



Financial Results for FYE 2013/3

2013.05.21

Meiji Holdings Co., Ltd.

1. Outline of FYE 2013/3 Financial Results and Our Initiatives for Achieving **TAKEOFF14**
2. Overviews of FYE 2013/3 Financial Results and FYE 2014/3 Business Plan

- The forward-looking statements described in this material, such as business forecasts, are based on information available at the time of the release of this presentation and reasonable assumptions made by the Company. Actual results could differ materially from forecasts due to various factors.
- Although this material includes information concerning pharmaceutical products (including those currently under development), such descriptions are not intended to advertise the products or provide any medical advice.

1. Outline of FYE 2013/3 Financial Results
and Our Initiatives for Achieving **TAKEOFF14**

(billions of yen)

		FYE 2012/3	FYE 2013/3	
		Results	Plan	YoY change
Meiji HD [consolidated]	Net sales	1,109.2	1,125.0	+1.4%
	Operating income	20.1	24.0	+18.9%
	Ordinary income	21.8	24.0	+9.7%
	Net income	6.8	11.8	+73.4%

Food	Net sales	986.3	1,000.8	+1.5%
	Operating income	11.4	18.6	+61.9%

Pharmaceuticals	Net sales	125.2	126.8	+1.3%
	Operating income	8.1	5.3	-34.1%

(Note 1) Net sales and operating income for each segment do not include elimination or corporate.

(Note 2) There was no change on consolidated forecasts from initial plan as of May 14, 2012. Plans for each segment were revised on November 13, 2012.

Objectives of the plan

- Food segment:
Recover from FYE 2012/3 performance, which was damaged by the Great East Japan Earthquake (particularly in terms of profits)
- Pharmaceuticals segment:
Overcome the drug price revision

TAKE OFF 14

- ✓ Focusing on “higher profitability” and “strategic investments”
- ✓ Performing well in FYE 2013/3 to achieve the goal

HD FYE 2013/3 Outline of consolidated results

(billions of yen)

		FYE 2012/3	FYE 2013/3					
		Results	Plan	Results	YoY change		Change vs. plan	
					(Rate)	(Amount)	(Rate)	(Amount)
Meiji HD [consolidated]	Net sales	1,109.2	1,125.0	1,126.5	+1.6%	+17.2	+0.1%	+1.5
	Operating income	20.1	24.0	25.8	+28.1%	+5.6	+7.7%	+1.8
	Ordinary income	21.8	24.0	29.1	+33.1%	+7.2	+21.4%	+5.1
	Net income	6.8	11.8	16.6	+144.6%	+9.8	+41.1%	+4.8
Food	Net sales	986.3	1,000.8	1,001.5	+1.5%	+15.2	+0.1%	+0.7
	Operating income	11.4	18.6	19.3	+68.7%	+7.8	+4.2%	+0.7
Pharmaceuticals	Net sales	125.2	126.8	127.3	+1.7%	+2.0	+0.4%	+0.5
	Operating income	8.1	5.3	6.4	-21.1%	-1.7	+21.9%	+1.1

(Note 1) Net sales and operating income for each segment do not include elimination or corporate.

(Note 2) There was no change on consolidated forecasts from initial plan as of May 14, 2012. Plans for each segment were revised on November 13, 2012.

- Both consolidated sales and profits exceeded plan and previous year's performance



FYE 2013/3 Outline of results by segment



Segment/business	Key points
Food	Results of Dairy business (especially yogurt and probiotic yogurt products) drove the entire segment
Dairy	<ul style="list-style-type: none"> • Sales of yogurt and probiotic yogurt products greatly outstripped both the plan and the previous year. • Improved product mix contributed to segment and consolidated good performances
Confectionery	<ul style="list-style-type: none"> • Harsh competition in weak market and prolonged summer heat • Increase the productivity and distribution efficiency; decrease on fixed costs for sales promotion and advertising; decrease the number of newly launched products
Healthcare and Nutritionals	<ul style="list-style-type: none"> • Sales of sports nutrition and enteral formula were steady • Sales of other products struggled because of weak markets and fierce competition
Others (incl. overseas)	<ul style="list-style-type: none"> • While foster new businesses, strengthen existing businesses and improve profitability
Pharmaceuticals	<p>Negative impact due to drug price revisions was offset by the earning increase in domestic pharmaceuticals and cost reductions</p> <p>Decrease in operating income mainly due to increased R&D expenses</p>
Ethical pharmaceuticals	<ul style="list-style-type: none"> • Steady growth in sales of antidepressant drugs and generic drugs • Drug price revision for MEIACT accompanying European financial crisis affected the decrease of overseas sales. However, in Asia, overall sales were increasing. • R&D expenses increased because products under development move up to the next phase
Agricultural chemicals and Veterinary drugs	<ul style="list-style-type: none"> • Agricultural chemical products performed well • Veterinary drugs stayed almost on a par with the previous fiscal year

Medium-Term Management Plan

TAKE OFF 14

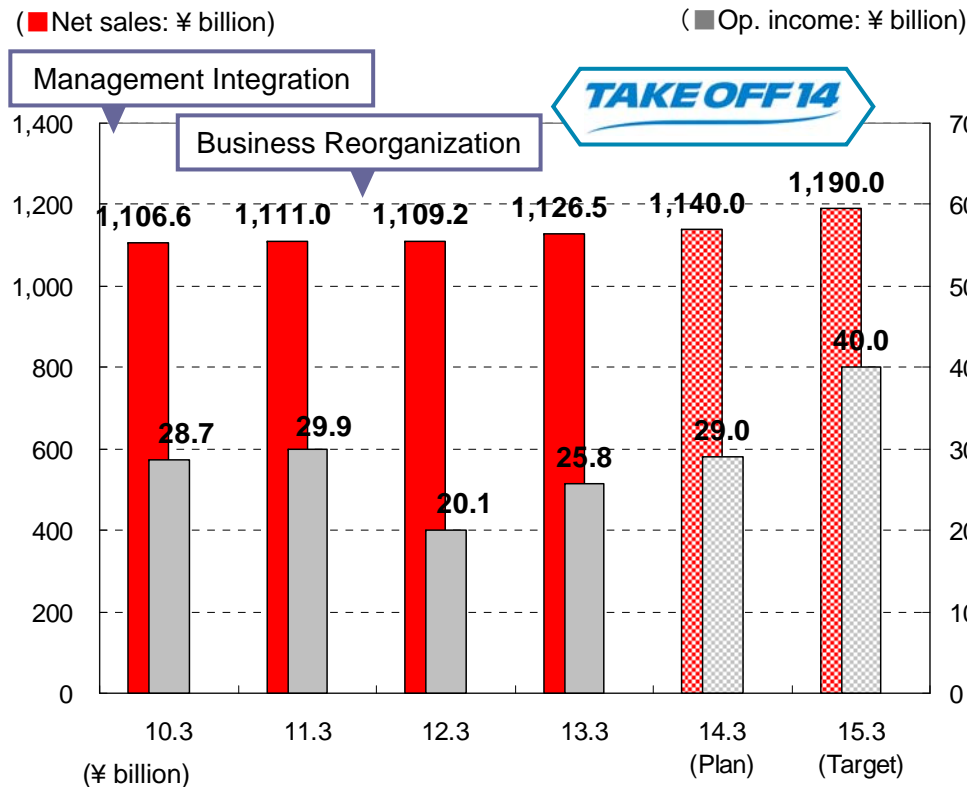
Basic policies

Higher profitability and strategic investments for future growth

1. Strengthen and expand existing businesses
(growth and priority businesses)
2. Foster growth businesses (new and international businesses)
3. Improve profitability

Targets

	FYE 2015/3
Net sales	1.19 trillion yen
Op. income	40.0 billion yen
ROE	7%



Points

- Focus on “higher profitability” and “strategic investments,” and boost operating income to pre-earthquake level
- Food segment:
 - Increase profits by expanding key businesses
 - Structural reform for higher profitability
 - Steady growth of overseas businesses
- Pharmaceuticals segment:
 - Growth in both sales and profits through our original strategy called “fusion strategy of Specialty and Generics”
 - Accelerate research and development
- Coping with changes in economic environment
(weak yen, higher costs of raw material, consumption tax increase, etc.)

