meiji

Meiji Holdings Co., Ltd.

# 2013

## Annual Report

Year ended March 31, 2013

# Contents

Meiji Holdings Co., Ltd. Annual Report 2013



### Using This Annual Report

Meiji Holdings publishes annual reports to inform stakeholders of its business management strategies and measures. The content of this annual report is based on the business results for the fiscal year ended March 31, 2013, and includes details of some activities in the fiscal year ending March 31, 2014.

**Forward-Looking Statements**

Statements in this annual report 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 2013.

Fostered over many years, the Meiji Group's management resources include technology and expertise, materials, R&D capabilities, and quality standards that ensure safety and reliability. Another management resource is our employees, whose efforts enable these various operational facets. In addition, we have wide-ranging business foundations comprising numerous powerful brands and areas of strength. By integrating all these strengths, the Meiji Group is forging ahead toward the achievement of its medium-term management plan TAKEOFF14 and the realization of its long-term business management strategy Meiji Group 2020 Vision.

## Business Management Policy

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.

## 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

Meiji Group Strengths 1

## Powerful brands enriching the lifestyles of customers of all ages

# Food Segment


**Drinking Milk**

Market Share **22.4%**

No. 1 in Japan

Source: INTAGE Inc., SRI* (drinking milk market)
April 2012–March 2013 market share (money amount)


**Yogurt**

Market Share **42.7%**

No. 1 in Japan

Source: Meiji Holdings' research, fiscal 2012


**Chocolate**

Market Share **24.7%**

No. 1 in Japan

Source: INTAGE Inc., SRI* (chocolate market)
April 2012–March 2013 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.




# PRODUCTS

In the dairy, confectionery, and healthcare and nutritionals areas, the Food segment has an array of long sellers and numerous products with large market shares.
Powerful brands and extensive product lineups that satisfy customers of all ages are strengths.

**Ice Cream Cups**

Market Share **36.8%**

**No. 1 in Japan**

Source: INTAGE Inc., SRI* (ice cream cup market)
April 2012–March 2013 market share (money amount)


**Protein for Athletes**

Market Share **46.9%**

**No. 1 in Japan**

Source: Meiji Holdings' research, fiscal 2012

**Sore Throat Gargle**

Market Share **48.3%**

**No. 1 in Japan**

Source: INTAGE Inc., SDI** (market for sore throat gargles)
April 2012–March 2013 market share (money amount)

** SDI: Market value estimates based on point-of-sales data for pharmaceuticals that INTAGE Inc. collected from retail outlets nationwide.





Meiji Group Strengths 2

## Global development as a "Specialty and Generic Pharmaceuticals Company"

# Pharmaceuticals Segment

### Systemic Antibacterial Drugs

Market Share 11.4%

No. 5 in Japan

### Antidepressant Drugs

Market Share 16.0%

No. 3 in Japan

### Generic Drugs

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

©2013IMSHealth
Calculated based on MIDAS 2013 Mar MAT
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Market scope as defined by Meiji Seika Pharma

Source: CRECON RESEARCH & CONSULTING, fiscal 2012



# PRODUCTS

The pharmaceuticals segment contributes to the health and well-being of people worldwide through each of its businesses.

The ethical pharmaceuticals business develops operations focused on drugs for infectious diseases and central nervous system (CNS) disorders as well as generic drugs.  Meanwhile, the agricultural chemicals and veterinary drugs business maintains a solid position in Japan as a leading company in rice blast preventatives, insecticides, and drugs for the livestock and fishery industries.

Rice Blast Preventatives (Agricultural Chemicals)

Market Share 37.3%

No. 1 in Japan

Source: Japan Crop Protection Association, 2012 agricultural chemical year (October 2011–September 2012)

Industrial Veterinary Drugs

Market Share 9.2%

No. 4 in Japan

Source: Fuji-Keizai, fiscal 2012

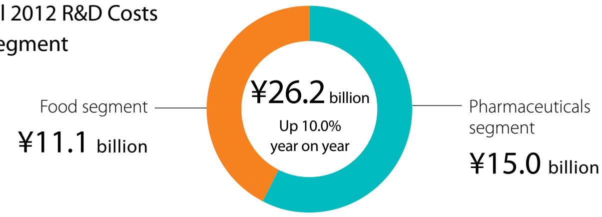



Meiji Group Strengths 3

# Wealth of Superior Materials and Outstanding R&D Capabilities

By furthering the diverse Food and Health technology and expertise we have accumulated in each of our businesses over many years, we provide *Tastiness, Enjoyment, Health, and Reassurance* as well as progressive value.

Fiscal 2012 R&D Costs by Segment




## Utilizing a Library Containing Roughly 4,000 *Lactobacilli*

In our research laboratories, we have a *lactobacillus* library that contains approximately 4,000 strains of *lactobacilli*. We have collected these *lactobacilli* from around the world over many decades.

## Heightening the Value of Drinking Milk

Since fiscal 2009, we have been working with dairy farmers nationwide to enhance the value of raw milk. These efforts heighten the value of drinking milk, one of our mainstay products.

# R&D

### Using Traceable Cacao Beans to Support Farmers

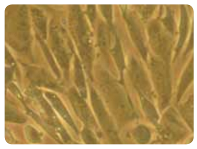
Because cocoa is the main ingredient of chocolate, it is important to purchase high-quality cacao beans. We work with Ghanaian farmers to secure stable supplies of high-quality, traceable cacao beans from specific regions.

### Leveraging Original Technology for Healthcare and Nutritionals

Over many years, we have accumulated research results on drinking milk, yogurt, and infant formula. As a result, we have developed original nutrition engineering technology and an approach based on clinical nutrition. These enable us to provide products that help people requiring special nutritional support to live healthily.


### Applying Bioscience for Producing Active Substances

We have developed expertise and advanced technologies through long years of research on culturing microorganisms as well as isolating and identifying useful substances. We will apply our leading-edge technologies to such biopharmaceuticals as antibody drugs.



### Increasing Reliability and Competitiveness Based on Integrated Pharmaceutical Production Systems

Based on reliable technology and integrated systems, we have established stable supply chains and high-quality production systems, from bulk drugs to pharmaceutical formulations. We are increasing reliability and competitiveness through our global production system.

Meiji Group Strengths 4

QUALITY

# Pursuing Quality That Ensures Safety and Reliability

Based on the Meiji Group's System of Principles, we bolster initiatives for quality constantly.

## Food Segment

### Quality Management System—Meiji Quality Comm

Meiji has developed and implemented a new quality management system which we call "Meiji Quality Communication." This system is designed to facilitate communication between different sections in our company to ensure a proper understanding of value and safety, as well as communication with stakeholders about Meiji's commitment to quality assurance.

## Pharmaceuticals Segment

With regard to pharmaceutical products, the Ministry of Health, Labour and Welfare sets strict rules on R&D, manufacturing, shipment, accumulation of side-effect information, provision of product information, and so on. 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.

Meiji Group Strengths 5 EMPLOYEES

# Employees' Efforts Supporting Growth

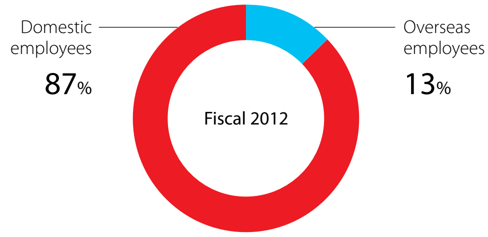
The personnel driving its growth are the greatest asset of the Meiji Group.
In their respective positions, diverse individuals work energetically and creatively to advance our operations.

Number of Employees
in Fiscal 2012, Consolidated*

**25,738**

* Including average number of temporary personnel

Workforce Composition




# To Our Stakeholders

Under TAKE OFF 14, the Meiji Group is making the best use of its expertise and technology to strengthen and foster its business operations based on a product portfolio of powerful brands.

Our goal is to become a global corporate group in the Food and Health fields.

## Review of the First Year of the Medium-Term Management Plan TAKE OFF 14

In April 2012, we launched the medium-term management plan TAKE OFF 14. Under this plan, the Meiji Group is stably providing products under powerful brands and strengthening its advantages. At the same time, we are fostering new businesses and overseas businesses and improving profitability throughout our operations. In addition, we are investing strategically to build the business foundations for future growth.

In fiscal 2012, ended March 31, 2013, we surpassed targets and the previous fiscal year's business results. In the Food segment, the dairy business performed favorably due to the significant growth in sales of yogurt products and boosted the results of the segment as a whole. Further, we made unstinting efforts to improve profitability, the benefits of which emerged from the second half of the fiscal year. In the Pharmaceuticals segment, the ethical pharmaceuticals business in Japan counteracted National Health Insurance (NHI) drug price revisions to achieve growth. Meanwhile, we increased R&D costs and accelerated drug development for future growth.

In the first year of TAKE OFF 14, the Group took a steady step forward. However, changes in exchange rates, raw material prices, and the consumption tax will affect the assumptions we used when preparing TAKE OFF 14. Consequently, adapting to changes flexibly is a new task.

## Meiji Group's Target Corporate Profile

As Food and Health professionals, we aim to enrich the lifestyles of customers of all ages by providing them with tastiness and enjoyment as well as products that contribute to their physical and emotional well-being.

The *meiji* brand, which customers have loved and endorsed for almost 100 years, is our greatest management resource. Underpinning this brand are significant strengths: development capabilities, expertise, technology, marketing capabilities, and employees' efforts. We will realize continuous growth by integrating these strengths to adapt to changes in business conditions—overcoming each issue steadily—and by meeting stakeholders' expectations through the creation of progressive value in the Food and Health fields.

The Meiji Group will sustain concerted efforts to become closer to everyone. We would like to thank our stakeholders sincerely for their continued support and understanding.

N. Sato

Naotada Sato
Chairman and Representative Director (Left)

S. Asano

Shigetaro Asano
President and Representative Director (Right)

# Meiji Group Overview

Meiji Holdings comprises two operating companies: Meiji Co., Ltd., and Meiji Seika Pharma Co., Ltd. Meiji is responsible for the dairy, confectionery, and healthcare and nutritionals businesses; and Meiji Seika Pharma is responsible for the ethical pharmaceuticals, agricultural chemicals, and veterinary drugs businesses. We offer an extensive lineup of products for people of all ages, from infants through to the elderly.

## Fiscal 2012 (Fiscal Year Ended March 31, 2013) Business Results

For financial highlights, please see page 24.

### Net Sales

¥1,126.5 billion

Up 1.6% year on year

Food segment ........................ ¥1,001.5 billion

Pharmaceuticals segment .............. ¥127.3 billion

### Operating Income

¥25.8 billion

Up 28.1% year on year

Food segment ........................... ¥19.3 billion

Pharmaceuticals segment .................... ¥6.4 billion

### Ordinary Income

¥29.1 billion

Up 33.1% year on year

### Net Income

¥16.6 billion

Up 144.6% year on year

### ROE

5.5%

### Dividends per Share

¥80.0

### Research and Development Costs

¥26.2 billion

### Dividend Payout Ratio

35.4%

# Meiji Holdings Co., Ltd.

## Meiji Co., Ltd.

### Dairy Business
- Yogurt, drinking milk, beverages, cheese, butter, frozen food, and processed food products for professional use, etc.

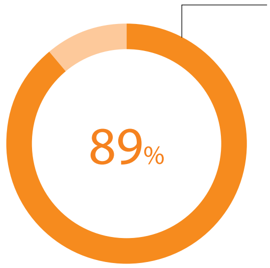
### Confectionery Business
- Chocolate, gum, candy, ice cream, etc.

### Healthcare and Nutritionals Business
- Sports nutrition products, functional healthcare products, over-the-counter (OTC) drugs, infant formula, enteral formula, food products for the elderly, etc.

### Other
- Mainly businesses in China, other countries in Asia, and the United States
- Logistics, feedstuffs, etc.

Note: The above shows businesses following the reclassification of certain operations in accordance with the April 2013 reorganization.

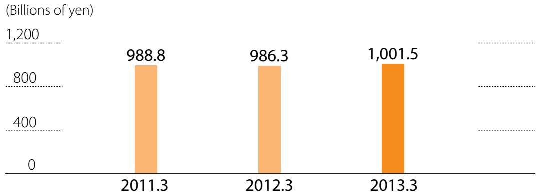
### Net Sales Breakdown Fiscal 2012



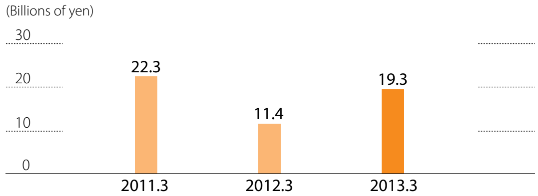

Breakdown*
- Dairy ........ 51%
- Confectionery ........ 24%
- Healthcare and Nutritionals ........ 10%
- Other ........ 15%

* The figures are before adjustments.

### Net Sales




### Operating Income

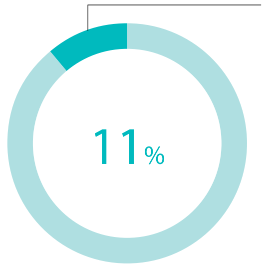



## Meiji Seika Pharma Co., Ltd.

### Ethical Pharmaceuticals Business
- Infectious diseases
- CNS disorders
- Generic drugs, etc.

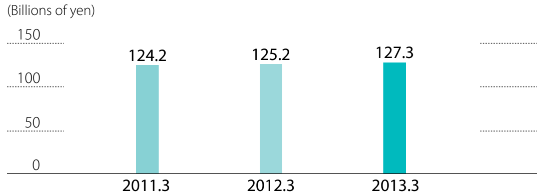
### Agricultural Chemicals and Veterinary Drugs Business
- Agricultural chemicals
- Veterinary drugs

### Net Sales Breakdown Fiscal 2012

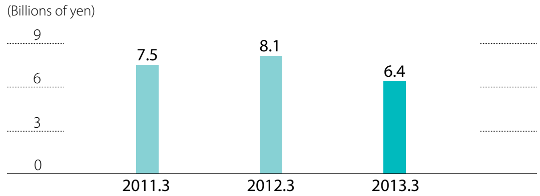



Breakdown
- Ethical Pharmaceuticals ........ 83%
- Agricultural Chemicals and Veterinary Drugs ........ 17%

### Net Sales




### Operating Income



# 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 progress toward the realization of its 2020 Vision.

April 2012

March 2015

## 2012–2014 Medium-Term Management Plan

(Fiscal 2012–Fiscal 2014)

TAKE OFF 14

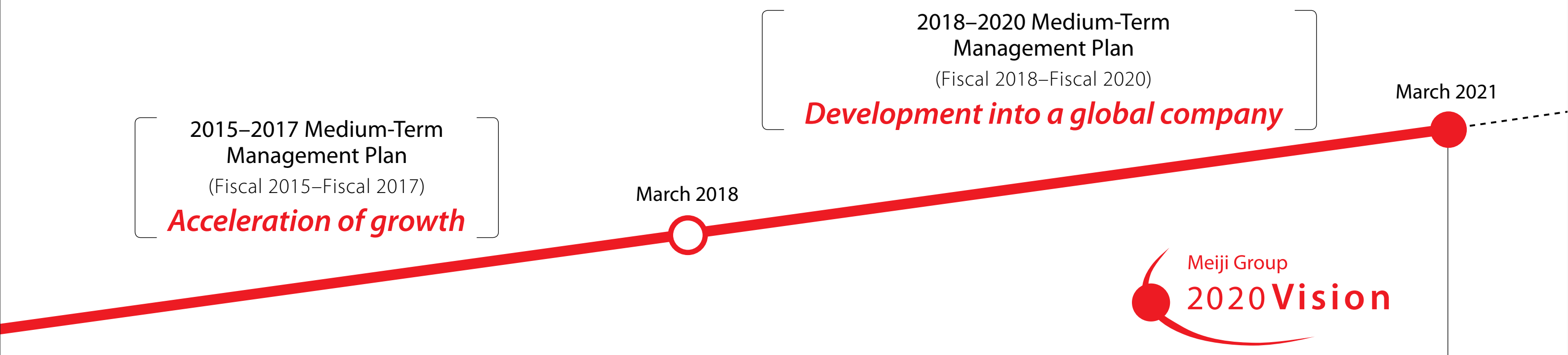
*Higher profitability and strategic investments for future growth*

### 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 Plan | | TAKE OFF 14 Targets (Fiscal 2014) |
|---|---|---|---|---|
| Net sales | ¥1.12 trillion | ¥1.14 trillion | → | ¥1.19 trillion |
| Operating income | ¥25.8 billion | ¥29.0 billion | → | ¥40.0 billion |
| ROE | 5.5% | 5.5% | → | 7% |




## Realizing the Meiji Group 2020 Vision

We aim to become a corporate group that enriches daily lives by providing customers of all ages—from infants to seniors—with tastiness and enjoyment as well as products that contribute to their physical and emotional well-being.

| | 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 Plan | | TAKE OFF 14 Targets (Fiscal 2014) |
|---|---|---|---|---|---|
| Food segment | Net sales | ¥1,001.5 billion | ¥1,007.2 billion | → | ¥1,050.0 billion |
| | Operating income | ¥19.3 billion | ¥21.5 billion | → | ¥30.0 billion |
| Pharmaceuticals segment | Net sales | ¥127.3 billion | ¥135.0 billion | → | ¥140.0 billion |
| | Operating income | ¥6.4 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 26.

For the Pharmaceuticals segment, please see page 32.

# An Interview with the President

We will advance reforms and innovations in response to changing business conditions and build solid business foundations.
By cultivating relationships with stakeholders and developing our main businesses with a strong awareness of our obligations to society, we will realize sustained growth.

**Shigetaro Asano**
President and Representative Director

Q After management integration and operational reorganization for future growth, TAKE OFF 14 is the inaugural three-year medium-term management plan aimed at realizing the Meiji Group 2020 Vision. How would you sum up the Group's progress during the plan's first year?

**I think we took a steady step forward in the plan's first year. We will adapt to new challenges flexibly to ensure we continue moving toward the achievement of our targets.**

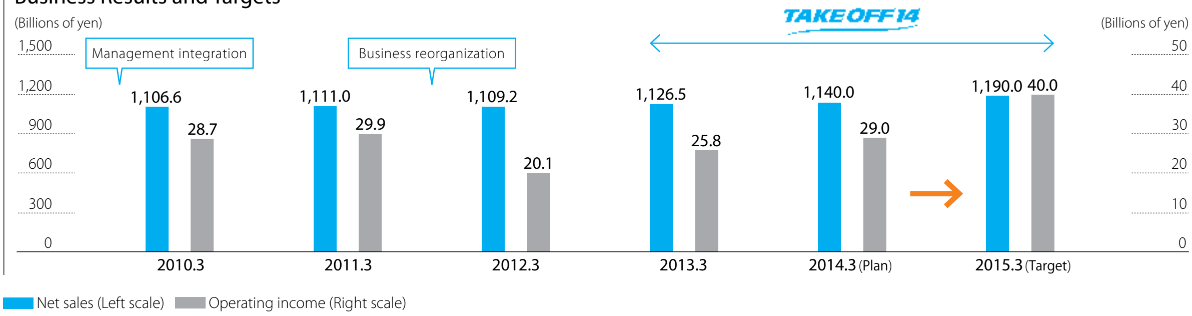
More than four years have passed since the April 2009 management integration. During this time, against the backdrop of damage resulting from the Great East Japan Earthquake and its subsequent effect on operations, we reorganized operations in April 2011 to lay foundations that would renew the Meiji Group and steepen its growth trajectory. In particular, we developed an even stronger awareness of our responsibility to deliver products to customers reliably as a result of experiencing the earthquake. Also, it was important because it gave us pause to think again about regeneration and the meaning of the Meiji Group's role in society. This increased our motivation to strengthen businesses and thereby enrich the lifestyles of customers. We are still in the process of growing. However, by focusing our employees' purpose and efforts and progressing steadily under the three medium-term management plans through fiscal 2020, we aim to realize the Meiji Group 2020 Vision.

