Meiji Holdings Co., Ltd.

2015

meiji

Annual Report

Year ended March 31, 2015

Contents

Notes:

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

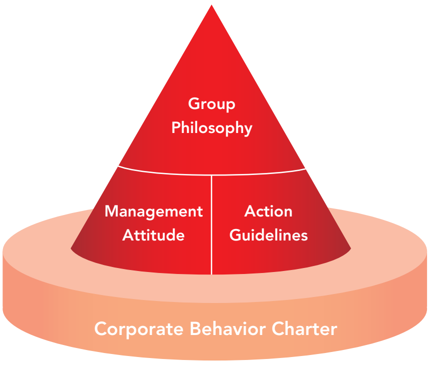
A Message to Our Stakeholders

Shigetaro Asano
Chairman and Representative Director

Masahiko Matsuo
President and Representative Director

The Meiji Group seeks to create new value in the Food and Health fields and boost the *meiji* brand value to sustain growth.

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

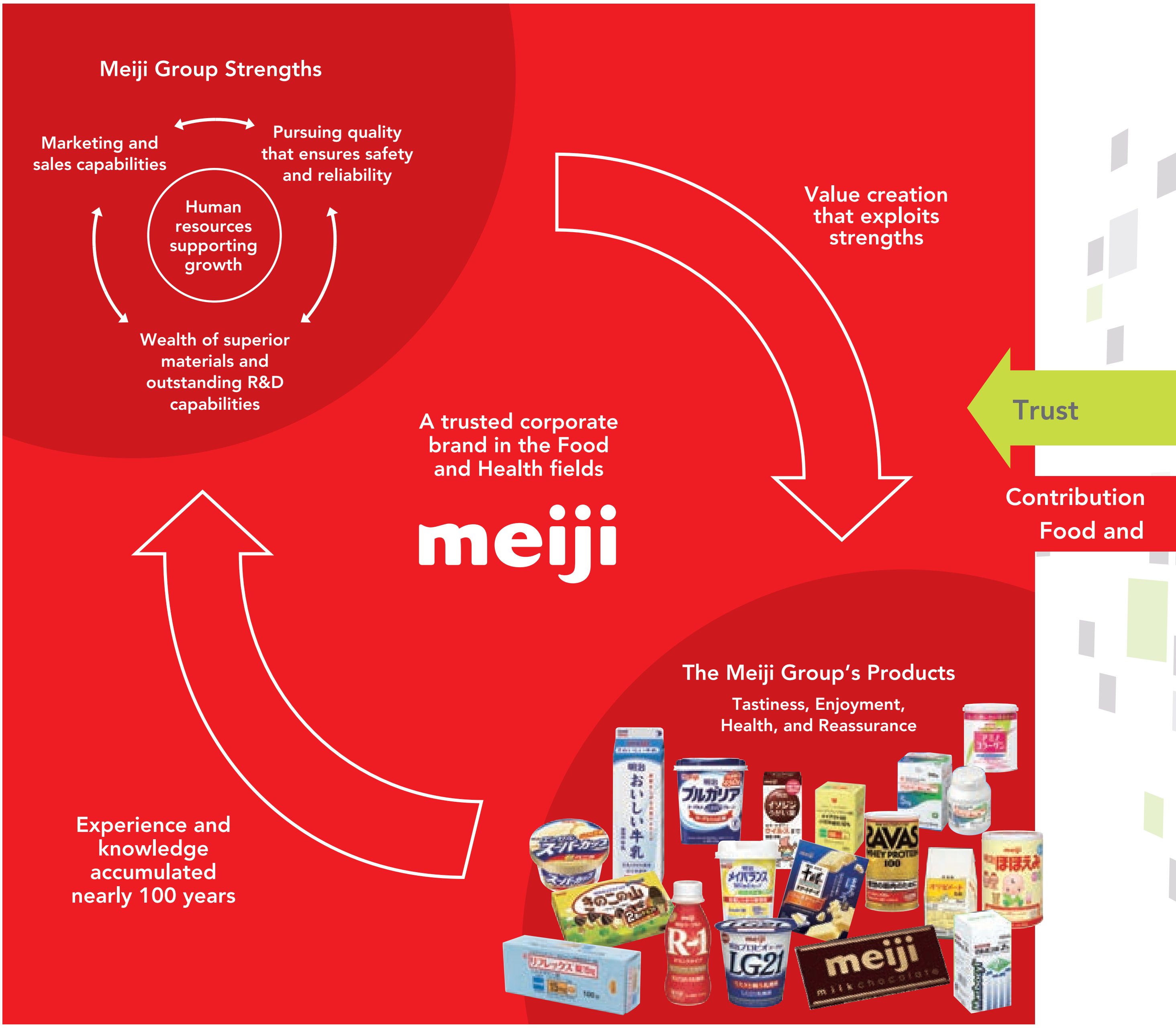
The Meiji Group's mission is to enrich the daily lives of customers of all ages, from infants to the elderly, by providing them with tastiness and enjoyment as well as products that contribute to their physical and emotional well-being. Since its founding in 1916, the Group has grown by accumulating expertise and technology and by meeting the changes in customers' needs and the business environment. We will celebrate the Group's 100th anniversary in 2016, and in the coming century will continue to earn the trust and fulfill the expectations of stakeholders through the *meiji* brand.

We are pursuing the sustainable growth and development of the Meiji Group under the long-term business management strategy "Meiji Group 2020 Vision" announced in September 2010. Our medium-term business plan for fiscal 2012–2014, TAKE OFF 14, is the first step toward achieving the Meiji Group 2020 Vision. Under TAKE OFF 14, we focused on higher profitability and strategic investments for future growth. As a result, operating income and return on equity (ROE) both greatly exceeded our goals thanks to structural reforms both in the Food and Pharmaceuticals segments. In April 2015, the Meiji Group set out STEP UP 17, its medium-term business plan for fiscal 2015–2017, as the second step of the Meiji Group 2020 Vision. With STEP UP 17, we will accelerate sales growth and improve profitability to realize the Meiji Group 2020 Vision. By flexibly adapting to the changing business environment, we will strengthen our competitive advantage, foster new growth, and develop our management platform.

The Meiji Group will continue sincere, steady efforts to create new value in the Food and Health fields to boost the *meiji* brand and earn the trust of society, customers, and users. Furthermore, we believe that such efforts are an important key to our sustained growth. With the support of stakeholders, we look forward to growing even further.

The Meiji Group's Value Creation

Since our foundation in 1916, as Food and Health professionals we have been creating innovation to meet our customers' needs through our extensive experience and accumulated knowledge and by taking advantage of unique strengths. Because we have adhered to this process for 100 years, we have been able to brighten customers' daily lives through the Food and Health fields and earn widespread recognition and endorsement—from society and customers—for *meiji* as a trusted corporate brand. By continuing this process, we will heighten this trust in us even further.



to the
Health fields

History of Our Innovation to Meet Customers' Needs

As Food and Health professionals, our goal is to enrich the lifestyles of people of all ages.

Yogurt

Our yogurt production stretches back to 1950, when we launched *Meiji Honey Yogurt*. We marketed a yogurt with no added sugar, *Meiji Plain Yogurt*, in 1971 and launched *Meiji Bulgaria Yogurt* in 1973. Through steady, determined marketing, we established the plain yogurt market in Japan.

65 years

Established market in Japan

Plain yogurts

Chocolate

We first sold chocolate 97 years ago. With the launch of *Meiji Milk Chocolate* in 1926, "Meiji" becomes increasingly synonymous with chocolate in Japan. Long sellers are an important asset, and we have always evolved them to reflect changes in customers' preferences.

97 years

A much-loved brand for many years

Meiji Milk Chocolate

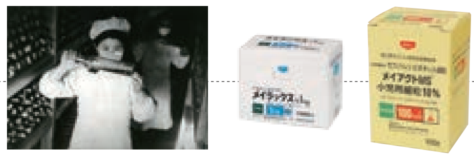
Pharmaceuticals

We started penicillin production in 1946, and entered the pharmaceuticals business. Since launching the antianxiety drug *MEILAX* in 1989, the oral antibacterial drug *MEIACT* in 1994, and the antidepressant drug *REFLEX* in 2009, we have been establishing our presence as a brand-name drug company in the fields of infectious diseases and central nervous system (CNS) disorders.

69 years

Began as a maker of penicillin

Grew to become a brand-name drug company



Business Development Overseas

The Food and Pharmaceuticals segments established their first overseas bases in 1974. Since then, we have been developing and strengthening overseas businesses for future growth. The Food segment has steadily consolidated foundations in three priority areas: China, Asia, and the United States. The Pharmaceuticals segment has established bases in Spain, Thailand, Indonesia, and China, which conduct manufacturing and sales.

41 years

Expand business foundations established in Japan

Expand Food and Pharmaceuticals businesses overseas

Functional yogurts

Using *lactobacilli* selected from an extensive *lactobacillus* library, we marketed *Meiji Probio Yogurt LG21* in 2000 and *Meiji Probio Yogurt R-1* in 2009.

These products combine functionality with tastiness and have been loved by customers since being launched. Both products continue to grow significantly.

Products anticipating demand

We have developed products by taking on challenges in new areas. These products have grown into long sellers loved by many. Anticipating important themes of the times, such as *health* and *premium*, we will develop products and continue providing new value.

Specialty and Generic Pharmaceuticals Company


In 2006, we entered the generic drugs business in earnest. Our generic drug business is focused on fields in which we have particular competence—infectious diseases and CNS disorders—and fields with significant medical needs. Through selection and concentration, we achieve efficient operational management in these fields. Also, our ability to provide stable supply, high quality, and adequate information, is well regarded among healthcarepractitioners and drug wholesalers.

Acceleration of rollouts globally

MEDREICH

In the Food segment, we will expand chilled milk, yogurt, and ice cream businesses in China and put them on track for growth. As for the Pharmaceuticals segment, we will leverage Medreich Limited, a pharmaceuticals company in India acquired in February 2015, to expand sales networks in India, Asia, and Africa and grow the contract manufacturing organization business.

The Meiji Group Now

Fiscal 2014 (Fiscal Year Ended March 31, 2015) Business Results

Net Sales

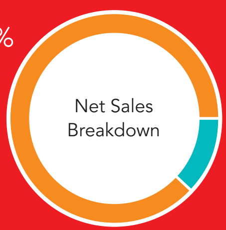
¥1,161.1 billion

year on year

Up 1.1%

Food Segment

87.8%



Pharmaceuticals Segment

12.2%

Operating Income

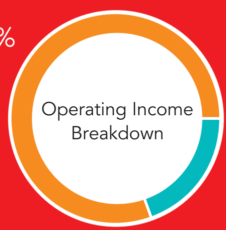
¥51.5 billion

year on year

Up 41.2%

Food Segment

80.5%



Pharmaceuticals Segment

19.5%

Operating Income Margin

4.4%

year on year

Up 1.2 percentage points

Research and Development Costs

¥26.1 billion

year on year

Up 0.1%

Number of Group Employees

26,854

year on year

Up 2,455

ROE

8.9%

year on year

Up 2.9 percentage points

Dividend Payout Ratio

23.8%

year on year

Down 7.1 percentage points

Industrial Waste Volume

73 thousand tons

year on year

Up 2.3%

The Meiji Group's Market Presence

The Meiji Group is taking advantage of its strengths and providing unique value to establish strong market positions.

Food Segment

- Fresh and fermented dairy business
- Processed food business
- Confectionery business
- Nutritionals business
- International business
- Other business

Yogurt

Market Share 43.0% **No.1 in Japan**

Source: INTAGE Inc., SRI* (yogurt market) April 2014–March 2015 market share (money amount)

Drinking Milk

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

Source: INTAGE Inc., SRI* (drinking milk market) April 2014–March 2015 market share (money amount)

Ice Cream Cups

Market Share 38.9% **No.1 in Japan**

Source: INTAGE Inc., SRI* (ice cream cups market) April 2014–March 2015 market share (money amount)

Chocolate

Market Share 23.8% **No.1 in Japan**

Source: INTAGE Inc., SRI* (chocolate market) April 2014–March 2015 market share (money amount)

Food for the Elderly, Enteral Formula (consumer products)

Market Share 88.0% **No. 1 in Japan**

Source: INTAGE Inc., SDI* (food for the elderly, enteral formula market) April 2014–March 2015 market share (money amount)

Pharmaceuticals Segment

- Ethical pharmaceuticals business
- Agricultural chemicals and veterinary drugs business

Systemic Antibacterial Drugs

Market Share 12.0% **No.3 in Japan**

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Calculated based on MIDAS 2015 Mar MAT Reprinted with permission Market scope as defined by Meiji Seika Pharma

Antidepressant Drugs

Market Share 17.2% **No.2 in Japan**

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Calculated based on MIDAS 2015 Mar MAT Reprinted with permission Market scope as defined by Meiji Seika Pharma

Manufacturer of Generic Drugs among Brand-Name Drug Companies

No. 1 in Japan

Source: CRECON RESEARCH & CONSULTING, INC., fiscal 2014

Rice Blast Preventatives (agricultural chemicals)

Market Share 38.6% **No.1 in Japan**

Source: Japan Crop Protection Association, 2014 agricultural chemical year (October 2013–September 2014)

Industrial Veterinary Drugs

Market Share 6.8% **No. 6 in Japan**

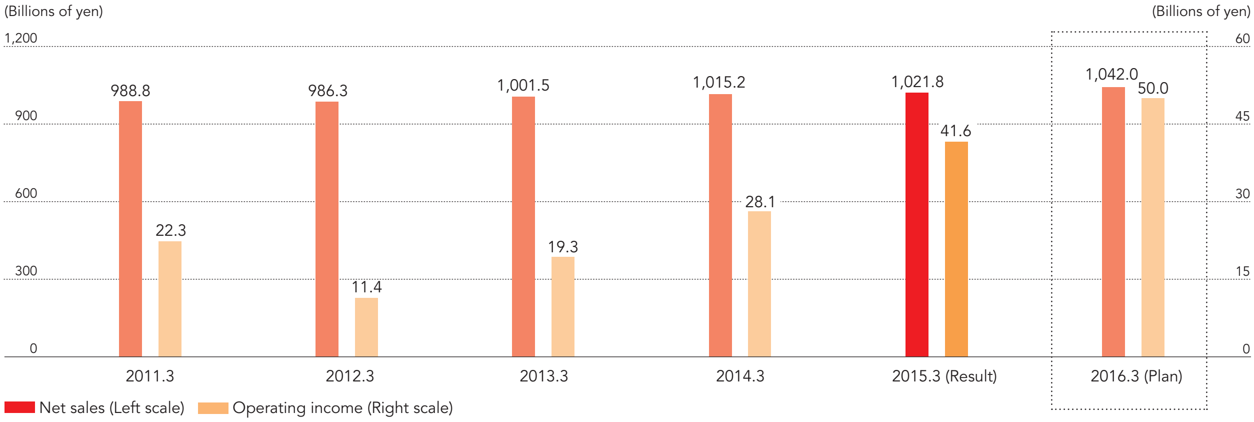
Source: Fuji Keizai Co., Ltd., fiscal 2014

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

The Meiji Group Now

Food Segment

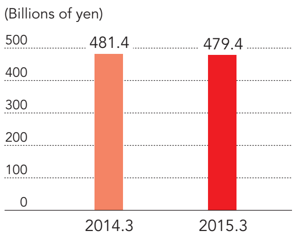
Business Results and Plans



Net Sales by Business

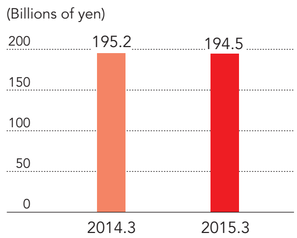
Fresh and Fermented Dairy Business

Yogurt, drinking milk, beverages, etc.



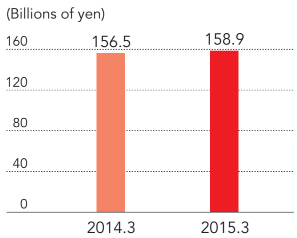
Processed Food Business

Cheese, butter and margarine, cream, ice cream, frozen food, etc.



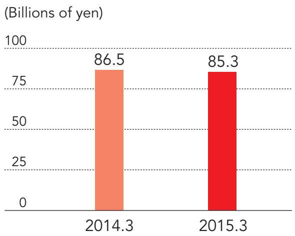
Confectionery Business

Chocolate, gummy, chewing gum, etc.



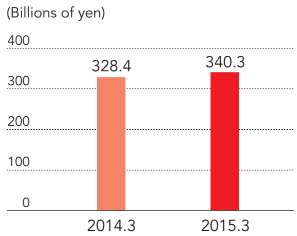
Nutritionals Business

Sports nutrition, infant formula, enteral formula, beauty supplement, OTC drugs, etc.



Other Business

Overseas, food stuffs, livestock products,sugar and corn sweeteners, transportation, etc.

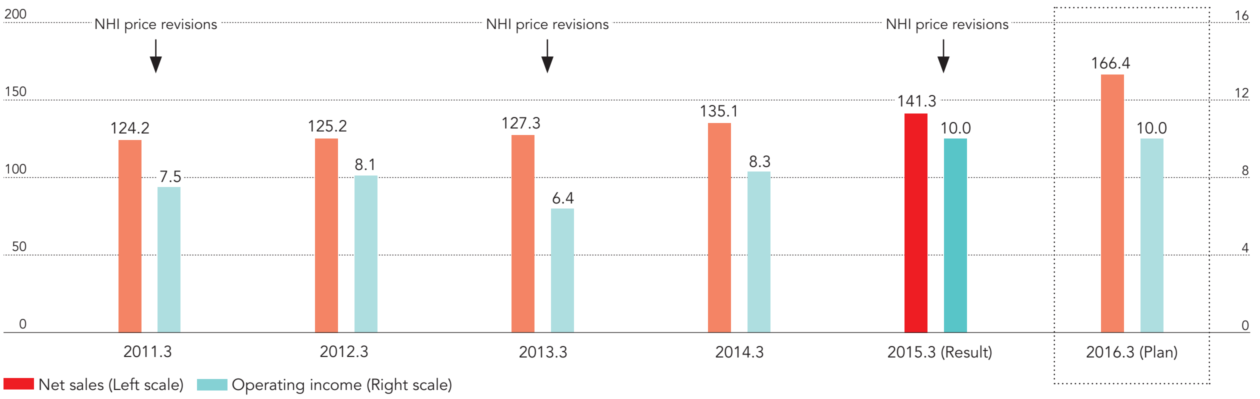


Partial Reclassification of the Business Divisions

In fiscal 2015, business classification was partially revised. Figures for fiscal 2013 and 2014 are reference figures reflecting this reclassification retrospectively.

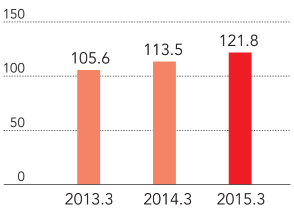
Pharmaceuticals Segment

Business Results and Plans

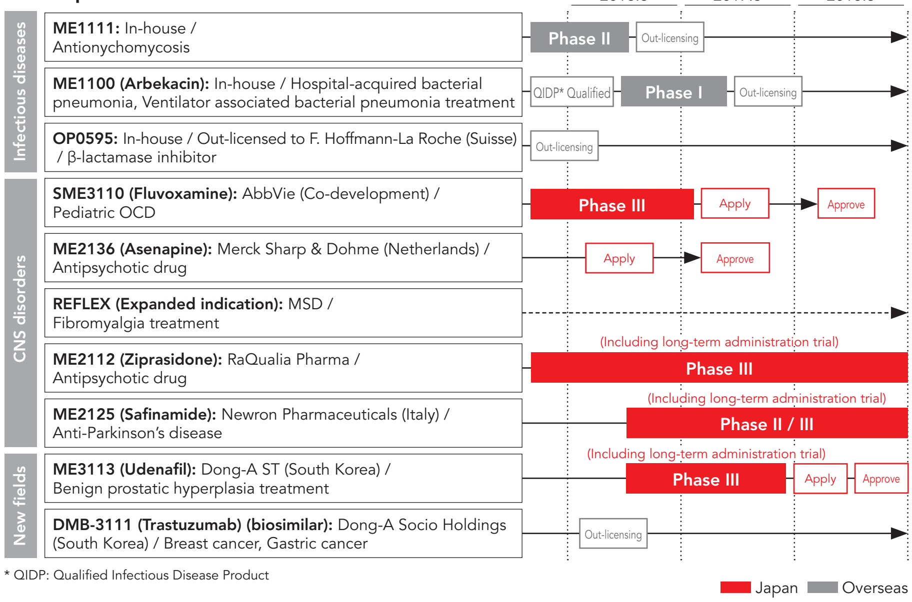


Ethical Pharmaceuticals Business

Net Sales



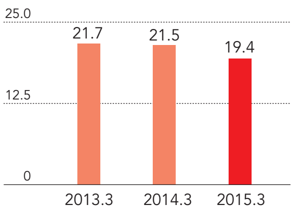
R&D Pipeline of Ethical Pharmaceuticals



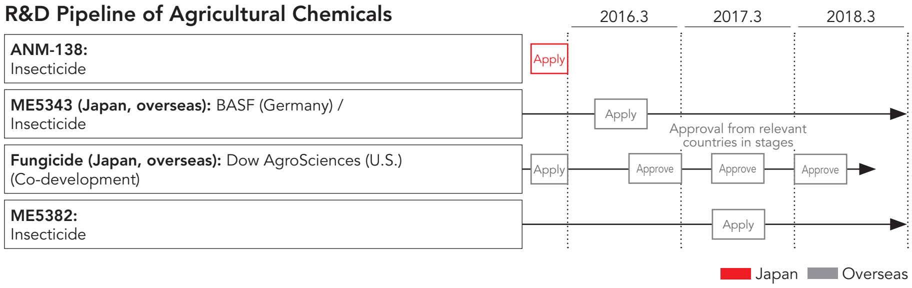
* QIDP: Qualified Infectious Disease Product