		14.3 (Plan)	YoY change
Food	Net sales	1,007.2	+0.6%
	Op. income	21.5	+10.9%

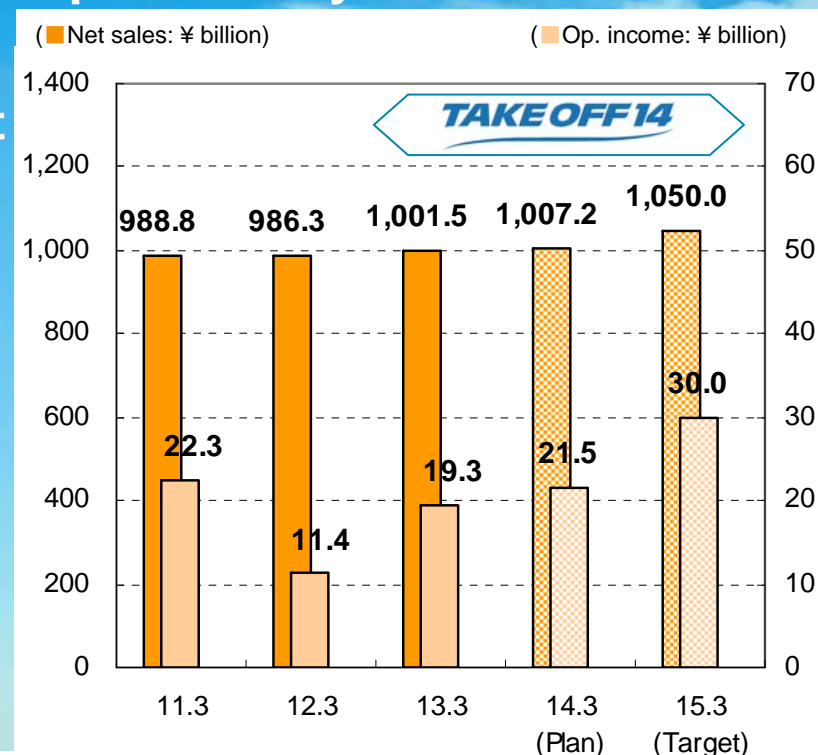
Pharma	Net sales	135.0	+6.1%
	Op. income	7.6	+18.1%

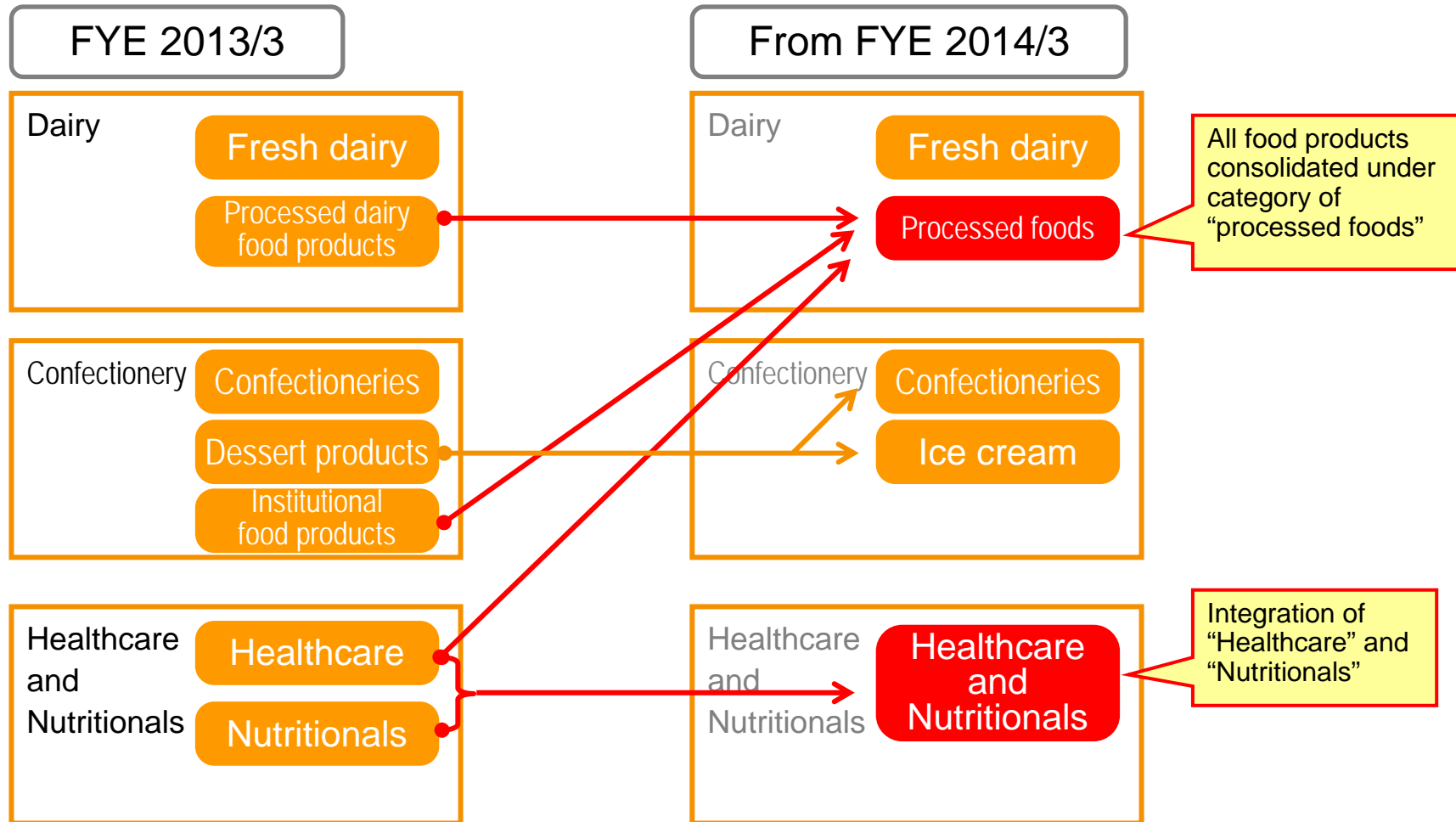
(Note) Due to changes in the management structure of the real estate business that accompanied the Group reorganization, the presentation method for the income and expenses of real estate rentals has changed from FYE 2012/3.



