

Now ideas for wellness



Financial Results for the Q1-Q3 of FYE March 2023 (FY2022)

(From April 1, 2022 to December 31, 2022)

February 9, 2023

Meiji Holdings Co., Ltd.

Summary for Q1-Q3 FY2022 Consolidated Results

| (JPY bn) | FY2021 Q1-Q3 Results | FY2022 Q1-Q3 Results | YoY Change | vs. FY2022 Plan | FY2022 Plan (Rev. Feb 9) |
|--|----------------------------|----------------------------|-----------------|--------------------|--------------------------------|
| Net sales | 769.9 | 798.0 | +3.7% +28.1 | 75.4% | 1,058.0 |
| Operating profit | 79.0 | 64.7 | -18.1% -14.2 | 83.5% | 77.5 |
| Op. profit margin | 10.3% | 8.1% | -2.1 pt | — | 7.3% |
| Profit attributable to owners of parent | 56.1 | 47.2 | -15.8% -8.9 | 76.2% | 62.0 |
| EPS (JPY) | 387.81 | 336.24 | -51.57 | — | 440.89 |

Results for Q1-Q3 FY2022:

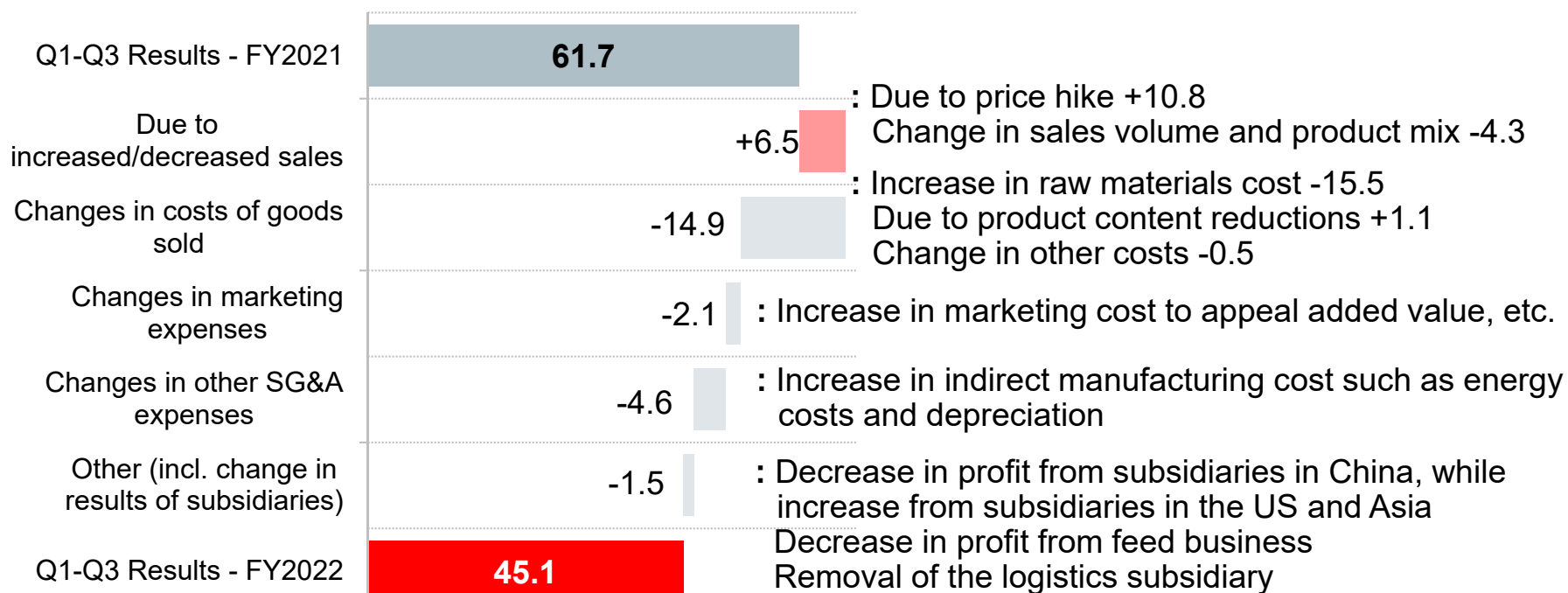
Increased in sales, decreased in operating profit

- Sales: Increased both in Food and Pharmaceutical segment
- Operating profit: Food segment decreased significantly
 Pharmaceutical segment increased significantly
- Profit attributable to owners of parent:
 - Decreased significantly due to decreased operating profit
 - Decreased both in extraordinary income and loss