Agricultural Chemicals and Veterinary Drugs Business

Net Sales



R&D Pipeline of Agricultural Chemicals



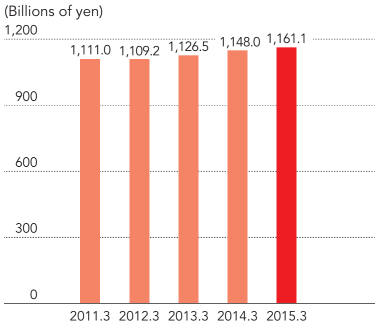
Financial and Non-Financial Highlights

(Fiscal years ended March 31)	2011	2012	2013	2014	2015	2015
	Millions of yen					Thousands of U.S. dollars*1
For the fiscal year						
Net sales	¥1,111,000	¥1,109,275	¥1,126,520	¥1,148,076	**¥1,161,152**	**$9,662,584**
Food segment	988,854	986,319	1,001,551	1,015,265	**1,021,806**	**8,503,006**
Pharmaceuticals segment	124,202	125,274	127,361	135,105	**141,338**	**1,176,157**
Cost of sales	732,931	738,500	743,835	754,013	**757,766**	**6,305,784**
Selling, general and administrative (SG&A) expenses	348,109	350,584	356,825	357,565	**351,842**	**2,927,875**
Operating income	29,959	20,189	25,859	36,496	**51,543**	**428,924**
Ordinary income	30,451	21,882	29,131	39,089	**53,582**	**445,885**
Net income	9,552	6,805	16,646	19,060	**30,891**	**257,063**
Capital expenditures*2	38,512	35,994	35,275	44,407	**63,152**	**517,201**
Research and development costs	23,418	23,823	26,199	26,067	**26,105**	**217,237**
Depreciation and amortization*3	41,345	40,871	40,821	40,972	**41,885**	**348,550**
Net cash provided by operating activities	57,995	30,597	50,622	63,847	**86,487**	**719,706**
At fiscal year-end						
Total assets	¥ 716,368	¥ 749,985	¥ 785,514	¥ 779,461	**¥ 877,367**	**$7,301,052**
Total net assets	293,530	298,491	320,609	328,121	**380,302**	**3,164,703**

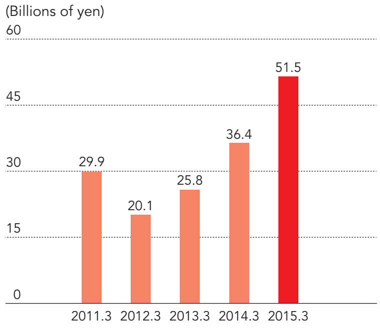
	2011	2012	2013	2014	2015	2015
	Yen					U.S. dollars*1
Per share data						
Net income	¥ 129.63	¥ 92.38	¥ 225.98	¥ 258.79	**¥ 419.58**	**$ 3.49**
Net assets*4	3,906.36	3,958.24	4,254.56	4,351.96	**5,030.51**	**41.86**
Cash dividends	80.0	80.0	80.0	80.0	**100.0**	**0.83**
Ratios (%)						
ROE	3.3	2.3	5.5	6.0	**8.9**	
ROA	1.3	0.9	2.2	2.4	**3.7**	
Other data						
Energy consumption volumes (Fuel oil conversion: 1,000 kl)*8	263	250	253	245	**243**	
CO_2 emissions (1,000 t-CO_2)*8	472	471	504	538	**525**	
Trends in industrial waste volume (t)*8	81,149	86,822	80,811	71,983	**73,610**	
Number of employees*9	25,554	25,717	25,738	24,399	**26,854**	

*1. U.S. dollar amounts are provided solely for the convenience of readers based on an exchange rate of US$1 = ¥120.17, the exchange rate prevailing on March 31, 2015.
*2. Figures for capital expenditures only represent property, plants and equipment based on consolidated statement of cash flows.
*3. Figures for depreciation and amortization represent property, plants and equipment and intangible fixed assets based on consolidated statement 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 fiscal 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 fiscal year ended March 31, 2011, is ¥29,959 million, a difference of ¥1,086 million compared with the previous figure.
*7. From the fiscal year ended March 31, 2012, the Company changed its business segments. Net sales by business segment for the fiscal year ended March 31, 2011, have been recalculated retroactively by applying the new business segmentation.
*8. Based on figures for the entire Meiji Group, including its main subsidiaries.
*9. Including average number of temporary personnel

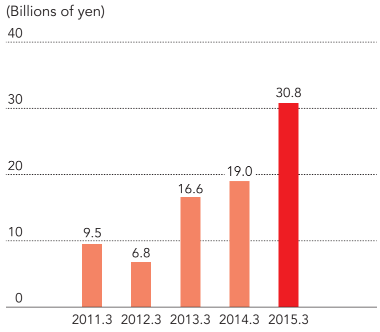
Net Sales



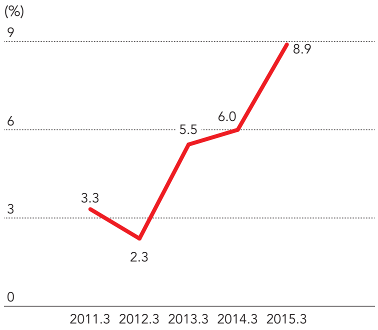
Operating Income



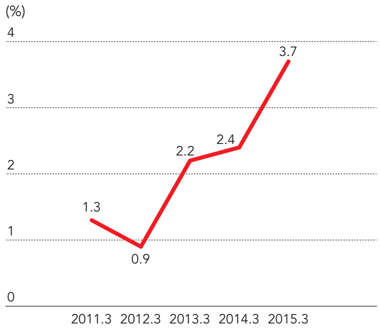
Net Income



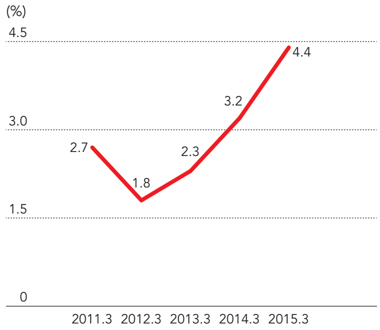
ROE



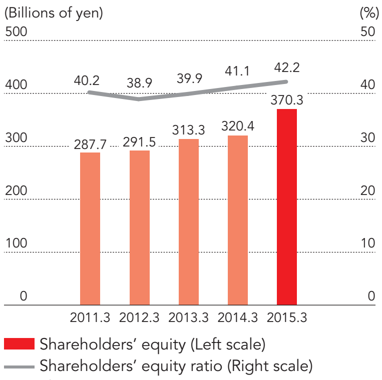
ROA



Operating Income Margin

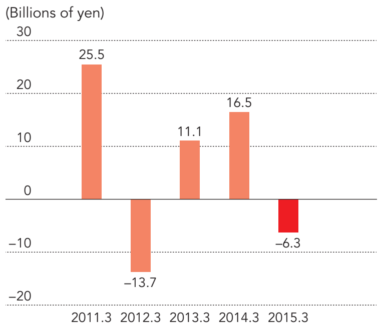


Shareholders' Equity* / Shareholders' Equity Ratio



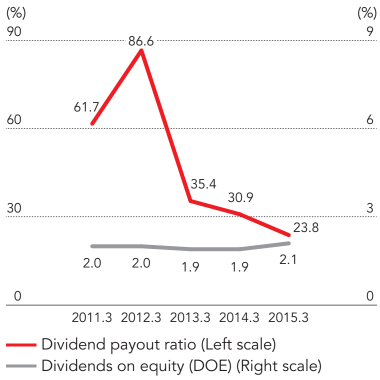
* Total net assets – Minority interests

Free Cash Flow*

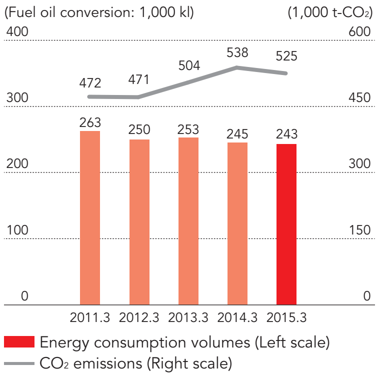


* Net cash provided by operating activities + Net cash used in investing activities

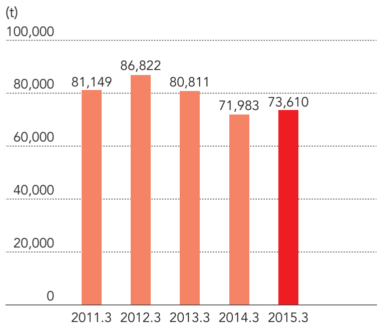
Dividend Payout Ratio / Dividends on Equity (DOE)



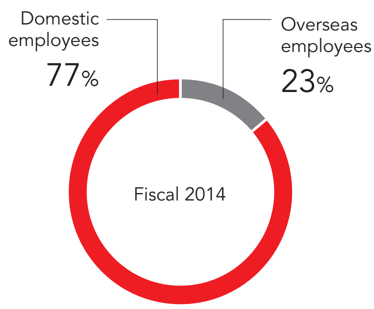
Energy Consumption Volumes / CO_2 Emissions



Trends in Industrial Waste Volume



Workforce Composition



Growth Trajectory

Launched in April 2015, medium-term business plan STEP UP 17 is the second step to realize the Meiji Group 2020 Vision.

The main focus of STEP UP 17 is to accelerate growth and achieve further improvement in profitability. The plan sets out operating income of ¥64.0 billion, an operating income margin of more than 5%, and ROE of 8% or more as targets for fiscal 2017.

2009–2011 Medium-Term Business Plan (Fiscal 2009–Fiscal 2011)

Enhancement of the *meiji* brand value

Growth of existing businesses

Pursuit of integration synergies

2012–2014 Medium-Term Business Plan (Fiscal 2012–Fiscal 2014)

Higher profitability and strategic investments for future growth

TAKE OFF 14

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

Fiscal 2014 Business Results

Operating income ¥51.5 billion

Operating income margin 4.4%

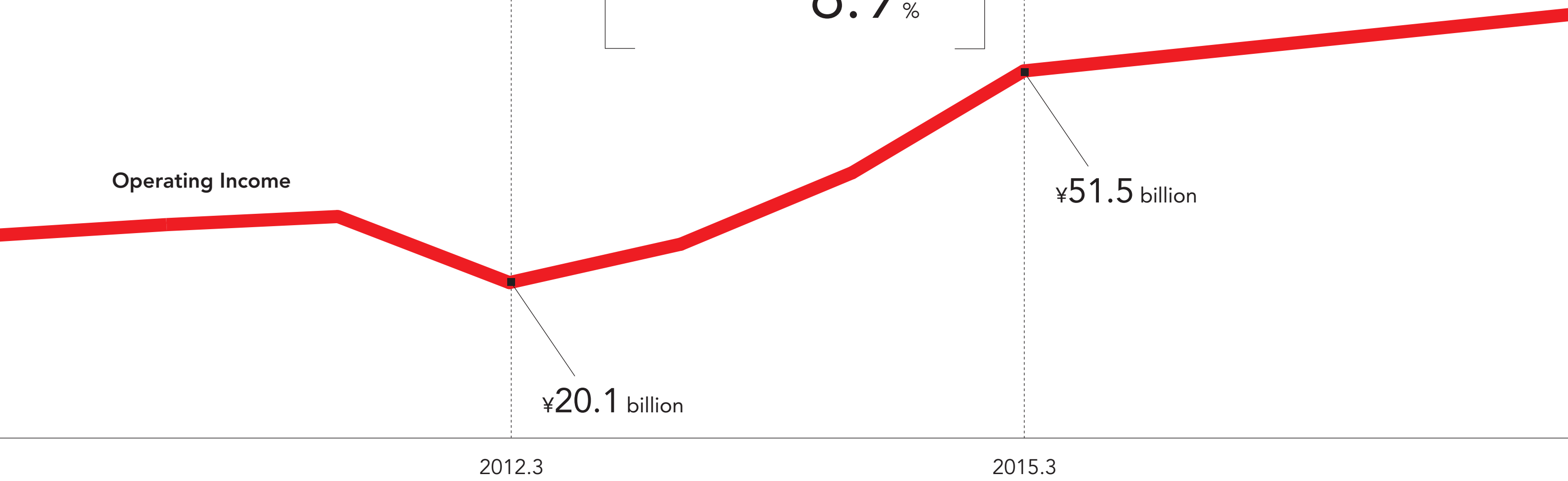
ROE 8.9%

2015–2017 Medium-Term Business Plan (Fiscal 2015–Fiscal 2017)

Accelerate growth and achieve further improvement in profitability

STEP UP 17

- Strengthen priority businesses and take on challenges for future growth
- Improve profitability to withstand harsh economic environment
- Expand global business
- Evolve the management system



Meiji Group 2020 Vision

2018–2020 Medium-Term Business Plan
(Fiscal 2018–Fiscal 2020)

Development into a global company

The Meiji Group aims to become:

A corporate group that brightens daily life by providing customers of all ages, from infants to the elderly, with foods that offer tastiness and enjoyment, as well as products that contribute to customers' physical and emotional well-being.

Fiscal 2017 Targets
* Announced in May 2015

Operating income
¥64.0 billion

Operating income margin
5%

ROE
More than 8%

Fiscal 2020 Initial Targets
* Announced in September 2010

Operating income
¥75.0 billion

Operating income margin
More than 5%

ROE
10%

2018.3

2021.3

A Message from the President

The Meiji Group announced its new medium-term business plan, STEP UP 17, in May 2015. To meet the expectations of shareholders and other investors, we continue growing as a global Food and Health corporate group.

Masahiko Matsuo
President and Representative Director

1 Review of Medium-Term Business Plan TAKE OFF 14

Higher profitability and strategic investments for future growth was the main theme of the three-year medium-term business plan launched in April 2012, TAKE OFF 14.

For fiscal 2014, quantitative targets were net sales of ¥1,190.0 billion and operating income of ¥40.0 billion. Also, we planned for capital expenditures of ¥160.0 billion over three years. In fiscal 2014, although net sales were ¥1,161.1 billion, we achieved operating income of ¥51.5 billion, significantly above the initial target. Raw material costs, which increased more than expected when preparing the plan, and National Health Insurance (NHI) drug price revisions impacted results adversely. However, we gave priority to earnings rather than to sales growth. As a result, profitability improved markedly—which was the main achievement of TAKE OFF 14.

Over the three years, capital expenditures totaled ¥149.0 billion, below the initial target. This was primarily because we revised part of the initial investment schedule. During the three-year period, sales of functional yogurts grew strongly, more than doubling from ¥37.0 billion to ¥83.0 billion. In response, we focused investment on ramping up production of these yogurts. In addition to capital expenditures, we invested ¥31.2 billion to acquire the shares of pharmaceuticals company Medreich Limited, of India, in February 2015, thereby making it a subsidiary. Consequently, capital expenditures and strategic investments amounted to ¥180.3 billion.

Our basic policy on returns to shareholders has been to provide stable and sustainable distribution of profit while securing ample internal reserves to provide the funds required for future capital needs, including investment and financing capital, R&D spending, and other investments. TAKE OFF 14 set out a target for full-year dividends of ¥80 per share. However, because earnings were considerably above target in the final fiscal year, fiscal 2014, we raised the year-end dividend by ¥20 per share to give a full-year dividend of ¥100 per share. The dividend payout ratio was 23.8%.

The Food segment surpassed the initial target of ¥30.0 billion to post operating income of ¥41.6 billion. As well as strengthening priority businesses and developing growth businesses, we reduced costs rigorously, which compensated for a higher-than-expected rise in raw material costs. We grew sales of product lineups that enjoy superiority and large market shares, such as functional yogurts and chocolate. As a result, the product mix improved. For enteral formula, which promises sales growth, we built an enteral formula plant in the Kansai region, expanded and improved the product lineup, and developed business foundations. In China, one of our focus areas for oversea business, we progressed according to plan, beginning yogurt and milk businesses.

As for the Pharmaceuticals segment, it reached TAKE OFF 14's target of ¥10.0 billion for operating income. The impact of fiscal 2014's NHI drug price revisions was severe. The revisions included additional price reductions on long-term listed drugs, the categorization of generic drug prices into three tiers, and lower initial listing prices. In response to these harsh conditions, we advanced the "Specialty and Generic Pharmaceuticals Company" strategy, increasing sales of drugs for central nervous system (CNS) disorders and generic drugs. We invested in R&D effectively, which promoted the projects in the development pipeline and led to an out-licensing alliance. Upfront payment resulting from this alliance contributed to revenues.

We progressed significantly under TAKE OFF 14, the first step toward realization of our long-term business management strategy, the Meiji Group 2020 Vision.

"TAKE OFF 14" Initial Targets and Business Results

TAKE OFF 14 initial targets		TAKE OFF 14 business results	Rate of change
Net sales	¥1,190.0 billion	¥1,161.1 billion	–2.5%
Operating income	¥40.0 billion	¥51.5 billion	+28.9%
Operating income margin	3.4%	4.4%	+1.0pt
ROE	7%	8.9%	+1.9pt
Total overseas sales*1	¥81.0 billion	¥83.3 billion	+2.8%
Capital expenditures*2	¥161.7 billion	¥149.0 billion	–7.9%
R&D expenses*2	¥73.5 billion	¥78.3 billion	+6.5%

*1. Including sales of equity-method affiliates and nonconsolidated companies
*2. Total for three years

Basic Policies and Achievements

Basic policies of TAKE OFF 14	Achievements during plan's three years
Strengthen and expand existing businesses	■ Grew priority businesses Functional yogurts Chocolate Drugs for CNS disorders Generic drugs, etc. ■ Made new investments and strengthened foundations in enteral formula area
Foster growth businesses	■ Expanded Food segment's overseas development ■ Strengthened Pharmaceuticals segment's foundations for growth in Japan and overseas by making Medreich a subsidiary
Improve profitability	■ Improved product mix and reduced costs in the Food segment ■ Reduced costs in the Pharmaceuticals segment and advanced R&D to realize out-licensing of developed drugs

2 The Meiji Group's Operating Environment and Growth Potential

The Meiji Group's philosophy is to enrich the daily lives 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. One of our strengths is that we have a wide variety of products, including infant formula through to enteral formula for the elderly and pharmaceuticals. Through selection and concentration, we will adjust our product lineup to reflect changing business conditions, realize flexible management, and develop and grow our business.

Currently, business conditions in Japan are changing dramatically. In predicting market trends, we should consider the aging of society and population decline as important factors. Generally, these factors are seen as an impediment to corporate growth. For the Meiji Group, however, they represent major business opportunities. While the population of Japan is declining, the number of people aged 65 or above is expected to rise until 2040. As average life expectancy increases, a gap between it and healthy life expectancy will emerge, and medical costs and

A Message from the President

nursing care benefit costs will increase. This will add a burden to the country's social insurance system. Put another way, there is significant growth potential for businesses that diminish the gap between average life expectancy and healthy life expectancy. The health and healthcare market is likely to expand for three reasons: disease prevention needs, health promotion, and measures to prevent seniors from requiring nursing care. Similarly, efforts to curb social insurance costs by the government are expected to grow the generic drugs market. Thus, in the Japanese market we will allocate our resources to products that contribute to health and well-being.

By contrast, the world's population is projected to jump from 7.0 billion (in 2012) to 8.3 billion by 2030. The population growth in emerging countries will account for 95% of this 1.3 billion increase. The middle and wealthy classes are expanding in emerging countries, and their greater purchasing power will expand the markets for high-value-added products—an area in which we excel. As countries develop and their healthcare systems advance, the pharmaceuticals market will grow. Until now, major food and pharmaceuticals manufacturers have led forays into growing overseas markets. At present, many Japanese companies, including medium-sized manufacturers, are accelerating globalization. Although this trend will intensify competition overseas, we will accelerate business development in emerging countries where we can realize advantages.

The most significant negative factors in the future are cost increases in raw materials and the impact of NHI drug price revisions—the same as those we experienced during TAKE OFF 14. Regarding raw material trends, strong demand from emerging countries is likely to keep prices for such imported raw materials as cacao beans high over the medium- to long-term. Another factor pushing up the cost of procuring imported raw materials is the weakening yen. In addition, feed price hikes and the outcome of Trans-Pacific Partnership (TPP) trade agreement negotiations could affect domestic raw milk production and prices. To secure raw materials stably, we should carefully monitor market prices and agricultural and dairy policies. Meanwhile, NHI drug price revisions, such as reform of the drug pricing system to curb pharmaceuticals costs, will lower the prices of long-term listed drugs and generic drugs. As part of fiscal administration, the government is focusing on reducing the cost of medication and on the finances of the healthcare insurance system. Thus, the government has suggested the possibility of annual NHI drug price revisions to reflect market prices accurately.

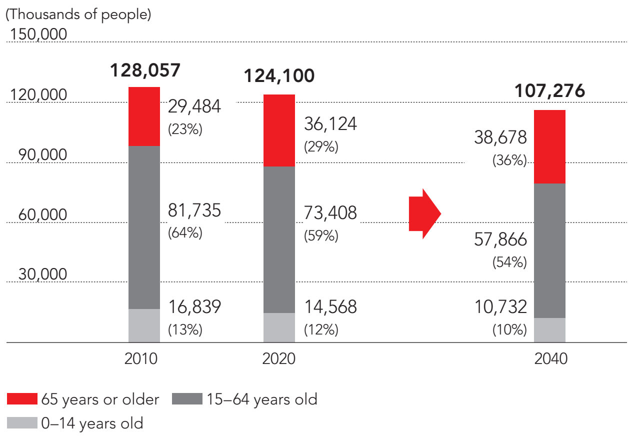
We aim to improve profitability. To achieve high profitability, the Group will reduce costs rigorously. At the same time, the Food segment will provide innovative products and the unique value that is the foundation of its competitiveness, while the Pharmaceuticals segment will accelerate drug development.

In light of the abovementioned business conditions, we have prepared a three-year medium-term business plan, STEP UP 17, which began in April this year.

The Meiji Group's Business Conditions

1. Changes in the market brought about by the decline in the population and aging society with a lower birthrate
2. Uncertainty about supply and demand or price of raw materials
3. Food and pharmaceuticals companies accelerating expansion into global market
4. Reform of the drug pricing system and fierce competition in the generic drugs market

Population Projections for Japan



Sources: "Population Estimates," Statistics Bureau, Ministry of Internal Affairs and Communications; "Population Projections for Japan" (January 2012 projections), and "Projections of Median Births and Median Deaths" (population as of October 1 in each year), National Institute of Population and Social Security Research

3 Management Strategies for STEP UP 17, Medium-Term Business Plan

STEP UP 17 is our second step toward realizing the Meiji Group 2020 Vision. The core theme is to *accelerate growth and achieve further improvement in profitability*. The table below shows the plan's four basic policies. Quantitative targets for fiscal 2017, the final fiscal year, are net sales of ¥1,260.0 billion, operating income of ¥64.0 billion, and an operating income margin of 5%. Prepared in 2010, the Meiji Group 2020 Vision sets out operating income margin of more than 5% as a target for fiscal 2020. However, we will reach this target three years ahead of schedule. To be a global corporate group, we should improve our operating income margin.

During the three years, we anticipate net cash provided by operating activities of approximately ¥200.0 billion. Meanwhile, as a provision for volatility in business conditions and business risks, we will raise the shareholders' equity ratio and stabilize financial foundations.

We will keep investments within funds on hand as we invest ¥188.0 billion over the three years. Taking into account financial security, we will improve the liquidity of assets, which is expected to result in net cash used in investing activities of roughly ¥140.0 billion over three years. With a ratio of ordinary investment to strategic investment of about 3:7, we will concentrate cash flows on areas that we should grow. Specifically, we will invest to increase production capacity for yogurt and chocolate, rebuild logistics systems, and advance overseas businesses. We will monitor the progress after investments, check to determine if progress matches initial expectations, and pursue efficient investment and results.

