



Briefing on Pharmaceutical Segment

Pharmaceutical Business Strategy

June 19, 2017

Meiji Holdings Co., Ltd.

1. Market Environment

2. Our Growth Strategy

- 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.

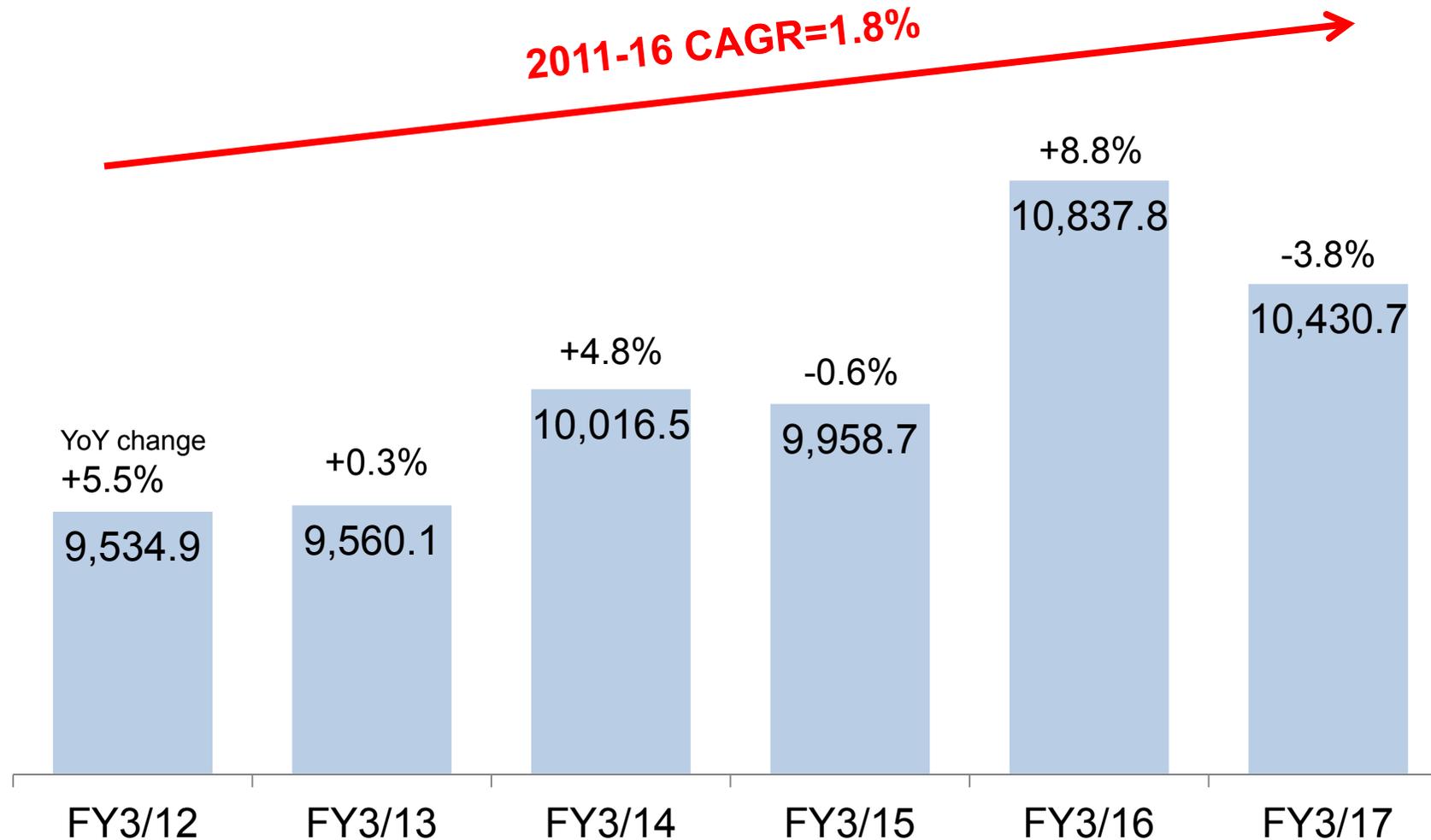


1. Market Environment

Ethical Pharmaceuticals Market in Japan



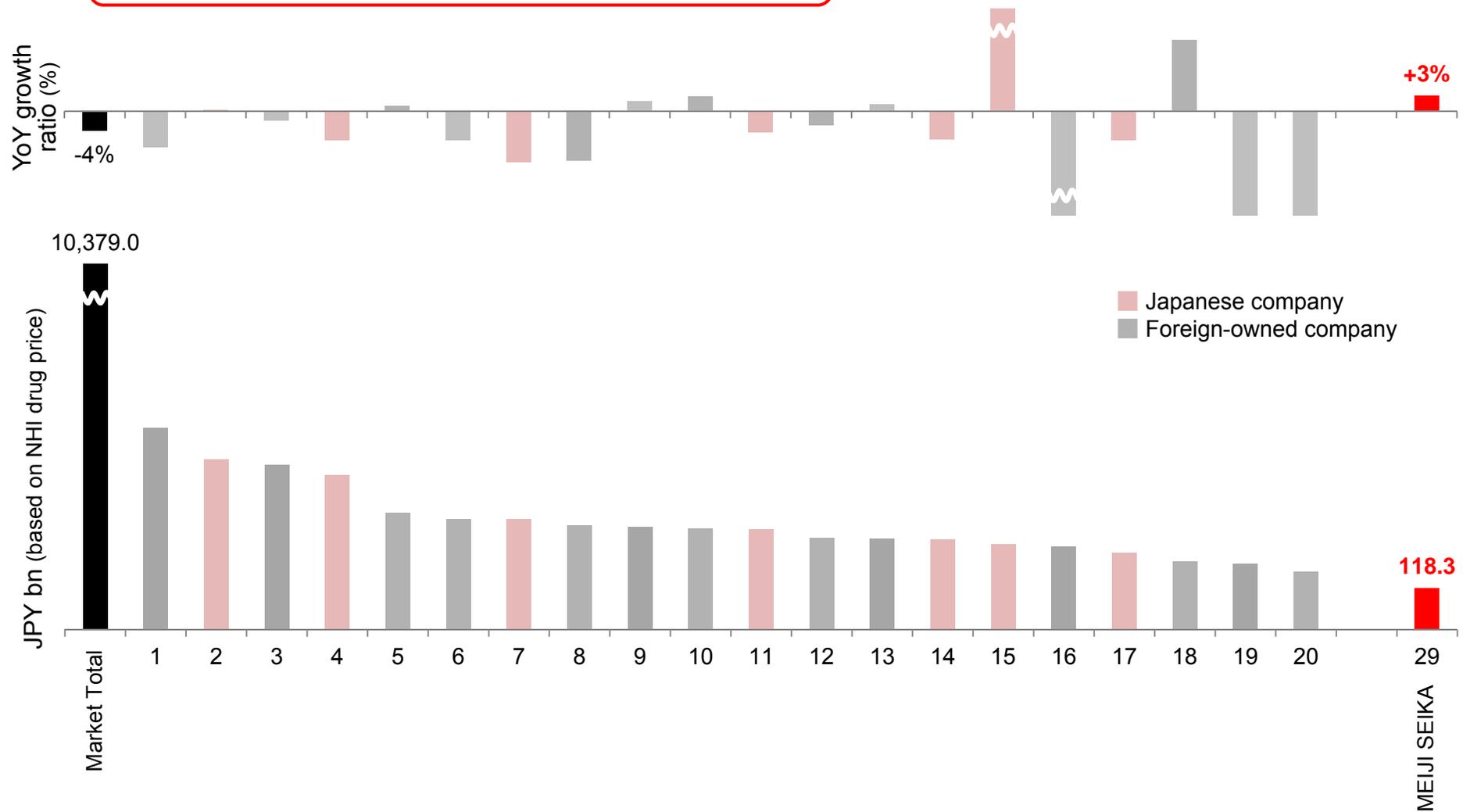
(JPY bn)



