



Financial Results for FYE March 2019

May 17, 2019

**Meiji Holdings Co., Ltd.**

1. Overview for FYE March 2019
2. Outlook for FYE March 2020
3. 2020 Medium-Term Business Plan

- Information in this material is not intended to solicit sale or purchase of shares in Meiji Holdings. The final decision relating to investments should be made based on the judgment of users themselves.
- 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 FYE March 2019

# Summary for FYE March 2019



| (JPY bn)<br>Meiji HD (consolidated)                          | FYE March<br>2018 Results | FYE March<br>2019 Plan | FYE March<br>2019 Results | YoY Change     | vs. Plan       |
|--|---------------------------|------------------------|---------------------------|----------------|----------------|
| Net sales  | 1,240.8                   | 1,265.5                | 1,254.3                   | +1.1%<br>+13.5 | -0.9%<br>-11.1 |
| Operating income   | 94.6                      | 101.0                  | 98.3                      | +3.9%<br>+3.7  | -2.6%<br>-2.6  |
| Op. income margin  | 7.6%                      | 8.0%                   | 7.8%                      | +0.2pt         | -0.1pt         |
| Net income attributable to<br>shareholders of parent company | 61.2                      | 71.0                   | 61.8                      | +1.0%<br>+0.5  | -12.9%<br>-9.1 |
| EPS (JPY)  | 422.15                    | 489.61                 | 426.61                    | +4.46          | -63.00         |
| Cash dividends per share (JPY)                               | 130                       | 130                    | 140                       | +10            | +10            |
| Dividend payout ratio  | 30.8%                     | 26.6%                  | 32.8%                     | +2.0pt         | +6.2pt         |
| ROE  | 13.1%                     | 13.8%                  | 12.2%                     | -0.9pt         | -1.6pt         |
| Capital expenditures   | 71.7                      | 79.3                   | 71.2                      | -0.7%<br>-0.5  | -10.2%<br>-8.1 |

- Increased both in net sales and income YoY, failed to meet plan
- Net income largely par YoY due to lump sum amortization of goodwill for Medreich, pharmaceutical subsidiary in India, and failed to meet plan

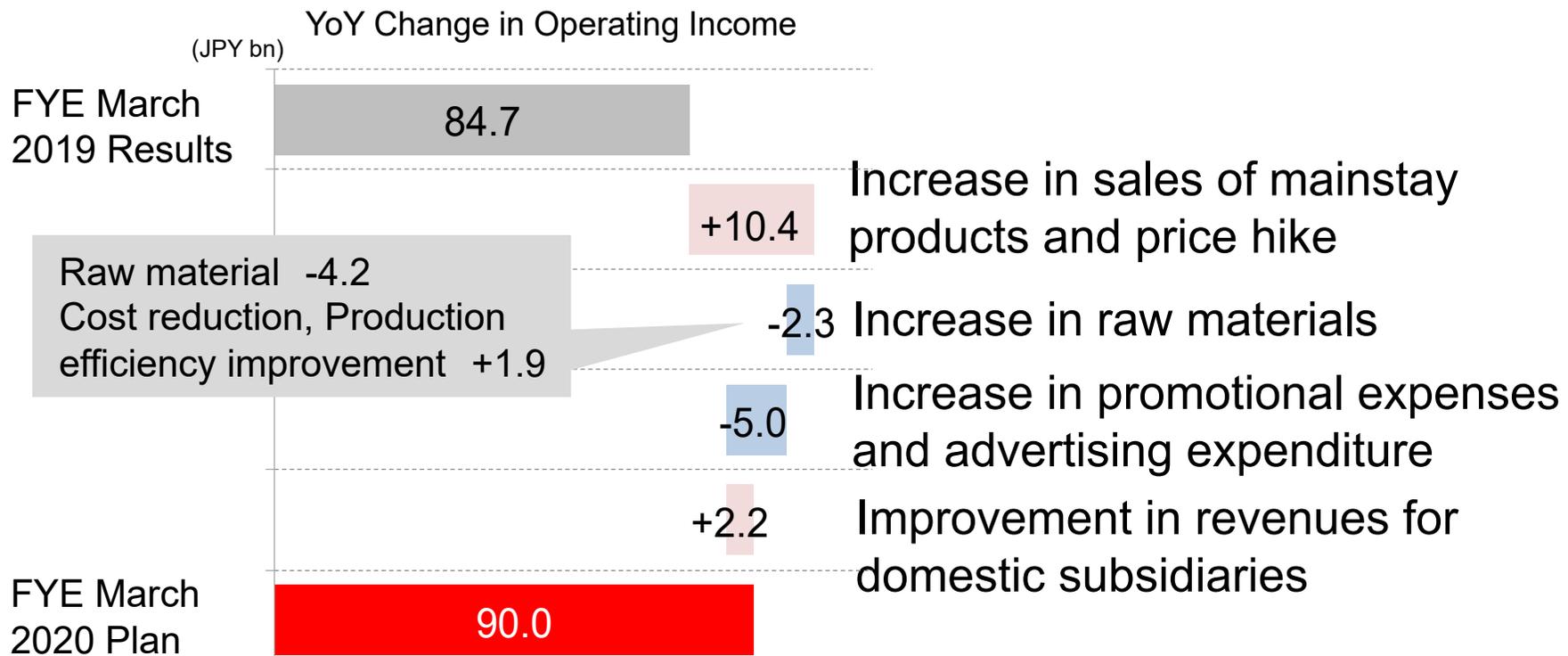
## 2. Outlook for FYE March 2020

# Outlook for FYE March 2020

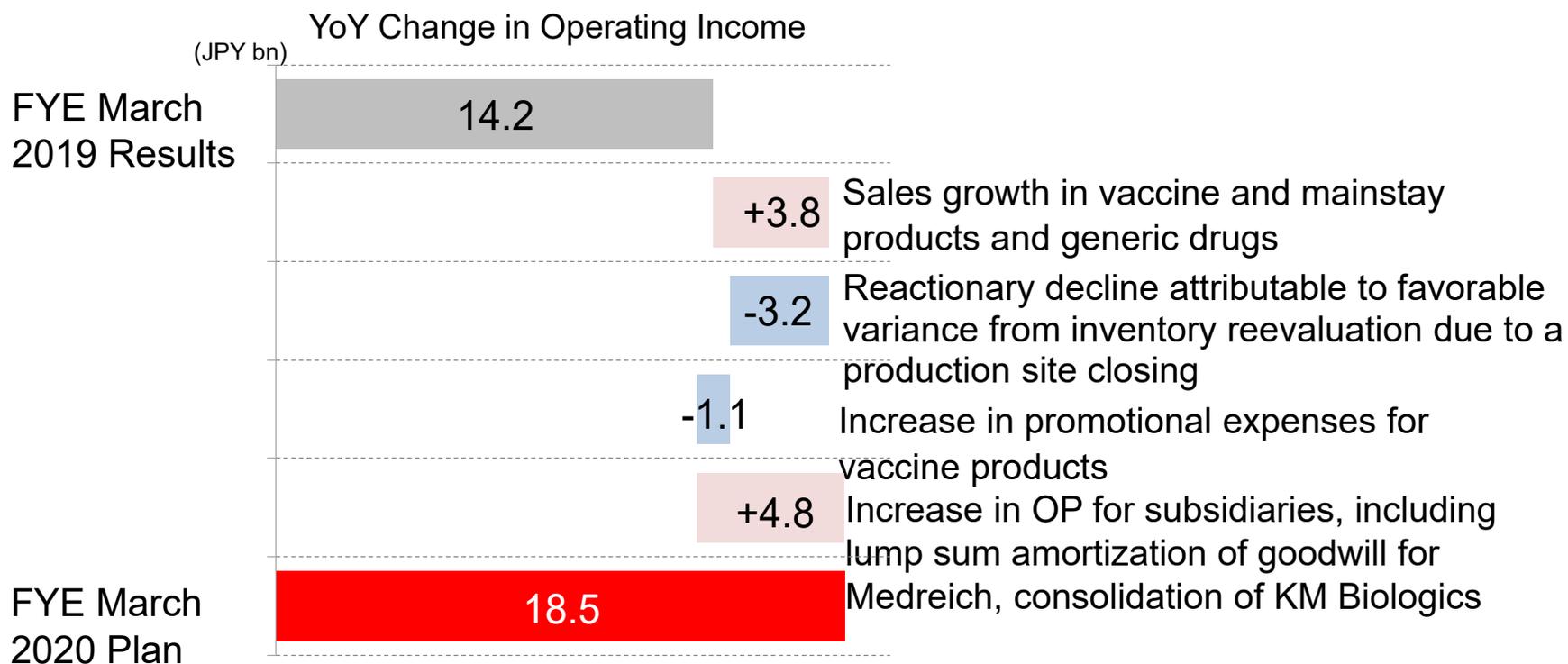


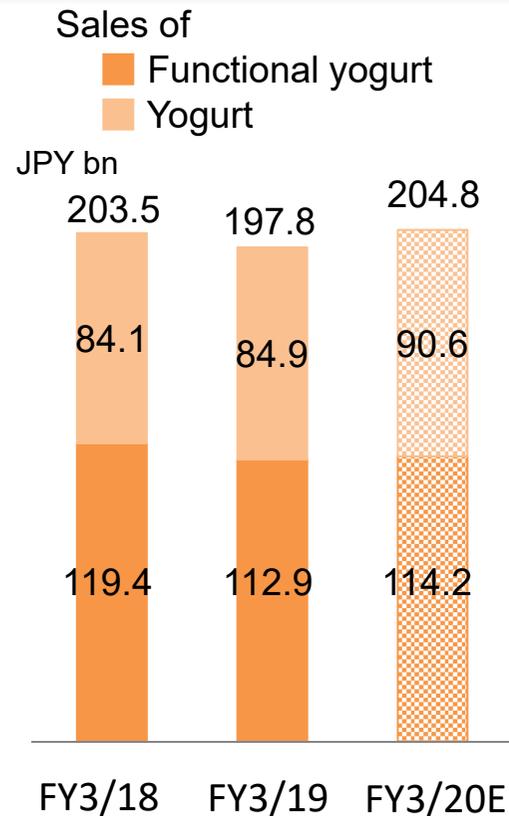
| (JPY bn)<br>Meiji HD (consolidated)                          | FYE March 2019<br>Results | FYE March 2020<br>Plan | YoY Change      |
|--|---------------------------|------------------------|-----------------|
| Net sales  | 1,254.3                   | 1,309.0                | +4.4%<br>+54.6  |
| Operating income   | 98.3                      | 108.0                  | +9.8%<br>+9.6   |
| Op. income margin  | 7.8%                      | 8.3%                   | +0.4pt          |
| Net income attributable to<br>shareholders of parent company | 61.8                      | 67.5                   | +9.1%<br>+5.6   |
| EPS (JPY)  | 426.61                    | 465.44                 | +38.83          |
| Cash dividends per share (JPY)                               | 140                       | 140                    | —               |
| Dividend payout ratio  | 32.8%                     | 30.1%                  | -2.7pt          |
| ROE  | 12.2%                     | 12.3%                  | +0.1pt          |
| Capital expenditures   | 71.2                      | 99.1                   | +39.2%<br>+27.9 |
| Cash flows from operating activities                         | 112.1                     | 107.9                  | -4.2            |
| Free Cash flows  | 11.8                      | 8.4                    | -3.4            |

