



**Financial Results**  
**- For the First Half of FYE March 2016 -**

November 13, 2015

**Meiji Holdings Co., Ltd.**

## 1. Overview for H1 of FYE March 2016

## 2. Progress by Segment

## 3. Outlook for H2 and Full-year of FYE March 2016

- Business forecasts and other forward-looking statements 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.

# STEP UP <sup>17</sup>



## Basic Policies

### Accelerate growth and achieve further improvement in profitability

1. Strengthen priority businesses and take on the challenge of future growth
2. Improve profitability to withstand harsh economic environment
3. Pursue global expansion
4. Evolve the management system

## Targets

	Fiscal 2017 (Announced on May 12)
Net Sales	1.26 trillion yen
Operating income (Op. income margin)	64.0 billion yen (5%)
ROE	More than 8%

(billion yen)

		Initial Target (As of May 12)	Revised Plan (As of Aug. 5)	Results		
					Change vs. Plan	YoY Change
Meiji HD	Net sales	578.0	590.0	592.3	+0.4% +2.3	+5.9% +33.0
	Operating income	19.0	27.0	33.4	+23.7% +6.4	+76.0% +14.4
	Op. income margin	3.3%	4.6%	5.6%	+1.0pt	+2.2pt
	Net income attributable to shareholders of parent company	20.8	29.5	33.1	+12.3% +3.6	+163.0% +20.5
Food	Net sales	502.8	514.8	517.1	+0.4% +2.3	+2.7% +13.7
	Operating income	16.7	24.7	28.7	+16.4% +4.0	+64.9% +11.3
Pharma	Net sales	76.2	76.2	76.1	-0.1% -0.0	+34.1% +19.3
	Operating income	2.2	2.2	4.9	+120.2% +2.7	+212.4% +3.3

- Net sales and operating income increased year on year
- Outperformed revised plan announced in August

## 2. Progress by Segment

# H1 Summary by segment

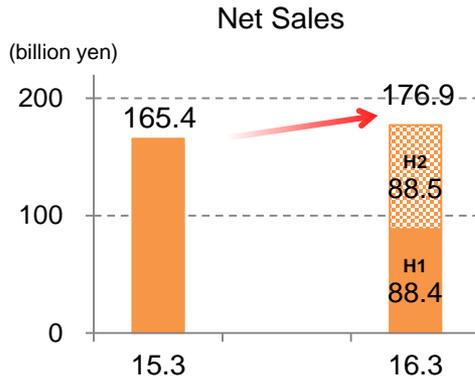
(billion yen)

【Op. Income】		Initial Plan (As of May 12)	Revised Plan (As of Aug. 5)
Food	Fresh and Fermented Dairy	13.7	17.4
	Processed Food	2.4	3.3
	Confectionery	1.6	2.3
	Nutritionals	2.7	4.0
	Other	-0.4	0.4
Pharma		2.2	2.2

Results	Change vs. Plan		YoY Change	
	Change vs. Plan	YoY Change	Change vs. Plan	YoY Change
17.7	+1.7% +0.3	+34.1% +4.5		
3.5	+3.7% +0.1	+114.3% +1.8		
2.6	+14.2% +0.3	+0.9% +0.0		
5.5	+34.9% +1.4	+125.4% +3.0		
1.1	+148.8% +0.7	+2,973.5% +1.1		
4.9	+120.2% +2.7	+212.4% +3.3		

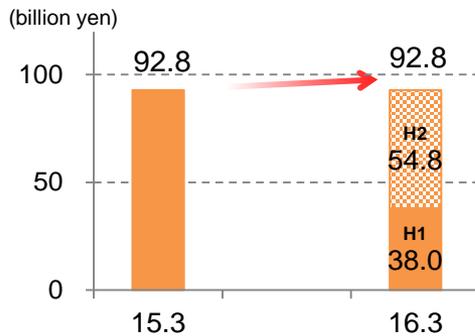
- Operating income of each business in both Food and Pharmaceutical segments increased year on year

## Probiotics and yogurt



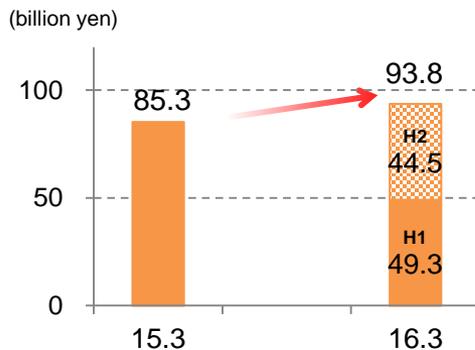
- Market growth continuing – Develop eating occasions
- Expand production capacity for functional yogurt (*probiotics*) – Stable growth with 3 brands, LG-21, R-1, and PA-3
- Sales of *Meiji Bulgaria Yogurt* increased driven by plain and drinkable yogurt

