

Now ideas for wellness

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Financial Results for the Q1-Q3 of FYE March 2022 (FY2021)

(From April 1, 2021 to December 31, 2021)

February 9, 2022

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-Q3 of FY2021 Consolidated Results

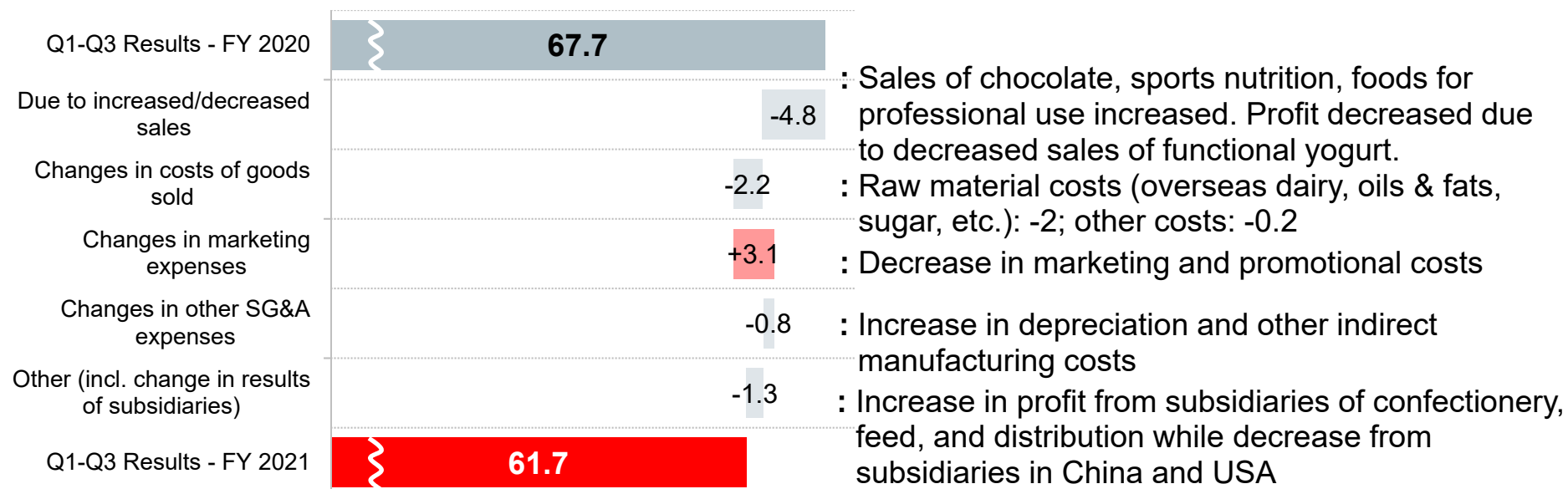
(JPY bn)	FY2020 Q1-Q3 Results	FY2021 Q1-Q3 Results	YoY Change	vs. FY2021 Plan	FY2021 Plan (Rev. on Feb. 9)
Net sales	900.7	769.9	-14.5% -130.7	76.3%	1,009.0
(Reference: Net sales)	759.3*	769.9	+1.4% +10.5	—	—
Operating profit	83.2	79.0	-5.1% -4.2	87.8%	90.0
Op. profit margin	9.2%	10.3%	+1.0pt	—	8.9%
Profit attributable to owners of parent	49.4	56.1	+13.7% +6.7	66.9%	84.0
EPS (JPY)	340.54	387.81	47.27	—	579.81

- **Q1-Q3 Results: Decreased both in net sales and operating profit**
 - Net sales of Food segment was largely unchanged, while increased in Pharmaceutical segment when excluding the impact of applying the Revenue Recognition Accounting Standard.
 - Operating profit decreased in Food segment while significantly increased in Pharmaceutical segment
 - Profit attributable to owners of parent increased significantly. Extraordinary income increased on the sales of investment securities and affiliate stock. Tax expenses decreased.