Strategies in Food Segment

- Structural reform for higher profitability
- Dairy: Establish an overwhelming dominance in yogurt market
- Confectionery: Higher profitability and enhance product appeal
- Healthcare and Nutritional:
Promote growth strategies and higher profitability
- Foster overseas businesses
- Improve profitability of Food segment

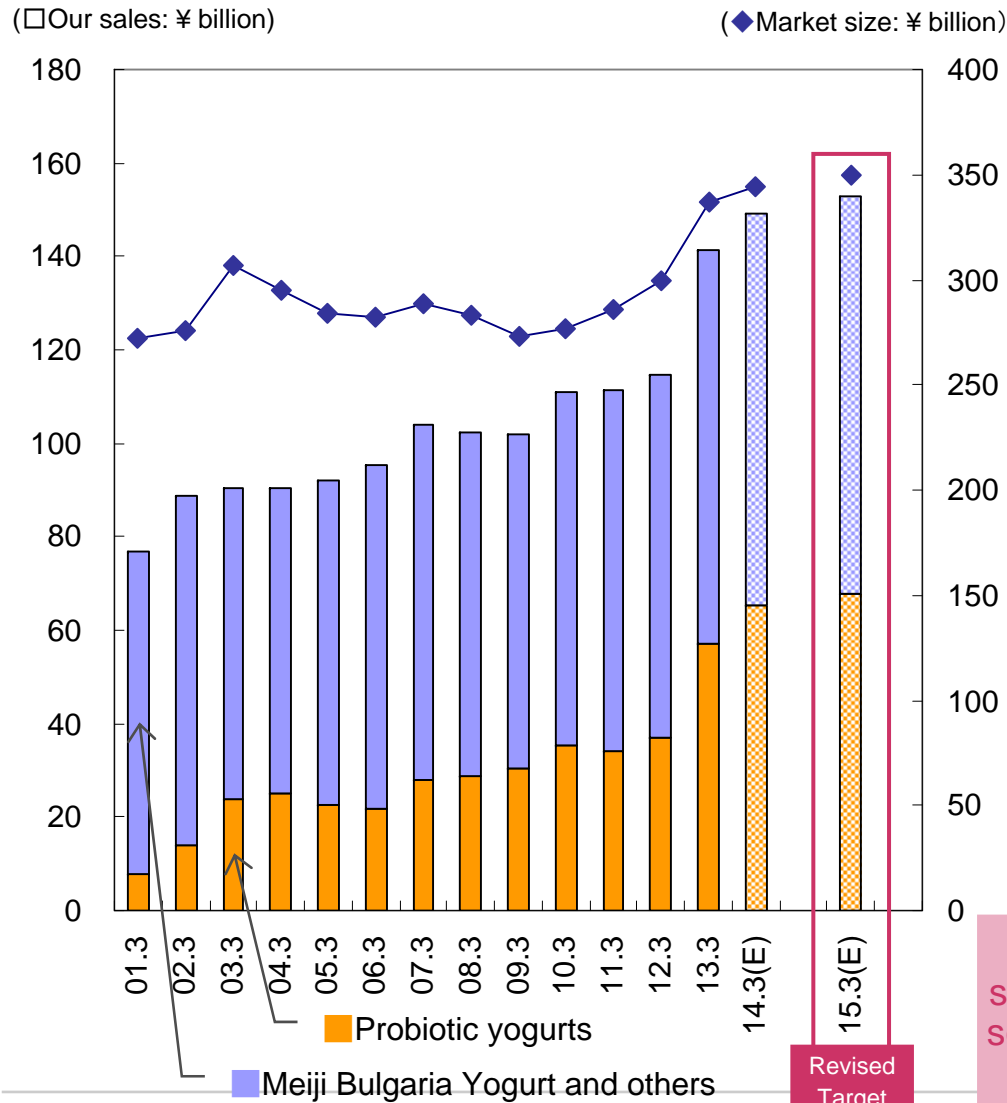




- Strengthen business foundation by reorganizing business and sales structures
- Improve profitability through trained sales forces

Note: Name of "Desserts" change to "Ice cream," and some items transferred to Confectioneries. Some subsidiaries for dairy products, confectioneries, and healthcare and nutritionals transferred to "Other."

Sales and market size for yogurt products



Strengthen yogurt business

- Rapid increase in our probiotic yogurt sales stimulated the expansion of market
- Expand our supply capacity to meet increasing demand
- Effective marketing to lead further expansion of market
- Increase profitability of our products "Bulgaria"
- Joint research with the Institut Pasteur in France



Exceeded the target sales of probiotic yogurt set in "TAKE OFF 14" in the first year!

Probiotic yogurts
 "Meiji Probio Yogurt LG21"-Left
 "Meiji Yogurt R-1"-Right

Higher profitability

Reform income and expenditure structure to strengthen business foundation

- Increase the productivity and distribution efficiency
- Decrease the number of newly launched products
- Invest in sales promotion and advertising effectively
- Reduce fixed costs

Enhance product appeal

In confectioneries, focus on long-selling products

- Expand our long-selling products
- Develop megahit products



"Meiji Milk Chocolate"



"Meiji Almond"

"Kinoko no Yama" and
"Takenoko no Sato"Expand market share for ice cream

- Expand sales of "Essel" and "Chocolate Ice" series and establish "Gran" in the market
- Develop new categories



"Meiji Essel Super Cup"

the Meiji chocolate
ice cream series"Meiji The Premium
Gran"

Promote growth strategies

Expand market share for main brands and contribute to “Build healthy bodies”

- Sports nutrition: “VAAM” & “SAVAS”
- Beauty supplements: Launch new products in “Amino Collagen” series
- Infant formula and Baby foods: Emphasize nutritional value of products
- Enteral formula and Foods for the elder: Expand sales channels and increase production capacity

Higher profitability

Increase sales and enhance cost competitiveness

- Improve sales productivity
- Invest in sales promotion and advertising effectively



Sports nutrition



Beauty Supplements



Infant formula and Baby foods



Enteral formula and Foods for the elder

China

- Start up of fresh dairy business

[Non-consolidated]

- ✓ Now applying for production approval
- ✓ Production and sales of Meiji-branded chilled milk and yogurt in Shanghai
- ✓ Procure high-quality raw milk from reliable farms
- ✓ Distribute through mass retailers

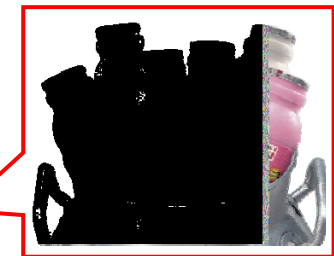
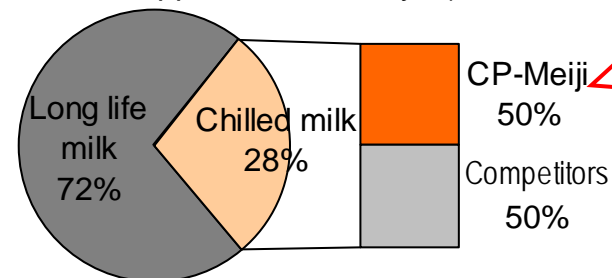


Asia

- CP-Meiji (Thailand) [equity method applicable]

- ✓ Production and sales of milk and yogurt
- ✓ Sales target for 2015: ¥20 billion
- ✓ Building up production capacity
- ✓ Exports to Singapore and other neighboring countries

Share of CP-Meiji milk in Thailand
(market size: approx. 44.0 billion yen)