## Chocolate



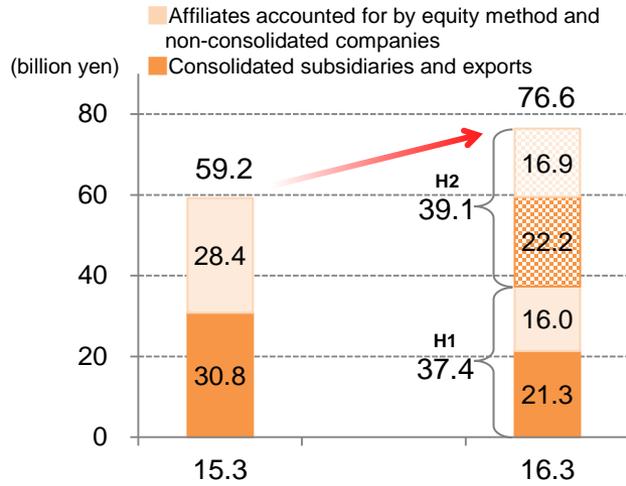
- Expanding market for high-priced products
- Solid sales performance, though volume down on some products due to price increase
- Profitability improved
  - Shifted to high value-added products and improved product mixes

## Nutritionals business



- Continuous growth projected across markets for our core products
- Stable sales growth of infant formula and *Amino Collagen* – Capturing inbound demand
- Sales of sports nutritionals and enteral formula for commercial market transitioning into new growth stage – Pursue added value to develop market

## Overseas sales



Meiji Bulgaria Yogurt  
- Sweetened (180g)



Meiji Fermented Milk Drink  
(950mL)

- Newly consolidated ice cream business in China
- Growth of business in China is key to improve profitability of overseas business

China

Yogurt/  
Drinking milk

- Expand sales areas to Qingdao, Beijing, etc.
- Expand product lineup such as mid-sized cup yogurt, fermented milk drinks, etc.
- Deploy the maximum efforts in growing markets

China

Confectionery

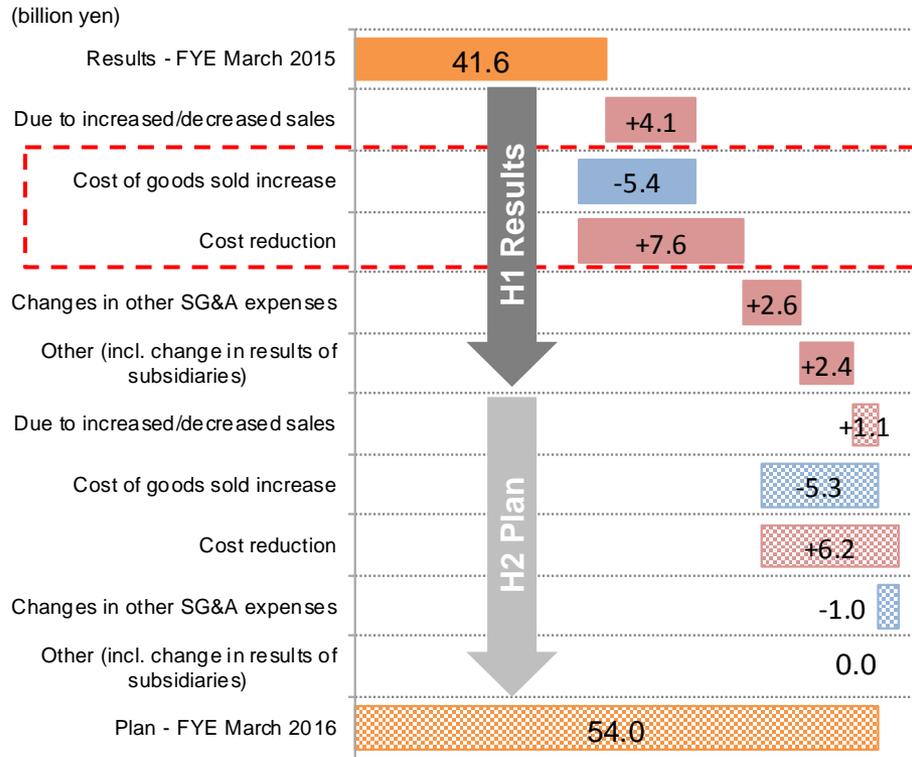
- Increase number of stores selling our products
- Sales growth in China during peak demand period, fall/winter
- Increase exports to neighboring countries/regions

China

Ice cream

- Improved production capacity – Start new plant operation
- Efficient business operation – Focus on strong products