| (JPY bn)         | FYE March 2019 Results | FYE March 2020 Plan | YoY Change     |
|------------------|------------------------|---------------------|----------------|
| Net sales        | 1,056.6                | 1,090.0             | +3.2%<br>+33.3 |
| Operating income | 84.7                   | 90.0                | +6.2%<br>+5.2  |



| (JPY bn)         | FYE March 2019 Results | FYE March 2020 Plan | YoY Change      |
|------------------|------------------------|---------------------|-----------------|
| Net sales        | 198.6                  | 220.5               | +11.0%<br>+21.8 |
| Operating income | 14.2                   | 18.5                | +29.9%<br>+4.2  |





Left: Functional Yogurt PA-3 112ml  
Center: Meiji Bulgaria Yogurt Calcium&Fe 400g  
Right: Dessert Yogurt Torokeruto 80g

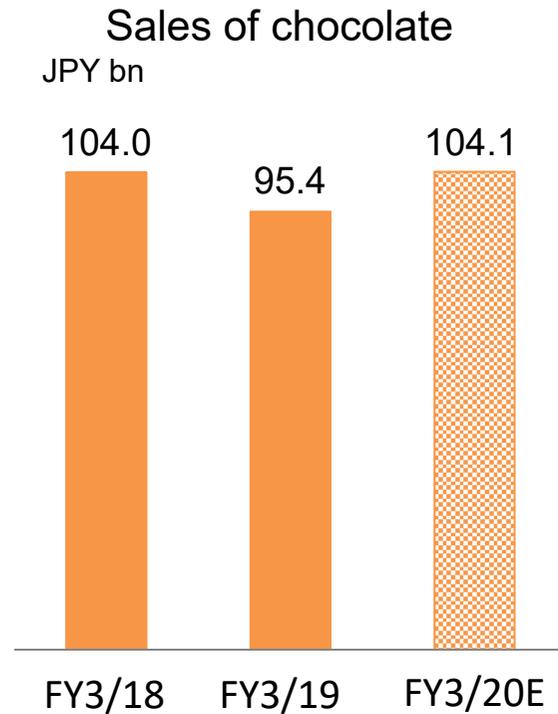
## Functional Yogurt

- Regain sales growth momentum
  - ◆ Productive and efficient communication with customers
  - ◆ Create attractive in-store display

- R-1* Continue TV commercials  
Promote multiple bottle purchasing
- LG21* Appeal new message, *Sound stomach, healthy body*, through TV Commercials
- PA-3* Approved for *Foods with Function Claims* for *Keeps the blood uric acid level from rising*  
Appeal its functional value

## Yogurt

- Boost sales promotion for Plain yogurt (400g)
- Establish customer recognition for value added products



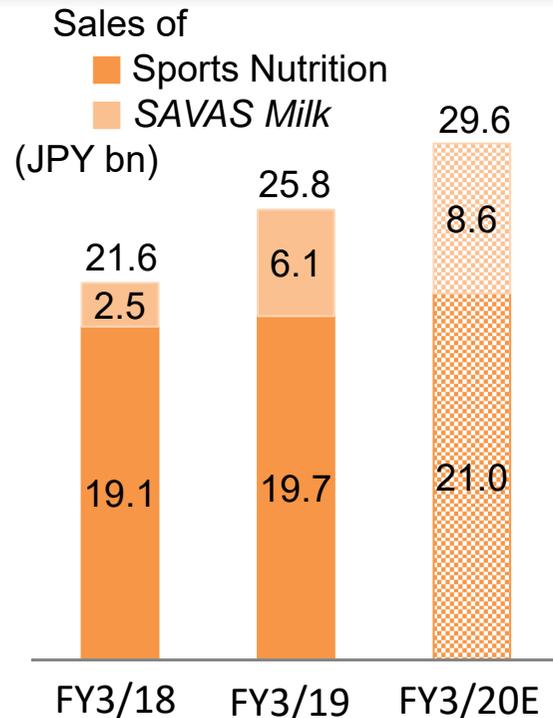
Note: Sales are adjusted to include the sales price reduction due to commercial transaction system revision in April 2018.

- Boost sales of dark chocolate
  - ◆ Appeal health-value of *Chocolate Kouka*  
Increase brand recognition further
  - ◆ *Oligosmart*, new product for health conscious customers
- Create new chocolate culture for adults to consume chocolate as luxury item
  - ◆ Boost marketing activity to appeal various value of cacao



Left *Chocolate Kouka 72%*, center: *Oligosmart Milk chocolate*, Right: *Meiji THE Chocolate*

# Sports Nutrition: Expand shelf space for our products and grow significantly



Note: Sales of SAVAS Milk are included in the sales of Fresh and Fermented Dairy Business

## Kurashiki New Factory



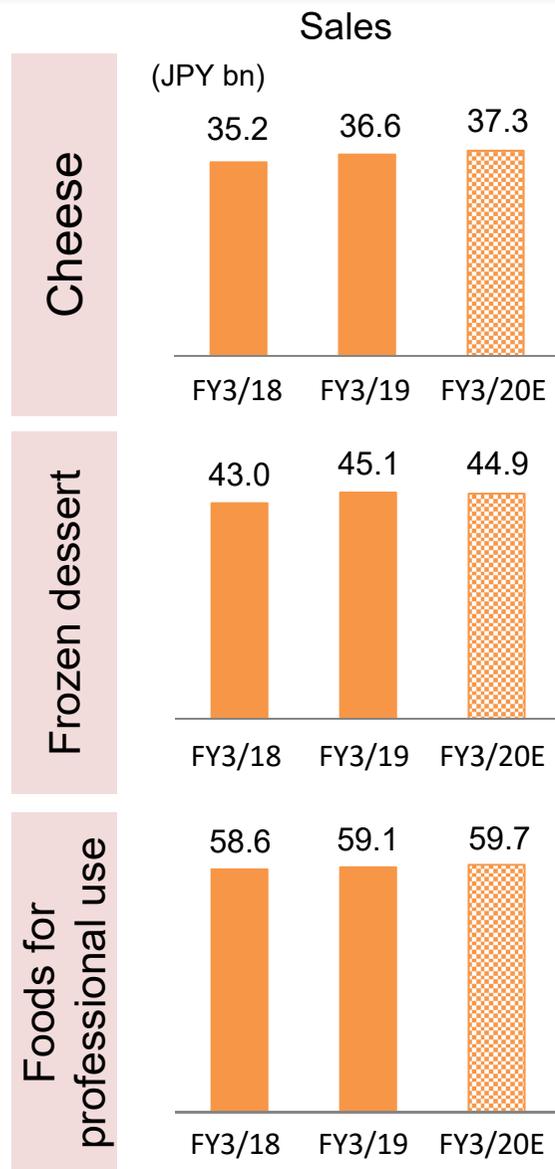
Rendering of Kurashiki Factory

- Expand sales channel to food retailers such as super market, in addition to sport shops
- Cultivate customers such as people seeking healthy weight loss and grow customer base
- New factory starts operation in H2  
Increase quality and launch new products
- Launch 860 mL SAVAS Milk and develop consumption opportunities

- Start operation in H2 2019
- Production capacity: 11,000 t/year (twice of existing plant capacity)
- Investment: JPY 18 bn



Left: SAVAS Milk Protein cocoa flavor 860ML  
Right: SAVAS Whey Protein 100 1050g



- Cheese market grew due to the strong demand of natural cheese
- Increase sales of *Meiji Hokkaido Camembert Cheese* - its production capacity has expanded

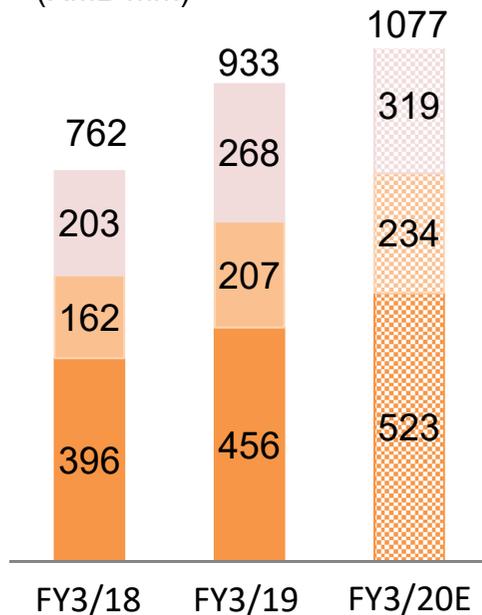
- Maximize the sales of *Esse!* brand
- Develop new value-added products

- Considering supply and demand status of raw milk, increase the sales of value-added products and grow operating income
- Propose recipes and acquire new customers

## Sales of

Confectionary Ice cream  
Milk and Yogurt

(RMB mm)



### Meiji China Investment Co., Ltd.

- Started operation in March 2019
- Set up optimal strategy for whole business in China
- Accelerate decision making and drive business

- Milk and Yogurt
  - Chilled milk market glows steadily
  - Expand production capacity and increase sales of both commercial products and products for professional use
  - In harsh yogurt market, increase sales using SNS communication and launching new products
- Confectionary
  - Grow sales of *Melty Kiss* and nuts chocolate, our mainstay products
- Ice cream
  - Increase sales of premium ice cream
  - Expand sales area outside the Jiangsu province
  - Grow E-commerce



Left: Meiji Low Fat Yogurt with dietary fiber  
Right: Meiji Premium Dessert Strawberry Mousse

