



Financial Results
- For the First Half of FYE March 2018 -

November 13, 2017

Meiji Holdings Co., Ltd.

1. Overview for the First Half
2. Outlook for the Second Half and Full-year

- 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. Overview for the First Half

H1 Summary - FYE March 2018



(JPY bn)

		FYE March 2017 H1 Results	FYE March 2018 H1 Plan	FYE March 2018 H1 Results	Change vs. Plan	YoY Change
Meiji Holdings	Net sales	606.7	609.0	611.4	+0.4% +2.4	+0.8% +4.7
	Operating income	37.3	41.4	45.1	+9.0% +3.7	+20.9% +7.8
	Op. income margin	6.2%	6.8%	7.4%	+0.6pt	+1.2pt
	Net income attributable to shareholders of parent company	24.3	26.0	31.4	+20.9% +5.4	+29.2% +7.1
	EPS	165.20 yen	178.55 yen	216.33 yen	+37.78 yen	+51.13 yen
	Cash dividends per share	45.00 yen	57.50 yen	57.50 yen	—	+12.50 yen
	Interest bearing debt	144.4	—	139.6	—	-4.8
	Capital expenditures	23.3	33.2	34.8	+1.6	+11.5

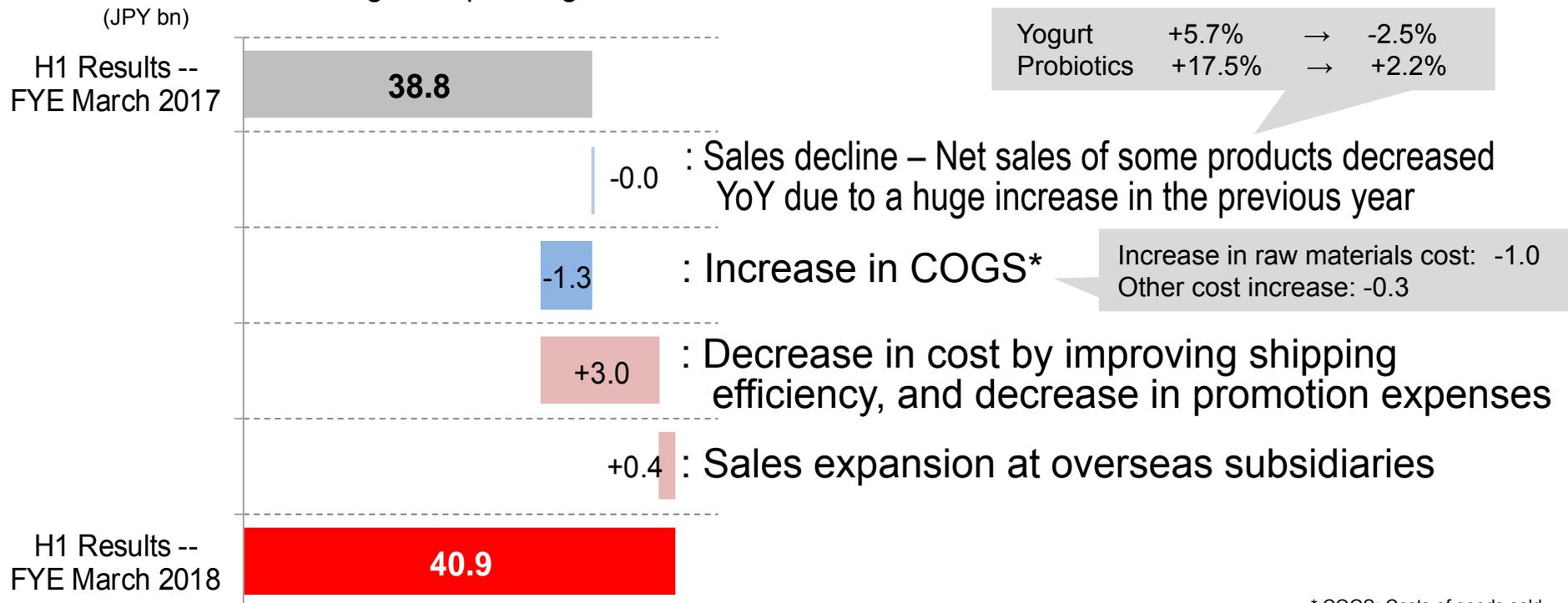
- Net sales grew steadily as planned
- Operating income grew favorably and exceeded the plan: succeeded in cost control, foreign exchange gains, and gains from sale of fixed assets

Operating Income Increased Year-on-Year Despite Favorable Results in the Previous Year

(JPY bn)

		FYE March 2017 H1 Results	FYE March 2018 H1 Plan	FYE March 2018 H1 Results	Change vs. Plan	YoY Change
Food	Net sales	535.2	531.0	534.2	+0.6% +3.2	-0.2% -1.0
	Operating income	38.8	38.8	40.9	+5.4% +2.1	+5.4% +2.0

YoY Change in Operating Income



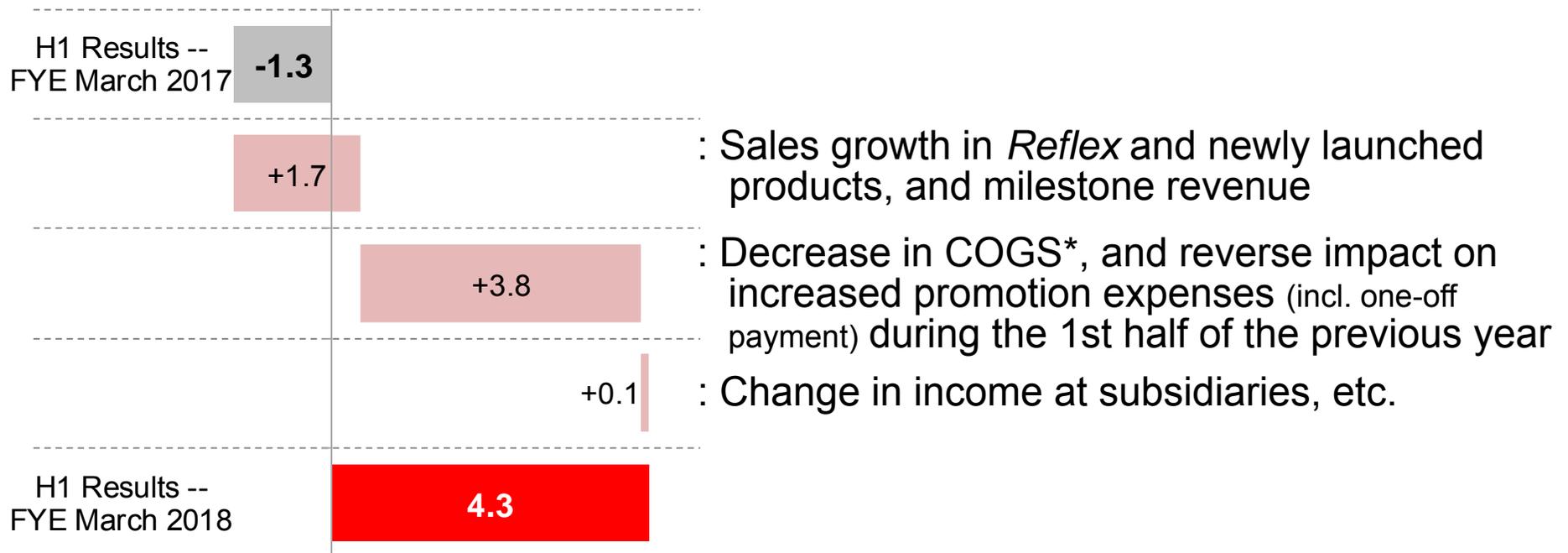
Significant Increase in Income – Made a One-off Payment in FYE March 2017, Received Milestone Revenue in FYE March 2018

(JPY bn)

		FYE March 2017 H1 Results	FYE March 2018 H1 Plan	FYE March 2018 H1 Results	Change vs. Plan	YoY Change
Pharma	Net sales	72.1	79.0	77.7	-1.5% -1.2	+7.8% +5.6
	Operating income	-1.3	2.7	4.3	+61.3% +1.6	— +5.6

YoY Change in Operating Income

(JPY bn)



* COGS: Costs of goods sold

2. Outlook for the Second Half and Full-year

Summary - FYE March 2018



(JPY bn)

		FYE March 2017 Results	FYE March 2018 Initial Plan	FYE March 2018 Revised Plan	YoY Change
Meiji Holdings	Net sales	1,242.4	1,261.0	1,262.3	+1.6% +19.9
	Operating income	88.3	94.5	96.5	+9.2% +8.1
	Op. income margin	7.1%	7.5%	7.6%	+0.5pt
	Net income attributable to shareholders of parent company	60.7	61.0	64.5	+6.2% +3.7
	EPS	413.11 yen	414.56 yen	443.88 yen	+30.77 yen
	Cash dividends per share	110 yen	115 yen	115 yen	+5 yen
	Dividend ratio	26.6%	27.7%	25.9%	-0.7pt
	ROE	14.2%	13.2%	13.9%	-0.3pt
	Capital expenditures	50.4	66.9	71.0	+20.6

- Revised plan reflecting favorable H1 results
- Key for the success – Q3 result, huge contributor in annual profit

(Note 1) The initial plan figures were announced on May 12, 2017. The revised plan figures were announced on November 8, 2017.

