,359 million in income taxes payable, ¥26,345 million in long-term loans payable, less current portion, and ¥38,162 million in accrued retirement and net defined benefit liability.

Net Assets

Total net assets at the end of the consolidated fiscal year under review amounted to ¥328,121 million, an increase of ¥7,512 million from the previous fiscal year-end. This rise was primarily attributable to increases of ¥13,520 million in retained earnings, ¥3,053 million in net unrealized holding gains or losses on securities, ¥759 million in deferred gains or losses on hedges, and ¥5,269 million in foreign currency translation adjustments, which compensated for ¥15,386 million in remeasurements of defined benefit plans.

The equity ratio was 41.1%, compared with 39.9% at the previous fiscal year-end, and net assets per share were ¥4,351.96, compared with ¥4,254.56

Cash Flows

Net cash provided by operating activities was up ¥13,224 million, to ¥63,847 million, because higher income before income taxes and minority interests and a decrease in trade receivables more than offset an increase in income taxes paid and a decrease in notes and accounts payable.

Net cash used in investing activities rose ¥7,789 million, to ¥47,293 million, reflecting an increase in payments for purchases of property, plants and equipment.

Free cash flow (net cash provided by operating activities minus net cash used in investing activities) was a positive ¥16,553 million, up ¥5,435 million from the previous fiscal year's free cash flow.

Net cash used in financing activities increased ¥8,783 million, to ¥18,194 million, as a result of repayments of financial debt.

As a result, cash and cash equivalents at end of the year stood at ¥19,238 million.

Basic Policy on Appropriation of Profit and Dividends Paid

As a group with close ties to the daily lives of its customers through its mainstay businesses in food, health, and pharmaceuticals, we believe it is essential to secure a solid business base in the medium and long terms.

Our basic policy is to provide the steady and sustainable distribution of profit to shareholders while securing ample internal reserves to provide the funds required for sustaining business performance each term as well as for future capital demands, including capital expenditures, investment and credit, R&D spending, and other investments.

For fiscal 2013, we paid interim and year-end dividends of ¥40.00 per share, thereby maintaining the full-year dividend at ¥80.00 per share.

Business Risks

Outlined below are the major risks identified by the Meiji Group that could have an impact on the Group's business results and financial position and which may materially influence investors' decisions.

Forward-looking statements included in the outline below are the views held by the Group as of the submission date of the securities report (June 27, 2014) and include uncertainties related to future developments.

(1) Prices Increases of Raw Materials

Prices of the Meiji Group's key raw materials (milk, dairy products, cacao beans, nuts, etc.) and energy commodities may be affected by supply and demand conditions and speculative influences, etc., in Japan and abroad. Such high prices have the potential to greatly impact procurement and production costs.

(2) Effect of Business Globalization

The Meiji Group purchases some of its raw materials and goods from overseas. It also operates businesses overseas. Therefore, unexpectedly dramatic foreign currency fluctuations or the impediment of business activities due to unforeseen events, such as war, terrorism, or political or social changes, could affect the Group's business results and financial position.

(3) Weather

The Meiji Group's dairy business and confectionery business may be affected by the weather. For example, a cool summer can decrease sales of ice cream and dairy products. Extreme heat can decrease sales of chocolate and other confectionery goods. These have the potential to impact the Group's business results and financial position.

(4) Changes in the Business Environment Faced by the Dairy Products Industry

In the Meiji Group's dairy business, sudden changes in the international trade system, such as customs duties, in the dairy farming system, such as the "Act on Temporary Measures concerning Compensation Price for Producers of Milk for Manufacturing Use," or in practices have the potential to impact the Group's business results and financial position.

(5) Food Product Safety

The Meiji Group takes various actions to ensure product safety and preventative measures against risks foreseen to occur throughout production. However, if there is a large-scale product recall, or even if there is not any direct problem with the Group's products, rumors in the food industry might affect the Group's products, which could result in a drop in sales, huge costs, etc. These have the potential to impact the Group's business results and financial position.

(6) Side Effects in Pharmaceuticals

The Meiji Group conducts product development, manufacturing, and marketing for the pharmaceuticals business in compliance with various laws and standards enforced by regulatory authorities. Nevertheless, unforeseen side effects have the potential to occur during development and after product release. The Group prepares for such incidents by carrying appropriate insurance coverage for various types of liabilities, including product liability. However, there is no guarantee that insurance will be sufficient to cover all damages associated with such liabilities. Unforeseen side effects therefore have the potential to impact the Group's business results and financial position.

(7) Government Trends in Medical Care

In the Meiji Group's pharmaceuticals business, prices of medical-care pharmaceuticals are affected by government medical policies, including drug price revisions and the healthcare insurance system. These have the potential to impact the Group's business results and financial position.

(8) Research and Development in the Pharmaceuticals Business

New product development for the Meiji Group's pharmaceuticals business implements extended periods of product testing, which requires significant expenses. Instances occur in which safety or efficacy issues compel the Group to extend, suspend, or discontinue research and development projects. The progress status of research and development has the potential to impact the Meiji Group's business results and financial position. Moreover, launches of products developed by the Group may be delayed if research and development does not proceed as planned, which could require the Group to utilize products of other companies. Such cases have the potential to increase outlays for intellectual property rights and licensing.

(9) Lawsuits

In research and development and other business activities, the Meiji Group takes care to avoid infringing on intellectual property rights of third parties. However, the outcomes of unexpected litigation by third parties who claim infringement on their intellectual property rights have the potential to impact the Group's business results and financial position.

(10) Information Leaks

The Meiji Group has large amounts of confidential information that is required in business operations, including such personal information as that of customers, and important information concerning its management. For the management of this information, the Group takes appropriate actions, including system controls; it established the Information Management Committee, provides training to employees, etc. However, there is the risk that currently unforeseeable unauthorized access or computer virus infection will cause leaks, falsification, or the loss of confidential information, or that the computer system could become temporarily unusable, etc. If such a situation occurs, it has the potential to impact the Group's business results and financial position.

(11) Natural Disasters

In its facilities and production plants, the Meiji Group establishes and implements a risk management system to ensure that it can continue business activities when natural disasters occur. However, an unanticipatedly large earthquake and/or other disaster or large-scale destruction of social infrastructure or the widespread outbreak of an infectious disease could have a negative impact on the Group's business results or financial position due to such factors as disruptions in product supply, damage resulting from a loss of assets, the destruction of facilities, or delays in supply chains.

Further, the above list does not include all of the risks the Group faces.

Consolidated Balance Sheet

Meiji Holdings Co., Ltd. / As of March 31, 2014

Assets

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Current assets:			
Cash and deposits (Note 17)	**¥ 19,577**	¥ 16,902	**$ 190,224**
Notes and accounts receivable	**169,478**	183,183	**1,646,703**
Inventories (Note 9)	**121,661**	121,194	**1,182,100**
Deferred tax assets (Note 11)	**11,474**	12,076	**111,488**
Other current assets	**7,166**	8,105	**69,636**
Allowance for doubtful accounts	**(288)**	(251)	**(2,801)**
Total current assets	**329,071**	341,211	**3,197,351**
Fixed assets:			
Property, plants and equipment (Note 10)			
Land	**68,247**	68,655	**663,107**
Buildings and structures	**281,355**	275,303	**2,733,731**
Machinery, equipment, vehicles and fixtures	**509,327**	493,693	**4,948,771**
Lease assets	**7,735**	7,776	**75,164**
Construction in progress	**16,761**	5,499	**162,863**
Accumulated depreciation	**(557,783)**	(538,804)	**(5,419,587)**
Total property, plants and equipment (net)	**325,644**	312,124	**3,164,050**
Investments and other fixed assets:			
Investment securities (Notes 7, 10)	**54,437**	47,788	**528,930**
Investment securities (unconsolidated subsidiaries and affiliates)	**5,896**	6,142	**57,290**
Intangible fixed assets	**8,167**	7,746	**79,361**
Deferred tax assets (Note 11)	**5,349**	4,398	**51,979**
Net defined benefit asset (Note 12)	**22,999**	—	**223,469**
Other	**28,182**	66,555	**273,825**
Allowance for doubtful accounts	**(287)**	(453)	**(2,788)**
Total investments and other fixed assets	**124,745**	132,178	**1,212,067**
Total fixed assets	**450,390**	444,302	**4,376,117**
Total assets	**¥ 779,461**	¥ 785,514	**$ 7,573,469**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Current liabilities:			
Short-term loans payable (including current portion of long-term loans payable) (Notes 8, 10)	**¥ 63,745**	¥ 97,108	**$ 619,369**
Notes and accounts payable	**94,327**	109,460	**916,508**
Income taxes payable	**11,227**	7,868	**109,088**
Accrued expenses	**45,266**	44,924	**439,825**
Accrued bonuses for employees	**9,539**	9,242	**92,689**
Allowance for sales returns	**245**	228	**2,387**
Allowance for sales rebates	**2,730**	5,263	**26,530**
Other current liabilities	**34,384**	35,668	**334,086**
Total current liabilities	**261,466**	309,764	**2,540,485**
Long-term liabilities:			
Long-term loans payable, less current portion (Notes 8, 10)	**134,630**	108,285	**1,308,111**
Deferred tax liabilities (Note 11)	**11,409**	18,209	**110,860**
Accrued employees' retirement benefits (Note 12)	**—**	22,338	**—**
Net defined benefit liability (Note 12)	**38,162**	—	**370,794**
Reserve for directors' retirement benefits	**220**	280	**2,144**
Other long-term liabilities	**5,449**	6,025	**52,946**
Total long-term liabilities	**189,872**	155,139	**1,844,857**
Total liabilities	**451,339**	464,904	**4,385,343**
Contingent liabilities (Note 14)			
Net assets (Note 18)**:**			
Shareholders' equity			
Common stock			
Authorized—280,000,000 shares, at March 31, 2013 and 2014			
Issued — 76,341,700 shares, at March 31, 2013 and 2014	**30,000**	30,000	**291,488**
Capital surplus	**98,852**	98,851	**960,482**
Retained earnings	**198,957**	185,436	**1,933,127**
Treasury stock, at cost—2,683,300 shares, at March 31, 2013	**(9,451)**	(9,299)	**(91,837)**
2,708,600 shares, at March 31, 2014			
Total shareholders' equity	**318,358**	304,989	**3,093,261**
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	**15,610**	12,557	**151,679**
Deferred gains or losses on hedges	**(57)**	(816)	**(555)**
Foreign currency translation adjustments	**1,922**	(3,346)	**18,677**
Remeasurements of defined benefit plans (Note 12)	**(15,386)**	—	**(149,502)**
Minority interests	**7,674**	7,226	**74,565**
Total net assets	**328,121**	320,609	**3,188,125**
Total liabilities and net assets	**¥779,461**	¥785,514	**$7,573,469**