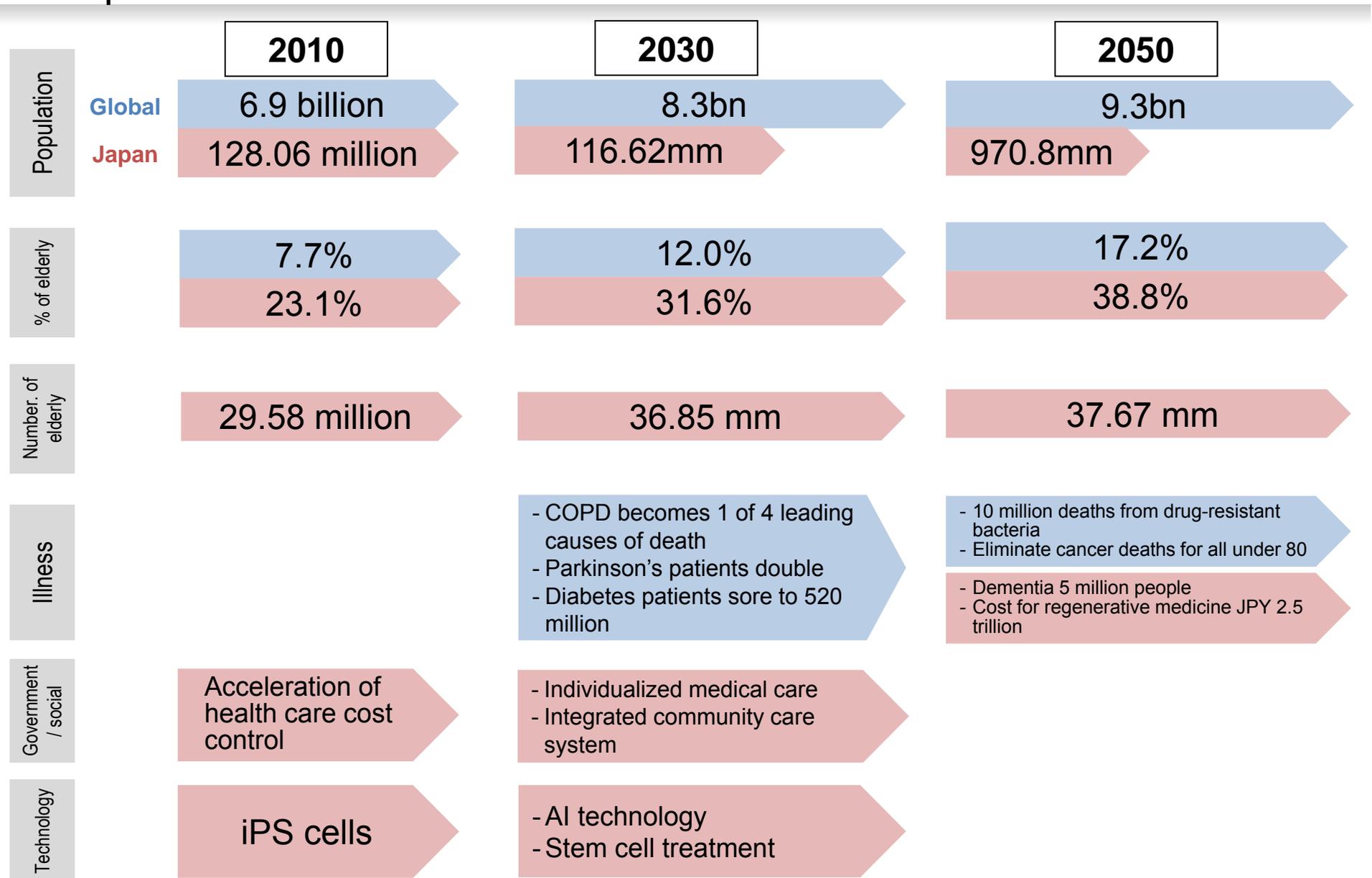
Ethical Pharmaceuticals Market in Japan (by Company) **meiji**

Market growth ratio: **-2.6%** excluding hepatitis C drugs and anti-PD-1 monoclonal antibodies

(From April 2016 to March 2017)



Medical Megatrends (2010-2050) and Possibilities for Market Expansion



1

Additional NHI price reductions on long-listed drugs

Maximum 2% of additional reduction shall be applied to individual brand-name drugs that have not been appropriately replaced by generic drugs even after 5 years of listing of these generics

2

Generic drugs

- Price of newly listing generic drugs: reduce 0.7 multiplication to 0.5 multiplication of the drug price of the original (brand-name) product
(If the medicine is more than 10 items, 0.4 multiplied)
- Consolidate drug prices for listed drugs into 3 price layers
- Amendment of volume share targets
70% by end of 2017, 80% by September 2020