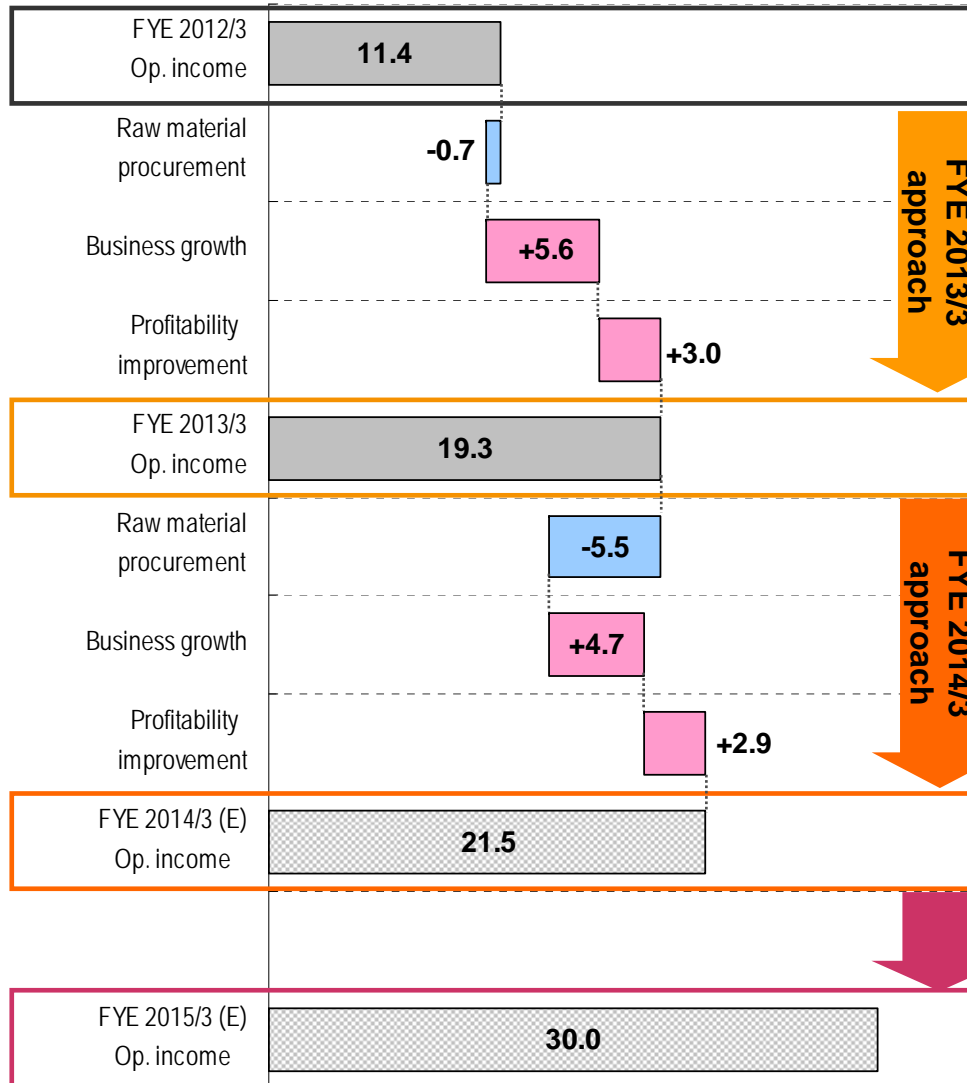


- Expansion of confectionery business in Asia

- ✓ Expanding the business of Meiji Seika Singapore (consolidated) to Indonesia and Thailand
- ✓ Major products are chocolate snacks.
- ✓ Exports to over 50 countries

(billions of yen)

Changes in Operating Income



- Increase in profits was driven by the “business growth,” particularly favorable growth of probiotic yogurt product sales
- Improve profitability

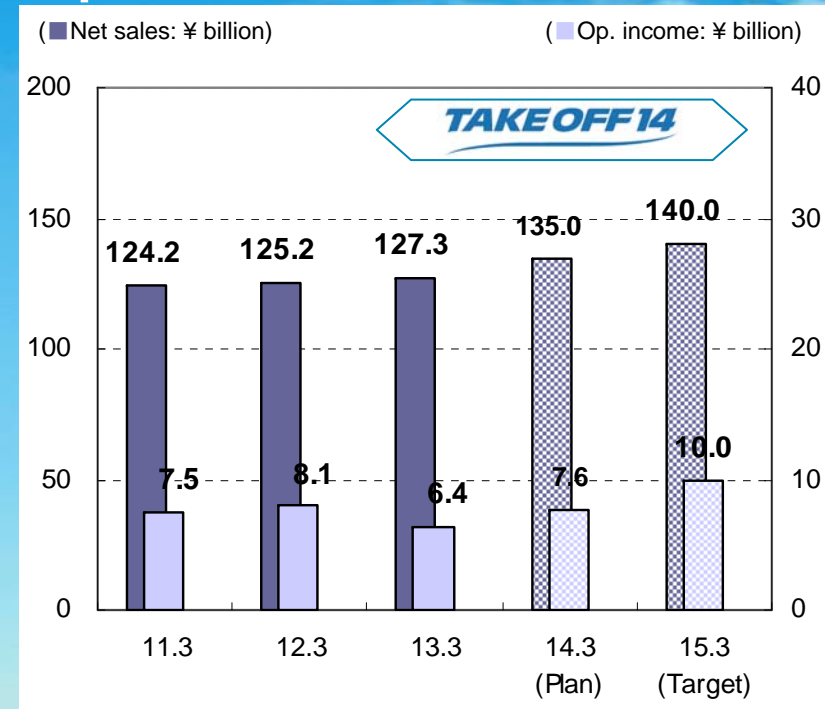
- Deal with weak yen and increase of raw material costs
- The dual drivers of profit growth; “business growth” and “improvement of profitability”
- Strengthen the business foundation to realize Meiji Seika and Meiji Dairy integration effect and higher profitability

→ Accomplish the medium term business plan by adapting the rapidly changing economic environment