(Note 2) The repurchase of own shares was announced on February 7, 2017. The period of repurchase was from February 8 to July 14. The above ROE for FY3/17 is calculated by reflecting treasury shares acquired by the end of March 31, 2017. Also, ROE for FY3/18 is calculated by reflecting shares by July 14, 2017.

Use of Cash Flows

Improve profitability
Grow both margin and total income

Operating cash flows

Generate stable cash flow by increasing earnings

Plan - FYE March 2018
JPY 91.8 bn

Investing cash flows

Plan - FYE March 2018

JPY 64.8 bn

Accelerate investment to drive future growth, because of favorable performance for STEP UP 17 ahead of plan

- Increase in production capacities for Core products
- Establishment of system for the production of formulation for Japanese market
- Construction of new laboratory for food segment

Returns to shareholders

Plan - FYE March 2018

Dividends per share

JPY 115.00 (+5.00, yoy)

Stable and continued increases to dividends with a target consolidated payout ratio of 30% by considering medium- to long-term business forecasts

Interest bearing debt

Plan - FYE March 2018

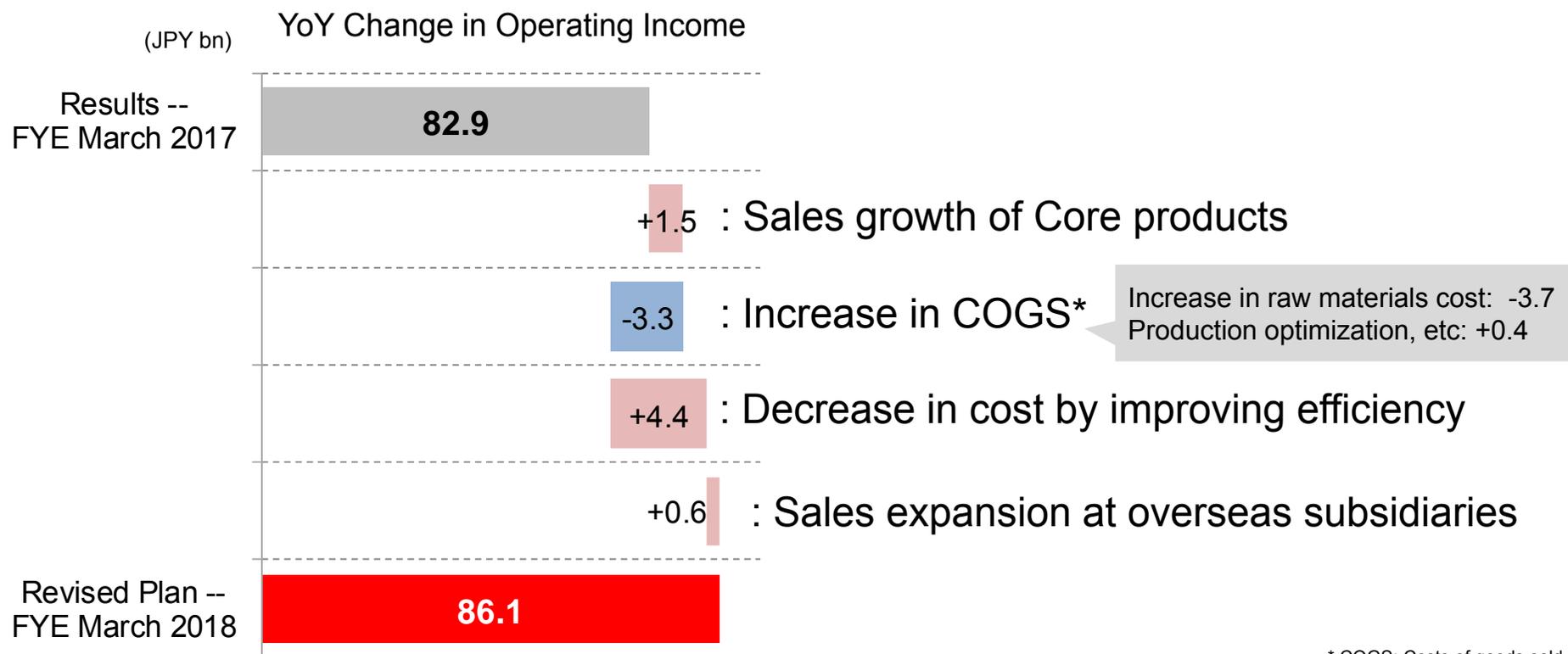
Debt/Equity Ratio 0.26

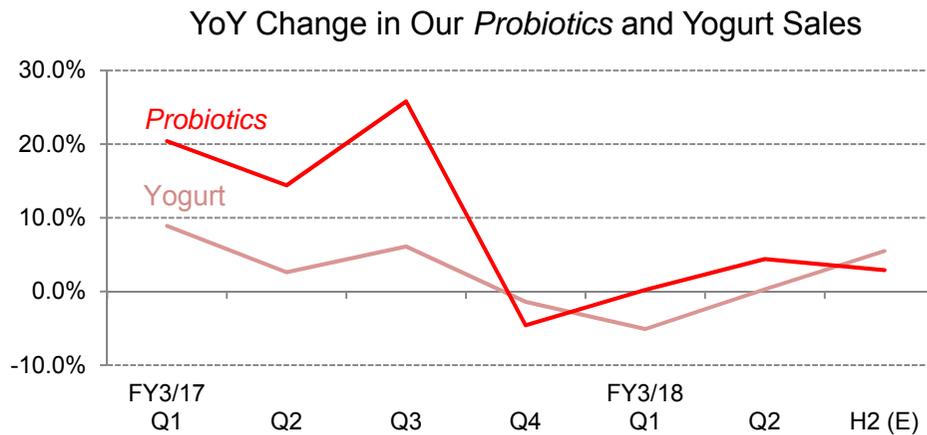
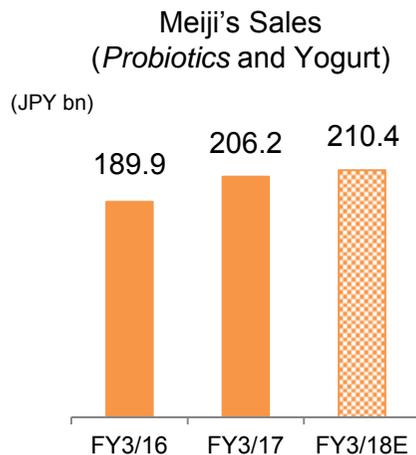
Stabilizing the financial base to invest for future growth

Grow in Sales of Domestic Core Products and International Business, and Reduce Cost

(JPY bn)

		FYE March 2017 Results	FYE March 2018 Initial Plan	FYE March 2018 Revised Plan	YoY Change
Food	Net sales	1,082.1	1,087.0	1,090.2	+0.8% +8.1
	Operating income	82.9	84.0	86.1	+3.8% +3.2





[Yogurt market]

- Expanded in FY3/17 -- Increase in media exposure of yogurt's health benefits attracted casual consumers
- Temporary market shrink in FY3/18 following major market expansion during FY3/17

- *Probiotics* (Functional yogurt):
Overcome brand specific issues

- LG21
 - Start new marketing activities with the phrase, *Lactobacillus effective in stomach*
 - Convey benefit of *Lactobacillus OLL2716*
- R-1
 - Launch 3 products in the second half
 - Expand sales through vigorous marketing