3

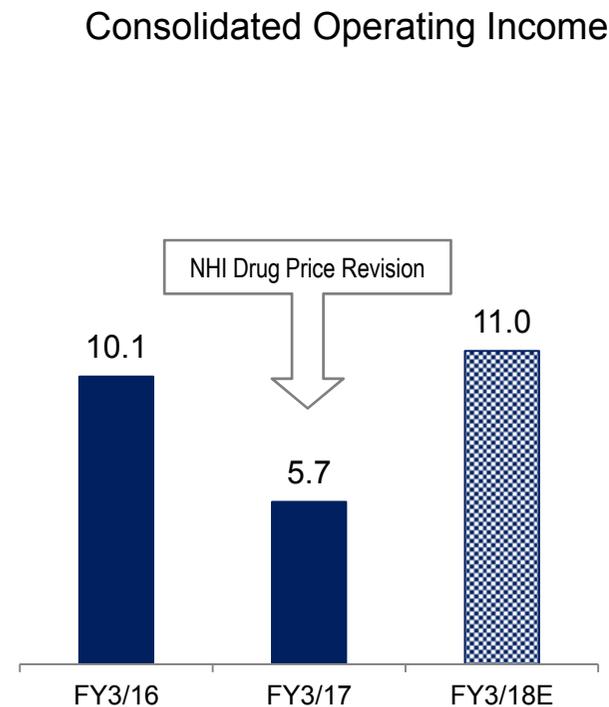
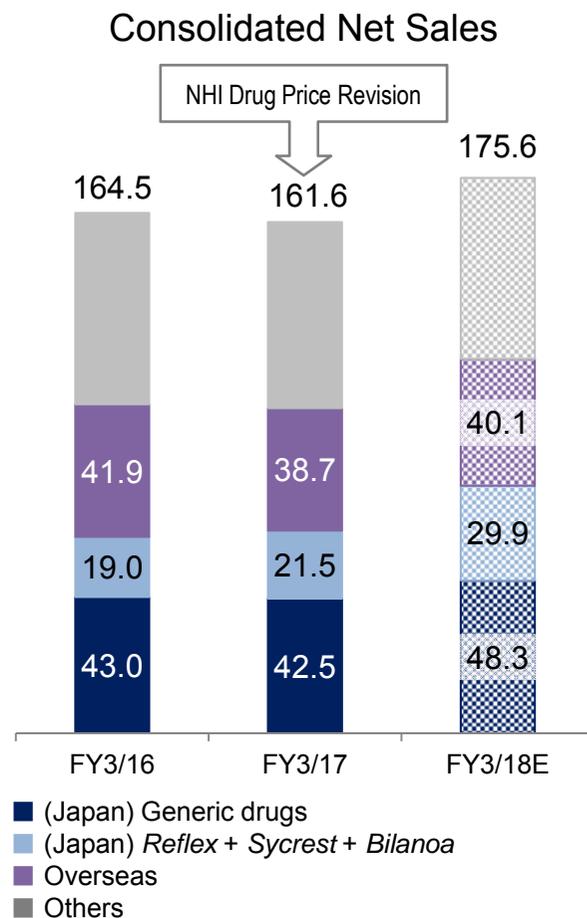
Restrictions on polypharmacy for psychiatric drugs Promotion of proper use of antibiotics



2. Our Growth Strategy

Increase Income -- Focus Resources on Core Domains, Steady Sales Growth and Low-Cost Operations

(JPY bn)



Legend:
 ■ (Japan) Generic drugs
 ■ (Japan) Reflex + Sycrest + Bilanoa
 ■ Overseas
 ■ Others

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

Growth strategy

- Maximize sales and profits of domestic ethical pharmaceuticals business
- Improve profitability of international business
- Conduct R&D that generates profits
- Make agricultural chemicals and veterinary drugs business profitable

Cost reduction

- Optimize product portfolio and distribution structure
- Low-cost operations

Enhance operational capabilities

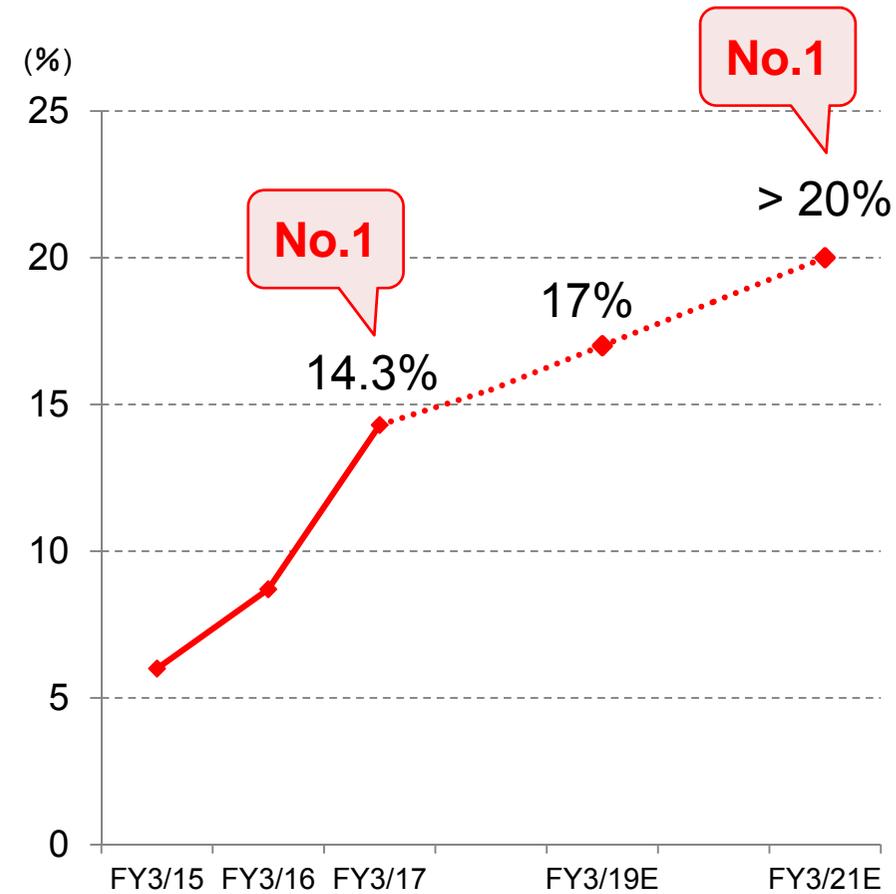
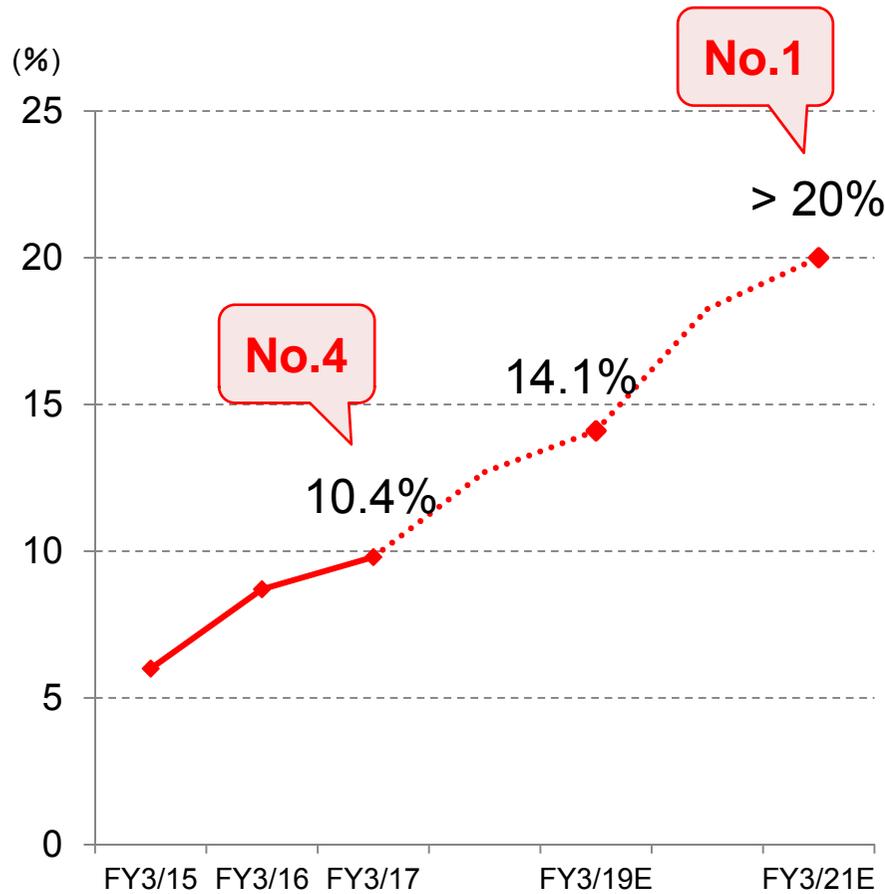
- Build and operate advanced quality assurance system
- Develop and hire competitive personnel