Food: Summary for the Q1-Q3 of FY2021

(JPY bn)	FY2020 Q1-Q3 Results	FY2021 Q1-Q3 Results	YoY Change	vs. FY2021 Plan	FY2021 Plan (Rev. on Feb. 9)
Net sales	758.4	626.3	-17.4% -132.0	76.0%	823.6
(Reference: Net sales)	626.4*	626.3	-0.0% -0.1	—	—
Operating profit	67.7	61.7	-8.9% -6.0	82.3%	75.0

YoY Change in Operating Profit (JPY bn)



Food: Analysis of Operating Profit by Business for Q1-Q3 of 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-Q3 Operating Profit – FY2020	67.7	36.3	13.9	8.0	-0.8	1.4	3.5	1.2	4.0
Due to increased/decreased sales	-4.8	-10.0	+4.8	+1.4	-2.2	+2.3	-1.1	+0.2	-0.4
Changes in COGS	-2.2	-0.5	-0.7	-0.6	+0	+0	-0.5	-0.1	+0.1
Changes in other SG&A expenses	+2.3	+1.6	-1.4	-0.2	+3.2	-1.5	+1.1	-0.8	+0.2
<i>Change in marketing expenses</i>	+3.1	+1.2	-0.9	+0.8	+2.2	-1.4	+0.8	+0.2	+0.2
<i>Change in other expenses (R&D expenses)</i>	-0.8 (-0.4)	+0.4	-0.4	-1.0	+1.0	-0.1	+0.3	-1.0	-0
Other (incl. change in results of subsidiaries)	-1.3	-0.9	+0	+0.9	-0.5	+0	-0.2	-0.9	+0.3
Q1-Q3 Operating Profit – FY2021	61.7	26.6	16.7	9.5	-0.2	2.2	2.7	-0.3	4.2

Food: Q1-Q3 FY2021 Results by Business

■ Yogurt and Cheese Business

(JPY bn)	FY2021		Net sales YoY Change	vs. FY2020 H1 Results	vs. FY2020 Q3 Results	vs. FY2020 Q1-Q3 Results
	Q1-Q3 Results*	YoY Change				
Net sales	182.5	-7.9% -15.7	Functional yogurt	-12.4%	-12.0%	-12.3%
Operating profit	26.6	-26.7% -9.7	Yogurt	-4.4%	-0.1%	-3.0%
			Cheese	-3.8%	-8.5%	-5.5%

* Before applying revenue recognition accounting standards

● Market size

- Yogurt: -5 ~ -6%
- Cheese: -1 ~ -2%

● Net sales

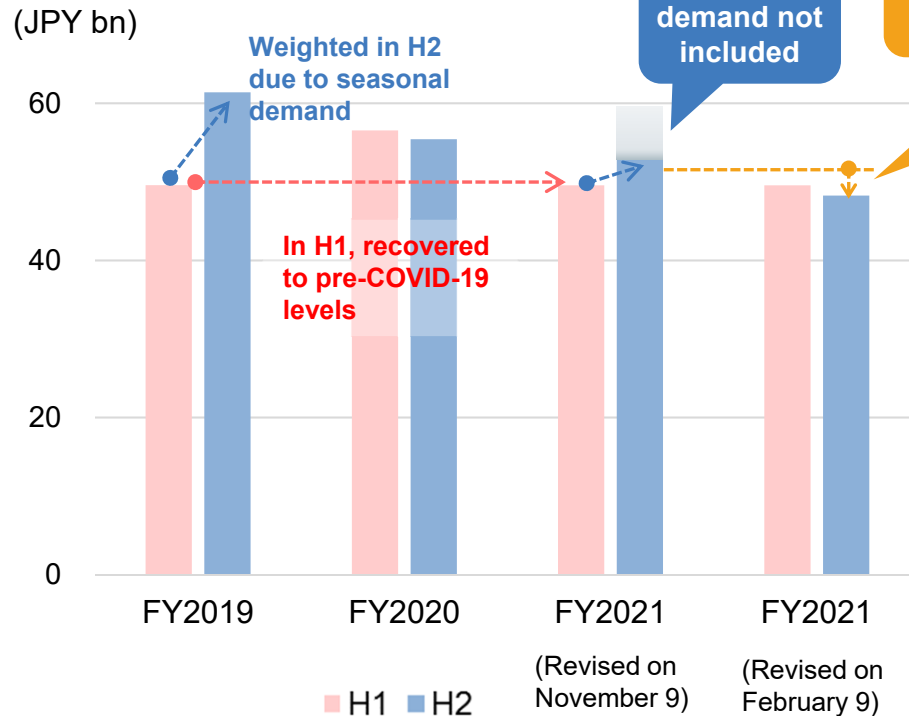
- Decreased in H1 due to higher sales in previous year. Although, aimed for a recovery to sales on par with the previous fiscal year in H2, Q3 sales also sluggish. The sales of functional yogurt struggled due to intensified competition.
- The sales of yogurt, mainly *Meiji Bulgaria yogurt*, is on a recovery track. In the trend of returning to the standard product in the COVID-19 pandemic, plain yogurt drove the sales.
- The sales of cheese decreased mainly due to intensifying price competition for processed cheese. The sales of mozzarella cheese was favorable, expanded the sales area to nationwide in August.