## 1. New packaging Launched from Kyushu area in April 2019

### Recovering sales of *Meiji Oishii Gyunyuu*

- Light-blocking package – Keeps fresh flavor
- Resealable packaging – Clean and user-friendly
- Easy to open compare to conventional lid

#### Cap Improvement



## 2. Value-added products

- Launched *Meiji Oishii Low Fat* and *Meiji Oishii Milk Calcium* made from raw milk product manufactured world first production process

#### New cap



Left: *Meiji Oishii Low Fat* 900 mL

Right: *Meiji Oishii Milk Calcium* 900 mL

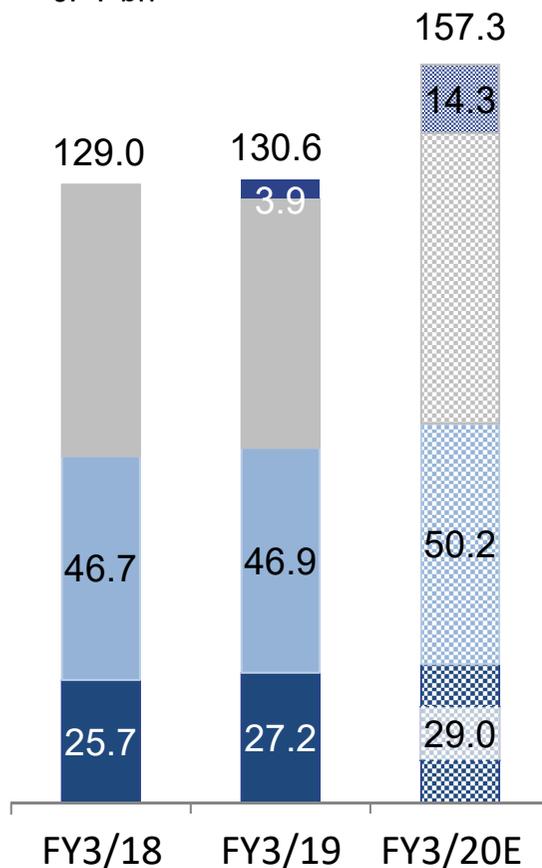
## 3. Optimize production system

- Close Hokuuriku Factory in autumn 2019
- Constant effort to reduce fixed cost

Domestic sales of

- Influenza vaccine
- Others
- Generic drugs
- Reflex, Sycrest and Bilanoa

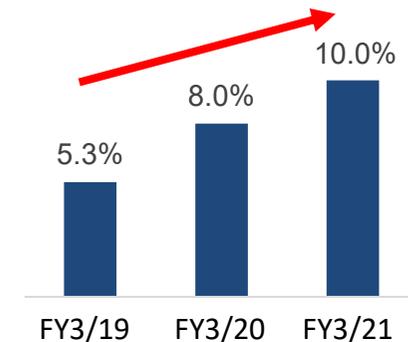
JPY bn



Bilanoa

Vaccines

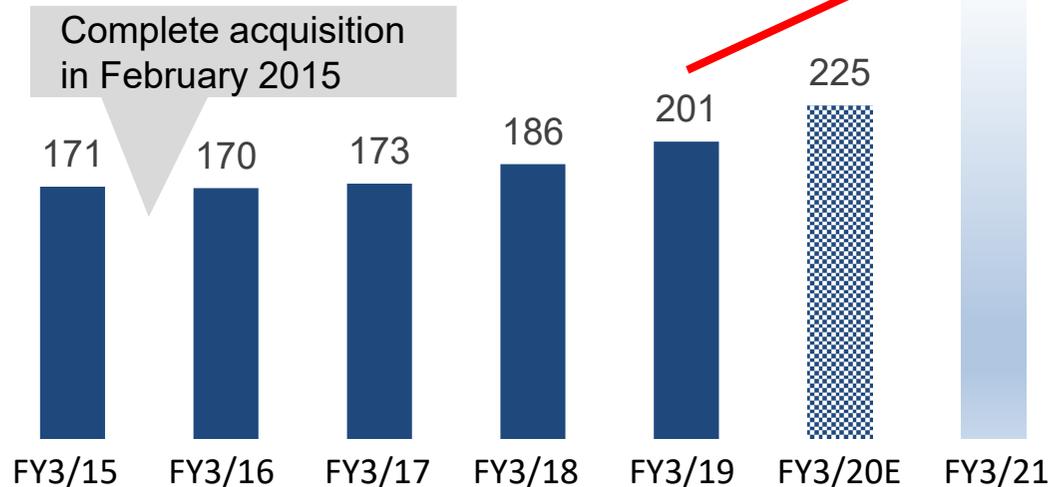
- *Bilanoa*: Anti-allergic drug  
Gain 10% market share by FYE March 2021
- Provide substantial and quality information to doctors
- Establish distinctive position in anti-allergic drug market

Target market share for *Bilanoa* in systemic anti-allergic drug\*

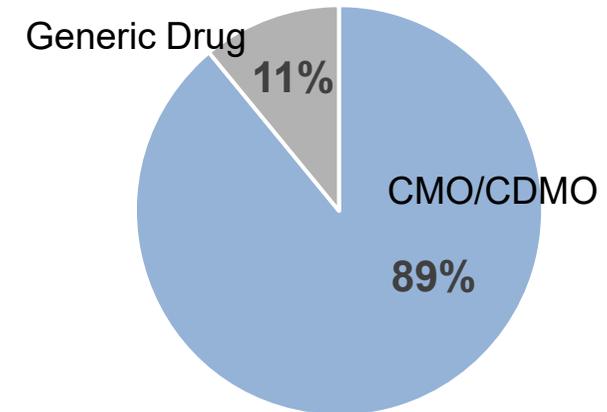
- Use competitive advantage  
Integrate manufacturing and selling  
KM Biologics manufactures and  
Meiji Seika Pharma sells
- Influenza HA vaccine, voluntary vaccination:  
Establish cooperative management system  
with whole seller for stable supply and reduce  
returns
- Vaccine for child, such as DPT-IPV, routine  
vaccination:  
Increase visits to pediatric clinics/ hospitals

## Sales of Medreich Group

(USD MM)



## Sales breakdown in FY3/20E



CMO: Contract Manufacturing Organization  
 CDMO: Contract Development and Manufacturing Organization

CMO/  
CDMO

- Increase in orders from current customers and acquire new customers
- Grow significantly in FYE March 2021: Build efficient R&D system

Generic  
Drug

- For Japanese market: Negotiate with retail pharmacy chains and expand CMO business
- For Great Britain, Australia market: Grow steadily – Examine market demand properly

## Basic Concept

## Recover Credibility

- Become credible company by all stakeholders
- Set up concrete *Key Strategies* and manage progress

## Key Strategies

## 1. Governance/ Robust Quality Assurance System

- Enhance Quality Assurance System
- Promote integrity management

## 2. Secure Production/ Stable Supply

- Establish stable production system
- Avoid shortage of products

## 3. Selection and Concentration

- Clarify priority
- Launch pipeline products ASAP

## Strategies for each Division

## R&amp;D

- Appropriate decision making and suitable system
- Develop pipeline products on schedule  
File 5-combination vaccine in FYE March 2021

## Production

- Establish optimal optimum production system  
Manpower resource  
Use existing facility efficiently  
Build effective production line

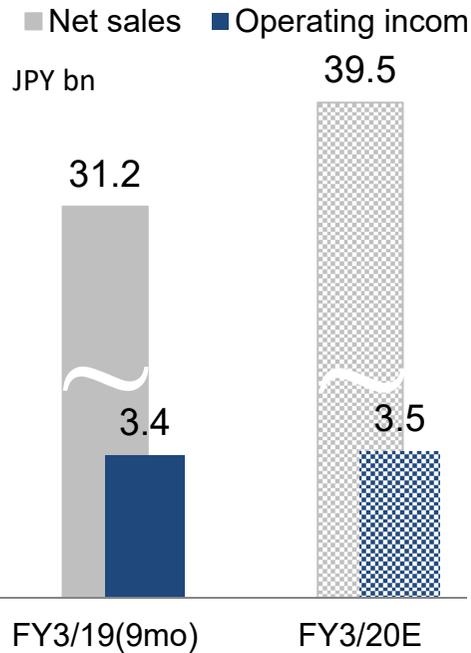
## Business Operation

- Regain market share for mainstay products – stable supply
- Review contract w/ whole seller and sales system

## Quality

- Raise awareness and increase efficiency
- Promote integrity management
- Accelerate globalization

Net sales and operating income  
KM Biologics(non-consolidated)



Human vaccine

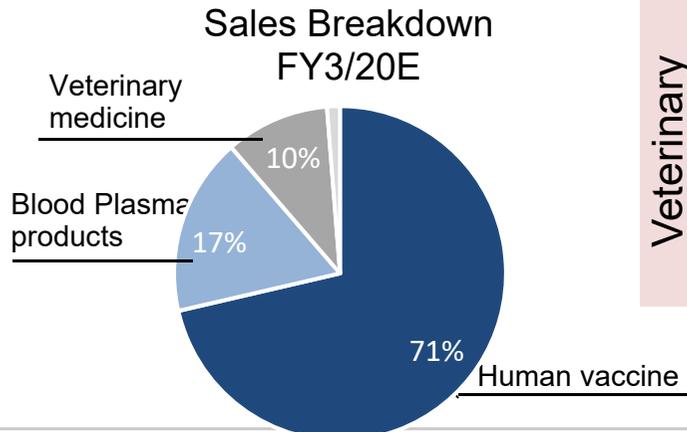
- Increase market share for influenza vaccine, child vaccine – Cooperation w/Meiji Seika Pharma
- Reduce cost – Efficient production

Blood Plasma products

- Increase sales of Fibrin Sealant (Human), Human Coagulation Factor, Human Albumin - Cooperation w/Japan Blood Products Organization

Veterinary medicine

- Build optimum sales system – Cooperation w/Meiji Seika Pharma
- Selection & Concentration – Reduce products



# FYE March 2020 Cash flow and returns to shareholders



| (JPY bn)                            | FY3/20<br>Plan |            |   |
|-------------------------------------|----------------|------------|---|
|                                     |                | YoY change | Main factors for the change   |
| Cash flows from operations          | 107.9          | -4.2       | • Tax payment   |
| Cash flow from investing activities | -99.5          | +0.7       | <ul style="list-style-type: none"> <li>• Increase in Capital expenditures                             <ul style="list-style-type: none"> <li>Food 86.1 (+24.7 YoY)</li> <li>Pharma 12.9 (+3.3 YoY)</li> </ul> </li> <li>• Reaction to payment for acquisition of KM Biologics shares</li> </ul> |
| Free cash flow                      | 8.4            | -3.4       |   |
| Dividend per share                  | JPY 140        | —          | Q2: JPY 70 Q4: JPY 70   |
| Dividend payment ratio              | 30.1%          | -2.7pt     | —   |
| ROE                                 | 12.3%          | +0.1pt     | —   |