Consolidated Statement of Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net sales	¥1,148,076	¥1,126,520	$11,155,033
Cost of sales (Note 21)	754,013	743,835	7,326,212
Gross profit	394,062	382,684	3,828,821
Selling, general and administrative expenses (Notes 20, 21)	357,565	356,825	3,474,211
Operating income	36,496	25,859	354,610
Other income (expenses):			
Interest and dividend income	987	919	9,594
Interest expenses	(1,288)	(1,549)	(12,517)
Equity in income of affiliates	287	310	2,797
Rent income on real estate	2,321	2,258	22,558
Rent cost of real estate	(1,852)	(1,894)	(17,998)
Other	2,136	3,227	20,754
Extraordinary gains (Note 22)	1,589	2,540	15,440
Extraordinary losses (Notes 22, 23)	(6,991)	(6,457)	(67,927)
Income before income taxes and minority interests	33,687	25,214	327,313
Income taxes—current (Note 11)	15,804	10,316	153,564
Income taxes—deferred (Note 11)	(1,110)	(1,949)	(10,790)
Net income before minority interests	18,992	16,847	184,539
Minority interests	(67)	200	(653)
Net income	¥ 19,060	¥ 16,646	$ 185,192

	Yen		U.S. dollars
Amounts per share of common stock:			
Net income	¥258.79	¥225.98	$2.514
Cash dividends	80.00	80.00	0.777

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net income before minority interests (Note 24)	**¥18,992**	¥16,847	**$184,539**
Other comprehensive income:			
Net unrealized holding gains or losses on securities	**3,060**	7,459	**29,733**
Deferred gains or losses on hedges	**759**	1,486	**7,381**
Foreign currency translation adjustments	**3,943**	1,978	**38,320**
Equity in affiliates accounted for by the equity method	**175**	148	**1,707**
Total other comprehensive income	**7,939**	11,072	**77,144**
Comprehensive income	**¥26,932**	¥27,919	**$261,683**
(Breakdown)			
Comprehensive income attributable to shareholders of the parent company	**¥26,715**	¥27,529	**$259,577**
Comprehensive income attributable to minority shareholders	**216**	390	**2,106**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Meiji Holdings Co., Ltd. / For the year ended March 31, 2014

Millions of yen

		Shareholders' equity					Accumulated other comprehensive income						
	Numbers of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2012	76,341	¥30,000	¥98,852	¥174,494	¥(9,268)	¥294,078	¥ 5,127	¥(2,303)	¥(5,313)	¥ —	¥ (2,488)	¥6,901	¥298,491
Changes during the fiscal period:													
Cash dividends				(5,893)		(5,893)							(5,893)
Net income				16,646		16,646							16,646
Acquisition of treasury stock					(35)	(35)							(35)
Disposal of treasury stock			(0)		4	4							4
Increase in retained earnings resulting from mergers with unconsolidated subsidiaries				189		189							189
Net changes in items other than those in shareholders' equity							7,429	1,486	1,967	—	10,882	324	11,207
Total changes during the fiscal period			(0)	10,942	(31)	10,911	7,429	1,486	1,967	—	10,882	324	22,118
Balance at March 31, 2013	76,341	¥30,000	¥98,851	¥185,436	¥(9,299)	¥304,989	¥12,557	¥ (816)	¥(3,346)	¥ —	¥ 8,394	¥7,226	¥320,609
Changes during the fiscal period:													
Cash dividends				(5,892)		(5,892)							(5,892)
Net income				19,060		19,060							19,060
Acquisition of treasury stock					(154)	(154)							(154)
Disposal of treasury stock			0		2	3							3
Change in scope of consolidation				353		353							353
Net changes in items other than those in shareholders' equity							3,053	759	5,269	(15,386)	(6,304)	448	(5,856)
Total changes during the fiscal period			0	13,520	(152)	13,369	3,053	759	5,269	(15,386)	(6,304)	448	7,512
Balance at March 31, 2014	**76,341**	**¥30,000**	**¥98,852**	**¥198,957**	**¥(9,451)**	**¥318,358**	**¥15,610**	**¥ (57)**	**¥ 1,922**	**¥(15,386)**	**¥ 2,089**	**¥7,674**	**¥328,121**

Thousands of U.S. dollars

		Shareholders' equity					Accumulated other comprehensive income						
	Numbers of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains or losses on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	76,341	$291,488	$960,473	$1,801,755	$(90,354)	$2,963,363	$122,014	$(7,937)	$ (32,517)	$ —	$ 81,559	$70,211	$3,115,133
Changes during the fiscal period:													
Cash dividends				(57,252)		(57,252)							(57,252)
Net income				185,192		185,192							185,192
Acquisition of treasury stock					(1,503)	(1,503)							(1,503)
Disposal of treasury stock			8		20	29							29
Change in scope of consolidation				3,432		3,432							3,432
Net changes in items other than those in shareholders' equity							29,664	7,381	51,195	(149,502)	(61,260)	4,354	(56,905)
Total changes during the fiscal period			8	131,372	(1,483)	129,897	29,664	7,381	51,195	(149,502)	(61,260)	4,354	72,991
Balance at March 31, 2014	**76,341**	**$291,488**	**$960,482**	**$1,933,127**	**$(91,837)**	**$3,093,261**	**$151,679**	**$ (555)**	**$ 18,677**	**$(149,502)**	**$ 20,299**	**$74,565**	**$3,188,125**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd. / For the year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 33,687**	¥ 25,214	**$ 327,313**
Depreciation and amortization	**40,972**	40,821	**398,095**
Impairment loss	**3,612**	76	**35,101**
Amortization of goodwill	**138**	124	**1,345**
Loss on disposal of property, plants and equipment	**2,722**	2,301	**26,450**
Loss (gain) on valuation of investment securities	**25**	864	**248**
Increase (decrease) in allowance for doubtful accounts	**(158)**	(58)	**(1,539)**
Increase (decrease) in accrued bonuses for employees	**303**	(44)	**2,952**
Increase (decrease) in accrued employees' retirement benefits	**—**	17	**—**
Increase (decrease) in net defined benefit liability	**2,615**	—	**25,412**
Interest and dividend income	**(987)**	(919)	**(9,594)**
Interest expenses	**1,288**	1,549	**12,517**
Equity in loss (income) of affiliates	**(287)**	(310)	**(2,797)**
Loss (gain) on sale of property, plants and equipment	**(439)**	(1,313)	**(4,270)**
Loss (gain) on sale of investment securities	**(547)**	178	**(5,320)**
Loss on valuation of investments in capital of subsidiaries and affiliates	**—**	1,038	**—**
Decrease (increase) in trade receivables	**16,633**	(6,458)	**161,612**
Decrease (increase) in inventories	**1,434**	(8,393)	**13,935**
Increase (decrease) in notes and accounts payable	**(17,977)**	(2,000)	**(174,669)**
Other	**(6,886)**	4,040	**(66,907)**
Subtotal	**76,149**	56,727	**739,886**
Interest and dividends received	**1,286**	1,026	**12,498**
Interest paid	**(1,314)**	(1,715)	**(12,774)**
Income taxes paid	**(12,273)**	(5,415)	**(119,248)**
Net cash provided by operating activities	**63,847**	50,622	**620,361**
Cash flows from investing activities:			
Payments for purchases of property, plants and equipment	**(44,407)**	(35,275)	**(431,480)**
Payments for purchases of intangible fixed assets	**(2,630)**	(2,393)	**(25,560)**
Proceeds from sales of property, plants and equipment and intangible fixed assets	**2,296**	4,264	**22,311**
Payments for purchases of investments in real estate	**(9)**	(41)	**(88)**
Proceeds from sales of investments in real estate	**372**	—	**3,615**
Payments for purchases of investment securities	**(2,200)**	(1,885)	**(21,379)**
Proceeds from sales of investment securities	**992**	491	**9,642**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**915**	—	**8,895**
Other	**(2,621)**	(4,665)	**(25,474)**
Net cash used in investing activities	**(47,293)**	(39,504)	**(459,519)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	**1,386**	(512)	**13,476**
Increase (decrease) in commercial paper	**(20,000)**	(7,000)	**(194,325)**
Proceeds from long-term loans payable	**11,905**	19,824	**115,675**
Repayment of long-term loans payable	**(3,411)**	(22,931)	**(33,144)**
Proceeds from issuance of bonds	**14,931**	49,780	**145,080**
Payments for redemption of bonds	**(15,000)**	(40,000)	**(145,744)**
Decrease (increase) in treasury stock	**(151)**	(31)	**(1,474)**
Cash dividends paid	**(5,869)**	(5,860)	**(57,033)**
Cash dividends paid to minority shareholders	**(110)**	(89)	**(1,077)**
Other	**(1,875)**	(2,590)	**(18,219)**
Net cash used in financing activities	**(18,194)**	(9,411)	**(176,786)**
Effect of exchange rate changes on cash and cash equivalents	**790**	334	**7,678**
Net increase (decrease) in cash and cash equivalents	**(850)**	2,041	**(8,265)**
Cash and cash equivalents at beginning of the year	**16,564**	14,363	**160,941**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**3,524**	—	**34,248**
Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries	**—**	158	**—**
Cash and cash equivalents at end of the year (Note 19)	**¥ 19,238**	¥ 16,564	**$ 186,924**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Meiji Holdings Co., Ltd.