We have earmarked ¥81.7 billion for investment in R&D over three years, more than we invested during TAKE OFF 14. In the Pharmaceuticals segment, we will promote the R&D pipeline, which includes three in-house developed drugs for infectious diseases. We believe our strategy of concentrating on fields in which we have particular strengths and investing effectively has been verified. With this strategy, we will accelerate drug development.

We will provide stable and sustainable distribution of profit to shareholders, using a dividend payout ratio of approximately 30% as a target from fiscal 2015. While continuing to invest for future growth and secure internal reserves, we will distribute profit to shareholders appropriately.

Our target for ROE is 8% or more. In fiscal 2014, it was above 8%. However, during STEP UP 17 we would like to become a corporate group that generates ROE above 8% stably. To realize the Meiji Group 2020 Vision, we will grow earnings to improve ROE and fulfill the expectations of shareholders and investors.

STEP UP 17 Core Theme and Basic Policies

Accelerate growth and achieve further improvement in profitability
1. Strengthen priority businesses and take on challenges for future growth
2. Improve profitability to withstand harsh economic environment
3. Expand global business
4. Evolve the management system

STEP UP 17 Targets

	TAKE OFF 14 business results	STEP UP 17 targets	Rate of change	The Meiji Group 2020 Vision initial targets
Net sales	¥1,161.1 billion	¥1,260.0 billion	+8.5%	—
Operating income	¥51.5 billion	¥64.0 billion	+24.2%	¥75.0 billion
Operating income margin	4.4%	5%	Achieve ahead of schedule	more than 5%
ROE	8.9%	more than 8%	—	10%
Consolidated overseas sales	¥53.3 billion	¥104.0 billion	+94.9%	—
Investment amounts*	¥180.3 billion	¥188.0 billion	+4.3%	—
R&D expenses*	¥78.3 billion	¥81.7 billion	+4.3%	—

* Total for the three years. "Investments amounts" of TAKE OFF 14 includes capital expenditures and investments related to acquisition of Medreich on a payment basis.

A Message from the President

Financial Strategy Aimed at Improving Corporate Value Sustainably

STEP UP 17

- Operating income (ratio) ¥64.0 billion (5%)
- ROE More than 8%

Stabilizing the financial base

- Improve the shareholders' equity ratio: More than 45%
- Maintain an issuer rating of A+

Operating cash flows

(Cum. 3-year total) ¥200.0 billion

- Expand operating cash flows by improving profitability
- Improve efficiency by reducing inventory, etc.

Investing cash flows (Cum. 3-year total) ¥140.0 billion

- Investments to realize the Meiji Group 2020 Vision
- Keep investments within funds on hand
- Improve asset liquidity

Returns to shareholders Consolidated dividend payout ratio target: Approx. 30%

- Steady and continuous return of profits based on the medium- to long-term business forecast

Interest-bearing debt

- Debt financing
- Debt-to-equity ratio: Around 0.5 times

4 Basic Policy 1: Strengthen Priority Businesses and Take On Challenges for Future Growth

We will concentrate on areas in which we can realize strengths.

In the Food segment, *health* is the key word, and we will establish core products. These products will create unique value and acquire overwhelming market shares. For example, we will invest in the marketing of functional yogurts to raise their profile, develop production capacity, and increase sales. As for chocolate, as well as long sellers, we will expand and improve our product lineup with *health* and *premium* as key words and grow sales. Amid increasing health consciousness and a growing awareness of the health benefits of the polyphenol contained in chocolate, the chocolate market is expanding. We will establish the market for enteral formula (liquid diet) for consumers and lead the industry's growth as the promotion of nursing care at home by the government increases demand.

In the Pharmaceuticals segment, we will concentrate our resources on the infectious diseases and CNS disorders fields and generic drugs. In the infectious diseases field, we will advance R&D for the three in-house discovered

Growth Targets by Business Segment

		TAKE OFF 14 business results	STEP UP 17 targets	Rate of change
Food segment	Net sales	¥1,021.8 billion	¥1,080.0 billion	+5.7%
	Operating income	¥41.6 billion	¥50.0 billion	+20.0%
Pharmaceuticals segment	Net sales	¥141.3 billion	¥180.0 billion	+27.4%
	Operating income	¥10.0 billion	¥14.0 billion	+38.9%

drugs with a view to out-licensing to global companies overseas. With respect to the CNS disorders field, we will improve our presence based on mainstay antidepressant drug *REFLEX* and antipsychotic drug *ASENAPINE*, which we filed in May 2015. Our advantage in the generic drugs field is quality assurance, product supply reliability, and information provision on a par with that of brand-name drugs. We will gain cost competitiveness to reinforce our position as the leading manufacturer of generic drugs among brand-name drug companies in Japan.

■ For details, please see page 26.

5 Basic Policy 2: Improve Profitability to Withstand Harsh Economic Environment

As in TAKE OFF 14, we should overcome higher raw material and energy costs and the impact of NHI drug price revisions during STEP UP 17.

In the Food segment, we will increase product pricing only when we conclude that corporate efforts alone cannot offset higher costs. We will increase prices of many core products. We will provide product appeal and value commensurate with pricing, and believe that we can gain customers' understanding on price increases. Meanwhile, in-house we will reduce the number of products, reorganize lower margin product lineups and businesses, and improve logistics efficiency to increase productivity.

In the Pharmaceuticals segment, we will optimize production and procurement from a global perspective. We believe that the capabilities of Medreich, which became a subsidiary in the fourth quarter of fiscal 2014, will drive our domestic growth. At Medreich's plant, we will establish a production system suitable for Japanese standards as soon as possible and gain a competitive advantage.

Addressing to Factors Affecting Profit Decline

Major factors behind profit decline

- Increase in cost of raw materials (exchange rates, market prices)
- Increase in the cost of energy
- Drug price revisions
- Increase in expenses by strategic investments, etc.

Initiatives for profit growth

1. Business growth
   - Increase sales in priority businesses
   - Improve the product mix
2. Profitability improvement
   - Price increase, net weight reduction, and specification change
   - Cost reduction
   - Improve efficiency

A Message from the President

6 Basic Policy 3: Expand Global Business

The Meiji Group has businesses in numerous countries and regions, including China, Southeast Asia, the United States, and Europe. Nevertheless, in fiscal 2014 overseas sales accounted for ¥53.3 billion, less than 5% of the Group's total sales. During the three years of STEP UP 17, we will focus on emerging countries, which show promise for significant growth, and realize the advantages and uniqueness of our products to increase overseas sales to 8% of the Group's total sales.

In the Food segment, we will concentrate on China. We sell yogurt, chilled milk, chocolate, and ice cream, which are mainstay products in Japan. Currently, businesses in China generate revenues of ¥7.0 billion. We will raise this to ¥20.0 billion and expand our market share. We will achieve differentiation through high-value-added products, create new markets, and grow significantly. Although China businesses incur advance expenses and require investment, we would like to grow them into earnings contributors.

For the Pharmaceuticals segment, Medreich is the key. Accordingly, we will roll out Medreich's generic drugs in various countries and increase the company's strengths as a contract manufacturing organization (CMO) and a contract development and manufacturing organization (CDMO).

In the Food and Pharmaceuticals segments, we will launch products under the *meiji* brand. When each business establishes a strong presence in respective markets, the *meiji* brand will accumulate trust. Overseas, we want customers to recognize *meiji* as a trusted corporate brand in Food and Health in the same way that they do in Japan. We will leverage the brand as an intangible resource to help product rollouts and accelerate our overseas development.

■ For details, please see page 34.

7 Basic Policy 4: Evolve the Management System

In 2016, we will celebrate our 100th anniversary. To continue enhancing corporate value, we need to keep in step with the era and business conditions. This applies not only to business strategies but also to governance and other facets of management foundations.

Japan's Corporate Governance Code was adopted on June 1, 2015. Japanese companies must incorporate global, diverse perspectives into business management to establish their presence in the global market. In its business management, the Meiji Group utilizes the viewpoints of its two outside directors, which they provide based on their extensive expertise and experience. Through questionnaires, directors and corporate auditors conduct self-evaluations of the effectiveness of the Board of Directors. They evaluate whether it advances Groupwide strategies and oversee operating companies' business management appropriately. We use these evaluations to enhance the functions of the Board of Directors. We disclose corporate information in a timely, appropriate manner and conduct extensive dialogues with investors. We believe these activities contribute to medium- to long-term growth.

Personnel are fundamental to corporate activity. We will achieve diversity and develop and secure personnel who have the abilities to contribute to overseas business. Of the Meiji Group's 26,854 employees, 23% work outside Japan. We will respect the individuality of each employee and their culture and customs. We will encourage a healthy rivalry among diverse personnel that helps create the Meiji Group's unique value. In Japan, securing personnel is a major issue for companies because the working-age population is declining. We will deploy employees in light of their personal qualities and promote the roles of women in workplaces.

We will create an environment in which all employees can work with vitality while meeting responsibilities in various life stages, such as child rearing and nursing care.

Further, to grow and develop into a global Food and Health corporate group, we will help solve social issues. In the Food segment, we have been conducting food education with a focus on nutrition for many years. Employees responsible for food education teach children about the importance of a balanced diet and teach seniors about the importance of nutrition and exercise. Also, we host events for healthy diets such as cooking classes that use dairy products or confectioneries. In procurement, the Group is strengthening partnerships with dairy farmers in Japan and cacao bean farmers overseas to provide customers with safe and reassuring products. In the Pharmaceuticals segment, we help patients suffering from rare diseases. For example, we have received extensive feedback from patients, their families, and healthcare practitioners expressing gratitude for *DIACOMIT*, which is an effective drug for Dravet's syndrome, an intractable form of epilepsy occurring in infancy. Further, *LASERPHYRIN for Injection* has indications for early-stage lung cancer, malignant brain tumors, and recurrent/residual esophageal cancer. It is used as a therapy in conjunction with laser equipment. At medical institutions, hopes are high for this therapy as a new treatment option that reduces physical burden and preserves the functions of the lungs to the maximum extent possible.

By pursuing such activities, we will address social issues through our businesses.

Participants in "Support for Food Awareness" in Japan (FY2014)

Approx. 83,500

Visitors to Plant Study Tours (FY2014)

Approx. 133,800

The Meiji Group will create new value in Food and Health fields, boost the value of the *meiji* brand, and enrich the daily lives of customers in Japan and overseas to realize sustained growth. We will meet the expectations of shareholders and investors and earn their trust.

We would like to ask stakeholders for their continued understanding and support.

Masahiko Matsuo
President and Representative Director

Medium-Term Business Plan STEP UP 17

The main theme of STEP UP 17, which began in April 2015, is to *accelerate growth and achieve further improvement in profitability*. Based on the main theme, we set out four basic policies: *strengthen priority businesses and take on challenges for future growth*, *improve profitability to withstand harsh economic environment*, *expand global business*, and *evolve the management system*. This section explains two of these policies in detail: *strengthen priority businesses and take on challenges for future growth* and *expand global business*.

Strengthen Priority Businesses and Take on Challenges for Future Growth

Food Segment

We will focus efforts on core products that contribute to healthy diets. We establish products that are highly competitive in the market as core products—such as yogurt, chocolate, and enteral formula—and concentrate our resources on them.

Pharmaceuticals Segment

We will concentrate our resources on priority fields and markets that are growing. In Japan, we will focus on three priority fields, drugs for infectious diseases, drugs for central nervous system (CNS) disorders, and generic drugs, as a "Specialty and Generic Pharmaceuticals Company." In overseas markets, we will concentrate on regions that promise growth.

Food Segment

Yogurt

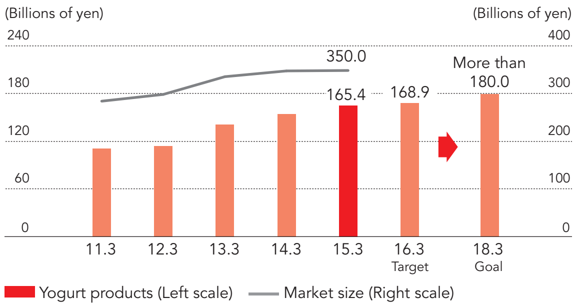
Pursue further advantages based on research on the functions of *lactobacillus*

Market Environment

Japan's yogurt market grew 0.5% year on year, to ¥350 billion. The Meiji Group is steadily increasing its market share, which increased 1.1 percentage points from the previous fiscal year, to 43.0%*, and heightening its presence. We will raise market share to 50% and establish an overwhelming No. 1 position in the market.

* Source: INTAGE Inc., SRI (yogurt market)
April 2014–March 2015 market share (money amount)

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



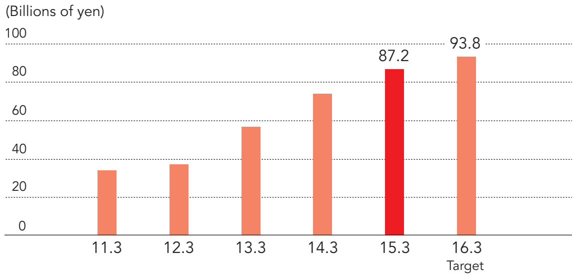
* Market size based on Meiji Holdings' research

Business Strategies

Functional Yogurts

We will grow sales of *Meiji Probio Yogurt R-1* and *Meiji Probio Yogurt LG21* and establish a market position for *Meiji Probio Yogurt PA-3*, launched in April 2015. We will expand our functional yogurts with these three brands.

Sales of Functional Yogurts



■ **TOPIC:** **New Product *Meiji Probio Yogurt PA-3***

In April 2015, we launched two products containing a *lactobacillus* that may partially inhibit the body's absorption of purines*: *Meiji Probio Yogurt PA-3* and *Meiji Probio Yogurt PA-3 Drink*.

PA-3 products contain *lactobacillus* PA-3 (*Lactobacillus gasseri* PA-3), which we selected from our *lactobacillus* library as a potential purine inhibitor. Targeting customers who are concerned about their purine intake, we are offering new health value through yogurt.

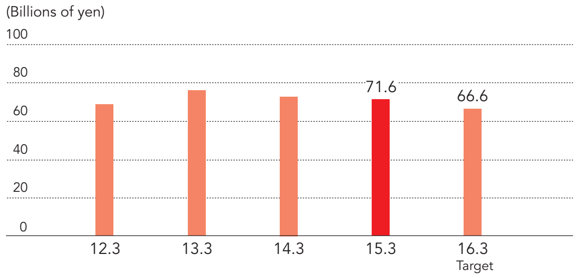
* Purines (specific chemical compounds found in foods) are broken down into uric acid. A diet rich in purines may raise uric acid levels in the body, which sometimes leads to gout.

Medium-Term Business Plan STEP UP 17

Meiji Bulgaria Yogurt

Lactobacillus determines the characteristics of a yogurt, such as its flavor, texture, and functionality. Launched more than 40 years ago, *Meiji Bulgaria Yogurt* is fermented using two strains of *lactobacilli*: *L. bulgaricus* and *L. thermophilus*. In 1996, *Meiji Bulgaria Yogurt LB81* gained official approval for stating benefits on its label as a Food for Specified Health Uses (FOSHU). It has been scientifically proven that the LB81 *lactobacilli* included in the product contribute to healthy gut flora and improve digestive comfort. We will continue pursuing tastiness and health value.

Sales of *Meiji Bulgaria Yogurt*



TOPIC: New Product *Amino Collagen Yogurt*

In March 2015, we marketed *Amino Collagen Yogurt*, a yogurt that combines Japan's best-selling beauty supplement*, *Amino Collagen*, with the LB81 *lactobacilli*.

Amino Collagen has a strong reputation in the beauty supplement market, with brand recognition of approximately 80% among hydrolyzed collagen products. Combining 1,000 mg of fish collagen, an ingredient of *Amino Collagen*, and the LB81 *lactobacilli*, which contributes to healthy digestion, this new product is "a tasty yogurt that moisturizes and beautifies from the inside."

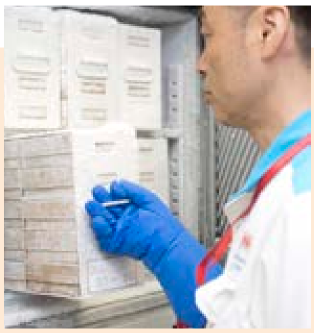
* Source: INTAGE Inc., SDI (beauty market)
January–December 2014 total market share (by brand)

Unique Value that Creates Differentiation

Library of Roughly 5,000 Strains of *Lactobacilli*

Since it began selling yogurt in 1950, the Meiji Group has been accumulating expertise in yogurt. We have a *lactobacilli* library containing more than 5,000 strains of *lactobacilli*, collected from worldwide.

Depending on the *lactobacillus* used in fermentation, the characteristics of yogurt varies. The Meiji Group has a large variety of *lactobacilli*, and it also has the outstanding techniques and expertise to screen *lactobacilli* from the library and select useful ones. Recently, functional yogurts have revitalized the yogurt market in Japan. We have been conducting joint research on the antiaging benefits of the LB81 *lactobacilli* with the Institut Pasteur in France since 2011. Through such initiatives, we will research the possibilities of *lactobacilli* and expand yogurt's possibilities.



Chocolate

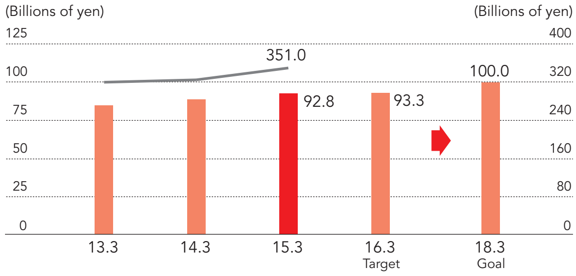
Increase market share focusing on *health* and *premium* value

Market Environment

Japan's chocolate market grew 4.0% year on year, to ¥351.0 billion. This growth is attributable to the tailwind provided by widespread coverage of the health benefits of cacao polyphenol and heightening health awareness, particularly among senior citizens. The Meiji Group has the No. 1 position in the market with a 23.8% market share*. We will achieve a market share of 30%.

* Source: INTAGE Inc., SRI (chocolate market)
April 2014–March 2015 market share (money amount)

Japan's Chocolate Market Size and the Meiji Group's Sales of Chocolate Products



Chocolate products (Left scale) — Market size (Right scale)

Source (Market size): e-okashi net (organization jointly established by Japan Confectionery Wholesalers Association and All Nippon Kashi Association)

Business Strategies

Pursue Health Benefits of Cacao Polyphenols

The Meiji Group has accumulated considerable knowledge of cacao polyphenols, and will use this to add its health value to products.

Chocolate Kouka

Premium Chocolate

We have the expertise and technology to roast, blend, and maximize the delicate flavors of cacao beans in-house, a major advantage. Exploiting this competence, we will launch such differentiated products as premium chocolate and create new demand in the market.

Meiji The Chocolate

Long-Seller Brands

One of the Meiji Group's strengths is that it has many long sellers, including *Meiji Milk Chocolate*, *Marble Chocolate*, *Meiji Almond Chocolate*, *Kinoko no Yama*, and *Takenoko no Sato*. We will continue focusing on the long seller brands and pursuing product development that leverages brand equity.

Kinoko no Yama

Otona no Kinoko no Yama

Medium-Term Business Plan STEP UP 17

Unique Value that Creates Differentiation

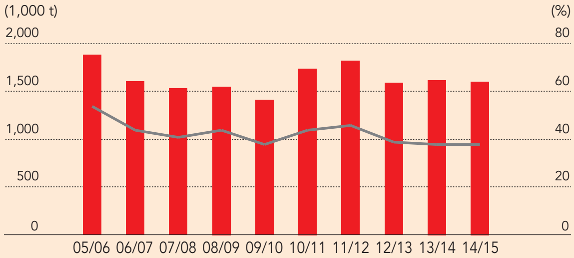
Stable Procurement of High-Quality Cacao Beans

We are very particular about using high-quality cacao beans. One of our greatest strengths is that we work with local farmers to develop cacao beans that meet our quality requirements. We produce tasty, high-quality products with these cacao beans.

In the past 10 years, worldwide demand for chocolate has increased approximately 20%. Meanwhile, the cacao bean inventory rate has declined 15 percentage points, and stable procurement has become an issue. The Meiji Group's research personnel and technical experts visit cacao-producing countries to check supply chains from farms through to ports. We ensure that not only farmers but everyone handling our cacao beans understands the quality we require. Equally, we respect and understand the needs of cacao-producing countries. Through these efforts, we improve the quality of cacao beans and ensure stable supplies.

The Meiji Group continues working to extract exquisite tastiness from cacao beans.

Worldwide Cacao Bean Inventory and Inventory Rates



Cacao beans (Left scale) Inventory rate (Right scale)

Source: Prepared by Meiji Holdings based on materials from the International Cocoa Organization (ICCO)

Nutritional Products

Apply nutrition engineering technology to enhance products' value

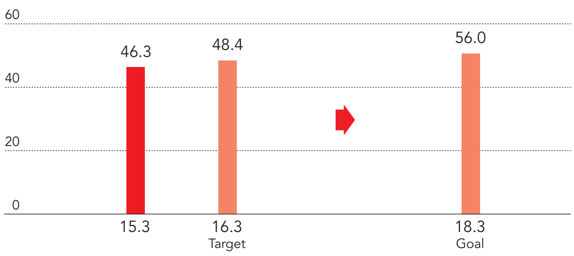
Market Environment

Japan's society is aging, and the birthrate is declining. Thus, the infant formula market is shrinking gradually over the long term.

Hospitals and nursing homes are currently the major sales channels for enteral formula. The government's promotion of home care is likely to increase the demand for consumer products. In fiscal 2014, the enteral formula market grew 1.1% year on year, to ¥73.6 billion*.

* Meiji Holdings' estimates

Sales of Nutritional Products*



* Nutritional products: Infant formula, food for the elderly, enteral formula, etc.

Business Strategies

Enteral Formula

The Meiji Group will create a consumer market for enteral formula because demand for it is expected to increase. We will apply our nutrition engineering expertise, acquired through the development of infant formula, to enteral formula. We will develop tasty products that are easy to hold drink and increase sales.

Meiji Mei Balance Series

Infant Formula

We will increase sales of our original cube-type product *Meiji Step Raku Raku Cube*, which is successful in the market.

Meiji Step Raku Raku Cube does not contain additives and is the Meiji Group's infant formula solidified as it is. This production method is patented (patent number: 4062357). Further, to facilitate easy solubility, the product is a cube with two pairs of indentations on opposite surfaces. The product is convenient to use because there is no need to spoon measure into a baby bottle, and it is easy to prepare milk at night or away from home. This convenience has earned it strong endorsement.

Meiji Step Raku Raku Cube | *Meiji Step*

Unique Value that Creates Differentiation

Using Our Nutrition Engineering Expertise to Develop Enteral Formula

Undernutrition among the elderly has become a problem. A Ministry of Health, Labour and Welfare survey revealed that nearly 20% of the elderly are at risk of undernutrition. Ideally, a variety of foods should be eaten in daily life. For elderly people with small appetites, however, there is a need for oral nutritional products that provide sufficient amounts of protein.