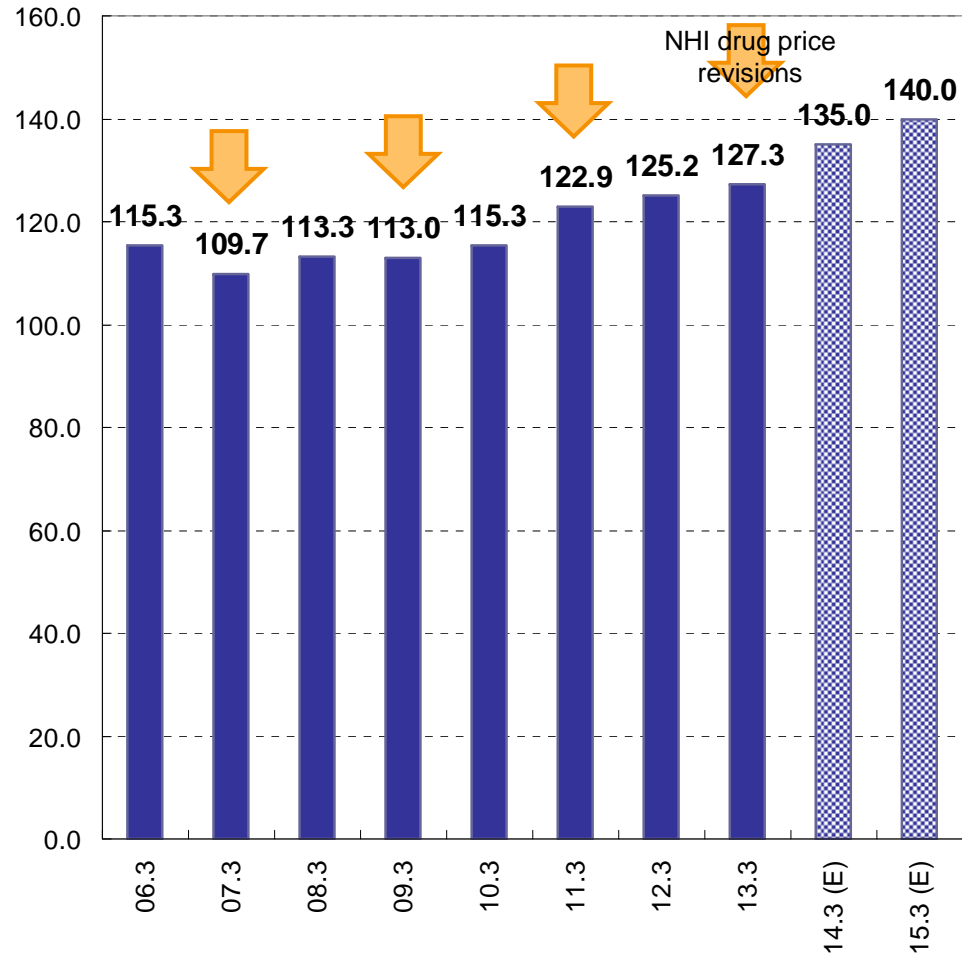
Strategies in Pharmaceuticals Segment

- Maintain favorable trends in domestic ethical pharmaceuticals business
- Expand generic drugs business
- Strengthen R&D Pipeline
- Invest in R&D expenses effectively and promote development
- Expand Overseas business



Consolidated Net Sales of Pharmaceuticals Segment

(billions of yen)



- FYE 2013/3 Impact of drug price revision: 7.4 billion yen

Maximize sales and profits with our original strategy called “fusion strategy of Specialty & Generics”

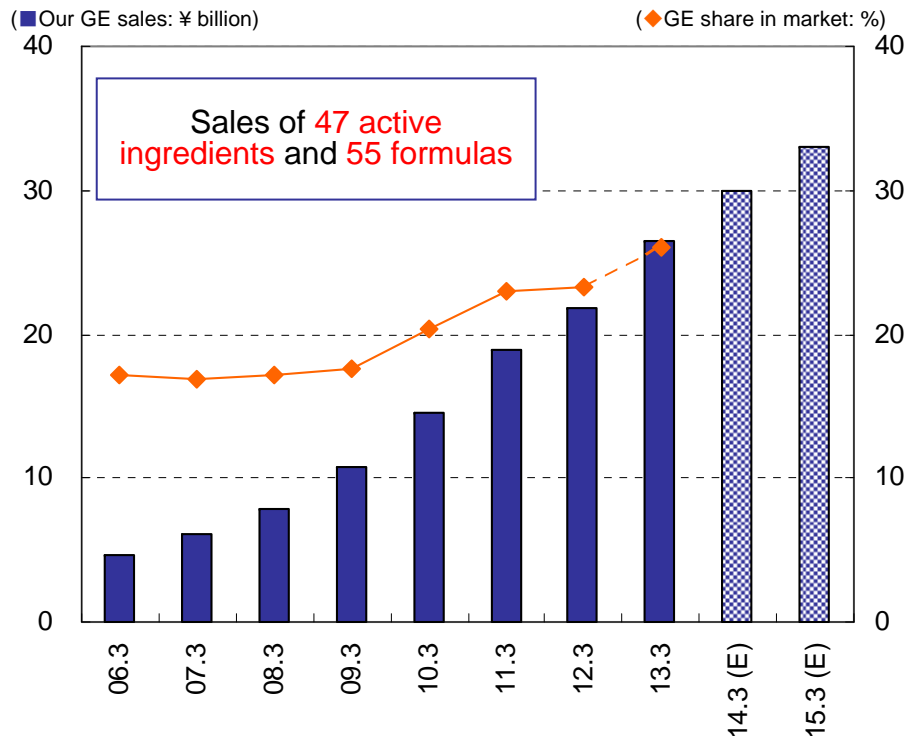
- MR provides information on both speciality drugs (brand-name drugs) and generic drugs
- Propose medication options based on patient’s underlying disease

Priority medical department

Internal medicine,
psychosomatic medicine,
otorhinolaryngology, psychiatry

- Provide useful and beneficial information using IT and media
- Strengthen sales capabilities (Increase the number of MRs)

GE shares in domestic market / Our GE sales



*Source for GE shares: Japan Generic Medicines Association

- GE share in Japanese market

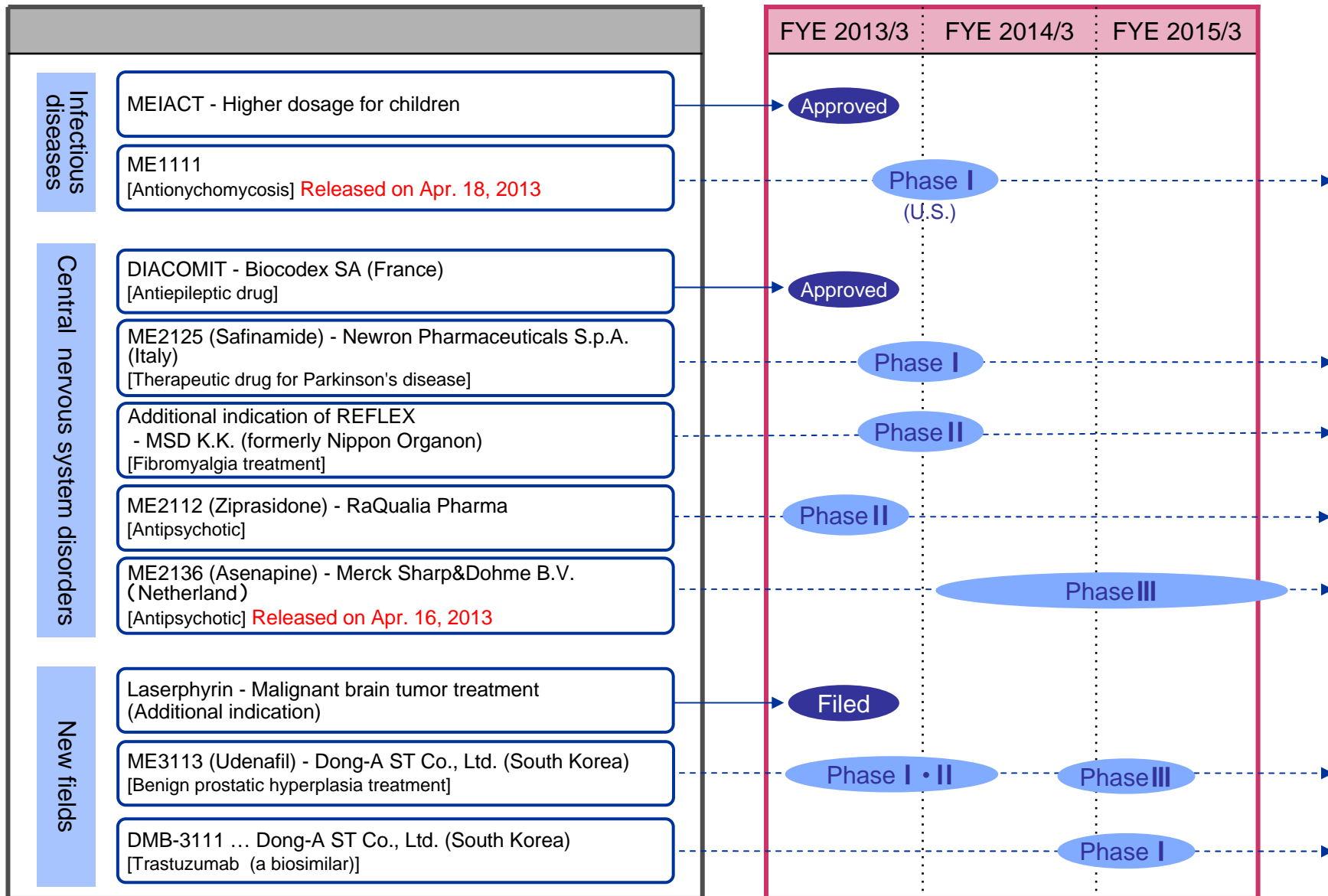
FYE 2012/3	FYE 2013/3	
	(Target) *2	Actual results (Oct-Dec)
23% *1	30% or more	26%

