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

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

Meiji Group's System of Principles

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 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 flexibOur ev(-)Tj/GS0 gs/Fm1en

The Meiji Group’s Value Creation

Since our foundation in 1916, as Food and Health professionals we have been creating innovation to meet our

Functional yogurtsW.011een lovee(W.01jow o2na59]0no01 Tc0ntgurts)Tjy.

Using selected from an extensive library, we marketed in 2000 and in 2009.

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

The Meiji Group Now

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

Net Sales

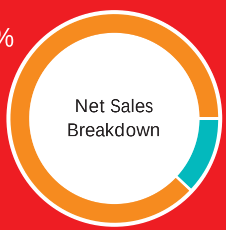
¥1,161.1 billion

year on year

Up 1.1%

Food Segment

87.8%



Pharmaceuticals Segment

12.2%

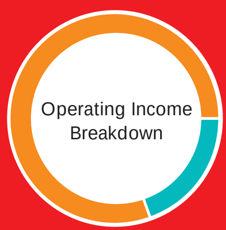
Operating Income

¥51.5 billion

year on year

Up 41.2%

Food Segment



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

- Ethical pharmaceuticals business
- Agricultural chemicals and veterinary drugs business

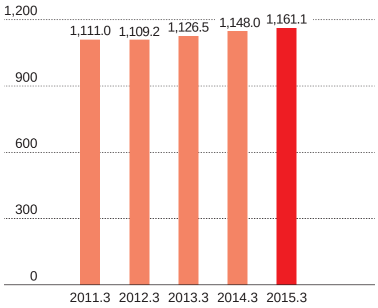
The Meiji Group Now

Food Segment

Business Results and Plans

Infectious diseases

ME1111: In-house / Antionychomycosis


1,200
900
600
300
0
1,111.0
1,109.2
1,126.5
1,148.0
1,161.1
2011.3
2012.3
2013.3
2014.3
2015.3

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

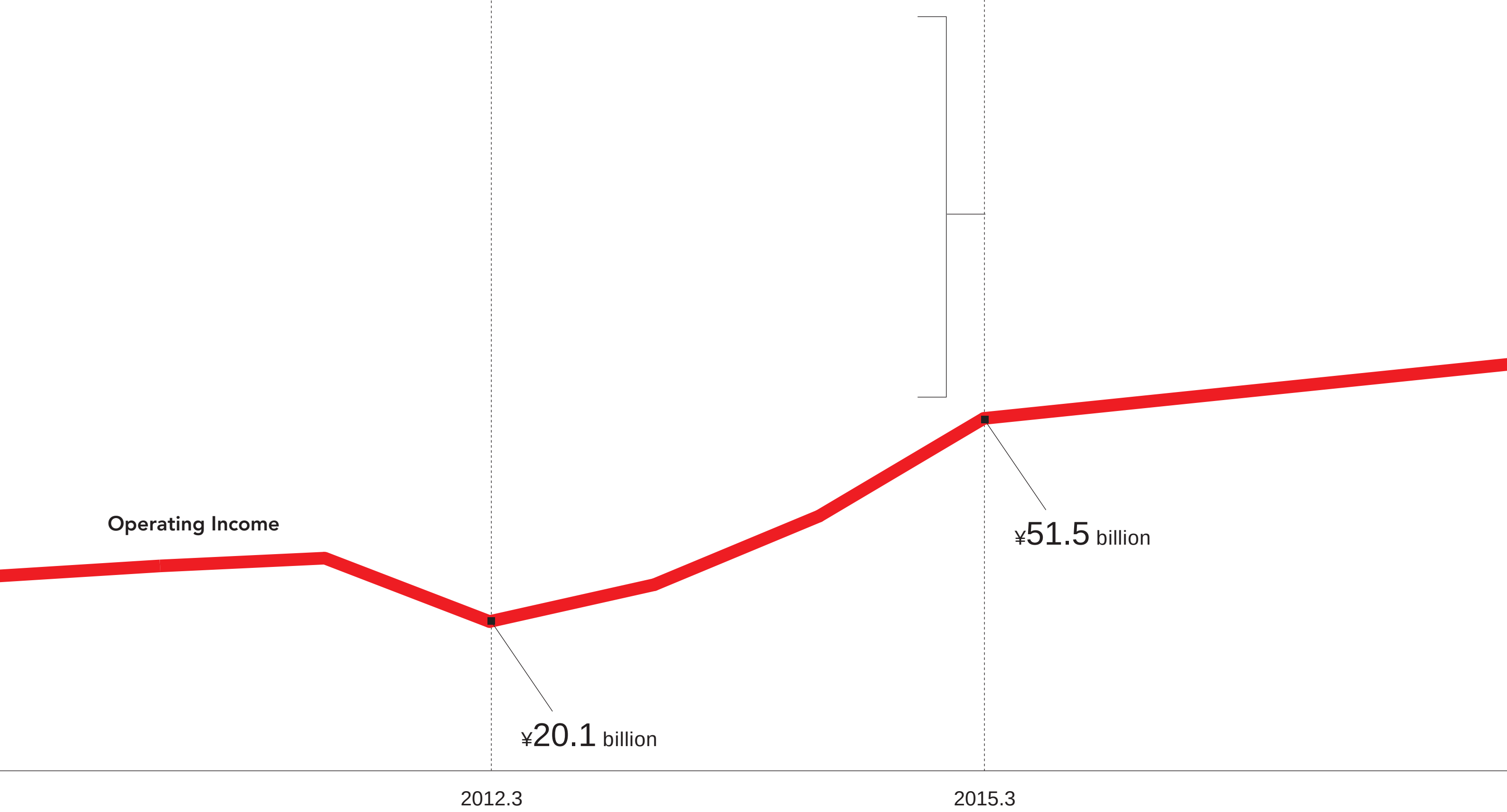
TAKE OFF 14

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

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

Accelerate growth and achieve further improvement in profitability

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



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.