- Yogurt
Pursue value of products, not price

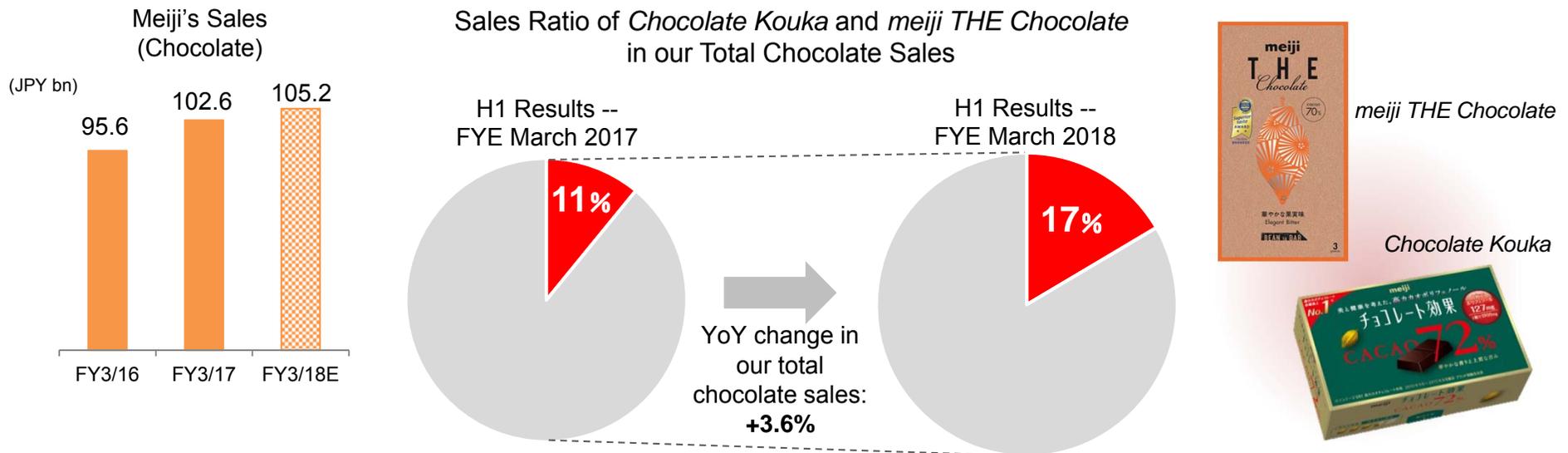
- *Meiji Bulgaria* brand
Promote health benefits of FOSHU* labeled products; plain and drinking yogurt
- Expand demand by proposing new consumption opportunities

(Our website)



* FOSHU: Foods with special healthy qualities approved by Japanese authorities

Continue Sales Growth of Chocolate - *Health and Premium*



- Improved product mix in chocolate products
Significant increase in sales of *Chocolate Kouka* and *meiji THE Chocolate*
- Expanding production capacities for further sales growth
Forecasting strong demand in *Health* and *Premium* categories
- Meiji drives the market
Bean to Bar - Differentiate products using Meiji's strength

Procurement

- Procure variety of cocoa beans
- Sustainable procurement



R&D and Production

- Years of research activities on health benefits of cocoa beans (Cacao Polyphenols)
- Integrated production; cocoa bean selection, fermentation, roasting, and molding

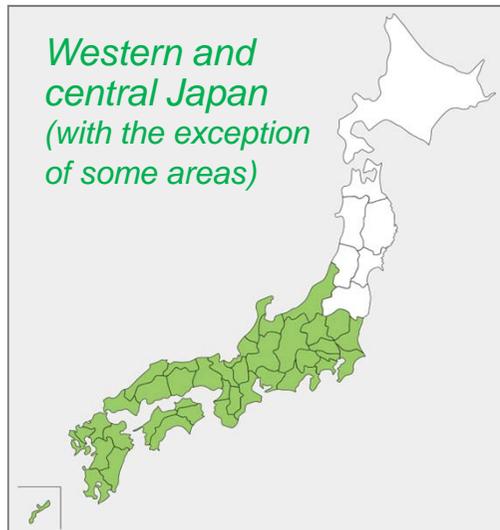
Competitive products

Brand awareness

- *Meiji chocolate, best of the best*



Released Area of New Container
(As of November 2017)



Previous



Net volume:
1000mL



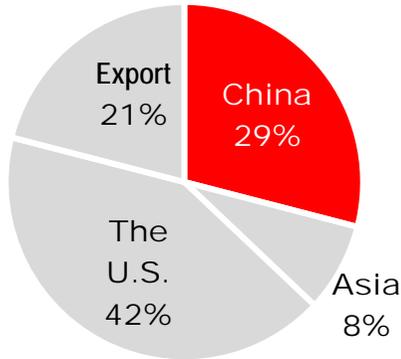
New



Net volume:
900mL

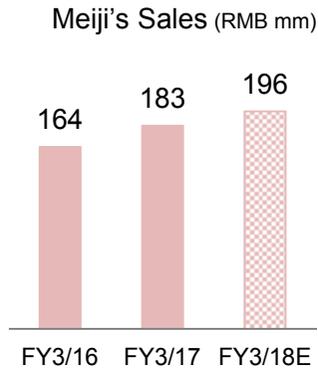
- Expanded sales area
 - Start from Kyushu in September 2016
 - Chubu area from October 2017 and Kanto area from November
- Sales grew steadily
 - Accepted by consumers for its tastiness and convenience
 - Establish strong presence in Chubu and Kanto area
- Invested in improving production lines for new packaging and marketing activities

Consolidated Sales Breakdown by Area
(Based on full-year plan for FYE March 2018, JPY)



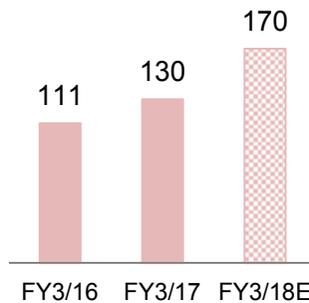
Meiji Bulgaria Drinking Yogurt
Plain and Blueberry
(Launched in October 2017)

Confectionery



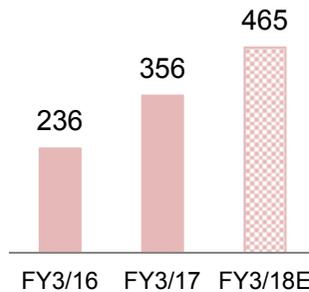
- Sales increased in chocolate products
- Focus business resources in developing sales in Shanghai, Guangzhou and Beijing

Ice cream



- Enhance promotional activities and expand sales area
- Control cost thoroughly during the off-season

Chilled milk and yogurt



- Chilled milk
 - Favorable sales in convenience stores
 - Expand sales area
- Yogurt
 - Grow sales of plain yogurt steadily, in spite of harsh competition with local and foreign manufacturers

Meiji Innovation Center (in Hachioji, Tokyo)

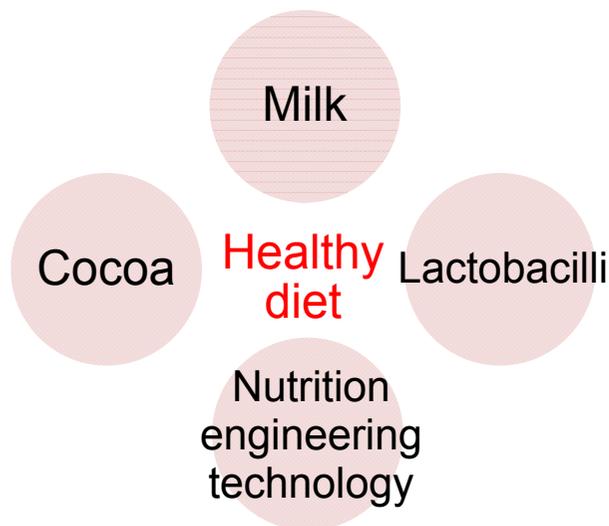
**Odawara
Research Lab.**
Milk, lactobacilli

**Tsurugashima
Research Lab.**
Confectionery



- Complete in November 2017
- Complete integration by March 2018
- Investment: JPY 20.0 bn