Grow Sales Share in Core Domains



CNS disorders
(Antidepressant + atypical antipsychotic drug markets)

Antibacterial drug



Maximize Sales in CNS Disorders Domain



Vast lineup of brand-name and generic drugs to capture top share

	Antidepressant drug market	Market share	YoY change
1	A	32.8%	↑
2	REFLEX	15.1%	↑
3	B	11.3%	↑
4	C	8.4%	↓
5	D	5.7%	↑
6	E	5.4%	↓
7	F	4.2%	↑
8	G	4.0%	↑
9	DEPROMEL	1.3%	↓
10	SERTRALINE Meiji	1.1%	↑

	Atypical antipsychotic drug market	Market share	YoY change
1	H	29.3%	↑
2	I	19.2%	↓
3	J	10.3%	↓
4	K	8.9%	↓
5	L	5.8%	↑
6	M	5.2%	↑
7	N	5.1%	↓
8	O	1.6%	↓
9	OLANZAPINE Meiji	1.4%	—
10	SYCREST	1.3%	—

- *SYCREST*, Antipsychotic drug
 - Approved for long-term prescription on June 1, 2017
 - Rapid onset and one of the promising choices for the treatment of acute stage of schizophrenia
 - Our sales estimates for FYE March 2018: JPY 4.0bn
 - Estimated peak sales: JPY 38.5bn (based on NHI drug price)
- *REFLEX*, Antidepressant drug
 - Expand sales using first large-scale evidence for Japanese patients

Mirtazapine* improves the depression evaluation scale quicker, when compared to that of generally prescribed antidepressant drugs (SSRI).

The difference between the Mirtazapine and SSRI was statistically significant at week 2 after drug administration.

*General name for *REFLEX*

Maximize Sales of *BILANOVA*, Anti-allergic Drug



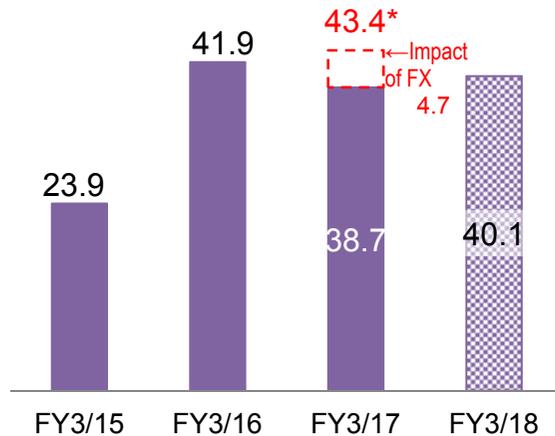
- Approved for long-term prescription in December 2017
- New active ingredient, fulfills market needs (rapid-onset, long-lasting efficacy, safety)
- Our sales estimates for FYE March 2018: JPY 4.2bn



New strategy: categorize generic drugs into 2 groups

Category	Domain	MR promotions	Our strengths
1. Specialty generic drugs	<ul style="list-style-type: none">- Injectable antibacterial- Oral antibacterial- Respiratory disease- CNS disorders	Yes	Promotional activities for both brand-name drugs and generic drugs
2. Essential Generic drugs	<p>Other domains requiring stable supply</p> <ul style="list-style-type: none">- Lifestyle related diseases- Gastrointestinal disease	No	Stable supply of high-quality, inexpensive formulas