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Meiji Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared from the consolidated financial statements in Japanese filed with the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Law. The statements conform to generally accepted accounting principles and practices in Japan, which are different in certain respects regarding the application and disclosure requirements of International Financial Reporting Standards. 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 ¥102.92 to $1 prevailing on March 31, 2014. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

Amounts less than one million yen and one thousand U.S. dollars have been rounded down. The total Japanese yen and U.S. dollar amounts shown in the financial statements and notes do not necessarily agree with the sum of the individual amounts.

Certain amounts in prior years' financial statements have been reclassified to conform to the current year's presentation.

2. Significant Accounting Policies

a) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries, over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for by the equity method. The consolidated financial statements consist of the Company and its 48 consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose business year-ends are December 31 have been included using financial information at that date with appropriate adjustment where necessary. Investments in five affiliates are accounted for by the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of 5 years to 15 years on a straight-line basis.

b) Translation of Foreign Currency

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

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

c) Investment Securities

Investment securities are valued using the following standards and methods.

Held-to-maturity securities

By the amortized cost method (straight-line method)

Other securities

Securities that have market prices:

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

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

Securities that have no market prices:

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

d) Derivatives

Derivatives are valued by the market value method.

e) Inventories

Inventories are stated at cost determined mainly based on the average method (cost is written down to reflect the decline in their profitability).

f) Property, Plants and Equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries

In the Food segment, the straight-line method is primarily used for depreciation (the declining balance method is used for the property, plants and equipment of headquarters (excluding the headquarters building), branches, research laboratories and confectionery plants and others). For the Pharmaceuticals segment and assets owned by the Company, the declining balance method is used for depreciation.

Depreciation of buildings (excluding attached fixtures) acquired on or after April 1, 1998, is calculated by the straight-line method.

Overseas consolidated subsidiaries

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 Fixed Assets (excluding lease assets)

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

h) Lease Assets

Finance lease assets whose ownership does not transfer to the lessee

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

For those transactions that commenced on or before March 31, 2008, the lease payments are charged to income as incurred.

i) Investments in Real Estate

The straight-line method is primarily used for depreciation.

j) Allowance for Doubtful Accounts

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

k) Accrued Bonuses for Employees

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

l) Allowance for Sales Returns

At some of the Company's consolidated subsidiaries, in order to provide for losses due to returns of goods and products sold, an allowance is recorded by multiplying the accounts receivable balance, the actual return ratio and gross margin ratio.

m) Allowance for Sales Rebates

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

n) Reserve for Directors' Retirement Benefits

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

Further, based on internal regulations, certain consolidated subsidiaries used to recognize provisions for the payment of retirement benefits to directors and executive officers at fiscal year-ends.

However, new provisions have not been recognized because the retirement benefit plan for directors and executive officers has been abolished and a resolution has been made to pay those retirement benefits at the time of retirement commensurate with periods of service before the date of abolition.

Accordingly, the balance of such provision is commensurate with the periods of service of the current directors and executive officers before the said date of abolition.

o) Retirement and Severance Benefits

Some of the Company's consolidated subsidiaries provide for employees' retirement benefits by accruing the amount based upon the projected amounts of the retirement benefit obligation and pension plan assets at the consolidated balance sheet date.

The unrecognized net retirement benefit obligation at transition (¥10,939 million) is amortized mainly on a straight-line basis over a period of 15 years.

Prior service costs are amortized using the straight-line method over a specified number of years (mainly 4 years) that is less than the average remaining period of service of the employees at the time the liability arose.

The actuarial gain or loss is charged to income from the following fiscal year in which the gain or loss is recognized using the straight-line method over a specified number of years (7-15 years) that is less than the average remaining period of service of the employees at the time the gain or loss arose.

Notes to Consolidated Financial Statements

p) Cash and Cash Equivalents

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

q) Derivative Financial Instruments

(1) Method of hedge accounting

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

For forward foreign exchange contracts, etc., the allocation method is applied when the relevant criteria are met. For interest rate swaps, the shortcut 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 swap contracts	Interest on loans payable

(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 swap transactions to reduce the interest 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 for interest rate swaps that are accounted for under the shortcut method.

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

Bond issuance cost is recognized in income as incurred.

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

3. Changes in Accounting Policy

Application of the Accounting Standard for Retirement Benefits, etc.

Effective March 31, 2014, the Company and its domestic consolidated subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) except for article 35 of Statement No. 26 and article 67 of Guidance No. 25. Consequently, the projected benefit obligations after deducting plan assets is recorded as net defined benefit liability or net defined benefit asset. Unrecognized actuarial gain or loss and unrecognized prior service cost are recorded as net defined benefit liability or net defined benefit asset. In accordance with article 37 of Statement No. 26, the effect of the change in accounting policy arising from initial application has been recorded in remeasurements of retirement benefit plans in accumulated other comprehensive income. As a result of the application, net defined benefit liability in the amount of ¥38,162 million and net defined benefit asset in the amount of ¥22,999 million have been recorded and accumulated other comprehensive income has decreased by ¥15,386 million, at the end of the current fiscal year. Further, net assets per share have decreased by ¥208.97.

4. Accounting Standards Not Yet Adopted

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)

Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

The treatment of unrecognized actuarial gain or loss and unrecognized prior service cost, the methods of calculating retirement benefit obligations and service cost, and disclosures have been revised.

(2) Planned adoption date

The revised methods of calculating retirement benefit obligations and prior service cost are applied from the beginning of the fiscal year ending March 31, 2015.

This accounting standard, etc., includes transitional provisions and accordingly will not be applied retroactively to prior periods.

(3) Effect of adoption of the accounting standard, etc.

The effect of the revision of the methods of calculating retirement benefit obligations and service cost on the consolidated financial statements is under evaluation.

5. Notes regarding Lease Transactions

Finance lease transactions (lessee side)

Finance lease transactions whose ownership does not transfer

(1) Content of lease assets

Property, plants and equipment

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

(2) Method of depreciation of lease assets

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

6. Notes regarding Financial Instruments

1) Overview of financial instruments

(1) Policy for financial instruments

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

(2) Content and risks of financial instruments

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

Notes and accounts payable that are trade payables; almost all of these are 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 14 years and one month after the balance sheet date. Some of these have variable interest rates, thus they are exposed to interest rate fluctuation risk. However, the Group uses derivative transactions (interest rate 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 swap transactions used to hedge interest rate fluctuation risk related to variable interest rate payments on loans payable.

(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.

[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. Also, the Company uses interest rate swap transactions to reduce the risk of interest rate fluctuations on the variable interest payments on loans.

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

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.

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

The carrying value, fair value and their difference as of March 31, 2014 are presented below.

The table does not include financial instruments for which it is extremely difficult to determine the fair value (see Note 2).

Notes to Consolidated Financial Statements

As of March 31, 2014	Millions of yen Carrying value	Fair value	Difference	Thousands of U.S. dollars Carrying value	Fair value	Difference
(1) Cash and deposits	**¥ 19,577**	**¥ 19,577**	**¥ —**	**$ 190,224**	**$ 190,224**	**$ —**
(2) Notes and accounts receivable	**163,135**	**163,135**	**—**	**1,585,068**	**1,585,068**	**—**
(3) Investment securities						
Held-to-maturity securities	**3,500**	**3,499**	**(0)**	**34,006**	**33,997**	**(9)**
Other securities	**48,212**	**48,212**	**—**	**468,450**	**468,450**	**—**
Total assets	**234,426**	**234,425**	**(0)**	**2,277,750**	**2,277,741**	**(9)**
(4) Notes and accounts payable	**94,327**	**94,327**	**—**	**916,508**	**916,508**	**—**
(5) Short-term loans payable	**41,591**	**41,591**	**—**	**404,113**	**404,113**	**—**
(6) Commercial paper	**20,000**	**20,000**	**—**	**194,325**	**194,325**	**—**
(7) Accrued expenses	**45,266**	**45,266**	**—**	**439,825**	**439,825**	**—**
(8) Bonds	**100,000**	**100,779**	**779**	**971,628**	**979,197**	**7,568**
(9) Long-term loans payable	**36,784**	**36,741**	**(43)**	**357,412**	**356,993**	**(419)**
Total liabilities	**¥337,970**	**¥338,706**	**¥735**	**$3,283,814**	**$3,290,963**	**$7,149**

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

(1) Cash and deposits and (2) Notes and accounts receivable
These are valued at the carrying values as they are to be settled within a short period and their fair values are almost equal to the carrying values.

(3) Investment securities
Equity securities are valued at the price quoted in the stock exchange.
Debt securities are calculated based on the present value, which is the total of the principal and interest discounted by an interest rate that takes into account the credit risk.

(4) Notes and accounts payable, (5) Short-term loans payable, (6) Commercial paper 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
The fair value of bonds issued by the Group is calculated based on the market price.

(9) Long-term loans payable
The fair value of long-term loans payable is calculated based on the total of the principal and interest discounted by the interest rate that is assumed if new borrowings were made with similar terms.

(Note 2) Unlisted stocks (carrying value on the consolidated balance sheet: ¥8,620 million ($83,763 thousand)) are not included in other securities under "(3) Investment securities" above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2013	Millions of yen Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 16,902	¥ 16,902	¥ —
(2) Notes and accounts receivable	175,803	175,803	—
(3) Investment securities			
Held-to-maturity securities	3,500	3,497	(2)
Other securities	41,788	41,788	—
Total assets	237,994	237,992	(2)
(4) Notes and accounts payable	109,460	109,460	—
(5) Short-term loans payable	39,407	39,407	—
(6) Commercial paper	40,000	40,000	—
(7) Accrued expenses	44,924	44,924	—
(8) Bonds	100,000	100,960	960
(9) Long-term loans payable	25,986	26,122	135
Total liabilities	¥359,778	¥360,875	¥1,096

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥8,642 million) are not included in other securities under "(3) Investment securities" above as their market prices are not available and it is extremely difficult to determine the fair value.