In the first year of TAKE OFF 14, fiscal 2012, we had two main goals for the Food segment. First, we were determined to recover business results as soon as possible—particularly earnings—which the previous fiscal year's earthquake had affected. Second, we focused on strengthening reorganized businesses steadily. As a result, we posted year-on-year increases of 1.5% in segment net sales, to ¥1.00 trillion, and 68.7% in operating income, to ¥19.3 billion. We beat earnings targets thanks to higher sales of such probiotic yogurts as "Meiji Yogurt R-1" and a better product mix. I think the Food segment made a solid start under the management plan.

In the Pharmaceuticals segment, we focused on offsetting the April 2012 NHI drug price revisions as far as possible and advancing R&D for future growth. Consequently, segment net sales rose 1.7% year on year, to ¥127.3 billion. Despite this increase, operating income declined 21.1% year on year, to ¥6.4 billion. Thus, although we were able to counteract NHI drug price revisions and grow sales, earnings decreased due to higher R&D costs. However, operating income before the deduction of R&D costs increased. Taking this into consideration, I think the Pharmaceuticals segment progressed according to plan in fiscal 2012.

Looking at the Group as a whole, while we did not regain our pre-earthquake earnings levels, we took a steady step forward to restore business results and strengthen businesses. Meanwhile, fiscal 2012 saw changes in the preconditions of TAKE OFF 14 that we did not factor in when preparing it. For example, as well as a weaker yen, raw material prices rose and the consumption tax is set to increase. Responding to these factors flexibly has become one of our tasks from fiscal 2013 onward.

Business Results and Targets




## Q Please explain the initiatives of businesses in the Food segment and the aim of the restructuring implemented in April 2013.

### We will strengthen our advantages, improve the profitability of all operations, and build solid business foundations that can withstand changing conditions.

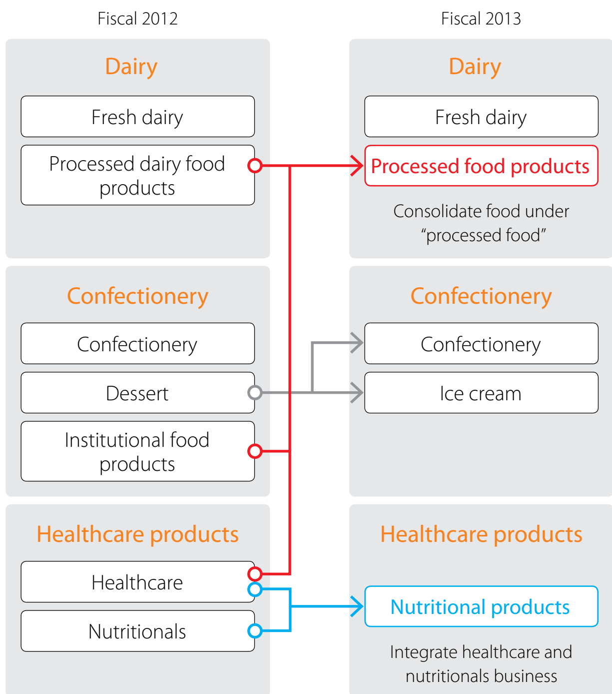
In fiscal 2012, the dairy business drove the segment's business results. In particular, our probiotic yogurts led the yogurt market and sales grew significantly, reaching the ultimate target of 30% growth versus fiscal 2011 in the first year of TAKE OFF 14. The Meiji Group has a library of approximately 4,000 strains of *lactobacilli*, an excellent research team with capabilities ranging from basic research to applied research, and extensive expertise accumulated over many years. By integrating these assets, we have been able to create outstanding products. And we will continue capitalizing on strengths to maintain overwhelming dominance.

An Interview with the President

Our task in the confectionery business and the healthcare and nutritionals business is to improve profitability. In the confectionery business, measures to reduce costs—by increasing the efficiency of manufacturing, supply and demand, and logistics and focusing on long sellers—began to bear fruit from the second half of fiscal 2012. The confectionery business boasts many long sellers, such as "Meiji Milk Chocolate," "Meiji Almond Chocolate," and chocolate snacks "Kinoko no Yama" and "Takenoko no Sato." By focusing on these products, we will improve profitability. As for the healthcare and nutritionals business, sports nutrition products and enteral formula performed well, but other products struggled amid slumping market conditions and intensified competition. We are working to enhance sales productivity and raise the efficiency of sales promotions. There are high-value-added products in the confectionery business and the healthcare and nutritionals business. Therefore, we will exploit these strong products and boost profitability.

In April 2013, we restructured Meiji's sales systems and operations to enhance profitability and strengthen business foundations. We will establish balanced business foundations to secure earnings even in volatile business conditions.

Restructuring to Improve Profitability (April 2013)




- Strengthen business foundations by reorganizing operational systems and sales systems
- Strengthen marketing capabilities and increase sales productivity

## Q How is the Pharmaceuticals segment progressing?

### We are making the best use of our strength as a "Specialty and Generic Pharmaceuticals Company." Also, we are enriching our development pipeline and accelerating R&D.

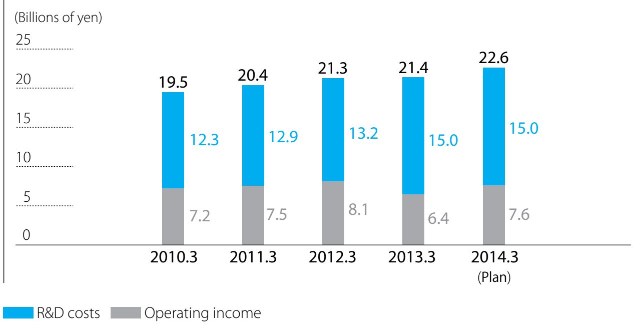
In fiscal 2012, our ethical pharmaceuticals business in Japan overcame the ¥7.4 billion effect of NHI drug price revisions and grew sales. Antibacterial drug "ORAPENEM" and antidepressant drug "REFLEX" both posted higher sales. In generic drugs, sales of existing products grew favorably. Also, an antidepressant drug, a drug for insomnia, and a drug for allergic disease, which were launched in fiscal 2012, established leading market shares and contributed to sales.

In tough business conditions, we managed to achieve growth due to the success of our "Specialty and Generic" fusion strategy. Based on this strategy, each medical representative provides comprehensive solutions to patients' diseases by incorporating brand-name drugs and generic drugs; this is our advantage. In fiscal 2013, there will be no NHI drug price revisions. We will continue leveraging our "fusion strategy" to claim larger market shares.

Overall, the agricultural chemicals and veterinary drugs business increased revenues. This reflected higher sales of mainstay rice blast preventative "ORYZEMATE" in agricultural chemicals, the injectable antibacterial veterinary drug "MARBOCYL," and companion animal (pet) drugs. As well as growing sales in Japan, the agricultural chemicals and veterinary drugs business rolled out products overseas. In the current fiscal year, we are continuing to advance growth strategies targeting markets in Japan and overseas.

Fiscal 2012 saw R&D costs rise ¥1.8 billion year on year, to ¥15.0 billion, due to an increase in the number of drugs under development and the advancement of their development phases. To enrich our development pipeline, we concluded a licensing agreement for an antipsychotic drug. Further, we began phase I clinical trials in Japan for a drug for Parkinson's disease. Also, we began phase I clinical trials in the United States for an antionychomycosis topical agent, which we discovered in-house. R&D costs will remain at a high level in fiscal 2013. However, by prioritizing initiatives to accelerate the creation of highly marketable drugs for development in accordance with TAKE OFF 14, we will increase productivity and control expenses appropriately.

Operating Income before Deduction of R&D Costs




## Q What have strategic investments under TAKE OFF 14 achieved?

### Undertaking high priority and urgent investment, we invested to expand yogurt production capacity. Some investment that had been planned for fiscal 2012 has been postponed to the current fiscal year and beyond.

Capital investment in fiscal 2012 decreased ¥0.7 billion from the previous fiscal year, to ¥37.6 billion. This decline mainly resulted from our postponement of certain investments until the current fiscal year and beyond because we gave priority to investments to ramp up production capacity in response to strong demand for yogurt products. TAKE OFF 14 is a period for strategic investment, and the total amount earmarked for investment has not changed. In fiscal 2013, we plan capital investment of ¥61.3 billion, which includes the portion carried over from fiscal 2012.

Interest-bearing debt was roughly the same level as at the previous fiscal year-end, edging up ¥0.1 billion, to ¥205.4 billion. And the debt-to-equity ratio was 0.66 times. In principle, we will source investment funds from equity and debt financing while maintaining financial soundness.

Q

## TAKE OFF 14 identifies overseas businesses as growth businesses. How is the Meiji Group fostering its overseas operations?

### To grow and develop into a global corporate group, we are integrating our unique strengths to bolster overseas initiatives in each of our business segments.

Under TAKE OFF 14, we will step up efforts in our overseas businesses. Although overseas businesses have yet to contribute significantly to consolidated business results, fostering them is an important task for the Group's growth. Our goal is to enrich the lifestyles of customers overseas by using our strengths—our expertise, technology, and uncompromising quality standards—to provide products that optimally match the market characteristics and needs of customers in each region.

For the Food segment, priority countries and regions are Asia, China, and the United States. In Asia, our chilled milk and yogurt business in Thailand is growing vigorously. Moreover, exports to surrounding countries are brisk, so we are increasing production capacity and thereby expanding businesses in Asian countries. Meanwhile, the confectionery business is focusing on chocolate snacks. Manufactured mainly in Singapore, these produccts are exported to more than 50 countries in Asia, North America, and other regions. In China, we are developing businesses for confectioneries, ice cream, and infant formula. In addition, we have completed a plant in Suzhou for the production of chilled milk and yogurt for the Shanghai market.

In the Pharmaceuticals segment, we are realizing a global and highly profitable manufacturing regime and increasing sales in emerging countries. We have five overseas operating bases, in China, Thailand, Indonesia, and Spain. In March 2013, we completed the construction of an R&D center at Tedec-Meiji Farma, S.A., in Spain. For the global generic drugs market, we are building a system that enables efficient, rapid development through coordination with our research center in Japan.

Q

## What is the Meiji Group's approach to improving ROE and increasing returns to shareholders?

### We have made a dramatic shift in direction to focus on earnings. Also, we will improve ROE, mainly by enhancing profitability to grow earnings.

In TAKE OFF 14, we disclosed ROE as a benchmark of business management efficiency. In fiscal 2014, we aim to achieve ROE of 7%, mainly through earnings growth. Our approach is to improve ROE by strengthening our advantages and rigorously pursuing enhanced profitability as a priority task.

In fiscal 2012, thanks to a significant 144.6% rise in net income, to ¥16.6 billion, ROE was up 3.2 percentage points year on year, to 5.5%. As well as higher earnings, this increase resulted from lower tax expenses, after the application of tax effect accounting, due to the recognition of deferred tax assets that accompanied the reorganization of overseas subsidiaries. For the current fiscal year, our ROE target is 5.5%.

The Meiji Group's basic policy is to realize stable and continuous returns to shareholders. Accordingly, for fiscal 2012 we paid a full-year dividend of ¥80.0 per share, including an interim dividend of ¥40.0 per share. Under TAKE OFF 14, the Meiji Group is advancing its domestic and overseas operations on a Groupwide basis. I expect these efforts will maximize corporate value and meet the expectations of all our stakeholders.

## Q Having completed the first year of TAKE OFF 14, what is the Meiji Group's target corporate profile?

### By remaining a corporate group that society needs, I believe we will earn the trust of stakeholders and maximize corporate value.

The Meiji Group 2020 Vision's goal is to become a leading global Food and Health corporate group. We will achieve net sales of ¥1.5 trillion, an operating income margin of at least 5%, and ROE of 10% in fiscal 2020. This is by no means an easy goal to reach. However, I believe it is achievable. We performed well in fiscal 2012, as a first step in TAKE OFF 14. In fiscal 2013, we are building further momentum for growth in fiscal 2014 and under our next medium-term management plan.

It has been more than four years since management integration and more than two since business reorganization. These changes create synergy benefits throughout value chains in marketing and manufacturing. That said, I am convinced this integration of two companies—Meiji Seika Kaisha, Ltd., and Meiji Dairies Corporation—can produce further synergies because they have strong presences in their respective business areas. At present, the Meiji Group is bringing together diverse values to achieve results. While this is not an easy task, achieving it will unlock significant potential. By this, I mean combining diverse values within the Group and listening to feedback from all stakeholders to pursue reform and innovation.

Companies exist within society. For this reason, we will not be complacent; remaining a corporate group that society needs must be the overriding goal of our efforts. All of the Meiji Group's mainstay businesses contribute to society. We develop products to meet changing needs, provide fun products that add color to life, and ensure stable product supplies. Therefore, the Group will earn the trust of society and boost its business results through concerted efforts to integrate advantages, expertise, and technology to advance mainstay businesses while meeting stakeholders' expectations. In addition, individual employees' commitment and efforts will support our businesses. Meeting our responsibilities to employees, who are also stakeholders, and making sure all of them are happy is important.

Our mission is to enrich the lifestyles of customers of all ages by delivering our unique *Tastiness, Enjoyment, Health, and Reassurance* and by consistently providing progressive value as Food and Health professionals. Our target corporate profile is for the Meiji Group and its employees to benefit society through all businesses, including dairy, confectionery, healthcare and nutritionals, and pharmaceuticals.

# Financial Highlights

## Key Points of Fiscal 2012 (ended March 2013)

**Net sales**

**Food segment:** Buoyed by brisk yogurt sales, the dairy business drove the segment as a whole. Sales in the confectionery business were largely unchanged year on year, while the healthcare and nutritionals business recorded lower revenues.

**Pharmaceuticals segment:** The ethical pharmaceuticals business grew revenues by more than offsetting NHI drug price revisions through higher sales of antidepressant drugs and generic drugs. The agricultural chemicals and veterinary drugs business posted an increase in revenues thanks to solid sales of its mainstay rice blast preventative.

**Operating income**

**Food segment:** Earnings were up, reflecting higher revenues from the dairy business and an improved sales mix.

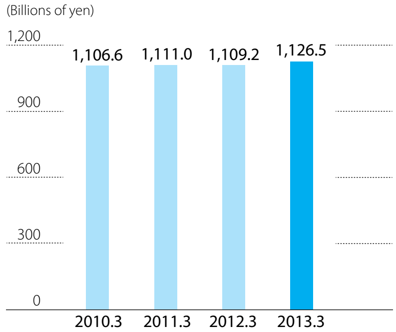
**Pharmaceuticals segment:** Earnings declined due to strategically increased R&D costs.

| (Fiscal years ended March 31) | Millions of yen 2010 | Millions of yen 2011 | Millions of yen 2012 | Millions of yen 2013 | Thousands of U.S. dollars*1 2013 |
|---|---|---|---|---|---|
| **For the fiscal year** | | | | | |
| Net sales | ¥1,106,645 | ¥1,111,000 | ¥1,109,275 | ¥1,126,520 | $11,977,889 |
| Food segment | — | 988,854 | 986,319 | 1,001,551 | 10,649,135 |
| Pharmaceuticals segment | — | 124,202 | 125,274 | 127,361 | 1,354,186 |
| Cost of sales | 734,665 | 732,931 | 738,500 | 743,835 | 7,908,940 |
| Selling, general and administrative (SG&A) expenses | 343,194 | 348,109 | 350,584 | 356,825 | 3,793,996 |
| Operating income | 28,786 | 29,959 | 20,189 | 25,859 | 274,952 |
| Ordinary income | 28,316 | 30,451 | 21,882 | 29,131 | 309,740 |
| Net income | 13,088 | 9,552 | 6,805 | 16,646 | 176,977 |
| Capital expenditures*2 | 30,546 | 38,512 | 35,994 | 35,275 | 375,076 |
| Research and development costs | 22,693 | 23,418 | 23,823 | 26,199 | 278,565 |
| Depreciation and amortization*3 | 39,087 | 41,345 | 40,871 | 40,821 | 434,044 |
| Net cash provided by operating activities | 47,707 | 57,995 | 30,597 | 50,622 | 538,252 |
| **At fiscal year-end** | | | | | |
| Total assets | ¥730,044 | ¥716,368 | ¥749,985 | ¥785,514 | $8,352,091 |
| Total net assets | 297,771 | 293,530 | 298,491 | 320,609 | 3,408,926 |
| | Yen | | | | U.S. dollars*1 |
| **Per share data** | | | | | |
| Net income | ¥ 177.73 | ¥ 129.63 | ¥ 92.38 | ¥ 225.98 | $ 2.403 |
| Net assets*4 | 3,933.05 | 3,906.36 | 3,958.24 | 4,254.56 | 45.237 |
| Cash dividends | 80.0 | 80.0 | 80.0 | 80.0 | 0.851 |
| **Ratios (%)** | | | | | |
| ROE | 4.6 | 3.3 | 2.3 | 5.5 | |
| ROA | 1.8 | 1.3 | 0.9 | 2.2 | |
| **Other information** | | | | | |
| Number of employees | 14,168 | 14,861 | 15,338 | 14,819 | |

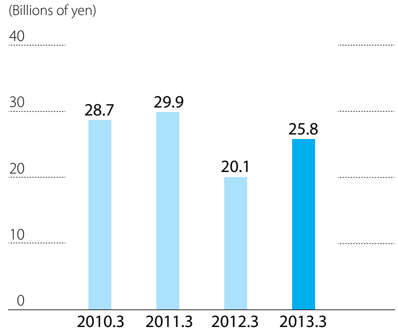
*1. U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US$1 = ¥94.05, the exchange rate on March 31, 2013.
*2. Figures for capital expenditures only represent property, plants and equipment based on consolidated statements of cash flows.
*3. Figures for 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.