## 3. 2020 Medium-Term Business Plan

# 2026 Vision – Realizing Sustainable Growth and Enhancing Corporate Value



## Key Strategies

1. Secure an overwhelming advantage in core businesses
2. Establish growth foundation in overseas markets
3. New challenges in the health value domain



Business Vision

To promote;

- Use external resources
- Increase productivity significantly

CSR Vision

Management Vision

## Key strategies

4. Social contributions - Set three themes to contribute society
  - Healthier lives
  - Caring for the earth
  - A richer society



- Establish functional, strategic management system to grow sustainably in Japan and globally
- Develop work environment, in-house system, organizational climate to maximize individual potential
- Enhance the meiji corporate brand



Propose new  
value in health  
care domain

- Co-Creation Center, new research lab., established
  - Create unique value to extend healthy lifespan by combining expertise built up in the food and pharmaceutical businesses
  - Collect and utilize cutting edge knowledge and technology through the promotion of open innovation
  - Research Topics
    - Aging, Diet therapy, Microbiomes (intestinal flora)

Enhance Meiji Group  
Management platform

- Developed Succession Planning
  - Successor for Meiji HD, Meiji, Meiji Seika Pharma
  - Identifying candidates and reevaluate them every year based on Meiji Leadership Value
- Won Corporate Governance of the Year® 2018



Corporate Governance  
of The Year

Corporate Governance of the Year® 2018  
Winner Company



## Promote Corporate Social Responsibility

Caring for the earth

- Strive toward decarbonization

- Expand scope of disclosure
- Establish data collection system for overseas subsidiaries
- Build photovoltaic facilities at Tokachi Factory and Kyushu Factory in FYE March 2020

A Richer Society

- Launched liquid infant formula

- Packed in steel can to secure quality for more than 1 year - emergency stockpile for disaster
- No milk preparation necessary, decrease parenting stress



Meiji Hohoemi  
Rakuraku Milk  
Liquid infant formula

## Promote Corporate Social Responsibility

Cooperation with UN agencies, related organizations

Sustainable Procurement

- Develop Procurement Guidelines for cocoa, palm oil, paper
  - Promote the use of FSC forest-certified paper and recycle paper based on Paper Procurement Guideline
  - Develop action plan for replacement to RSPO certified palm oil
- Meiji Cocoa Support
  - Meiji's support for cocoa farmers in many countries
  - Cooperation with World Cocoa Foundation (WCF)
- Partnership with Farmers in Japan
  - Improve Milk's potential
- Joined UN Global Compact (signed the Letter of Commitment)
  - Human Rights Due Diligence – Advance human rights practice

# 2020 Medium-Term Business Plan Management Targets



|                                   | (JPY bn)                                     | FY3/2021 Target  |
|-----------------------------------|--|--|
| <b>Growth<br/>Profitability</b>   | Consolidated net sales                       | 1,350.0  |
|                                   | Consolidated operating income (income ratio) | 125.0<br>(9.3%)  |
|                                   | Sale of overseas business                    | 142.0  |
|                                   | Operating income of overseas business        | 9.5  |
| <b>Efficiency<br/>Safety</b>      | ROA  | 11% level  |
|                                   | D/E ratio                                    | Less than 0.5  |
| <b>Return to<br/>Shareholders</b> | ROE  | 13% level  |
|                                   | Payout ratio                                 | About 30%<br>Stable and continuous shareholder returns |

- Initial plan remain unchanged despite consolidate KM Biologics

## Appendix: Financial data

FYE March 2019

# Analysis of Operating Income for FYE March 2019



| (JPY bn)   | Consolidated Results  | Food | Pharma | Other |
|--|-----------------------|------|--------|-------|
| FYE March 2018                                     | <b>94.6</b>           | 84.1 | 11.0   | -0.5  |
| Due to increased/<br>decreased sales               | -0.8                  | -3.2 | +2.4   | —     |
| Decrease due to NHI<br>drug price revision         | -12.1                 | —    | -12.1  | —     |
| Change in COG sold                                 | +11.3 <sup>(*1)</sup> | +2.3 | +9.0   | —     |
| Changes in SG&A<br>expenses                        | +4.6 <sup>(*2)</sup>  | +2.9 | +1.7   | —     |
| Other (incl. change in<br>results of subsidiaries) | +0.7                  | -1.4 | +2.2   | -0.1  |
| FYE March 2019                                     | <b>98.3</b>           | 84.7 | 14.2   | -0.6  |

## Breakdown

\*1 **Food** Decrease in raw material costs +1.3, Other cost reduction +1.0

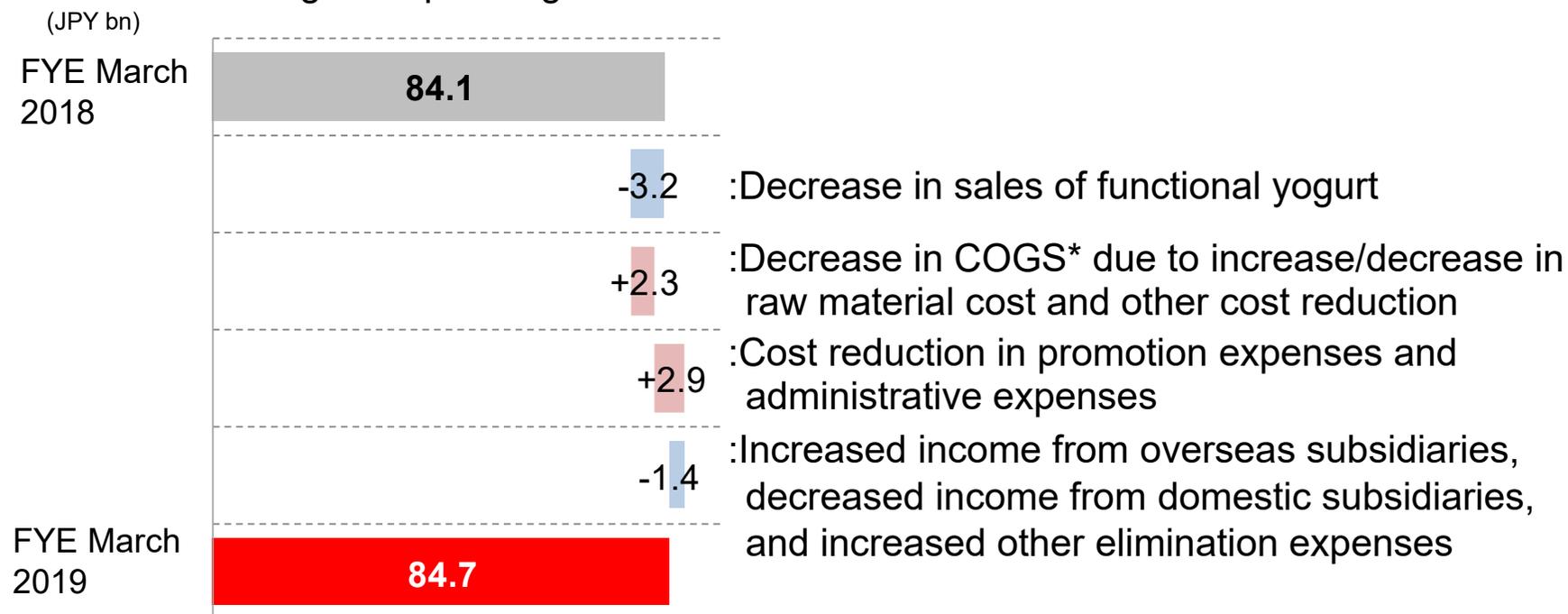
**Pharma** Decrease in raw material costs and favorable variance from inventory reevaluation due to a production site closing

\*2 **Food** Increase in distribution expenses: -1.1, Other cost reduction +4.0

**Pharma** Decrease in R&D expenses +1.1, Decrease in promotion expenses +2.5, Other -1.9

| (JPY bn)            | FY3/18<br>Results | FY3/19<br>Plan | FY3/19<br>Results | YoY Change     |                |
|---------------------|-------------------|----------------|-------------------|----------------|----------------|
|                     |                   |                |                   | YoY Change     | vs. Plan       |
| Net sales           | 1,073.6           | 1,067.1        | 1,056.6           | -1.6%<br>-17.0 | -1.0%<br>-10.4 |
| Operating<br>income | 84.1              | 88.1           | 84.7              | +0.7%<br>+0.5  | -3.8%<br>-3.3  |

## YoY Change in Operating Income



CDGS: Cost of goods sold

|                              | (JPY bn)         | FY3/18<br>Results | FY3/19<br>Plan | FY3/19<br>Results | YoY Change     | vs. Plan      |
|------------------------------|------------------|-------------------|----------------|-------------------|----------------|---------------|
| Fresh and<br>Fermented Dairy | Net sales        | 338.5             | 332.4          | 330.1             | -2.5%<br>-8.3  | -0.7%<br>-2.2 |
|                              | Operating income | 52.0              | 48.9           | 47.8              | -8.1%<br>-4.2  | -2.2%<br>-1.0 |
| Processed<br>Food            | Net sales        | 174.1             | 176.4          | 176.5             | +1.4%<br>+2.3  | +0.1%<br>+0.0 |
|                              | Operating income | 7.4               | 8.3            | 8.2               | +10.9%<br>+0.8 | -1.5%<br>-0.1 |
| Confectionery                | Net sales        | 133.5             | 124.5          | 122.2             | -9.8%<br>-13.3 | -1.8%<br>-2.2 |
|                              | Operating income | 197               | 216            | 20.4              | +3.7%<br>+0.7  | -5.5%<br>-1.1 |