Sales of International Business



* Excluding impact of currency translation between FY3/16 and FY3/17

Foreign exchange target in the FYE March 2018

USD	JPY 110
EUR	JPY 120
RMB	JPY 16

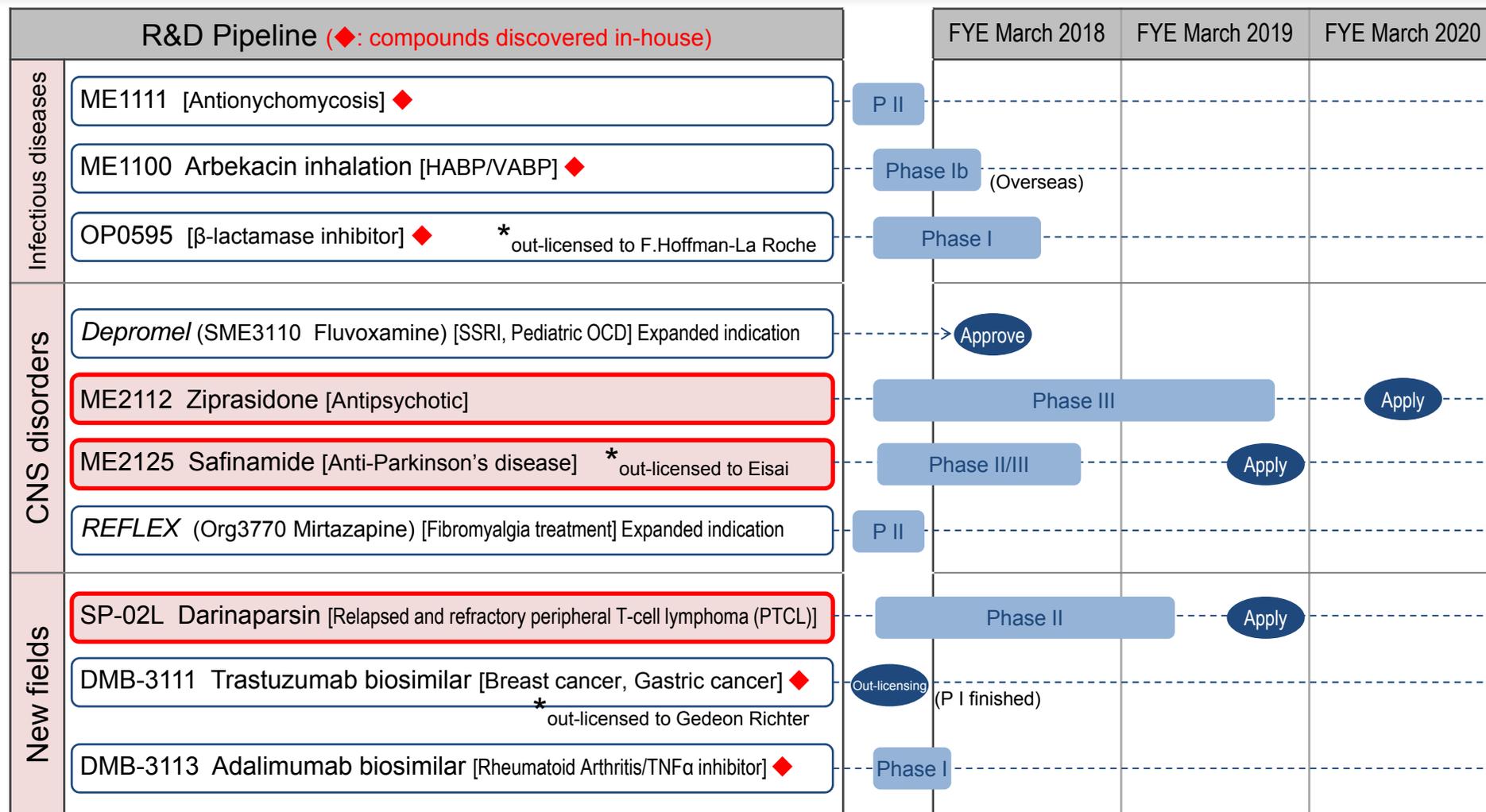
ASEAN

- Expand export business
- Expand local sales at overseas subsidiaries and sales partners
- Strengthen presence in ASEAN

Medreich Ltd.

- Expand CMO and CDMO businesses
- Establish management structure for production and supply for Japanese market
- Start supplying from autumn 2017

R&D Pipelines

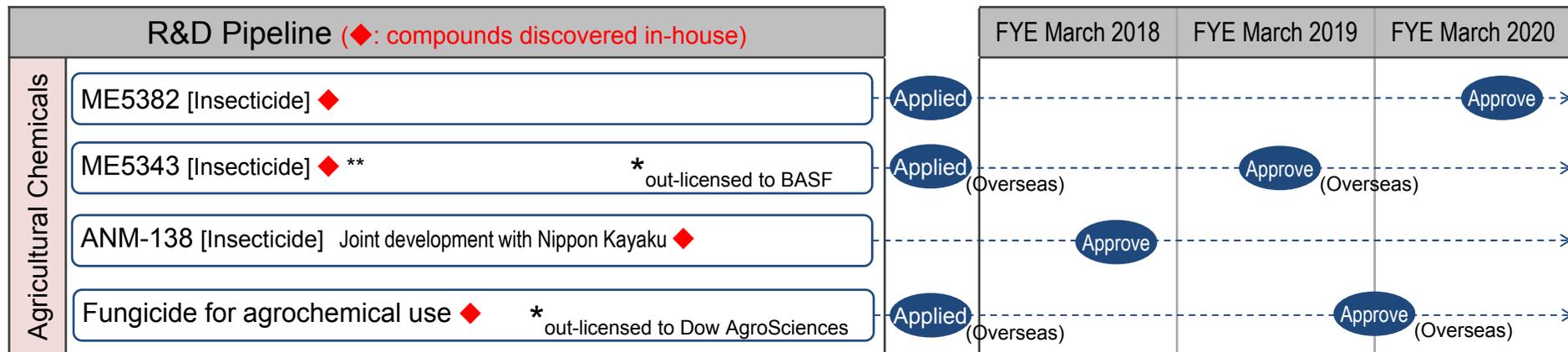


Make agricultural chemicals and veterinary drugs business profitable



Agricultural Chemicals

- *ORYZEMATE* and *ZAXA* : Cost reductions to improve margin and stable procurement of active ingredients
- Develop pipelines



** Discovered in a research collaboration between Meiji Seika and The Kitasato Institute

Veterinary Drugs

- Streamline product lineups
- Cost reductions including active ingredient suppliers