## Business Scale

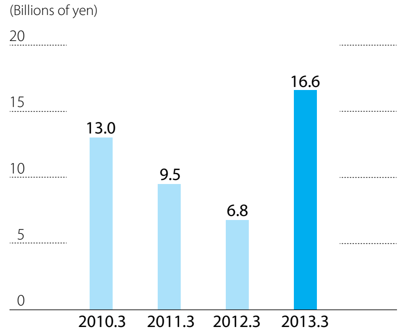
### Net Sales




### Operating Income

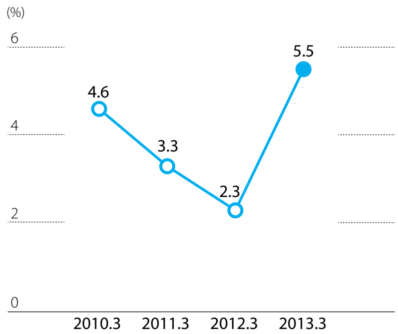



### Net Income

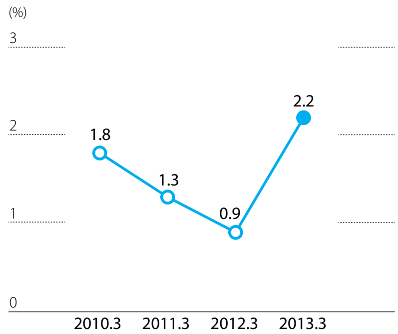



## Profitability

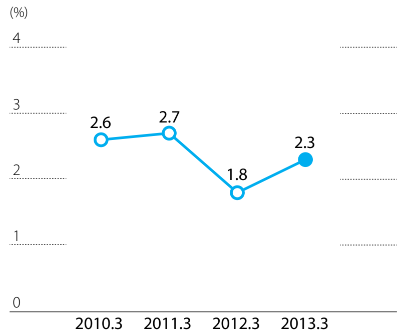
### ROE




### ROA

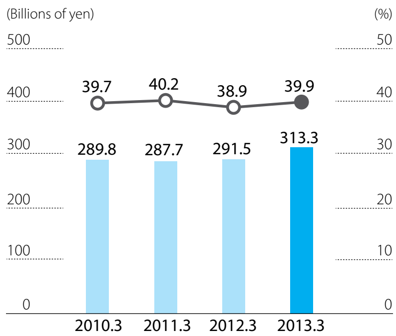



### Operating Income to Net Sales



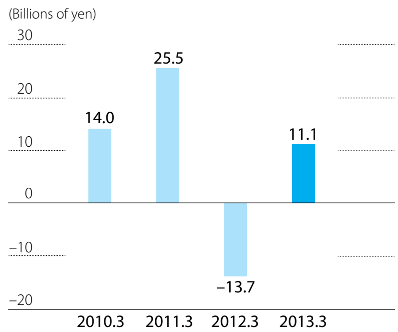

## Stability

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




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

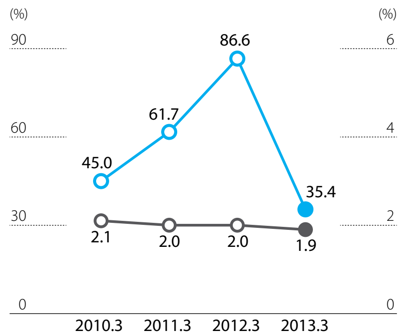
### Free Cash Flow*




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

## Returns to Shareholders

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

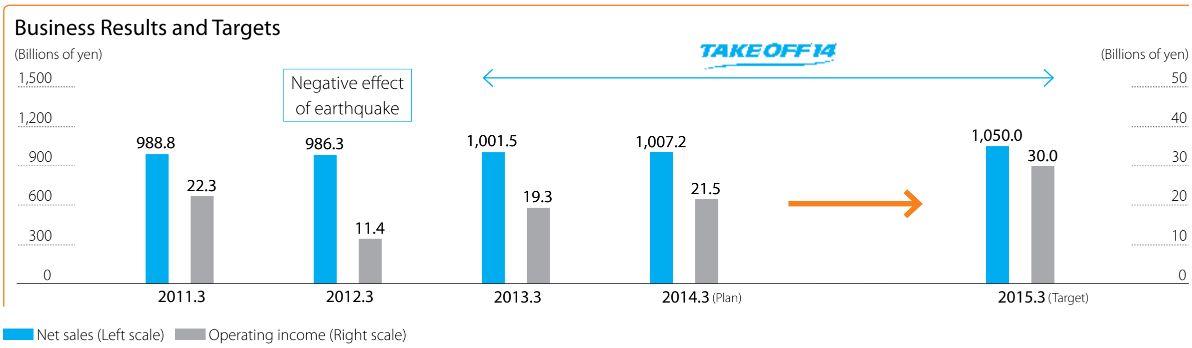



Dividend payout ratio (Left scale)
Dividends on equity (DOE) (Right scale)

## Progress by Segment under TAKE OFF 14

# Food Segment

In the Food segment, we have two main advantages. The first is an extensive product lineup that satisfies all ages, from infants to the elderly. The second is technology and infrastructure that enable the use of all types of distribution channels and temperatures to bring these products to market. By achieving synergy benefits among each R&D function, we, as Food and Health professionals, will continue to provide progressive value.




* 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.

### Goals for the First Year of TAKE OFF 14

- Recover as rapidly as possible from the significant effect the Great East Japan Earthquake had on fiscal 2011 business results, with focus on earnings
- Take measures to strengthen businesses

**Net Sales** ¥1,001.5 billion Up 1.5% year on year

**Operating Income** ¥19.3 billion Up 68.7% year on year

**Summary of Fiscal 2012 (ended March 2013)**

- Operating income was up significantly year on year. A rise in sales in the dairy business led to higher sales promotion expenses and advertising expenses. Also, raw material procurement costs increased. However, earnings were up significantly thanks to business growth and profitability improvement.
- Sales of high-margin probiotic yogurts increased, thereby improving the sales mix. Consequently, the dairy business achieved higher revenues and earnings, and it drove the entire segment.
- The confectionery business recorded declines in revenues and earnings, despite brisk sales of nut-chocolate products and ice cream. However, the benefits of cost reductions emerged from the second half.
- The healthcare and nutritionals business posted lower revenues and earnings. Favorable sales of enteral formula and other nutritional products did not fully compensate for a decrease in sales of "Amino Collagen" amid intensified sales competition.

### 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, raw material price hikes, and higher consumption tax

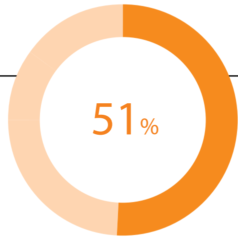
**Net Sales** ¥1,007.2 billion Up 0.6% year on year

**Operating Income** ¥21.5 billion Up 10.9% year on year

Food Segment

# Dairy Business

Net sales breakdown by Food segment
Fiscal 2012




## Fiscal 2012 Business Results and Initiatives

**Net Sales** ¥617.0 billion Up 4.6% year on year

**Operating Income** ¥20.3 billion Up 104.2% year on year

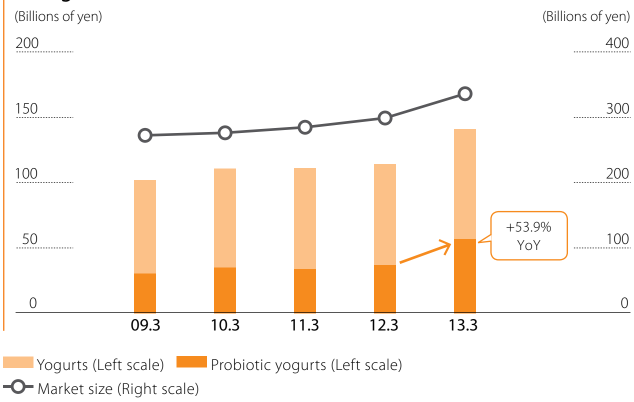
- Yogurt products posted higher sales and drove market growth. Sales of such probiotic yogurts as "Meiji Yogurt R-1" rose significantly, thereby improving the sales mix.
- Sales of "Meiji Oishii Gyunyu" increased, due to a successful marketing campaign marking the brand's 10th anniversary. However, drinking milk sales as a whole were unchanged year on year.
- In processed dairy food products, mainstay "Meiji Hokkaido Tokachi Camembert Cheese" performed steadily.
- Higher sales promotion expenses and advertising expenses accompanied the rise in sales. Further, raw material procurement costs also increased due to a revision of raw milk transaction prices, excluding raw milk for drinking milk, in Japan. However, the business more than compensated for these increases by expanding operations and achieving cost reductions through the reorganization of sales subsidiaries and improved production efficiency. As a result, the dairy business as a whole realized higher revenues and earnings.

### Aiming to Establish Overwhelming Dominance in the Yogurt Market

For details, please see page 31.

- Our probiotic yogurts drove the domestic yogurt market, which was valued at more than ¥330 billion in fiscal 2012.
- In fiscal 2012, probiotic yogurts reached the sales target for the final year of TAKE OFF 14, fiscal 2014.

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




- With interest in health heightening, demand for yogurt products is expected to continue to grow steadily. To meet growing demand, we ramped up production capacity by installing new production lines.

**Notice concerning Investments in Improvement of Yogurt Production System (released March 14, 2013)**

Investment: Approximately ¥4.0 billion

- Install new production lines for plain and small cup yogurt at Moriya Plant, our main yogurt production base in Kanto region
- Approximately double plant's production capacity based on liquid volume
- Plan to start up production in phases from December 2013

### Improving Profitability

- We are improving the profitability of mainstay "Meiji Bulgaria Yogurt" by launching new products and revising the product mix.
- The Group reorganized sales subsidiaries and improved operational efficiency. We are exploiting nationwide sales and distribution networks to realize efficient operations.

## Key Strategies for the Second Year of TAKE OFF 14

- Sustaining the yogurt market's growth is pivotal to expanding the dairy business. In fiscal 2013, we will increase sales by providing useful health information to customers and bolstering production capacity.
- We will improve profitability by revising product lineups and increasing production efficiency.
- In restructuring implemented in April 2013, we undertook a reorganization that placed processed food under the management of a new division in the dairy business. We will achieve synergies through coordination between sales operations for retail food products and those for institutional food products.

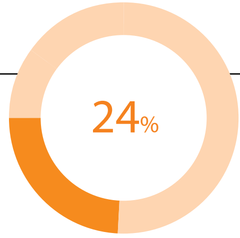
Progress by Segment under TAKE OFF 14

Food Segment

# Confectionery Business

Net sales breakdown by Food segment

Fiscal 2012




## Fiscal 2012 Business Results and Initiatives

**Net Sales** ¥292.4 billion Down 0.4% year on year

**Operating Income** ¥4.6 billion Down 10.9% year on year

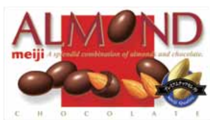
- Sales of "Meiji Almond Chocolate," marking the 50th anniversary of its launch, and other nut-chocolate products rose. Sales of ice cream also rose, thanks to "Meiji Essel Super Cup," which featured an additional new flavor. Higher sales of mainstay institutional food products reflected the marketing of products tailored precisely to the needs of customers.
- Amid challenging conditions resulting from lackluster markets, fiercer competition, and prolonged late summer heat, the confectionery business recorded sales unchanged from the previous fiscal year. Higher sales promotion expenses and advertising expenses caused a decline in operating income.
- We improved the efficiency of production and distribution. Further, we reduced fixed costs and the number of products. Profits resulting from these efforts emerged steadily from the second half.

## Improving Profitability and Strengthening Product Quality

- Reflecting the basic strategies set out in TAKE OFF 14, we are focusing on earnings growth as our first priority.
  Increasing efficiency of production, supply and demand, and logistics: We are focusing marketing efforts on long sellers and increasing the capacity utilization rates of production lines.
  Focusing on prioritized products: We are revising product strategies and concentrating our resources on profitable products in each confectionery category.
  Using sales promotion expenses and advertising expenses effectively: We are focusing sales promotion and advertising expenditures on long sellers and promising products.
- We aim to increase our share of the growing ice cream market by developing products that combine milk and confectionery technology. We are fostering the "Meiji Chocolate Ice Cream" series and "Meiji The Premium Gran" to become mainstays in the near future.

Meiji Milk Chocolate


Kinoko no Yama



Meiji Almond Chocolate


Takenoko no Sato


Meiji Essel Super Cup

Meiji The Premium Gran

Meiji Milk Chocolate Ice Cream

Meiji Chocolate Ice Cream Bar

## Key Strategies for the Second Year of TAKE OFF 14

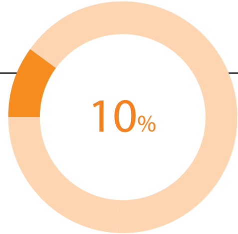
- We view improvement of profitability as a pressing task. We will reform the revenue-and-expenditure structure through such efforts as enhancing sales productivity and reducing the number of products.
- While focusing on our most well-known brands, we will develop new blockbuster products and product categories by leveraging our brands, expertise, and technology.
- As a result of restructuring, the confectionery business comprises confectionery and ice cream. We will develop the confectionery business by heightening products' visibility and added value and maximizing our strengths.

Food Segment

# Healthcare and Nutritionals Business

Net sales breakdown by Food segment

Fiscal 2012




## Fiscal 2012 Business Results and Initiatives

**Net Sales** ¥115.0 billion Down 2.3% year on year

**Operating Income** –¥2.1 billion Down ¥1.0 billion year on year

- Healthcare category: Sales of such products as the nutritional supplement for sports use "SAVAS" grew due to successful promotion among runners and junior athletes. Collagen beauty formula "Amino Collagen" saw sales decline due to a sluggish market and fiercer competition.
- Nutritionals category: Enteral formula performed solidly, reflecting the cultivation of new business customers for enteral formula and the launching of new products. Infant formula sales were on a par with those of the previous fiscal year.
- The healthcare and nutritionals business saw earnings decline. Reductions in sales promotion expenses and advertising expenses were unable to offset lower earnings completely due to a decrease in sales.

### Growing Market Shares of Mainstay Brands

- We are stepping up sales initiatives focused on mainstay brands.

**Sports nutrition:**
Our promotional activities for the nutritional supplements for sports use "SAVAS" and "VAAM" targeted runners.


SAVAS


VAAM

**Amino collagen:**
In March 2013, we launched a new product that includes profec, which increases *bifidobacterium* spp. in the intestine. We sought to stimulate a slumping collagen market.


Amino Collagen


Amino Collagen Profec

**Enteral formula and food products for the elderly:**
Needs for these products arising from the aging of society and an increase in home-based nursing care have increased. To meet the increased demand, we expanded our drugstore sales channel. The Group developed and sold nutritious products by using expertise and experience gained through the development of infant formula.


Meiji Mei Balance

**Infant formula and food products for infants:**
The market is contracting because birthrates are declining. Therefore, we are optimizing the scale of this business accordingly. In September 2012, we upgraded the constituents of infant formula and provided information to lactating mothers emphasizing its nutritional value.


Meiji Hohoemi Raku Raku Cube

### Improving Profitability

- Business conditions are changing due to the aging of society, heightening interest in health, and intensified competition as more companies participate in the market. We rebuilt business foundations by concentrating our resources in growth areas to improve operational efficiency.

## Key Strategies for the Second Year of TAKE OFF 14

- We will heighten the brand value of mainstay products. We will enhance sales productivity and use sales promotion expenditures effectively. Through these measures, we will secure earnings.
- In a restructuring initiative, we transferred food products and frozen food products from the healthcare and nutritionals business to the dairy business. Based on this new structure, the healthcare and nutritionals business will concentrate on two business areas: healthcare and nutritionals. We will streamline the Head Office organization; increase the efficiency of development, product planning, and sales; and enhance productivity.

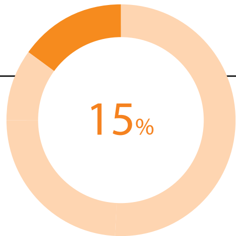
Progress by Segment under TAKE OFF 14

Food Segment

# Other Businesses

Net sales breakdown by Food segment

Fiscal 2012




## Fiscal 2012 Business Results and Initiatives

**Net Sales** ¥183.6 billion Up 2.1% year on year

**Operating Income** ¥0.7 billion Down 6.9% year on year

- The feedstuffs and livestock products business in Japan performed steadily.
- Overseas, we are fostering new businesses while improving the profitability of existing businesses.
- Other businesses grew revenues. Operating income declined due to increases in such costs as SG&A expenses.

Confectioneries marketed overseas


Yan Yan


Hello PANDA


Animal Crackers

## Key Strategies for the Second Year of TAKE OFF 14

- Overseas, we will foster new businesses. We will expand existing businesses and improve their profitability.
- As for businesses in Japan, we will respond to higher raw material costs.

## TOPICS

### Fresh Dairy Business in China

From fiscal 2013, we will begin producing chilled milk and yogurt in Suzhou, China, for sale in Shanghai. We have completed the plant already and sourced reliable quality raw materials. A local subsidiary will sell products to general merchandising stores and convenience stores.


An outside view of our new plant in Suzhou

### Meiji Feed Co., Ltd., Wins an Eco Products Award for "Moromi Pellets"

Group company Meiji Feed Co., Ltd., received an award for excellence, "The Chairperson's Award," at the 9th Eco Products Awards in December 2012 for "Moromi Pellets." This original product was highly evaluated for its resource recycling characteristics. This award is given to products and services that help reduce environmental burden. Meiji Feed is the first Group company to receive this excellence award. "Moromi Pellets" is a feed product made from the strained lees of soy sauce using an original manufacturing method. As a by-product of the soy sauce manufacturing process, the lees are normally disposed of as industrial waste. Going forward, we will continue fulfilling our social responsibility to make effective use of recyclable resources from food products.


Moromi Pellets

COLUMN 1

# Foundations for Overwhelming Dominance in the Yogurt Market


In fiscal 2012, Japan's yogurt market grew dramatically, valued at more than ¥330 billion. Of this, the Meiji Group's yogurt sales were approximately ¥140 billion—giving the Group the leading market share. Since 1950, when it became the first in Japan to produce yogurt in industrial quantities, the Meiji Group has been studying *lactobacilli* and accumulating research results and has led the yogurt market consistently.

## Extensive Scientific Expertise on *Lactobacilli* Accumulated over Many Years

We launched "Meiji Honey Yogurt" in 1950, while 1971 saw us launch Japan's first plain yogurt, "Meiji Plain Yogurt." This product recreated Bulgarian yogurt we had encountered at the Bulgarian pavilion of the Osaka World Exposition. We received permission from the Bulgarian government to name the product "Meiji Bulgaria Yogurt" in 1973. This product has become very popular and become a byword for yogurt in Japan.

For more than 60 years, the Meiji Group has been researching *lactobacilli*. Consequently, we make our yogurt based on the results of this research. Our research laboratories have a *lactobacillus* library containing approximately 4,000 strains of *lactobacilli* collected from around world. Interestingly, different combinations of *lactobacilli* produce yogurts with different flavors and textures and effects on the body. Accordingly, through untiring research we identify the best combinations of *lactobacilli*, which we provide to customers as yogurt products.

*Lactobacillus* library



Above: "Meiji Bulgaria Yogurt," launched in 1973
Left: "Meiji Honey Yogurt," launched in 1950 and the first yogurt successfully produced industrially in Japan

## Evolving Leading-Edge Research Even Further to Provide Tastiness and Promote Health

The Meiji Group discovered LB81, which improves the intestinal tract's environment and the stomach's condition, and incorporated it into a yogurt product. Moreover, we obtained permission to display the statement "government-approved food for specified health uses" on this product's label. Thus, our researchers have worked unflaggingly to realize the potential of *lactobacilli* more extensively and to boost the appeal of yogurt.

In recent years, through research efforts we have discovered *lactobacillus gasseri* OLL2716, which inhibits the multiplication of *H. pylori*, and 1073 R-1 *lactobacillus*, which has an immunostimulating effect. Based on scientific data acquired from this research, we have created probiotic yogurt products, which have attracted a great deal of interest and are at the forefront of the yogurt market.

Also, in November 2011, we began joint research with the Institut Pasteur in France, which has produced numerous Nobel laureates. This research aims to investigate the health and long-life benefits of "Meiji Bulgaria Yogurt LB81." Therefore, we are looking forward to announcing hitherto unknown properties of the LB81 *lactobacillus*. Moreover, we believe this international academic collaboration will heighten our brand value and corporate value.