Main Research Domain Criteria

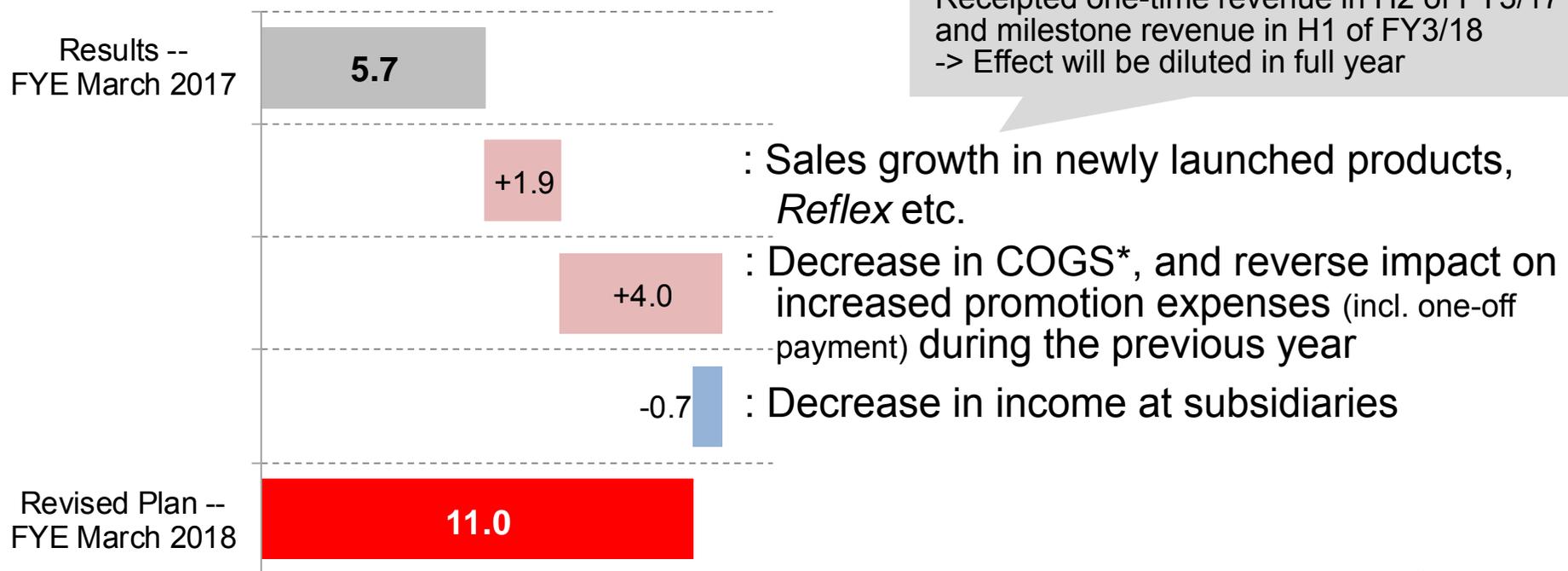


- Integrate all research and development functions in Hachioji
 - Product development, food science research, production technology and quality science research
- Review organization in R&D division
 - Accelerate product development with fresh and long-term perspective
- Activate communications among researchers and laboratories
 - Build research team based on the subject
 - Shorten development period

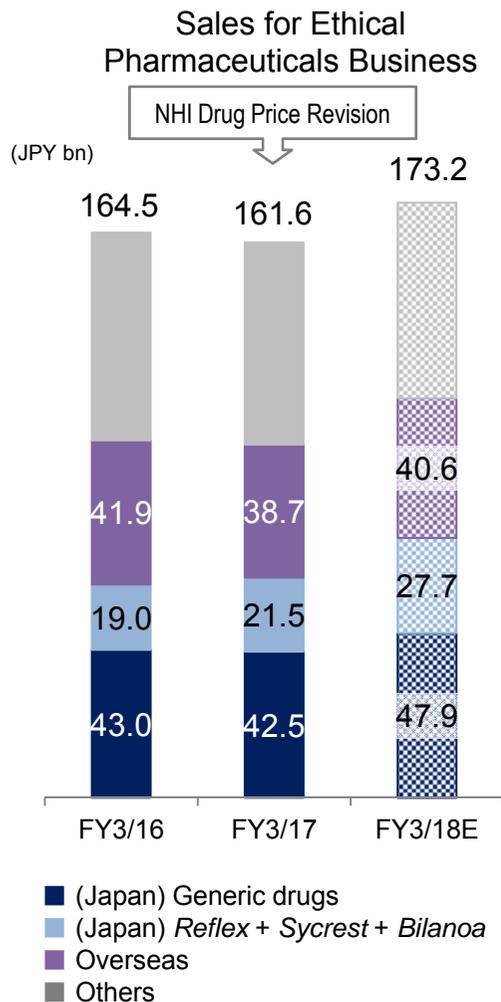
(JPY bn)

		FYE March 2017 Results	FYE March 2018 Initial Plan	FYE March 2018 Revised Plan	YoY Change
Pharma	Net sales	161.6	175.6	173.2	+7.2% +11.6
	Operating income	5.7	11.0	11.0	+90.3% +5.2

(JPY bn) YoY Change in Operating Income

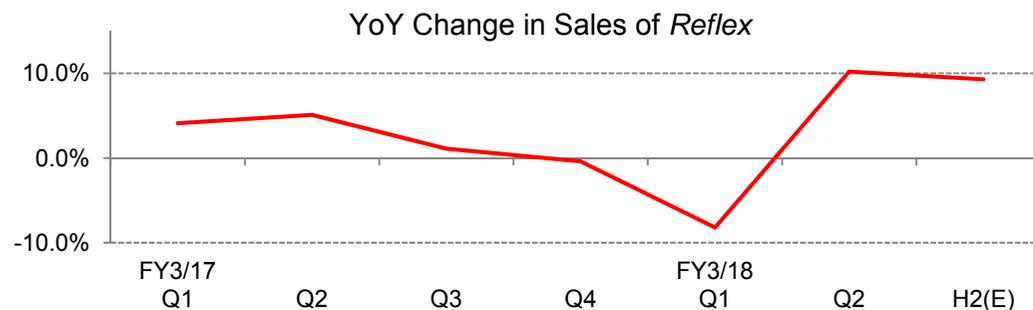


* COGS: Costs of goods sold



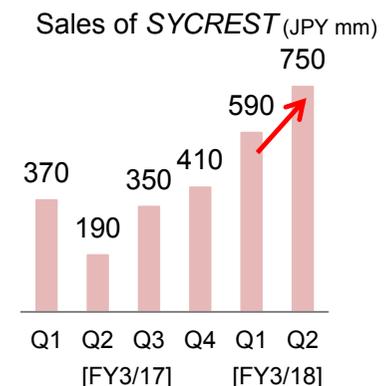
● **REFLEX**, Antidepressant drug

Maximize product value using latest evidence for patients in Japan



● **SYCREST**, Antipsychotic drug

- Approved for long-term prescription on June 1, 2017
- Expand presence – Increase number of prescriptions in 2nd year of sales



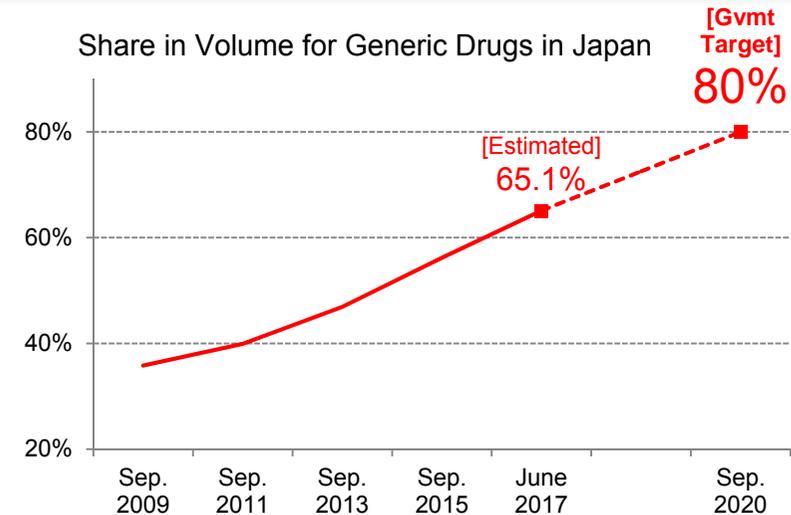
● **BILANOVA**, Drug for allergic disease,

Approve for long-term prescription in December 2017

Steady Sales Growth Focusing Mainstay Brand-name Drugs and Generic Drugs in Japan

New Business Model for Our Generic Drugs Business

Specialty generic drugs	<ul style="list-style-type: none"> • Injectable antibacterial • Oral antibacterial • Respiratory disease • CNS disorders 	MR promotions YES
Essential generic drugs	Other domains requiring stable supply <ul style="list-style-type: none"> • Lifestyle related diseases • Gastrointestinal disease 	MR promotions NO

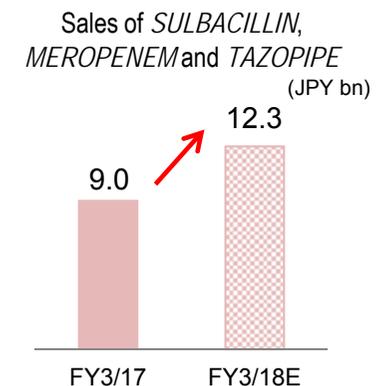


(Source) Ministry of Health, Labour and Welfare

● TAZOPIPE, Antibacterial drug

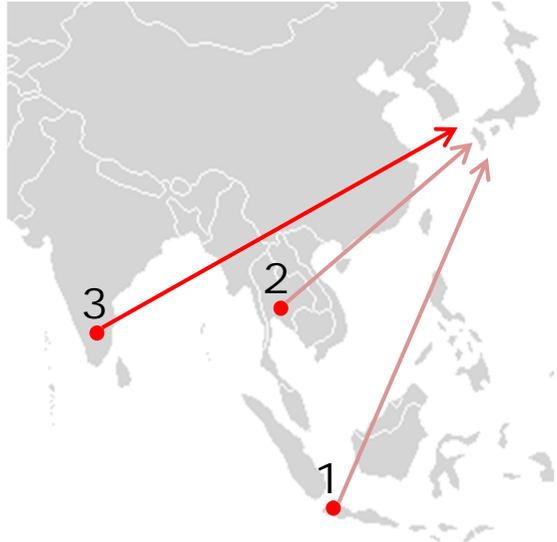
- Injectable antibiotics in *Infectious Disease*; one of our focus therapeutic area
 - Our presence in this area is solid with our successful *Fusion Strategy**
 - We launched *SULBACILLIN* and *MEROPENEM* etc., as well as *TAZOPIPE*
- Grew sales substantially due to increased use of generic drugs
- Manufacture in PT. Meiji Indonesia