## YoY change in operating income



- Price hike due to increase in raw materials and energy cost

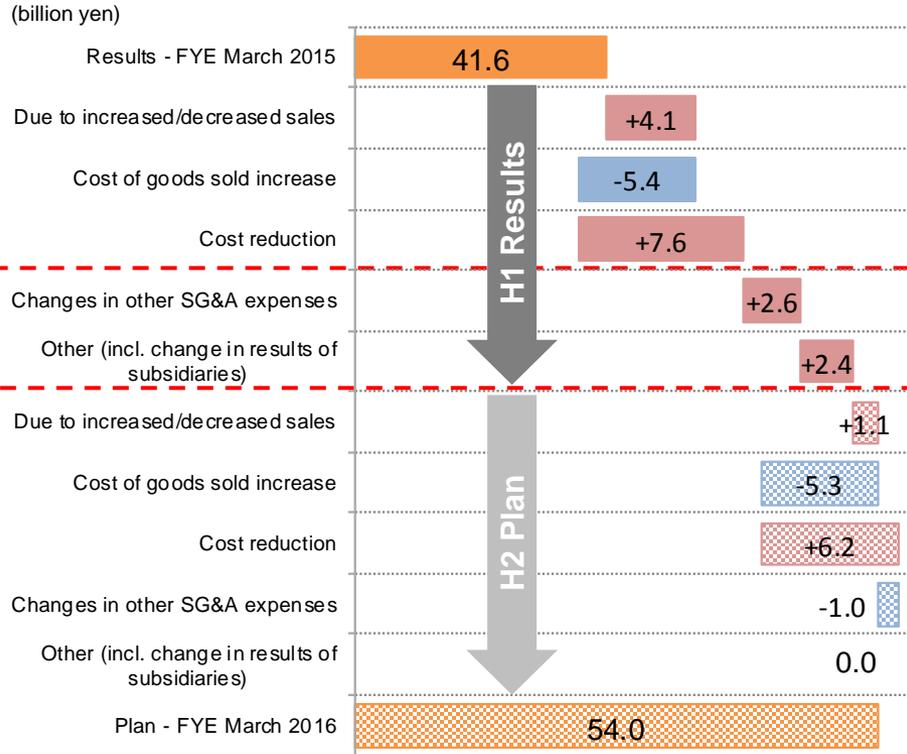
YYYY.MM	Product	Price increase rate or weight decrease rate
2015.3	Ice cream	+8.3-10.5%
2015.4	Yogurt	+2-6%
	Drinking milk	+2-5%
	Cheese	+6.8-8.2%
2015.7	Chocolate	+10% or -2-13%
	Chocolate	+10-20% or -2-12%

- Food companies in Japan increased prices
- Downward trend in consumer prices

Outlook

- Costs decrease in some imported raw materials due to stable currency trends and lower market prices
- Concerns of fierce price competition
- Promote selection and concentration strategy – Focus on core products with high added value

## YoY change in operating income



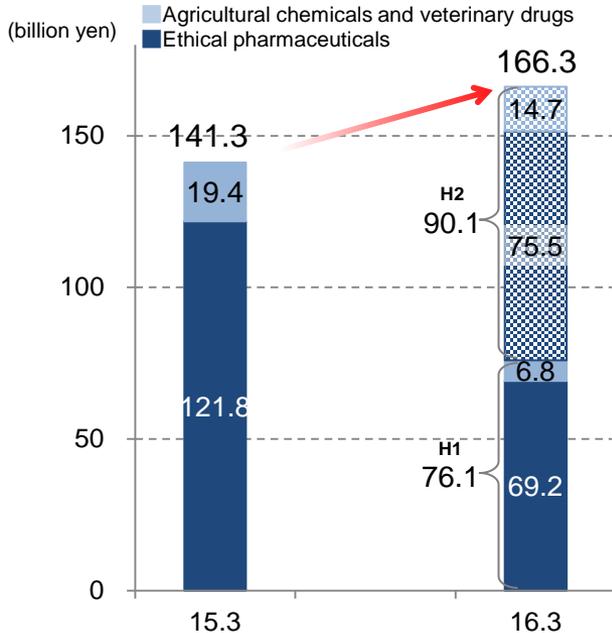
- Improve production efficiency  
Proceeding as planned
  - Reduce number of products
  - Build an efficient production system
  - Improve efficiency in distribution
- Achieving revenue improvement at subsidiaries – Responding to increased raw material costs

Outlook

- Reduce number of products including existing products throughout Food segment
- Aggressive marketing activities – Focus on our core products
- Structural reforms including Group companies

# Promote sales growth and structural reforms in growth business and markets

Consolidated net sales



## Infectious diseases/ CNS disorders fields

- Both domain outperformed previous year
- Infectious diseases
  - Expand product lineup, including generic drugs
  - Propose wide range of prescriptions
- Central nervous system disorders (CNS)
  - Maximize sales of *Reflex*
  - Reinforce sales structure to increase presence