Low-cost production

Stable supply

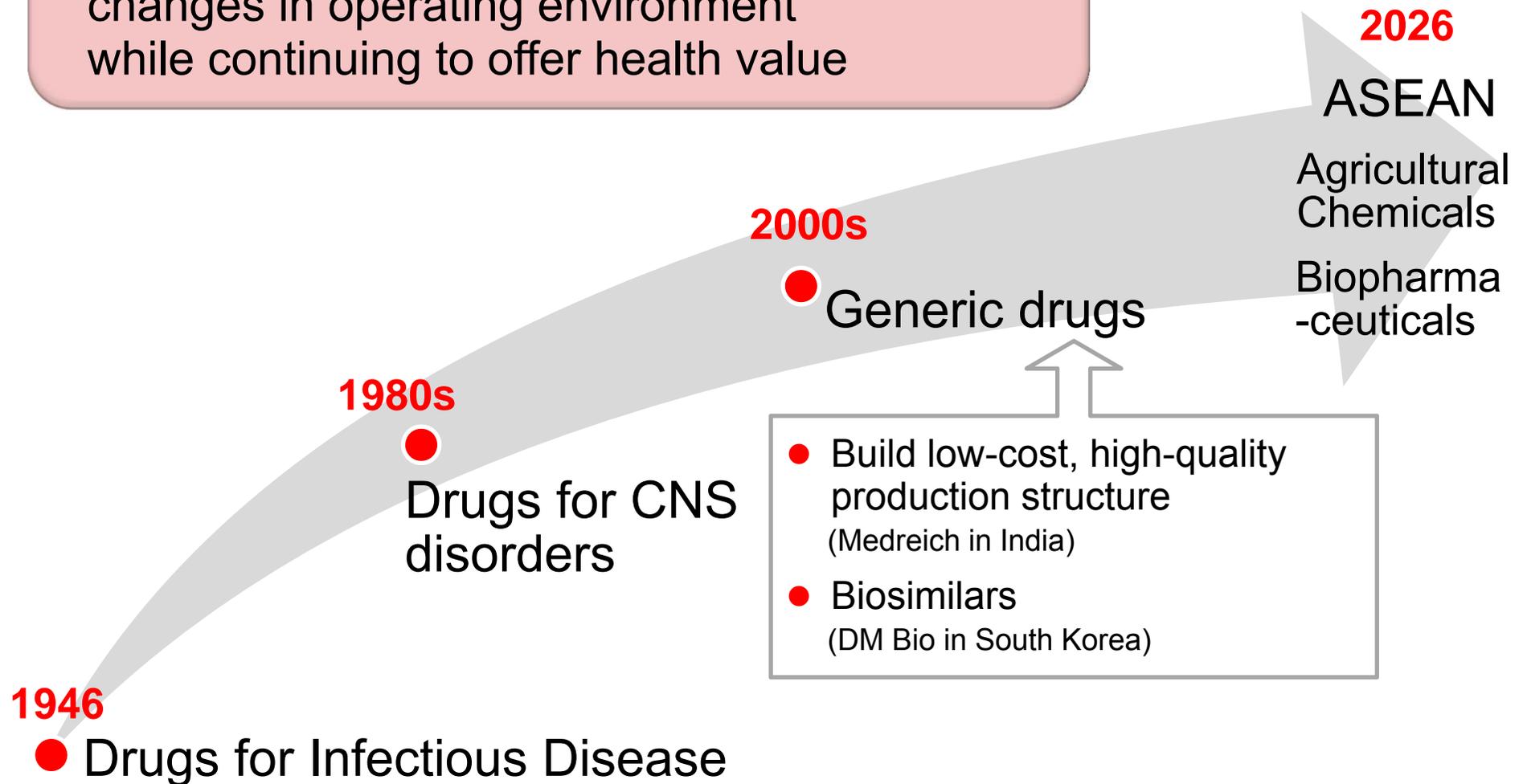
High quality

- Reduce cost by optimizing distribution and production sites
- Build system for low-cost, stable procurement of active ingredients and raw materials
- Ensure competitive product quality to meet needs of domestic and international markets

- ✓ Expand Meiji Seika Pharma quality standards to global market
- ✓ Provide drug information to increase trust in our products
- ✓ Build quality assurance system and adequately cope with domestic and foreign regulatory requirements

Pursue Sustainable Growth

Pursue sustainable growth by responding to; expanding medical demands and changes in operating environment while continuing to offer health value





meiji





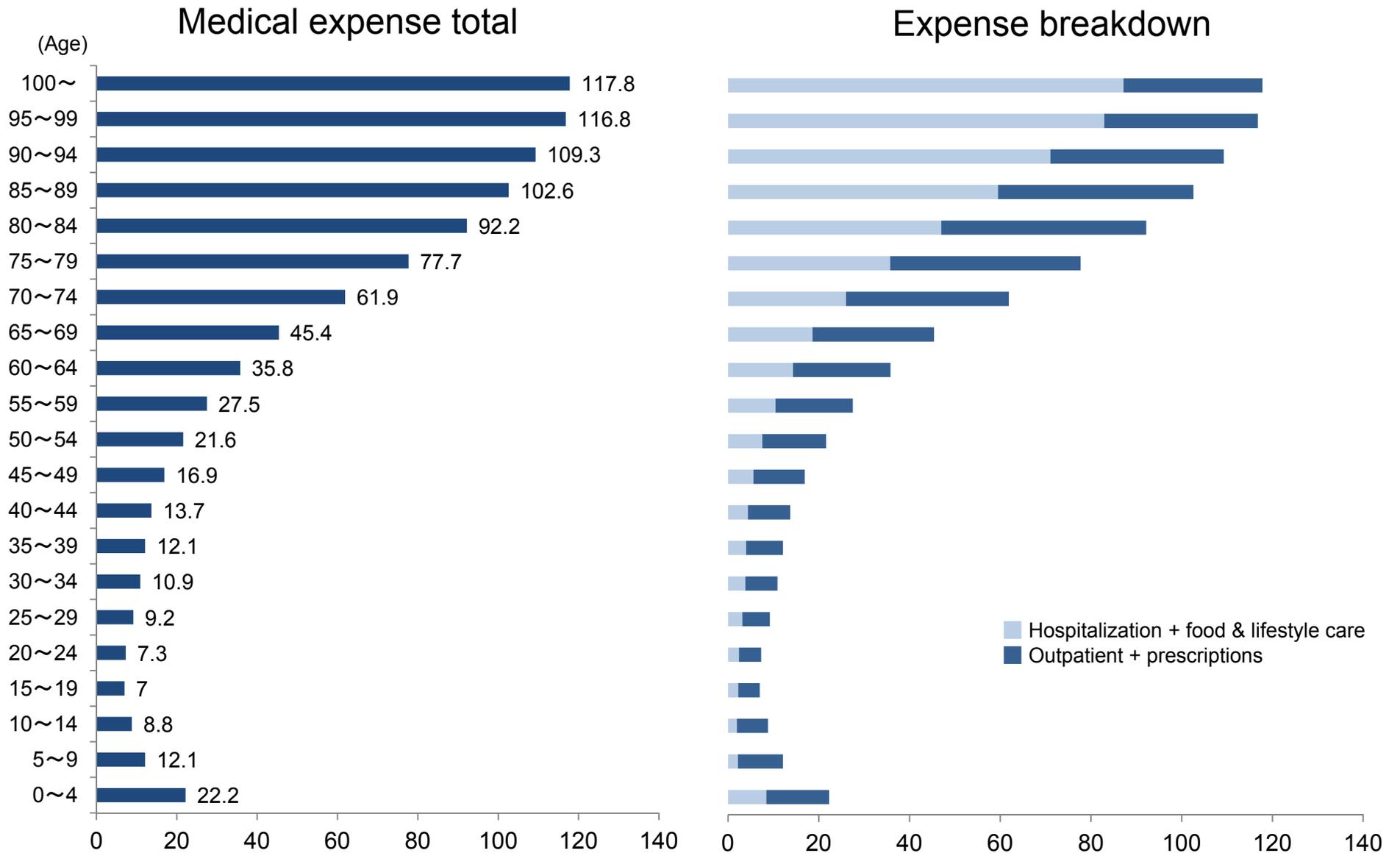
Appendix

- CAGR
 - Compound Average Growth Rate
- CMO
 - Contract Manufacturing Organization
 - Company that is contracted by a pharmaceutical company to conduct drug manufacturing
 - Fulfills vital role of increasing productivity and reducing costs
- CDMO
 - Contract Development and Manufacturing Organization
 - Company that in addition to the functions of a CMO, offers services including drug formula development.
- COPD
 - Chronic Obstructive Pulmonary Disease
 - Chronic inflammation of the lungs
 - Result of long-term, habitual inhalation of toxic gases included in tobacco smoke, etc.

