

Now ideas for wellness

**meiji**

# Financial Results for the Q1 of FYE March 2022 (FY2021)

(From April 1, 2021 to June 30, 2021)

August 12, 2021

**Meiji Holdings Co., Ltd.**

\* Revenue recognition accounting standards are applied from the beginning of Q1 of FY2021. In this material, the figures for FY2020 is shown as before the standards, and the figures for FY2021 as after applying the standards unless otherwise described.

# Summary for Q1 FY2021 Consolidated Results

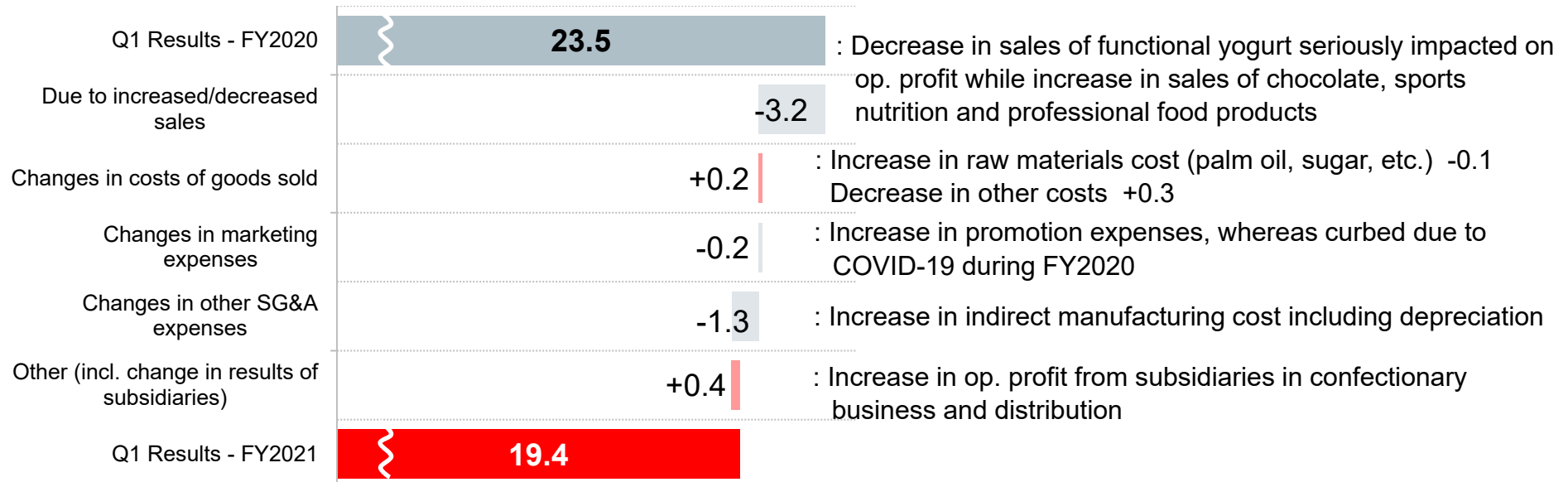
(JPY bn)	FY2020 Q1 Results	FY2021			FY2021 H1 Plan
		Q1 Results	YoY Change	vs. H1 Plan	
Net sales	281.1	<b>235.9</b>	-16.1% -45.2	46.7%	505.0
(Reference: Net sales)	237.6*	<b>235.9</b>	-0.7% -1.7	—	—
Operating profit	23.1	<b>18.6</b>	-19.6% -4.5	36.5%	51.0
Op. profit margin	8.2%	<b>7.9%</b>	-0.3pt	—	10.1%
Profit attributable to owners of parent	13.3	<b>12.4</b>	-6.6% -0.8	40.3%	31.0
EPS (JPY)	92.17	<b>86.09</b>	-6.08	—	213.65

- Q1 results: Decreased both net sales and operating profit year on year
  - When compared sales and profit after applying revenue recognition standards
    - Food: Decrease both in sales and profit
    - Pharmaceutical: Increase in sales, decrease in profit
  - Profit attributable to owners of parent: Decreased
    - Decline was not so serious due to the decrease in profit before income taxes and extraordinary losses, despite posting decrease in profit