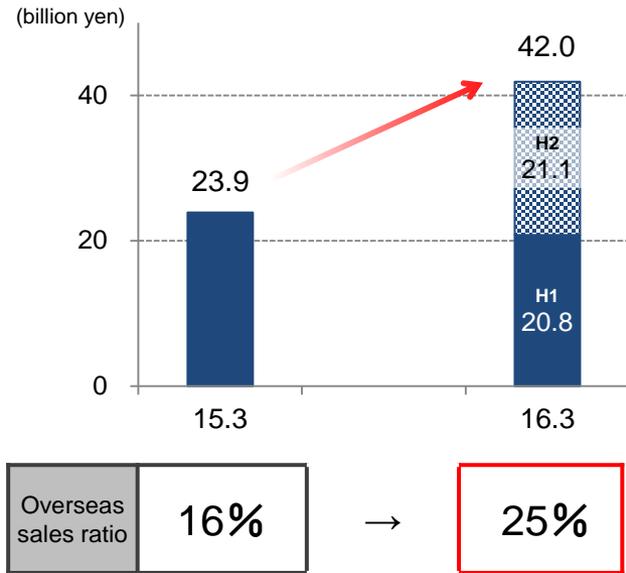
## Generic drugs

- Significantly outperformed previous year
  - Products launched in June contributing
- Intensifying price competition while market expansion continues
- Respond to price drops and increase supply capability
  - Strengthen quality assurance, stable supply, and information distribution

## Agricultural chemicals/ Veterinary drugs

- Outperformed previous year – Recovered from decline in the past
- Improve income and expenditure structure

## Consolidated overseas sales



(Note) Net sales for the parent company export business and net sales (after elimination) from international subsidiaries subject to the scope of consolidation are indicated as above sales.

**Medreich Limited**  
(a newly consolidated subsidiary)

- Medreich became a consolidated subsidiary in 4Q of FYE March 2015

Manufacture pharmaceutical products for Japanese market

- Use high-volume production capability\*
  - \* more than 3 billions of tablets per year
- Meet government policy – extensive increase in precipitation of generic drugs
- Have competence to manufacture pharmaceutical products for Japanese market at subsidiaries in Indonesia and other foreign countries
- Establish production system and quality assurance system to satisfy Japanese requirements/regulations
- Promote personnel exchanges and investments

CMO/CDMO\*\* business

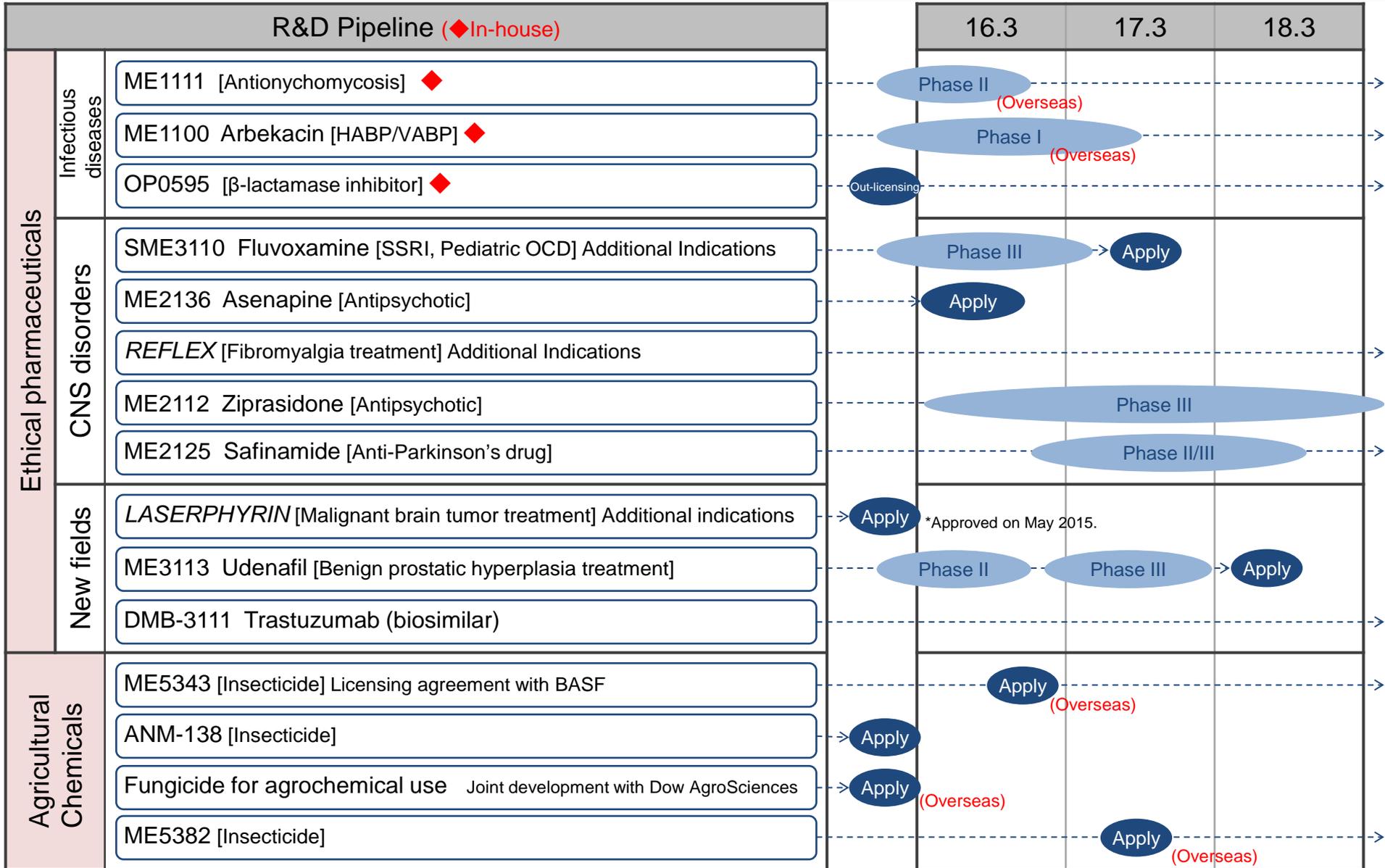
- Medreich's business strength
- Global increase in demand of CMO/CDMO\*\*
- Business with major global pharmaceutical companies continue growing