2

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.

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

. The table

Financial Strategy Aimed at Improving Corporate Value Sustainably

STEP UP 17

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

Stabili ing the nancial base

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

(Cum. 3-year total) ¥140.0 billion

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

Consolidated dividend payout ratio target: Approx. 30%

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

- 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, 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 and 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

TAKE OFF 14 business results

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 and antipsychotic drug , 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
  Increase in cost of raw

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 brand. When each business establishes a strong presence in respective markets, the brand will accumulate trust. Overseas, we want customers to recognize 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 ab t5m.412 6 6,854 employeexpe23% inrkilizes thin the

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 , which is an effective drug for Dravet's syndrome, an intractable form of epilepsy occurring in infancy. Further, 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 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 . Based on the main theme, we set out four basic policies: , and . This section explains two of these policies in detail: and .

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*

Unique Value that Creates Differentiation

Library of Roughly 5,000 Strains of

Unique Value that Creates Differentiation

Enteral Formula

The Meiji Group will create a consumer market for enteral wAe 0 1 crq2emaby engine pr

Infant Formula

We will increase sales of our original cube-type product , which is successful in the market. 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.

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.

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.

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

Yogurt

The market is expanding. Our yogurt is selling briskly. Also, the popularity

Asia

Business Strategies

We will increase sales of and 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 are increasing. We will boost our sales in Thailand and increase exports to surrounding countries.

* Meiji Holdings' estimates

United States

Business Strategies

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

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

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 , an antibiotic, and , a hyaluronic acid injection for arthritis, and generic drugs. In this way, we will build strong brand loyalty for . 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.

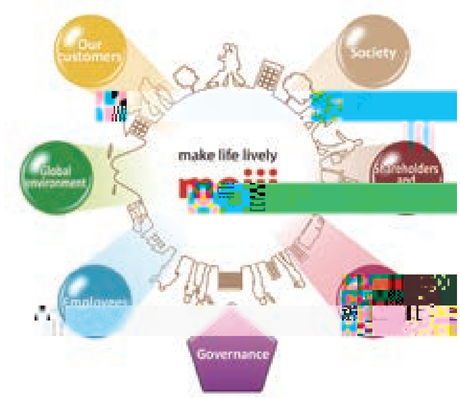
Contributing to a Sustainable Society Corporate Social Responsibility Activities

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.

INPUT

Total Material Input Volume

Raw materials	▸ 1,710,000 tons
Packaging containers	▸ 140,000 tons

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.

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.

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

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 &

Compensation of Directors and Auditors

Method of Determination

DirectorsDirectors	

Messages from the Outside Directors

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.

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)

8 Member of the Board

Ka uo Kawamura

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
.

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 increasing demand contributed to sales for 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 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 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 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, , was favorable due to our increasing the number of seasonal ice cream flavors. Furthermore, our 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 decreased significantly and sales of products also declined compared to the previous fiscal year.

Functional healthcare products faced the contraction of the collagen market but sales of 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 grew amid growing popularity for the product's taste and texture as well as a growing sense of trust among consumers towards the brand.

Sales in Asia grew amid favorable performance for chocolate snacks such as and .

Performance in the United States for chocolate snacks such as 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 heavily impacted by the NHI drug price revisions, sales of antibiotics decreased significantly compared to the previous year.

Among antidepressant drugs, 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 decreased significantly year on year.

Sales of generic drugs increased significantly year on year. Sales of the calcium channel blocker and the Alzheimer's therapy drug 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 increased significantly year on year but sales of , 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 thC E[reaons ne

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

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. Neverthein 1npharmaceuticals

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.

Head Of ce

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.

Of ces

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.

Of ces

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.

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.

Histor y

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

Assets

2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current assets:			

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	

	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:			

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.

(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 nancial 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

As of March 31, 2015	Millions of yen			Thousands of U.S. dollars		
	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 ficult to de27	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	
(E04,279i7($)Tj104,279 —10009590 fair value of long227						

7. Investment Securities

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

1) Held-to-maturity securities

3) Other securities sold during the scal 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 scal 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**	¥41,591bT10 1 Tf8.5 0 0 8.5 3908dT(n[Tw yle	

11. Deferred Tax Assets and Liabilities

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

De ned bene t plans

1) Reconciliation of the beginning and ending balances of retirement bene t 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**

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**

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)	Decrease (thousands)	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)	Decrease (Thousands)	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 SQ1Tf-22.798 -4/T11 1 0extFE9po 4				Cut-off date	Effective date

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:

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:

22. Impairment Loss

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

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			

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 theTd5s40 Td[($1De1(eceivab2e)]TJTdf95 405.4m Td[ble)Terpa5.258 0 Tdb financial institun⁄s.c 0 T8.5 1.519FEFF0009>BDC ( )TjEMC 1.417 0 -[(

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			

Accounts re126.6099

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

	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			

27. Signi cant 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