# Food : Summary – Q1 FY2021

(JPY bn)	FY2020 Q1 Results	FY2021			FY2021 H1 Plan
		Q1 Results	YoY Change	vs. H1 Plan	
Net sales	244.4	199.8	-18.2% -44.5	48.8%	409.8
(Reference: Net sales)	202.4*	199.8	-1.3% -2.5	—	—
Operating profit	23.5	19.4	-17.5% -4.1	45.3%	42.9

## YoY Change in Operating Profit (JPY bn)



# Food : Analysis of Operating Profit – Q1 FY2021

(JPY bn)	Food Segment Total	Yogurt & cheese	Nutrition	Chocolate & gummy	Drinking milk	B to B	Frozen dessert & ready meal	Overseas	Other/ domestic subsidiaries
Q1 Operating Profit – FY2020	23.5	15.5	4.1	1.5	-0.7	-0.0	1.5	0.2	1.3
Due to increased/decreased sales	-3.2	-4.9	+1.7	+0.7	-0.8	+1.1	-0.9	+0.0	-0.2
Changes in COGS	+0.2	+0.1	-0.0	-0.1	+0.0	+0.1	-0.2	-0.1	+0.3
Changes in other SG&A expenses	-1.5	-0.3	-1.0	-0.6	+1.3	-0.8	+0.3	-0.3	-0.1
<i>Change in marketing expenses</i>	-0.2	-0.2	-0.6	-0.0	+1.0	-0.6	+0.2	+0.0	+0.0
<i>Change in other expenses (R&amp;D expenses)</i>	-1.3 (-0.1)	-0.1	-0.3	-0.6	+0.3	-0.2	+0.1	-0.3	-0.2
Other (incl. change in results of subsidiaries)	+0.4	-0.4	+0.0	+0.5	+0.0	+0.0	-0.2	+0.2	+0.2
Q1 Operating Profit – FY2021	19.4	10.0	4.8	2.1	-0.0	0.3	0.5	0.1	1.4

# Food: Q1 FY2021 Results by business

## Yogurt & cheese

(JPY bn)	FY2021 Q1 Results*	YoY Change
Net sales	62.1	-11.0% -7.7
Operating profit	10.0	-35.2% -5.4

Net sales	vs. FY2020 Q1 Results	vs. FY2019 Q1 Results
Functional yogurt	-16.8%	-2.2%
Yogurt	-5.9%	-2.5%
Cheese	-4.9%	+0.1%

- Market size
  - Yogurt: -8 to -9% year on year, in FY2020 strong demand from staying at home
  - Cheese: -8 to -9% year on year, in FY2020 strong demand from staying at home

➡ Size of decline reducing each month
- Net sales
 

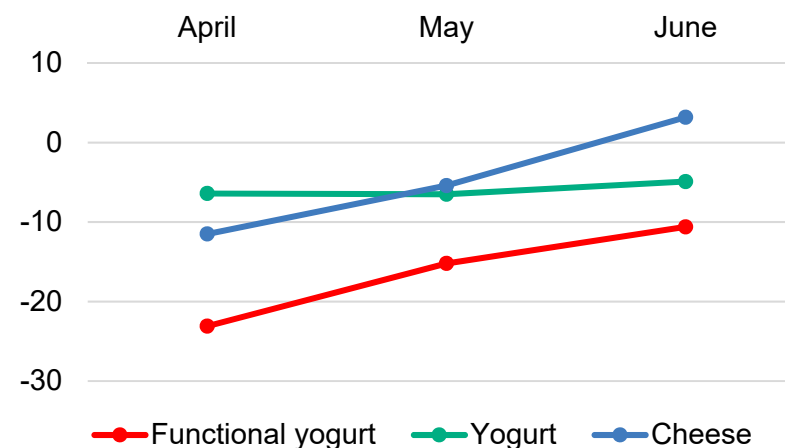
Decreased year on year

In FY2020 strong demand from staying at home

Sales of R-1 and cheese increased compared to that in Q1 FY2019
- Operating profit
 