Per Capita Medical Expenses by Age



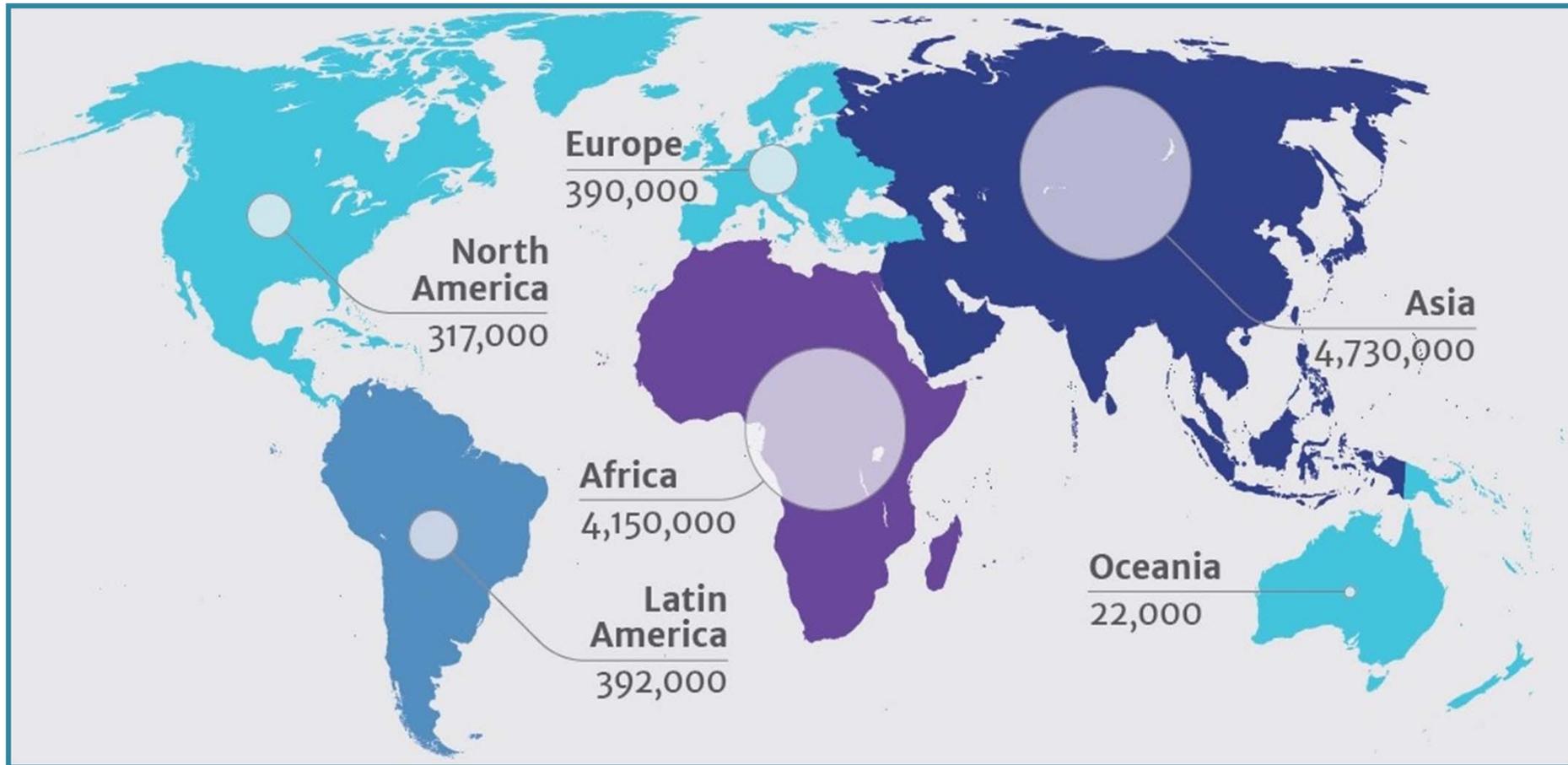
(JPY 10 thousands)