* Fusion Strategy: Our medical reps promote both prescription drugs and generic drugs



Decrease production cost for generic drugs over time to prepare for upcoming drug price reduction

Our Worldwide Drug Production for Japanese Market



1. PT. Meiji Indonesian Pharmaceutical Industries

(Est. 1974)

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

2. Thai Meiji Pharmaceutical (Est. 1979)

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

3. Medreich (Subsidiary since 2015)

- Started providing 4 generic drugs in October 2017
- Expand product lineups mainly in lifestyle related diseases and digestive diseases
- Supply high quality and competitive products stably
- Has manufacturing capacity of 3 billion tablets/year for Japanese market
 - Manufacture in low cost
 - Expand B to B transactions with Japanese GE companies



(Medreich Unit 7)

Medreich

: Production

Bulk product



- Sent Japanese experts to Medreich and transferred manufacturing tech.
- Manufacture products comply with *Meiji Reliability Assurance Policy*

Meiji Seika Pharma

: Testing, packaging and approval or rejection of release

End product



Me Pharma

: Sales and distribution

End product



Secure quality sufficient for Japanese market in Odawara facility



Wholesaler



Appendix

H1 Results - FYE March 2018



(JPY bn)

	Consolidated H1 Results		Main Factors for Change
	YoY Change		
Net sales	611.4	+0.8% +4.7	— (cf. Page 5-6)
Operating income	45.1	+20.9% +7.8	— (cf. Page 5-6)
Non-operating income	1.9	+39.8% +0.5	- Change in equity in income of affiliates (+0.4, yoy) [H1 for FY3/17] Equity in losses of affiliates (0.1) [H1 for FY3/18] Equity in income of affiliates (0.3)
Non-operating expenses	0.9	-63.9% -1.6	- Change in impact from foreign exchange (+1.7, yoy) [H1 for FY3/17] Foreign exchange losses (1.6) [H1 for FY3/18] Foreign exchange gains (0.1)
Ordinary income	46.1	+27.8% +10.0	—
Extraordinary income	3.3	-36.9% -1.9	- Decrease in gain on sale of property, plants and equipment (-2.4): the previous year results included extraordinary income from gains on sales related to the transfer of fixed assets - Loss on sales of shares subsidiaries and associates (+0.4): liquidation of Meiji-Dairy Trading Shanghai has been completed.
Extraordinary losses	2.6	+3.7% +0.0	- Decrease in loss on disaster (-1.2): the previous year results included losses on a subsidiary, Nihon Kanzume - Increase in loss on disposal of property, plants and equipment (+1.0)
Income before income tax	46.8	+20.5% +7.9	—
Income taxes-total	14.8	+2.3% +0.3	—
Net income attributable to non-controlling shareholders	0.5	+1215.1% +0.5	—
Net income attributable to shareholders of parent company	31.4	+29.2% +7.1	—

H1 Results - FYE March 2018: Analysis of Consolidated Operating Income



(JPY bn)

	First Half		(By Segment)		
			Food	Pharma	Other
H1 Results -- FYE March 2017	37.3		38.8	-1.3	-0.2
Due to increased/decreased sales		+1.7	-0.0	+1.7	—
Changes in costs of goods sold		-1.3 (*1)	-1.3	0.0	—
Changes in other SG&A expenses		+6.8 (*2)	+3.0	+3.8	—
Other (incl. change in results of subsidiaries)		+0.6	+0.4	+0.1	+0.1
H1 Results -- FYE March 2018	45.1		40.9	4.3	-0.1

(Breakdown)

*1: **[Food]** Increase in raw materials costs: -1.0, Other cost increase: -0.3

*2: **[Food]** Decrease in promotion expenses: +2.6, Distribution optimization: +0.4

[Pharma] Decrease in promotion expenses: +3.1, Other cost reduction: +0.7

Financial Position as of September 2017

(JPY bn)

	Results		Main Factors for Change
	as of Sep. 2017	YoY Change	
Current assets	387.7	+2.7% +10.0	- Increase in notes and accounts receivable (+10.8) - Increase in inventories (+8.7): for raw materials, newly launched drugs, etc
Fixed assets	531.2	+4.9% +25.0	- Increase in property, plants and equipment (+18.0): for production capacity expansion, construction of a new laboratory, etc. - Increase in investment securities (+8.1): valuation at market price
Total assets	918.9	+4.0% +35.0	—
Current liabilities	332.5	+5.8% +18.3	- Increase in short-term bank loans and commercial papers (CP), redemption of straight bonds (SB) (+8.6) - Increase in notes and accounts payable (+8.2)
Long-term liabilities	116.7	+3.8% +4.2	- SB issuance, decrease in long-term bank loans (+1.5)
Total liabilities	449.3	+5.3% +22.6	—
Shareholders' equity	444.0	+1.8% +8.0	- Increase in retained earnings (+21.9) - Increase in treasury stock (-13.8)
Accumulated other comprehensive income	17.6	+36.6% +4.7	- Net unrealized holding gains or losses on securities (+4.7)
Minority interests	7.9	-3.6% -0.2	—
Total net assets	469.6	+2.7% +12.4	—
Interest bearing debt	139.6	+7.8% +10.1	- Redemption of SB #3 (10.0) - Issuance of SB #7 (10.0) - Issuance of CP (8.0)
Equity Ratio	50.2%	-0.6pt	—

H1 Results - FYE March 2018: Cash Flows and Shareholders' Return

(JPY bn)

	Consolidated H1 Results	YoY Change	Main Factors for Change
Net cash flow from operating activities	38.7	+15.0	- Increase in income before income taxes (+7.9) - Decrease in income taxes paid (+11.3) - Increase in trade receivables (-18.8) and increase in trade payables (+8.9): impacted by a bank holiday as the end of the period
Net cash flow from investing activities	-32.6	-12.9	- Increase in payments for purchases of property, plants or equipment (-11.3): production capacity expansion of Core products, construction of a new laboratory and a new logistics site, etc. - Decrease in proceeds from sales of property, plants or equipment and intangible fixed assets (-1.8): the previous year results included proceeds from sales of an old factory site
Free cash flow	6.0	+2.0	—
Cash dividends per share	57.5 yen	+12.5 yen	—

Plan - FYE March 2018



(JPY bn)

		First Half		Second Half		Full Year	
		Results	YoY Change	Plan	YoY Change	Plan	YoY Change
Meiji Holdings	Net sales	611.4	+0.8% +4.7	650.8	+2.4% +15.2	1,262.3	+1.6% +19.9
	Operating income	45.1	+20.9% +7.8	51.3	+0.4% +0.3	96.5	+9.2% +8.1
	Op. income margin	46.1	+27.8% +10.0	51.4	-2.6% -1.3	97.5	+9.7% +8.7
	Net income attributable to shareholders of parent company	31.4	+29.2% +7.1	33.4	-8.4% -3.0	64.5	+6.1% +3.7
Food	Net sales	534.2	-0.2% -1.0	556.0	+1.7% +9.1	1,090.2	+0.7% +8.1
	Operating income	40.9	+5.4% +2.0	45.2	+2.4% +1.0	86.1	+3.8% +3.1
Pharma	Net sales	77.7	+7.8% +5.6	95.4	+6.6% +6.0	173.2	+7.2% +11.6
	Operating income	4.3	— +5.6	6.6	-7.0% -0.4	11.0	+90.3% +5.2

Plan by Business in Food Segment - FYE March 2018



(JPY bn)

		First Half		Second Half		Full Year	
		Results	YoY Change	Plan	YoY Change	Plan	YoY Change
Fresh and Fermented Dairy	Net sales	272.2	+0.9% +2.4	278.4	+1.3% +3.5	550.7	+1.1% +6.0
	Operating income	24.6	+2.5% +0.5	28.2	+1.6% +0.4	52.8	+2.0% +1.0
Processed	Net sales	91.9	-2.7% -2.5	87.2	-2.6% -2.3	179.1	-2.7% -4.8
	Operating income	4.0	-11.5% -0.5	3.0	+5.9% +0.1	7.0	-4.8% -0.3
Confectionery	Net sales	69.9	+0.0% +0.0	92.6	+2.5% +2.2	162.5	+1.4% +2.2
	Operating income	7.2	+16.1% +1.0	12.0	-0.7% -0.0	19.3	+5.0% +0.9
Nutritionals	Net sales	49.0	+1.2% +0.5	45.8	+5.9% +2.5	94.8	+3.4% +3.1
	Operating income	7.2	+3.1% +0.2	5.5	+21.0% +0.9	12.7	+10.1% +1.1