Decreased significantly year on year due to sales decrease

Meiji's Monthly Sales (YoY, %)



## Food: Q1 FY2021 Results by business

### ■ Nutrition

(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	30.5	+10.1% +2.8
Operating profit	4.8	+18.1% +0.7

- Market size
  - Sports protein: +34 to +35% year on year
  - Enteral formula: Increased both for hospital and consumer market
- Net sales
 

Increase in sales of *SAVAS*, *SAVAS Milk* and enteral formula, while decreased in sales of infant formula
- Operating profit
 

Increased due to sales increase, though promotion expenses and depreciation increased

### ■ Chocolate & gummy

(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	25.0	+4.2% +1.0
Operating profit	2.1	+33.2% +0.5

- Market size
  - Chocolate: -1 to -2% year on year  
Sales of chocolate-covered nuts favorable, while sales of chocolate bar decreased, in FY 2020 strong demand from staying at home
  - Gummy: +13% year on year, showing an upward trend
- Net sales
 

Increased year on year, driven by increased sales of health-conscious chocolates including family size package and chocolate-covered nuts  
Sales of gummy recovering
- Operating profit
 

Increased significantly year on year due to sales increase though depreciation increased

# Food: Q1 FY2021 Results by business

## ■ Drinking milk

(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	21.7	-8.7% -2.0
Operating profit	-0.0	— +0.6

- Market size
  - -8 to -9% year on year  
In FY2020 strong demand from staying at home
- Net sales  
Decreased year on year  
In FY2020 strong demand from staying at home  
Stopped selling some of low profitable products
- Operating profit  
Increase in profitability  
Decrease in promotion expenses  
Decrease in indirect manufacturing expenses  
Optimizing production system  
Decrease in number of products  
Progressing towards achieving profitable

\* Before applying revenue recognition accounting standards

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## ■ B to B

(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	16.5	+20.7% +2.8
Operating profit	0.3	— +0.4

- Net sales and operating profit recovered year on year  
In FY2020 sales and profit were negatively impacted by COVID-19 pandemic

## ■ Overseas

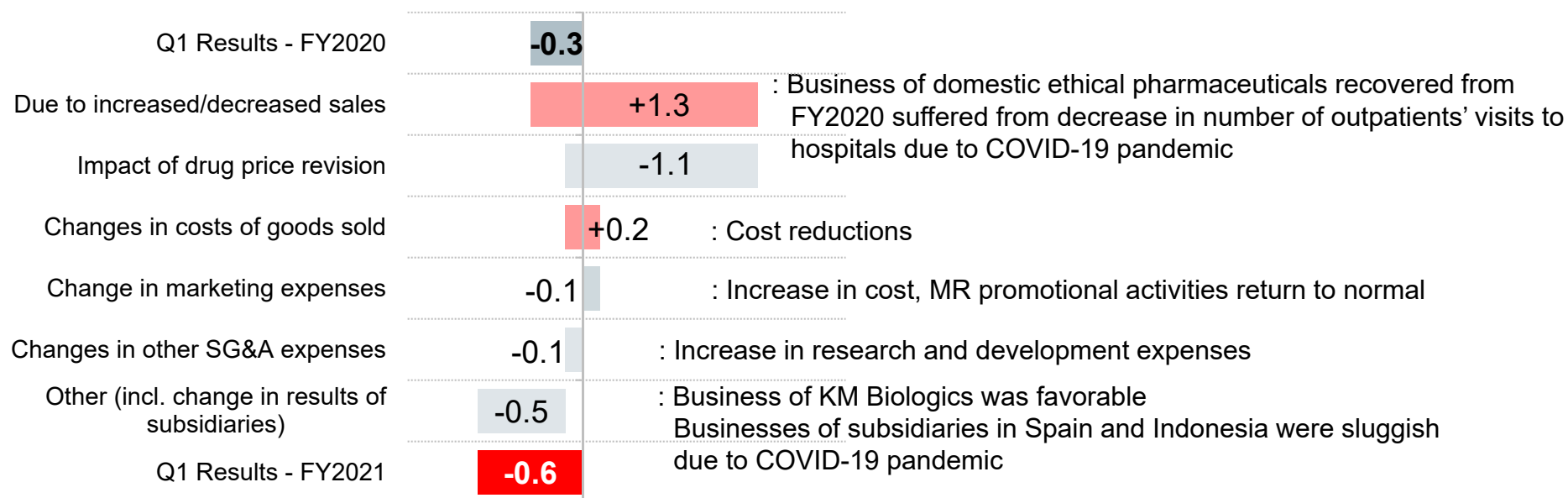
(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	12.3	+11.3% +1.2
Operating profit	0.1	-58.9% -0.1