We are conducting R&D on undernutrition. Over many years, we have accumulated basic research and nutrition engineering for infant formula that is supported by clinical research. We are conducting clinical nutrition research focused on the elderly.

Meiji Mei Balance is a tasty nutritional product, and users can intake essential nutrition for the body in a single serving. We have designed an original, small cup-shaped container to make it easy to hold and drink.

*1. Vitamin A, vitamin D, vitamin E, vitamin B_1, vitamin B_2, niacin, vitamin B_6, folic acid, pantothenic acid, vitamin C
*2. Sodium, potassium, calcium, magnesium, phosphorus, iron, zinc, copper, selenium, chlorine

Medium-Term Business Plan STEP UP 17

Pharmaceuticals Segment

Concentrate on drugs for infectious diseases and CNS disorders and generic drugs in Japan

Business conditions in Japan are changing significantly. As part of the government's policy of curbing medical costs, National Health Insurance (NHI) drug price revisions and the adoption of generic drugs are being accelerated. Meanwhile, the government is promoting the development of required brand-name drugs through the additional allocation of funds to new drug discovery.

The Meiji Group's Pharmaceuticals segment will pursue growth as a "Specialty and Generic Pharmaceuticals Company." We will increase our presence in strategic fields—infectious diseases, central nervous system (CNS) disorders, and generic drugs—and use production bases in Japan and overseas to realize low-cost operations.

Market Environment

Drugs for infectious diseases: Japan's market for systemic antibacterial drugs is declining due to falling drug prices and the promotion of appropriate antibiotics use to control antibiotic resistance. Still there is a need for antibacterial drugs for the treatment of infectious diseases.

Drugs for CNS disorders: Due to changes in social conditions and working environments, the number of patients suffering from such CNS disorders as depression and schizophrenia is trending upward. The number of potential patients in this field is significant, and the market is expected to continue growing.

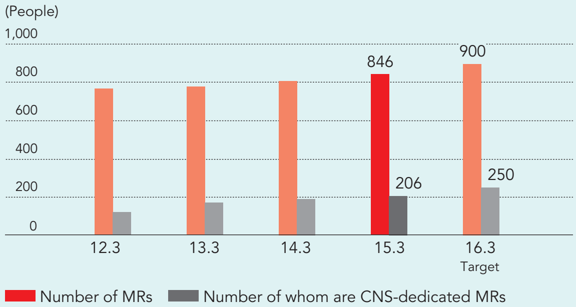
Generic drugs: The government's "basic policy 2015" has set a target for generic drug use of "80% or more by volume at an early time during the period between fiscal 2018 and 2020." Meanwhile, the categorization of generic drug prices into tiers is under discussion. Further price competitiveness will be needed.

Unique Value that Creates Differentiation

"Specialty and Generic Pharmaceuticals Company" with a Distinctive Presence

Based on patients' underlying diseases, MRs propose effective therapeutic regimens from a variety of brand-name and generic drugs. Thus, we earn the trust of healthcare practitioners and contribute to patients' health and lives.

Number of MRs



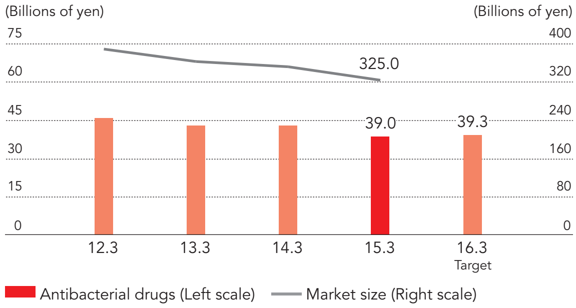
Drugs for Infectious Diseases

Business Strategies

Move up from No. 3 to No. 2 share of the domestic systemic antibacterial drug market

In Japan, we will increase sales by growing sales of the antibacterial drugs *MEIACT* and *ORAPENEM* and expanding our lineup of generic drugs.

Japan's Systemic Antibacterial Drug Market Size and the Meiji Group's Sales of Drugs for Infectious Diseases



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Market scope as defined by Meiji Seika Pharma

Drugs for CNS Disorders

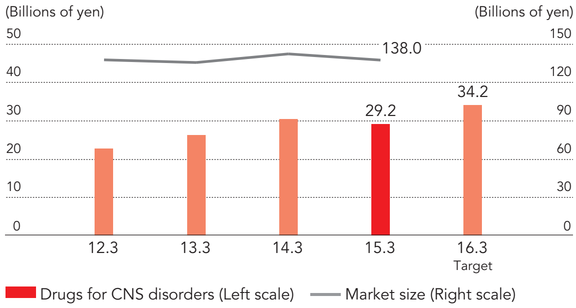
Business Strategies

Move up from No. 2 to No. 1 share of the antidepressant drugs market

In a growing market, we will increase sales of antidepressant drug *REFLEX*, which has a unique mechanism of action.

We will improve the skills of our CNS-dedicated medical representatives (MRs). This will also help us market antipsychotic drug ME2136 (Asenapine), filed in May 2015.

Japan's Antidepressant Drug Market Size and the Meiji Group's Sales of Drugs for CNS Disorders



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Market scope as defined by Meiji Seika Pharma

Generic Drugs

Business Strategies

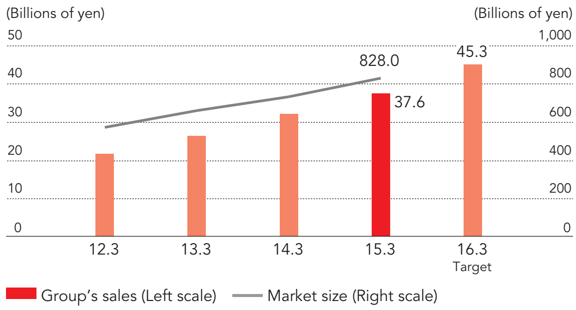
Maintain No. 1 position in Japan in sales of generic drugs among brand-name drug companies

We will develop high-value-added pharmaceuticals that are convenient for healthcare practitioners and patients.

We realize the same quality assurance, product supply reliability, and information provision for generic drugs as we do for brand-name drugs. We will increase cost competitiveness to reinforce our leading position.

Prescription of drugs in core hospitals significantly affects the surrounding pharmacies. The hospital market is becoming more important, so we will increase our share of this market.

Japan's Generic Drug Market Size* and the Meiji Group's Sales of Generic Drugs

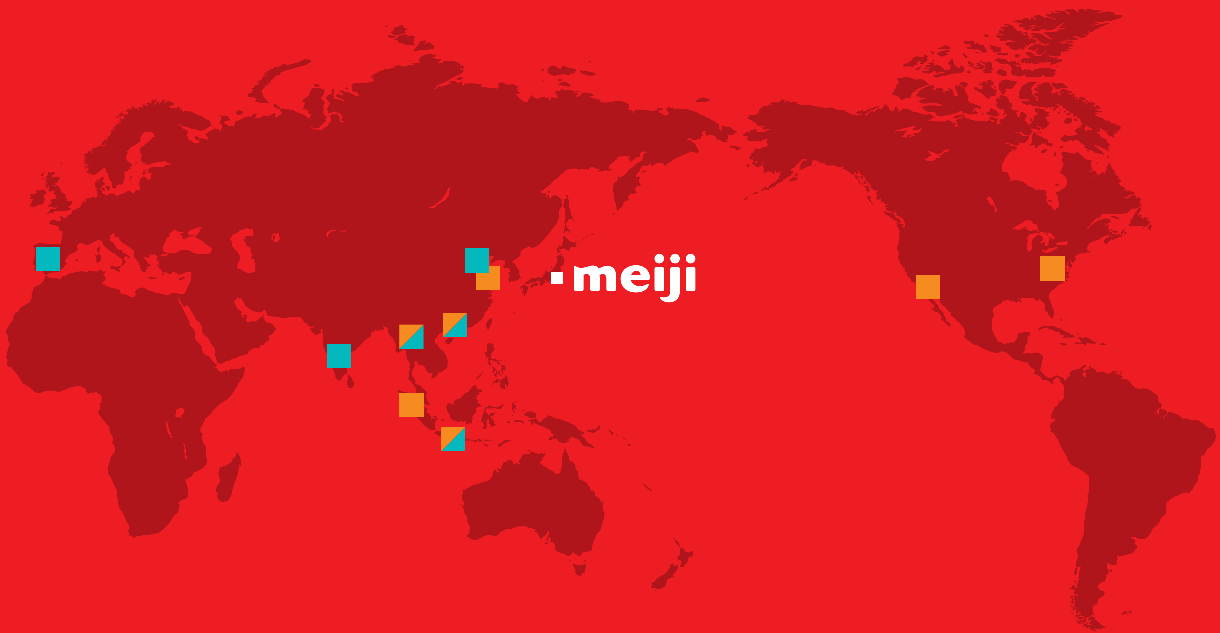


* Market size based on Meiji Holdings' research

Medium-Term Business Plan STEP UP 17

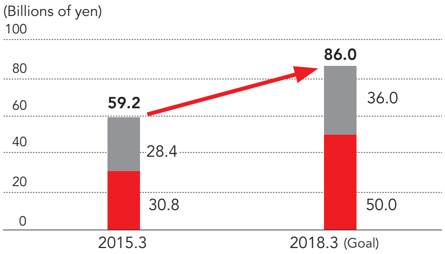
Expand Global Business

To realize the Meiji Group 2020 Vision, we must establish a significant presence in the global market.
Under STEP UP 17, we will identify market needs and expand our overseas businesses in each region and increase earning power.



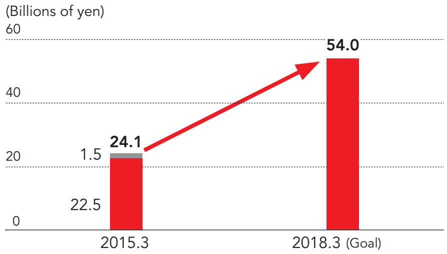
Food segment bases Pharmaceuticals segment bases

Food Segment Overseas Sales



Consolidated companies + Exports
Affiliates accounted for by the equity method + Nonconsolidated companies

Pharmaceuticals Segment Overseas Sales



Consolidated companies + Exports
Nonconsolidated companies

Food Segment

Emphasize Unique Value in Overseas Markets and Realize Business Growth

The Meiji Group's advantage is that it creates unique value. In overseas markets, we will use expertise developed and accumulated in Japan to develop businesses with a focus on high-value-added products. We will expand our businesses in China, Asia, and the United States, our priority areas.

China

Goal

We are developing yogurt, chilled milk, chocolate, and ice cream businesses. Until now, we have been securing a solid business foundation. Hopefully, we will enjoy significant growth. Although net sales in fiscal 2014 were approximately ¥7 billion, we will achieve ¥20 billion in fiscal 2017.

Business Strategies

Yogurt

The market is expanding. Our yogurt is selling briskly. Also, the popularity of plain yogurt is growing due to increasing health awareness. We will expand sales areas. At the same time, we will expand lineups of such products as fruit yogurts and medium-sized cups to reflect demand and achieve further growth.

Chocolate

Our chocolate products are garnering increasing support as high-quality products. We will earn the trust of customers and trust for the *meiji* brand. With this advantage, we will develop new sales channels and expand businesses.

Ice Cream

Currently, the market for mid-to-high-end products is expanding. We will expand our sales areas from southern China to eastern and northern regions of the country. We will launch high-value-added "premium-quality ice cream from Japan" to grow sales.

Medium-Term Business Plan STEP UP 17

■ TOPIC: Our Start-Up of a New Ice Cream Plant in China

In January 2015, we began operations at a newly constructed ice cream plant in Guangzhou. Wholly owned subsidiary Meiji Ice Cream (Guangzhou) Co., Ltd., operates the plant.

Establishing a reputation as a high-quality ice cream brand from Japan, we will develop and sell products catering to the preferences of customers in an expanding market.

The plant of Meiji Ice Cream (Guangzhou)

Asia

Business Strategies

We will increase sales of *Hello Panda* and *Yan Yan* chocolate snacks, which we produce in Singapore and in Indonesia. We sell these products in more than 50 countries, and they are loved around the world.

Equity-method affiliate CP-Meiji Co., Ltd., a joint venture with Charoen Pokphand Foods PCL of Thailand, manufactures and sells yogurt and milk. CP-Meiji has established a position as the leading brand, boasting an approximate 50% share* of the chilled milk market. As for yogurt, the sales of *Meiji Bulgaria Yogurt* are increasing. We will boost our sales in Thailand and increase exports to surrounding countries.

* Meiji Holdings' estimates

Hello Panda

Yan Yan

Meiji Bulgaria Yogurt sold by CP-Meiji

Drinking milk sold by CP-Meiji

United States

Business Strategies

The mainstay product of D. F. Stauffer Biscuit Co., Inc., *Animal Crackers* is carried by major supermarkets and is well received throughout the United States.

Under the *meiji* brand, *Hello Panda* and *Yan Yan*, which are chocolate snacks distributed by Meiji America Inc. are selling briskly. In 2007, we launched *Chocorooms*. Our chocolate snacks, combining chocolate and biscuit, have gained popularity. We will grow these *meiji* brand products.

Animal Crackers

Hello Panda

Chocorooms

Pharmaceuticals Segment

Identify Demand in Emerging Markets Accurately and Expand Businesses

Healthcare-related demand is expanding rapidly as the economies of emerging countries grow. To increase sales in its domestic market and the markets of surrounding countries, each overseas subsidiary will provide optimal product lineups suited to demand in respective countries' markets. Medreich Limited, a newly consolidated subsidiary, will continue growing its contract manufacturing organization (CMO) business, contract development and manufacturing organization (CDMO) business, and generic drugs manufacturing and sales business.

Business Strategies

Grow Businesses in Our Priority Markets in Asia and Emerging Countries

The Meiji Group has bases in China, Indonesia, Thailand, and Spain, which are engaged in the manufacture and sale of pharmaceuticals. We also have businesses in Russia and Vietnam. We will implement our strategy as a "Specialty and Generic Pharmaceuticals Company" and grow sales of our strategic in-house products *MEIACT*, an antibiotic, and *ADANT*, a hyaluronic acid injection for arthritis, and generic drugs. In this way, we will build strong brand loyalty for *meiji*. In emerging countries, there is strong demand for antibacterial drugs, one of our particular strengths. We will provide products with outstanding quality and safety and grow in emerging countries.

Grow CMO and CDMO Businesses

The global market of CMO businesses is projected to reach US$79 billion by 2019*. It is estimated that this market will expand until 2025. The strengths of Medreich are its CMO and CDMO businesses. Medreich supplies generic drugs to major global pharmaceuticals companies. Recently, the average annual sales growth of the CMO business has been more than 10%. The Meiji Group will maintain and increase this pace of growth and expand the businesses steadily and grow Medreich's CMO and CDMO businesses as one of the Group's overseas core businesses.

* Market size based on Meiji Holdings' research


Medreich

Accelerate Out-Licensing of Drugs under Development

We have some candidate substances under development that we have discovered through in-house R&D. We will accelerate their out-licensing and global development. In addition to ethical pharmaceuticals, we will promote the overseas out-licensing of agricultural chemicals discovered in-house.

Contributing to a Sustainable Society—Corporate Social Responsibility Activities

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

This section focuses on initiatives for personnel and the global environment.

For other CSR activities, please see the corporate social responsibility section of the Meiji Group's website.

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

Environmental Management

Based on its Environmental Philosophy and Environmental Policies, we reduce environmental burden arising from our business activities. We conduct corporate activities with an awareness of the need to live in harmony with the environment and coexist with nature.

Material Balance (FY2014)

INPUT

Total Material Input Volume
Raw materials ▸ 1,710,000 tons
Packaging containers ▸ 140,000 tons

Total Energy Input Volume
(Including offices and commercial vehicles)
Electricity ▸ 436,840,000 kwh
Fuel (heavy oil, town gas, etc.)
▸ 95,000 kl
(heavy oil conversion)

Water Resource Input Volume
Service water ▸ 20,148,000 m³

Production products

OUTPUT (Including offices and commercial vehicles)

Waste
Waste ▸ 34,000 tons
Packaging containers ▸ 33,000 tons

Total Water Discharge Volume
Water discharge volume
▸ 16,504,000 m³

Chemicals Discharge Volume
PRTR substances discharge volume
▸ 153 tons
PRTR substances transfer volume
▸ 258 tons

Greenhouse Gas Discharge Volume
CO_2 ▸ 440,000 tons

Impact Volume Related to Atmospheric Pollution and Living Environment
NOx ▸ 246 tons
SOx ▸ 83 tons

Distribution products

OUTPUT

Greenhouse Gas Discharge Volume
CO_2 ▸ 120,000 tons

Sales products

OUTPUT

Total Product Sales Volume
Total product sales volume
▸ 1,620,000 tons

Consumption products

Note: The material balance figures are the sums of figures for Meiji Co., Ltd., and Meiji Seika Pharma Co., Ltd.

Prevention of Global Warming

We are saving resources and energy by introducing energy-saving equipment, improving production equipment, and changing over to energy sources with lower CO_2 emission volumes.

Reduction of Environmental Load Substance

To protect a finite global environment, the Group is reducing waste and using resources effectively. We are managing chemical inventories appropriately and reducing emissions of chemical waste to minimize environmental impact.

Approach to Human Resources

We believe the growth of each employee is indispensable for our continued growth. Therefore, our approach to human resources fosters personnel who set ambitious goals and innovate. We want our personnel to draw on their expertise and the Group's strength to achieve these goals. In other words, we encourage personnel to acquire professional skills and expertise and increase their ability to create and provide customers with progressive value.

Support for and Development of Global Personnel

More than 6,000 personnel work at our overseas bases. To develop personnel able to work globally, we coordinate our human resources development with overseas Group companies and support non-Japanese personnel.

Number of Employees around the World

	U.S.A.	Spain	China	Indonesia	Singapore	Thailand	India	Total
FY2012 (2013.3)	686	356	535	998	270	394	—	3,239
FY2013 (2014.3)	636	342	746	888	277	478	—	3,367
FY2014 (2015.3)	587	340	998	790	272	392	2,789	6,168

Note: Figures are for the entire Meiji Group, including major domestic subsidiaries

Support for Women in the Workplace

We have prepared a plan to advance the roles of women in accordance with the "voluntary action plan for the promotion of women to executive and managerial positions," which the Japan Business Federation established.

Every second month, through our Cheer for Women intranet site, we highlight women working in managerial positions and encourage women to consider their long-term career plans. Further, the intranet site summarizes the Company's systems for such life events as having and bringing up children and includes accounts of those who have used the systems. This gives employees peace of mind with respect to life events.

In February 2015, we held an inaugural conference for female employees. After an outside lecturer delivered a talk on diversity, we held a group discussion on workplace environments and respective aspirations. Some participants expressed a desire to share the matters discussed not only with young female employees but also with male employees and senior managers.

Corporate Governance

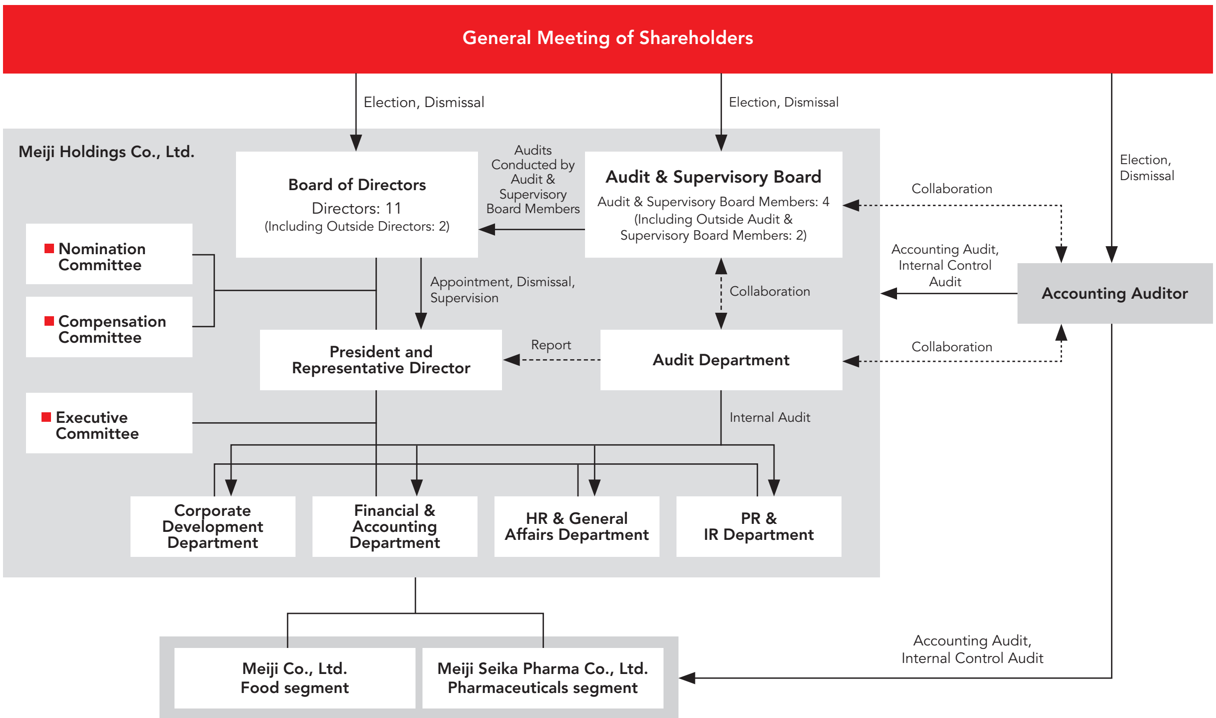
Basic Approach

The Meiji Group's philosophy is to brighten customers' daily lives as a corporate group in the Food and Health fields. Our mission is to widen the world of "Tastiness and Enjoyment" and meet all expectations regarding "Health and Reassurance." We do this with the goal of continuing to find innovative ways to meet our customers' needs, today and tomorrow. In this way, we aim to grow continuously and enhance corporate value over the medium to long term.

The basic approach to management of the Group is for operating companies to manage businesses autonomously while collaborating with each other under the holding company's control.

The main role of Meiji Holdings Co., Ltd., is to advance Groupwide management strategies and oversee the business management of operating companies. Responsibility for operational execution is delegated to operating companies appropriately. Within the Group, oversight and execution of business management are separated. Accordingly, the Group operates a corporate governance system including a Board of Directors. Meiji Holdings is a company with audit & supervisory board members. The Board of Directors' oversight and audit & supervisory board members' auditing heighten the objectivity and transparency of business management.