Plan by Business in Food Segment - FYE March 2018



(JPY bn)

		First Half		Second Half		Full Year	
		Results	YoY Change	Plan	YoY Change	Plan	YoY Change
Other	Net sales	181.2	+1.6% +2.8	178.9	-0.9% -1.6	360.2	+0.3% +1.1
	Operating income	3.0	+18.2% +0.4	2.7	-8.9% -0.2	5.8	+3.6% +0.2
Elimination and Corporate Expenses	Net sales	-130.2	— -4.3	-127.1	— +4.8	-257.3	— +0.4
	Operating income	-5.3	— +0.3	-6.3	— -0.1	-11.6	— +0.1

Plan - FYE March 2018: Analysis of Consolidated Operating Income



(JPY bn)

	Full-year	(By Segment)		
		Food	Pharma	Other
Results -- FYE March 2017	88.3	82.9	5.7	-0.3
Due to increased/decreased sales	+3.4	+1.5	+1.9	—
Changes in costs of goods sold	-3.3 (*1)	-3.3	0.0	—
Changes in other SG&A expenses	+8.4 (*2)	+4.4	+4.0	—
Other (incl. change in results of subsidiaries)	-0.4	+0.6	-0.7	-0.3
Plan -- FYE March 2018	96.5	86.1	11.0	-0.6

(Breakdown)

*1: **[Food]** Increase in raw materials costs: -3.7, Production optimization and other cost reduction: +0.4

*2: **[Food]** Decrease in promotion expenses: +3.2, Distribution optimization: +1.2

[Pharma] Decrease in promotion expenses: +0.8, Other cost reduction: +3.2

Plan - FYE March 2018: Cash Flows and Shareholders' Return



(JPY bn)

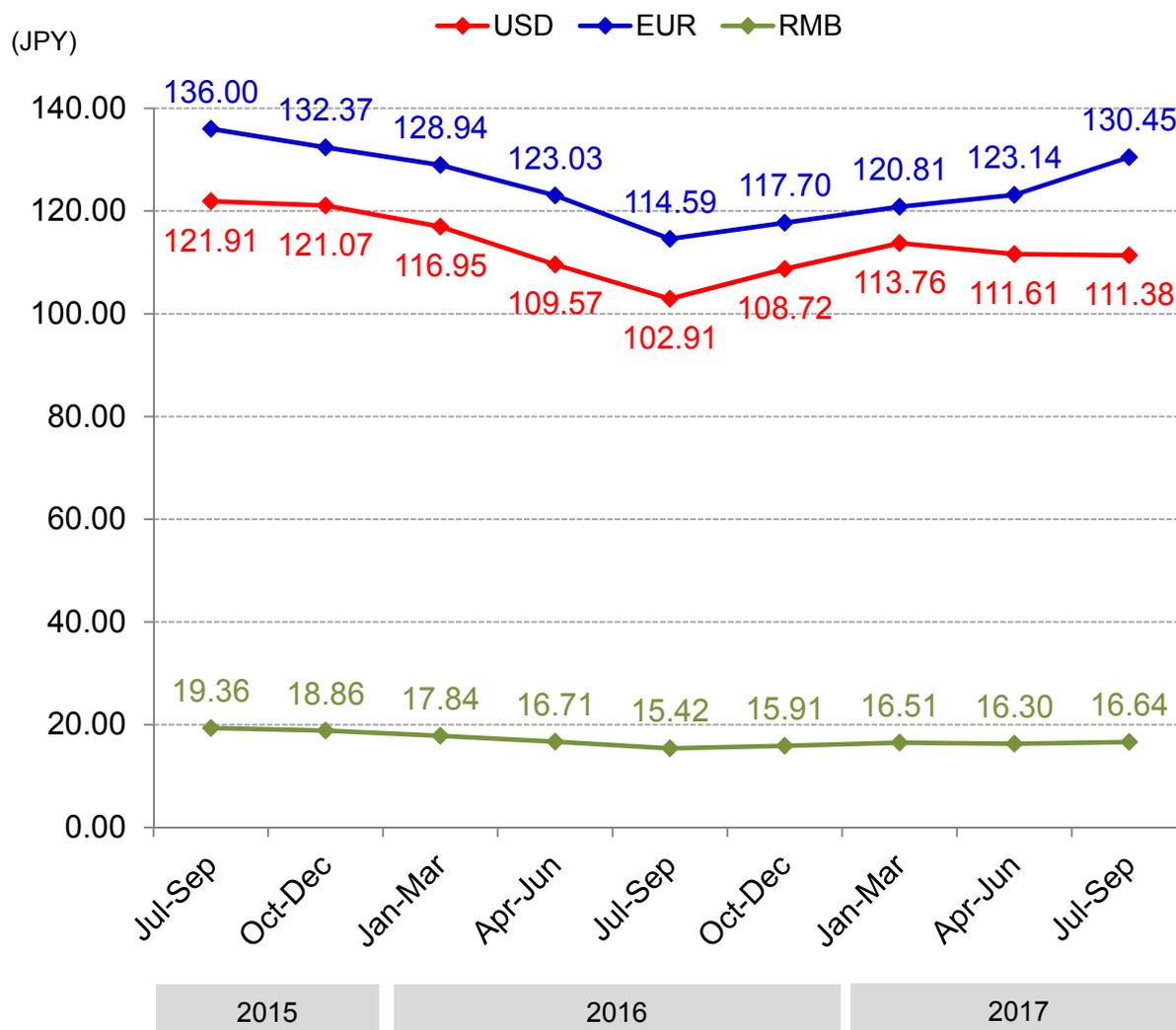
	Consolidated Plan	YoY Change	Main Factors for Change
Net cash flow from operating activities	91.8	+10.0	- Increase in profits
Net cash flow from investing activities	-64.8	-20.6	- Increase in capital expenditures [Amounts] Food 59.9 bn (+15.5bn, yoy) Pharma 11.1 bn (+5.0bn, yoy)
Free cash flow	27.0	-10.6	—

Cash dividends per share	115 yen	+5 yen	(2Q) 57.5 yen (Year-end) 57.5 yen
Payout ratio	25.9%	-0.7pt	—
ROE	13.9%	-0.3pt	—