7. 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, 2014		Millions of yen: Carrying value	Millions of yen: Fair value	Millions of yen: Unrealized gain (loss)	Thousands of U.S. dollars: Carrying value	Thousands of U.S. dollars: Fair value	Thousands of U.S. dollars: Unrealized gain (loss)
Securities whose carrying value exceeds their fair value	Bonds	**¥3,500**	**¥3,499**	**¥(0)**	**$34,006**	**$33,997**	**$(9)**

As of March 31, 2013		Millions of yen: Carrying value	Millions of yen: Fair value	Millions of yen: Unrealized gain (loss)
Securities whose carrying value exceeds their fair value	Bonds	¥3,500	¥3,497	¥(2)

2) Other securities with market prices as of March 31, 2014 and 2013

As of March 31, 2014	Millions of yen: Carrying value	Millions of yen: Acquisition cost	Millions of yen: Unrealized gain (loss)	Thousands of U.S. dollars: Carrying value	Thousands of U.S. dollars: Acquisition cost	Thousands of U.S. dollars: Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥46,361**	**¥22,246**	**¥24,115**	**$450,459**	**$216,150**	**$234,308**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**46,361**	**22,246**	**24,115**	**450,459**	**216,150**	**234,308**
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**1,851**	**2,171**	**(319)**	**17,990**	**21,096**	**(3,105)**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**1,851**	**2,171**	**(319)**	**17,990**	**21,096**	**(3,105)**
Total	**¥48,212**	**¥24,417**	**¥23,795**	**$468,450**	**$237,247**	**$231,203**

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,724 million ($26,473 thousand)) are not included in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2013	Millions of yen: Carrying value	Millions of yen: Acquisition cost	Millions of yen: Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥38,449	¥18,896	¥19,553
Other	—	—	—
Subtotal	38,449	18,896	19,553
Securities whose acquisition cost exceeds their carrying value:			
Stocks	3,338	3,858	(519)
Other	—	—	—
Subtotal	3,338	3,858	(519)
Total	¥41,788	¥22,754	¥19,033

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,499 million) are not included in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

Notes to Consolidated Financial Statements

3) Other securities sold during the fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Sales amounts	**¥992**	¥491	**$9,642**
Total gains on sales	**547**	97	**5,320**
Total losses on sales	**—**	275	**—**

4) Securities that were subject to impairment in the fiscal years ended March 31, 2014 and 2013

Impairment loss recorded in the fiscal year ended March 31, 2014, was ¥25 million (other securities ¥25 million ($248 thousand)).

Impairment loss recorded in the fiscal year ended March 31, 2013, was ¥861 million (other securities ¥861 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.

8. Short-Term Loans Payable and Long-Term Loans Payable

As of March 31, 2014 and 2013, short-term loans payable and long-term loans payable are as follows:

1) Short-term loans payable

	Weighted-average interest rate	Millions of yen		Thousands of U.S. dollars
		2014	2013	**2014**
Short-term loans payable	0.60%	**¥41,591**	¥39,407	**$404,113**
Commercial paper	0.09%	**20,000**	40,000	**194,325**
Current portion of long-term loans payable	1.40%	**2,154**	2,701	**20,930**
Current portion of long-term loans payable (Bonds)	1.28%	**—**	15,000	**—**
Total		**¥63,745**	¥97,108	**$619,369**

2) Long-term loans payable

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unsecured bonds due 2014, 1.28%	**¥ —**	¥ 15,000	**$ —**
Unsecured bonds due 2016, 0.49%	**20,000**	20,000	**194,325**
Unsecured bonds due 2018, 0.76%	**15,000**	15,000	**145,744**
Unsecured bonds due 2017, 0.31%	**10,000**	10,000	**97,162**
Unsecured bonds due 2019, 0.51%	**20,000**	20,000	**194,325**
Unsecured bonds due 2017, 0.33%	**20,000**	20,000	**194,325**
Unsecured bonds due 2021, 0.52%	**15,000**	—	**145,744**
Loans from domestic banks, insurance companies, government agencies and others, due 2014 to 2028	**36,784**	25,986	**357,412**
Subtotal	**136,784**	125,986	**1,329,041**
Current portion of long-term loans payable	**(2,154)**	(2,701)	**(20,930)**
Current portion of long-term loans payable (Bonds)	**—**	(15,000)	**—**
Total	**¥134,630**	¥108,285	**$1,308,111**

As of March 31, 2014, the aggregate annual maturities of long-term loans payable are as follows (other than bonds):

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
More than one year up to two years	**¥ 907**	**$ 8,814**
More than two years up to three years	**858**	**8,345**
More than three years up to four years	**20,116**	**195,459**
More than four years up to five years	**10,677**	**103,743**
More than five years	**2,070**	**20,119**
Total	**¥34,630**	**$336,482**

9. Inventories

Inventories as of March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Goods and products	**¥ 80,215**	¥ 81,339	**$ 779,393**
Work in progress	**2,505**	2,229	**24,344**
Raw materials and supplies	**38,941**	37,624	**378,362**
Total	**¥121,661**	¥121,194	**$1,182,100**

10. Collateral and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2014 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Buildings and structures	**¥ 2,942**	¥ 2,250	**$ 28,592**
Machinery, equipment, vehicles and fixtures	**1,898**	776	**18,441**
Land	**4,058**	2,988	**39,438**
Other	**15,799**	16,750	**153,507**
Total	**¥24,698**	¥22,765	**$239,979**

A summary of secured liability as of March 31, 2014 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term loans payable	**¥1,089**	¥ 150	**$10,584**
Long-term loans payable	**4,530**	2,780	**44,021**
Total	**¥5,620**	¥2,930	**$54,606**

11. Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Accrued employees' retirement benefits	**¥ —**	¥ 11,324	**$ —**
Net defined benefit liability	**16,007**	—	**155,530**
Accrued expenses	**4,745**	4,509	**46,104**
Investment securities	**1,026**	1,577	**9,971**
Accrued bonuses for employees	**3,396**	3,540	**33,001**
Depreciation of fixed assets	**3,129**	2,838	**30,407**
Deferred gains or losses on hedges	**35**	482	**343**
Unrealized gain	**863**	698	**8,394**
Other	**11,000**	10,542	**106,888**
Subtotal	**40,204**	35,514	**390,641**
Valuation allowance	**(6,089)**	(5,419)	**(59,170)**
Total deferred tax assets	**34,114**	30,095	**331,470**
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	**(12,077)**	(12,691)	**(117,348)**
Unrealized holding gains or losses on securities	**(8,110)**	(6,514)	**(78,803)**
Prepaid pension cost	**—**	(11,966)	**—**
Net defined benefit asset	**(7,594)**	—	**(73,794)**
Other	**(923)**	(661)	**(8,974)**
Total deferred tax liabilities	**(28,706)**	(31,833)	**(278,920)**
Net deferred tax assets (liabilities)	**¥ 5,408**	¥ (1,738)	**$ 52,549**

2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate for the years ended March 31, 2014 and 2013, is as follows:

	2014	2013
Statutory tax rate	**38.0%**	38.0%
Entertainment and other permanently non-deductible expenses	**3.7**	6.0
Dividend and other permanently non-taxable income	**(0.3)**	(0.8)
Per capita inhabitant's tax	**1.3**	1.5
Tax credit for experimentation and research expenses	**(3.8)**	(3.9)
Increase/Decrease in valuation allowance	**6.4**	0.1
Tax effect adjustment accompanying change in tax rate	**2.3**	0.0
Other	**(4.0)**	(7.7)
Effective tax rate	**43.6%**	33.2%

3) Modifications to the amount of deferred tax assets and liabilities due to changes of corporate taxation rates

The Bill for Partial Amendment of the Income Tax Act, etc. (Law No. 10 of 2014), was promulgated on March 31, 2014. This bill stipulated that the special corporate tax for reconstruction will not be levied for fiscal years starting on or after April 1, 2014. Consequently, the normal effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities was changed from the previous 38.0% to 35.6% for temporary differences that are expected to be eliminated in the fiscal year beginning on April 1, 2014.

This effect of this change in tax rate on gains and losses is minor.

12. Retirement and Severance Benefits

Outline of the retirement benefit plans adopted by the Company (As of March 31, 2014)

The Group adopts employees' retirement benefit plans, consisting of a lump-sum severance payment plan based on retirement benefits rules, defined benefit plans, and an employees' pension fund.

There are also cases in which additional retirement benefits are paid when employees leave the Company before retirement age.

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

Defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Beginning balance of retirement benefit obligations	¥121,019	$1,175,856
Service cost	4,267	41,468
Interest cost	2,002	19,452
Actuarial gains or losses	(429)	(4,174)
Retirement benefits paid	(6,712)	(65,217)
Other	2,069	20,104
Ending balance of retirement benefit obligations	¥122,216	$1,187,490

(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
	2014	2014
Beginning balance of plan assets	¥ 95,492	$ 927,836
Expected return on plan assets	2,288	22,231
Actuarial gains or losses	4,434	43,090
Contributions from employer	8,556	83,134
Retirement benefits paid	(5,081)	(49,375)
Other	1,363	13,247
Ending balance of plan assets	¥107,053	$1,040,165

(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
	2014	2014
Retirement benefit obligations of funded plans	¥ 116,700	$ 1,133,891
Plan assets	(107,053)	(1,040,165)
	9,646	93,726
Retirement benefit obligations of non-funded plans	5,516	53,598
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 15,162	$ 147,324
Net defined benefit liability	¥ 38,162	$ 370,794
Net defined benefit asset	(22,999)	(223,469)
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 15,162	$ 147,324

Notes to Consolidated Financial Statements

4) Components of retirement benefit cost

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 4,267	$ 41,468
Interest cost	2,002	19,452
Expected return on plan assets	(2,288)	(22,231)
Amortization of actuarial gains/losses	8,096	78,665
Amortization of prior service cost	84	821
Other	701	6,820
Retirement benefit cost related to defined benefit plans	¥12,864	$124,997

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

5) Remeasurements of defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial gains or losses	¥22,561	$219,217
Unrecognized differences at transition of accounting standards	731	7,109
Unrecognized prior service costs	329	3,199
Total	¥23,622	$229,526

6) Plan assets

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

Bonds	43%
Equities	34
Cash and deposits	15
Other	8
Total	100%

(Note) The total amount of plan assets include the retirement benefit trust for corporate pensions funds and the lump-sum severance payment plan representing 11%.