Corporate Governance System



Functions and Roles of Respective Committees

■ 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

■ 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

Business Management System Features

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

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

Attendance of Outside Directors and Outside Audit & Supervisory Board Members at Meetings of Board of Directors and Audit & Supervisory Board

(Fiscal 2014)

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

Organizational structure
Company with Audit & Supervisory Board

Chairman of the Board of Directors
President and representative director

Directors
11
(including 2 outside directors)

Audit & supervisory board members
4
(including 2 outside audit & supervisory board members)

Appointment of independent directors
4
(Outside directors, Outside audit & supervisory board members)

Number of times the Board of Directors convened in fiscal 2014
13

Number of times the Audit & Supervisory Board convened in fiscal 2014
15

Reasons for Appointment of Outside Directors

Hidetoshi Yajima

The Company has appointed Mr. Yajima because extensive experience and expertise accumulated during his career, which included serving as president and chief executive officer and chairman of the board of Shimadzu Corporation, enable him to provide a wide range of advice on the Company's business management and appropriate oversight of operational implementation.

Yoko Sanuki

The Company has appointed Ms. Sanuki because extensive experience as an attorney and a high degree of expertise in corporate law enable her to provide a wide range of advice on the Company's business management and appropriate oversight of operational implementation.

Reasons for Appointment of Outside Audit & Supervisory Board Members

Kenichi Yamaguchi

The Company has appointed Mr. Yamaguchi because extensive experience and expertise accumulated during his career as an attorney enable him to audit impartially and objectively.

Hajime Watanabe

The Company has appointed Mr. Watanabe because extensive experience and a high degree of expertise in corporate international transactions law accumulated during his career as an attorney enable him to audit impartially and objectively.

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 Liaison Meeting, Audit & Supervisory Board, and others

Corporate Governance

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 2014)

Position	Number of persons provided with compensation	Compensation (¥ million)
Directors (excluding outside directors)	10	320
Audit & supervisory board members (excluding outside audit & supervisory board members)	2	58
Outside directors and audit & supervisory board members	4	55
Total	16	434

*1. The figures include the compensation of 2 directors that retired on June 26, 2014.
*2. Resolution of the General Meeting of Shareholders sets a limit of ¥1 billion on the compensation of directors for one year.
*3. Resolution of the General Meeting of Shareholders sets a limit of ¥300 million on the compensation of audit & supervisory board members for one year.

Internal Control System

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

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.

Risk Management System

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

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

Basic Policies for Business Continuity Plans

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

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

Disclosure Policy

- Include basic principles of disclosure on the investor relations section of the Company's website http://www.meiji.com/english/investor/indicator/disclosure/
- Post disclosure information, other important information, and documents of financial results briefings, in principle, in both Japanese and English on the investor relations section of the Company's website as quickly as possible

Messages from the Outside Directors

Outside director
Hidetoshi Yajima

By stating frank opinions, I would like to continue supporting the growth of the Meiji Group.

I believe that the Meiji Group has an extremely positive corporate culture and an open atmosphere that encourages uninhibited discussion. I understand that the Group consults with experts and discusses subjects comprehensively before the Board of Directors' meetings.

Directors have an in-depth understanding of the Group's business operations. Meanwhile, outside directors state opinions based on their experience in other companies or from the consumers' viewpoint. As an outside director, I always state opinions frankly so that members of the Board of Directors can perform complementary and mutually supportive roles and have constructive debate that drives the Group's growth.

The Group has largely achieved the targets of its previous medium-term business plan, TAKE OFF 14, and has launched a new medium-term business plan, STEP UP 17. As the Group is pursuing sustained growth, its crucial strategic tasks will be adding higher value to products and pursuing global expansion. In addition to corporate management, I have many years of experience in sales and marketing in domestic and overseas markets. I frame questions from this viewpoint, give an example from my experience, and ask how the Group responds in similar instances. In particular, responding to country risk is important when pursuing global expansion. In other words, the Group should adapt to businesses practices in each country. Intensive prior research and discussion about national and regional culture, customs, and history are necessary. During such discussion, I hope the opinions that I offer based on my experience are useful.

The Meiji Group continues to have significant growth potential, even though such external conditions as yen depreciation, raw material price hikes, and NHI drug price revisions are affecting its business. I will state my frank opinions as an outside director and support the growth of the Meiji Group so that it achieves the targets of STEP UP 17.

Outside director
Yoko Sanuki

To increase personnel diversity, I will encourage from an objective viewpoint as an outside director.

Since management integration in April 2009, the Meiji Group has adopted a corporate governance system. In the system, outside directors and outside audit & supervisory board members, who have varied viewpoints and experience, provide supervision of and advice on business management. We exchange opinions based on a variety of perspectives. I believe that the Group functions appropriately as a company with audit & supervisory board members. The audit & supervisory board members provide checking functions. The Board of Directors provides business management oversight functions. In my view, the Group is well aware of compliance. For the Group, compliance does not only mean legal compliance but also includes safety and reliability. I think this is because the senior management team appreciates that, due to characteristics of businesses producing food and pharmaceuticals, the trust of customers underpins the Group's sustained growth and viability.

The Meiji Group would like to be a leading corporate group in the Food and Health fields. Therefore, the Meiji Group's corporate governance should be examined and developed from such perspectives as the process for the election of directors, the composition of the Board of Directors, and the compensation system. I would be very happy to assist in such matters.

In such efforts, I believe diversity is one issue that should be addressed to incorporate a greater variety of perspectives. Detailed analysis of overseas markets, a range of women's perspectives, and lively exchanges of opinion will lead to global growth. While it may take time to realize this, I will encourage from an objective viewpoint as an outside director.

The Meiji Group believes that earning society's trust is vital. I expect the Group to continue pursuing further growth and development.

Board of Directors and Audit & Supervisory Board (As of June 26, 2015)

1 Chairman and Representative Director
Shigetaro Asano

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

Significant concurrent position
Director, Meiji Seika Pharma

2 President and Representative Director
Masahiko Matsuo

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

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

3 Member of the Board and Senior 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
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
Jun. 2015 Member of the Board and Senior Managing Executive Officer, Meiji Holdings (incumbent)

4 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)

5 Member of the Board and Executive Officer
Koichiro Shiozaki

Apr. 1978 Joined Meiji Dairies
Apr. 2011 Executive Officer, Meiji
Jun. 2015 Member of the Board and Executive Officer, Meiji Holdings (incumbent)
Jun. 2015 General Manager, Financial & Accounting Department, Meiji Holdings (incumbent)

6 Member of the Board and Executive Officer
Jun Furuta

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

7 Member of the Board and Executive Officer
Shuichi Iwashita

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

8 Member of the Board
Kazuo Kawamura

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

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

9 Member of the Board
Daikichiro Kobayashi

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

Significant concurrent position
President and Representative Director, Meiji Seika Pharma

10 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 position
Outside Director, Tsubakimoto Chain Co.

11 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.

12 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)

13 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)

14 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

15 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 2014 Results

Overall Operating Results

Business Overview

During the cumulative consolidated fiscal year, the Japanese economy showed signs of improvement as employment and income indicators trended higher thanks to mild economic recovery driven by government and Bank of Japan economic measures and monetary policies. On the other hand, recovery was slowed due to factors such as the impact of last-minute demand prior to the consumption tax rate hike, the adverse reaction following the tax hike, and poor weather during the summer months.

Management Results

Entering the final year of TAKE OFF 14, our medium-term business plan for fiscal years 2012–2014 and the first step to realize the Meiji Group 2020 Vision, our long-term corporate strategy, the Meiji Group has continued to focus on "strengthening and expanding existing businesses," "fostering growth businesses," and "improving profitability" based on our core theme of *higher profitability and strategic investments for future growth*.

In the Food segment, we implemented measures to overcome significant increases in raw material procurement costs and energy costs. We expanded sales of mainstay products in our dairy, confectionery, and healthcare and nutritionals businesses and improved our product mix, as well as implemented structural reforms and cost reduction measures.

In the Pharmaceuticals segment, we advanced our "Specialty and Generic Pharmaceuticals Company" strategy and took measures to increase the market share of our ethical pharmaceuticals while utilizing our international production network to reduce costs.

As a result, for the fiscal year the Group recorded net sales of ¥1,161,152 million (YoY increase of 1.1%), operating income of ¥51,543 million (YoY increase of 41.2%), and net income of ¥30,891 million (YoY increase of 62.1%).

The goals we established at the onset of TAKE OFF 14 were net sales of ¥1,190.0 billion, operating income of ¥40.0 billion, and an ROE of 7%. While net sales fell short of goals due to the elimination of low-profitable businesses within the Food segment, operating income and ROE both greatly exceeded goals thanks to the benefits of structural reforms in the Food and Pharmaceuticals segments.

Segment Results

Food Segment

Overall, net sales outperformed the previous fiscal year, growing 0.6% year on year, to ¥121,806 million. Sales of dairy products were on a par with the previous year. Although sales of functional yogurts and other mainstay products increased significantly, performance was impacted by the partial restructuring of operations at our sales subsidiary. The confectionery business saw a significant year-on-year increase in sales, particularly among chocolate products. The healthcare and nutritionals business saw a year-on-year decrease in sales due to a decline in demand that followed the last-minute demand rush prior to the consumption tax rate hike.

Operating income increased significantly for our dairy, confectionery, and healthcare and nutritionals businesses, and overall greatly outperformed the previous fiscal year, increasing 47.8% year on year, to ¥41,664 million. Product mix improvements and diligent cost reduction initiatives contributed to revenue improvement.

Dairy Business

In yogurt, although growth of the yogurt market in fiscal 2014 was approximately the same as in the previous fiscal year, the Meiji Group outpaced market growth to achieve a year-on-year rise in sales. Sales of functional yogurts significantly outperformed the previous fiscal year thanks to aggressive marketing activities and the July 2014 release of a new product under the *Meiji Probio Yogurt R-1* brand. Although sales of *Meiji Bulgaria Yogurt* declined year on year due to the impact of increasing pricing competition, sales of *Meiji Bulgaria Drinking Yogurt* increased thanks to the popularity of convenient new packaging launched in September 2013. Sales of drinking milk were on a par with the previous fiscal year but an aggressive advertising campaign aimed at

	Millions of yen			Yen
	Net Sales	Operating Income	Net Income	Net Income Per Share
Fiscal 2014	¥1,161,152	¥51,543	¥30,891	¥419.58
Fiscal 2013	1,148,076	36,496	19,060	258.79
Year-on-year change (%)	1.1%	41.2%	62.1%	62.1%

increasing demand contributed to sales for *Meiji Oishi Gyunyu* that outperformed the previous year.

Sales of cheese, margarine, and other processed food were approximately unchanged year on year. Sales of cheese significantly outperformed the previous fiscal year thanks to the strong growth of the camembert cheese and smart cheese products from the *Meiji Hokkaido Tokachi* product series, product lineup renewed in March 2014. Sales of margarine declined year on year due to market deterioration.

Earnings increased thanks to significant growth in sales of probiotic yogurts and an improved product mix, which resulted from the reorganization of lower margin businesses.

Confectionery Business

Sales of chocolate increased compare to the previous fiscal year. The market continues to expand amid interest in cacao polyphenol that has been increasing. This resulted in significant growth for the *Chocolate Kouka* series and other dark chocolate products, and sales of our bagged chocolate products also were favorable. Sales of gum declined year on year due to market deterioration.

Sales of gummy products increased significantly year on year as our mainstay brand *Kaju Gummy* were favorable and sales of other brands also increased significantly.

Despite bad weather in the summer months, overall ice cream sales increased year on year. Our mainstay product lineup, *Meiji Essel Super Cup*, was favorable due to our increasing the number of seasonal ice cream flavors. Furthermore, our *Meiji Chocolate Ice Cream* series significantly outperformed previous year sales thanks to an improved product lineup.

Operating income was up significantly from the previous fiscal year. The costs of main raw materials, such as cacao beans and nuts, rose. However, curbing of advertising expenses and other costs and structural reform, through a reduction in the number of new products and an increase in the efficiency of production and logistics, were successful.

Healthcare and Nutritionals Business

In the sports nutrition segment, sales of *VAAM* decreased significantly and sales of *SAVAS* products also declined compared to the previous fiscal year.

Functional healthcare products faced the contraction of the collagen market but sales of *Amino Collagen* were on a par with the previous fiscal year.

Sales of infant formula increased year on year.

Sales of enteral formula also increased year on year. Products for the consumer market increased significantly year on year thanks to increase in the numer of stores carrying these products. Production capacity increased following the launch of the Kansai Nutritionals Plant in August 2014.

Operating income was a large year-on-year rise. This primarily reflected growth in earnings accompanying higher sales of infant formula, reduced advertising expenses, and improved sales productivity.

	Millions of yen		
	Food Segment	Pharmaceuticals Segment	**Total**
Net sales			
Fiscal 2014	¥1,021,806	¥141,338	**¥1,163,145**
Fiscal 2013	1,015,265	135,105	**1,150,370**
Year on year	6,541	6,233	**12,774**
Year-on-year change (%)	0.6%	4.6%	**1.1%**
Segment income			
Fiscal 2014	¥41,664	¥10,076	**¥51,741**
Fiscal 2013	28,190	8,356	**36,546**
Year on year	13,474	1,720	**15,195**
Year-on-year change (%)	47.8%	20.6%	**41.6%**

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

Review and Analysis of Fiscal 2014 Results

International Business
Sales in China from the confectionery business grew significantly year on year thanks to the expansion of sales channels, among other factors. Among fresh dairy products, sales of *Meiji Bulgaria Yogurt* grew amid growing popularity for the product's taste and texture as well as a growing sense of trust among consumers towards the *meiji* brand.

Sales in Asia grew amid favorable performance for chocolate snacks such as *Hello Panda* and *Yan Yan*.

Performance in the United States for chocolate snacks such as *Hello Panda* was also favorable.

Pharmaceuticals Segment

The segment posted net sales of ¥141,338 million, growing 4.6% year on year. The pharmaceuticals business was greatly impacted by the NHI drug price revisions. However, thanks to growth among generic pharmaceuticals and the December 2014 licensing agreement with F. Hoffman-La Roche, Ltd., one-time revenues contributed to performance that exceeded the previous fiscal year. Sales of the agricultural chemicals and veterinary drugs business decreased significantly year on year.

Operating income grew significantly increasing 20.6% year on year, to ¥10,076 million, thanks to increased revenues from generic drugs and cost reductions achieved through the effective use of our international production network, and one-time revenues resulting from the conclusion of a licensing agreement.

Ethical Pharmaceuticals Business

Japan
As for antibacterial drugs, with *MEIACT* heavily impacted by the NHI drug price revisions, sales of antibiotics decreased significantly compared to the previous year.

Among antidepressant drugs, *REFLEX* decreased year on year due to the adverse impact of the last-minute demand rush prior to the consumption tax rate hike while sales of *DEPROMEL* decreased significantly year on year.

Sales of generic drugs increased significantly year on year. Sales of the calcium channel blocker *AMLODIPINE Tablets Meiji* and the Alzheimer's therapy drug *DONEPEZIL Meiji* both grew significantly.

Overseas
In Southeast Asia, business in Indonesia and Thailand was favorable.

Medreich, the company that joined the consolidated Group from the fourth quarter of this fiscal year, greatly contributed to increased revenues for the ethical pharmaceuticals business. Medreich has its production base in India and operates as a pharmaceutical contract manufacturing organization (CMO) and a contract development and manufacturing organization (CDMO), as well as conducts the manufacturing and sales of generic drugs.

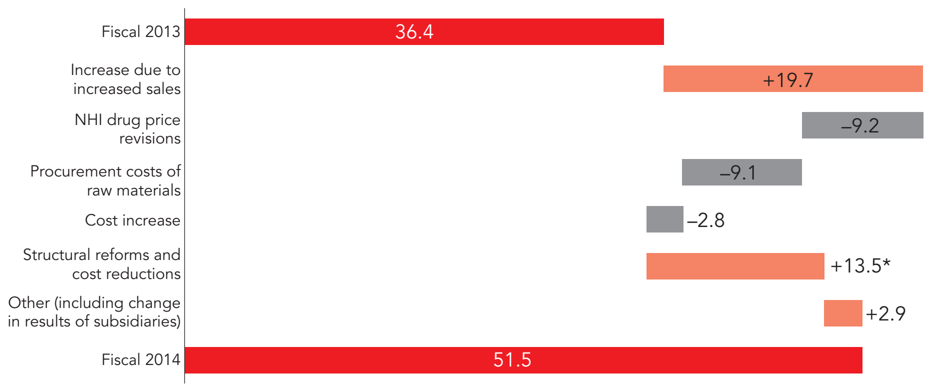
Agricultural Chemicals and Veterinary Drugs Business
Overall sales greatly underperformed the previous fiscal year. Among agricultural chemicals, sales of the herbicide *ZAXA* increased significantly year on year but sales of *ORYZEMATE*, our mainstay blast defense activator, decreased significantly year on year.

Among veterinary drugs, sales of drugs for livestock and companion animals both decreased compared to the previous fiscal year.

Analysis of Change in Operating Income

Analysis of change in consolidated operating income is as follows.

Analysis of Change in Operating Income (Billions of yen)



(Main factors)
* [Food]
Cost reductions through price hike or reduction of net content of dairy products: + 4.6
Cost reductions in confectionery production: +1.8
Reduction of sales promotion expenses in healthcare and nutritionals business: +0.9
[Pharmaceuticals]
Reduction of R&D expenses: +1.3
Other: –0.1

Operating income rose sharply from the previous fiscal year's ¥36,496 million to ¥51,543 million. Breaking down the rise in earnings, the Food segment contributed ¥13.4 billion and the Pharmaceuticals segment contributed ¥1.7 billion, while earnings from other businesses edged down ¥0.1 billion. Sales of the Food segment's mainstay products were brisk and the Pharmaceuticals segment grew sales of generic drugs. One-time revenues and the favorable progress of structural reforms and cost reductions contributed to earnings. These positive factors more than compensated for the effect of NHI drug price revisions and a significant increase in raw material procurement costs.

Operating Income: Positive Factors

▪ Increase due to increased sales

In the Food segment, net sales were up ¥10.7 billion. Significant contributors to earnings were improvement in the product mix of dairy products, which resulted from higher revenues from functional yogurts, and growth in sales of mainstay chocolate in the confectionery business. In the Pharmaceuticals segment, net sales rose ¥9.0 billion. Amid NHI drug price revisions, the segment grew sales of generic drugs and benefited from one-time revenues.

▪ Structural reforms and cost reductions

The total contribution from structural reforms and cost reductions was ¥13.5 billion. The Food segment accounted for ¥12.3 billion, which stemmed from cost reductions through price revision or reduction of net content of dairy products, cost reductions in confectionery production, and reduction of sales promotion expenses in the healthcare and nutritionals business. The Pharmaceuticals segment accounted for ¥1.2 billion, mainly comprising reduction of R&D expenses.

▪ Other (including change in results of subsidiaries)

This area contributed ¥2.9 billion. The Food segment accounted for ¥2.3 billion, which mainly reflected the absence of the previous fiscal year's loss on valuation of real estate for sale. The Pharmaceuticals segment's contribution was ¥0.7 billion, thanks to the strong performances of overseas subsidiaries.

Operating income: Negative Factors

▪ NHI drug price revisions

This had a ¥9.2 billion negative effect on the Pharmaceuticals segment.

▪ Procurement costs of raw materials

This led to a ¥9.1 billion negative effect on the Food segment. There was a rise in the procurement costs of raw materials, such as domestic raw milk, imported dairy ingredients, and cacao beans.

▪ Cost increase

This resulted in a ¥2.8 billion negative effect on the Food segment. The negative effect was primarily attributable to higher utility costs.

Financial Position

Assets

Total assets as of the end of the consolidated fiscal year under review increased ¥97,905 million from the previous fiscal year-end, to ¥877,367 million. Although construction in progress and other investments and assets decreased ¥4,513 million and ¥4,086 million, respectively, cash and deposits, notes and account receivables, goods and products, raw materials and supplies, other current assets, buildings and structures (net value), machinery and equipment (net value), land, goodwill, investment securities, and assets for retirement benefits, increased ¥2,911 million, ¥9,627 million, ¥2,584 million, ¥4,287 million, ¥3,227 million, ¥9,210 million, ¥20,807 million, ¥2,789 million, ¥23,282 million, ¥18,837 million, and ¥9,744 million, respectively.

Liabilities

Total liabilities as of the end of the consolidated fiscal year under review increased year on year ¥45,725 million from the previous fiscal year-end, to ¥497,065 million. Although corporate bonds decreased ¥35,000 million, notes and accounts payable, short-term loans, commercial paper, income taxes payable, long-term loans, deferred tax liabilities, and retirement benefits liabilities increased ¥9,952 million, ¥5,845 million, ¥18,000 million, ¥3,185 million, ¥34,259 million, ¥3,617 million, and ¥5,788 million, respectively.

Net Assets

Total net assets as of the end of the consolidated fiscal year under review increased year on year ¥52,180 million from the previous fiscal year-end, to ¥380,302 million. Retained earnings, net unrealized holding gains or losses on securities, foreign currency translation adjustments, remeasurements of defined benefit plans, and minority interests increased ¥24,209 million, ¥11,354 million, ¥5,636 million, ¥8,675 million, and ¥2,287 million, respectively.

The shareholders' equity ratio as of the end of the consolidated fiscal year under review increased from 41.1% to 42.2% and net assets per share increased from ¥4,351.96 as of the end of the previous consolidated fiscal year to ¥5,030.51.

Review and Analysis of Fiscal 2014 Results

Cash Flows

Cash flows from operating activities increased ¥22,639 million compared to the end of the previous consolidated fiscal year, to ¥86,487 million. Although we experienced an increase in payments related to accounts receivable and corporate taxes, pre-tax adjustment net income increased and trade payables decreased.

Cash flows from investing activities increased ¥45,528 million compared to the end of the previous consolidated fiscal year, to ¥92,822 million. This was due to an increase in payments related to the acquisition of fixed tangible assets and the acquisition of affiliate company stock.

Accordingly, free cash flow (total of cash flows from operating activities and cash flows from investing activities) resulted in increased expenditures of ¥22,889 million compared to the end of the previous consolidated fiscal year to expenditures of ¥6,335 million.

Cash flows from financing activities saw increased revenues of ¥25,040 million compared to the end of the previous consolidated fiscal year, to revenues of ¥6,846 million. Although we incurred expenditures related to the redemption of corporate bonds, financing liabilities including loans and commercial paper increased.

As a result, cash and cash equivalents as of the end of the consolidated fiscal period under review were ¥21,912 million.

Basic Policy Concerning Income Dividends and Dividends

The year-end dividend for the fiscal year ended March 31, 2015 was ¥60 per share, a year-on-year increase of ¥20, because we greatly outperformed the profit targets outlined in TAKE OFF 14. The annual dividend for the fiscal year under review was ¥100 per share, and the consolidated dividend payout ratio was 23.8%.

Our policy concerning cash dividends from the fiscal year ending March 31, 2016 shall be as follows.

Meiji Holdings contributes to the lifelong health and food lifestyles of our customers. Securing the medium- and long-term stability of our operating platform is vital.