- Fresh and Fermented Dairy: Decline in both sales and income due to sales decline of functional yogurt
- Processed Food: Growth in both sales and income due to sales increase of cheese and ice cream
- Confectionery: Decrease in sales but secure income. Impact from the sales price reduction due to commercial transaction system revision in April 2018. Shrink of sales area for *Curl*

|                                | (JPY bn)         | FY3/18<br>Results | FY3/19<br>Plan | FY3/19<br>Results | YoY chnge      | vs. Plan       |
|--------------------------------|------------------|-------------------|----------------|-------------------|----------------|----------------|
| Nutrition                      | Net sales        | 84.1              | 85.7           | 85.1              | +1.3%<br>+1.0  | -0.6%<br>-0.5  |
|                                | Operating income | 12.4              | 13.3           | 12.9              | +4.6%<br>+0.5  | -2.5%<br>-0.3  |
| Overseas                       | Net sales        | 43.4              | 49.0           | 47.1              | +8.5%<br>+3.7  | -3.8%<br>-1.8  |
|                                | Operating income | 0.7               | 1.0            | 1.2               | +76.2%<br>+0.5 | +21.7%<br>+0.2 |
| Other Domestic<br>Subsidiaries | Net sales        | 297.8             | 298.9          | 295.3             | -0.8%<br>-2.4  | -1.2%<br>-3.6  |
|                                | Operating income | 4.3               | 4.1            | 3.8               | -11.5%<br>-0.4 | -8.2%<br>-0.3  |

- Nutrition: Growth in both sales and income due to sales increase of sports nutrition
- Overseas: Growth in both sales and income due to favorable business in China
- Other Domestic Subsidiaries: Decline in both sales and income due to decline in sugar trading company and livestock company

| (JPY bn)                             | Results<br>FY3/18 | Plan<br>FY3/19 | Results<br>FY3/20 | YoY Change | vs. Plan |
|--------------------------------------|-------------------|----------------|-------------------|------------|----------|
| Yogurt                               | 84.1              | 88.0           | 84.9              | +0.9%      | -3.5%    |
| <i>Meiji Bulgaria Yogurt</i>         | 77.9              | 81.2           | 78.8              | +1.1%      | -2.9%    |
| Probiotic yogurt                     | 119.4             | 117.3          | 112.9             | -5.5%      | -3.8%    |
| Drinking milk                        | 107.1             | 106.5          | 108.3             | +1.1%      | +1.6%    |
| <i>Meiji Oishii Gyunyu</i>           | 57.7              | 57.0           | 56.2              | -2.7%      | -1.5%    |
| Cheese                               | 35.2              | 36.4           | 36.6              | +4.1%      | +0.4%    |
| <i>Meiji Hokkaido Tokachi series</i> | 13.0              | 14.1           | 13.7              | +5.6%      | -2.8%    |
| Ice cream                            | 43.0              | 45.1           | 45.1              | +4.7%      | -0.1%    |
| Chocolate                            | 104.0             | 99.0           | 95.4              | -8.3%      | -3.6%    |
| Nutritional products                 | 52.8              | 55.9           | 55.2              | +4.4%      | -1.3%    |
| Sports nutrition                     | 19.1              | 21.1           | 19.7              | +3.4%      | -6.5%    |

- Decrease in sales of functional yogurt
- Decrease in sales of chocolate due to commercial transaction system revision in April 2018
- Growing sales of cheese, ice cream, and sports nutrition

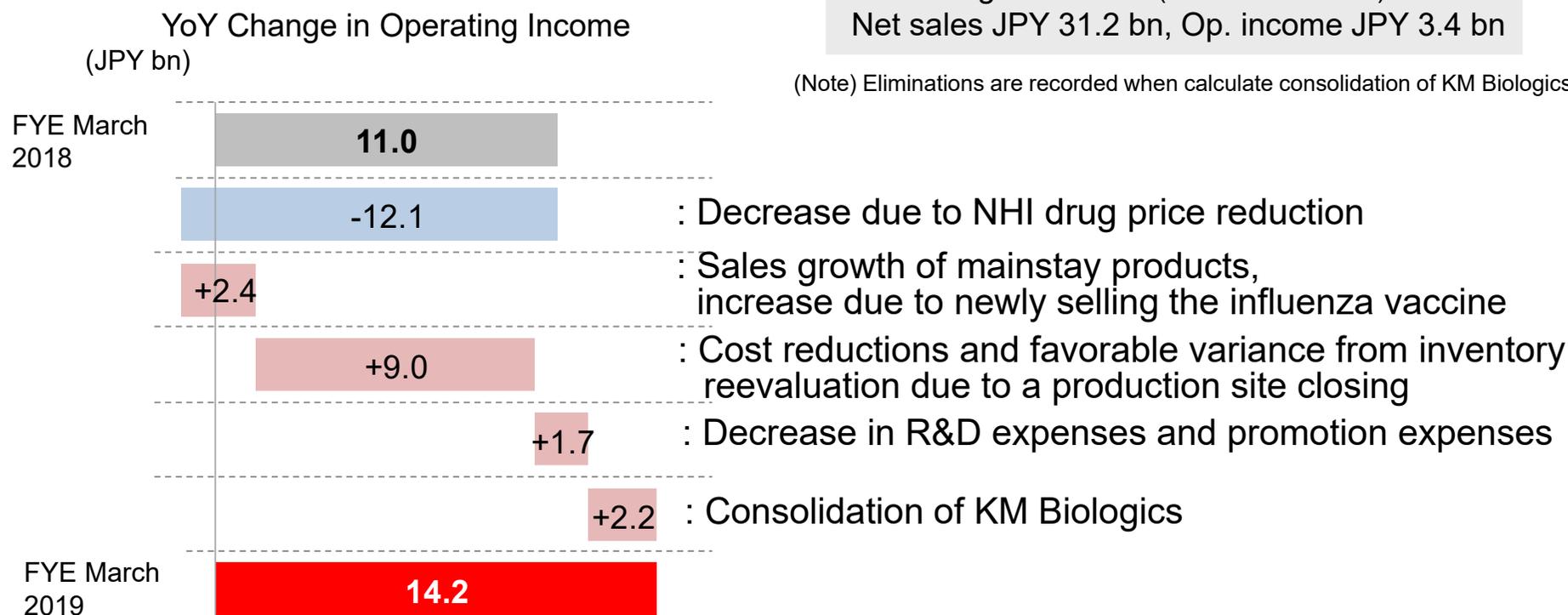
| (JPY bn)                | Food Segment Total                                     | Fresh and Fermented Dairy | Processed Food | Confectionery | Nutrition | Overseas | Other Domestic Subsidiaries | Corporate Expenses |      |
|-------------------------|--|---------------------------|----------------|---------------|-----------|----------|-----------------------------|--------------------|------|
| FY3/18 Operating income | 84.1   | 52.0                      | 7.4            | 19.7          | 12.4      | 0.7      | 4.3                         | -12.4              |      |
| Amounts of YoY change   | <i>Due to increased/decreased sales</i>                | -3.2                      | -5.7           | +2.1          | -0.3      | +0.7     | +0.0                        | —                  | 0.0  |
|                         | <i>Changes in COGS*</i>                                | +2.3                      | +1.0           | +0.2          | +0.6      | +0.4     | +0.1                        | —                  | 0.0  |
|                         | <i>Changes in other SG&amp;A expenses</i>              | +2.9                      | +0.8           | -1.4          | +0.6      | -0.1     | -0.1                        | —                  | +3.1 |
|                         | <i>Other (incl. change in results of subsidiaries)</i> | -1.4                      | -0.4           | +0.0          | -0.1      | -0.3     | +0.5                        | -0.5               | -0.5 |
| FY3/19 Operating income | 84.7   | 47.8                      | 8.2            | 20.4          | 13.0      | 1.2      | 3.8                         | -9.8               |      |

\* COGS: Cost of goods sold

| (JPY bn)         | FY3/18<br>Results | FY3/19<br>Plan | FY3/19<br>Results |                 |               |
|------------------|-------------------|----------------|-------------------|-----------------|---------------|
|                  |                   |                |                   | YoY             | vs. Plan      |
| Net sales        | 168.4             | 200.0          | 198.6             | +17.9%<br>+30.2 | -0.7%<br>-1.3 |
| Operating income | 11.0              | 13.5           | 14.2              | +29.2%<br>+3.2  | +5.5%<br>+0.7 |

KM Biologics Results (Non-consolidated)  
Net sales JPY 31.2 bn, Op. income JPY 3.4 bn

(Note) Eliminations are recorded when calculate consolidation of KM Biologics.



|              |            | (JPY bn) | FY3/18<br>Results | FY3/19<br>Plan | FY3/19<br>Results | YoY            | vs. Plan       |
|--------------|------------|----------|-------------------|----------------|-------------------|----------------|----------------|
| Domestic     | Net sales  |          | 129.0             | 129.4          | 130.6             | +1.3%<br>+1.6  | +1.0%<br>+1.2  |
|              | Op. income |          | 6.6               | 9.4            | 9.9               | +50.0%<br>+3.3 | +5.7%<br>+0.5  |
| Overseas     | Net sales  |          | 39.4              | 42.6           | 41.0              | +4.1%<br>+1.6  | -3.9%<br>-1.6  |
|              | Op. income |          | 4.4               | 1.1            | 2.1               | -51.5%<br>-2.2 | +94.0%<br>+1.0 |
| KM Biologics | Net sales  |          | —                 | 30.0           | 31.2              | —<br>+31.2     | +4.2%<br>1.2   |
|              | Op. income |          | —                 | 3.5            | 3.4               | —<br>+3.4      | -1.2%<br>-0.0  |

- Domestic: Sales increase due to growth of mainstay products and influenza vaccine, Increase in Op. income due to cost reductions and favorable variance from inventory reevaluation due to a production site closing
- Overseas: Favorable results from subsidiaries, Decrease in Op. income due to cost increase in export products
- KM Biologics: Favorable sales of influenza vaccine and 4-way vaccine

# Consolidated Statements of Comprehensive Income for FY3/19



| (JPY bn)  | Results<br>FY3/19 | YoY change      | Main factors for the change  |
|---|-------------------|-----------------|--|
| Net sales   | 1,254.3           | +1.1%<br>+13.5  | — Details on p28-35  |
| Operating income  | 98.3              | +3.9%<br>+3.7   | — Details on p28-35  |
| Non-operating income  | 3.8               | +7.1%<br>+0.2   | Foreign exchange gain: -0.8<br>FY3/18: +0.4<br>FY3/19: -0.3                              |
| Non-operating expenses  | 2.5               | +5.6%<br>+0.1   |  |
| Ordinary income   | 99.7              | +4.0%<br>+3.8   | —  |
| Extraordinary income  | 13.4              | +77.7%<br>+5.8  | Negative goodwill raised from KM Biologics: +6.5   |
| Extraordinary losses  | 18.5              | +50.2%<br>+6.2  | Impairment losses: +8.0<br>Losses on disposal of property, plants and<br>equipment: -2.7 |
| Income before income tax  | 94.5              | +3.8%<br>+3.5   | —  |
| Income taxes-total  | 30.9              | +6.4%<br>+1.8   | Taxes: +2.7<br>Adjustment: -0.8  |
| Net income or net losses<br>attributable to non-controlling<br>shareholders   | 1.7               | +154.8%<br>+1.0 | —  |
| Net income or net losses<br>attributable to shareholders of<br>parent company | 61.8              | +1.0%<br>+0.5   | —  |