\*\*CMO: Contract manufacturing Organization

CDMO: Contract Development and manufacturing Organization

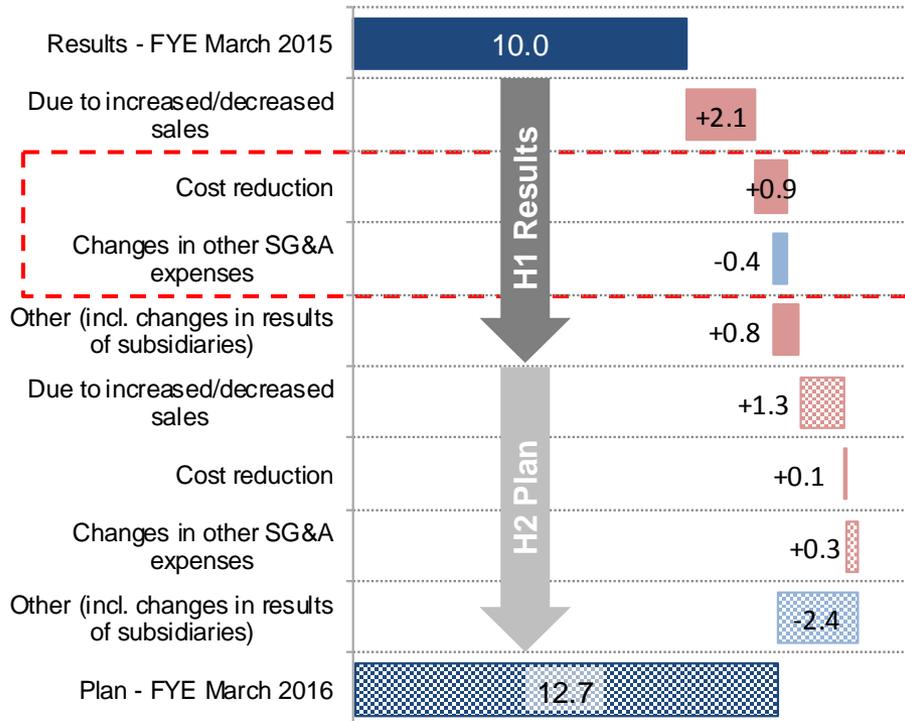
**Existing business**

- Recovered overseas sales of *MEI*ACT
- Sell Medreich products through overseas subsidiaries – Exploring possibilities



## YoY change in operating income

(billion yen)



- Promote low-cost operations
  - Cost and expense reductions, etc.