● Operating profit

- Decreased significantly due to decreased sales

Food: Efforts to Restore Growth for Functional Yogurt

Sales of Functional yogurt



Core customers remain stable
Struggling to attract new customers

- **R-1**
 - Launch TV commercials promoting the importance of managing one's health in each season
 - Enhance in-store information dissemination
- **LG21**
 - Promoting doctors' recommendations have certain effects on attracting new customers
 - Communicate the unique value of "stomach health"

JPY bn (yoy change)	Q3	Q4	H2
FY2020	27.5 (-1.1%)	27.9 (-17.0%)	55.4 (-9.7%)
FY2021 as of Nov. 9	-5% ~ aimed for sales on par with previous fiscal year		52.8 (-4.6%)
FY2021 as of Feb. 9	24.2 (-12.0%)	24.0 (-13.8%)	48.3 (-12.9%)

* Before applying revenue recognition accounting standards

“LG21
For maintaining daily health
95.3% of doctors recommend”

ヨーグルト
胃で働く
乳酸菌

Website:
LG21 brand

Food: Q1-Q3 FY2021 Results by Business

Nutrition

(JPY bn)	FY2021	
	Q1-Q3 Results*	YoY Change
Net sales	96.5	+8.0% +7.1
Operating profit	16.7	+20.2% +2.8

● Market size

- Sports protein: +17~18%
- Infant formula: -1~ -2%
- Enteral formula: Expand both hospital and nursing home care market

● Net sales

Mainstay products in infant formula, sports nutrition and enteral formula increased.

● Operating profit

Increased significantly

Mainly due to increased sales

Increased in sales promotion expenses and depreciation

Chocolate and Gummy

(JPY bn)	FY2021	
	Q1-Q3 Results*	YoY Change
Net sales	85.8	+3.1% +2.6
Operating profit	9.5	+18.8% +1.5

* Before applying revenue recognition accounting standards

● Market size

- Chocolate: -1~ -2%
Chocolate bar: Shrink due to higher demand in previous year
- Gummy: +16%, on recovery trend

● Net sales

- Chocolate: Health-conscious chocolates including family size package favorable. Aiming to further expand sales by strengthening the information dissemination on the value of cocoa

- Gummy: Recovered, increased significantly

● Operating profit

Increased significantly due to increased sales though increased in depreciation

Food: Q1-Q3 FY2021 Results by Business

Overseas Business

(JPY bn)	FY2021 Q1-Q3 Results*	YoY Change
Net sales	40.8	+11.8% +4.3
Operating profit	-0.3	— -1.5

* Before applying revenue recognition accounting standards

- Net sales
 - China: Increased significantly in ice cream business. Drinking milk and yogurt business favorable in H1, while sluggish in Q3 amid intensifying price promotion by competitors
 - Asia: Increased due to the effect of newly consolidated subsidiary in Vietnam
 - The USA: Increased, Meiji-brand chocolate snacks contributed
- Operating profit

Overall profit decreased: Increase in costs to strengthen the structure in China business. Increase in raw materials costs and logistics costs in the USA

Topics in Overseas Business

Consolidate sales function to Meiji (China) Investment Co., Ltd.

- In January 2022, the sales functions of the subsidiaries in China were consolidated to Meiji China, the company oversees operations in China.
- Established the structure for speedy management decisions locally