It is important to ensure the internal retention necessary for future capital investments, investment and financing capital, R&D investments, etc., while enabling stable, sustainable profit returns for shareholders. Our basic policy concerning profit dividends shall be a consolidated dividend payout ratio of around 30%. If extraordinary factors influence net income significantly, that influence may be removed from the determination of the dividend amount.

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 securities report (June 26, 2015) 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 food 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 food 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.

Major Group Companies

Japan

Meiji Co., Ltd.
(Food Segment)

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 / Kyoto Lactic Acid Bacteria / Kansai / Kansai Ice Cream / Kansai Nutritionals / Osaka / Okayama / Hiroshima / Kyushu

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

Group Companies
- Production and Procurement Function

Tokai Meiji Co., Ltd. / Kantou Seiraku Co., Ltd. / Pampy Foods Incorporation / Tochigi Meiji Milk Products Co., Ltd. / Meiji Oils and Fats Co., Ltd. / Chiba Meiji Milk Products Co., Ltd. / Donan Shokuhin Co., Ltd. / Zao Shokuhin Kaisha, Ltd. / Meiji Sangyo Co., Ltd. / Ronde Corporation / Meiji Chewing Gum Co., Ltd. /Shikoku Meiji Co., Ltd. / Tokai Nuts Co., Ltd. / Okayamaken Shokuhin Co., Ltd.

- Sales and Logistics Function

Meiji Fresh Network Co., Ltd. / Shikoku Meiji Dairy Products Co., Ltd. / Meiji Logitech Co., Ltd.

- Others

Meiji Nice Day Co., Ltd. / Nitto Co., Ltd. / Meiji Techno-Service Inc.

Independent Business Group
Okinawa Meiji Milk Products Co., Ltd. / Taiyo Shokuhin Co., Ltd. / Nihon Kanzume, Co., Ltd. / Meiji Shokuhin Kaisha, Ltd. / Asahi Broiler Co., Ltd. / Meiji Kenko Ham Co., Ltd. / Meiji Rice Delica Corporation / Meiji Food Materia Co., Ltd. / Français Co., Ltd. / KCS Co., Ltd. / Fresh Logistic Co., Ltd. / Three S and L Co., Ltd. / Meiji Feed Co., Ltd.

Meiji Seika Pharma Co., Ltd.
(Pharmaceuticals Segment)

Head Office

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

Plants
Kitakami / Odawara / Gifu

Branches
- Pharmaceuticals

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

- Agricultural Chemicals

Sapporo / Sendai / Tokyo / Nagoya / Osaka / Kumamoto

- Veterinary Drugs

North Japan / Tokyo / Nagoya / Osaka / Kumamoto

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

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

Overseas

Meiji Co., Ltd.
(Food Segment)

Offices
1 Bangkok Office
2 Taipei Office

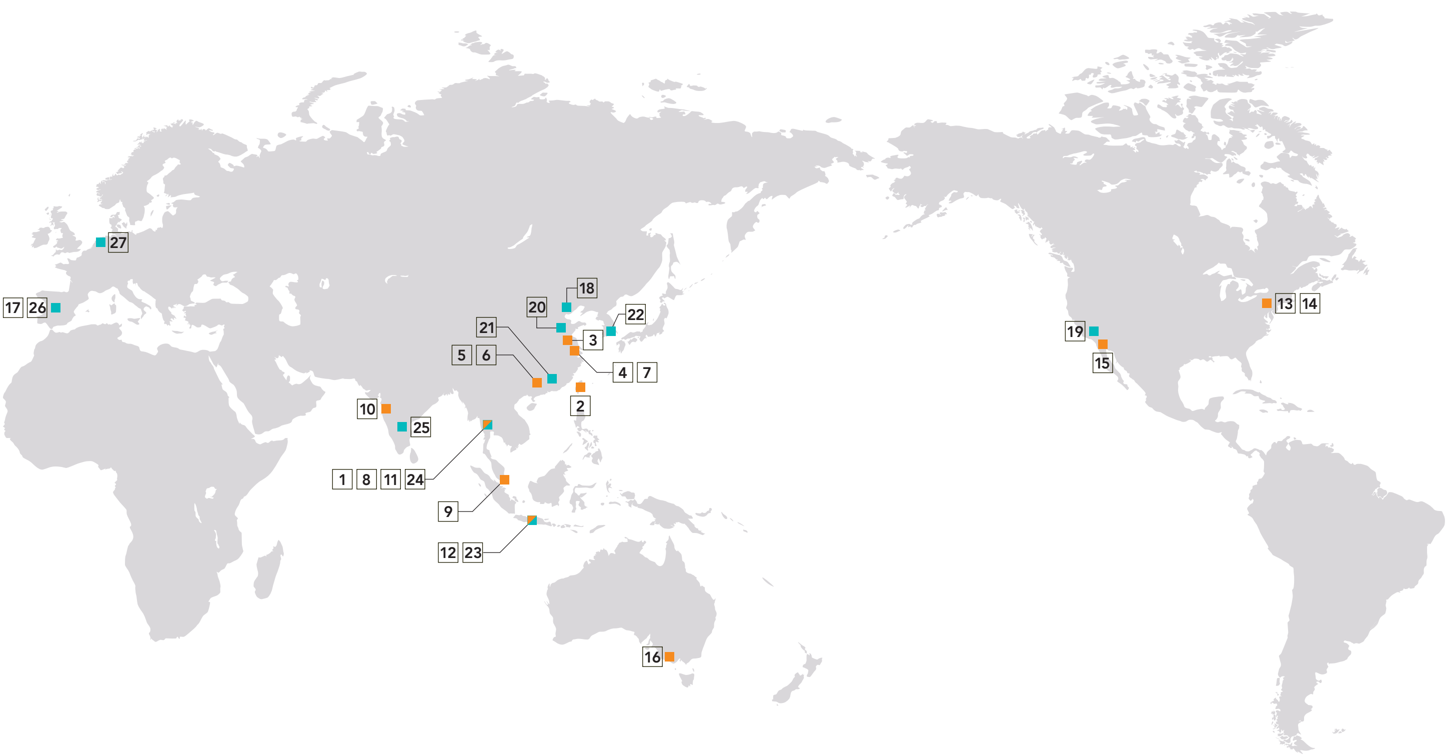
Group Companies
3 Meiji Dairies (Suzho) Co., Ltd.
4 Meiji-Dairy Trading Shanghai Co., Ltd.
5 Guangzhou Meiji Confectionery Co., Ltd.
6 Meiji Ice Cream (Guangzhou) Co., Ltd.
7 Meiji Seika Food Industry (Shanghai) Co., Ltd.
8 CP-Meiji Co., Ltd.
9 Meiji Seika (Singapore) Pte. Ltd.
10 Meiji India Private Limited
11 Thai Meiji Food Co., Ltd.
12 P.T. Ceres Meiji Indotama
13 Meiji America Inc.
14 D. F. Stauffer Biscuit Co., Inc.
15 Laguna Cookie Co., Inc.
16 Meiji Dairy Australasia Pty. Ltd.

Meiji Seika Pharma Co., Ltd.
(Pharmaceuticals Segment)

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

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

■ Overseas bases of Food segment
■ Overseas bases of Pharmaceuticals segment



Corporate Data / Stock Information (As of March 31, 2015)

Corporate Data

Company Name	Meiji Holdings Co., Ltd. (Securities code: 2269)
Head Office	2-4-16, Kyobashi, Chuo-ku, Tokyo 104-0031, Japan
Incorporated	April 1, 2009
Paid-in Capital	¥30 billion
Common Stock Issued	76,341,700
Stock Listing	Tokyo
Fiscal Year-End	March 31
Ordinary General Meeting of Shareholders	Late in June
Transfer Agent of Common Stock	Mitsubishi UFJ Trust and Banking Corporation
Public Notices	Public notices given by the Company are issued electronically. (URL: http://www.meiji.com/) However, in the event that public notices cannot be issued electronically due to an accident or some other unavoidable circumstances, public notices given by the Company shall be carried in the *Nihon Keizai Shimbun*. It should be noted that pursuant to Article 440, Paragraph 4 of the Companies Act, public notices of financial statements are not given.
Number of Group Employees	26,854

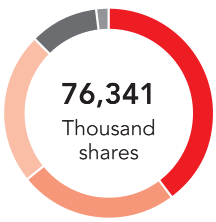
Stock Information

Major Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,495	5.89
Mizuho Bank, Ltd.	3,633	4.76
Japan Trustee Services Bank, Ltd. (Trust Account)	3,022	3.96
Nippon Life Insurance Company	1,674	2.19
Meiji Holdings Employee Shareholding Association	1,530	2
Resona Bank, Limited	1,523	2
The Norinchukin Bank	1,446	1.89
Meiji Holdings Trading-Partner Shareholding Association	1,405	1.84
Mitsubishi UFJ Trust and Banking Corporation	1,002	1.31
Nippon Beet Sugar Manufacturing Co., Ltd.	879	1.15
Total of Top 10 Shareholders	20,612	26.99

Note: In addition to the abovementioned shares, the Company owns 2,722 thousand shares of treasury stock (a 3.57% shareholding).

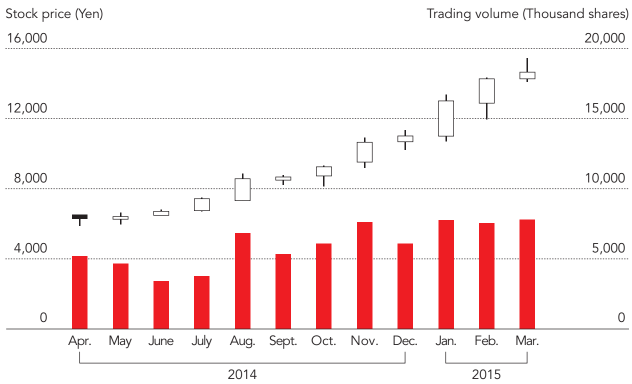
Shareholding by Type of Shareholder



Financial Institutions	39.93%
Individuals and Others	24.36%
Foreign Companies, etc.	23.45%
Other Companies	10.56%
Financial Instruments Dealers	1.70%
Government and Public Bodies	—

Note: "Individuals and Others" includes treasury stock.

Stock Price and Trading Volume



Editorial Policy

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

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

■ http://www.meiji.com/english/

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

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 of caramels and biscuits at its Okubo Plant.
Kyokuto Condensed Milk Co., Ltd. (hereinafter "Kyokuto Condensed Milk"), the predecessor of Meiji Dairies, is established.
Kyokuto Condensed Milk starts manufacturing of 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

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."
1989 Meiji Dairies establishes CP-Meiji Co., Ltd., in Thailand.
The antianxiety drug "MEILAX" is introduced.

1990s

1990 Meiji Dairies launches a soft margarine, "Meiji Corn 100."
1992 Meiji Dairies launches "Meiji Hokkaido Tokachi Cheese."
1994 Meiji Dairies launches "Meiji Essel Super Cup Ultra Vanilla."
The antibacterial drug "MEIACT" is introduced.
1995 Meiji Dairies launches the sports performance drink, "VAAM."
Meiji Dairies launches the enteral formula "Meiji Mei Balance."
1997 Meiji Seika launches "Xylish Gum."
1998 Meiji Seika launches "Chocolate Kouka."
A business unit for generic drugs is set up.
1999 The antidepressant "DEPROMEL" is introduced.

2000s

2000 Meiji Dairies launches "Meiji Probio Yogurt LG21."
2002 Meiji Dairies expands the distribution of "Meiji Oishii Gyunyu" nationwide.
Meiji Seika launches "Amino Collagen."
2007 Meiji Dairies launches the cube-shaped infant formula "Meiji Hohoemi Raku Raku Cube."
2008 Meiji Dairies launches the cream for professional use "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.
Meiji Dairies launches "Meiji Probio Yogurt R-1."

2010s

2010 Prepared the "Meiji Group 2020 Vision" as a long-term business management strategy.
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.
2015 Meiji launches "Meiji Probio Yogurt PA-3."

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/

Consolidated Balance Sheet

Meiji Holdings Co., Ltd. / As of March 31, 2015

Assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets:			
Cash and deposits	¥ 22,489	¥ 19,577	$ 187,143
Notes and accounts receivable	178,916	169,478	1,488,859
Inventories (Note 9)	130,050	121,661	1,082,220
Deferred tax assets (Note 11)	10,290	11,474	85,629
Other current assets	10,584	7,166	88,075
Allowance for doubtful accounts	(311)	(288)	(2,593)
Total current assets	352,018	329,071	2,929,335
Fixed assets:			
Property, plants and equipment (Note 10):			
Land	71,036	68,247	591,131
Buildings and structures	293,533	281,355	2,442,655
Machinery, equipment, vehicles and fixtures	534,436	509,327	4,447,340
Lease assets	7,033	7,735	58,532
Construction in progress	12,248	16,761	101,924
Accumulated depreciation	(565,244)	(557,783)	(4,703,710)
Total property, plants and equipment (net)	353,044	325,644	2,937,874
Investments and other fixed assets:			
Investment securities (Notes 7, 10)	72,614	54,437	604,264
Investment securities (unconsolidated subsidiaries and affiliates)	6,557	5,896	54,564
Intangible fixed assets	31,711	8,167	263,886
Deferred tax assets (Note 11)	4,798	5,349	39,930
Net defined benefit asset (Note 12)	32,743	22,999	272,478
Other	24,095	28,182	200,510
Allowance for doubtful accounts	(215)	(287)	(1,791)
Total investments and other fixed assets	172,304	124,745	1,433,842
Total fixed assets	525,349	450,390	4,371,716
Total assets	¥ 877,367	¥ 779,461	$ 7,301,052

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current liabilities:			
Short-term loans payable (including current portion of long-term loans payable) (Notes 8, 10)	**¥ 87,590**	¥ 63,745	**$ 728,889**
Notes and accounts payable	**111,105**	94,327	**924,565**
Income taxes payable	**14,413**	11,227	**119,939**
Accrued expenses	**43,572**	45,266	**362,586**
Accrued bonuses for employees	**9,789**	9,539	**81,464**
Allowance for sales returns	**208**	245	**1,737**
Allowance for sales rebates	**1,803**	2,730	**15,007**
Other current liabilities	**30,093**	34,384	**250,421**
Total current liabilities	**298,575**	261,466	**2,484,612**
Long-term liabilities:			
Long-term loans payable, less current portion (Notes 8, 10)	**133,889**	134,630	**1,114,170**
Deferred tax liabilities (Note 11)	**15,026**	11,409	**125,047**
Net defined benefit liability (Note 12)	**43,950**	38,162	**365,735**
Reserve for directors' retirement benefits	**215**	220	**1,794**
Other long-term liabilities	**5,406**	5,449	**44,988**
Total long-term liabilities	**198,489**	189,872	**1,651,736**
Total liabilities	**497,065**	451,339	**4,136,349**
Contingent liabilities (Note 14)			
Net assets (Note 17)**:**			
Shareholders' equity:			
Common stock			
Authorized—280,000,000 shares, at March 31, 2014 and 2015			
Issued — 76,341,700 shares, at March 31, 2014 and 2015	**30,000**	30,000	**249,646**
Capital surplus	**98,853**	98,852	**822,612**
Retained earnings	**223,166**	198,957	**1,857,093**
Treasury stock, at cost—2,708,600 shares, at March 31, 2014 2,722,700 shares, at March 31, 2015	**(9,577)**	(9,451)	**(79,697)**
Total shareholders' equity	**342,442**	318,358	**2,849,654**
Accumulated other comprehensive income:			
Net unrealized holding gains or losses on securities	**26,965**	15,610	**224,391**
Deferred gains or losses on hedges	**85**	(57)	**708**
Foreign currency translation adjustments	**7,558**	1,922	**62,900**
Remeasurements of defined benefit plans (Note 12)	**(6,711)**	(15,386)	**(55,845)**
Minority interests	**9,961**	7,674	**82,893**
Total net assets	**380,302**	328,121	**3,164,703**
Total liabilities and net assets	**¥877,367**	¥779,461	**$7,301,052**

Consolidated Statement of Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net sales	**¥1,161,152**	¥1,148,076	**$9,662,584**
Cost of sales (Note 20)	**757,766**	754,013	**6,305,784**
Gross profit	**403,386**	394,062	**3,356,799**
Selling, general and administrative expenses (Notes 19, 20)	**351,842**	357,565	**2,927,875**
Operating income	**51,543**	36,496	**428,924**
Other income (expenses):			
Interest and dividend income	**1,106**	987	**9,211**
Interest expenses	**(1,116)**	(1,288)	**(9,287)**
Equity in income of affiliates	**376**	287	**3,135**
Rent income on real estate	**2,479**	2,321	**20,633**
Rent cost of real estate	**(1,885)**	(1,852)	**(15,692)**
Other	**1,077**	2,136	**8,968**
Extraordinary gains (Note 21)	**2,821**	1,589	**23,482**
Extraordinary losses (Notes 21, 22)	**(7,747)**	(6,991)	**(64,467)**
Income before income taxes and minority interests	**48,657**	33,687	**404,908**
Income taxes—current (Note 11)	**20,633**	15,804	**171,699**
Income taxes—deferred (Note 11)	**(3,448)**	(1,110)	**(28,699)**
Net income before minority interests	**31,473**	18,992	**261,907**
Minority interests	**582**	(67)	**4,844**
Net income	**¥ 30,891**	¥ 19,060	**$ 257,063**

	Yen		U.S. dollars
Amounts per share of common stock:			
Net income	**¥419.58**	¥258.79	**$3.492**
Cash dividends	**100.00**	80.00	**0.832**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Meiji Holdings Co., Ltd. / For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net income before minority interests	**¥31,473**	¥18,992	**$261,907**
Other comprehensive income:			
Net unrealized holding gains or losses on securities	**11,398**	3,060	**94,852**
Deferred gains or losses on hedges	**142**	759	**1,184**
Foreign currency translation adjustments	**4,812**	3,943	**40,047**
Remeasurements of defined benefit plans	**8,676**	—	**72,199**
Equity in affiliates accounted for by the equity method	**254**	175	**2,121**
Total other comprehensive income (Note 23)	**25,284**	7,939	**210,404**
Comprehensive income	**¥56,757**	¥26,932	**$472,312**
(Breakdown)			
Comprehensive income attributable to shareholders of the parent company	**¥55,959**	¥26,715	**$465,672**
Comprehensive income attributable to minority shareholders	**797**	216	**6,639**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Meiji Holdings Co., Ltd. / For the year ended March 31, 2015

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	76,341	¥30,000	¥98,851	¥185,436	¥(9,299)	¥304,989	¥12,557	¥(816)	¥(3,346)	¥ —	¥ 8,394	¥7,226	¥320,609
Changes during the fiscal period:													
Cash dividends				(5,892)		(5,892)							(5,892)
Net income				19,060		19,060							19,060
Acquisition of treasury stock					(154)	(154)							(154)
Disposal of treasury stock			0		2	3							3
Change in scope of consolidation				353		353							353
Net changes in items other than those in shareholders' equity							3,053	759	5,269	(15,386)	(6,304)	448	(5,856)
Total changes during the fiscal period			0	13,520	(152)	13,369	3,053	759	5,269	(15,386)	(6,304)	448	7,512
Balance at March 31, 2014	76,341	¥30,000	¥98,852	¥198,957	¥(9,451)	¥318,358	¥15,610	¥ (57)	¥ 1,922	¥(15,386)	¥ 2,089	¥7,674	¥328,121
Cumulative effects of changes in accounting policies				**(791)**		**(791)**							**(791)**
Restated balance	**76,341**	**30,000**	**98,852**	**198,165**	**(9,451)**	**317,566**	**15,610**	**(57)**	**1,922**	**(15,386)**	**2,089**	**7,674**	**327,330**
Changes during the fiscal period:													
Cash dividends				**(5,890)**		**(5,890)**							**(5,890)**
Net income				**30,891**		**30,891**							**30,891**
Acquisition of treasury stock					**(125)**	**(125)**							**(125)**
Disposal of treasury stock			**0**		**0**	**1**							**1**
Net changes in items other than those in shareholders' equity							**11,354**	**142**	**5,636**	**8,675**	**25,808**	**2,287**	**28,095**
Total changes during the fiscal period			**0**	**25,001**	**(125)**	**24,876**	**11,354**	**142**	**5,636**	**8,675**	**25,808**	**2,287**	**52,972**
Balance at March 31, 2015	**76,341**	**¥30,000**	**¥98,853**	**¥223,166**	**¥(9,577)**	**¥342,442**	**¥26,965**	**¥ 85**	**¥ 7,558**	**¥ (6,711)**	**¥27,898**	**¥9,961**	**¥380,302**

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2014	76,341	$249,646	$822,608	$1,655,633	$(78,654)	$2,649,233	$129,906	$ (475)	$15,996	$(128,041)	$ 17,385	$63,861	$2,730,480
Cumulative effects of changes in accounting policies				**(6,587)**		**(6,587)**							**(6,587)**
Restated balance	**76,341**	**249,646**	**822,608**	**1,649,046**	**(78,654)**	**2,642,646**	**129,906**	**(475)**	**15,996**	**(128,041)**	**17,385**	**63,861**	**2,723,893**
Changes during the fiscal period:													
Cash dividends				**(49,016)**		**(49,016)**							**(49,016)**
Net income				**257,063**		**257,063**							**257,063**
Acquisition of treasury stock					**(1,048)**	**(1,048)**							**(1,048)**
Disposal of treasury stock			**3**		**5**	**9**							**9**
Net changes in items other than those in shareholders' equity							**94,485**	**1,184**	**46,904**	**72,195**	**214,769**	**19,031**	**233,801**
Total changes during the fiscal period			**3**	**208,047**	**(1,042)**	**207,008**	**94,485**	**1,184**	**46,904**	**72,195**	**214,769**	**19,031**	**440,809**
Balance at March 31, 2015	**76,341**	**$249,646**	**$822,612**	**$1,857,093**	**$(79,697)**	**$2,849,654**	**$224,391**	**$ 708**	**$62,900**	**$ (55,845)**	**$232,155**	**$82,893**	**$3,164,703**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Meiji Holdings Co., Ltd. / For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 48,657**	¥ 33,687	**$ 404,908**
Depreciation and amortization	**41,885**	40,972	**348,550**
Impairment loss	**3,623**	3,612	**30,149**
Amortization of goodwill	**634**	138	**5,276**
Loss on disposal of property, plants and equipment	**3,199**	2,722	**26,622**
Loss (gain) on valuation of investment securities	**1**	25	**14**
Increase (decrease) in allowance for doubtful accounts	**(58)**	(158)	**(485)**
Increase (decrease) in accrued bonuses for employees	**238**	303	**1,985**
Increase (decrease) in net defined benefit liability	**8,300**	2,615	**69,069**
Interest and dividend income	**(1,106)**	(987)	**(9,211)**
Interest expenses	**1,116**	1,288	**9,287**
Equity in loss (income) of affiliates	**(376)**	(287)	**(3,135)**
Loss (gain) on sales of property, plants and equipment	**(1,699)**	(439)	**(14,143)**
Loss (gain) on sales of investment securities	**(695)**	(547)	**(5,783)**
Decrease (increase) in trade receivables	**(3,405)**	16,633	**(28,338)**
Decrease (increase) in inventories	**(3,117)**	1,434	**(25,939)**
Increase (decrease) in notes and accounts payable	**3,548**	(17,977)	**29,530**
Other	**3,835**	(6,886)	**31,913**
Subtotal	**104,580**	76,149	**870,270**
Interest and dividends received	**1,107**	1,286	**9,216**
Interest paid	**(1,135)**	(1,314)	**(9,445)**
Income taxes paid	**(18,065)**	(12,273)	**(150,334)**
Net cash provided by operating activities	**86,487**	63,847	**719,706**
Cash flows from investing activities:			
Payments for purchases of property, plants and equipment	**(62,152)**	(44,407)	**(517,208)**
Payments for purchases of intangible fixed assets	**(2,194)**	(2,630)	**(18,260)**
Proceeds from sales of property, plants and equipment and intangible fixed assets	**4,330**	2,296	**36,038**
Payments for purchases of investments in real estate	**(2)**	(9)	**(21)**
Proceeds from sales of investments in real estate	**—**	372	**—**
Payments for purchases of investment securities	**(2,563)**	(2,200)	**(21,331)**
Proceeds from sales of investment securities	**775**	992	**6,456**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**—**	915	**—**
Payments for purchases of investments in subsidiaries resulting in change in scope of consolidation (Note 18)	**(31,271)**	—	**(260,225)**
Other	**255**	(2,621)	**2,126**
Net cash used in investing activities	**(92,822)**	(47,293)	**(772,426)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	**(196)**	1,386	**(1,638)**
Increase (decrease) in commercial paper	**18,000**	(20,000)	**149,787**
Proceeds from long-term loans payable	**34,685**	11,905	**288,640**
Repayment of long-term loans payable	**(2,228)**	(3,411)	**(18,540)**
Proceeds from issuance of bonds	**—**	14,931	**—**
Payments for redemption of bonds	**(35,805)**	(15,000)	**(297,953)**
Decrease (increase) in treasury stock	**(124)**	(151)	**(1,039)**
Cash dividends paid	**(5,874)**	(5,869)	**(48,883)**
Cash dividends paid to minority shareholders	**(97)**	(110)	**(811)**
Other	**(1,513)**	(1,875)	**(12,591)**
Net cash provided by (used in) financing activities	**6,846**	(18,194)	**56,970**
Effect of exchange rate changes on cash and cash equivalents	**668**	790	**5,563**
Net increase (decrease) in cash and cash equivalents	**1,179**	(850)	**9,814**
Cash and cash equivalents at beginning of the year	**19,238**	16,564	**160,092**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**1,494**	3,524	**12,437**
Cash and cash equivalents at end of the year (Note 18)	**¥ 21,912**	¥ 19,238	**$ 182,343**

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 ¥120.17 to US$1 prevailing on March 31, 2015. This translation should not be construed as a representation that all amounts shown could be converted into U.S. dollars at such rate.