- Invest aggressively within a certain range
  - Future-oriented R&D and strategic investments
- Improve revenues and profitability
  - Sales increase and low-cost operations
- Received down payment in the second half of FYE March 2015

### 3. Outlook for H2 and Full year of FYE March 2016

(billion yen)

		H1		H2		Full-year	
		Results	YoY Change	Plan	YoY Change	Plan	YoY Change
Meiji HD	Net sales	592.3	+5.9% +33.0	616.1	+2.4% +14.2	1,208.5	+4.1% +47.3
	Operating income	33.4	+76.0% +14.4	33.0	+1.6% +0.5	66.5	+29.0% +14.9
	Ordinary income	35.5	+80.7% +15.8	33.4	-1.4% -0.4	69.0	+28.8% +15.4
	Net income	33.1	+163.0% +20.5	20.3	+11.4% +2.0	53.5	+73.2% +22.6
Food	Net sales	517.1	+2.7% +13.7	527.1	+1.7% +8.7	1,044.3	+2.2% +22.4
	Operating income	28.7	+64.9% +11.3	25.2	+4.2% +1.0	54.0	+29.6% +12.3
Pharma	Net sales	76.1	+34.1% +19.3	90.1	+6.6% +5.5	166.3	+17.7% +24.9
	Operating income	4.9	+212.4% +3.3	7.7	-8.7% -0.7	12.7	+26.0% +2.6

(billion yen)

		H1 Results		YoY Change		Full-year Plan		YoY Change	
Meiji HD	Capital expenditures	24.1	-15.3%	-4.3	50.8	-21.1%	-13.5		
	Depreciation and amortization	19.7	-1.0%	-0.2	40.8	-2.5%	-1.0		
	R&D expenses	12.9	+8.2%	+0.9	28.1	+7.9%	+2.0		
	Free cash flows	46.5	+980.8%	+42.2	54.0	—	+60.3		
	Interest bearing debt	179.6	(Changes from the formal fiscal year end) -18.9%	-41.8	—	—	—		
	ROE (excluding the impact from gains on the sale of fixed assets)	—	—	—	11.0%	+2.0pt	—		
	Cash dividends per share	55 yen	+15 yen	—	110 yen	+10 yen	—		

\* ROE including the impact will be 13.7%.

- Free cash flows grew significantly
- Major investments:
  - New Aichi plant for fresh dairy products
  - Expanded production line for probiotics yogurt

(Note 1) Capital expenditures including the investment amount for intangible assets are based on consolidated statements of cash flows.

(Note 2) Plans are announced on Nov. 10, 2015

(Note 3) Dividends per share are based on the number of shares before stock split taken effect on October 1, 2015.

A collage of various Meiji food products including chocolate, ice cream, yogurt, coffee, and bread. The products are arranged on a white surface, creating a visually appealing and diverse selection of items. The text is overlaid in the center in a bold, red, italicized font.

***The Meiji Group brightens customers' daily lives  
by providing customers of all ages,  
from infants to the elderly,  
with foods that offer tastiness and enjoyment,  
as well as products that contribute to  
customers' physical and emotional well-being.***

**meiji**

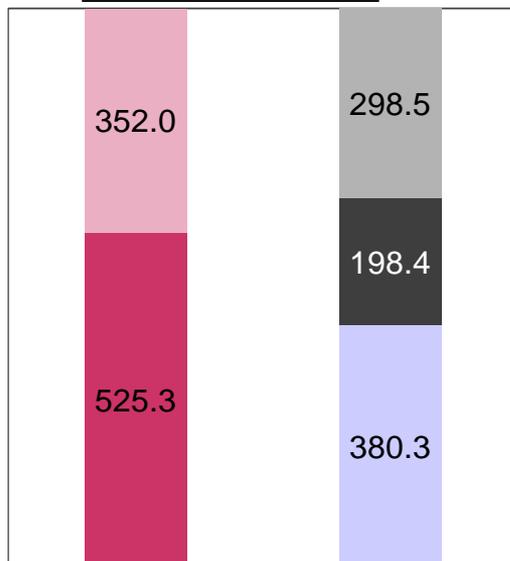
# Appendix

# Financial position as of September 2015

(billion yen)

(As of March 2015)