- Decreased in operating profit year on year in overall overseas business  
Businesses in China grew significantly  
Increase in cost to strengthen business structure

# Pharmaceutical: Summary – Q1 FY2021

(JPY bn)	FY2020 Q1 Results	FY2021		FY2021 H1 Plan
		Q1 Results	YoY Change vs. H1 Plan	
Net sales	37.1	36.2	-2.3% -0.8	95.5
(Reference: Net sales)	35.5*	36.2	+1.8% +0.6	—
Operating profit	-0.3	-0.6	— -0.2	8.5

## YoY Change in Operating Profit (JPY bn)





# Pharmaceutical: Summary – Q1 FY2021

## Domestic ethical pharmaceuticals

(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	18.2	-0.8% -0.1
Operating profit	-0.7	— +0.4

## Overseas ethical pharmaceuticals

(JPY bn)	FY2021	
	Q1 Results*	YoY Change
Net sales	10.5	+1.9% +0.1
Operating profit	0.1	-88.0% -1.0

### ● Market

The receipt number increased significantly year on year

FY2020: Pediatrics -27%, Otolaryngology -22%

April 2021: Pediatrics +40%, Otolaryngology +32%

May 2021: Pediatrics +62%, Otolaryngology +32%

(Source) Health Insurance Claims Review & Reimbursement Services

### ● Net sales

Increased year on year despite NHI pricing revision

Sales of antibiotics increased significantly

In 2020 market decreased due to COVID-19 pandemic

*CYCREST* and *Bilanoa* favorable

### ● Operating profit

Increased year on year due to cost reduction efforts

### ● Net sales

Net sales largely unchanged year on year

CMO/CDMO business favorable

Decreased in sales at subsidiaries in Spain and Indonesia year on year

In FY2020 demand increased due to COVID-19 pandemic

### ● Operating profit

Profit decreased year on year

Sales of some subsidiaries decreased

# Pharmaceutical: Summary – Q1 FY2021

## ■ Human vaccines

(JPY bn)	FY2021 Q1 Results*	YoY Change
Net sales	4.7	-2.1% -0.1
Operating profit	0.3	— +0.4

### ● Net sales

Overall net sales decreased year on year

Revenue from formulating AstraZeneca COVID-19 vaccine contributed to increase

Decrease in sales of DPT-IPV *Quattrovac*  
No contract manufacturing of pre-pandemic Influenza vaccine

### ● Operating income

Increased year on year

Decrease in inventory valuation losses

## ■ Events After the Reporting Period

### Activities for selection and concentration

- Concluded license agreement with Intas Pharmaceuticals Ltd., India, on DMB-3115 (announced on July 21)
  - Get income on the achievement of milestone and royalty income derived from their sales
- Transferred stock of DM Bio Limited (announced on July 27)
  - Transferred stock of DM Bio Limited, equity method subsidiary, to the Dong-A Group, Korea
  - Meiji Seika Pharma to inject more management resources into the development of biosimilars

Impact of stock transfer on earnings  
Extraordinary income in Q2  
Approx. JPY 2.5 billion (Estimated)