The Meiji Group will use its expertise and proven technology to create products that deliver the unique benefits of *lactobacilli* to customers. Our mission is to continue providing customers with tasty products that enrich their everyday lives and health.


A signing ceremony held at the Institut Pasteur

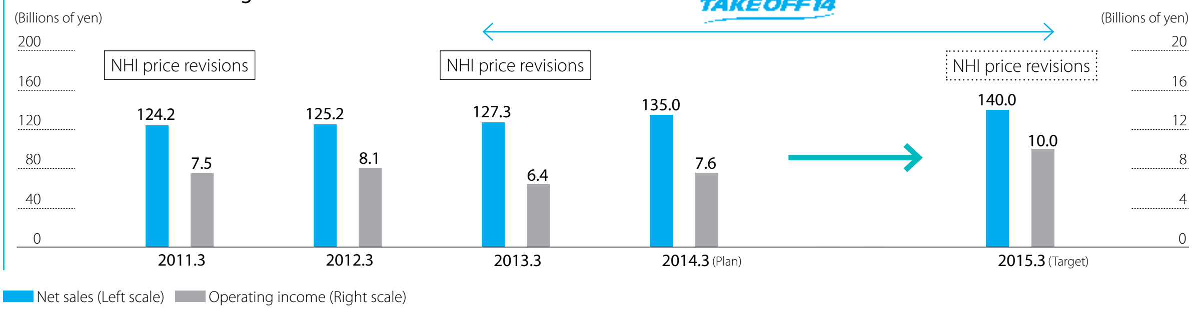
乳酸菌の
可能性を
カタチに。

Progress by Segment under TAKE OFF 14

# Pharmaceuticals Segment

In this segment, Meiji Seika Pharma Co., Ltd., operates businesses globally as a "Specialty and Generic Pharmaceuticals Company." By researching and developing ethical pharmaceuticals, agricultural chemicals, and veterinary drugs, we help promote health. Also, we provide high-quality generic drugs at low prices. Through these efforts, we will contribute to the health and well-being of people worldwide.

Business Results and Targets




* 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.

## Goals for the First Year of TAKE OFF 14

- Counter effect of NHI drug price revisions
- Accelerate R&D for future growth

Net Sales ¥127.3 billion Up 1.7% year on year

Operating Income ¥6.4 billion Down 21.1% year on year

Summary of Fiscal 2012 (ended March 2013)

- In the Pharmaceuticals segment, the ethical pharmaceuticals business and the agricultural chemicals and veterinary drugs business posted higher sales year on year.
- In the ethical pharmaceuticals business, growth in sales of the antibacterial drug "ORAPENEM" and the antidepressant drug "REFLEX" as well as in generic drugs compensated for the effect of National Health Insurance (NHI) drug price revisions.
- As for agricultural chemicals, sales of the rice blast preventative "ORYZEMATE" were up. Veterinary drugs were unchanged from the previous fiscal year as higher sales of companion animal (pet) drugs offset a decline in livestock drugs sales.
- Higher earnings and cost reductions counteracted NHI drug price revisions' negative effect on operating income. However, due to an increase in R&D costs the Pharmaceuticals segment recorded a year-on-year decline in operating income.

## 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

Net Sales ¥135.0 billion Up 6.1% year on year

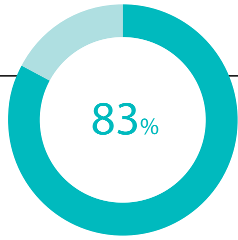
Operating Income ¥7.6 billion Up 18.1% year on year

Pharmaceuticals Segment

# Ethical Pharmaceuticals Business

Net sales breakdown by Pharmaceuticals segment

Fiscal 2012




## Fiscal 2012 Business Results and Initiatives

**Net Sales** ¥105.6 billion Up 1.5% year on year

- In Japan, sales of the antibacterial drug "ORAPENEM" and the antidepressant drug "REFLEX," which we promoted actively, and of generic drugs grew steadily. In generic drugs, existing offerings and product launches in June and December 2012 contributed to sales.
- Overseas, sales grew in Asia. However, sales of mainstay antibacterial drug "MEIACT" decreased due to drug price revisions in Europe that resulted from the region's debt crisis.
- We compensated for NHI drug price revisions by increasing ethical pharmaceuticals sales in Japan and reducing costs through our global production system. However, earnings were down as a result of higher R&D costs accompanying more products under development and progress in development phases.

### Maximizing Revenues and Earnings through Our Original "Specialty and Generic" Fusion Strategy

For details, please see page 35.

- Focusing on infectious diseases and central nervous system (CNS) disorders, our medical representatives (MRs) provide information about brand-name drugs and generic drugs to doctors. MRs propose therapeutic regimens based on patients' underlying diseases and associated diseases.
- We are increasing the number of MRs and exploiting IT-enabled media to provide information to doctors effectively. Through these efforts, we are enhancing our marketing capabilities constantly.
- We launch new pharmaceuticals and generic drugs targeting disease fields in which we specialize and strategic therapeutic fields. In addition, our strategy is to strengthen marketing capabilities and implement efficient promotional activities. Testifying to the success of these strategies, sales grew in fiscal 2012 despite NHI drug price revisions.

### Enriching Our R&D Pipeline and Accelerating R&D

- We are advancing and increasing drug candidates in our R&D pipeline with a focus on disease fields in which we specialize and markets that promise significant sales.
  - We concluded a licensing agreement for the antipsychotic drug ME2136 (Asenapine) (announcement on April 16, 2013).
  - We began phase I clinical trials in the United States for the antionychomycosis topical agent ME1111 (announcement on April 18, 2013).
- We launched "Oxis 9 μg Turbuhaler 28 doses" as a treatment for chronic obstructive and pulmonary disease (COPD) in September 2012 and the antiepileptic drug "DIACOMIT" in November 2012.
- We are conducting R&D to bring drug candidates in the R&D pipeline to market as rapidly as possible. Also, drug candidates are progressing through development phases steadily.

### Promoting Overseas Development

- We will increase sales in emerging countries' growing markets while realizing stable supplies of high-quality products at low costs through our global production system.
- Under TAKE OFF 14, we are establishing a development system for global generic drugs. In March 2013, we completed the construction of a pharmaceutical formulation R&D center at Tedec-Meiji Farma, S.A., in Spain. Coordinating with CMC Research Laboratories in Japan, the new R&D center will develop generic drugs with distinctive pharmaceutical formulations and supply them worldwide.

## Key Strategies for the Second Year of TAKE OFF 14

- Our appropriate promotional activities will increase market share in the fields of infectious diseases and CNS disorders in Japan. Further, we will conduct R&D in new fields for us, such as anticancer drugs and biomedicines.
- To counteract NHI drug price revisions scheduled for fiscal 2014, we will improve profitability. We will reform all costs and capitalize on our global production system.
- We have positioned the three years of TAKE OFF 14 as a period for promoting R&D. Consequently, R&D costs will increase. By prioritizing R&D initiatives, we will further improve productivity and control expenses appropriately.

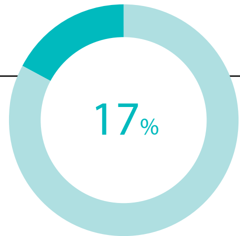
## Progress by Segment under TAKE OFF 14

Pharmaceuticals Segment

# Agricultural Chemicals and Veterinary Drugs Business

Net sales breakdown by Pharmaceuticals segment

Fiscal 2012




### Fiscal 2012 Business Results and Initiatives

**Net Sales** ¥21.7 billion Up 2.4% year on year

- Sales of agricultural chemicals rose. Although sales of "ZAXA" liquid formula foliage herbicide declined, sales of mainstay rice blast preventative "ORYZEMATE" grew.
- Veterinary drugs sales were unchanged year on year. Sales of the injectable antibacterial veterinary drug "MARBOCYL" were up. However, livestock drugs saw sales decline year on year. Meanwhile, companion animal (pet) drugs sales grew significantly.

#### Agricultural Chemicals: Growing Sales in Japan and Expanding Business Overseas

- We promoted a wide variety of formulations and boosted sales of the rice blast preventative "ORYZEMATE" in Japan. We began rolling out products in South Korea and Taiwan.
- We stepped up marketing efforts to establish "ZAXA," a liquid formula foliage herbicide launched in 2011, as a mainstay product in the market as rapidly as possible.

#### Veterinary Drugs: Increasing Sales of Livestock Drugs and Marketing Companion Animal (Pet) Drugs

- In livestock drugs, we sought to increase sales of drugs for cattle by working with Group company Meiji Feed Co., Ltd., to strengthen relationships with dairy farmers further.
- Anticipating the expansion of the market for companion animal (pet) drugs in Japan, we established a dedicated organization for these drugs. We expanded and improved our lineup through product development.

### Key Strategies for the Second Year of TAKE OFF 14

- In agricultural chemicals, we will grow sales in Japan while rolling out products overseas. In veterinary drugs, we will increase sales of livestock drugs while marketing companion animal (pet) drugs.

## TOPICS

### R&D Pipeline of the Pharmaceuticals Segment

Fiscal 2012 / Fiscal 2013 / Fiscal 2014

| | | |
|---|---|---|
| Infectious Diseases | **"MEIACT"**: Higher dosage for children (Expanded indication) | Approved |
| Infectious Diseases | **ME1111**: In-house / Antionychomycosis | Phase I (U.S.) |
| Infectious Diseases | **ME1100 (Arbekacin)**: In-house / Hospital acquired bacterial pneumonia, Ventilator associated bacterial pneumonia treatment | Phase I (U.S.) |
| CNS Disorders | **"DIACOMIT"**: BIOCODEX (France) / Antiepileptic drug | Approved |
| CNS Disorders | **ME2136 (Asenapine)**: Merck Sharp & Dohme (Netherlands) / Antipsychotic drug | Phase III |
| CNS Disorders | **SME3110 (Fluvoxamine)**: AbbVie (Co-development) / Selective serotonin reuptake inhibitor (SSRI) (Pediatric OCD) | 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) | Filed |
| 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) / Anticancer drug | Phase I |
| Agricultural Chemicals | **AF-02 "TRY"**: Fungicide | Launch |
| Agricultural Chemicals | **ANM-138**: Insecticide | Filed |
| Agricultural Chemicals | **ME5343**: BASF (Germany) / Insecticide (Japan, overseas) | |
| Agricultural Chemicals | **Fungicide for agrochemical use (Japan, overseas)**: Dow AgroSciences LLC (U.S.) (Co-development) | Filed (overseas) |

COLUMN 2

# "Specialty and Generic" Fusion Strategy

In 2012, Japan produced ethical pharmaceuticals worth ¥6.1 trillion, making it the world's second largest market behind the U.S. Moreover, needs for more effective ethical pharmaceuticals are growing due to the rapid aging of society.
Meiji Seika Pharma will establish an even stronger presence in the fields of infectious diseases and CNS disorders as well as in the generic drugs field.

## Aming to Rank among the Top Three in the Antibacterial Drugs Market and in the Top Two in the Antidepressant Drugs Market

Our systemic antibacterial drugs, such as "MEIACT" and "ORAPENEM," account for 11.4% of the market, which is the fifth largest market share in the domestic industry. In 1946, Meiji Seika Pharma entered the infectious diseases field by beginning penicillin production. Since then, the Meiji Group has specialized in antibiotics, and the infectious diseases field has become the foundation of its ethical pharmaceuticals business. Meiji Seika Pharma's mainstay product is the antibacterial drug "MEIACT," which the company developed in-house and launched in 1994. Although almost 20 years have passed since then, we are still extending the product's indications and increasing overseas sales.

Our antidepressant drugs, including "REFLEX" and "DEPROMEL," represent 16.0% of antidepressant drugs sales in the market, giving us the third largest market share in the domestic industry. Since launching the antianxiety drug "MEILAX" in 1989, Meiji Seika Pharma has been expanding its product lineup and contributing significantly to medical treatment in the CNS disorders field, which has seen patient numbers rise recently. In 1999, we launched the antidepressant drug "DEPROMEL," and in 2009 we unveiled Japan's first antidepressant drug with a noradrenergic and specific serotonergic antidepressant (NaSSA) mechanism of action, "REFLEX." While expanding and improving our product lineup further, we are increasing the number of MRs who specialize in the CNS disorders field.

MEIACT

REFLEX

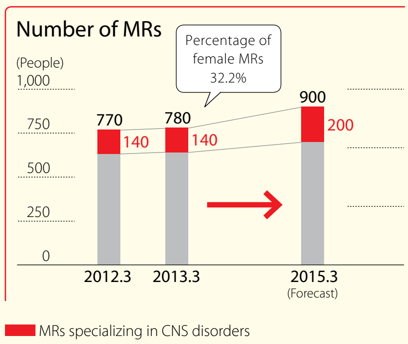
## Expanding Generic Drugs Lineups

Meiji Seika Pharma is the domestic industry's No. 1 manufacturer of both brand-name drugs and generic drugs. In 1999, we launched the antivirus chemotherapy drug "VICCLOX." In 2005, we made a full-fledged entry into the generic drugs market. Our advantages in the generic drugs area come from the development and marketing of new drugs. These advantages include the trust that the *meiji* brand has earned, stringent quality control, stable supply systems, and the abundant information we can provide to physicians. Our generic drugs sales have grown steadily, reaching ¥26.0 billion in the fiscal year under review. In addition to launching products in the fields of infectious diseases and CNS disorders, we are marketing and promoting products for which there are significant medical needs and large markets. We market "useful generic drugs" with outstanding convenience and quality.

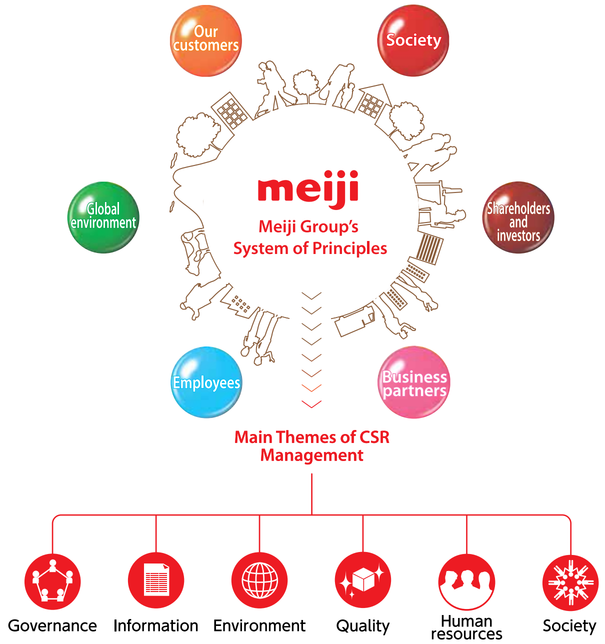
## Providing High-Quality Information through Our Original "Fusion Strategy"

Meiji Seika Pharma conducts promotional activities based on its original "fusion strategy." Under this strategy, our MRs provide information on brand-name drugs and generic drugs. In light of patients' underlying diseases, MRs draw on our extensive selection of new drugs and generic drugs to propose therapeutic regimens that support patients' health. Moreover, by providing information on both brand-name drugs and generic drugs, we raise the efficiency of our sales activities.

MRs play a key role in our "fusion strategy." Therefore, we are increasing the number of MRs and conducting training to improve their marketing capabilities. Also, we are helping MRs propose therapeutic regimens by expanding and improving IT-enabled systems.



# The Meiji Group's CSR




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

### The Meiji Group's CSR

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.

### System for Advancing CSR Management

The Group CSR Committee leads the advancement of a variety of CSR initiatives in the Meiji Group. With the president of Meiji Holdings Co., Ltd., as chairman and the presidents of the operating companies Meiji Co., Ltd., and Meiji Seika Pharma Co., Ltd., as vice chairmen, the committee comprises executives responsible for CSR from respective Group companies.

The Meiji Group pursues initiatives based on a system that breaks down its stakeholder groups into six categories—customers, society, shareholders and investors, business partners, employees, and the global environment—and categorizes CSR initiatives under six key themes—governance, information, the environment, quality, human resources, and society.

Regarding dialogues with stakeholders as important opportunities, we are advancing initiatives for each stakeholder group and key theme.

#### Convening of the Group CSR Committee

Convened three times a year, the Group CSR Committee aims to implement CSR management throughout the Group. To this end, it prepares lists of initiatives and checks the progress of initiatives based on the Group's CSR management framework, which consists of six stakeholder groups and six key themes.

Further, under the Group CSR Committee, we have established a CSR secretariat. Monthly secretariat meetings receive reports on operating companies' initiatives, discuss CSR-related topics, and seek to spread CSR throughout the Group.

A meeting of the Group CSR Committee

#### CSR Page of the Meiji Group's Website

On its website, the Meiji Group provides stakeholders with a message from senior executives and details of its CSR initiatives.

http://www.meiji.com/english/csr/index.html

# Involvement with the Environment

## Environmental Management

On completion of our corporate reorganization in April 2011, we established "Environmental Policies" with a greater emphasis on environmental conservation activities and biodiversity. The Meiji Group is united in its commitment to conduct corporate activities in a way that reflects an awareness of the need to live in harmony with the environment and coexist with nature.

### Environmental Philosophy

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

### Environmental Policies

To make the Meiji Group's Philosophy and Environmental Philosophy a reality, we adhere to the following environmental policies in carrying out our business activities.

(Compliance with laws and regulations)
1. We will strictly comply with laws, regulations, ordinances, agreements with stakeholders, and industry standards relating to the environment, as well as with our Group's environmental standards, both in Japan and abroad.

(Continuous improvement of environmental conservation activities)
2. We will effectively operate and work to continuously improve our environmental management systems.

(Reduction of environmental impact)
3. We will endeavor to reduce the environmental impact of our products throughout their overall lifecycle, from design to disposal, and all of our business activities through improved productivity and the reduced consumption of resources and energy.

(Biodiversity conservation)
4. We will conserve biodiversity by protecting ecosystems based on a global perspective in all our business activities.

(Fostering an eco-friendly mindset)
5. We will endeavor to foster employees who respect nature and take the initiative in thinking and acting in ways that are eco-friendly, and we will realize our Environmental Philosophy.

(Coexistence and communication with society)
6. We will strive to coexist with society by dialoguing with society and participating in environmental activities. Furthermore, we intend to properly disclose environmental information and communicate with society.

# Involvement with Society

## Basic Approach

The Meiji Group intends to help enrich society while emphasizing communication with local communities. In Japan and overseas, through our mainstay businesses, we are developing diverse initiatives to offer *Tastiness, Enjoyment, Health, and Reassurance.*

### Cooking Classes and Fun Milk Classes

We organize various activities to support food education and foster interest in food ingredients. We provide a wide range of people, from children to seniors, with a wealth of information about the importance of nourishment and balanced meals as well as the importance of milk and other dairy products as a source of nutrition.

Children learning to make butter

For approximately 40 years, we have been holding Meiji Cooking Salon classes in which children and their parents and senior citizens learn how to cook with milk and other dairy products. In fiscal 2012, we held 447 classes, in which approximately 14,000 people participated.

Also, our dietitians conduct Fun Milk Classes for growing children at elementary and junior high schools. At these classes, children learn about the importance of a balanced diet and experience butter making firsthand. In fiscal 2012, we held classes at 685 elementary and junior high schools, with approximately 60,000 children participating in them.