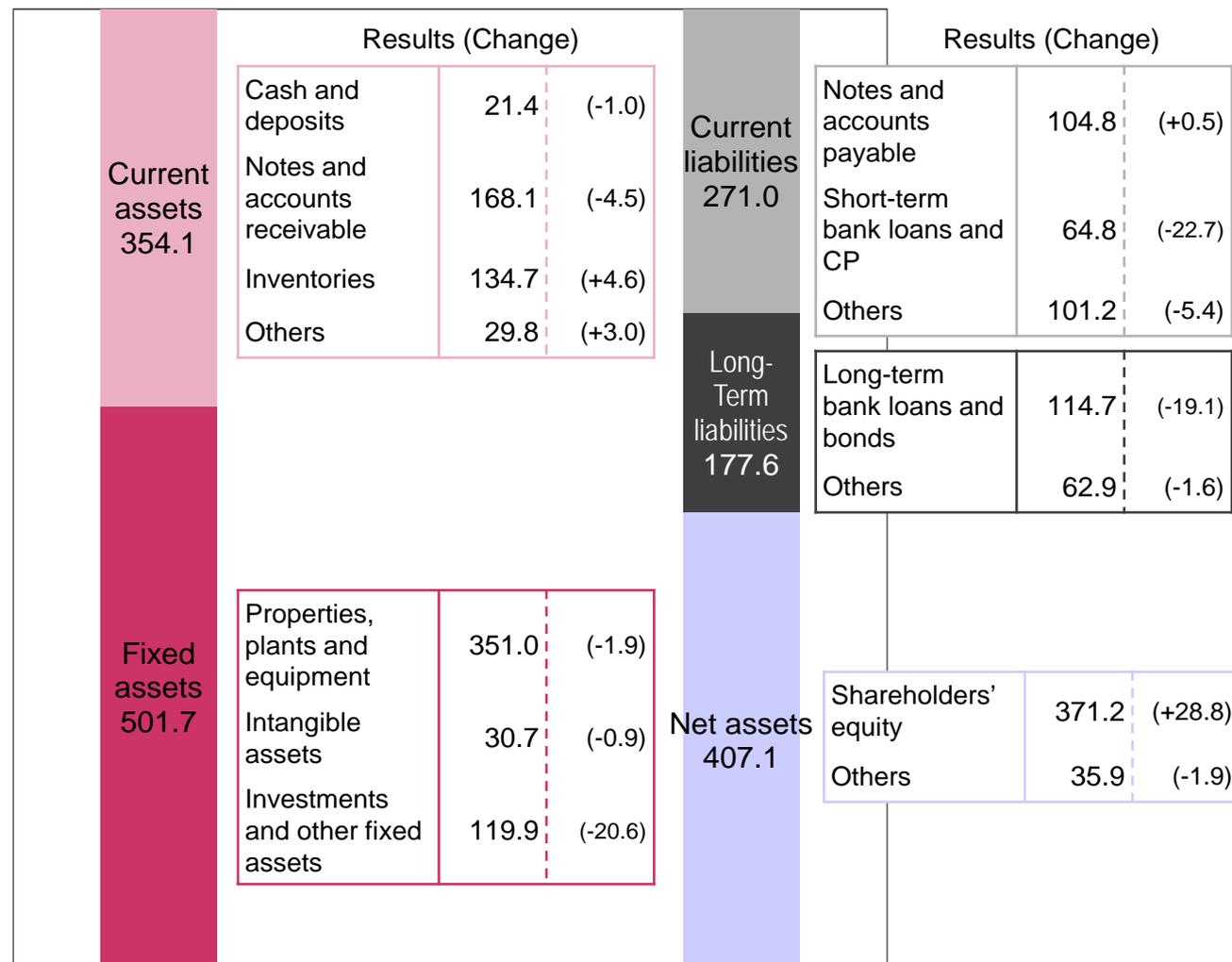
Total Assets: 877.3



Equity Ratio: 42.2%

(As of September 2015)

Total Assets: 855.8



Equity Ratio: 46.4%

# 16.3 Full-year: Plan by business in Food segment



(billion yen)

		H1		H2		Full-year	
		Results	YoY Change	Plan	YoY Change	Plan	YoY Change
Fresh and Fermented Dairy	Net sales	248.6	+4.1% +9.8	233.7	-2.9% -6.9	482.4	+0.6% +2.9
	Operating income	17.7	+34.1% +4.5	15.3	+1.2% +0.1	33.0	+16.5% +4.6
Processed	Net sales	98.5	-1.3% -1.2	94.0	-0.7% -0.6	192.5	-1.0% -1.9
	Operating income	3.5	+114.3% +1.8	2.1	+9.4% +0.1	5.6	+57.8% +2.0
Confectionery	Net sales	70.1	+0.2% +0.1	88.5	-0.5% -0.4	158.6	-0.2% -0.2
	Operating income	2.6	+0.9% +0.0	6.9	+0.4% +0.0	9.5	+0.5% +0.0
Nutritionals	Net sales	49.3	+16.4% +6.9	44.5	+3.6% +1.5	93.8	+9.9% +8.4
	Operating income	5.5	+125.4% +3.0	2.3	+7.1% +0.1	7.8	+70.0% +3.2