Started sales of functional yogurt in China

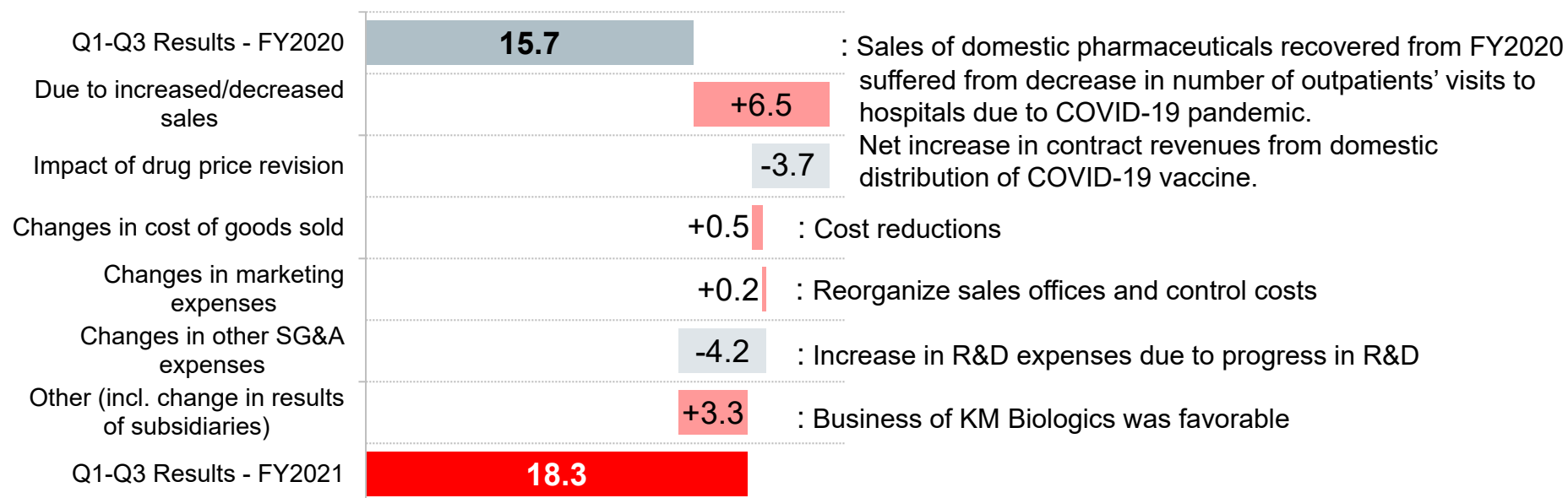
- Launched *R-1* and *LG21* in April 2021 focusing on Shanghai area
- Gradually improving product awareness and purchase experiences
- The key to future growth: Focus on increasing awareness of the benefits of lactobacilli



Pharmaceutical: Summary for the Q1-Q3 FY2021

(JPY bn)	FY2020 Q1-Q3 Results	FY2021 Q1-Q3 Results	YoY Change	vs. FY2021 Plan	FY2021 Plan (Rev. on Feb. 9)
Net sales	143.4	144.4	+0.7% +0.9	77.3%	186.8
(Reference: Net sales)	134.0*	144.4	+7.7% +10.3	—	—
Operating profit	15.7	18.3	+16.8% +2.6	—	16.5

YoY Change in Operating Profit (JPY bn)



Pharmaceutical: Q1-Q3 FY2021 Results by Business

Domestic Ethical Pharmaceuticals

(JPY bn)	FY2021 Q1-Q3 Results*	YoY Change
Net sales	71.7	+7.7% +5.1
Operating profit	3.1	+33.3% +0.7

Market condition

The receipt number increased significantly year on year – FY2020 suffered from decrease in number of outpatients' visits to hospitals

FY2020: Pediatrics -27%, Otolaryngology -22%

April-November 2021:

Pediatrics +26%, Otolaryngology +14%

Source: Health Insurance Claims Review & Reimbursement Services

Net sales

- Offset negative impact of NHI drug price revision
 - Antibiotics: Increased due to lower sales in previous year
 - Bilanoa*: Favorable
- Contract revenues from domestic distribution of COVID-19 vaccine

Overseas Ethical Pharmaceuticals

(JPY bn)	FY2021 Q1-Q3 Results*	YoY Change
Net sales	29.3	+1.6% +0.4
Operating profit	2.9	+4.8% +0.1

Net sales

- CMO/CDMO business: Favorable
- Local sales of subsidiaries decreased but are on recovery track
 - Decreased in sales at subsidiary in Spain in H1
 - In FY2020 demand increased due to COVID-19 pandemic

Operating profit

- Increased due to increased sales

Operating profit

- Overall profit increased, although R&D expenses increased

* Before applying revenue recognition accounting standards

Pharmaceutical: Q1-Q3 FY2021 Results by Business

Human Vaccines

(JPY bn)	FY2021 Q1-Q3 Results*	YoY Change
Net sales	39.6	+8.6% +3.1
Operating profit	13.0	+17.6% +1.9

* Before applying revenue recognition accounting standards

● Net sales

Increased

- Hepatitis B Vaccine *Bimmugen*: Decreased
- Influenza HA Vaccine: Increased
Shipped ahead of schedule in H1
- Revenue from formulating AstraZeneca COVID-19 vaccine contributed to increase

● Operating profit

Increased due to sales increase

Topics in Pharmaceutical Segment

Transfer of Agricultural Chemical Business

- Completed transfer to Mitsui Chemicals Agro, Inc. in January 4, 2022
- Plan to record approximately JPY 32.5 billion as an extraordinary income in Q4, transfer price was revised

Inactivated vaccine for COVID-19 (KD-414)