### Food Plant Study Tours

At plants around Japan, we have visitor centers and conduct study tours during which visitors can see our chocolate, snack confectioneries, milk, yogurt, and cheese production processes. These tours enhance participants' understanding of our commitment to food safety and reliability. Six plants nationwide welcomed roughly 12,000 visitors in fiscal 2012.

Experiencing milking using a model cow

#### Plants conducting study tours

**Confectionery plants**
Sakado Plant (Saitama Prefecture)
Tokai Plant (Shizuoka Prefecture)
Osaka Plant (Osaka Prefecture)

**Dairy product plants**
Meiji Museum of Milk
(within Moriya Plant, Ibaraki Prefecture)
Meiji Museum of Yogurt
(within Kansai Plant, Osaka Prefecture)
Tokachi Museum of Cheese
(within Tokachi Plant, Hokkaido Prefecture)

# 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.

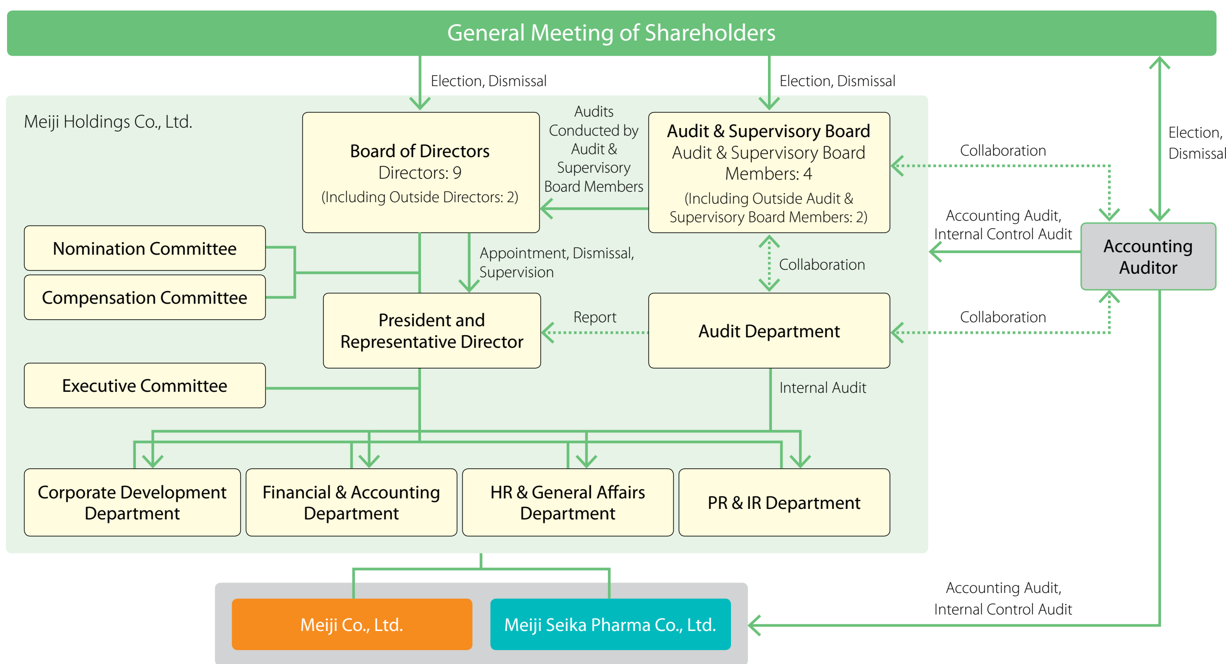
1. Appointment of two outside directors and two outside audit & supervisory board members, all of whom are designated as independent directors
2. Limitation of the term of service for directors to one year
3. Establishment of a streamlined Board of Directors comprising only nine members to expedite business management decision making
4. Introduction of an executive officer system to separate implementation and oversight functions and clarify operational responsibility

| | |
|---|---|
| Organizational structure | Company with audit & supervisory board members |
| Chairman of the Board of Directors | President and representative director |
| Directors | 9 (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 2012 | 14 |
| Number of times the Audit & Supervisory Board convened in fiscal 2012 | 13 |

### Attendance of Outside Directors and Outside Audit & Supervisory Board Members at Meetings of Board of Directors and Audit & Supervisory Board (Fiscal 2012)

| | Board of Directors | Audit & Supervisory Board |
|---|---|---|
| Outside directors | Approximately 92% | — |
| Outside audit & supervisory board members | Approximately 96% | 100% |

### Corporate Governance System



## 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.

## 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 2012)

| Position | Number of persons provided with compensation | Compensation (¥ million) |
|---|---|---|
| Directors (excluding outside directors) | 9 | 267 |
| Audit & supervisory board members (excluding outside audit & supervisory board members) | 2 | 58 |
| Outside directors and audit & supervisory board members | 4 | 55 |
| Total (number of outside directors and audit & supervisory board members included) | 15 (4) | 381 (55) |

*1. The above includes the compensation of 2 directors that retired on June 28, 2012.
*2. The Supplementary Provisions of the Company's Articles of Incorporation set a limit of ¥1 billion on the compensation of directors for one year.
*3. The Supplementary Provisions of the Company's Articles of Incorporation set a limit of ¥300 million on the compensation of audit & supervisory board members for one year.

## Internal Control System and Risk Management 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 fair and sound business activities firmly rooted in compliance.

Regarding risk management, the Company has established specific rules for risk management and constructed an appropriate risk management system. Further, 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.

## Compliance

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.

## 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, 2013

## Members of the Board of Directors

Chairman and Representative Director

### Naotada Sato

| | |
|---|---|
| Apr. 1964 | Joined Meiji Seika |
| Jun. 1995 | Director, Meiji Seika |
| Jun. 1999 | Managing Director, Meiji Seika |
| Jun. 2001 | Director, Meiji Seika |
| Jun. 2001 | Representative Director, Meiji Seika |
| Jun. 2001 | Executive Vice President, Meiji Seika |
| Jun. 2003 | President and Director, Meiji Seika |
| Apr. 2009 | President and Representative Director, Meiji Holdings |
| Apr. 2011 | Member of the board, Meiji |
| Apr. 2011 | Member of the board, Meiji Seika Pharma |
| Jun. 2012 | Chairman and Representative Director, Meiji Holdings (incumbent) |

**Significant concurrent positions**

Chairman, Chocolate & Cocoa Association of Japan
Chairman, Japan Chocolate Industry Fair Trade Conference

President 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 (incumbent) |
| Jun. 2012 | Member of the board, Meiji (incumbent) |
| Jun. 2012 | Member of the board, Meiji Seika Pharma (incumbent) |

**Significant concurrent positions**

Director, Meiji
Director, Meiji Seika Pharma
President and Representative Director, Japan Dairy Industry Association
Chairman, Japan Dairy Association (J-Milk)

Member of the Board and Managing Executive Officer

### Hidesada Kaneko

| | |
|---|---|
| Apr. 1972 | Joined Meiji Dairies |
| Apr. 2005 | General Manager, Personnel Department, Meiji Dairies |
| Jun. 2005 | Director, Meiji Dairies |
| Jun. 2009 | Executive Officer, Meiji Dairies |
| Apr. 2011 | Member of the board and Managing Executive Officer, Meiji |
| Jun. 2012 | Member of the Board and Managing Executive Officer, Meiji Holdings (incumbent) |
| Jun. 2012 | General Manager, HR & General Affairs Department, Meiji Holdings (incumbent) |

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

### 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 (incumbent) |
| Apr. 2011 | President and Representative Director, Meiji Seika Pharma (incumbent) |

**Significant concurrent position**

President and Representative Director, Meiji Seika Pharma

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 Ice Cream Association
Chairman, All Nippon Kashi Association

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 2012 Results

Meiji Holdings Co., Ltd.

## Overall Operating Results

### Business Overview

In fiscal 2012, ended March 31, 2013, Japan's economy continued to face challenging conditions. It was unable to emerge from long-term deflation and consumer spending was lackluster, reflecting an unfavorable employment situation. Moreover, the outlook for the global economy became more uncertain due to Europe's protracted debt crisis and the deceleration of emerging economies. Although there have been some positive signs, such as improved export conditions and increased sales of high-end products, which have resulted from a weakening yen and rising share prices since the end of 2012, consumers remain budget-minded, and prices continue to decline.

### Revenue and Earnings

Focusing on *Higher profitability and strategic investments for future growth*, the overriding theme of its fiscal 2012–2014 medium-term management plan, TAKE OFF 14, the Meiji Group began initiatives to strengthen and expand existing businesses, foster growth businesses, and improve profitability.

In fiscal 2012, the first year of TAKE OFF 14, the Food segment took measures to strengthen the earnings foundations of a range of businesses, while the dairy business, which saw brisk sales of yogurt, drove the segment's overall performance. Meanwhile, the Pharmaceuticals segment offset National Health Insurance (NHI) drug price revisions in April 2012 by growing revenues from ethical pharmaceuticals in Japan and reducing costs. At the same time, the segment strengthened research and development with a view to continued growth.

As a result, in fiscal 2012 the Group achieved year-on-year increases of 1.6% in net sales, to ¥1,126,520 million and 28.1% in operating income, to ¥25,859 million. Net income was up 144.6% year on year, to ¥16,646 million, thanks to higher earnings and lower tax expenses after the application of tax effect accounting. The lower tax expenses resulted from the recording of deferred tax assets accompanying the reorganization of overseas subsidiaries.

| | Millions of yen | | | Yen |
|---|---|---|---|---|
| | Net Sales | Operating Income | Net Income | Net Income Per Share |
| Fiscal 2012 | **¥1,126,520** | **¥25,859** | **¥16,646** | **¥225.98** |
| Fiscal 2011 | 1,109,275 | 20,189 | 6,805 | 92.38 |
| Year-on-year change (%) | 1.6 | 28.1 | 144.6 | 144.6 |

## Segment Results

### Food Segment

The dairy business realized extremely robust sales, particularly of yogurt. In the confectionery business, sales were approximately at the same level compared with the previous fiscal year, while the healthcare and nutritionals business recorded a decline in sales. However, the dairy business counteracted these results, and the segment posted a 1.5% rise in net sales, to ¥1,001,551 million.

The segment's operating income was up 68.7% year on year, to ¥19,383 million, primarily due to higher revenues from the dairy business and an improved product mix.

● Dairy Business

In fresh dairy products, sales of yogurt and probiotic yogurt increased, while in the processed dairy food products business mainstay product lineups sold steadily. Overall, the performance of the dairy business surpassed that of the previous fiscal year significantly.

Amid heightening health consciousness, "Meiji Yogurt R-1," "Meiji Probio Yogurt LG21," and other probiotic yogurt products achieved conspicuous sales growth. Also, overall sales of yogurt, including "Meiji Bulgaria Yogurt," surpassed those of the previous fiscal year by a large margin. Drinking milk sales stayed at the same level compared with the previous fiscal year, but sales of "Meiji Oishii Gyunyu" grew steadily due to in-store marketing and a promotional campaign marking the brand's 10th anniversary.

| | Millions of yen | | |
|---|---|---|---|
| | Food Segment | Pharmaceuticals Segment | Total |
| Net sales | | | |
| Fiscal 2012 | **¥1,001,551** | **¥127,361** | **¥1,128,912** |
| Fiscal 2011 | 986,319 | 125,274 | 1,111,593 |
| Year on year | 15,231 | 2,087 | 17,318 |
| Year on year change (%) | 1.5 | 1.7 | 1.6 |
| Segment income | | | |
| Fiscal 2012 | **¥19,383** | **¥6,461** | **¥25,845** |
| Fiscal 2011 | 11,491 | 8,186 | 19,678 |
| Year on year | 7,891 | (1,725) | 6,166 |
| Year on year change (%) | 68.7 | (21.1) | 31.3 |

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

Sales of cheese rose year on year as sales of the mainstay "Meiji Hokkaido Tokachi Camembert Cheese" increased steadily. Higher sales of margarine for commercial use compared with the previous fiscal year were attributable to significant growth in sales of items in the "Meiji Healthy Soft Offstyle" product lineup, which was expanded recently. Also, initiatives to acquire new customers generated brisk sales of fresh cream for professional use, which were also up year on year.

● Confectionery Business

In the confectionery area, sales did not reach the previous fiscal year's levels, but sales of desserts and institutional food products grew steadily. As a whole, the results of the confectionery business remained the same as in the previous fiscal year.

Although "Meiji Almond Chocolate," which celebrated its 50th anniversary, and other nut-chocolate products achieved steady sales growth, overall sales of chocolate products were lower year on year partly due to sluggish market conditions resulting from prolonged late summer heat. Chewing gum sales declined significantly from the previous fiscal year due to a stagnant market. Meanwhile, gummy products grew sales robustly, reflecting the launch of products with new flavors. Also, ice cream sales were up year on year thanks to higher sales of "Meiji Essel Super Cup," which featured an additional new flavor, and growth in sales of the "Meiji Chocolate Ice Cream" series. And, sales of "Meiji The Premium Gran" resumed in November 2012.

In institutional food products, sales of confectioneries and other food products increased year on year as marketing of products catering precisely to customer needs led to higher sales of mainstay products.

● Healthcare and Nutritionals Business

In the healthcare area, results were below those of the previous fiscal year. Although the nutritionals area's performance improved reflecting favorable sales of enteral formula, the overall results of the healthcare and nutritionals business declined from the previous fiscal year.

"SAVAS" sales rose steadily as a result of stepped up promotional efforts targeting joggers and junior athletes. However, "Amino Collagen" sales decreased significantly compared with those of the previous fiscal year due to a lackluster market and increased competition.

Sales of enteral formula and food for the elderly grew year on year due to an increase in business customers adopting these products and new product launches. Infant formula sales remained at the same level as in the previous fiscal year.

**Pharmaceuticals Segment**

The ethical pharmaceuticals business grew sales year on year due to higher sales of antidepressant drugs and generic drugs, which counteracted NHI drug price revisions. Also, the agricultural chemicals and veterinary drugs business recorded year-on-year sales growth. As a result, the segment saw net sales rise 1.7% year on year, to ¥127,361 million.

An increase in revenue from ethical pharmaceuticals and cost reductions offset NHI drug price revisions. Nevertheless, the segment's operating income declined 21.1% year on year, to ¥6,461 million, principally reflecting higher research and development costs.

● Ethical Pharmaceuticals Business

In antibacterial drugs, "MEIACT" sales decreased mainly due to NHI drug price revisions, while "ORAPENEM" sales grew vigorously. As for antidepressant drugs, although NHI drug price revisions lowered "DEPROMEL" sales, "REFLEX" sales significantly surpassed the previous fiscal year's level as a result of stepped up promotional efforts. Also, the segment launched "Oxis 9 μg Turbuhaler 28 doses" as a treatment for chronic obstructive and pulmonary disease (COPD) in September 2012 and the antiepileptic drug "DIACOMIT" in November 2012. As for generic drugs, sales of the calcium channel blocker "AMLODIPINE MEIJI" continued to grow steadily. Other contributions to sales came from the launches of the Alzheimer-type dementia treatment "DONEPEZIL MEIJI" in November 2011, the antidepressant drug "PAROXTINE MEIJI" in June 2012, and the allergy treatment "OLOPATADINE MEIJI" in December 2012. As a result, overall generic drug sales grew substantially year on year.

● Agricultural Chemicals and Veterinary Drugs Business

Sales of agricultural chemicals increased from the previous fiscal year because steady growth in sales of mainstay rice blast preventative "ORYZEMATE" exceeded the decline in sales of "ZAXA," a liquid formula foliage herbicide. Sales of veterinary drugs were approximately at the same level as in the previous fiscal year because the increase in sales of companion animal (pet) drugs offset the decrease in sales of mainstay livestock drugs.

Review and Analysis of Fiscal 2012 Results

## Financial Position

### Assets

Total assets at the end of the consolidated fiscal year under review amounted to ¥785,514 million, up ¥35,529 million from the previous fiscal year-end. This rise reflected increases of ¥11,718 million in investment securities, ¥8,069 million in notes and accounts receivable, ¥5,144 million in raw materials and supplies, and ¥4,047 million in goods and products.

### Liabilities

Total liabilities at the end of the consolidated fiscal year under review amounted to ¥464,904 million, up ¥13,410 million from the previous fiscal year-end. This rise was principally due to a ¥35,000 million bond issuance and a ¥16,883 million increase in long-term loans payable, which offset a ¥19,751 million decrease in short-term loans payable, a ¥25,000 million redemption of bonds due within one year, and a ¥7,000 million reduction in commercial paper.

### Net Assets

Total net assets at the end of the consolidated fiscal year under review amounted to ¥320,609 million, a rise of ¥22,118 million from the previous fiscal year-end. This increase was mainly attributable to increases of ¥10,942 million in retained earnings, ¥7,430 million in net unrealized holding gains or losses on securities, and ¥1,967 million in foreign currency translation adjustments.

Further, the equity ratio was 39.9%, and net assets per share was ¥4,254.56.

## Cash Flows

Net cash provided by operating activities was up ¥20,025 million, to ¥50,622 million, because of higher income before income taxes and minority interests, and decreases in contributions to pension funds and income taxes paid.

Net cash used in investing activities declined ¥4,810 million, to ¥39,504 million, as a result of an increase in proceeds from sales of property, plants and equipment and intangible fixed assets, and a decrease in payments for purchases of investment securities.

Free cash flow (net cash provided by operating activities minus net cash used in investing activities) was a positive ¥11,118 million, compared with the previous fiscal year's negative free cash flow of ¥13,717 million.

Net cash used in financing activities was ¥9,411 million, compared with the previous fiscal year's net cash provided by financing activities of ¥4,861 million, mainly due to repayment of long-term loans payable.

As a result, cash and cash equivalents at end of the year stood at ¥16,564 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 2012, 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, 2013) 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, 2013

## Assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| **Current assets:** | | | |
| Cash and deposits (Note 16) | **¥ 16,902** | ¥ 14,662 | **$ 179,719** |
| Notes and accounts receivable | **183,183** | 175,114 | **1,947,729** |
| Inventories (Note 8) | **121,194** | 112,013 | **1,288,612** |
| Deferred tax assets (Note 10) | **12,076** | 13,051 | **128,408** |
| Other current assets | **8,105** | 7,972 | **86,178** |
| Allowance for doubtful accounts | **(251)** | (282) | **(2,672)** |
| Total current assets | **341,211** | 322,531 | **3,627,976** |
| **Fixed assets:** | | | |
| **Property, plants and equipment** (Note 9) | | | |
| Land | **68,655** | 65,255 | **729,990** |
| Buildings and structures | **275,303** | 270,604 | **2,927,205** |
| Machinery, equipment, vehicles and fixtures | **493,693** | 480,556 | **5,249,271** |
| Lease assets | **7,776** | 7,041 | **82,682** |
| Construction in progress | **5,499** | 8,966 | **58,469** |
| Accumulated depreciation | **(538,804)** | (521,239) | **(5,728,910)** |
| Total property, plants and equipment (net) | **312,124** | 311,184 | **3,318,709** |
| **Investments and other fixed assets:** | | | |
| Investment securities (Notes 6, 9) | **47,788** | 36,340 | **508,117** |
| Investment securities (unconsolidated subsidiaries and affiliates) | **6,142** | 5,872 | **65,315** |
| Intangible fixed assets | **7,746** | 8,040 | **82,368** |
| Deferred tax assets (Note 10) | **4,398** | 4,668 | **46,767** |
| Other | **66,555** | 61,816 | **707,659** |
| Allowance for doubtful accounts | **(453)** | (469) | **(4,823)** |
| Total investments and other fixed assets | **132,178** | 116,269 | **1,405,405** |
| Total fixed assets | **444,302** | 427,453 | **4,724,114** |
| Total assets | **¥ 785,514** | ¥ 749,985 | **$ 8,352,091** |

See accompanying notes to consolidated financial statements.