# Consolidated Balance Sheets for FYE March 2019



| (JPY bn)                               | Results<br>FY3/19 | YoY change       | Main factors for the change   |
|--|-------------------|------------------|---|
| Current assets                         | 421.4             | +10.0%<br>+38.4  | Goods and products: +18.8, Raw materials and supplies: +9.3, Due to consolidation of KM Biologics<br>Notes and accounts receivable: +6.4                            |
| Fixed assets                           | 582.6             | +7.5%<br>+40.4   | Buildings and structures (net): +19.5, Machinery and equipment (net): +19.3, Due to consolidation of KM Biologics<br>Construction in progress: +9.6, Goodwill -10.5 |
| Total assets                           | 1,004.1           | +8.5%<br>+78.9   | —   |
| Current liabilities                    | 291.5             | -1.0%<br>-2.9    | Short-term loans payable: -16.1, Notes and accounts payable: +5.3<br>Income tax payable: +2.7, Accrued expenses: +2.3, Accrued bonuses to employees: +1.0           |
| Long-term liabilities                  | 152.0             | +12.1%<br>+16.3  | Long-term loans payable: +13.4, Retirement benefit liability: +3.5  |
| Total liabilities                      | 443.5             | +3.1%<br>+13.4   | —   |
| Shareholders' equity                   | 507.5             | +9.0%<br>+41.9   | Increase in earned surplus: +41.6   |
| Accumulated other comprehensive income | 19.7              | -9.1%<br>-1.9    | Foreign currency translation adjustment: -2.0   |
| Minority interests                     | 33.3              | +323.5%<br>+25.4 | —   |
| Total net assets                       | 560.6             | +13.2%<br>+65.4  | —   |
| Interest bearing debt                  | 116.3             | -2.3%<br>-2.7    | Short-term loan payable: -16.1, Long-term loan payable: +13.4   |
| Equity Ratio                           | 52.5%             | -0.2pt           | —   |

# Consolidated Statement of Cash Flow for FY3/19, Return to shareholders



| (JPY bn)                             | Results<br>FY3/19 | YoY change | Main factors for the change   |
|--------------------------------------|-------------------|------------|---|
| Cash flows from operating activities | 112.1             | +3.3       | Increase in income due to decrease in trade receivables: +11.9<br>Increase in payments due to decrease in trade payable: -7.0 |
| Cash flows from investing activities | -100.2            | -35.8      | Payments for purchase of shares of subsidiaries resulting in change in scope of consolidation: -33.8                          |
| Free cash flows                      | 11.8              | -32.4      | —   |
| Cash dividends per share             | JPY 140           | JPY +10    |   |

## Outlook for FYE March 2020

# Consolidated plan for FYE March 2020



| (JPY bn)     |   | First Half | YoY            | Second Half | YoY             | Full Year | YoY             |
|--------------|---|------------|----------------|-------------|-----------------|-----------|-----------------|
| Consolidated | Net sales   | 625.0      | +2.1%<br>+13.0 | 684.0       | +6.5%<br>+41.5  | 1,309.0   | +4.4%<br>+54.6  |
|              | Operating income  | 44.0       | +0.4%<br>+0.1  | 64.0        | +17.3%<br>+9.4  | 108.0     | +9.8%<br>+9.6   |
|              | Ordinary income   | 45.0       | +2.6%<br>+1.1  | 64.0        | +14.6%<br>+8.1  | 109.0     | +9.3%<br>+9.2   |
|              | Net income or net losses attributable to shareholders of parent company | 28.5       | -25.6%<br>-9.8 | 39.0        | +65.6%<br>+15.4 | 67.5      | +9.1%<br>+5.6   |
| Food         | Net sales   | 534.0      | +1.7%<br>+9.1  | 556.0       | +4.5%<br>+24.1  | 1,090.0   | +3.2%<br>+33.3  |
|              | Operating income  | 39.0       | +0.0%<br>+0.0  | 50.9        | +11.2%<br>+5.1  | 90.0      | +6.2%<br>+5.2   |
| Pharma       | Net sales   | 92.1       | +5.1%<br>+4.4  | 128.4       | +15.6%<br>+17.3 | 220.5     | +11.0%<br>+21.8 |
|              | Operating income  | 5.1        | +0.0%<br>+0.0  | 13.4        | +46.8%<br>+4.2  | 18.5      | +29.9%<br>+4.2  |

| (JPY bn)                  |                  | First Half | YoY            | Second Half | YoY            | Full Year | YoY            |
|---------------------------|------------------|------------|----------------|-------------|----------------|-----------|----------------|
| Fresh and Fermented Dairy | Net sales        | 166.2      | +0.4%<br>+0.7  | 165.5       | +0.6%<br>+0.9  | 331.8     | +0.5%<br>+1.6  |
|                           | Operating income | 22.1       | -1.3%<br>-0.2  | 26.7        | +5.0%<br>+1.3  | 48.8      | +2.1%<br>+1.0  |
| Processed food            | Net sales        | 90.8       | -0.6%<br>-0.5  | 87.2        | +2.4%<br>+2.1  | 178.0     | +0.9%<br>+1.6  |
|                           | Operating income | 4.9        | +13.5%<br>+0.5 | 4.2         | +10.6%<br>+0.4 | 9.2       | +12.1%<br>+1.0 |
| Confectionary             | Net sales        | 52.1       | +3.4%<br>+1.6  | 79.1        | +10.1%<br>+7.3 | 131.2     | +7.3%<br>+9.0  |
|                           | Operating income | 6.0        | -3.7%<br>-0.2  | 15.8        | +12.1%<br>+1.7 | 21.9      | +7.3%<br>+1.5  |
| Nutrition                 | Net sales        | 45.7       | +2.7%<br>+1.2  | 42.6        | +4.9%<br>+2.0  | 88.3      | +3.8%<br>+3.2  |
|                           | Operating income | 7.5        | +3.9%<br>+0.2  | 5.7         | +0.4%<br>+0.0  | 13.3      | +2.4%<br>+0.3  |

| (JPY bn)                    |                  | First Half | YoY            | Second Half | YoY            | Full Year | YoY            |
|-----------------------------|------------------|------------|----------------|-------------|----------------|-----------|----------------|
| Overseas                    | Net sales        | 24.6       | +13.5%<br>+2.9 | 28.7        | +13.0%<br>+3.3 | 53.4      | +13.2%<br>+6.2 |
|                             | Operating income | 0.5        | +0.5%<br>+0.0  | 0.7         | +4.3%<br>+0.0  | 1.2       | +2.8%<br>+0.0  |
| Other Domestic Subsidiaries | Net sales        | 154.3      | +2.1%<br>+3.1  | 152.7       | +6.0%<br>+8.5  | 307.0     | +4.0%<br>+11.7 |
|                             | Operating income | 2.1        | -7.7%<br>-0.1  | 2.1         | +46.8%<br>+0.6 | 4.3       | +13.2%<br>+0.5 |
| Corporate Expenses          | Net sales        | —          | —              | —           | —              | —         | —              |
|                             | Operating income | -4.3       | —<br>-0.1      | -4.5        | —<br>+1.0      | -8.8      | —<br>+0.9      |

# Plan by Business in Pharmaceutical Segment for FYE March 2020

| (JPY bn)                   |                  | First Half | YoY            | Second Half | YoY             | Full Year | YoY             |
|----------------------------|------------------|------------|----------------|-------------|-----------------|-----------|-----------------|
| Domestic                   | Net sales        | 64.1       | +10.2%<br>+5.9 | 93.2        | +28.7%<br>+20.7 | 157.3     | +20.4%<br>+26.7 |
|                            | Operating income | 4.4        | +7.3%<br>+0.3  | 6.8         | +18.8%<br>+1.0  | 11.3      | +13.9%<br>+1.3  |
| Overseas                   | Net sales        | 21.2       | +3.3%<br>+0.6  | 23.2        | +14.1%<br>+2.8  | 44.5      | +8.7%<br>+3.5   |
|                            | Operating income | 0.5        | -33.2%<br>-0.2 | 1.6         | +21.7%<br>+0.2  | 2.1       | +2.3%<br>+0.0   |
| KM Biologics               | Net sales        | 14.6       | +46.3%<br>+4.6 | 24.9        | +17.0%<br>+3.6  | 39.5      | +26.4%<br>+8.2  |
|                            | Operating income | -0.4       | —<br>-2.0      | 3.9         | +113.2%<br>+2.0 | 3.5       | +1.2%<br>+0.0   |
| Adjustment and Elimination | Net sales        | -7.8       | —<br>-6.4      | -13.1       | —<br>-10.2      | -20.9     | —<br>-16.7      |
|                            | Operating income | 0.5        | —<br>+2.0      | 0.9         | —<br>+0.7       | 1.5       | —<br>+2.7       |

# Analysis of Consolidated Operating Income for FYE March 2020

| (JPY bn)   | Consolidated Plan    | Food        | Pharma      | Other       |
|--|----------------------|-------------|-------------|-------------|
| FYE March 2019                                     | <b>98.3</b>          | <b>84.7</b> | <b>14.2</b> | <b>-0.6</b> |
| Due to increased/<br>decreased sales               | +14.2                | +10.4       | +3.8        | —           |
| Changes in cost of<br>goods sold                   | -5.5 <sup>(*1)</sup> | -2.3        | -3.2        | —           |
| Changes in other<br>SG&A expenses                  | -6.1 <sup>(*2)</sup> | -5.0        | -1.1        | —           |
| Other (incl. change in<br>results of subsidiaries) | +7.1                 | +2.2        | +4.8        | +0.1        |
| FYE March 2020 Plan                                | <b>108.0</b>         | <b>90.0</b> | <b>18.5</b> | <b>-0.5</b> |

## Breakdown

- \*1: **Food** Raw material cost -4.2, Other cost reduction and efficiency improvement: +1.9  
**Pharma** Cost reduction: +0.7, Favorable variance from inventory reevaluation due to a production site closing: -3.9
- \*2: **Food** Promotion and advertising expenses: -5.3, Distribution expenses: +0.2, Other: +0.1  
**Pharma** Promotion expenses: -1.8, Other: +0.7