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

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

2. Significant Accounting Policies

a) Consolidation Policy

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company. Investments in affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees are accounted for by the equity method. The consolidated financial statements consist of the Company and its 59 consolidated subsidiaries. All significant intercompany transactions and accounts have been eliminated. Accounts of subsidiaries whose business year-ends are December 31 have been included using financial information at that date with appropriate adjustment where necessary. Investments in five affiliates are accounted for by the equity method. The difference between the cost and underlying net equity at acquisition of investments in consolidated subsidiaries and affiliates is allocated to identifiable assets based on fair value at the date of acquisition. The unallocated portion is recognized as goodwill and amortized over a period of 5–15 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 assets owned by the Pharmaceuticals segment and the Company, the declining balance method is used for depreciation.

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

Overseas consolidated subsidiaries
The straight-line method is primarily used for depreciation.
The estimated useful lives of the assets are as follows:

Buildings and structures	2–60 years
Machinery, equipment and vehicles	2–18 years
Tools, furniture and fixtures	2–20 years

g) Intangible Fixed Assets (excluding lease assets)
Amortization of intangible fixed assets is calculated primarily by the straight-line method. Amortization of internal-use software is calculated by the straight-line method based on the estimated useful lives of five years.

h) Lease Assets
Finance lease assets whose ownership does not transfer to the lessee
For the depreciation of lease assets, the straight-line method is applied based on the lease term as the useful life of the asset and the residual value of zero.

i) Investments in Real Estate
The straight-line method is primarily used for depreciation.

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

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

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

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

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

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

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

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

o) Retirement and Severance Benefits
(1) Method used to attribute expected benefit payments to periods
In calculating retirement benefit obligation, the benefit formula basis method is used to attribute expected benefit payments to the period extending up to the end of the fiscal year.
(2) Method of amortizing actuarial gains or losses, prior service costs, and net retirement benefit obligation at transition
Actuarial gains or losses are amortized from the consolidated fiscal year following the year in which the gain or loss is incurred by the straight-line method for a certain number of years (7–15 years) not longer than employees' average remaining years of service. Prior service costs are amortized from the time they accrue by the straight-line method for a certain number of years (principally 4 years) within employees' average remaining years of service. The net retirement benefit obligation at transition (¥10,939 million) is amortized mainly on a straight-line basis over a period of 15 years.
(3) Accounting treatment for unrecognized actuarial gains or losses, unrecognized prior service costs, and unrecognized net retirement benefit obligation at transition
Unrecognized actuarial gains and losses, unrecognized prior service costs, and unrecognized net retirement benefit obligation at transition are adjusted for tax effect and then recorded in remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets portion of the consolidated balance sheet.

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

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 and currency swaps, the integrated method (the shortcut method, the allocation method) is applied when the relevant criteria are met.

(2) Hedge instruments and hedged items

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

(3) Hedge policy

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

(4) Method of evaluating the effectiveness of the hedge

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

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

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

Bond issuance cost is recognized in expenses as incurred.

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

3. Changes in Accounting Policy

Adoption of accounting standard for retirement benefits

The Company has adopted Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012, hereafter Retirement Benefit Accounting Standard) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015, hereafter Retirement Benefit Guidance) as of the beginning of the fiscal year ended March 31, 2015. As a result, the Company has revised the method of calculating retirement benefit obligations and service cost and changed the period attribution method for estimated retirement benefits from the straight-line basis to the benefit formula basis as well as the method of determining the discount rate from the method that uses periods approximating the average remaining years of service of the employees as the basis to the method that uses a single, weighted average discount rate reflecting the estimated timing and amount of retirement benefit payments.

In accordance with the transitional accounting treatment as stipulated in Article 37 of the Retirement Benefit Accounting Standard, the cumulative effect of the changes in calculation methods for retirement benefit obligations and service cost has been reflected in retained earnings as of April 1, 2014.

As a result, net defined benefit asset increased by ¥174 million and net defined benefit liability increased by ¥1,428 million, and retained earnings decreased by ¥791 million as of April 1, 2014. The impact of this change on income for the fiscal year ended March 31, 2015, was minimal. Net assets per share decreased by ¥10.75 as of the end of the fiscal year ended March 31, 2015, and the impact of this change on net income per share was minimal.

4. Accounting Standards Not Yet Adopted

Revised Accounting Standard for Business Combinations
(ASBJ Statement No. 21, September 13, 2013)
Revised Accounting Standard for Consolidated Financial Statements
(ASBJ Statement No. 22, September 13, 2013)
Revised Accounting Standard for Business Divestitures
(ASBJ Statement No. 7, September 13, 2013)
Revised Accounting Standard for Earnings Per Share
(ASBJ Statement No. 2, September 13, 2013)
Revised Guidance on Accounting Standard for Business Combinations and Business Divestitures
(ASBJ Guidance No. 10, September 13, 2013)
Revised Guidance on Accounting Standard for Earnings Per Share
(ASBJ Guidance No. 4, September 13, 2013)

(1) Overview
Under these revised accounting standards, the accounting treatment for changes in parent company's ownership of a subsidiary in cases where the parent company retains control of the subsidiary through an additional purchases, etc., of shares of the subsidiary, and the accounting treatment of acquisition-related costs was revised. In addition, the presentation method of net income was amended, the reference to "minority interest" was changed to "non-controlling interests" and the accounting treatment for adjustments to provisional amounts was also changed.
(2) Application due date
The Group is applying the revised accounting standards from the beginning of the fiscal year ending March 31, 2016.

The Company plans to apply the standards for adjustments to provisional accounting treatment for business combinations occurring at or after the beginning of the fiscal year ending March 31, 2016.
(3) Impact of the application of this accounting standard
None.

5. Notes Regarding Lease Transactions

Finance lease transactions (lessee side)
Finance lease transactions whose ownership does not transfer
(1) Content of lease assets
Property, plants and equipment
Mainly sales equipment (equipment and fixtures), production facilities in manufacturing plants (machinery and vehicles) and testing and research equipment (machinery, equipment and fixtures).
(2) Method of depreciation of lease assets
As described in "2. Significant Accounting Policies, h) Lease Assets."

6. Notes Regarding Financial Instruments

1) Overview of financial instruments
(1) Policy for financial instruments
The Meiji Group (the "Group") raises necessary funds (primarily through bank loans and bond issuance) based on its capital investment and working capital plans, mainly to engage in the business of manufacturing and selling dairy products, confectioneries, food products and pharmaceuticals. The Company manages temporary surplus funds through highly secured financial instruments and raises short-term operating funds by issuing commercial paper, etc. Derivatives are used to mitigate the risks described below. Consequently, the Company does not enter into any speculative deals.
(2) Content and risks of financial instruments
Notes and accounts receivable that are trade receivables 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 13 years and one month after the balance sheet date. Some of these have variable interest rates and currency, thus they are exposed to interest rate and currency fluctuation risk. However, the Group uses derivative transactions (interest rate and currency swap transactions) to hedge such risk.

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

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

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.

Notes to Consolidated Financial Statements

[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, 2015, are presented below.

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

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2015	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 22,489	¥ 22,489	¥ —	$ 187,143	$ 187,143	$ —
(2) Notes and accounts receivable	172,762	172,762	—	1,437,651	1,437,651	—
(3) Investment securities						
Held-to-maturity securities	3,500	3,500	0	29,125	29,130	5
Other securities	65,517	65,517	—	545,206	545,206	—
Total assets	264,269	264,269	0	2,199,127	2,199,132	5
(4) Notes and accounts payable	104,279	104,279	—	867,764	867,764	—
(5) Short-term loans payable	46,366	46,366	—	385,837	385,837	—
(6) Commercial paper	38,000	38,000	—	316,218	316,218	—
(7) Accrued expenses	43,572	43,572	—	362,586	362,586	—
(8) Bonds	65,000	65,416	416	540,900	544,366	3,465
(9) Long-term loans payable	72,114	71,110	(1,004)	600,104	591,747	(8,356)
Total liabilities	¥369,331	¥368,744	¥ (587)	$3,073,412	$3,068,521	$(4,890)

(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: ¥10,154 million ($84,497 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.

	Millions of yen		
As of March 31, 2014	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 19,577	¥ 19,577	¥ —
(2) Notes and accounts receivable	163,135	163,135	—
(3) Investment securities			
Held-to-maturity securities	3,500	3,499	(0)
Other securities	48,212	48,212	—
Total assets	234,426	234,425	(0)
(4) Notes and accounts payable	94,327	94,327	—
(5) Short-term loans payable	41,591	41,591	—
(6) Commercial paper	20,000	20,000	—
(7) Accrued expenses	45,266	45,266	—
(8) Bonds	100,000	100,779	779
(9) Long-term loans payable	36,784	36,741	(43)
Total liabilities	¥337,970	¥338,706	¥735

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

7. Investment Securities

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

1) Held-to-maturity securities

As of March 31, 2015		Millions of yen			Thousands of U.S. dollars		
		Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	Bonds	**¥3,500**	**¥3,500**	**¥0**	**$29,125**	**$29,130**	**$5**

As of March 31, 2014		Millions of yen		
		Carrying value	Fair value	Unrealized gain (loss)
Securities whose carrying value exceeds their fair value	Bonds	¥3,500	¥3,499	¥(0)

2) Other securities with market prices as of March 31, 2015 and 2014

As of March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥64,514**	**¥24,585**	**¥39,929**	**$536,857**	**$204,585**	**$332,271**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**64,514**	**24,585**	**39,929**	**536,857**	**204,585**	**332,271**
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**1,003**	**1,222**	**(219)**	**8,348**	**10,175**	**(1,826)**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal	**1,003**	**1,222**	**(219)**	**8,348**	**10,175**	**(1,826)**
Total	**¥65,517**	**¥25,807**	**¥39,709**	**$545,206**	**$214,761**	**$330,445**

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥3,597 million ($29,932 thousand)) are not included in the table above as their market prices are not available and it is extremely difficult to determine the fair value.

As of March 31, 2014	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥46,361	¥22,246	¥24,115
Other	—	—	—
Subtotal	46,361	22,246	24,115
Securities whose acquisition cost exceeds their carrying value:			
Stocks	1,851	2,171	(319)
Other	—	—	—
Subtotal	1,851	2,171	(319)
Total	¥48,212	¥24,417	¥23,795

(Note) Unlisted stocks (carrying value on the consolidated balance sheet: ¥2,724 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Sales amounts	**¥775**	¥992	**$6,456**
Total gains on sales	**699**	547	**5,820**
Total losses on sales	**4**	—	**37**

4) Securities that were subject to impairment in the fiscal years ended March 31, 2015 and 2014

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

Impairment loss recorded in the fiscal year ended March 31, 2015, was ¥1 million (other securities: ¥1 million ($14 thousand)).

Impairment is taken for all securities when the year-end market value has declined by 50% or more below the acquisition cost. For securities with the year-end market value that has declined by 30–50% below the acquisition cost, impairment is taken at an amount necessary in consideration of the potential for recovery and other factors.

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

As of March 31, 2015 and 2014, 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
		2015	2014	**2015**
Short-term loans payable	0.70%	**¥46,366**	¥41,591	**$385,837**
Commercial paper	0.09%	**38,000**	20,000	**316,218**
Current portion of long-term loans payable	1.17%	**3,224**	2,154	**26,833**
Total		**¥87,590**	¥63,745	**$728,889**

2) Long-term loans payable

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unsecured bonds due 2016, 0.49%	**¥ 20,000**	¥ 20,000	**$ 166,430**
Unsecured bonds due 2018, 0.76%	**—**	15,000	**—**
Unsecured bonds due 2017, 0.31%	**10,000**	10,000	**83,215**
Unsecured bonds due 2019, 0.51%	**—**	20,000	**—**
Unsecured bonds due 2017, 0.33%	**20,000**	20,000	**166,430**
Unsecured bonds due 2021, 0.52%	**15,000**	15,000	**124,823**
Loans from domestic banks, insurance companies, government agencies and others, due 2015 to 2028	**72,114**	36,784	**600,104**
Subtotal	**137,114**	136,784	**1,141,004**
Current portion of long-term loans payable	**(3,224)**	(2,154)	**(26,833)**
Total	**¥133,889**	¥134,630	**$1,114,170**

As of March 31, 2015, the aggregate annual maturities of long-term loans payable are as follows (other than bonds):

	Millions of yen	Thousands of U.S. dollars
	2015	2015
More than one year up to two years	¥ 3,340	$ 27,796
More than two years up to three years	22,610	188,154
More than three years up to four years	13,112	109,120
More than four years up to five years	3,446	28,682
More than five years	26,379	219,516
Total	¥68,889	$573,270

9. Inventories

Inventories as of March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Goods and products	¥ 82,799	¥ 80,215	$ 689,019
Work in progress	4,022	2,505	33,470
Raw materials and supplies	43,228	38,941	359,730
Total	¥130,050	¥121,661	$1,082,220

10. Collateral and Secured Liabilities

A summary of assets pledged as collateral for liabilities as of March 31, 2015 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings and structures	¥ 4,191	¥ 2,942	$ 34,882
Machinery, equipment, vehicles and fixtures	3,719	1,898	30,951
Land	4,609	4,058	38,360
Other	4,636	15,799	38,581
Total	¥17,157	¥24,698	$142,777

A summary of secured liability as of March 31, 2015 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term loans payable	¥ 3,859	¥1,089	$32,115
Long-term loans payable	7,822	4,530	65,095
Total	¥11,681	¥5,620	$97,211

Notes to Consolidated Financial Statements

11. Deferred Tax Assets and Liabilities

1) The significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 16,641	¥ 16,007	$ 138,483
Accrued enterprise tax and others	1,150	837	9,573
Accrued expenses	2,923	4,745	24,330
Investment securities	975	1,026	8,118
Accrued bonuses for employees	3,261	3,396	27,137
Depreciation of fixed assets	2,733	3,129	22,745
Unrealized gain	933	863	7,769
Investment subsidiary basis differences	2,419	1,705	20,129
Losses carried forward	1,482	1,344	12,335
Other	8,363	7,147	69,593
Subtotal	40,883	40,204	340,217
Valuation allowance	(6,267)	(6,089)	(52,151)
Total deferred tax assets	34,616	34,114	288,065
Deferred tax liabilities:			
Advanced depreciation reserve for fixed assets	(10,931)	(12,077)	(90,965)
Unrealized holding gains or losses on securities	(12,517)	(8,110)	(104,167)
Net defined benefit asset	(10,199)	(7,594)	(84,878)
Other	(1,056)	(923)	(8,787)
Total deferred tax liabilities	(34,705)	(28,706)	(288,799)
Net deferred tax assets (liabilities)	¥ (88)	¥ 5,408	$ (734)

(Note) It has been decided to present "Accrued enterprise tax and others," "Investment subsidiary basis differences," and "Losses carried forward," which were included in "Other" under "Deferred tax assets" in the previous consolidated accounting period, separately in the consolidated accounting period under review. In addition, it has been decided to include "Deferred gains or losses on hedges," which was presented separately in the previous consolidated accounting period, to "Other" under "Deferred tax assets" in the consolidated accounting period under review. In order to reflect these changes in the presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified. As a result, the ¥35 million for "Deferred gains or losses on hedges" and ¥11,000 million for "Other" that were displayed in the previous consolidated accounting period have been reclassified as "Accrued enterprise tax and others" of ¥837 million, "Investment subsidiary basis differences" of ¥1,705 million, "Losses carried forward" of ¥1,344 million, and "Other" of ¥7,147 million.

2) An analysis of the significant differences between the statutory tax rate and the Company's effective tax rate for the fiscal years ended March 31, 2015 and 2014, is as follows:

	2015	2014
Statutory tax rate	35.6 %	38.0 %
Entertainment and other permanently non-deductible expenses	1.9	3.7
Dividend and other permanently non-taxable income	(0.2)	(0.3)
Per capital inhabitant's tax	0.9	1.3
Tax credit for experimentation and research expenses	(3.7)	(3.8)
Increase / Decrease in valuation allowance	1.6	6.4
Downward adjustment to deferred tax assets and liabilities at end of period accompanying change in tax rate	1.4	2.3
Other	(2.2)	(4.0)
Effective tax rate	35.3 %	43.6 %

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

The Bill for Partial Amendment of the Income Tax Act, etc. (Law No. 9 of 2015) and Bill for Partial Amendment of the Local Tax Act, etc. (Law No. 2 of 2015) were promulgated on March 31, 2015. These bills stipulated that the statutory tax rate would be lowered for fiscal years starting on or after April 1, 2015. Consequently, the normal effective statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities was changed from the previous 35.6% to 33.1% for temporary differences that are expected to be eliminated in the fiscal year beginning on April 1, 2015, and to 32.3% for temporary differences that are expected to be eliminated in the fiscal year beginning on April 1, 2016. The effect of the announced reduction of the effective statutory tax rate was to increase deferred tax assets net of deferred tax liabilities by ¥598 million, income taxes–deferred by ¥683 million, net unrealized holding gains or losses on securities by ¥1,279 million, and deferred gains or losses on hedges by ¥3 million in the consolidated accounting period under review.

12. Retirement and Severance Benefits

Outline of the retirement benefit plans adopted by the Group (As of March 31, 2015)

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

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

Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance of retirement benefit obligations	**¥122,216**	¥121,019	**$1,017,030**
Cumulative effects of changes in accounting policies	**1,253**	—	**10,429**
Restated balance	**123,469**	121,019	**1,027,459**
Service cost	**4,279**	4,267	**35,612**
Interest cost	**2,019**	2,002	**16,808**
Actuarial gains or losses	**3,624**	(429)	**30,165**
Retirement benefits paid	**(6,663)**	(6,712)	**(55,452)**
Other	**410**	2,069	**3,414**
Ending balance of retirement benefit obligations	**¥127,140**	¥122,216	**$1,058,007**

(Note) In regard to the multi-employer defined benefit pension plan, the amount of retirement benefit obligation has not been included in the aforementioned data because of the difficulty in reasonably calculating the amount of plan assets corresponding to the Group's contributions.

2) Reconciliation of the beginning and ending balances of plan assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Beginning balance of plan assets	**¥107,053**	¥ 95,492	**$890,853**
Expected return on plan assets	**2,436**	2,288	**20,279**
Actuarial gains or losses	**9,731**	4,434	**80,983**
Contributions from employer	**1,529**	8,556	**12,727**
Retirement benefits paid	**(5,131)**	(5,081)	**(42,702)**
Other	**313**	1,363	**2,608**
Ending balance of plan assets	**¥115,933**	¥107,053	**$964,749**

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

Notes to Consolidated Financial Statements

3) Reconciliation of the ending balances of retirement benefit obligations and plan assets with the net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations of funded plans	¥ 121,748	¥ 116,700	$1,013,133
Plan assets	(115,933)	(107,053)	(964,749)
	5,814	9,646	48,383
Retirement benefit obligations of non-funded plans	5,392	5,516	44,873
Net amount of liability and asset recorded on the consolidated balance sheet	11,206	15,162	93,257
Net defined benefit liability	43,950	38,162	365,735
Net defined benefit asset	(32,743)	(22,999)	(272,478)
Net amount of liability and asset recorded on the consolidated balance sheet	¥ 11,206	¥ 15,162	$ 93,257

4) Components of retirement benefit cost

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 4,279	¥ 4,267	$ 35,612
Interest cost	2,019	2,002	16,808
Expected return on plan assets	(2,436)	(2,288)	(20,279)
Amortization of actuarial gains / losses	6,738	8,096	56,075
Amortization of prior service cost	76	84	634
Other	726	701	6,047
Retirement benefit cost related to defined benefit plans	¥11,404	¥12,864	$ 94,899

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

5) Remeasurements of defined benefit plans recorded in the Consolidated Statement of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Amortization of actuarial gains / losses	¥12,797	¥—	$106,491
Amortization of net retirement benefit obligation at transition	730	—	6,079
Amortization of prior service cost	148	—	1,233
Total	¥13,675	¥—	$113,804

6) Remeasurements of defined benefit plans recorded in the Consolidated Balance Sheet

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial gains or losses	¥9,764	¥22,561	$81,257
Unrecognized differences at transition of accounting standards	1	731	9
Unrecognized prior service cost	181	329	1,506
Total	¥9,946	¥23,622	$82,773

7) Plan assets

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

	2015	2014
Bonds	**46%**	43%
Equities	**24**	34
Alternative	**12**	4
Cash and deposits	**11**	15
Other	**7**	4
Total	**100%**	100%

(Note) The total amount of plan assets include the retirement benefit trust for corporate pensions funds and the lump-sum severance payment plan representing 11% in the previous consolidated accounting period and 12% in the consolidated accounting period under review. In addition, it has been decided to present "Alternative," which was included in "Other" in the previous consolidated accounting period, separately in the consolidated accounting period under review because this item had increased materiality in this period. In order to reflect this change in the presentation method, figures from the previous consolidated accounting period have been reclassified. As a result, the 8% for "Other" that was displayed in the previous consolidated accounting period has been reclassified as "Alternative" of 4% and "Other" of 4%.