(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.

7) Actuarial assumptions

For the fiscal year ended March 31, 2014, the actuarial assumptions are

Discount rate: Principally 1.7%

Long-term expected rate of return on assets: Principally 2.5%

Defined contribution plans

The amount of required contribution to defined contribution plans for the consolidated subsidiaries is ¥1,281 million ($12,451 thousand).

Outline of the retirement benefit plans adopted by the Company (As of March 31, 2013)

The Group adopts employees' retirement benefit plans, consisting of a lump-sum severance payment plan based on retirement benefits rules, defined benefit plans, and an employees' pension fund.

There are also cases in which additional retirement benefits are paid when employees leave the Company before retirement age.

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

	Millions of yen
Liability for employees' retirement benefits	2013
Retirement benefit obligation	¥(121,019)
Fair value of pension plan assets	95,492
Unfunded retirement benefit obligation	(25,526)
Unrecognized net retirement benefit obligation at transition	1,438
Unrecognized actuarial loss	35,040
Unrecognized prior service cost	169
Net retirement benefit obligation	11,122
Prepaid pension cost	33,460
Accrued employees' retirement benefits	¥ (22,338)

The components of net periodic retirement benefits costs for the year ended March 31, 2013, are as follows:

	Millions of yen
	2013
Service cost	¥ 3,984
Interest cost	2,325
Expected return on plan assets	(1,887)
Amortization of net retirement benefit obligation at transition	711
Amortization of actuarial loss	6,608
Amortization of prior service cost	55
Contribution to employees' pension fund	197
Additional retirement benefits paid on a temporary basis	31
Other (Note)	1,041
Net periodic retirement benefits costs	¥13,068

(Note) This is contributions to the defined contribution pension plans and the Smaller Enterprise Retirement Allowance Mutual Aid system.

Assumptions used in accounting for the above plans for the year ended March 31, 2013, are set forth as follows:

	2013
Periodic recognition of retirement benefit obligation	Principally by the straight-line method
Discount rate	Principally 1.5% or 1.7%
Expected rate of return on plan assets	2.5%
Amortization period of actuarial gain/loss	7 to 15 years
Amortization period of transitional retirement benefit obligation	Principally 15 years
Amortization period of prior service cost	Principally 4 years

13. Unconsolidated Subsidiaries and Affiliates

As of March 31, 2014 and 2013, investment in capital of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Other (investments in capital)	**¥3,913**	¥5,484	**$38,029**

Notes to Consolidated Financial Statements

14. Contingent Liabilities

As of March 31, 2014 and 2013, 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
	2014	2013	**2014**
P.T. Ceres Meiji Indotama	**¥ 548**	¥188	**$ 5,333**
Sendai Feed Co., Ltd.	**398**	452	**3,870**
Employees	**245**	301	**2,386**
Total	**¥1,192**	¥941	**$11,589**

2) Notes receivables discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Notes receivables discounted	**¥ —**	¥ 91	**$ —**
Notes receivables endorsed	**181**	103	**1,763**

15. Goodwill

As of March 31, 2014 and 2013, goodwill is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Goodwill	**¥41**	¥161	**$398**

16. Commitment Line Agreements

The Company enters into commitment line agreements with seven 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, 2014 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Maximum loan amount	**¥40,000**	¥40,000	**$388,651**
Used portion of the commitment line	**—**	—	**—**
Balance	**¥40,000**	¥40,000	**$388,651**

17. Notes Maturing on the Closing Date of the Fiscal Year

Notes maturing on the closing date of the consolidated fiscal year are treated as settled on the date of clearance. Because the closing date of the fiscal year ended March 31, 2013, was a holiday for financial institutions, the following notes maturing on the closing date of the consolidated fiscal year ended March 31, 2013, is included in the outstanding balance.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Notes receivable	**¥—**	¥476	**$—**
Notes payable	**—**	191	**—**

18. Net Assets

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

Type of shares	Number of shares as of March 31, 2013 (thousands)	2014 Increase (thousands)	2014 Decrease (thousands)	2014 Number of shares as of March 31, 2014 (thousands)
Outstanding shares:				
Common stock	76,341	—	—	**76,341**
Treasury stock:				
Common stock (Notes 1, 2)	2,683	**25**	**0**	**2,708**

(Note 1) Treasury common stock increased by 25,000 shares due to the purchase of shares that are less than one unit.
(Note 2) Treasury common stock decreased by less than 1,000 shares one unit.

Type of shares	Number of shares as of March 31, 2012 (thousands)	2013 Increase (thousands)	2013 Decrease (thousands)	2013 Number of shares as of March 31, 2013 (thousands)
Outstanding shares:				
Common stock	76,341	—	—	76,341
Treasury stock:				
Common stock (Notes 1, 2)	2,675	9	1	2,683

(Note 1) Treasury common stock increased by 9,000 shares due to the purchase of shares that are less than one unit.
(Note 2) Treasury common stock decreased by 1,000 shares due to the sale of shares that are less than one unit.

2) Matters related to dividends

(1) Cash dividends paid

Resolution	Type of shares	2014 Total amount of dividends: Millions of yen	2014 Total amount of dividends: Thousands of U.S. dollars	2014 Dividends per share: Yen	2014 Dividends per share: U.S. dollars	Cut-off date	Effective date
Board of Directors' Meeting held on May 14, 2013	Common stock	**¥2,946**	**$28,627**	**¥40.00**	**$0.39**	**March 31, 2013**	**June 7, 2013**
Board of Directors' Meeting held on November 12, 2013	Common stock	**2,946**	**28,625**	**40.00**	**0.39**	**September 30, 2013**	**December 6, 2013**

Resolution	Type of shares	2013 Total amount of dividends: Millions of yen	2013 Dividends per share: Yen	Cut-off date	Effective date
Board of Directors' Meeting held on May 14, 2012	Common stock	¥2,946	¥40.00	March 31, 2012	June 8, 2012
Board of Directors' Meeting held on November 13, 2012	Common stock	2,946	40.00	September 30, 2012	December 6, 2012

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2014, and with the effective date in the fiscal year ending March 31, 2015

Resolution	Type of shares	2014 Total amount of dividends: Millions of yen	2014 Total amount of dividends: Thousands of U.S. dollars	2014 Source of dividends	2014 Dividends per share: Yen	2014 Dividends per share: U.S. dollars	Cut-off date	Effective date
Board of Directors' Meeting held on May 13, 2014	Common stock	**¥2,945**	**$28,617**	**Retained earnings**	**¥40.00**	**$0.39**	**March 31, 2014**	**June 6, 2014**

Notes to Consolidated Financial Statements

Dividends with the cut-off date in the fiscal year ended March 31, 2013, and with the effective date in the fiscal year ending March 31, 2014

		2013				
		Total amount of dividends		Dividends per share		
Resolution	Type of shares	Millions of yen	Source of dividends	Yen	Cut-off date	Effective date
Board of Directors' Meeting held on May 14, 2013	Common stock	¥2,946	Retained earnings	¥40.00	March 31, 2013	June 7, 2013

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, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and deposits	**¥19,577**	¥16,902	**$190,224**
Time deposits with maturities of more than three months	**339**	338	**3,299**
Cash and cash equivalents	**¥19,238**	¥16,564	**$186,924**

20. Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Carriage and storage charges	**¥ 43,127**	¥ 43,403	**$ 419,036**
Sales promotion expenses	**117,481**	117,750	**1,141,480**
Labor cost	**67,715**	66,401	**657,947**
Provision for accrued bonuses for employees	**5,912**	5,795	**57,446**
Employees' retirement benefits cost	**9,935**	8,751	**96,534**
Allowance for sales rebates	**2,730**	5,263	**26,530**

21. Research and Development Costs

The R&D costs that were included in general and administrative expenses and manufacturing expenses during the fiscal years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Research and development costs	**¥26,067**	¥26,199	**$253,279**

22. Extraordinary Gains and Losses

The major elements of extraordinary gains and losses during the fiscal years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Extraordinary gains:			
Gain on sale of fixed assets	**¥ 655**	¥2,154	**$ 6,372**
Gain on sales of investment securities	**547**	97	**5,320**
Gain on sales of shares of subsidiaries and affiliates	**256**	—	**2,487**
Other	**129**	288	**1,259**
Total	**1,589**	2,540	**15,440**
Extraordinary losses:			
Loss on disposal of fixed assets	**2,720**	2,303	**26,433**
Loss on sales of fixed assets	**223**	841	**2,172**
Impairment loss	**3,612**	76	**35,101**
Loss on valuation of investment securities	**25**	864	**248**
Loss on valuation of investments in capital of subsidiaries and affiliates	**—**	1,038	**—**
Other	**408**	1,335	**3,971**
Total	**¥6,991**	¥6,457	**$67,927**

(Note) It has been decided to present "gain on sales of investment securities," which was included in "other" under "other income (expenses)" in the previous consolidated accounting period, separately from the consolidated accounting period under review because "gain on sales of investment securities" exceeded 10% of the total amount of "other income (expenses)." In order to reflect this change in presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

As a result, in the consolidated statement of income of the previous consolidated accounting period, ¥386 million that was presented in "other" under "other income (expenses)" has been reclassified as "gain on sales of investment securities" of ¥97 million and "other" of ¥288 million.