- Completed new facility for testing in December 2021
- Preparing to start operations this spring



Full-year Outlook – FY2021

(JPY bn)

	FY2021 Q1-Q3 Results	YoY Change	FY2021 Q4 Plan (Rev. on Feb. 9)	YoY Change	FY2021 Full-year Plan (Rev. on Feb. 9)	YoY Change	(Reference) FY2021 Full-year Plan (As of Nov. 9)	
Consolidated	Net sales	769.9	-14.5% -130.7	239.0	-17.9% -51.9	1,009.0	-15.3% -182.7	1,014.0
	Ref: Net sales*	—	+1.4% +10.5	—	-3.5% -8.6	—	+0.2% +1.8	—
	Operating profit	79.0	-5.1% -4.2	10.9	-51.9% -11.8	90.0	-15.1% -16.0	100.0
	Profit attributable to owners of parent	56.1	+13.7% +6.7	27.8	+71.2% +11.5	84.0	+27.9% +18.3	90.0
Food	Net sales	626.3	-17.4% -132.0	197.2	-18.2% -43.9	823.6	-17.6% -176.0	827.0
	Ref: Net sales*	—	-0.0% -0.1	—	-1.4% -2.8	—	-0.4% -2.9	—
	Operating profit	61.7	-8.9% -6.0	13.2	-32.5% -6.4	75.0	-14.3% -12.4	83.0
Pharma	Net sales	144.4	+0.7% +0.9	42.3	-15.6% -7.8	186.8	-3.5% -6.8	188.6
	Ref: Net sales*	—	+7.7% +10.3	—	-11.8% -5.6	—	+2.5% +4.6	—
	Operating profit	18.3	+16.8% +2.6	-1.8	— -5.2	16.5	-13.6% -2.6	18.5

Revised to reflect trends in sales of mainstay products, raw material costs, and delay in contract revenues of COVID-19 vaccine

Full-year Outlook – FY2021

(JPY bn)

	FY2020 Results	FY2021 Plan (Rev. on Feb. 9)	YoY Change	FY2021 Plan (Rev. on Nov 9)
Net sales	1,191.7	1,009.0	-15.3% -182.7	1,014.0
(Reference: Net sales)	1,007.1*	1,009.0	+0.2% +1.8	1,014.0
Operating profit	106.0	90.0	-15.1% -16.0	100.0
Op. profit margin	8.9%	8.9%	+0.0 pt	9.9%
Profit attributable to owners of parent	65.6	84.0	+27.9% +18.3	90.0
EPS (JPY)	452.52	579.81	+127.29	620.22
Cash dividends per share (JPY)	160	160	—	160
Dividend payout ratio	35.4%	27.6% (37.7%**)	-7.8 pt	25.8% (35.6%**)
ROE	11.1%	13.0% (10.0%**)	+1.9 pt	14.0% (10.5%**)
ROIC	10.0%	8.5%	-1.5 pt	9.0%
Capital expenditures	67.9	101.8	+50.0% +33.9	109.3
Cash flows from operating activities	123.6	125.0	+1.1% +1.3	128.7
Free cash flows	30.5	86.0	+181.3% +55.4	87.1

** Figures excluding the impact of transferring agricultural chemicals business



Appendix

Consolidated Financial Results for Q1-Q3 FY2021

(JPY bn)	FY2021		Main factors for the change
	Q1-Q3 Results	YoY Change	
Net sales	769.9	-14.5% -130.7	Refer page 1, 2 and 8 for detail
Operating profit	79.0	-5.1% -4.2	Refer page 1, 2 and 8 for detail
Non-operating profit	5.7	+65.3% +2.2	- Share of profit of entities accounted for using equity method (+2.5)
Non-operating expenses	2.6	+14.7% +0.3	- Loss on events (+0.3) - Compensation expenses (+0.3) - Share of losses of entities accounted for using equity method (-0.2)
Ordinary profit	82.0	-2.7% -2.2	-
Extraordinary income	11.9	+705.3% +10.4	- Subsidy income (+5.6) - Gain on sales of investment securities (+1.8)
Extraordinary losses	9.1	+44.2% +2.8	- Loss on tax purpose reduction entry of non-current assets (+5.6) - Impairment loss (-1.5) - Provision of allowance for doubtful accounts (-1.0)
Profit before income taxes	84.8	+6.8% +5.3	-
Income taxes-total	23.3	-9.7% -2.4	-
Profit (loss) attributable to non-controlling interests	5.3	+25.8% +1.1	-
Profit attributable to owners of parent	56.1	+13.7% +6.7	-