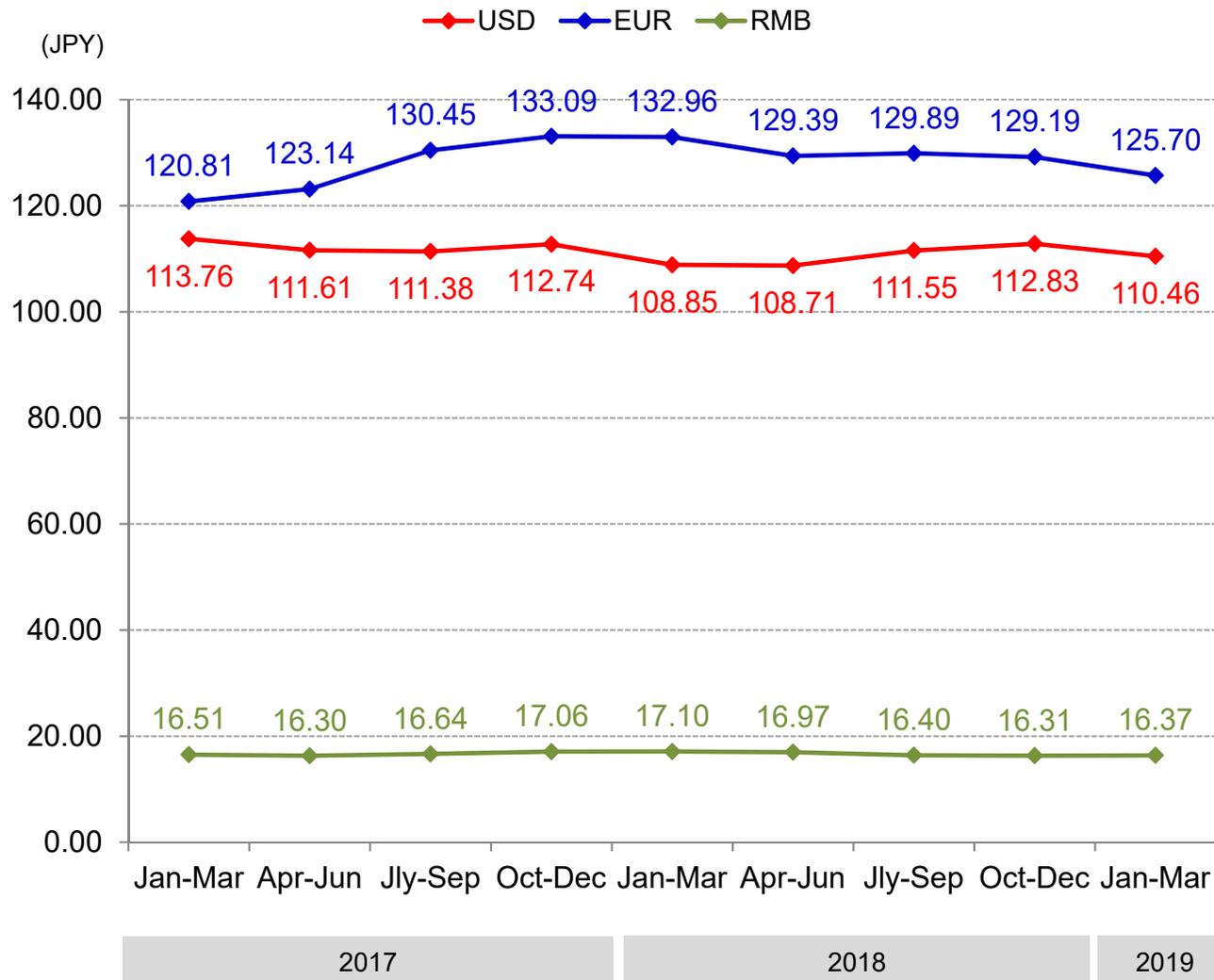
## Appendices: Topics

|                    | Strategy   | Status   |
|--------------------|--|--|
| Production         | <ul style="list-style-type: none"> <li>• Create production structure optimal to business strategy</li> <li>• Promote labor-saving</li> <li>• Solve issues to create ideal production system</li> </ul> | <ul style="list-style-type: none"> <li>• Improved production system<br/>Camembert cheese, drinking milk, chocolate</li> <li>• Integrated production sites<br/>Hokuriku factory, Nemuro factory</li> </ul>  |
| Logistics          | <ul style="list-style-type: none"> <li>• Optimize shipment and delivery</li> <li>• Achieve superior logistics quality</li> </ul>   | <ul style="list-style-type: none"> <li>• Saw results of warehouse integration in Kanto area</li> <li>• Integrated warehouse in Kansai area</li> <li>• Improved efficiency in existing warehouse</li> <li>• Promoted joint delivery</li> </ul>                      |
| Business Operation | <ul style="list-style-type: none"> <li>• Build strong relationship with major clients</li> <li>• Create attractive visual store displays</li> <li>• Build strategic sales organization</li> </ul>      | <ul style="list-style-type: none"> <li>• Reorganized branch offices (April 2018)<br/>Build cross-sectional, strategic sales organization</li> <li>• Reorganized headquarters (April 2019)<br/>Create value-creation system from a long-term perspective</li> </ul> |
| Admin.             | <ul style="list-style-type: none"> <li>• Strengthen risk management</li> <li>• Promote additional process consolidation</li> </ul>   | <ul style="list-style-type: none"> <li>• Centralized administrative department<br/>Accounting, labor management, system management</li> <li>• Reformed working practices<br/>Flexible work schedules, telework, videoconference</li> </ul>                         |

# Key Currencies and Our Average Exchange Rates



Key Currencies and Our Average Exchange Rates



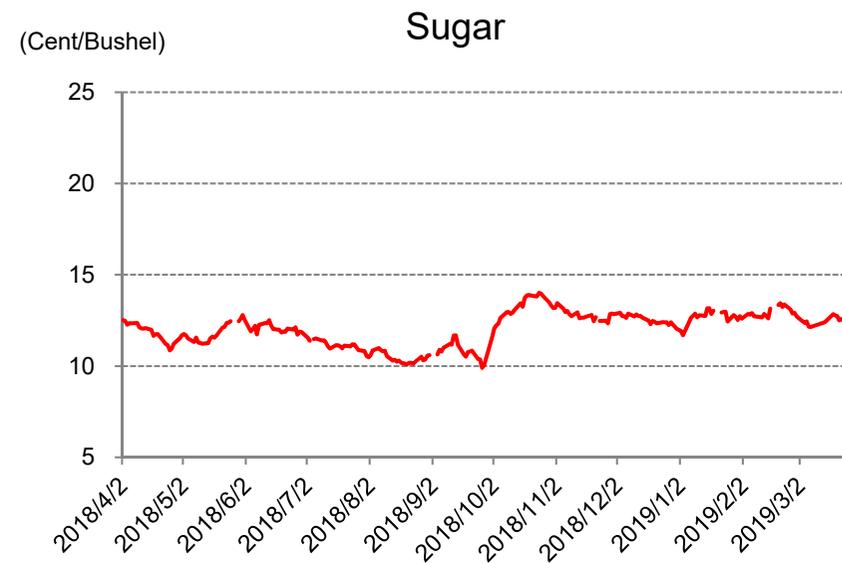
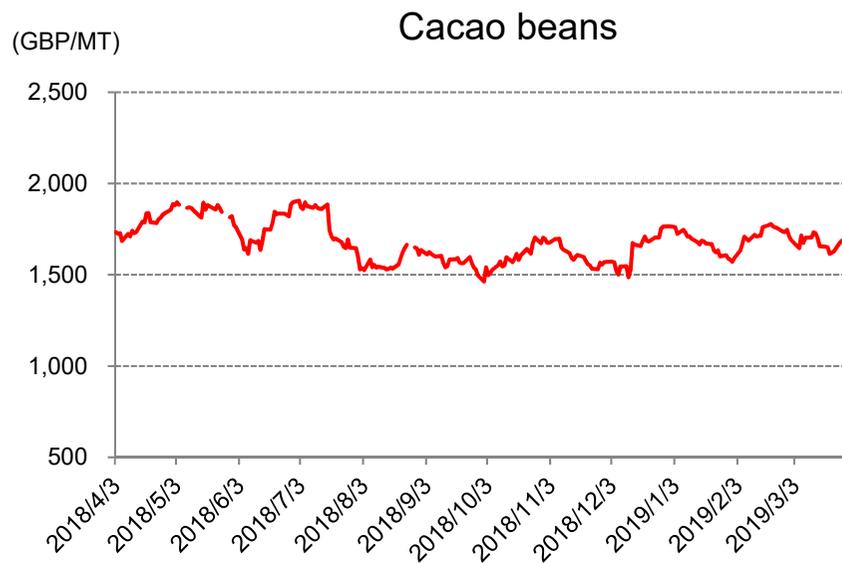
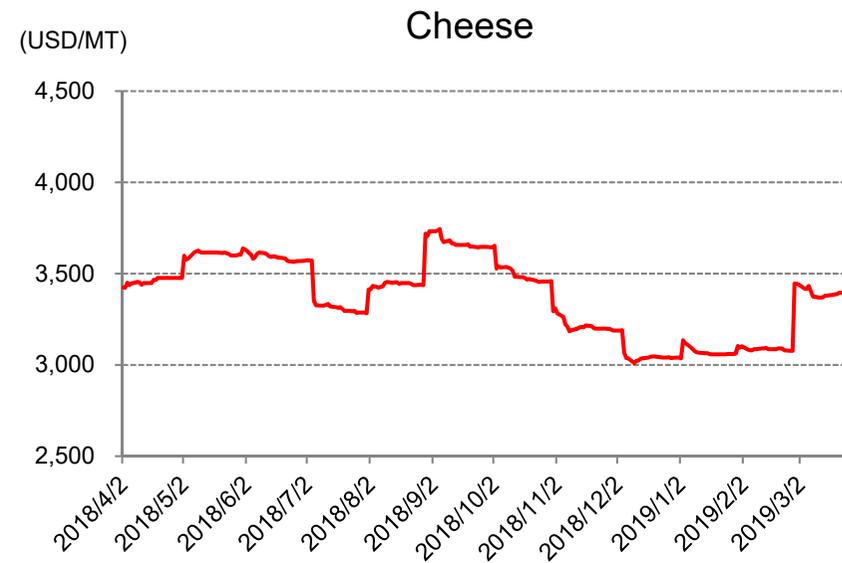
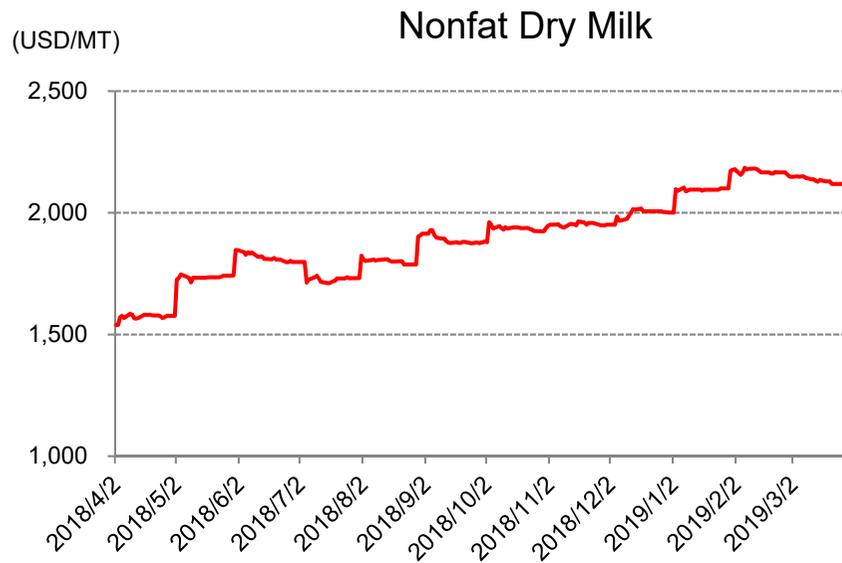
Foreign exchange target  
For FYE March 2020 (JPY)