Key Currencies and Our Average Exchange Rates



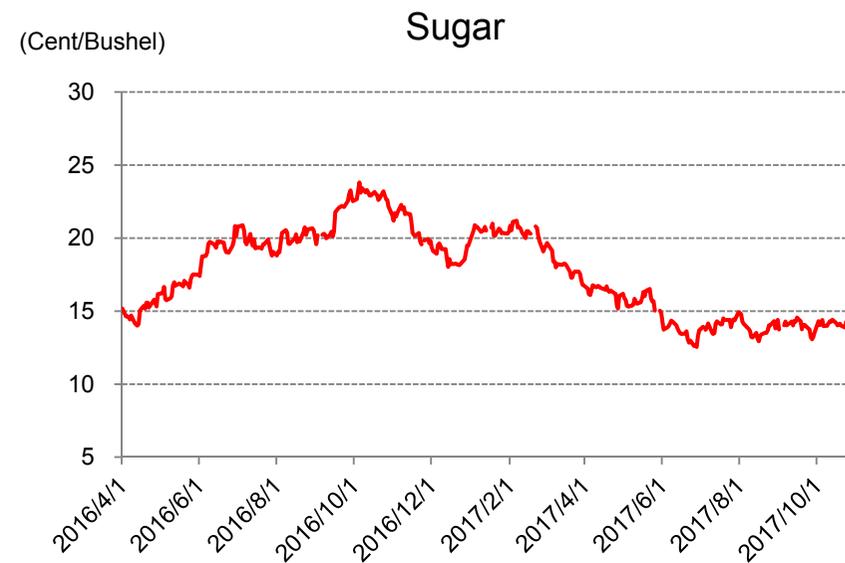
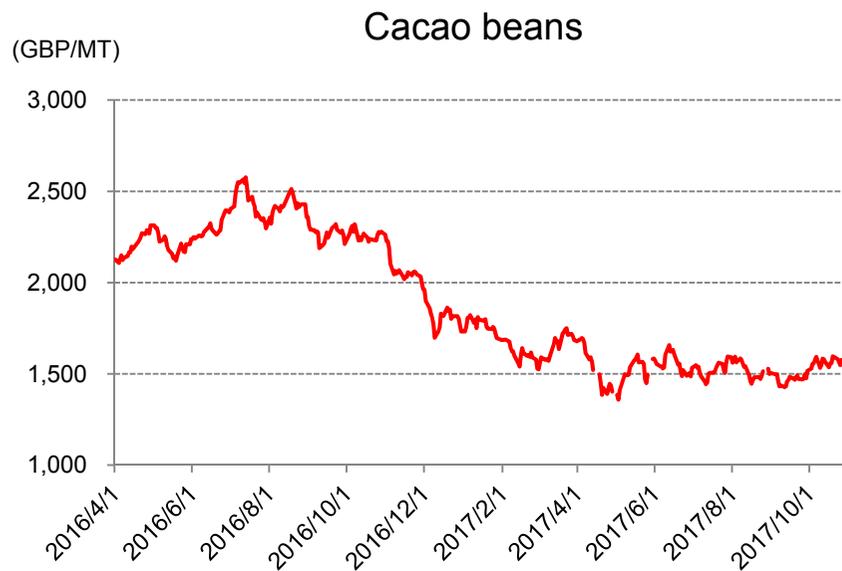
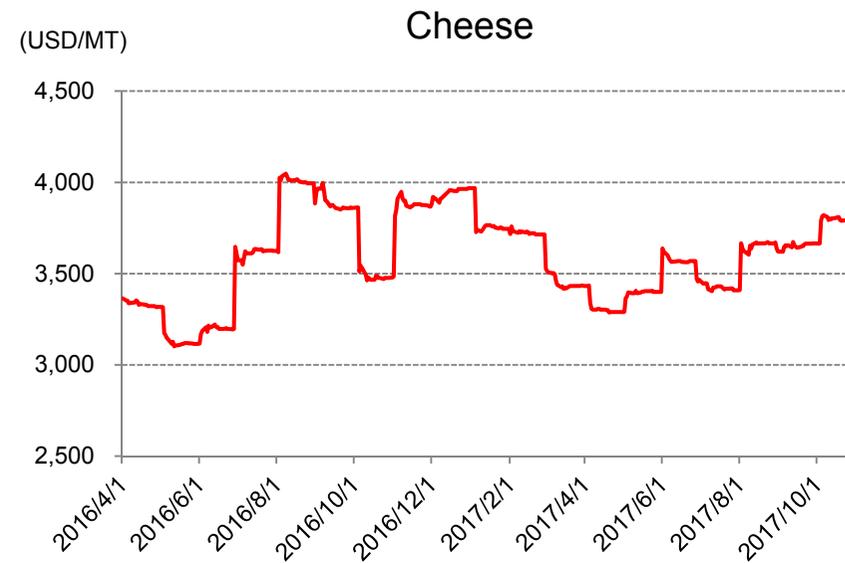
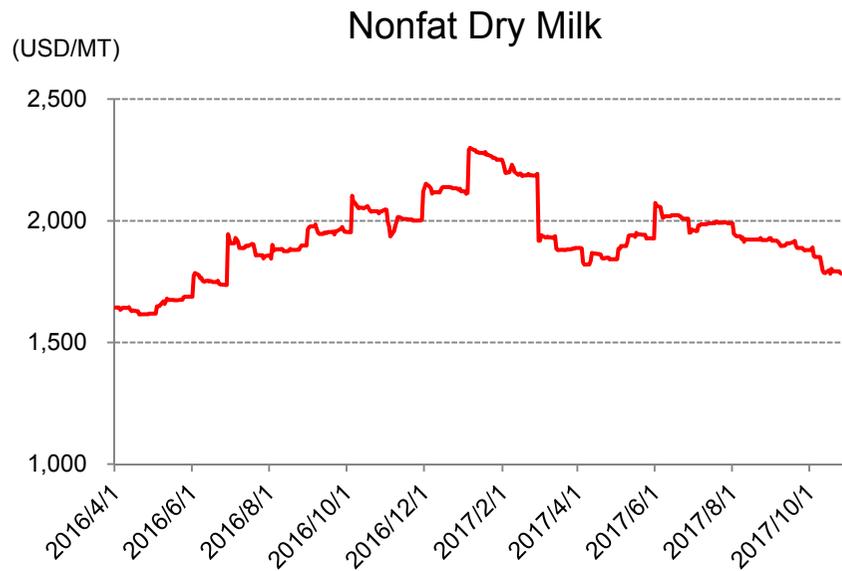
Key Currencies and Our Average Exchange Rates



Foreign exchange target in the FYE March 2018

USD	Food: 108 yen Pharma: 110 yen
EUR	Food: 120 yen Pharma: 125 yen
RMB	Food: 17 yen Pharma: 16.5 yen

Market Trends in Imported Raw Materials Prices



Market Share of Our Main Products in Japan



Drinking Milk



Share **22.3%**
<No.1>

Yogurt



Share **41.9%**
<No.1>

Natural Cheese



Share **10.8%**
<No.3>

Ice Cream



Share **8.9%**
<No.5>

Chocolate



Share **25.8%**
<No.1>

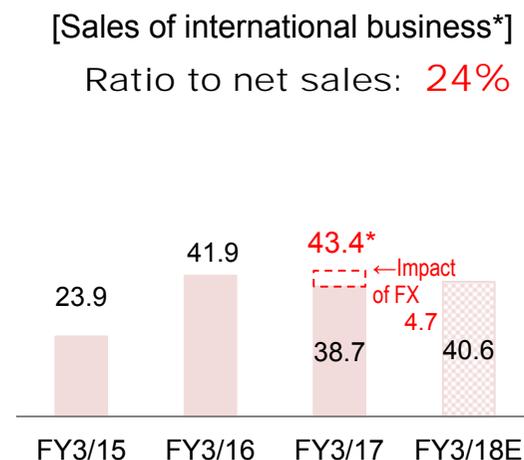
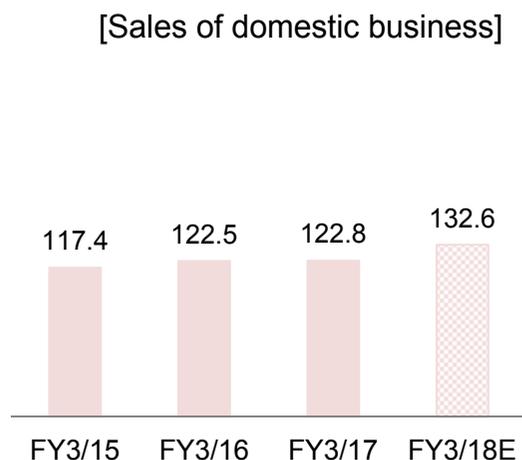
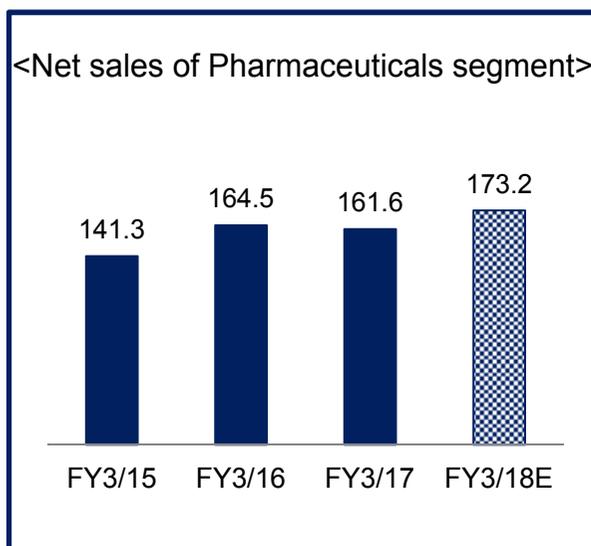
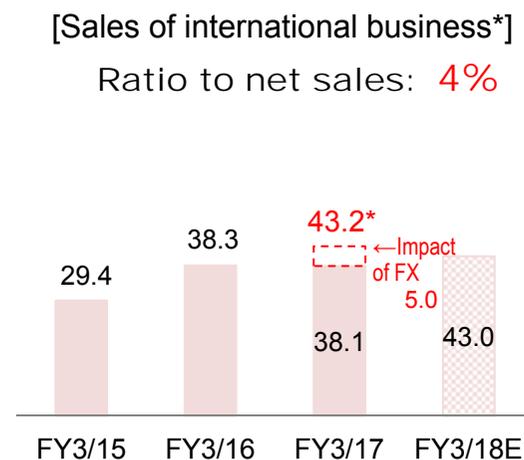
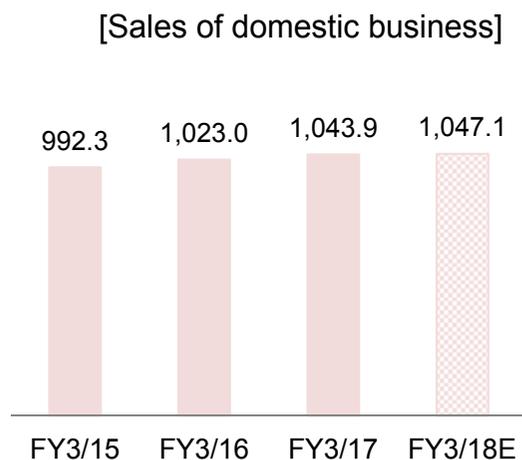
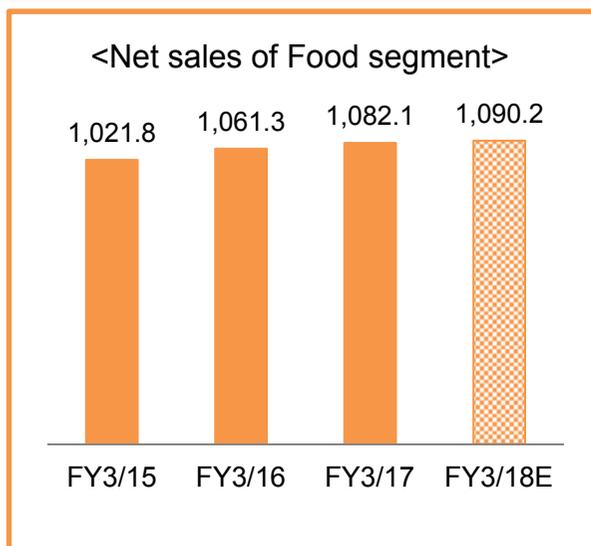
Infant Formula