23. Impairment Loss

Impairment losses for fiscal year ended March 31, 2014, as are follows:

Application	Type	Location
Business assets	Machinery, equipment, buildings and land, etc.	Memuro-cho, Kasai-gun, Hokkaido Prefecture
Business assets	Machinery, equipment, buildings and land, etc.	Shimabara-shi, Nagasaki Prefecture, etc.
Idle assets	Buildings, etc.	Niigata-shi, Niigata Prefecture
Idle assets	Machinery, equipment, buildings and land, etc.	Fukuoka-shi, Fukuoka Prefecture, etc.
Business assets	Machinery, equipment and buildings, etc.	Anjo-shi, Aichi Prefecture
Assets held for lease	Land	Kashiwa-shi, Chiba Prefecture

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

For the fiscal year ended March 31, 2014, due to a decrease in the profitability of certain fixed assets of consolidated subsidiaries or consolidated subsidiaries' withdrawal from businesses, and due to a decrease in the profitability of certain fixed assets of the Company, the carrying values of the said assets were written down to recoverable amounts, and those reductions were recorded in extraordinary losses as impairment loss of ¥3,612 million ($35,101 thousand).

Of this amount, regarding business assets, ¥680 million ($6,616 thousand) was buildings and structures; ¥1,292 million ($12,557 thousand) was machinery, equipment and vehicles; ¥4 million ($41 thousand) was tools, furniture and fixtures; and ¥486 million ($4,727 thousand) was land.

Further, regarding idle assets, ¥827 million ($8,037 thousand) was buildings and structures; ¥14 million ($136 thousand) was machinery, equipment and vehicles; ¥11 million ($113 thousand) was tools, furniture and fixtures; ¥40 million ($390 thousand) was land; and ¥25 million ($244 thousand) was intangible fixed assets. In addition, regarding rental assets, ¥230 million ($2,237 thousand) was land.

Also, in relation to the recoverable amounts of these assets, business assets and rental assets for which profitability decreased have been calculated by measuring value in use and discounting future cash flows by 5.13%. Idle assets and business assets related to withdrawal from businesses have been measured based on net selling values and reduced to residual values.

Notes to Consolidated Financial Statements

Impairment losses for the fiscal year ended March 31, 2013, are as follows:

Application	Type	Location
Idle assets	Buildings and land	Ichikawa-shi, Chiba Prefecture, etc.

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

For the fiscal year ended March 31, 2013, because certain company housing owned by consolidated subsidiaries will no longer be used in the future and became idle assets, their carrying values were written down to recoverable amounts, and those reductions were recorded in extraordinary losses as impairment loss of ¥76 million. Of the total amount, ¥36 million was buildings, and ¥39 million was land.

These recoverable amounts were measured based on the net selling values, evaluated based on the valuation of a real estate appraiser, etc.

24. Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income for the fiscal years ended March 31, 2014 and 2013, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net unrealized holding gains or losses on securities:			
Amount arising during the year	**¥ 5,290**	¥10,084	**$ 51,401**
Reclassification adjustments for gains and losses included in net income	**(528)**	1,061	**(5,133)**
Amount before tax effect	**4,761**	11,145	**46,267**
Tax effect	**(1,701)**	(3,685)	**(16,534)**
Net unrealized holding gains or losses on securities	**3,060**	7,459	**29,733**
Deferred gains or losses on hedges:			
Amount arising during the year	**273**	1,537	**2,659**
Reclassification adjustments for gains and losses included in net income	**—**	—	**—**
Asset acquisition costs adjustments	**924**	850	**8,982**
Amount before tax effect	**1,198**	2,388	**11,641**
Tax effect	**(438)**	(902)	**(4,259)**
Deferred gains or losses on hedges	**759**	1,486	**7,381**
Foreign currency translation adjustments:			
Amount arising during the year	**3,943**	1,978	**38,320**
Equity in affiliates accounted for by the equity method:			
Amount arising during the year	**175**	148	**1,707**
Total other comprehensive income	**¥ 7,939**	¥11,072	**$ 77,144**

25. Derivative Financial Instruments

Matters related to derivative transactions in the fiscal year ended March 31, 2014

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2014				**2014**			
	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:								
Forward foreign exchange contracts								
Buy								
U.S. dollar	**¥ 225**	**¥ —**	**¥ 4**	**¥ 4**	**$ 2,195**	**$ —**	**$ 42**	**$ 42**
Currency swap contracts								
Buy								
U.S. dollar	**3,519**	**3,149**	**62**	**62**	**34,200**	**30,600**	**610**	**610**
Total	**¥3,745**	**¥3,149**	**¥67**	**¥67**	**$36,395**	**$30,600**	**$653**	**$653**

(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			Thousands of U.S. dollars		
		2014			2014		
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	¥ 5,202	¥ 106	¥ 129	$ 50,550	$ 1,030	$ 1,260
Euro	Accounts payable	372	—	2	3,619	—	20
Australian dollar	Accounts payable	0	—	0	5	—	0
Chinese yuan	Accounts payable	400	—	12	3,892	—	123
Sell							
U.S. dollar	Accounts receivable	176	—	(2)	1,714	—	(20)
Currency swap contracts							
Buy							
Pound	Accounts payable	5,903	3,635	(230)	57,364	35,322	(2,241)
Hedge accounting method: Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable	985	—	(Note)	9,579	—	(Note)
Euro	Accounts payable	56	—	(Note)	550	—	(Note)
Pound	Accounts payable	27	—	(Note)	263	—	(Note)
Australian dollar	Accounts payable	39	—	(Note)	384	—	(Note)
Sell							
U.S. dollar	Accounts receivable	140	—	(Note)	1,363	—	(Note)
Euro	Accounts receivable	498	—	(Note)	4,845	—	(Note)
Currency swap contracts							
Buy							
Pound	Accounts payable	76	—	(Note)	746	—	(Note)
Total		¥13,881	¥3,741	¥ (88)	$134,880	$36,352	$ (858)

(Note) 1. Fair value is based on the statements received from the counterparty financial institutions.
2. For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable and accounts receivable, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

(2) Interest rate-related transactions

None

Notes to Consolidated Financial Statements

Matters related to derivative transactions in the fiscal year ended March 31, 2013

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen			
	2013			
	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:				
Forward foreign exchange contracts				
Buy				
U.S. dollar	¥ 539	¥ —	¥ (24)	¥ (24)
Sell				
U.S. dollar	47	—	(5)	(5)
Euro	272	—	(29)	(29)
Currency swap contracts				
Buy				
U.S. dollar	3,555	3,216	(142)	(142)
Option contracts				
Sell				
Put option				
U.S. dollar	362	—	6	6
Option contracts				
Buy				
Call option				
U.S. dollar	183	—	0	0
Total	¥4,961	¥3,216	¥(194)	¥(194)

(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		
		2013		
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	¥ 4,448	¥1,113	¥ 111
Euro	Accounts payable	105	—	0
Pound	Accounts payable	95	—	(10)
Chinese yuan	Accounts payable	1,579	—	219
Sell				
U.S. dollar	Accounts receivable	3	—	0
Currency swap contracts				
Buy				
U.S. dollar	Accounts payable	1,480	678	(69)
Pound	Accounts payable	8,284	6,110	(1,537)
Australian dollar	Accounts payable	1,509	1,006	(3)
Hedge accounting method: Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable	527	—	(Note)
Euro	Accounts payable	70	—	(Note)
Pound	Accounts payable	219	—	(Note)
Australian dollar	Accounts payable	19	—	(Note)
Sell				
U.S. dollar	Accounts receivable	104	—	(Note)
Currency swap contracts				
Buy				
U.S. dollar	Accounts payable	72	—	(Note)
Pound	Accounts payable	197	—	(Note)
Total		¥18,718	¥8,907	¥(1,289)

(Note) 1. Fair value is based on the statements received from the counterparty financial institutions.
2. For forward foreign exchange contracts, etc., subject to the allocation method, because they are treated together with the hedged accounts payable and accounts receivable, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

(2) Interest rate-related transactions

None

Notes to Consolidated Financial Statements

26. Matters Related to Business Combination, Etc.

(Fiscal year ended March 31, 2014)

Omitted as there were no significant business combinations.

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/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 Pharmaceuticals segment.

	Millions of yen				
	2014				
	Reporting segments				
	Food	Pharmaceuticals	Total	Adjustments	Amount presented in consolidated statement of income
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	¥1,014,207	¥133,868	¥1,148,076	¥ —	¥1,148,076
(2) Inter-segment sales and transfers	1,057	1,237	2,294	(2,294)	—
Total	¥1,015,265	¥135,105	¥1,150,370	¥ (2,294)	¥1,148,076
Segment income (loss)	¥ 28,190	¥ 8,356	¥ 36,546	¥ (50)	¥ 36,496
Segment assets	564,168	154,309	718,477	60,984	779,461
Other items					
Depreciation	¥34,379	¥5,439	¥39,818	¥1,153	¥40,972
Equity in income of affiliates	3,362	—	3,362	—	3,362
Increase in property, plants and equipment / intangible fixed assets	47,854	4,704	52,558	30	52,589

	Thousands of U.S. dollars				
	2014				
	Reporting segments				
	Food	Pharmaceuticals	Total	Adjustments	Amount presented in consolidated statement of income
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	$9,854,330	$1,300,702	$11,155,033	$ —	$11,155,033
(2) Inter-segment sales and transfers	10,274	12,022	22,296	(22,296)	—
Total	$9,864,605	$1,312,725	$11,177,330	$ (22,296)	$11,155,033
Segment income (loss)	$ 273,908	$ 81,190	$ 355,098	$ (488)	$ 354,610
Segment assets	5,481,617	1,499,310	6,980,928	592,540	7,573,469
Other items					
Depreciation	$334,038	$52,852	$386,890	$11,205	$398,095
Equity in income of affiliates	32,668	—	32,668	—	32,668
Increase in property, plants and equipment / intangible fixed assets	464,968	45,709	510,677	292	510,970

	Millions of yen				
	2013				
	Reporting segments				Amount presented in consolidated statement of income
	Food	Pharmaceuticals	Total	Adjustments	
Sales, operating income (loss) and assets					
Sales					
(1) Sales to third parties	¥1,000,346	¥126,174	¥1,126,520	¥ —	¥1,126,520
(2) Inter-segment sales and transfers	1,205	1,186	2,391	(2,391)	—
Total	¥1,001,551	¥127,361	¥1,128,912	¥ (2,391)	¥1,126,520
Segment income (loss)	¥ 19,383	¥ 6,461	¥ 25,845	¥ 14	¥ 25,859
Segment assets	580,218	147,310	727,528	57,985	785,514
Other items					
Depreciation	¥34,237	¥5,322	¥39,560	¥1,261	¥40,821
Equity in income of affiliates	3,074	332	3,406	—	3,406
Increase in property, plants and equipment / intangible fixed assets	36,935	5,069	42,004	58	42,063

28. Significant Subsequent Events

Meiji Seika Pharma Co., Ltd., a business subsidiary of the Company, resolved to acquire all outstanding shares of Medreich Limited ("Medreich") at its board of directors meeting held on June 11, 2014, and entered into a share purchase agreement with Med Holdings (UK) Limited, Nokha Holdings Private Limited, V-Sciences Investments Pte Limited and other shareholders of Medreich.