## Liabilities and Net Assets

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| **Current liabilities:** | | | |
| Short-term loans payable (including current portion of long-term loans payable) (Notes 7, 9) | **¥ 97,108** | ¥148,860 | **$1,032,524** |
| Notes and accounts payable | **109,460** | 109,136 | **1,163,853** |
| Income taxes payable | **7,868** | 2,888 | **83,659** |
| Accrued expenses | **44,924** | 42,729 | **477,661** |
| Accrued bonuses for employees | **9,242** | 9,286 | **98,270** |
| Allowance for sales returns | **228** | 212 | **2,434** |
| Allowance for sales rebates | **5,263** | 5,772 | **55,963** |
| Other current liabilities (Note 9) | **35,668** | 33,612 | **379,251** |
| Total current liabilities | **309,764** | 352,500 | **3,293,620** |
| **Long-term liabilities:** | | | |
| Long-term loans payable, less current portion (Notes 7, 9) | **108,285** | 56,401 | **1,151,359** |
| Deferred tax liabilities (Note 10) | **18,209** | 17,040 | **193,616** |
| Accrued employees' retirement benefits (Note 11) | **22,338** | 18,590 | **237,515** |
| Reserve for directors' retirement benefits | **280** | 417 | **2,982** |
| Other long-term liabilities | **6,025** | 6,544 | **64,069** |
| Total long-term liabilities | **155,139** | 98,994 | **1,649,544** |
| Total liabilities | **464,904** | 451,494 | **4,943,164** |
| **Contingent liabilities** (Note 13) | | | |
| **Net assets** (Note 17)**:** | | | |
| **Shareholders' equity** | | | |
| Common stock | | | |
| Authorized—280,000,000 shares, at March 31, 2012 and 2013 | | | |
| Issued — 76,341,700 shares, at March 31, 2012 and 2013 | **30,000** | 30,000 | **318,979** |
| Capital surplus | **98,851** | 98,852 | **1,051,057** |
| Retained earnings | **185,436** | 174,494 | **1,971,681** |
| Treasury stock, at cost—2,675,300 shares, at March 31, 2012 | **(9,299)** | (9,268) | **(98,875)** |
| 2,683,300 shares, at March 31, 2013 | | | |
| Total shareholders' equity | **304,989** | 294,078 | **3,242,842** |
| **Accumulated other comprehensive income:** | | | |
| Net unrealized holding gains or losses on securities | **12,557** | 5,127 | **133,521** |
| Deferred gains or losses on hedges | **(816)** | (2,303) | **(8,685)** |
| Foreign currency translation adjustments | **(3,346)** | (5,313) | **(35,584)** |
| **Minority interests** | **7,226** | 6,901 | **76,832** |
| Total net assets | **320,609** | 298,491 | **3,408,926** |
| Total liabilities and net assets | **¥785,514** | ¥749,985 | **$8,352,091** |

# Consolidated Statement of Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2013

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| **Net sales** | **¥1,126,520** | ¥1,109,275 | **$11,977,889** |
| **Cost of sales** (Note 20) | **743,835** | 738,500 | **7,908,940** |
| Gross profit | **382,684** | 370,774 | **4,068,949** |
| **Selling, general and administrative expenses** (Notes 19, 20) | **356,825** | 350,584 | **3,793,996** |
| Operating income | **25,859** | 20,189 | **274,952** |
| **Other income (expenses):** | | | |
| Interest and dividend income | **919** | 957 | **9,774** |
| Interest expenses | **(1,549)** | (1,979) | **(16,470)** |
| Equity in income of affiliates | **310** | 353 | **3,298** |
| Rent income on real estate | **2,258** | 2,619 | **24,013** |
| Rent cost of real estate | **(1,894)** | (1,963) | **(20,145)** |
| Other | **3,227** | 1,704 | **34,320** |
| Extraordinary gains (Note 21) | **2,540** | 685 | **27,016** |
| Extraordinary losses (Notes 21, 22) | **(6,457)** | (7,978) | **(68,664)** |
| **Income before income taxes and minority interests** | **25,214** | 14,588 | **268,095** |
| Income taxes—current (Note 10) | **10,316** | 6,902 | **109,690** |
| Income taxes—deferred (Note 10) | **(1,949)** | 635 | **(20,723)** |
| **Net income before minority interests** | **16,847** | 7,051 | **179,128** |
| **Minority interests** | **200** | 245 | **2,130** |
| **Net income** | **¥ 16,646** | ¥ 6,805 | **$ 176,997** |

| | Yen | | U.S. dollars |
|---|---|---|---|
| **Amounts per share of common stock:** | | | |
| Net income | **¥225.98** | ¥92.38 | **$2.403** |
| Cash dividends | **80.00** | 80.00 | **0.851** |

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2013

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| **Net income before minority interests** (Note 23) | **¥16,847** | ¥7,051 | **$179,128** |
| **Other comprehensive income:** | | | |
| Net unrealized holding gains or losses on securities | **7,459** | 2,070 | **79,316** |
| Deferred gains or losses on hedges | **1,486** | 596 | **15,802** |
| Foreign currency translation adjustments | **1,978** | (905) | **21,033** |
| Equity in affiliates accounted for by the equity method | **148** | (56) | **1,580** |
| Total other comprehensive income | **11,072** | 1,703 | **117,733** |
| **Comprehensive income** | **¥27,919** | ¥8,755 | **$296,861** |
| | | | |
| **(Breakdown)** | | | |
| Comprehensive income attributable to shareholders of the parent company | **¥27,529** | ¥8,567 | **$292,712** |
| Comprehensive income attributable to minority shareholders | **390** | 187 | **4,149** |

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Changes in Net Assets

Meiji Holdings Co., Ltd. / For the year ended March 31, 2013

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 | Total accumulated other comprehensive income | Minority interests | Total net assets |
| **Balance at March 31, 2011** | 76,341 | ¥30,000 | ¥98,852 | ¥172,128 | ¥(9,255) | ¥291,724 | ¥ 3,072 | ¥(2,899) | ¥(4,115) | ¥ (3,942) | ¥5,748 | ¥293,530 |
| Changes during the fiscal period: | | | | | | | | | | | | |
| Cash dividends | | | | (5,893) | | (5,893) | | | | | | (5,893) |
| Net income | | | | 6,805 | | 6,805 | | | | | | 6,805 |
| Acquisition of treasury stock | | | | | (16) | (16) | | | | | | (16) |
| Disposal of treasury stock | | | (0) | | 3 | 3 | | | | | | 3 |
| Change in scope of consolidation | | | | 1,037 | | 1,037 | | | | | | 1,037 |
| Change in scope of the application of the equity method | | | | 241 | | 241 | | | | | | 241 |
| Increase in retained earnings resulting from mergers with non-consolidated subsidiaries | | | | 175 | | 175 | | | | | | 175 |
| Net changes in items other than those in shareholders' equity | | | | | | | 2,055 | 596 | (1,197) | 1,454 | 1,153 | 2,607 |
| Total changes during the fiscal period | | | (0) | 2,366 | (12) | 2,353 | 2,055 | 596 | (1,197) | 1,454 | 1,153 | 4,960 |
| **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 non-consolidated 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** |

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 | Total accumulated other comprehensive income | Minority interests | Total net assets |
| **Balance at March 31, 2012** | 76,341 | $ 318,979 | $ 1,051,058 | $ 1,855,334 | $ (98,545) | $ 3,126,826 | $ 54,523 | $(24,488) | $ (56,499) | $ (26,463) | $ 73,385 | $ 3,173,748 |
| Changes during the fiscal period: | | | | | | | | | | | | |
| Cash dividends | | | | **(62,660)** | | **(62,660)** | | | | | | **(62,660)** |
| Net income | | | | **176,997** | | **176,997** | | | | | | **176,997** |
| Acquisition of treasury stock | | | | | **(380)** | **(380)** | | | | | | **(380)** |
| Disposal of treasury stock | | | **(0)** | | **50** | **49** | | | | | | **49** |
| Increase in retained earnings resulting from mergers with non-consolidated subsidiaries | | | | **2,010** | | **2,010** | | | | | | **2,010** |
| Net changes in items other than those in shareholders' equity | | | | | | | **78,997** | **15,802** | **20,914** | **115,714** | **3,447** | **119,162** |
| Total changes during the fiscal period | | | **(0)** | **116,347** | **(329)** | **116,016** | **78,997** | **15,802** | **20,914** | **115,714** | **3,447** | **235,178** |
| **Balance at March 31, 2013** | **76,341** | **$318,979** | **$1,051,057** | **$1,971,681** | **$(98,875)** | **$3,242,842** | **$133,521** | **$ (8,685)** | **$(35,584)** | **$ 89,251** | **$76,832** | **$3,408,926** |

See accompanying notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd. / For the year ended March 31, 2013

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | **¥ 25,214** | ¥ 14,588 | **$ 268,095** |
| Depreciation and amortization | **40,821** | 40,871 | **434,044** |
| Impairment loss | **76** | 1,509 | **809** |
| Amortization of goodwill | **124** | 248 | **1,325** |
| Loss on disposal of property, plants and equipment | **2,301** | 2,088 | **24,468** |
| Loss (gain) on valuation of investment securities | **864** | 227 | **9,187** |
| Increase (decrease) in allowance for doubtful accounts | **(58)** | (350) | **(617)** |
| Increase (decrease) in accrued bonuses for employees | **(44)** | (299) | **(471)** |
| Increase (decrease) in accrued employees' retirement benefits | **17** | (3,855) | **188** |
| Interest and dividend income | **(919)** | (957) | **(9,774)** |
| Interest expenses | **1,549** | 1,979 | **16,470** |
| Equity in loss (income) of affiliates | **(310)** | (353) | **(3,298)** |
| Loss (gain) on sale of property, plants and equipment | **(1,313)** | (305) | **(13,961)** |
| Loss (gain) on sale of investment securities | **178** | (15) | **1,893** |
| Loss on valuation of investments in capital of subsidiaries and affiliates | **1,038** | — | **11,036** |
| Decrease (increase) in trade receivables | **(6,458)** | (22,605) | **(68,672)** |
| Decrease (increase) in inventories | **(8,393)** | (7,234) | **(89,250)** |
| Increase (decrease) in notes and accounts payable | **(2,000)** | 16,721 | **(21,272)** |
| Other | **4,040** | (1,758) | **42,958** |
| Subtotal | **56,727** | 40,498 | **603,159** |
| Interest and dividends received | **1,026** | 977 | **10,911** |
| Interest paid | **(1,715)** | (2,034) | **(18,240)** |
| Income taxes paid | **(5,415)** | (8,843) | **(57,578)** |
| Net cash provided by operating activities | **50,622** | 30,597 | **538,252** |
| **Cash flows from investing activities:** | | | |
| Payments for purchases of property, plants and equipment | **(35,275)** | (35,994) | **(375,076)** |
| Payments for purchases of intangible fixed assets | **(2,393)** | (2,338) | **(25,447)** |
| Proceeds from sales of property, plants and equipment and intangible fixed assets | **4,264** | 325 | **45,345** |
| Payments for purchases of investments in real estate | **(41)** | (35) | **(441)** |
| Proceeds from sales of investments in real estate | **—** | 520 | **—** |
| Payments for purchases of investment securities | **(1,885)** | (4,351) | **(20,042)** |
| Proceeds from sales of investment securities | **491** | 48 | **5,230** |
| Other | **(4,665)** | (2,490) | **(49,604)** |
| Net cash used in investing activities | **(39,504)** | (44,314) | **(420,037)** |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in short-term loans payable | **(512)** | (37,490) | **(5,446)** |
| Increase (decrease) in commercial paper | **(7,000)** | 26,000 | **(74,428)** |
| Proceeds from long-term loans payable | **19,824** | 519 | **210,784** |
| Repayment of long-term loans payable | **(22,931)** | (11,440) | **(243,824)** |
| Proceeds from issuance of bonds | **49,780** | 34,838 | **529,294** |
| Payments for redemption of bonds | **(40,000)** | — | **(425,305)** |
| Decrease (increase) in treasury stock | **(31)** | (13) | **(330)** |
| Cash dividends paid | **(5,860)** | (5,863) | **(62,308)** |
| Cash dividends paid to minority shareholders | **(89)** | (119) | **(954)** |
| Other | **(2,590)** | (1,569) | **(27,545)** |
| Net cash provided by (used in) financing activities | **(9,411)** | 4,861 | **(100,064)** |
| **Effect of exchange rate changes on cash and cash equivalents** | **334** | (61) | **3,555** |
| **Net increase (decrease) in cash and cash equivalents** | **2,041** | (8,916) | **21,706** |
| **Cash and cash equivalents at beginning of the year** | **14,363** | 21,741 | **152,725** |
| **Increase in cash and cash equivalents from newly consolidated subsidiaries** | **—** | 1,281 | **—** |
| **Increase in cash and cash equivalents resulting from mergers with unconsolidated subsidiaries** | **158** | 256 | **1,688** |
| **Cash and cash equivalents at end of the year** (Note 18) | **¥ 16,564** | ¥ 14,363 | **$ 176,120** |

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 ¥94.05 to $1 prevailing on March 31, 2013. 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. dollars 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 54 significant 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 six affiliates are accounted for by the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of 5 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 over the useful life of the asset being the lease term 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.

**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) Accrued Employees' Retirement 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 end of 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.

**o) 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.

**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.

Notes to Consolidated Financial Statements

**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 swaps to mitigate the interest rate 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. Accounting Standards Not Yet Adopted

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

The ASBJ has established a revised accounting standard for retirement benefits in which actuarial gains and losses and past service costs are recognized in the net assets section of the consolidated balance sheet after adjusting for tax effects, and the deficit or surplus is recognized as a liability or asset.

Further, in relation to the method of attributing expected benefits to periods, the accounting standard enables the adoption of the straight-line basis and the benefit formula basis and revises the discount rate formula.

(2) Planned adoption date

The Company plans to adopt the accounting standard on the consolidated financial statements from the end of the fiscal year ending March 31, 2014. However, the Company plans to adopt the revised method of attributing expected benefits to periods from the beginning of the fiscal year ending March 31, 2015. Furthermore, because the said accounting standard stipulates transitional treatment, it does not apply retrospectively to the consolidated financial statements of previous periods.

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

The effect of adoption of the said accounting standard is under evaluation as of the preparation of these consolidated financial statements.

## 4. 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."

## 5. 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 seven 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.

For investment securities, the Group monitors fair value, the financial conditions of issuers (business partners) and other factors on a periodic basis, and continually reviews its portfolio, taking into account the relations with those business partners.

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, 2013 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, 2013 | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Difference | Carrying value | Fair value | Difference |
| (1) Cash and deposits | **¥ 16,902** | **¥ 16,902** | **¥ —** | **$ 179,719** | **$ 179,719** | **$ —** |
| (2) Notes and accounts receivable | **175,803** | **175,803** | **—** | **1,869,255** | **1,869,255** | **—** |
| (3) Investment securities | | | | | | |
| Held-to-maturity securities | **3,500** | **3,497** | **(2)** | **37,214** | **37,184** | **(29)** |
| Other securities | **41,788** | **41,788** | **—** | **444,324** | **444,324** | **—** |
| Total assets | **237,994** | **237,992** | **(2)** | **2,530,514** | **2,530,484** | **(29)** |
| (4) Notes and accounts payable | **109,460** | **109,460** | **—** | **1,163,853** | **1,163,853** | **—** |
| (5) Short-term loans payable | **39,407** | **39,407** | **—** | **419,004** | **419,004** | **—** |
| (6) Commercial paper | **40,000** | **40,000** | **—** | **425,305** | **425,305** | **—** |
| (7) Accrued expenses | **44,924** | **44,924** | **—** | **477,661** | **477,661** | **—** |
| (8) Bonds | **100,000** | **100,960** | **960** | **1,063,264** | **1,073,476** | **10,212** |
| (9) Long-term loans payable | **25,986** | **26,122** | **135** | **276,310** | **277,754** | **1,444** |
| Total liabilities | **¥359,778** | **¥360,875** | **¥1,096** | **$3,825,400** | **$3,837,057** | **$11,656** |

(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: ¥8,642 million ($91,894 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, 2012 | Millions of yen | | |
|---|---|---|---|
| | Carrying value | Fair value | Difference |
| (1) Cash and deposits | ¥ 14,662 | ¥ 14,662 | ¥ — |
| (2) Notes and accounts receivable | 168,699 | 168,699 | — |
| (3) Investment securities | | | |
| Held-to-maturity securities | 3,500 | 3,463 | (36) |
| Other securities | 30,470 | 30,470 | — |
| Total assets | 217,333 | 217,296 | (36) |
| (4) Notes and accounts payable | 109,136 | 109,136 | — |
| (5) Short-term loans payable | 39,189 | 39,189 | — |
| (6) Commercial paper | 47,000 | 47,000 | — |
| (7) Accrued expenses | 42,729 | 42,729 | — |
| (8) Bonds | 90,000 | 90,518 | 518 |
| (9) Long-term loans payable | 29,071 | 29,154 | 82 |
| Total liabilities | ¥357,127 | ¥357,728 | ¥600 |

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥8,241 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.

## 6. Investment Securities

Information regarding securities held by the Company and its consolidated subsidiaries are as follows:

1) Held-to-maturity securities

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| As of March 31, 2013 | | Carrying value | Fair value | Unrealized gain (loss) | Carrying value | Fair value | Unrealized gain (loss) |
| Securities whose carrying value exceeds their fair value | Bonds | **¥3,500** | **¥3,497** | **¥(2)** | **$37,214** | **$37,184** | **$(29)** |

| | | Millions of yen | | |
|---|---|---|---|---|
| As of March 31, 2012 | | Carrying value | Fair value | Unrealized gain (loss) |
| Securities whose carrying value exceeds their fair value | Bonds | ¥3,500 | ¥3,463 | ¥(36) |

2) Other securities with market prices as of March 31, 2013 and 2012

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| As of March 31, 2013 | Carrying value | Acquisition cost | Unrealized gain (loss) | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost: | | | | | | |
| Stocks | **¥38,449** | **¥18,896** | **¥19,553** | **$408,824** | **$200,921** | **$207,902** |
| Other | **—** | **—** | **—** | **—** | **—** | **—** |
| Subtotal | **38,449** | **18,896** | **19,553** | **408,824** | **200,921** | **207,902** |
| Securities whose acquisition cost exceeds their carrying value: | | | | | | |
| Stocks | **3,338** | **3,858** | **(519)** | **35,500** | **41,022** | **(5,521)** |
| Other | **—** | **—** | **—** | **—** | **—** | **—** |
| Subtotal | **3,338** | **3,858** | **(519)** | **35,500** | **41,022** | **(5,521)** |
| Total | **¥41,788** | **¥22,754** | **¥19,033** | **$444,324** | **$241,943** | **$202,381** |

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,499 million ($26,579 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.

| | Millions of yen | | |
|---|---|---|---|
| As of March 31, 2012 | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost: | | | |
| Stocks | ¥22,773 | ¥12,879 | ¥ 9,894 |
| Other | — | — | — |
| Subtotal | 22,773 | 12,879 | 9,894 |
| Securities whose acquisition cost exceeds their carrying value: | | | |
| Stocks | 7,697 | 9,655 | (1,958) |
| Other | — | — | — |
| Subtotal | 7,697 | 9,655 | (1,958) |
| Total | ¥30,470 | ¥22,534 | ¥ 7,935 |

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,369 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, 2013 and 2012

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Sales amounts | **¥491** | ¥48 | **$5,230** |
| Total gains on sales | **97** | 15 | **1,039** |
| Total losses on sales | **275** | 0 | **2,932** |

4) Securities that were subject to impairment in the fiscal years ended March 31, 2013 and 2012

Impairment loss recorded in the fiscal year ended March 31, 2013, was ¥861 million (other securities ¥861 million ($9,155 thousand)).