Food: Summary – Q1-Q3 FY2022

| (JPY bn) | FY2021 Q1-Q3 Results | FY2022 Q1-Q3 Results | YoY Change | vs. FY2022 Plan | FY2022 Plan (Rev. Feb 9) |
|------------------|----------------------------|----------------------------|-----------------|--------------------|--------------------------------|
| Net sales | 626.3 | 649.9 | +3.8% +23.6 | 75.5% | 861.2 |
| Operating profit | 61.7 | 45.1 | -26.9% -16.5 | 75.2% | 60.0 |

Analysis of changes in operating profit



Food: Summary – Q1-Q3 FY2022

■ Yogurt and Cheese Business

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change |
|------------------|----------------------------|----------------|
| Net sales | 151.5 | -4.9% -7.8 |
| Operating profit | 16.9 | -36.4% -9.6 |

| Sales vs. FY2021 | Q1 | Q2 | Q3 |
|-------------------|-------|-------|-------|
| Functional yogurt | -9.8% | -7.8% | +3.1% |
| Yogurt | -6.1% | -5.9% | -8.9% |
| Cheese | -9.5% | -8.0% | +0.2% |

Price hike

- Functional yogurt and yogurt: From November
- Cheese: From April and October

● Market Size

- Yogurt: -1 to -2%
- Cheese: -2 to -4%

Market size in the cumulative Q1-Q3 was smaller than in the same period of the previous year, but the negative trend is narrowing.

● Net Sales

- Price hikes have permeated due to the thorough appeal of added value.
- Functional yogurt (LG21, R-1 and *Shibou Taisaku Yogurt**):
Sales have been strong due to enhanced marketing activities.
- Yogurt and cheese: Sales volume growth has been sluggish due to competition with low-priced products from other companies.



*Shibou Taisaku Yogurt**

* Yogurt for body fat reduction launched in October 2022

● Operating profit

Decreased significantly due to sales decline and cost increases in raw materials, energy, and marketing

Pharmaceutical: Summary – Q1-Q3 FY2022

| (JPY bn) | FY2021 Q1-Q3 Results | FY2022 Q1-Q3 Results | YoY Change | vs. FY2022 Plan | FY2022 Plan (Rev. Feb 9) |
|------------------|----------------------------|----------------------------|----------------|--------------------|--------------------------------|
| Net sales | 144.4 | 148.7 | +3.0% +4.2 | 75.3% | 197.5 |
| Operating profit | 18.3 | 21.0 | +14.4% +2.6 | 105.2% | 20.0 |

Analysis of changes in operating profit

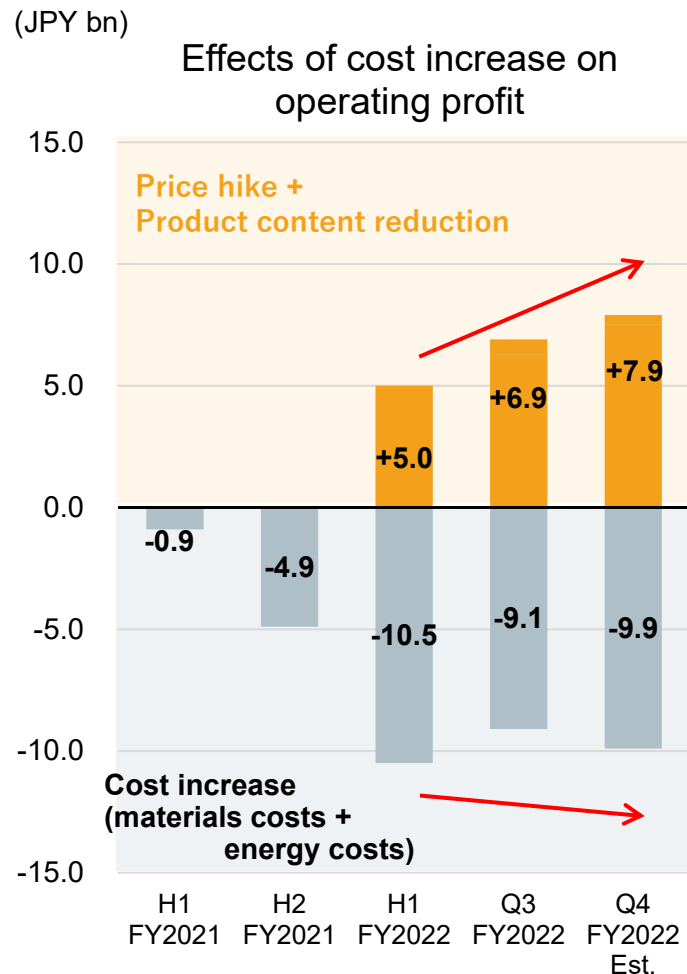
| | | |
|---|------|--|
| Q1-Q3 Results - FY2021 | 18.3 | |
| Due to increased/decreased sales | +4.9 | : Increase in ethical pharmaceutical business in Japan Increase in contract revenues for storage and transporting of AstraZeneca's COVID-19 vaccines |
| Decrease due to NIH price revision | -3.6 | |
| Changes in costs of goods sold | +0.1 | : Cost reduction |
| Changes in marketing expenses | +2.0 | : Decrease in costs due to structural reform |
| Changes in other SG&A expenses | +3.6 | : Decrease in R&D expenses, Increase in energy cost |
| Other (incl. change in results of subsidiaries) | -4.3 | : Increase in profit from subsidiaries in India and Spain Decrease in profit from KM Biologics due to the absence of contract revenues from the formulation of AstraZeneca's COVID-19 vaccine |
| Q1-Q3 Results - FY2022 | 21.0 | |