1) Objectives of the Acquisition

In the Company's long-term management strategy, "Meiji Group 2020 Vision," Meiji Seika Pharma has stated its mission to help people's health and lives worldwide, as a "Specialty and Generic Pharmaceuticals Company" with the ability to expand business internationally, through research and development, manufacturing, and the sale of new drugs for infectious diseases and central nervous system disorders and by providing high-quality generic drugs at low prices. In order to achieve this goal and the sustained growth of the pharmaceuticals business, the Company is striving to grow its generic drugs business further and actively expand its international business with a focus on Asia and other emerging countries.

Medreich has manufacturing facilities based in India and is globally engaged in the CMO (contract manufacturing organization) and the CDMO (contract development and manufacturing organization) businesses as well as the manufacturing and sale of generic drugs focusing on Europe, Asia and Africa. Major global pharmaceuticals companies are the mainstay customers of Medreich's CMO business, and the cost efficiency of Medreich as well as the quality of its products and services are highly regarded. Further, Medreich entered the pharmaceuticals CDMO business and the generic drugs business in 2005 and has built a solid track record in the development, filing and registration of various pharmaceutical formulations. Medreich sells generic drugs in India and exports them to countries worldwide.

Given the above, Meiji Seika Pharma decided to acquire all outstanding shares of Medreich to

- Obtain a manufacturing infrastructure in order to achieve cost-competitive production and capacity expansion and
- Broaden the generic drugs sales network in India, and other countries in Asia and Africa, where demand for low-priced pharmaceutical products is expected to increase.

2) Names of the Selling Shareholders

Med Holdings (UK) Limited, Nokha Holdings Private Limited, V-Sciences Investments Pte Limited and others

3) Trade Name, Business Lines and Size of the Company being Acquired

[1] Trade name: Medreich Limited

[2] Business lines: Contract development and manufacturing of pharmaceutical products and manufacturing and sale of generic drugs

[3] Size:

Share capital: INR1,407 million

Consolidated net sales: US$157 million* (fiscal year ended March 2013)

* This figure is not audited by an independent auditor.

4) Schedule for Share Acquisition

The schedule has not been decided because local laws and regulations require permission and approval to be obtained in advance.

5) Number of Shares to Be Acquired, Acquisition Cost and Ownership Ratio after Acquisition

[1] Number of shares to be acquired: 43,048,753

[2] Acquisition cost: US$290 million*

* Adjustment is planned based on a method agreed with the selling shareholders prior to the date of acquisition.

[3] Ownership ratio after acquisition

Meiji Seika Pharma Co., Ltd., its subsidiaries and the Company will acquire all outstanding shares.

6) Method of Procuring Funds for Payment

Funds for payment will be covered by funds on hand and loans, etc.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
MEIJI Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of MEIJI Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MEIJI Holdings Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2014
Tokyo, Japan

Major Group Companies

DOMESTIC

Meiji Co., Ltd.

Head Office

Research Laboratories

Confectionery R&D Labs / Research & Development Labs / Food Science Research Labs / Food Technology Research Labs / Quality Food Research Labs

Plants

Sapporo / Asahikawa / Wakkanai / Nishi Shunbetsu / Nemuro / Tokachi / Tokachi Obihiro / Honbetsu / Tohoku / Ibaraki / Moriya / Gunma / Gunma Nutritionals / Gunma Pharmaceuticals / Saitama / Toda / Sakado / Kanagawa / Hokuriku / Karuizawa / Tokai / Aichi / Kyoto / Kansai / Kansai Ice Cream / Osaka / Okayama / Hiroshima / Kyushu

Sales Headquarters

Hokkaido / Tohoku / Kanto / Chubu / Kansai / Chugoku & Shikoku / Kyushu

Group Companies

Confectionery Business Unit

Donan Shokuhin Co., Ltd. / Zao Shokuhin Kaisha, Ltd. / Meiji Sangyo Co., Ltd. / Ronde Corporation / Meiji Chewing Gum Co., Ltd. / Shikoku Meiji Co., Ltd. / Tokai Nuts Co., Ltd.

Dairy Business Unit

Tokai Meiji Co., Ltd. / Meiji Oils and Fats Co., Ltd. / Shikoku Meiji Dairy Products Co., Ltd. / Meiji Fresh Network Co., Ltd. / Kantou Seiraku Co., Ltd. / Chiba Meiji Milk Products Co., Ltd. / Pampy Foods Incorporation / Okinawa Meiji Milk Products Co., Ltd. / Tochigi Meiji Milk Products Co., Ltd. / GUNMA MILK JOINT BUSINESS COOPERATIVES

Healthcare and Nutritionals Business Unit

Okayamaken Shokuhin Co., Ltd.

Others

Meiji Feed Co., Ltd. / Asahi Broiler Co., Ltd. / Meiji Kenko Ham Co., Ltd. / Meiji Rice Delica Corporation / Meiji Food Material Co., Ltd. / Français Co., Ltd. / Taiyo Shokuhin Co., Ltd. / Nihon Kanzume, Co., Ltd. / Meiji Logitech Co., Ltd. / KCS Co., Ltd. / Fresh Logistic Co., Ltd. / Three S and L Co., Ltd. / Meiji Techno-Service Inc. / Nice Day Co., Ltd. / Nitto Co., Ltd. / Meiji Shokuhin Kaisha, Ltd.

Meiji Seika Pharma Co., Ltd.

Head Office

Research Laboratories

Pharmaceuticals Research Center / CMC Research Laboratories / Bioscience Laboratories / Agricultural & Veterinary Research Laboratories

Plants

Kitakami / Odawara / Gifu

Branches

Pharmaceuticals

Sapporo / Sendai / Tokyo / Chiba & Saitama / Yokohama / Kanto / Nagoya / Kyoto / Osaka / Chugoku / Shikoku / Fukuoka

Agricultural Chemicals

Sapporo / Sendai / Tokyo / Nagoya / Osaka / Kumamoto

Veterinary Drugs

North Japan / Tokyo / Nagoya / Osaka / Kumamoto

Group Companies

Kitasato Pharmaceutical Industry Co., Ltd. / Ohkura Pharmaceutical Co., Ltd.

Note: In addition to the above-mentioned, respective Group companies contract Meiji Business Support Co., Ltd., to perform indirect operations.

OVERSEAS

Meiji Co., Ltd.

Offices

① Bangkok Office
② Taipei Office

Group Companies

③ Meiji Seika Food Industry (Shanghai) Co., Ltd.
④ Meiji-Dairy Trading Shanghai Co., Ltd.
⑤ Meiji Dairies (Suzhou) Co., Ltd.
⑥ Guangdong M&F-Yantang Dairy Products Co., Ltd.
⑦ Guangzhou Meiji Confectionary Co., Ltd.
⑧ Meiji Seika (Singapore) Pte. Ltd.
⑨ Meiji India Private Limited
⑩ Meiji Dairy Australasia Pty. Ltd.
⑪ P.T. Ceres Meiji Indotama
⑫ CP-Meiji Co., Ltd.
⑬ Thai Meiji Food Co., Ltd.
⑭ Meiji America Inc.
⑮ D. F. Stauffer Biscuit Co., Inc.
⑯ Laguna Cookie Co., Inc.

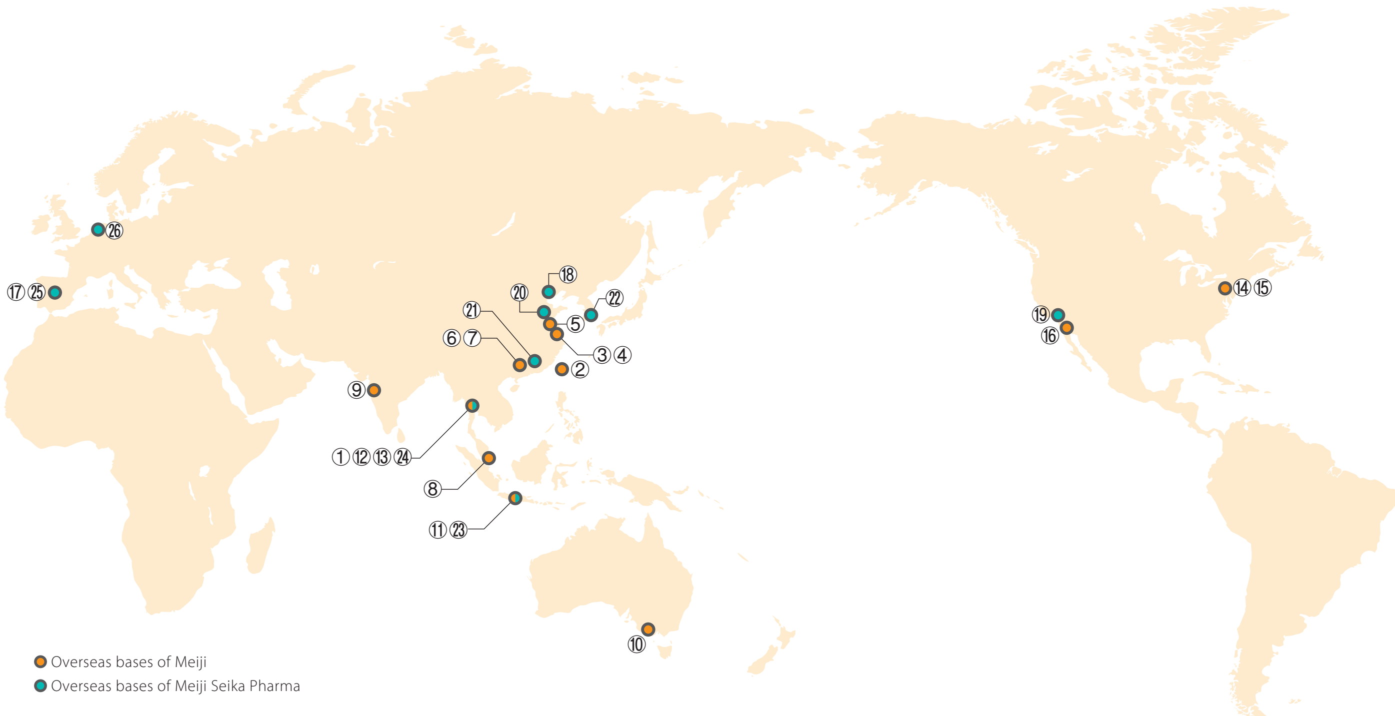
Meiji Seika Pharma Co., Ltd.