Analysis of Operating Profit for Q1-Q3 FY2021

(JPY bn)	Consolidated	Food	Pharma	Other
Q1-Q3 Results - FY2020	83.2	67.7	15.7	-0.2
Due to increased/decreased sales	+1.7	-4.8	+6.5	—
Impact of drug price revision	-3.7	—	-3.7	—
Changes in cost of goods sold	-1.7 *1	-2.2	+0.5	—
Changes in other SG&A expenses	-1.7 *2	+2.3	-4.0	—
Other (incl. change in results of subsidiaries)	+1.2	-1.3	+3.3	-0.8
Q1-Q3 Results - FY2021	79.0	61.7	18.3	-1.0

(Breakdown)

*1: **Food** Increase in raw materials cost: -2.0, Other: -0.2

Pharma Cost reductions: +0.5

*2: **Food** Decrease in marketing expenses: +3.1, Increase in indirect manufacturing costs: -0.8, Other: -0

Pharma Decrease in marketing expenses: +0.2, Increase in R&D expenses: -3.8, Other: -0.4

Financial Position as of December 2021

(JPY bn)	Results as of Dec. 2021	Change	Main Factors for Change
Current assets	494.1	+16.0% +68.0	- Notes and accounts receivable-trade (+36.3) - Cash and deposits (+22.6)
Non-current assets	667.3	+4.1% +26.4	- Construction in progress (+21.4) - Machinery and equipment, net (+5.0)
Total assets	1,161.5	+8.9% +94.5	—
Current liabilities	309.7	+22.4% +56.7	- Short-term borrowings (+27.9) - Refund liability (+18.9) - Notes and accounts payable – trade (+11.1) - Contract liability (+10.2) - Accrued expenses (-15.5)
Non-current liabilities	155.2	+0.4% +0.6	- Bonds payable (+10.0) - Retirement benefit liability (+1.1) - Long-term borrowings (-11.0)
Total liabilities	465.0	+14.1% +57.4	—
Shareholders' equity	620.6	+3.9% +23.3	- Retained earnings (+32.1) - Treasury shares (-10.7)
Accumulated other comprehensive income	35.7	+48.0% +11.5	- Foreign currency translation adjustments (+7.2) - Valuation difference on available-for-sale securities (+2.1)
Non-controlling interests	40.0	+5.5% +2.0	—
Total net assets	696.4	+5.6% +37.0	—
Interest bearing debt	128.6	+26.4% +26.9	- Short-term borrowings (+27.9) - Bonds payable (+10.0) - Long-term borrowings (-11.0)
Equity ratio	56.5%	-1.7pt	—

Consolidated Cash Flows for Q1-Q3 FY2021

(JPY bn)	FY2021 Q1-Q3 Results	YoY Change	Main Factors for Change
Cash flows from operating activities	75.0	+10.8	<ul style="list-style-type: none"> - Increase in trade payables (+10.6) - Increase in contract liability (+10.2) - Profit before income taxes (+5.3) - Income taxes paid (-17.5)
Cash flows from investing activities	-45.3	+27.9	<ul style="list-style-type: none"> - Purchases of investment securities (+32.0) - Proceeds from sale of investment securities (+6.3) - Subsidies received (+5.7) - Purchase of property, plant and equipment (-17.1)
Cash flow from financing activities	-9.8	-39.2	<ul style="list-style-type: none"> - Decrease in commercial papers (-27.0) - Increase in treasury shares (-10.9)
Free cash flows	29.7	+38.8	—

Analysis of Operating Profit – FY2021

(JPY bn)	Consolidated	Food	Pharma	Other
FY 2020 Results	106.0	87.4	19.1	-0.5
Due to increased/decreased sales	-2.2	-7.8	+5.6	—
Impact of drug price revision	-4.8	—	-4.8	—
Changes in costs of goods sold	-2.8 *1	-3.7	+0.9	—
Changes in other SG&A expenses	-2.1 *2	+1.6	-3.7	—
Other (incl. change in results of subsidiaries)	-4.1	-2.5	-0.6	-0.9
FY2021 Plan	90.0	75.0	16.5	-1.5

(Breakdown)

*1: **Food** Increase in raw materials cost: -3.6, Other: -0.1

Pharma Cost reductions: +0.9

*2: **Food** Decrease in marketing expenses: +3.9, Increase in indirect manufacturing costs: -1.9, Other: -0.4

Pharma Increase in marketing expenses: -1.5, Increase in R&D expenses: -2.9, Other: +0.7