|     |     |
|-----|-----|
| USD | 110 |
| EUR | 130 |
| RMB | 17  |

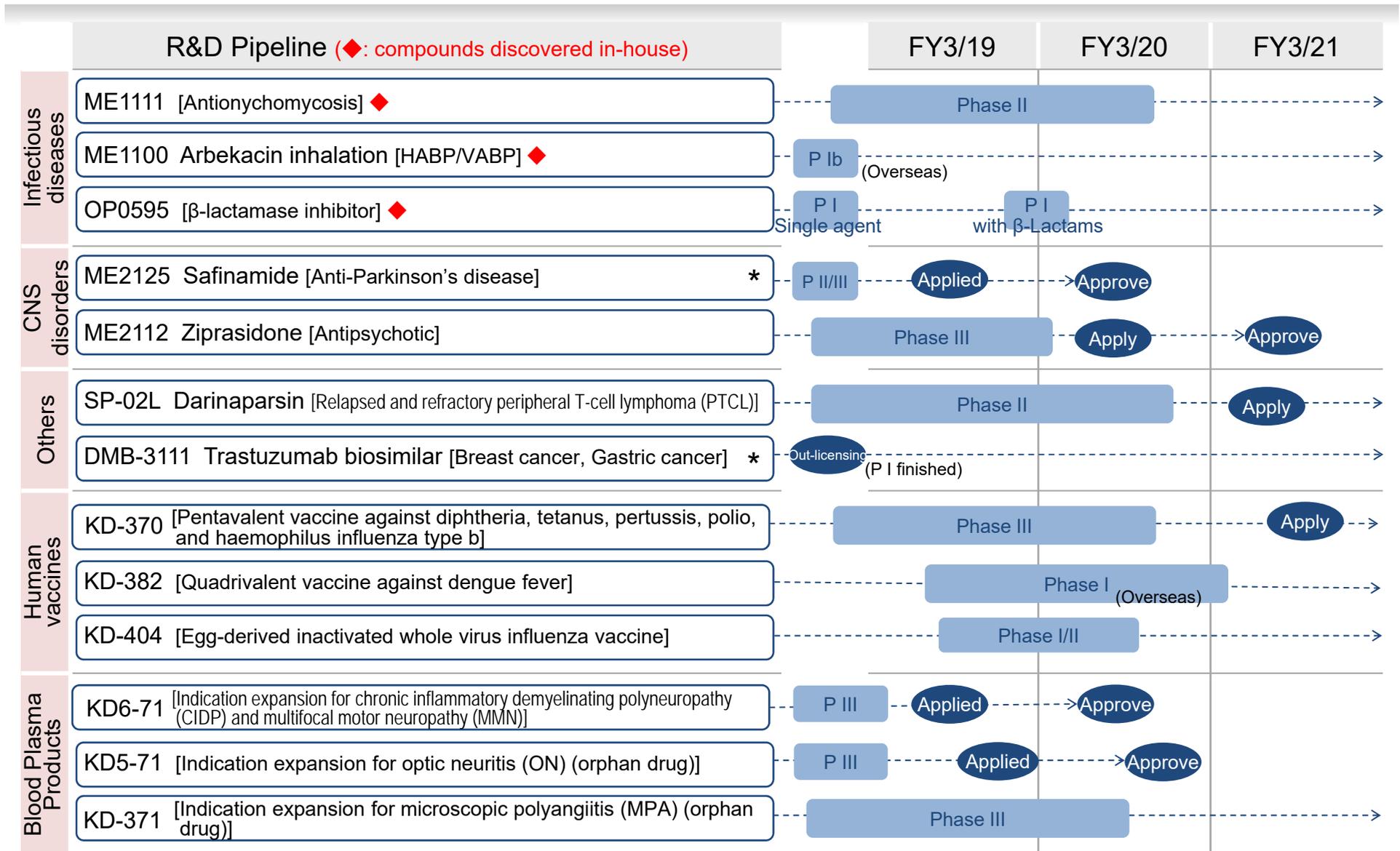
For FYE March 2021 (JPY)

|     |              |     |
|-----|--------------|-----|
| USD | Food         | 115 |
|     | Pharma       | 110 |
| EUR | Food         | 125 |
|     | Pharma       | 120 |
| RMB | Food, Pharma | 16  |

# Market Trends in Imported Raw Materials Prices

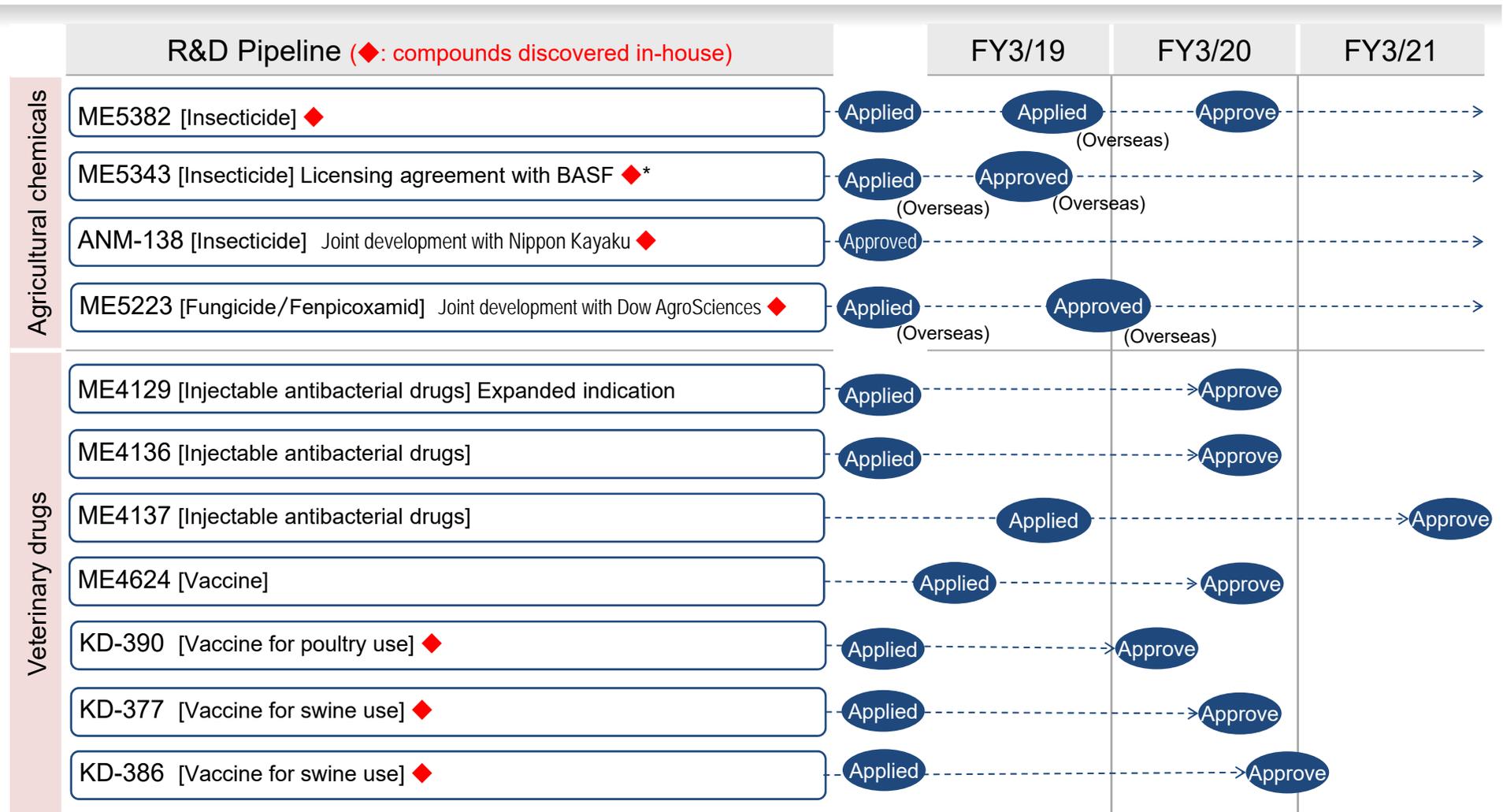


# R&D Pipeline

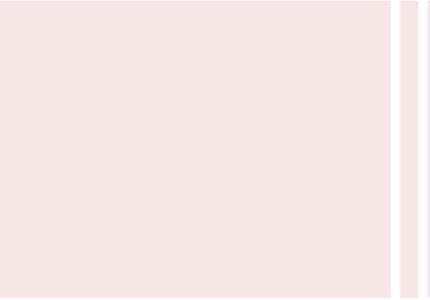


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# R&D Pipeline



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



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