Impairment loss recorded in the fiscal year ended March 31, 2012, was ¥168 million (other securities ¥168 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.

## 7. Short-Term Loans Payable and Long-Term Loans Payable

As of March 31, 2013 and 2012, 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 |
|---|---|---|---|---|
| | | **2013** | 2012 | **2013** |
| Short-term loans payable | 0.69% | **¥39,407** | ¥ 39,189 | **$ 419,004** |
| Commercial paper | 0.11% | **40,000** | 47,000 | **425,305** |
| Current portion of long-term loans payable | 1.52% | **2,701** | 22,670 | **28,724** |
| Current portion of long-term loans payable (Bonds) | 1.28% | **15,000** | 40,000 | **159,489** |
| Total | | **¥97,108** | ¥148,860 | **$1,032,524** |

2) Long-term loans payable

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Unsecured bonds due 2012, 1.70% | **¥ —** | ¥ 20,000 | **$ —** |
| Unsecured bonds due 2014, 1.28% | **15,000** | 15,000 | **159,489** |
| Unsecured bonds due 2012, 1.40% | **—** | 20,000 | **—** |
| Unsecured bonds due 2016, 0.49% | **20,000** | 20,000 | **212,652** |
| Unsecured bonds due 2018, 0.76% | **15,000** | 15,000 | **159,489** |
| Unsecured bonds due 2017, 0.31% | **10,000** | — | **106,326** |
| Unsecured bonds due 2019, 0.51% | **20,000** | — | **212,652** |
| Unsecured bonds due 2017, 0.33% | **20,000** | — | **212,652** |
| Loans from domestic banks, insurance companies, government agencies and others, due 2012 to 2020 | **25,986** | 29,071 | **276,310** |
| Subtotal | **125,986** | 119,071 | **1,339,574** |
| Current portion of long-term loans payable | **(2,701)** | (22,670) | **(28,724)** |
| Current portion of long-term loans payable (Bonds) | **(15,000)** | (40,000) | **(159,489)** |
| Total | **¥108,285** | ¥ 56,401 | **$1,151,359** |

As of March 31, 2013, the aggregate annual maturities of long-term loans payable are as follows (other than bonds):

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Years ending March 31 | 2013 | 2013 |
| More than one year up to two years | ¥ 1,864 | $ 19,820 |
| More than two years up to three years | 462 | 4,918 |
| More than three years up to four years | 421 | 4,478 |
| More than four years up to five years | 19,672 | 209,172 |
| More than five years | 864 | 9,194 |
| Total | ¥23,285 | $247,585 |

## 8. Inventories

Inventories as of March 31, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| Goods and products | ¥ 81,339 | ¥ 77,292 | $ 864,857 |
| Work in progress | 2,229 | 2,240 | 23,707 |
| Raw materials and supplies | 37,624 | 32,480 | 400,047 |
| Total | ¥121,194 | ¥112,013 | $1,288,612 |

## 9. Collateral and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2013 and 2012, is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| Buildings and structures | ¥ 2,250 | ¥ 2,717 | $ 23,925 |
| Machinery, equipment, vehicles and fixtures | 776 | 1,083 | 8,254 |
| Land | 2,988 | 3,025 | 31,777 |
| Other | 16,750 | 17,680 | 178,099 |
| Total | ¥22,765 | ¥24,506 | $242,056 |

A summary of secured liability as of March 31, 2013 and 2012, is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| Short-term loans payable | ¥ 150 | ¥1,321 | $ 1,594 |
| Long-term loans payable | 2,780 | 2,780 | 29,560 |
| Total | ¥2,930 | ¥4,101 | $31,155 |

Notes to Consolidated Financial Statements

## 10. Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Deferred tax assets: | | | |
| Accrued employees' retirement benefits | **¥ 11,324** | ¥ 10,235 | **$ 120,412** |
| Accrued expenses | **4,509** | 4,620 | **47,949** |
| Investment securities | **1,577** | 956 | **16,768** |
| Accrued bonuses for employees | **3,540** | 3,555 | **37,647** |
| Depreciation of fixed assets | **2,838** | 2,922 | **30,177** |
| Deferred gains or losses on hedges | **482** | 1,382 | **5,129** |
| Unrealized gain | **698** | 582 | **7,431** |
| Other | **10,542** | 8,713 | **112,097** |
| Subtotal | **35,514** | 32,970 | **377,612** |
| Valuation allowance | **(5,419)** | (4,622) | **(57,619)** |
| Total deferred tax assets | **¥ 30,095** | ¥ 28,348 | **$ 319,993** |
| Deferred tax liabilities: | | | |
| Advanced depreciation reserve for fixed assets | **¥(12,691)** | ¥(13,077) | **$(134,939)** |
| Unrealized holding gains or losses on securities | **(6,514)** | (2,856) | **(69,266)** |
| Prepaid pension cost | **(11,966)** | (11,164) | **(127,234)** |
| Other | **(661)** | (576) | **(7,036)** |
| Total deferred tax liabilities | **¥(31,833)** | ¥(27,674) | **$(338,476)** |
| Net deferred tax assets (liabilities) | **¥ (1,738)** | ¥ 673 | **$ (18,482)** |

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, 2013 and 2012, is as follows:

| | **2013** | 2012 |
|---|---|---|
| Statutory tax rate | **38.0%** | 40.7% |
| Entertainment and other permanently non-deductible expenses | **6.0** | 11.5 |
| Dividend and other permanently non-taxable income | **(0.8)** | (6.6) |
| Per capita inhabitant's tax | **1.5** | 2.8 |
| Amortization of goodwill | **0.0** | 3.3 |
| Tax credit for experimentation and research expenses | **(3.9)** | (4.3) |
| Increase/Decrease in valuation allowance | **0.1** | (1.0) |
| Tax effect adjustment accompanying change in tax rate | **0.0** | (2.1) |
| Other | **(7.7)** | 7.4 |
| Effective tax rate | **33.2%** | 51.7% |

## 11. Accrued Employees' Retirement Benefits

The Group adopts employees' retirement benefits 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 | | Thousands of U.S. dollars |
|---|---|---|---|
| Liability for employees' retirement benefits (as of March 31, 2013 and 2012) | **2013** | 2012 | **2013** |
| Retirement benefit obligation | **¥(121,019)** | ¥(117,932) | **$(1,286,753)** |
| Fair value of pension plan assets | **95,492** | 83,820 | **1,015,342** |
| Unfunded retirement benefit obligation | **(25,526)** | (34,111) | **(271,411)** |
| Unrecognized net retirement benefit obligation at transition | **1,438** | 2,157 | **15,290** |
| Unrecognized actuarial loss | **35,040** | 43,391 | **372,578** |
| Unrecognized prior service cost | **169** | (53) | **1,801** |
| Net retirement benefit obligation | **11,122** | 11,383 | **118,258** |
| Prepaid pension cost | **33,460** | 29,973 | **355,773** |
| Accrued employees' retirement benefits | **¥ (22,338)** | ¥ (18,590) | **$ (237,515)** |

The components of net periodic retirement benefits costs for the years ended March 31, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Service cost | **¥ 3,984** | ¥ 4,089 | **$ 42,362** |
| Interest cost | **2,325** | 2,772 | **24,726** |
| Expected return on plan assets | **(1,887)** | (1,983) | **(20,066)** |
| Amortization of net retirement benefit obligation at transition | **711** | 713 | **7,562** |
| Amortization of actuarial loss | **6,608** | 6,200 | **70,266** |
| Amortization of prior service cost | **55** | (29) | **585** |
| Contribution to employees' pension fund | **197** | 196 | **2,098** |
| Additional retirement benefits paid on a temporary basis | **31** | 32 | **335** |
| Other (Note) | **1,041** | 106 | **11,078** |
| Net periodic retirement benefits costs | **¥13,068** | ¥12,097 | **$138,948** |

(Note) This is contributions to the defined contribution pension plans and the Smaller Enterprise Retirement Allowance Mutual Aid system. Due to an increase in the significance of these expenses, from the year ended March 31, 2013, these expenses have been reclassified from "Service cost" to "Other." To reflect this change in the presentation method, the previous fiscal year's expenses are also reclassified.

Notes to Consolidated Financial Statements

Assumptions used in accounting for the above plans for the years ended March 31, 2013 and 2012, are set forth as follows:

| | 2013 | 2012 |
|---|---|---|
| Periodic recognition of retirement benefit obligation | **Principally by the straight-line method** | Principally by the straight-line method |
| Discount rate | **Principally 1.5% or 1.7%** | Principally 1.5% or 2.5% |
| Expected rate of return on plan assets | **2.5%** | 3.0% |
| Amortization period of actuarial gain/loss | **7 to 15 years** | 7 to 15 years |
| Amortization period of transitional retirement benefit obligation | **Principally 15 years** | Principally 15 years |
| Amortization period of prior service cost | **Principally 4 years** | Principally 4 to 15 years |

## 12. Unconsolidated Subsidiaries and Affiliates

As of March 31, 2013 and 2012, investment in capital of subsidiaries and affiliates is as folllows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| Other (investments in capital) | **¥5,484** | ¥3,394 | **$58,309** |

## 13. Contingent Liabilities

As of March 31, 2013 and 2012, contingent liabilities are as follows:

1) Guaranteed obligations

The Group is contingently liable as guarantor of loans from financial institutions to the following non-consolidated subsidiaries and employees:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| P.T. Ceres Meiji Indotama | **¥188** | ¥ 164 | **$ 2,000** |
| Sendai Feed Co., Ltd. | **452** | 508 | **4,809** |
| Employees | **301** | 415 | **3,205** |
| Total | **¥941** | ¥1,088 | **$10,015** |

2) Notes receivables discounted and endorsed

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| Notes receivables discounted | **¥ 91** | ¥164 | **$ 974** |
| Notes receivables endorsed | **103** | 187 | **1,105** |

## 14. Goodwill

As of March 31, 2013 and 2012, goodwill is as folllows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2013 | 2012 | 2013 |
| Goodwill | **¥161** | ¥270 | **$1,718** |

## 15. 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, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Maximum loan amount | **¥40,000** | ¥40,000 | **$425,305** |
| Used portion of the commitment line | **—** | — | **—** |
| Balance | **¥40,000** | ¥40,000 | **$425,305** |

## 16. 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 dates of the fiscal years ended March 31, 2013 and 2012, were holidays for financial institutions, the following notes maturing on the closing date of the consolidated fiscal years ended March 31, 2013 and 2012, are included in the outstanding balance.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Notes receivable | **¥476** | ¥408 | **$5,066** |
| Notes payable | **191** | 157 | **2,035** |

## 17. Net Assets

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

| | | **2013** | | |
|---|---|---|---|---|
| Type of shares | Number of shares as of March 31, 2012 (thousands) | Increase (thousands) | Decrease (thousands) | 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.

| | | 2012 | | |
|---|---|---|---|---|
| Type of shares | Number of shares as of March 31, 2011 (thousands) | Increase (thousands) | Decrease (thousands) | Number of shares as of March 31, 2012 (thousands) |
| Outstanding shares: | | | | |
| Common stock | 76,341 | — | — | 76,341 |
| Treasury stock: | | | | |
| Common stock (Notes 1, 2) | 2,671 | 4 | 1 | 2,675 |

(Note 1) Treasury common stock increased by 4,000 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.

## Notes to Consolidated Financial Statements

### 2) Matters related to dividends

(1) Cash dividends paid

| Resolution | Type of shares | 2013 Total amount of dividends Millions of yen | Total amount of dividends Thousands of U.S. dollars | Dividends per share Yen | Dividends per share U.S. dollars | Cut-off date | Effective date |
|---|---|---|---|---|---|---|---|
| Board of Directors' Meeting held on May 14, 2012 | Common stock | **¥2,946** | **$31,330** | **¥40.00** | **$0.43** | **March 31, 2012** | **June 8, 2012** |
| Board of Directors' Meeting held on November 13, 2012 | Common stock | **2,946** | **31,329** | **40.00** | **0.43** | **September 30, 2012** | **December 6, 2012** |

| Resolution | Type of shares | 2012 Total amount of dividends Millions of yen | Dividends per share Yen | Cut-off date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' Meeting held on May 12, 2011 | Common stock | ¥2,946 | ¥40.00 | March 31, 2011 | June 9, 2011 |
| Board of Directors' Meeting held on November 10, 2011 | Common stock | 2,946 | 40.00 | September 30, 2011 | December 6, 2011 |

(2) 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

| Resolution | Type of shares | 2013 Total amount of dividends Millions of yen | Total amount of dividends Thousands of U.S. dollars | Source of dividends | Dividends per share Yen | Dividends per share U.S. dollars | Cut-off date | Effective date |
|---|---|---|---|---|---|---|---|---|
| Board of Directors' Meeting held on May 14, 2013 | Common stock | **¥2,946** | **$31,327** | **Retained earnings** | **¥40.00** | **$0.43** | **March 31, 2013** | **June 7, 2013** |

Dividends with the cut-off date in the fiscal year ended March 31, 2012, and with the effective date in the fiscal year ending March 31, 2013

| Resolution | Type of shares | 2012 Total amount of dividends Millions of yen | Source of dividends | Dividends per share Yen | Cut-off date | Effective date |
|---|---|---|---|---|---|---|
| Board of Directors' Meeting held on May 14, 2012 | Common stock | ¥2,946 | Retained earnings | ¥40.00 | March 31, 2012 | June 8, 2012 |

### 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.

## 18. Supplemental Cash Flow Information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2013 and 2012:

| | Millions of yen 2013 | Millions of yen 2012 | Thousands of U.S. dollars 2013 |
|---|---|---|---|
| Cash and deposits | **¥16,902** | ¥14,662 | **$179,719** |
| Time deposits with maturities of more than three months | **338** | 298 | **3,599** |
| Cash and cash equivalents | **¥16,564** | ¥14,363 | **$176,120** |

## 19. Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Carriage and storage charges | **¥ 43,403** | ¥ 44,672 | **$ 461,493** |
| Sales promotion expenses | **117,750** | 112,018 | **1,252,001** |
| Labor cost | **66,401** | 66,756 | **706,020** |
| Provision for accrued bonuses for employees | **5,795** | 5,766 | **61,619** |
| Employees' retirement benefits cost | **8,751** | 8,308 | **93,048** |
| Allowance for sales rebates | **5,263** | 5,772 | **55,963** |

## 20. 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, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Research and development costs | **¥26,199** | ¥23,823 | **$278,565** |

## 21. Extraordinary Gains and Losses

The major elements of extraordinary gains and losses during the fiscal years ended March 31, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Extraordinary gains: | | | |
| Gain on sale of fixed assets | **¥2,154** | ¥ 361 | **$22,906** |
| Gain on transfer from business divestitures | **—** | 200 | **—** |
| Other | **386** | 124 | **4,109** |
| Total | **¥2,540** | ¥ 685 | **$27,016** |
| Extraordinary losses: | | | |
| Loss on disposal of fixed assets | **¥2,303** | ¥2,102 | **$24,490** |
| Loss on sales of fixed assets | **841** | 55 | **8,945** |
| Loss on valuation of investment securities | **864** | 227 | **9,187** |
| Corporate reorganization expense | **—** | 1,951 | **—** |
| Loss on disaster | **—** | 1,709 | **—** |
| Impairment loss | **76** | 1,509 | **809** |
| Loss on valuation of investments in capital of subsidiaries and affiliates | **1,038** | — | **11,036** |
| Other | **1,335** | 422 | **14,195** |
| Total | **¥6,457** | ¥7,978 | **$68,664** |

(Note) Changes in Presentation Methods

Because loss on sales of fixed assets and loss on valuation of investment securities in "extraordinary losses" (included in "other" in the fiscal year ended March 31, 2012) exceeded 10% of extraordinary losses, in the fiscal year ended March 31, 2013, they have been presented separately. To reflect this change in presentation method, the consolidated financial statements of the fiscal year ended March 31, 2012, have been reclassified.

As a result, ¥282 million that was included in "other" in "extraordinary losses" in the consolidated statement of income for the fiscal year ended March 31, 2012, has been reclassified to "loss on sales of fixed assets" of ¥55 million, and "loss on valuation of investment securities" of ¥227 million.

Notes to Consolidated Financial Statements

## 22. Impairment Loss

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 ($809 thousand). Of the total amount, ¥36 million ($391 thousand) was buildings, and ¥39 million ($418 thousand) was land.

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

Impairment losses for the fiscal year ended March 31, 2012, are as follows:

| Application | Type | Location or name of company |
|---|---|---|
| — | Goodwill | Français Co., Ltd., consolidated subsidiary |
| Research laboratory | Buildings, etc. | Sakado-shi, Saitama 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, 2012, impairment loss of ¥1,509 million was recognized in extraordinary losses. Regarding the goodwill of Français Co., Ltd., because business results for the fiscal year did not reach the forecasts due to the effect of market deterioration, the medium-term business targets of Français were revised. As a result, the excess earning power could no longer be expected in accordance with the original schedule determined at the time of the stock acquisition, and an impairment loss on goodwill of ¥1,052 million was recognized. Regarding the research laboratory, as a result of a resolution by the Board of Directors to transfer the Company's research laboratory, the carrying value was written down to the recoverable amount, and the reduction for the fiscal year ended March 31, 2012 (buildings of ¥440 million and other of ¥16 million), was recognized as an impairment loss on fixed assets in extraordinary losses.

Further, the recoverable amount of goodwill was measured based on value in use, and, because future cash flows could not be expected, the total amount of goodwill was recognized as an impairment loss. The recoverable amount of buildings and others was measured using net selling values, and, because disposal is planned, the carrying value was recognized as an impairment loss.