By 2050, Number of Deaths from Drug Resistant Bacteria will Reach 10 Million

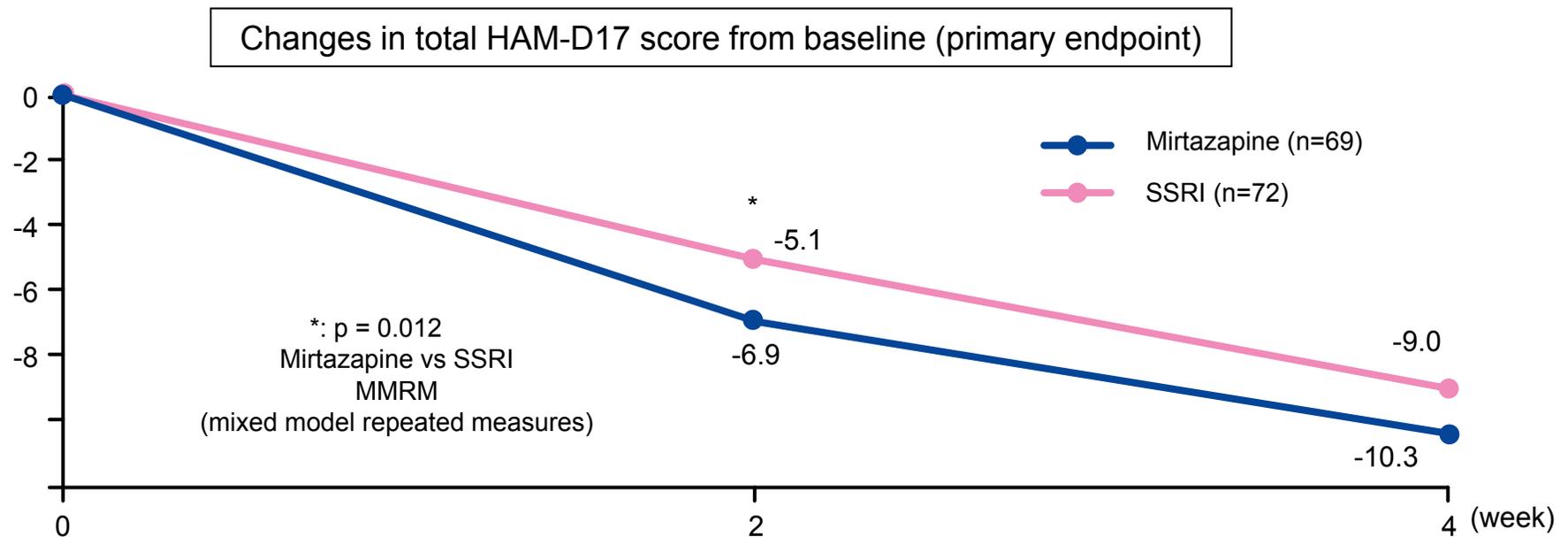


Number of deaths



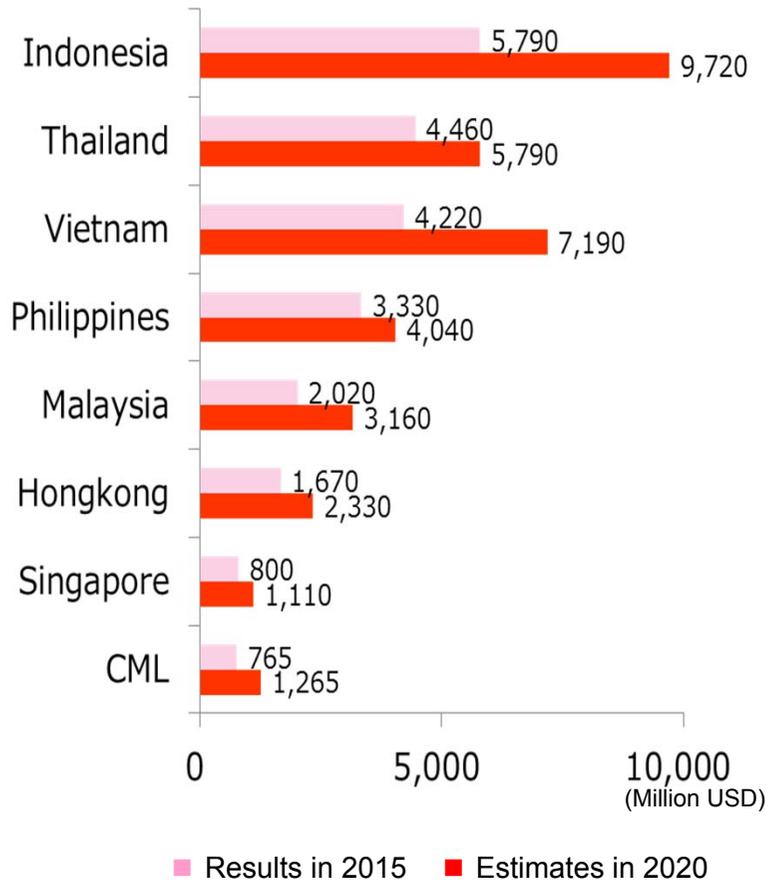
GUNDAM:

Genotype Utility Needed for Depression Antidepressant Medication

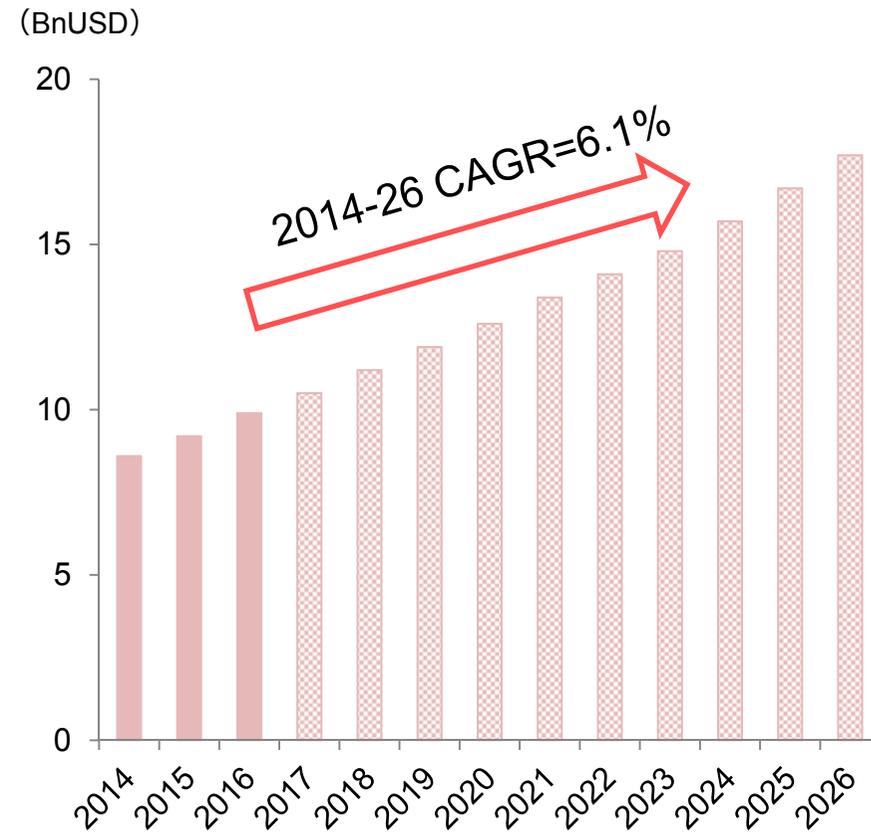


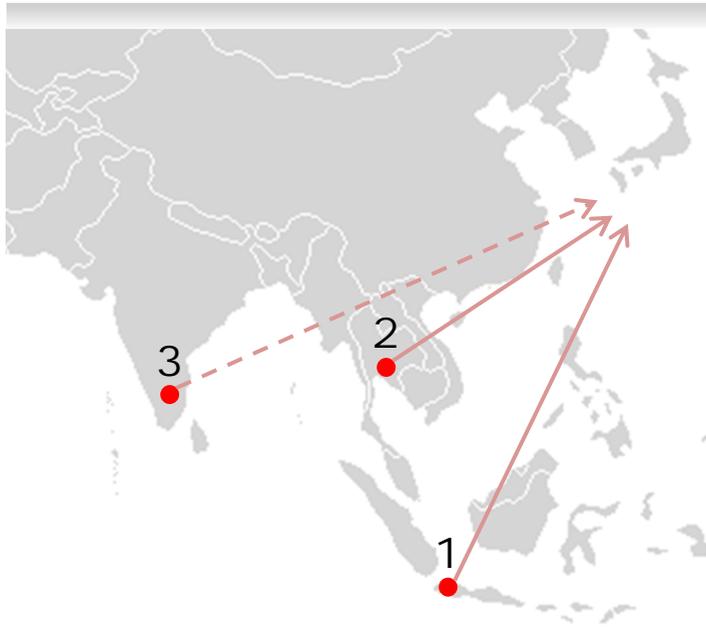
Created based on Kato M, et al. J Psychiatr Res 2017; 89: 97-104. Authors receiving support from Meiji Seika Pharma Co., Ltd., etc.

ASEAN ethical drug market



Global solid dosage form CMO market





Vial washing and sterilization
(P.T. Meiji Indonesian)

1. P.T. Meiji Indonesian Pharmaceutical Industries

- Established in 1974
- Started to export ethical pharmaceuticals to Japan in 1994
- Manufacturing penicillin drug after expanding facility
- Contract manufacturer for major pharmaceutical companies (CMO)

3. Medreich

- Subsidiary since 2015 via stock acquisition
- Preparing for the first generic drugs shipment to Japan in Autumn 2017

2. Thai Meiji Pharmaceutical

- Established in 1979
- Started to export ethical pharmaceuticals to Japan in 2004
- Manufacturing generic drugs such as *Amlodipine*



Laser marking (Thai Meiji)