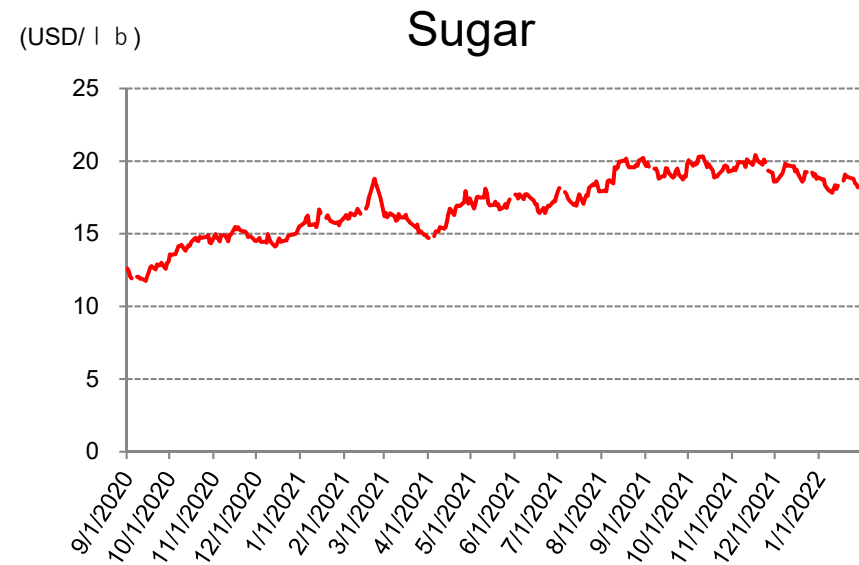
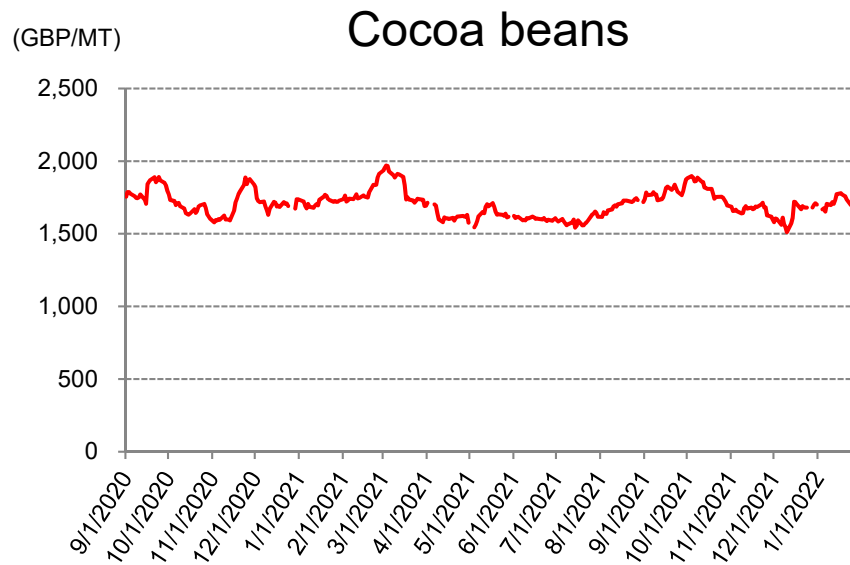
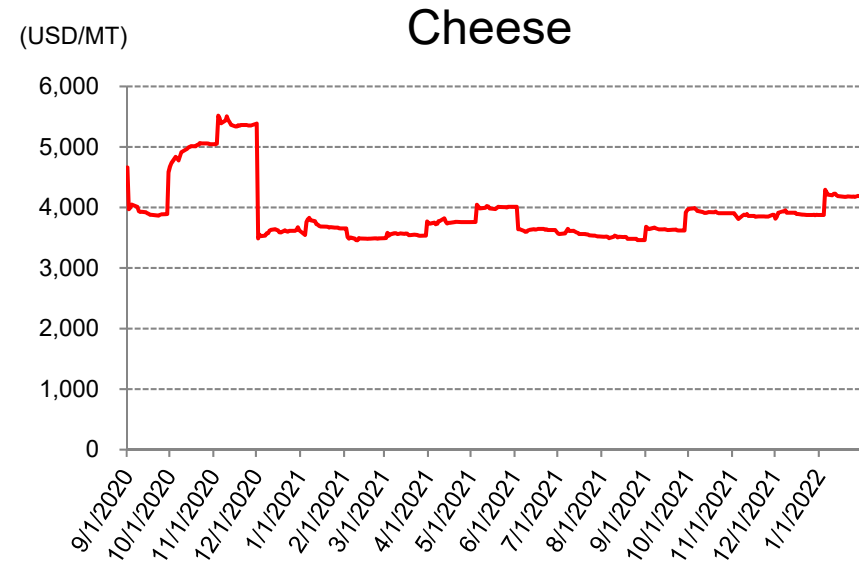
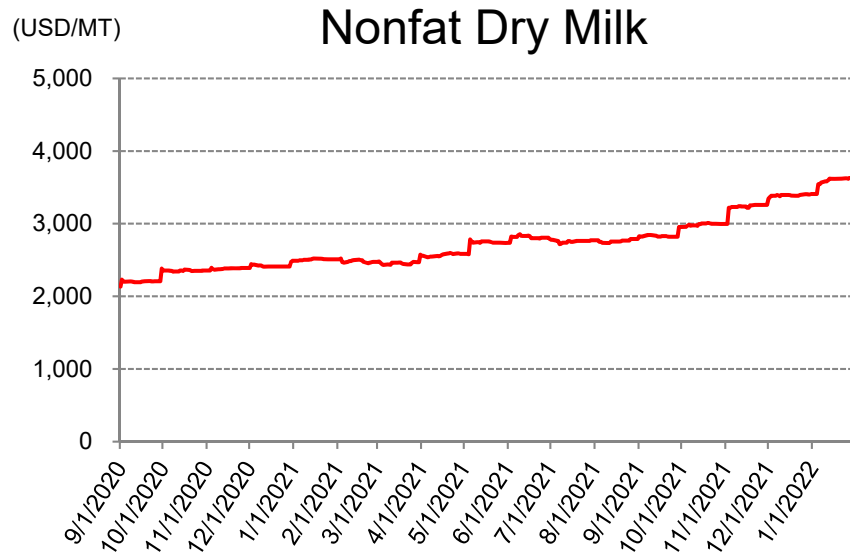
Food: Analysis of Op. Profit by Business – FY2021