\* Before applying revenue recognition accounting standards

# Outlook for FY2021 (No revisions)

(JPY bn)	FY2020 Results		FY2021 Plan			
	H1	Full-year	H1	YoY Change	Full-year	YoY Change
Net sales	584.9	1,191.7	505.0	-13.7% -79.9	1,024.0	-14.1% -167.7
(Reference: Net sales)	493.3*	1,007.1*	505.0	+2.4% +11.6	1,024.0	+1.7% +16.8
Operating profit	50.4	106.0	51.0	+1.2% +0.5	107.5	+1.4% +1.4
Op. profit margin	8.6%	8.9%	10.1%	—	10.5%	—
Profit attributable to owners of parent	28.7	65.6	31.0	+7.9% +2.2	67.0	+2.0% +1.3
EPS (JPY)	198.05	452.52	213.65	+15.6	461.76	+9.24
Cash dividends per share (JPY)	75	160	80	+5	160	—
Dividend payout ratio	—	35.4%	—	—	34.6%	-0.8pt
ROE	—	11.1%	—	—	10.5%	-0.6pt
ROIC	—	10.0%	—	—	9.5%	-0.5pt
Capital expenditures	33.2	67.9	58.9	+77.3% +25.7	121.4	+78.9% +53.5
Cash flows from operating activities	40.8	123.6	—	—	134.3	+8.6% +10.6
Free cash flows	-19.5	30.5	—	—	17.1	-43.9% -13.4

## Points to consider after Q1 FY2021

- Business environment in Food segment and our strategies
  - Weak recovery: Consumption expenditures did not return to FY2019 level yet
  - Raw material cost is increasing – May become a risk for performance
  - Short term: Unfavorable performance due to favorable results in Q1 FY2020  
Medium to long term: Should focus on Value creation

➔ Health and Nutrition are the key  
Drive the strategy to produce high value-added products to solve social issues
- Development of COVID-19 vaccine
  - Inactivated vaccine: Preparing for PIII study  
Building production system to start production in spring 2022
  - Completed formulation of AstraZeneca vaccine, *Vaxzevria*<sub>TM</sub>  
Started distribution in August to some areas in Japan
- Improve business using ROIC as a management indicator
  - Improve business efficiency steadily, though we have just started using ROIC



# Appendix

# Financial Position as of June 2021

(JPY bn)	Results as of Jun. 2021	Change	Main Factors for Change
Current assets	453.9	+6.6% +27.9	- Cash and deposits (+30.7) - Merchandise and finished goods (+4.4) - Raw materials and supplies (+2.1) - Notes and accounts receivable-trade (-12.5)
Non-current assets	643.5	+0.4% +2.6	- Deferred tax assets (+2.0) - Construction in progress (+1.9)
Total assets	1,097.5	+2.9% +30.5	—
Current liabilities	278.6	+10.1% +25.6	- Short-term borrowings (+28.9) - Commercial papers (+20.0) - Refund liability (+14.3) - Accrued expenses (-19.9) - Income taxes payable (-14.2)
Non-current liabilities	155.0	+0.3% +0.4	- Bonds payable (+10.0) - Long-term borrowings (-8.9)
Total liabilities	433.7	+6.4% +26.1	—
Shareholders' equity	599.0	+0.3% +1.8	- Capital surplus (+1.7)
Accumulated other comprehensive income	28.8	+19.3% +4.6	- Foreign currency translation adjustments (+5.3)
Non-controlling interests	35.8	-5.4% -2.0	—
Total net assets	663.7	+0.7% +4.4	—
Interest bearing debt	151.7	+49.1% +49.9	- Short-term borrowings (+28.9) - Commercial papers (+20.0) - Bonds payable (+10.0) - Long-term borrowings (-8.9)
Equity ratio	57.2%	-1.0pt	—