Offices

⑰ Madrid Office
⑱ Beijing Office
⑲ U.S. Office

Group Companies

⑳ Meiji Pharma (Shandong) Co., Ltd.
㉑ Shantou Meiji Pharmaceuticals Co., Ltd.
㉒ Meiji Pharma Korea Co., Ltd.
㉓ P.T. Meiji Indonesian Pharmaceutical Industries
㉔ Thai Meiji Pharmaceuticals Co., Ltd.
㉕ Tedec-Meiji Farma, S.A.
㉖ Meiji Seika Europe B.V.



Corporate Data / Stock Information As of March 31, 2014

Corporate Data

Company Name	Meiji Holdings Co., Ltd. (Securities code: 2269)
Head Office	2-4-16, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Incorporated	April 1, 2009
Paid-in Capital	¥30 billion
Common Stock Issued	76,341,700
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: http://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.
Number of Group Employees	24,399

For further information, please contact:

Meiji Holdings Co., Ltd.

Tel: +81-3-3273-4001 (Business hours: 9:00-17:00 / except Saturdays, Sundays, and public holidays)

Meiji Holdings Co., Ltd., provides information on its website:

http://www.meiji.com/english/

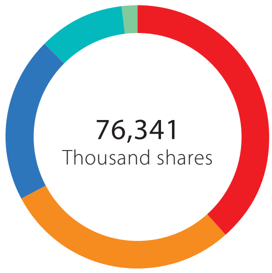
Stock Information

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,961	5.19
Mizuho Bank, Ltd.	3,633	4.76
Japan Trustee Services Bank, Ltd. (Trust Account)	2,639	3.46
Nippon Life Insurance Company	1,883	2.47
Meiji Holdings Employee Shareholding Association	1,873	2.45
Resona Bank, Limited	1,523	2.00
The Norinchukin Bank	1,446	1.89
Meiji Holdings Trading-Partner Shareholding Association	1,391	1.82
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,006	1.32
Mitsubishi UFJ Trust and Banking Corporation	1,002	1.31
Total of Top 10 Shareholders	20,361	26.67

Note: In addition to the above-mentioned shares, the Company owns 2,708,600 shares of treasury stock (a 3.55% shareholding).

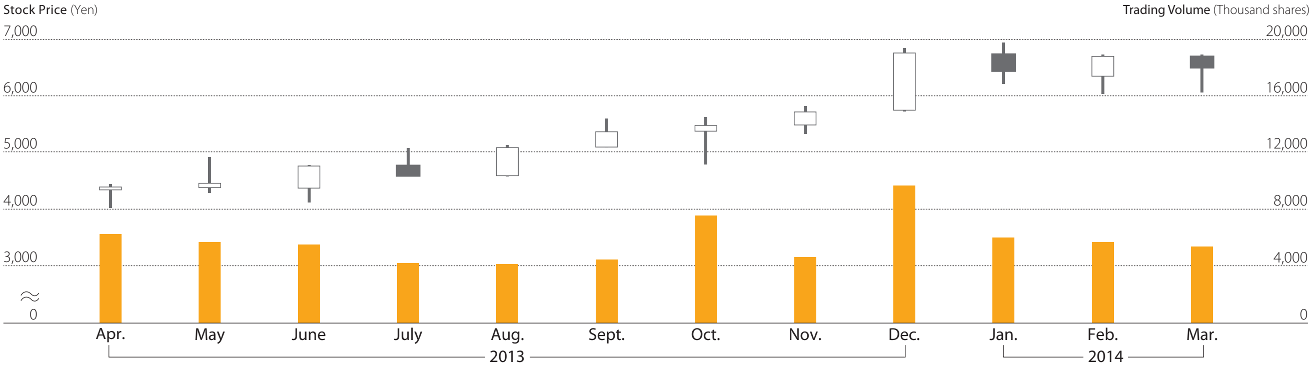
Shareholding by Type of Shareholder



Financial Institutions	38.60%
Individuals and Others	28.69%
Foreign Companies, etc.	20.27%
Other Companies	10.70%
Financial Instruments Dealers	1.74%
Government and Public Bodies	—

Note: "Individuals and Others" includes treasury stock.

Stock Price and Trading Volume



History

1900s~1940s

1906	The former Meiji Sugar Co., Ltd. (hereinafter "Meiji Sugar"), the forerunner of both Meiji Seika Kaisha, Ltd. (hereinafter "Meiji Seika"), and Meiji Dairies Corporation (hereinafter "Meiji Dairies"), is established.
1916	Tokyo Confectionery Co., Ltd. (hereinafter "Tokyo Confectionery," the predecessor of Meiji Seika), is established.
1917	Tokyo Confectionery merges with Taisho Seika, a subsidiary of Meiji Sugar.
	Kyokuto Condensed Milk Co., Ltd. (hereinafter "Kyokuto Condensed Milk"), the predecessor of Meiji Dairies, is established.
1920	Meiji Sugar establishes Meiji Shoten (later Meiji Shoji).
1924	Tokyo Confectionery changes its name to Meiji Seika Kaisha, Ltd.
1926	Meiji Seika launches "Meiji Milk Chocolate."
	Meiji Seika launches a cocoa powder drink mix.
1928	Meiji Seika launches "Meiji Milk."
1940	Kyokuto Condensed Milk changes its name to Meiji Dairies Corporation.
1946	The pharmaceuticals business is launched with the commencement of penicillin production.

1950s~1960s

1950	The antibacterial drug "STREPTOMYCIN" is introduced.
1951	Meiji Dairies launches "Soft Curd Meiji Infant Formula."
1953	Meiji Dairies launches "Meiji Fresh Cream."
1958	Japan's first world-class antibacterial drug, "KANAMYCIN," is introduced.
1961	Meiji Seika launches "Marble Chocolate."
1968	Meiji Seika launches Japan's first savory snack, "Karl."
	Meiji Dairies launches baby food products "Meiji Baby Rice Gruel" and "Meiji Infant Kaju Orange Juice."

1970s

1971	Meiji Dairies launches "Meiji Plain Yogurt."
1972	Meiji Shoji, Meiji Seika's sales arm, transfers its dairy products business to Meiji Dairies.
	Meiji Seika merges with Meiji Shoji.
1973	Meiji Dairies launches "Meiji Bulgaria Yogurt."
1974	Meiji Seika (Singapore) Pte. Ltd. is established.
	The joint venture P.T. Meiji Indonesian Pharmaceutical Industries is established.
1975	Meiji Seika launches the chocolate snack "Kinoko no Yama."
	The agricultural chemical product "ORYZEMATE" is introduced.
1976	Meiji Dairies launches the frozen food "Pizza & Pizza."

1980s

1980	Meiji Seika launches "SAVAS," a series of protein for athletes.
1983	Meiji Seika launches the OTC drug "ISODINE UGAIGUSURI."
1986	Meiji Dairies launches the enteral formula "YH-80."
1988	Meiji Seika launches "Kaju Gummy."
1989	Meiji Dairies establishes CP-Meiji Co., Ltd., in Thailand.
	The antianxiety drug "MEILAX" is introduced.

1990s

1990	Meiji Dairies launches the "Aya" series of super premium ice cream.
	Meiji Dairies launches a soft margarine, "Meiji Corn 100."
1992	Meiji Dairies launches "Meiji Hokkaido Tokachi Cheese."
1994	Meiji Dairies launches "Meiji Essel Super Cup Ultra Vanilla."
	The antibacterial drug "MEIACT" is introduced.
1995	Meiji Dairies launches the sports performance drink "VAAM."
	Meiji Dairies launches the enteral formula "Meiji Mei Balance."
1997	Meiji Seika launches "Xylish Gum."
1999	The antidepressant "DEPROMEL" is introduced.

2000s

2000	Meiji Dairies launches "Meiji Probio Yogurt LG21."
2002	Meiji Dairies expands the distribution of "Meiji Oishii Gyunyu" nationwide.
	Meiji Seika launches "Amino Collagen."
2007	Meiji Dairies launches the infant formula "Meiji Hohoemi Raku Raku Cube."
2008	Meiji Dairies launches "Meiji Fresh Cream Ajiwai."
2009	Meiji Seika and Meiji Dairies establish a joint holding company Meiji Holdings Co., Ltd., and integrate their management.
	The antibacterial drug "ORAPENEM" is introduced.
	The antidepressant drug "REFLEX" is introduced.

2010s

2010	Prepared the Meiji Group 2020 Vision as a long-term business management strategy.
	Meiji Dairies launches "Meiji Yogurt R-1."
2011	In April, Meiji Holdings reorganizes Meiji Seika and Meiji Dairies; Meiji Co., Ltd., a food company, and Meiji Seika Pharma Co., Ltd., a pharmaceuticals company, begin operation.

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