(JPY bn)	Food Segment Total	Yogurt & Cheese	Nutrition	Chocolate & gummy	Drinking milk	B to B	Frozen dessert & ready meal	Overseas	Other/ domestic subsidiaries
Full-year Operating Profit – FY2020	87.4	47.6	17.7	11.7	-1.2	1.7	3.6	1.2	4.8
Due to increased/decreased sales	-7.8	-13.5	+5.3	+1.7	-3.0	+2.9	-1.2	+0.2	-0.3
Changes in COGS	-3.7	-0.9	-1.3	-0.9	+0	-0.1	-0.6	-0.1	+0
Changes in other SG&A expenses	+1.6	+2.2	-2.6	-0.5	+3.8	-1.6	+1.2	-1.2	+0.2
<i>Change in marketing expenses</i>	<i>+3.9</i>	<i>+2.1</i>	<i>-1.5</i>	<i>+0.6</i>	<i>+2.7</i>	<i>-1.5</i>	<i>+1.0</i>	<i>+0.2</i>	<i>+0.3</i>
<i>Change in other expenses (R&D expenses)</i>	<i>-2.3 (-0.3)</i>	<i>+0.1</i>	<i>-1.1</i>	<i>-1.1</i>	<i>+1.1</i>	<i>-0</i>	<i>+0.2</i>	<i>-1.4</i>	<i>-0</i>
Other (incl. change in results of subsidiaries)	-2.5	-1.2	+0	+0.6	-0.6	-0	-0	-1.4	+0.2
Full-year Operating Profit – FY2021	75.0	34.3	19.1	12.6	-1.0	3.0	3.0	-1.1	4.9

Food: Sales by Main Products for Q1-Q3 FY2021

(JPY bn)	FY2020 Q1-Q3 Results	FY2021 Q1-Q3 Results	YoY Change	vs. H1 Plan	FY2021 Full-year plan (Rev. on Feb. 9)
Yogurt	64.3	62.4	-3.0%	76.0%	82.0
Functional yogurt	84.1	73.8	-12.3%	75.4%	97.8
Cheese	23.9	22.5	-5.5%	76.6%	29.4
Chocolate	69.2	69.6	+0.6%	72.1%	96.6
Infant formula and enteral formula	45.3	49.0	+8.3%	78.1%	62.8
Sports nutrition (incl. <i>SAVAS Milk Protein</i>)	31.0	34.3	+10.6%	77.4%	44.4
Drinking milk, milk for home delivery	66.2	59.3	-10.4%	77.4%	76.6
Ice cream	34.5	33.0	-4.4%	81.6%	40.4

Market Prices of Main Raw Materials Imported



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