# Consolidated Cash Flows – Q1 FY2021

(JPY bn)	FY2021 Q1 Results	YoY Change	Main Factors for Change
Cash flows from operating activities	4.2	-7.7	<ul style="list-style-type: none"> <li>- Decrease in accrued expenses (-13.9)</li> <li>- Income taxes paid (-9.9)</li> <li>- Profit before income taxes (-3.1)</li> <li>- Increase in refund liability (+14.3)</li> <li>- Increase in trade payables (+4.6)</li> </ul>
Cash flows from investing activities	-12.4	+5.9	<ul style="list-style-type: none"> <li>- Subsidies received (+4.2)</li> <li>- Purchases of investment securities (+1.9)</li> <li>- Purchase of property, plant and equipment (+0.7)</li> <li>- Proceeds from sales of property, plant and equipment and intangible assets (-0.6)</li> </ul>
Free cash flows	-8.2	-1.7	—

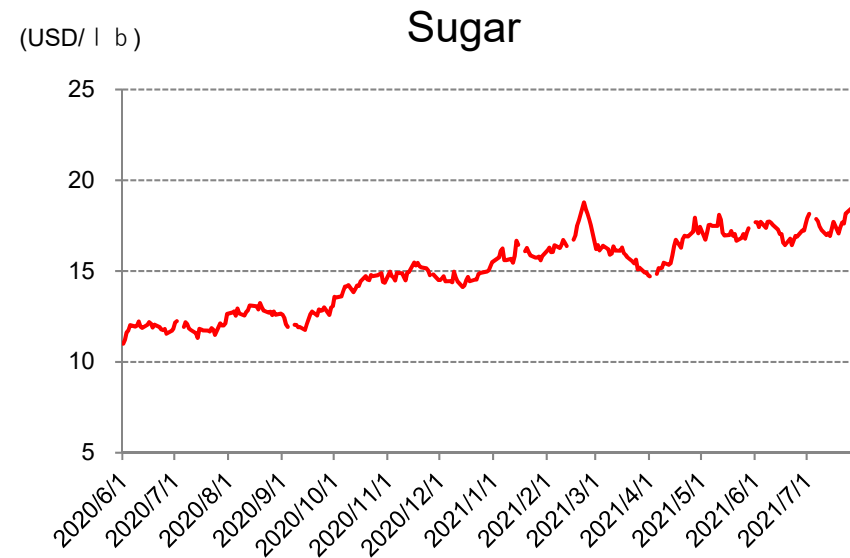
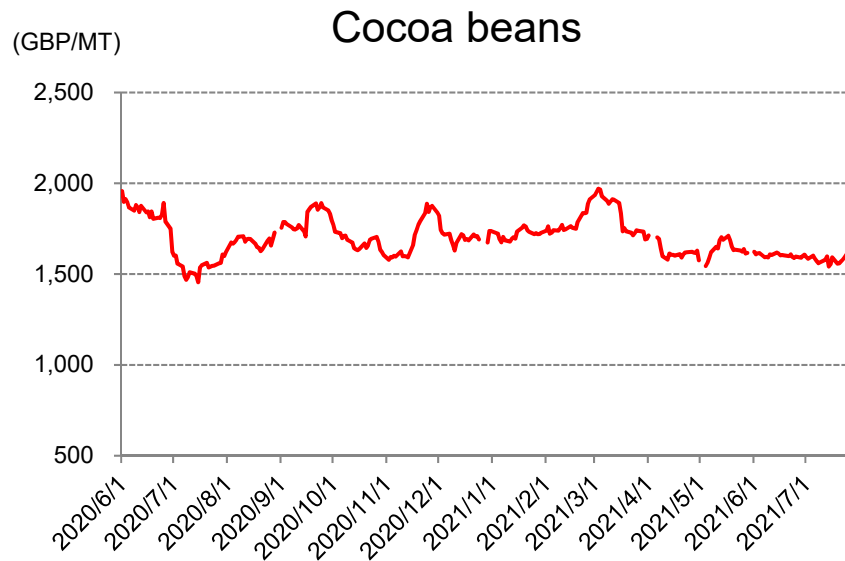
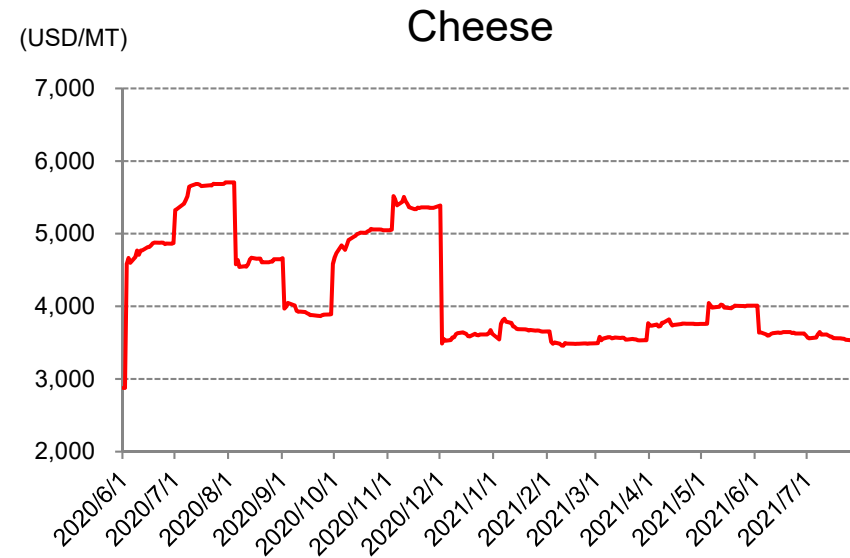
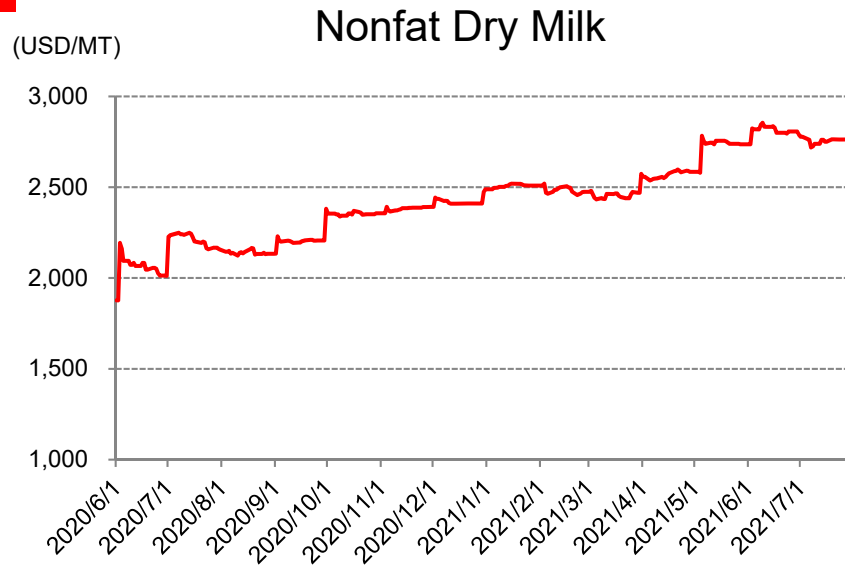
## Food: Sales by Main Products – Q1 FY2021

(JPY bn)

	FY2020 Q1 Results	FY2021 Q1 Results	YoY Change	vs. Full-year Plan	FY2021 H1 Plan
Yogurt	22.5	21.2	-5.9%	49.6%	42.7
Functional yogurt	30.4	25.3	-16.8%	45.8%	55.2
Cheese	7.9	7.5	-4.9%	49.2%	15.2
Chocolate	19.3	19.8	+2.8%	48.6%	40.7
Infant formula and enteral formula	14.8	14.6	-1.1%	48.7%	30.0
Sports nutrition (incl. <i>SAVAS Milk Protein</i> )	9.0	11.7	+30.9%	47.4%	24.8
Drinking milk, milk for home delivery	22.0	19.8	-10.2%	48.4%	40.8
Ice cream	11.5	10.4	-9.8%	41.1%	25.2



# Market Prices of Main Raw Materials Imported



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