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

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

8) Actuarial assumptions

Actuarial assumptions are as follows:

	2015	2014
Discount rate	**0.9–1.7%**	Principally 1.7%
Expected future salary increase rate	**Principally 1.4%**	Principally 1.4%
Long-term expected rate of return on assets	**Principally 2.5%**	Principally 2.5%

Defined contribution plans

The amount of required contribution to defined contribution plans for the consolidated subsidiaries is ¥1,281 million in the previous consolidated accounting period and ¥1,276 million ($10,623 thousand) in the consolidated accounting period under review.

13. Unconsolidated Subsidiaries and Affiliates

As of March 31, 2015 and 2014, investment in capital of unconsolidated subsidiaries and affiliates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Other (investments in capital)	**¥663**	¥3,913	**$5,517**

Notes to Consolidated Financial Statements

14. Contingent Liabilities

As of March 31, 2015 and 2014, contingent liabilities are as follows:

1) Guaranteed obligations

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
P.T. Ceres Meiji Indotama	**¥456**	¥ 548	**$3,799**
Sendai Feed Co., Ltd.	**334**	398	**2,783**
Employees	**204**	245	**1,701**
Total	**¥995**	¥1,192	**$8,283**

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

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
2nd Series of Unsecured Straight Bonds	**¥15,000**	**$124,823**
4th Series of Unsecured Straight Bonds	**20,000**	**166,430**
Total	**¥35,000**	**$291,254**

2) Notes receivables discounted and endorsed

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Notes receivables discounted	**¥25**	¥ —	**$210**
Notes receivables endorsed	**63**	181	**524**

15. Goodwill

As of March 31, 2015 and 2014, goodwill is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Goodwill	**¥23,323**	¥41	**$194,091**

16. Commitment Line Agreements

The Company enters into commitment line agreements with seven financial institutions for the purpose of securing a flexible measure for raising funds and improving capital efficiency.

The unused portion of the commitment line based on these agreements as of March 31, 2015 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Maximum loan amount	**¥40,000**	¥40,000	**$332,861**
Used portion of the commitment line	**—**	—	**—**
Balance	**¥40,000**	¥40,000	**$332,861**

17. Net Assets

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

Type of shares	Number of shares as of March 31, 2014 (thousands)	2015 Increase (thousands)	2015 Decrease (thousands)	2015 Number of shares as of March 31, 2015 (thousands)
Outstanding shares:				
Common stock	76,341	—	—	**76,341**
Treasury stock:				
Common stock (Notes 1, 2)	2,708	**14**	**0**	**2,722**

(Note 1) Treasury common stock increased by 14,000 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 sales of shares that are less than one unit.

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

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

2) Matters related to dividends

(1) Cash dividends paid

		2015					
		Total amount of dividends		Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars	Cut-off date	Effective date
Board of Directors' meeting held on May 13, 2014	Common stock	**¥2,945**	**$24,509**	**¥40.00**	**$0.33**	**March 31, 2014**	**June 6, 2014**
Board of Directors' meeting held on November 11, 2014	Common stock	**2,945**	**24,506**	**40.00**	**0.33**	**September 30, 2014**	**December 5, 2014**

		2014			
		Total amount of dividends	Dividends per share		
Resolution	Type of shares	Millions of yen	Yen	Cut-off date	Effective date
Board of Directors' meeting held on May 14, 2013	Common stock	¥2,946	¥40.00	March 31, 2013	June 7, 2013
Board of Directors' meeting held on November 12, 2013	Common stock	2,946	40.00	September 30, 2013	December 6, 2013

(2) Dividends with the cut-off date in the fiscal year ended March 31, 2015, and with the effective date in the fiscal year ending March 31, 2016

		2015						
		Total amount of dividends			Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Source of dividends	Yen	U.S. dollars	Cut-off date	Effective date
Board of Directors' meeting held on May 12, 2015	Common stock	**¥4,417**	**$36,757**	**Retained earnings**	**¥60.00**	**$0.49**	**March 31, 2015**	**June 5, 2015**

Notes to Consolidated Financial Statements

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

		2014				
		Total amount of dividends		Dividends per share		
Resolution	Type of shares	Millions of yen	Source of dividends	Yen	Cut-off date	Effective date
Board of Directors' meeting held on May 13, 2014	Common stock	¥2,945	Retained earnings	¥40.00	March 31, 2014	June 6, 2014

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, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥22,489**	¥19,577	**$187,143**
Time deposits with maturities of more than three months	**(576)**	(339)	**(4,799)**
Cash and cash equivalents	**¥21,912**	¥19,238	**$182,343**

Amounts of assets and liabilities of newly consolidated subsidiaries in the consolidated accounting period under review
The following are the amounts of assets and liabilities for Medreich Limited at the time of acquisition in the consolidated accounting period under review and the acquisition cost of this company's stocks and the amounts of cash and cash equivalents and of net expenditure for acquisition.

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Current assets	**¥11,937**	**$ 99,335**
Fixed assets	**10,633**	**88,486**
Goodwill	**23,996**	**199,693**
Current liabilities	**(10,311)**	**(85,805)**
Long-term liabilities	**(2,815)**	**(23,425)**
Minority interests	**(1,557)**	**(12,958)**
Acquisition cost of shares	**31,884**	**265,325**
Cash and cash equivalents of acquired company	**(612)**	**(5,098)**
Net expenditure	**¥31,271**	**$260,225**

19. Selling, General and Administrative Expenses

The major elements of selling, general and administrative expenses during the fiscal years ended March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Carriage and storage charges	**¥ 42,115**	¥ 43,127	**$350,463**
Sales promotion expenses	**112,269**	117,481	**934,254**
Labor cost	**70,402**	67,715	**585,859**
Provision for accrued bonuses for employees	**6,194**	5,912	**51,543**
Employees' retirement benefits cost	**9,017**	9,935	**75,041**
Allowance for sales rebates	**1,803**	2,730	**15,007**

20. Research and Development Costs

The research and development costs that were included in general and administrative expenses and manufacturing expenses during the fiscal years ended March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Research and development costs	**¥26,105**	¥26,067	**$217,237**

21. Extraordinary Gains and Losses

The major elements of extraordinary gains and losses during the fiscal years ended March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Extraordinary gains:			
Gain on sales of fixed assets	**¥1,844**	¥ 655	**$15,347**
Gain on sales of investment securities	**699**	547	**5,820**
Gain on sales of shares of subsidiaries and affiliates	**—**	256	**—**
Other	**278**	129	**2,313**
Total	**2,821**	1,589	**23,482**
Extraordinary losses:			
Loss on disposal of fixed assets	**3,217**	2,720	**26,774**
Loss on sales of fixed assets	**144**	223	**1,204**
Impairment loss	**3,623**	3,612	**30,149**
Other	**761**	434	**6,338**
Total	**¥7,747**	¥6,991	**$64,467**

(Note) It has been decided to include "Loss on sales of investment securities," which was presented separately in the previous consolidated accounting period, in "Other" under "Extraordinary losses" in the consolidated accounting period under review. In order to reflect this change in presentation method, the consolidated financial statements of the previous consolidated accounting period have been reclassified.

As a result, in the consolidated statement of income of the previous consolidated accounting period, "Loss on valuation of investment securities" of ¥25 million and "Other" of ¥408 million have been reclassified as ¥434 million that was presented in "Other" under "Extraordinary losses".

Notes to Consolidated Financial Statements

22. Impairment Loss

Impairment losses for the fiscal year ended March 31, 2015, are as follows:

Application	Type	Location
Business assets	Machinery, equipment and buildings, etc.	Mishima-shi, Shizuoka Prefecture
Idle assets	Machinery, equipment and buildings, etc.	Isesaki-shi, Gunma Prefecture
Business assets	Machinery and equipment	Kyotanabe-shi, Kyoto Prefecture
Business assets	Machinery and equipment	Memuro-cho, Kasai-gun, Hokkaido Prefecture
Idle assets	Construction in progress	Odawara-shi, Kanagawa Prefecture
Business assets	Intangible fixed assets	Koto-ku, Tokyo
Business assets	Buildings	Nagano-shi, Nagano Prefecture
Rental assets	Buildings and land, etc.	Kawagoe-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, 2015, due to a decrease in the profitability of certain fixed assets of consolidated subsidiaries or consolidated subsidiaries' withdrawal from businesses, the carrying values of the said assets were written down to recoverable amounts, and those reductions were recorded in extraordinary losses as impairment loss of ¥3,623 million ($30,149 thousand).

Of this amount, regarding business assets, ¥740 million ($6,162 thousand) was buildings and structures; ¥1,852 million ($15,415 thousand) was machinery, equipment and vehicles; ¥22 million ($190 thousand) was tools, furniture and fixtures; ¥163 million ($1,360 thousand) was lease assets; and ¥124 million ($1,038 thousand) was intangible fixed assets.

Further, regarding idle assets, ¥306 million ($2,549 thousand) was buildings and structures; ¥126 million ($1,055 thousand) was machinery, equipment and vehicles; ¥35 million ($299 thousand) was land; and ¥178 million ($1,486 thousand) was construction in progress. In addition, regarding rental assets, ¥49 million ($409 thousand) was buildings and structures; ¥2 million ($21 thousand) was machinery and equipment; and ¥18 million ($154 thousand) was land.

Also, in relation to the recoverable amounts of these assets, business assets for which profitability decreased have been calculated by measuring value in use and discounting future cash flows by 5.10%. Idle assets, business assets and rental assets related to withdrawal from businesses have been measured based on net selling values and reduced to residual values.

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

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

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

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

Of this amount, regarding business assets, ¥680 million was buildings and structures; ¥1,292 million was machinery, equipment and vehicles; ¥4 million was tools, furniture and fixtures; and ¥486 million was land.

Further, regarding idle assets, ¥827 million was buildings and structures; ¥14 million was machinery, equipment and vehicles; ¥11 million was tools, furniture and fixtures; ¥40 million was land; and ¥25 million was intangible fixed assets. In addition, regarding rental assets, ¥230 million was land.

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

23. Comprehensive Income

Reclassification adjustments and tax effects relating to other comprehensive income for the fiscal years ended March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized holding gains or losses on securities:			
Amount arising during the year	**¥16,413**	¥ 5,290	**$136,586**
Reclassification adjustments for gains and losses included in net income	**(691)**	(528)	**(5,757)**
Amount before tax effect	**15,721**	4,761	**130,828**
Tax effect	**(4,323)**	(1,701)	**(35,975)**
Net unrealized holding gains or losses on securities	**11,398**	3,060	**94,852**
Deferred gains or losses on hedges:			
Amount arising during the year	**4,004**	273	**33,321**
Reclassification adjustments for gains and losses included in net income	**—**	—	**—**
Asset acquisition costs adjustments	**(3,788)**	924	**(31,526)**
Amount before tax effect	**215**	1,198	**1,795**
Tax effect	**(73)**	(438)	**(610)**
Deferred gains or losses on hedges	**142**	759	**1,184**
Foreign currency translation adjustments:			
Amount arising during the year	**4,812**	3,943	**40,047**
Remeasurements of defined benefit plans:			
Amount arising during the year	**6,129**	—	**51,009**
Reclassification adjustments for gains and losses included in net income	**7,545**	—	**62,789**
Amount before tax effect	**13,675**	—	**113,799**
Tax effect	**(4,999)**	—	**(41,599)**
Remeasurements of defined benefit plans	**8,676**	—	**72,199**
Equity in affiliates accounted for by the equity method:			
Amount arising during the year	**254**	175	**2,121**
Total other comprehensive income	**¥25,284**	¥ 7,939	**$210,404**

24. Derivative Financial Instruments

Matters related to derivative transactions in the fiscal year ended March 31, 2015

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen				Thousands of U.S. dollars			
	2015				**2015**			
	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	**¥ 504**	**¥ —**	**¥ 18**	**¥ 18**	**$ 4,195**	**$ —**	**$ 152**	**$ 152**
Currency swap contracts								
Buy								
U.S. dollar	**3,677**	**3,208**	**295**	**295**	**30,600**	**26,700**	**2,456**	**2,456**
Total	**¥4,181**	**¥3,208**	**¥313**	**¥313**	**$34,795**	**$26,700**	**$2,609**	**$2,609**

(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		
		2015			2015		
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	¥4,739	¥ —	¥ 153	$39,440	$ —	$1,273
Euro	Accounts payable	174	—	(15)	1,449	—	(125)
Sell							
U.S. dollar	Accounts receivable	1,082	—	5	9,004	—	42
Currency swap contracts							
Buy							
Pound	Accounts payable	2,199	776	(15)	18,302	6,459	(130)
Hedge accounting method:							
Allocation method							
Forward foreign exchange contracts							
Buy							
U.S. dollar	Accounts payable	576	—	(Note)	4,797	—	(Note)
Pound	Accounts payable	43	—	(Note)	365	—	(Note)
Australian dollar	Accounts payable	86	—	(Note)	718	—	(Note)
Sell							
U.S. dollar	Accounts receivable	473	—	(Note)	3,939	—	(Note)
Currency swap contracts							
Buy							
Pound	Accounts payable	129	—	(Note)	1,076	—	(Note)
Total		¥9,504	¥776	¥ 127	$79,095	$6,459	$1,059

(Notes) 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

		Millions of yen			Thousands of U.S. dollars		
		2015			2015		
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
Method of hedge accounting:							
The integrated method (the shortcut method, the allocation method) of interest rate and currency swap							
Interest rate and currency swap contract							
Fixed rate payments/variable rate receipts	Long-term loans payable	¥20,937	¥19,890	(Note)	$174,228	$165,516	(Note)

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

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

1) Derivative transactions for which hedge accounting is not applied

(1) Currency-related transactions

	Millions of yen			
	2014			
	Contract amount, etc.	Portion with maturity over one year	Fair value	Revaluation gain (loss)
Transactions other than market transactions:				
Forward foreign exchange contracts				
Buy				
U.S. dollar	¥ 225	¥ —	¥ 4	¥ 4
Currency swap contracts				
Buy				
U.S. dollar	3,519	3,149	62	62
Total	¥3,745	¥3,149	¥67	¥67

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

(2) Interest rate-related transactions

None

2) Derivative transactions for which hedge accounting is applied

(1) Currency-related transactions

		Millions of yen		
		2014		
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	¥ 5,202	¥ 106	¥ 129
Euro	Accounts payable	372	—	2
Australian dollar	Accounts payable	0	—	0
Chinese yuan	Accounts payable	400	—	12
Sell				
U.S. dollar	Accounts receivable	176	—	(2)
Currency swap contracts				
Buy				
Pound	Accounts payable	5,903	3,635	(230)
Hedge accounting method:				
Allocation method				
Forward foreign exchange contracts				
Buy				
U.S. dollar	Accounts payable	985	—	(Note)
Euro	Accounts payable	56	—	(Note)
Pound	Accounts payable	27	—	(Note)
Australian dollar	Accounts payable	39	—	(Note)
Sell				
U.S. dollar	Accounts receivable	140	—	(Note)
Euro	Accounts receivable	498	—	(Note)
Currency swap contracts				
Buy				
Pound	Accounts payable	76	—	(Note)
Total		¥13,881	¥3,741	¥ (88)

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

(2) Interest rate-related transactions

None

Notes to Consolidated Financial Statements

25. Business Combination

(Fiscal year ended March 31, 2015)

Business Combinations Resulting from Share Acquisition

1. Summary of business combination

1) Names and businesses of acquired companies

Names:

Medreich Limited, Genovo Development Services Limited, Adcock Ingram Limited, Medreich Lifecare Limited, Medreich Plc, Medreich SA (Pty) Limited, Medreich Australia Pty Ltd, Pharmazen Medicals Pte Ltd, Medreich Far East Limited, Inopharm Limited

Businesses:

Contract development and manufacturing of pharmaceutical products, manufacturing and sales of generic drugs

2) Reason for business combination

The acquisition enabled the Group to obtain manufacturing infrastructure for achieving low-cost production and capacity expansion and to broaden its sales network for generic drugs in India, Asia, and Africa, where the demand for low-priced pharmaceutical products is expected to increase.

3) Date of business combination

February 12, 2015

4) Legal form of business combination

Stock acquisition through cash payment

5) Names of companies after business combination

No change

6) Percentage of voting rights acquired

100%

7) Main basis for decision concerning corporate acquisition

All issued shares of Medreich Limited were acquired by Meiji Seika Pharma Co., Ltd., and its subsidiaries, and the Company via stock acquisition through cash payment.

2. Period for which business results of acquired companies are included in consolidated financial statements

As the acquisition date is established as January 1, 2015, business results of acquired companies for the period from January 1, 2015, to March 31, 2015, were included in the consolidated financial statements.

3. Acquisition cost and breakdown

Acquisition price: ¥30,905 million ($257,185 thousand)
Direct acquisition cost: ¥978 million ($8,139 thousand)
Total cost of acquisition: ¥31,884 million ($265,325 thousand)

4. Goodwill incurred, reason for its occurrence, and amortization method and period

1) Goodwill incurred

¥23,996 million ($199,686 thousand)

As the allocation of acquisition costs is not yet complete, a provisional accounting treatment was conducted based on reasonable information available at the end of the current consolidated accounting period.

2) Reason for its occurrence

Because acquisition costs for the acquired company exceeded the net amount provisionally allocated for assets acquired and liabilities assumed for the acquired company, the difference was recorded as goodwill.

3) Amortization method and period

Straight-line amortization over 10 years

5. Amounts and breakdown of assets acquired and liabilities assumed for the acquired company as of the date of business combination

Current assets: ¥11,937 million ($99,335 thousand)
Fixed assets: ¥10,633 million ($88,486 thousand)
Total assets: ¥22,570 million ($187,822 thousand)
Current liabilities: ¥10,311 million ($85,805 thousand)
Long-term liabilities: ¥2,815 million ($23,425 thousand)
Total liabilities: ¥13,126 million ($109,231 thousand)

6. Estimated impact on consolidated statement of income for the consolidated accounting period and calculation method assuming that the business combination had been completed at the beginning of the consolidated accounting period

Net sales: ¥14,091 million ($117,260 thousand)
Operating loss: ¥154 million ($1,284 thousand)

(Calculation method)

The difference between the following two values for net sales and operating income was used to estimate the impact of: (1) the amount of net sales and operating income calculated by assuming that the business combination had been completed at the beginning of the consolidated accounting period and then eliminating internal transactions and making other required adjustments, and (2) the amount of net sales and operating income recorded on the consolidated statement of income of the acquiring company.

This note has not been audited.

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				
	2015				
	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	¥1,021,284	¥139,867	¥1,161,152	¥ —	¥1,161,152
(2) Intersegment sales and transfers	521	1,471	1,992	(1,992)	—
Total	¥1,021,806	¥141,338	¥1,163,145	¥ (1,992)	¥1,161,152
Segment income (loss)	¥ 41,664	¥ 10,076	¥ 51,741	¥ (198)	¥ 51,543
Segment assets	601,965	205,412	807,377	69,989	877,367
Other items					
Depreciation	¥ 35,308	¥ 5,482	¥ 40,790	¥ 1,094	¥ 41,885
Equity in income of affiliates	3,999	—	3,999	—	3,999
Increase in property, plants and equipment / intangible fixed assets	55,458	42,869	98,328	23	98,351

	Thousands of U.S. dollars				
	2015				
	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	$8,498,668	$1,163,915	$9,662,584	$ —	$9,662,584
(2) Intersegment sales and transfers	4,338	12,241	16,579	(16,579)	—
Total	$8,503,006	$1,176,157	$9,679,163	$ (16,579)	$9,662,584
Segment income (loss)	$ 346,717	$ 83,855	$ 430,572	$ (1,648)	$ 428,924
Segment assets	5,009,282	1,709,346	6,718,629	582,423	7,301,052
Other items					
Depreciation	$ 293,819	$ 45,623	$ 339,442	$ 9,107	$ 348,550
Equity in income of affiliates	33,280	—	33,280	—	33,280
Increase in property, plants and equipment / intangible fixed assets	461,502	356,741	818,244	194	818,438

Notes to Consolidated Financial Statements

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

27. Significant Subsequent Events

Transfer of fixed assets

At the Board of Directors meeting held on March 10, 2015, a resolution was made to transfer fixed assets, and the transfer was conducted on April 10, 2015. Details are as follows.

1) Reason for transfer

The Company decided to establish a trust and transfer the trust beneficiary rights of the fixed assets detailed below. This decision was based on a review of fixed assets held and a comprehensive evaluation of the current real estate market trends and future income projections.

2) Name of the acquirer

The acquirer of the trust beneficiary rights is a domestic special purpose company. However, further details cannot be disclosed due to agreements with the acquirer.

There are no notable capital, personal, or transactional relationships between the acquirer and the Company or its affiliates. Furthermore, the transfer recipient does not constitute a related party of the Company.

3) Type of transferred asset and use prior to transfer

Asset name: Solid Square

Address: 580-6 Horikawa-cho, Saiwai-ku, Kawasaki-shi, Kanagawa (and 4 other street numbers at this address)

Land surface area: 20,057.25 m^2 (of which, half is shared land)

Total floor area: 162,550.67 m^2 (of which, half is shared floor area)

Use prior to transfer: Rental property

4) Timing of transfer

Date of Board of Directors' resolution: March 10, 2015

Contract date: March 19, 2015

Property transfer date: April 10, 2015

5) Transfer price and impact on gains and losses

Transfer price: ¥32.9 billion

The Company projects that extraordinary gains of approximately ¥17.1 billion will be recorded in the first quarter of the fiscal year ending March 31, 2016.

Independent Auditor's Report

EY
Building a better working world

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Independent Auditor's Report

The Board of Directors
MEIJI Holdings Co., Ltd.

We have audited the accompanying consolidated financial statements of MEIJI Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Note 27, a resolution was made at the Board of Directors meeting held on March 10, 2015 to transfer fixed assets, and the transfer was conducted on April 10, 2015.

Our opinion is not qualified in respect of this matter.

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 26, 2015
Tokyo, Japan

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