→ According to new calculation method, target of 60% or more by March 2018

(Note 1: The result for FYE 2012/3 adopted this new methods is 39.9%)

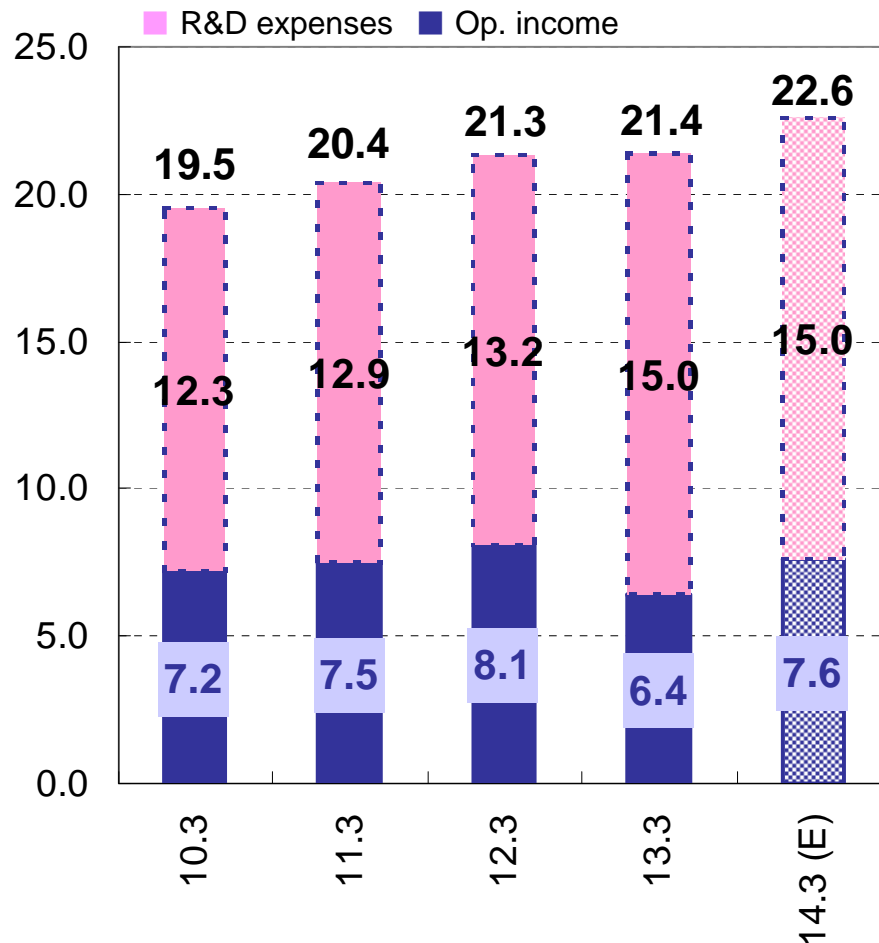
(Note 2: Set by Ministry of Health, Labour and welfare, volume base)

- Launch GE drugs, of which medical need is high and market scale is large, in addition to drugs for infectious and CNS diseases
(drugs for lifestyle-related diseases, etc.)
- Grow a few drugs into strong-selling drugs with our original fusion strategy
- Expand to new fields such as anticancer drugs and biosimilars
 - [Anticancer drugs]
Expand product line-ups
 - [Biosimilars]
September 2011
Alliance with Dong-A Pharmaceutical
[currently, Dong-A ST]
Autumn 2013
Planned completion of production site, and manufacture investigational drugs



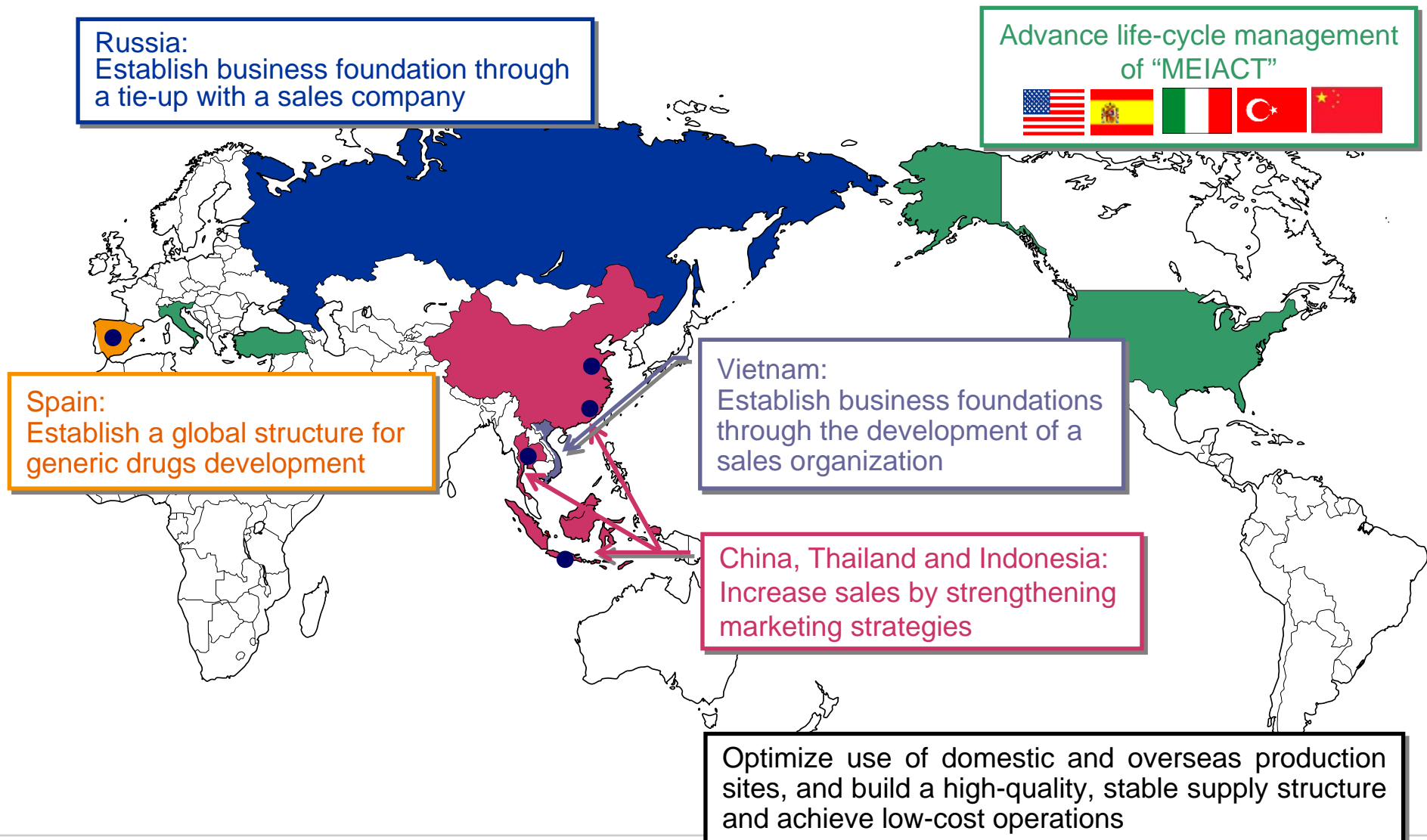
Trend in operating income before subtraction of R&D expenses