Share **39.2%**
<No.1>

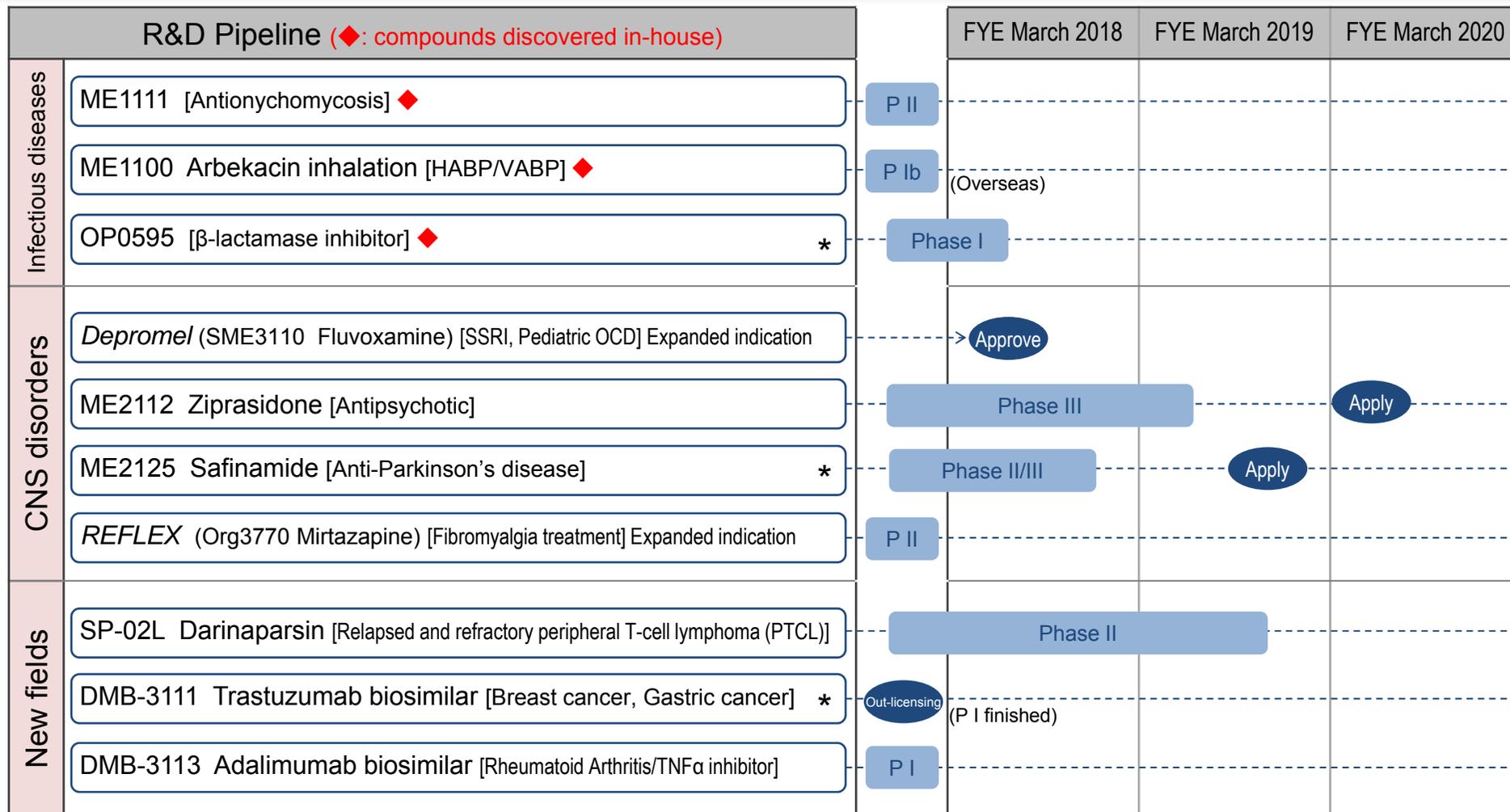
Sales by Region

(JPY bn)

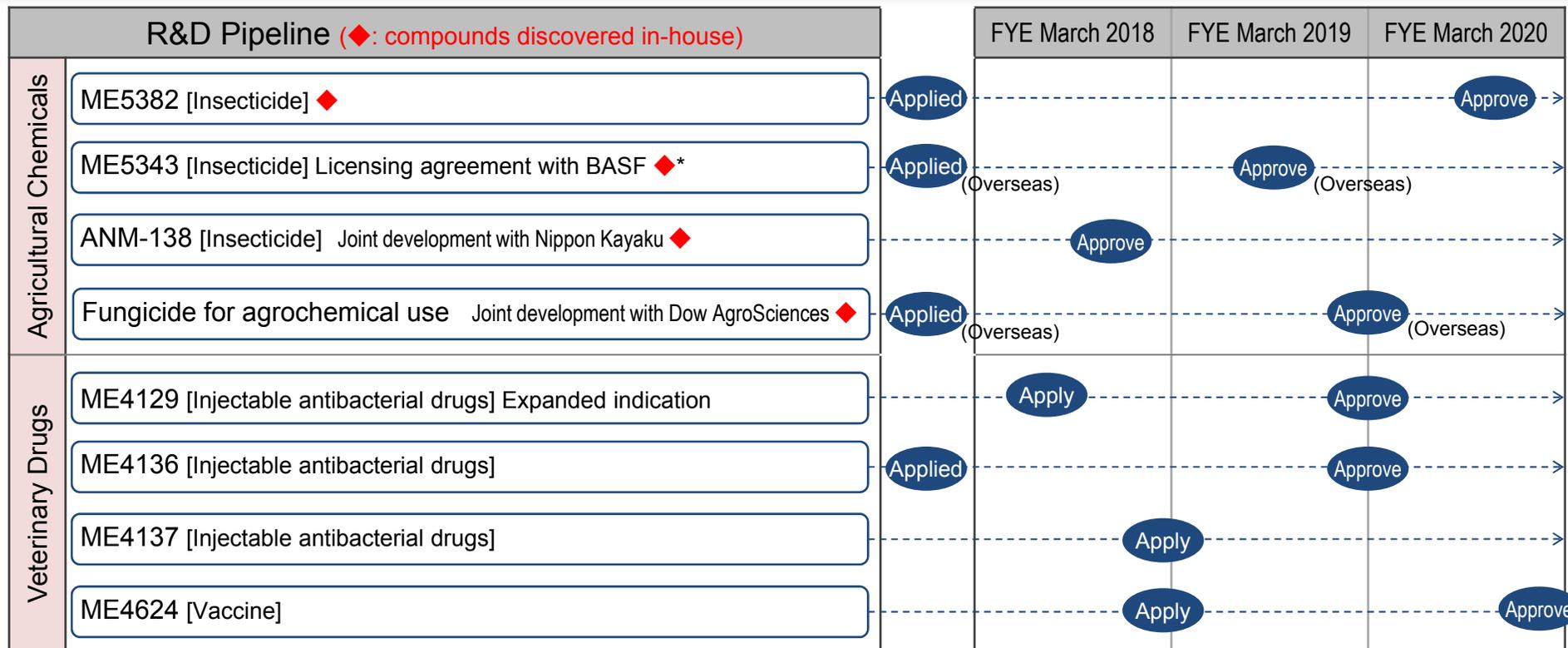


(Note) Net sales for the parent company export business and net sales (after elimination) from overseas subsidiaries subject to the scope of consolidation are indicated as above sales.

R&D Pipeline - Ethical pharmaceuticals



R&D Pipeline – Agricultural chemicals and veterinary drugs



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



meiji