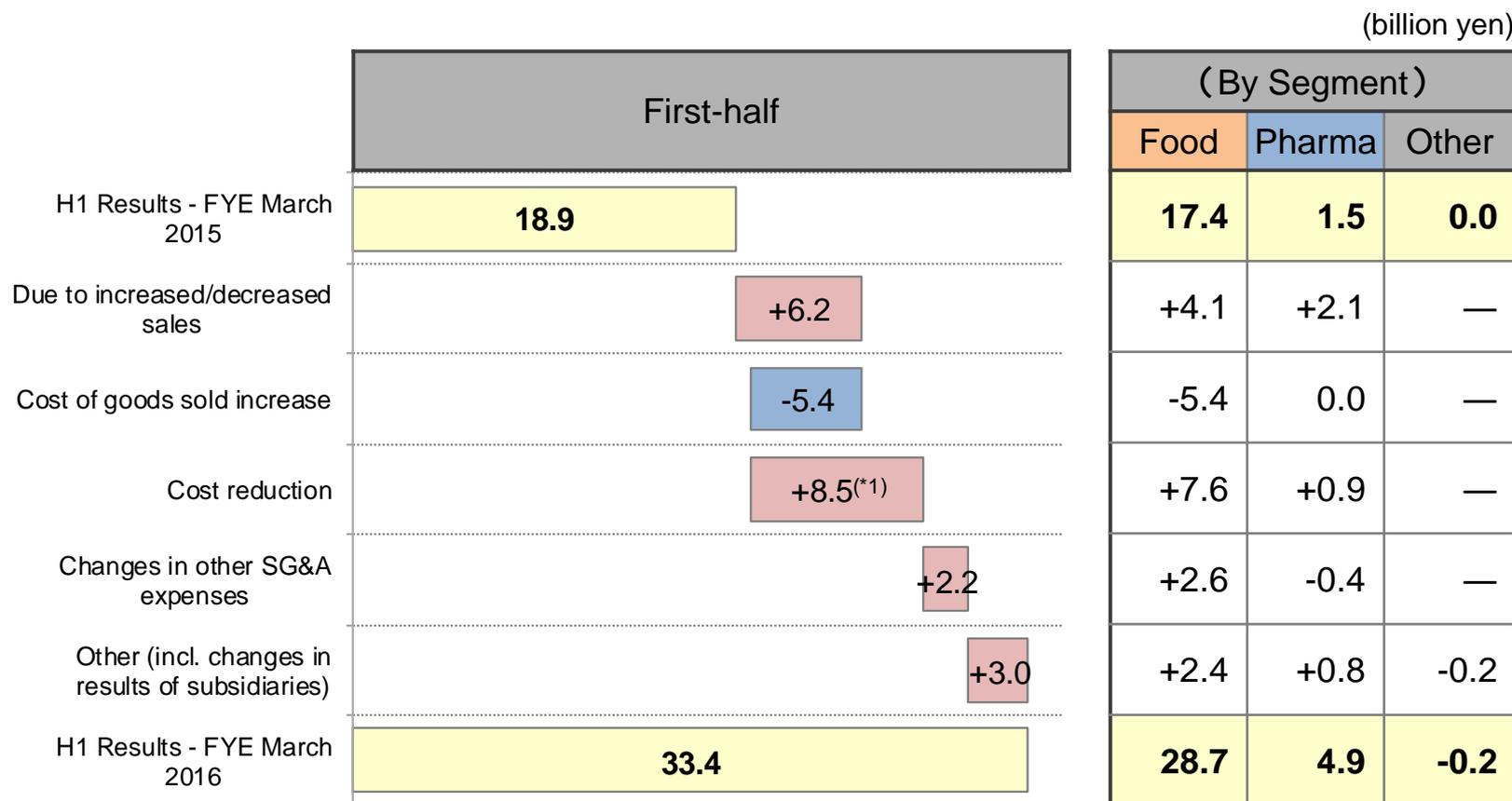
# 16.3 Full-year: Plan by business in Food segment



(billion yen)

		H1		H2		Full-year	
		Results	YoY Change	Plan	YoY Change	Plan	YoY Change
Other	Net sales	171.2	+1.5% +2.5	184.7	+7.7% +13.1	356.0	+4.6% +15.6
	Operating income	1.1	+2,973.5% +1.1	1.4	+278.6% +1.0	2.5	+534.9% +2.1
Elimination and Corporate Expenses	Net sales	-120.8	— 4.4	-118.4	— +2.1	-239.2	— -2.2
	Operating income	-1.8	— +0.6	-2.7	— -0.5	-4.5	— +0.1

# 16.3 H1: Analysis of consolidated operating income



\*1: (Breakdown) **[Food]** Cost reduction includes price revision of products, net content reduction of products, decrease in volume of price-revised products, or increase in sales promotion expenses for price-revised products  
 - Fresh and Fermented Dairy business: +3.4  
 - Processed Food business: +3.4  
**[Pharma]** Cost of sales reduction: +0.9

# 16.3 Full-year: Analysis of consolidated operating income **meiji**

(billion yen)