(billions of yen)



- R&D expenses are increasing because products under development move up to the next phase
- Increase R&D productivity and manage costs under appropriate control
 - Discover potential candidate for development
 - Reform the R&D process
- Promote life cycle management

- Establish a global production structure and increase overseas sales



Medium-Term Management Plan

TAKE OFF 14

Basic policies

Higher profitability and strategic investments for future growth

1. Strengthen and expand existing businesses (growth and priority businesses)
2. Foster growth businesses (new and international businesses)
3. Improve profitability



Profitability

- Expand priority businesses
- Minimize impact on profits by flexibly coping with economic environment

Investment

- Invest according to the plan for future growth (including R&D investments)

2. Overviews of FYE 2013/3 Financial Results and FYE 2014/3 Business Plan

HD FYE 2013/3 Overview of results by segment **meiji**

(billions of yen)

		FYE 2013/3			
		Results	YoY Change	Vs. Plan	
Food	Net sales	1,001.5	+1.5% (+15.2)	+0.1% (+0.7)	
	Op. income	19.3	+68.7% (+7.8)	+4.2% (+0.7)	
	Dairy	Net sales	617.0	+4.6% (+27.3)	+1.7% (+10.1)
		Op. income	20.3	+104.2% (+10.4)	+28.8% (+4.5)
	Confectionery	Net sales	292.4	-0.4% (-1.0)	-1.6% (-4.9)
		Op. income	4.6	-10.9% (-0.5)	-12.3% (-0.6)
	Healthcare and Nutritionals	Net sales	115.0	-2.3% (-2.7)	-3.9% (-4.7)
		Op. income	-2.1	— (-1.0)	— (-2.4)
	Other (incl. Overseas)	Net sales	183.6	+2.1% (+3.8)	+1.0% (+1.9)
		Op. income	0.7	-6.9% (-0.05)	+149.1% (+0.5)
Adjustments	Net sales	—	—	—	
	Op. income	-3.7	—	—	
Pharma	Net sales	127.3	+1.7% (+2.0)	+0.4% (+0.5)	
	Op. income	6.4	-21.1% (-1.7)	+21.9% (+1.1)	

Points

- Food segment:
 - (Dairy) Yogurt was the driving force. Both sales and profits rose in spite of increased raw material costs
 - (Confectionery) Secured sales on a par with previous fiscal year, but sales promotion costs rose due to fierce competition
 - (Healthcare and Nutritionals) Although enteral formula was performing well, sales of other products decreased
- Pharmaceutical segment:
 - Sales for both ethical pharmaceuticals, and agricultural chemicals and veterinary drugs business exceeded the previous fiscal year
 - Profits declined, mainly due to increase in R&D expenses



FYE 2013/3 Analysis of Consolidated Operating Income



(billions of yen)

	Results		(By segment)			Plan (*1)
			Food	Pharma	Other	
FYE 2012/3	20.1		11.4	8.1	0.6	20.1
Due to increased/decreased sales		+19.1 (*2)	+12.2	+6.9	—	+17.9
Cost reduction		+3.1 (*3)	+1.7	+1.4	—	+3.3
Consolidated subsidiaries		+0.9	+1.0	-0.1	—	+0.7
National Health Insurance drug price revision		-7.4	—	-7.4	—	-7.2
Sales promotion and advertising expenses		-6.6	-6.6	0.0	—	-7.0
Procurement costs of raw materials		-0.7	-0.7	0.0	—	-0.5
Other		-2.7 (*4)	+0.3	-2.5	-0.5	-3.4
FYE 2013/3	25.8		19.3	6.4	0.0	24.0

(Note 1) The plan announced on November 13, 2012

(Note 2) [Food] Increase in income due to increased sales: +6.8 Improvement of the product mix: +5.4

(Note 3) [Food] Cost reduction in distribution: +0.9 Cost reduction in production of confectioneries: +0.9

Cost reduction in production of dairy products: +0.2 Increase in general expenses and other: -0.3

(Note 4) [Food] Depreciation: +0.5

[Pharma] Increase in R&D expenses: -1.9 Depreciation: -0.2 Increase in fixed selling expenses: -0.1

(billions of yen)

		FYE 2012/3	FYE 2013/3					
		Results	Plan	Results	YoY change		Change vs. plan	
					(Rate)	(Amount)	(Rate)	(Amount)
Meiji HD [consolidated]	Net sales	1,109.2	1,125.0	1,126.5	+1.6%	+17.2	+0.1%	+1.5
	Operating income	20.1	24.0	25.8	+28.1%	+5.6	+7.7%	+1.8
	Ordinary income	21.8	24.0	29.1	+33.1%	+7.2	+21.4%	+5.1
	Net income	6.8	11.8	16.6	+144.6%	+9.8	+41.1%	+4.8

Points for ordinary income and net income

- With generation of foreign exchange profit, non-operating income/loss improved ¥ 1.5 bn
- With gain on sale of property, plants and equipment, extraordinary income increased ¥ 1.8 bn
- Extraordinary losses decreased ¥ 1.5 bn. There was a loss on valuation of investment in affiliates. On the other hand, there was no loss on corporate reorganization and loss on disaster in the fiscal year under review, and impairment loss decreased.
- Total tax expenses increased ¥ 0.8 bn; while decrease by allocation of deferred tax assets, increase by earnings growth

(billions of yen)

		FYE 2014/3					
		1st half		2nd half		Full-year	
			YoY change		YoY change		YoY change
Meiji HD [consolidated]	Net sales	565.0	+0.7%	575.0	+1.7%	1,140.0	+1.2%
	Operating income	12.0	+19.4%	17.0	+7.5%	29.0	+12.1%
	Ordinary income	13.0	+10.2%	17.0	-1.9%	30.0	+3.0%
	Net income	6.5	+23.4%	10.0	-12.1%	16.5	-0.9%

Food	Net sales	507.3	+0.7%	499.9	+0.5%	1,007.2	+0.6%
	Operating income	8.5	+30.3%	12.9	+1.0%	21.5	+10.9%