## 23. Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income for the fiscal years ended March 31, 2013 and 2012, are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2013** | 2012 | **2013** |
| Net unrealized holding gains or losses on securities: | | | |
| Amount arising during the year | **¥10,084** | ¥2,804 | **$107,221** |
| Reclassification adjustments for gains and losses included in net income | **1,061** | 45 | **11,282** |
| Amount before tax effect | **11,145** | 2,849 | **118,504** |
| Tax effect | **(3,685)** | (779) | **(39,187)** |
| Net unrealized holding gains or losses on securities | **7,459** | 2,070 | **79,316** |
| Deferred gains or losses on hedges: | | | |
| Amount arising during the year | **1,537** | 190 | **16,350** |
| Reclassification adjustments for gains and losses included in net income | **—** | 3 | **—** |
| Asset acquisition costs adjustments | **850** | 1,044 | **9,047** |
| Amount before tax effect | **2,388** | 1,238 | **25,398** |
| Tax effect | **(902)** | (642) | **(9,596)** |
| Deferred gains or losses on hedges | **1,486** | 596 | **15,802** |
| Foreign currency translation adjustments: | | | |
| Amount arising during the year | **1,978** | (905) | **21,033** |
| Equity in affiliates accounted for by the equity method: | | | |
| Amount arising during the year | **148** | (56) | **1,580** |
| Total other comprehensive income | **¥11,072** | ¥1,703 | **$117,733** |

## 24. Derivative Financial Instruments

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 | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2013 | | | | 2013 | | | |
| | 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 | ¥ 539 | ¥ — | ¥ (24) | ¥ (24) | $ 5,738 | $ — | $ (262) | $ (262) |
| Sell | | | | | | | | |
| U.S. dollar | 47 | — | (5) | (5) | 504 | — | (62) | (62) |
| Euro | 272 | — | (29) | (29) | 2,900 | — | (308) | (308) |
| Currency swap contracts | | | | | | | | |
| Buy | | | | | | | | |
| U.S. dollar | 3,555 | 3,216 | (142) | (142) | 37,800 | 34,200 | (1,512) | (1,512) |
| Option contracts | | | | | | | | |
| Sell | | | | | | | | |
| Put option | | | | | | | | |
| U.S. dollar | 362 | — | 6 | 6 | 3,857 | — | 70 | 70 |
| Option contracts | | | | | | | | |
| Buy | | | | | | | | |
| Call option | | | | | | | | |
| U.S. dollar | 183 | — | 0 | 0 | 1,947 | — | 7 | 7 |
| Total | ¥4,961 | ¥3,216 | ¥(194) | ¥(194) | $52,748 | $34,200 | $(2,067) | $(2,067) |

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

(2) Interest rate-related transactions

None

## Notes to Consolidated Financial Statements

### 2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| | | 2013 | | | 2013 | | |
| 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 | **¥ 4,448** | **¥1,113** | **¥ 111** | **$ 47,295** | **$11,834** | **$ 1,188** |
| Euro | Accounts payable | **105** | **—** | **0** | **1,123** | **—** | **0** |
| Pound | Accounts payable | **95** | **—** | **(10)** | **1,019** | **—** | **(107)** |
| Chinese yuan | Accounts payable | **1,579** | **—** | **219** | **16,790** | **—** | **2,329** |
| Sell | | | | | | | |
| U.S. dollar | Accounts receivable | **3** | **—** | **0** | **35** | **—** | **0** |
| Currency swap contracts | | | | | | | |
| Buy | | | | | | | |
| U.S. dollar | Accounts payable | **1,480** | **678** | **(69)** | **15,736** | **7,210** | **(737)** |
| Pound | Accounts payable | **8,284** | **6,110** | **(1,537)** | **88,089** | **64,967** | **(16,343)** |
| Australian dollar | Accounts payable | **1,509** | **1,006** | **(3)** | **16,053** | **10,702** | **(39)** |
| Hedge accounting method: Allocation method | | | | | | | |
| Forward foreign exchange contracts | | | | | | | |
| Buy | | | | | | | |
| U.S. dollar | Accounts payable | **527** | **—** | (Note) | **5,607** | **—** | (Note) |
| Euro | Accounts payable | **70** | **—** | (Note) | **747** | **—** | (Note) |
| Pound | Accounts payable | **219** | **—** | (Note) | **2,335** | **—** | (Note) |
| Australian dollar | Accounts payable | **19** | **—** | (Note) | **209** | **—** | (Note) |
| Sell | | | | | | | |
| U.S. dollar | Accounts receivable | **104** | **—** | (Note) | **1,106** | **—** | (Note) |
| Currency swap contracts | | | | | | | |
| Buy | | | | | | | |
| U.S. dollar | Accounts payable | **72** | **—** | (Note) | **775** | **—** | (Note) |
| Pound | Accounts payable | **197** | **—** | (Note) | **2,102** | **—** | (Note) |
| Total | | **¥18,718** | **¥8,907** | **¥(1,289)** | **$199,028** | **$94,714** | **$(13,709)** |

(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

Matters related to derivative transactions in the fiscal year ended March 31, 2012

**1) Derivative transactions for which hedge accounting is not applied**

(1) Currency-related transactions

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2012 | | | |
| | 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 | ¥ 127 | ¥ — | ¥ 1 | ¥ 1 |
| Australian dollar | 158 | — | 1 | 1 |
| Euro | 441 | — | 2 | 2 |
| Sell | | | | |
| U.S. dollar | 122 | — | (3) | (3) |
| Currency swap contracts | | | | |
| Buy | | | | |
| U.S. dollar | 3,402 | 3,106 | (635) | (635) |
| Option contracts | | | | |
| Sell | | | | |
| Put option | | | | |
| U.S. dollar | 1,439 | 362 | (125) | (125) |
| Option contracts | | | | |
| Buy | | | | |
| Call option | | | | |
| U.S. dollar | 366 | 183 | (1) | (1) |
| Total | ¥6,059 | ¥3,652 | ¥(761) | ¥(761) |

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

(2) Interest rate-related transactions

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2012 | | | |
| | Contract amount, etc. | Portion with maturity over one year | Fair value | Revaluation gain (loss) |
| Transactions other than market transactions: | | | | |
| Interest rate swap contracts | | | | |
| Fixed rate payments/ Variable rate receipts | ¥3,150 | ¥— | ¥(23) | ¥(23) |
| Total | ¥3,150 | ¥— | ¥(23) | ¥(23) |

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

## Notes to Consolidated Financial Statements

### 2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

| | | Millions of yen | | |
|---|---|---|---|---|
| | | 2012 | | |
| 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 | ¥ 6,492 | ¥ 2,444 | ¥ (343) |
| Euro | Accounts payable | 69 | — | 0 |
| Pound | Accounts payable | 301 | 111 | (51) |
| Australian dollar | Accounts payable | 36 | — | 19 |
| New Zealand dollar | Accounts payable | 5 | — | (0) |
| Sell | | | | |
| U.S. dollar | Accounts receivable | 37 | — | 0 |
| Currency swap contracts | | | | |
| Buy | | | | |
| U.S. dollar | Accounts payable | 2,974 | 2,358 | (455) |
| Pound | Accounts payable | 10,375 | 8,482 | (2,772) |
| Australian dollar | Accounts payable | 2,013 | 1,509 | (73) |
| Hedge accounting method: | | | | |
| Allocation method | | | | |
| Forward foreign exchange contracts | | | | |
| Buy | | | | |
| U.S. dollar | Accounts payable | 820 | — | (Note) |
| Euro | Accounts payable | 76 | — | (Note) |
| Pound | Accounts payable | 123 | — | (Note) |
| Australian dollar | Accounts payable | 51 | — | (Note) |
| Sell | | | | |
| U.S. dollar | Accounts receivable | 92 | — | (Note) |
| Currency swap contracts | | | | |
| Buy | | | | |
| U.S. dollar | Accounts payable | 51 | — | (Note) |
| Pound | Accounts payable | 172 | — | (Note) |
| Total | | ¥23,691 | ¥14,907 | ¥(3,675) |

(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, their fair values are included in the fair value information of the respective accounts payable and accounts receivable.

(2) Interest rate-related transactions

| | | Millions of yen | | |
|---|---|---|---|---|
| | | 2012 | | |
| Type of transactions | Primary hedged items | Contract amount, etc. | Portion with maturity over one year | Fair value |
| Hedge accounting method: | | | | |
| Shortcut method | | | | |
| Interest rate swap contracts | | | | |
| Fixed rate payments/ Variable rate receipts | Long-term loans payable | ¥6,470 | ¥— | (Note) |
| Total | | ¥6,470 | ¥— | (Note) |

(Note) For interest rate swap contracts subject to the shortcut method, as they are treated together with the hedged loans payable, their fair values are included in the respective loans payable.

## 25. Matters Related to Business Combination, Etc.

(Fiscal year ended March 31, 2013)

Omitted as there were no significant business combinations.

## 26. 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 | | | | |
|---|---|---|---|---|---|
| | 2013 | | | | |
| | 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 | ¥1,000,346 | ¥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 |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | 2013 | | | | |
| | 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 | $10,636,321 | $1,341,567 | $11,977,889 | $ — | $11,977,889 |
| (2) Inter-segment sales and transfers | 12,813 | 12,618 | 25,432 | (25,432) | — |
| Total | $10,649,135 | $1,354,186 | $12,003,321 | $ (25,432) | $11,977,889 |
| Segment income (loss) | $ 206,100 | $ 68,701 | $ 274,801 | $ 150 | $ 274,952 |
| Segment assets | 6,169,258 | 1,566,294 | 7,735,553 | 616,537 | 8,352,091 |
| **Other items** | | | | | |
| Depreciation | $364,037 | $56,592 | $420,629 | $13,414 | $434,044 |
| Equity in income of affiliates | 32,689 | 3,530 | 36,219 | — | 36,219 |
| Increase in property, plants and equipment / intangible fixed assets | 392,719 | 53,903 | 446,623 | 619 | 447,242 |

Notes to Consolidated Financial Statements

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | 2012 | | | | |
| | 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 | ¥985,134 | ¥124,140 | ¥1,109,275 | ¥ — | ¥1,109,275 |
| (2) Inter-segment sales and transfers | 1,185 | 1,133 | 2,318 | (2,318) | — |
| Total | ¥986,319 | ¥125,274 | ¥1,111,593 | ¥ (2,318) | ¥1,109,275 |
| Segment income (loss) | ¥ 11,491 | ¥ 8,186 | ¥ 19,678 | ¥ 511 | ¥ 20,189 |
| Segment assets | 565,233 | 131,990 | 697,223 | 52,761 | 749,985 |
| **Other items** | | | | | |
| Depreciation | ¥34,476 | ¥5,169 | ¥39,645 | ¥1,226 | ¥40,871 |
| Equity in income of affiliates | 2,722 | 103 | 2,825 | — | 2,825 |
| Increase in property, plants and equipment / intangible fixed assets | 34,070 | 5,793 | 39,863 | 84 | 39,948 |

## 27. Significant Subsequent Events

None

# Independent Auditor's Report

ERNST & YOUNG

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

## 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, 2013, 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, 2013, 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, 2013
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. / Multifood International 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.

#### 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. / Meiji Business Support Co., Ltd. / Nitto Co., Ltd. / Meiji Shokuhin Kaisha, Ltd. / Meito Warehouse Co., 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. / Tamura Seiyaku K.K. / Miyako Yuso Transportation Co., Ltd.

## OVERSEAS

## Meiji Co., Ltd.

### Offices

① Bangkok Office
② Melbourne Office
③ Taipei Office
④ Hanoi Office
⑤ Shanghai Office

### Group Companies

⑥ Meiji Seika Food Industry (Shanghai) Co., Ltd.
⑦ Meiji-Dairy Trading Shanghai Co., Ltd.
⑧ Meiji Dairies (Suzhou) Co., Ltd.
⑨ Guangdong M&F-Yantang Dairy Products Co., Ltd.
⑩ Guangzhou Meiji Confectionary Co., Ltd.
⑪ Shanghai Meiji Health Science and Technology Corp., Ltd.
⑫ Meiji Seika (Singapore) Pte. Ltd.
⑬ Meiji India Private Limited
⑭ Meiji Dairy Australasia Pty. Ltd.
⑮ P.T. Ceres Meiji Indotama
⑯ CP-Meiji Co., Ltd.
⑰ Thai Meiji Food Co., Ltd.
⑱ Meiji America Inc.
⑲ D. F. Stauffer Biscuit Co., Inc.
⑳ Laguna Cookie Co., Inc.
㉑ Mecor, Inc.
㉒ Beghin Meiji

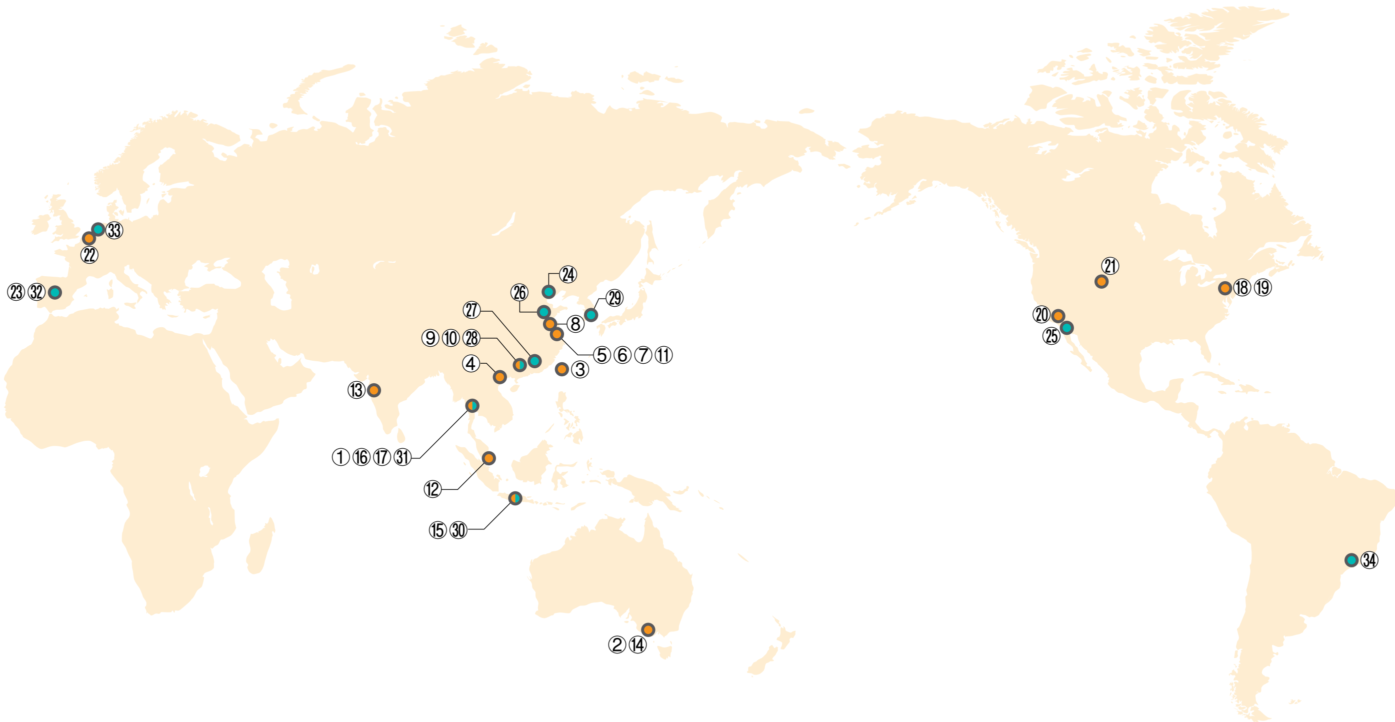
## Meiji Seika Pharma Co., Ltd.

### Offices

㉓ Madrid Office
㉔ Beijing Office
㉕ U.S. Office

### Group Companies

㉖ Meiji Pharma (Shandong) Co., Ltd.
㉗ Shantou Meiji Pharmaceuticals Co., Ltd.
㉘ Guangdong Meiji Pharmaceutials Co., Ltd.
㉙ Meiji Pharma Korea Co., Ltd.
㉚ P.T. Meiji Indonesian Pharmaceutical Industries
㉛ Thai Meiji Pharmaceuticals Co., Ltd.
㉜ Tedec-Meiji Farma, S.A. / Mabo Farma, S.A.
㉝ Meiji Seika Europe B.V.
㉞ Comercio e Industria Uniquimica Ltda.



# Corporate Data / Stock Information As of March 31, 2013

## Corporate Data

| | | | |
|---|---|---|---|
| Company Name | Meiji Holdings Co., Ltd. (Securities code: 2269) | Transfer Agent of Common Stock | Mitsubishi UFJ Trust and Banking Corporation |
| Head Office | 2-4-16, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan | 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. |
| 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 | Number of Group Employees | 14,819 |

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/



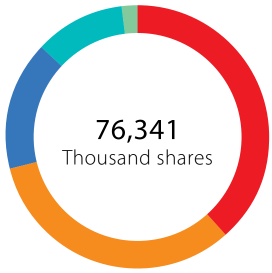
## Stock Information

### Major Shareholders

| Name | Number of shares held (Thousands) | Percentage of total shares issued (%) |
|---|---|---|
| Mizuho Bank, Ltd. | 3,582 | 4.69 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 3,544 | 4.64 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 2,781 | 3.64 |
| Nippon Life Insurance Company | 2,092 | 2.74 |
| Meiji Holdings Employee Shareholding Association | 1,975 | 2.59 |
| 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. | 1,184 | 1.55 |
| Mitsubishi UFJ Trust and Banking Corporation | 1,002 | 1.31 |
| **Total of Top 10 Shareholders** | **20,524** | **26.89** |

Note: In addition to the above-mentioned shares, the Company owns 2,683,000 shares of treasury stock (a 3.51% shareholding).

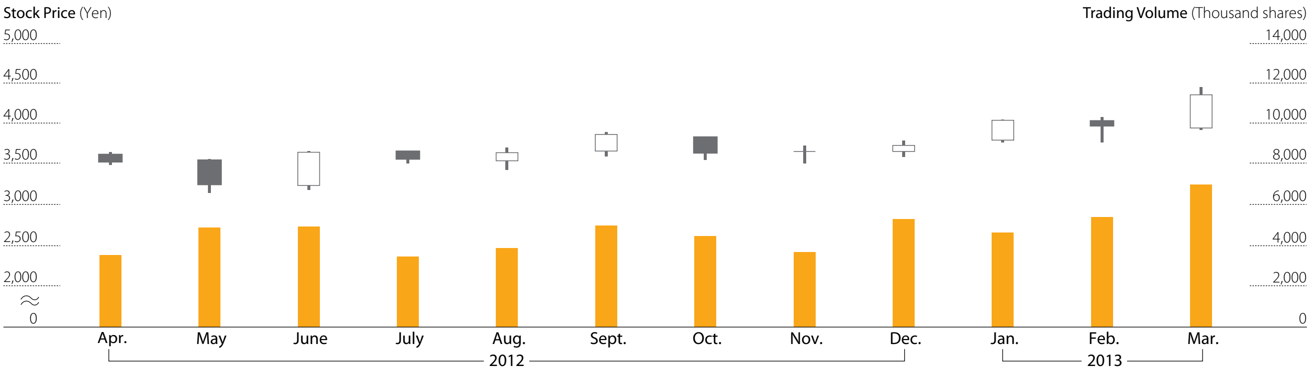
### Shareholding by Type of Shareholder




| | |
|---|---|
| Financial Institutions | 38.53% |
| Individuals and Others | 32.59% |
| Foreign Companies, etc. | 16.03% |
| Other Companies | 10.93% |
| Financial Instruments Dealers | 1.91% |
| 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. |
| | Tokyo Confectionery starts manufacturing caramels and biscuits at its Okubo Plant. |
| | Kyokuto Condensed Milk Co., Ltd. (hereinafter "Kyokuto Condensed Milk"), the predecessor of Meiji Dairies, is established by Meiji Sugar. |
| | Kyokuto Condensed Milk starts manufacturing condensed milk and other products. |
| 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

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| 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

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| 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." |
| 1999 | The antidepressant "DEPROMEL" is introduced. |

## 2000s

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| 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

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| 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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