Pharma- ceuticals	Net sales	59.6	+2.0%	75.4	+9.5%	135.0	+6.1%
	Operating income	3.2	-0.3%	4.3	+37.4%	7.6	+18.1%

- Plan to increase sales and profits in both Food and Pharmaceutical segments
- Food: Although raw material costs are expected to rise, increase profits through business growth and improvement of profitability
- Pharmaceuticals: R&D expenses stay the same level as in the previous fiscal year but increase profits by increasing sales and reducing costs

HD Business Plan for FYE 2014/3 ~ By business in Food Segment **meiji**

(billions of yen)

		FYE 2014/3					
		1st half		2nd half		Full-year	
			YoY change		YoY change		YoY change
Dairy	Net sales	308.4	-0.6%	300.7	-0.4%	609.1	-0.5%
	Operating income	8.9	+8.3%	9.4	-6.8%	18.4	-0.0%
Confectionery	Net sales	95.5	-1.7%	100.0	+0.8%	195.6	-0.5%
	Operating income	0.6	+108.4%	3.9	+29.6%	4.5	+36.7%
Healthcare and Nutritional	Net sales	42.2	+2.9%	40.2	+4.6%	82.5	+3.7%
	Operating income	0.2	—	0.0	—	0.3	—
Other	Net sales	163.5	+3.7%	161.6	-0.2%	325.1	+1.8%
	Operating income	0.6	+118.8%	1.2	-36.2%	1.8	-15.5%
Adjustments	Net sales	—	—	—	—	—	—
	Operating income	-1.7	—	-1.5	—	-3.2	—

(Note 1) Re-classified in Food segment due to the re-organization at Meiji Co., Ltd., which was implemented in April 2013.

YoY changes are calculated with figures for FYE 2013/3 adopted this reclassification. (For details, please see page 10)

(Note 2) Results for each business in Food segment are simply the combined totals before eliminations.

(Note 3) Food segment adjustments not allocated to individual reporting segments are treated as corporate expenses for Meiji Co., Ltd.



FYE 2014/3 Analysis of Consolidated Operating Income



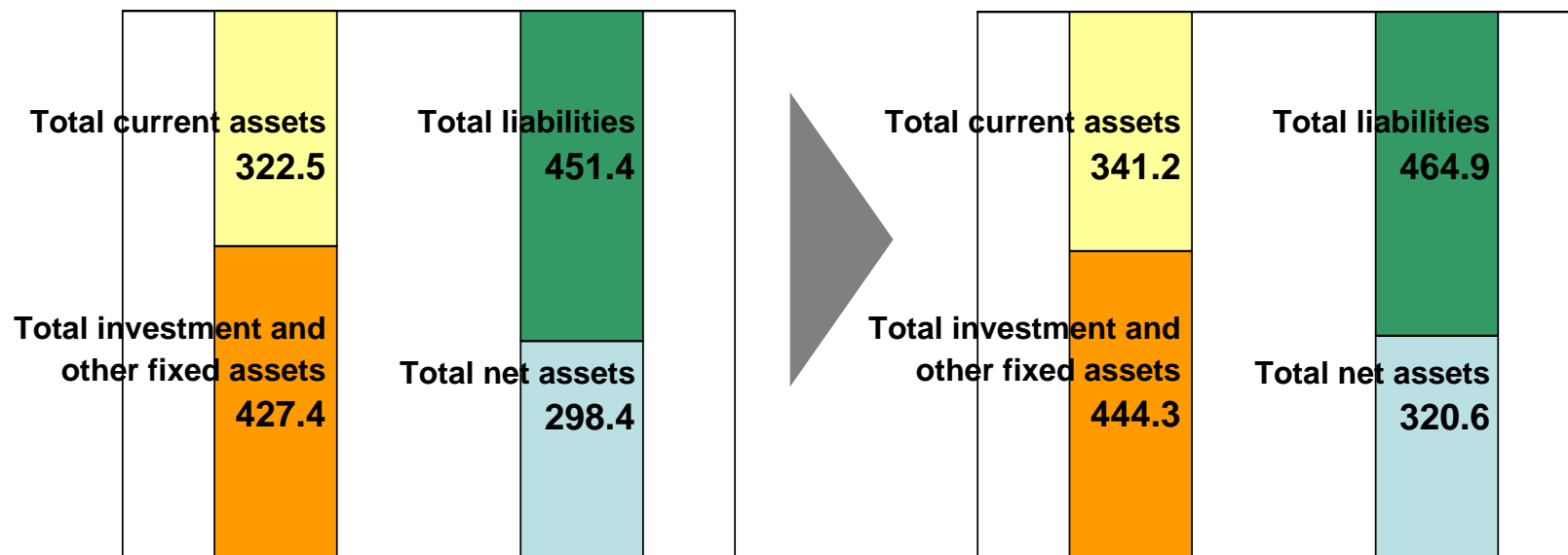
(billions of yen)

	Plan	(By segment)		
		Food	Pharma	Other
FYE 2013/3 (Results)	25.8	19.3	6.4	0.0
Due to increased/decreased sales	+8.4	+4.7	+3.7	—
Cost reduction	+5.9	+5.0	+0.9	—
Procurement costs of raw materials	-5.5	-5.5	0.0	—
Change in selling overheads	-4.3	-1.3	-3.0	—
Other	-1.0	+0.1	-1.0	-0.1
Change in results of subsidiaries	-0.3	-0.9	+0.6	—
FYE 2014/3 (Plan)	29.0	21.5	7.6	-0.1

(billions of yen)

Total assets as of March 2012: **¥ 749.9 bn**

Total assets as of March 2013: **¥ 785.5 bn**



Key Points

- Total assets were up by 35.5 billion yen at the end of March 2013
- Increases in inventories, notes and accounts receivable, and investment securities
- Increase in net assets due to increase in net income for current term, net realized holding gains, etc.
- Interest-bearing liabilities came to 205.4 billion yen, or the same as previous year

(billions of yen)

	FYE 2012/3	FYE 2013/3			FYE 2014/3	TAKE OFF 14
	Results	Plan	Results	YoY change	Plan	
Capital expenditures	38.3	43.7	37.6	-0.7	61.3	161.7
Depreciation and amortization	40.8	41.7	40.8	±0.0	41.0	126.5
R&D expenses	23.8	25.4	26.2	+2.4	26.3	73.5
Free cash flows	-13.7	3.0	11.1	+24.8	-20.9	15.3
(operating cash flow portion)	30.5	53.5	50.6	+20.0	54.2	170.5
Interest bearing debt	205.3	210.7	205.4	+0.1	230.0	210~230
ROE	2.3%	4.0%	5.5%	+3.2pt	5.5%	7%
Dividends (yen)	80	80	80	—	80	—

(Note) Free cash flows = Net cash provided by operating activities + Net cash used in investing activities

- In the fiscal year ended March 2013, net cash provided by operating activities was up mainly due to increase in profits. On the other hand, net cash used in investing activities fell due to the delay of payment for capital expenditures. As a result, free cash flow turned positive.
- In the fiscal year ending March 2014, net cash provided by operating activities will be up. However, net cash used in investing activities will rise due to increase in capital expenditures initially planned in the previous term.
- Our approach is to improve ROE by enhancing profitability. Realize stable and continuous returns to shareholders.



明日をもっとおいしく
meiji