Revised FY2022 Full-year Plan

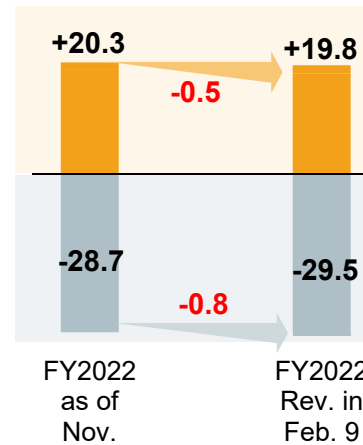
| (JPY bn) | | FY2021 Full-year Results | FY2022 Full-year Rev. Plan (Rev. Feb. 9) | YoY Change | FY2022 Full-year Rev. Plan (Rev. Nov. 8) |
|--------------|---|--------------------------------|---|-----------------|---|
| Consolidated | Net sales | 1,013.0 | 1,058.0 | +4.4% +449 | 1,052.5 |
| | Operating profit | 92.9 | 77.5 | -16.6% -15.4 | 83.5 |
| | Op. profit margin | 9.2% | 7.3% | -1.8 pt | 7.9% |
| | Profit attributable to owners of parent | 87.4 | 62.0 | -29.1% -25.4 | 60.0 |
| Food | Net sales | 826.0 | 861.2 | +4.3% +35.1 | 853.6 |
| | Operating profit | 75.9 | 60.0 | -21.0% -15.9 | 66.0 |
| Pharma | Net sales | 187.9 | 197.5 | +5.1% +9.5 | 199.4 |
| | Operating profit | 18.6 | 20.0 | +7.2% +1.3 | 20.0 |

- Revised full-year operating profit forecasts down based on Q3 performance
- Pharmaceutical segment performed well, while volume growth failed to offset the cost increases in Food segment.
- Profit attributable to owners of parent revised up due to gain on sales of fixed assets.

Food: Strategies to Overcome Cost Increases



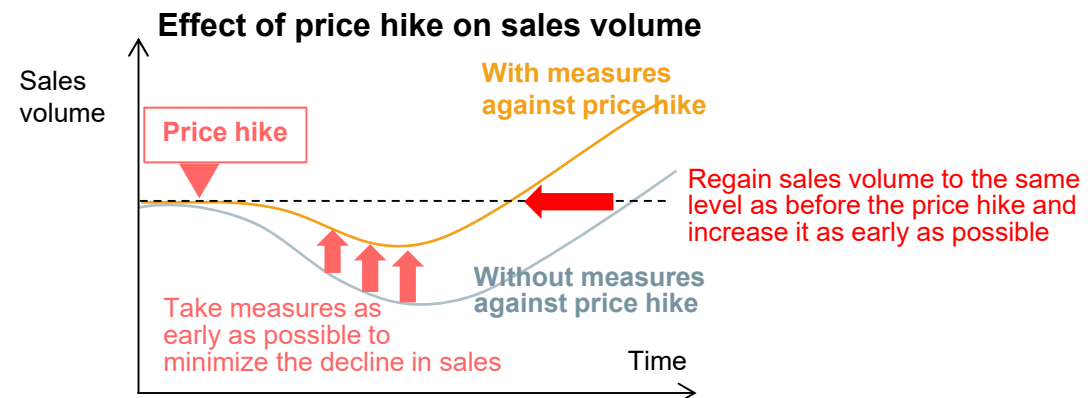
- Though cost increases remain high, the effects of price hikes and product content reductions gradually become evident
- Difference from the full-year plan as of November:



- Price hikes for some products are not fully permeated the market.
- Increases in energy costs exceeded expectations

Assumed exchange rate
1 USD = JPY 145

- Challenge: Recovering and increasing sale volume by enhancing marketing activities





Appendix

Financial Position as of December 2022

| (JPY bn) | Results as of Dec. 2022 | Change | Main Factors for Change |
|--|----------------------------|-----------------|---|
| Current assets | 540.4 | +18.6% +84.8 | - Notes and accounts receivable-trade (+43.8) - Cash and deposits (+20.3) - Raw materials and supplies (+10.5) - Other (+7.9) |
| Non-current assets | 674.4 | +1.9% +12.6 | - Buildings and structures, net (+7.3) - Investment securities (+3.9) |
| Total assets | 1,214.9 | +8.7% +97.5 | — |
| Current liabilities | 356.6 | +24.4% +69.8 | - Short-term borrowings (+35.6) - Commercial papers (+25.0) |
| Non-current liabilities | 110.1 | -6.4% -7.4 | - Bonds payable (-10.0) - Retirement benefit liability (+3.5) |
| Total liabilities | 466.8 | +15.4% +62.3 | — |
| Shareholders' equity | 645.9 | +2.1% +13.1 | - Retained earnings (+22.6) - Treasury shares (-9.6) |
| Accumulated other comprehensive income | 61.6 | +52.3% +21.1 | - Foreign currency translation adjustments (+21.9) |
| Non-controlling interests | 40.5 | +2.2% +0.8 | — |
| Total net assets | 748.1 | +4.9% +35.1 | — |
| Interest bearing debt | 138.9 | +71.0% +57.7 | - Short-term borrowings (+35.6) - Commercial papers (+25.0) |
| Equity ratio | 58.2% | -2.0 pt | — |

Consolidated Cash Flows – Q1-Q3 FY2022

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change | Main Factors for Change |
|--------------------------------------|----------------------------|------------|--|
| Cash flows from operating activities | 36.6 | -38.4 | <ul style="list-style-type: none"> - Profit before income taxes (-15.8) - Decrease in contract liability (-14.3) - Decrease (increase) in trade receivables (-12.8) - Increase (decrease) in trade payables (+7.0) |
| Cash flows from investing activities | -41.7 | +3.5 | <ul style="list-style-type: none"> - Purchase of property, plant and equipment (+10.8) - Subsidies received (-7.7) |
| Free cash flows | -5.1 | -34.8 | — |

Food: Analysis of Op. Profit by Business – Q1-Q3 FY2022

| (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 – FY2021 | 61.7 | 26.6 | 16.7 | 9.5 | -0.2 | 2.2 | 2.7 | -0.3 | 4.2 |
| Due to increased/decreased sales | +6.5 | -3.5 | +2.5 | +2.3 | -0.5 | +2.2 | +1.4 | +1.0 | +1.0 |
| Changes in COGS | -14.9 | -3.0 | -4.4 | -2.8 | -0.5 | -1.4 | -1.5 | -0.7 | -0.6 |
| Changes in other SG&A expenses | -6.7 | -3.4 | -2.0 | -0.1 | +0.1 | -0.7 | +0.4 | -0.3 | -0.6 |
| <i>Change in marketing expenses</i> | -2.1 | -2.4 | -0.1 | +0.3 | +0.8 | -0.3 | +0.2 | -0.1 | -0.3 |
| <i>Change in other expenses (R&D expenses)</i> | -4.6 (+0.3) | -1.0 | -1.9 | -0.5 | -0.6 | -0.5 | +0.3 | -0.2 | -0.2 |
| Other (incl. change in results of subsidiaries) | -1.5 | +0.4 | -0.0 | -0.2 | -0.6 | -0.0 | +0.0 | +0.0 | -1.1 |
| Q1-Q3 Operating Profit – FY2022 | 45.1 | 16.9 | 12.8 | 8.8 | -1.7 | 2.2 | 3.1 | -0.2 | 3.0 |

Food: Sales by Main Product

(JPY bn)

| | FY2021 Q1-Q3 Results | FY2022 Q1-Q3 Results | YoY Change | vs. FY2022 Full-year plan | FY2022 Full-year plan (Rev. Feb. 9) |
|--|----------------------------|----------------------------|------------|---------------------------------|--|
| Yogurt | 62.4 | 58.0 | -6.9% | 75.7% | 76.7 |
| Functional yogurt | 73.8 | 70.2 | -4.9% | 72.1% | 97.4 |
| Cheese | 22.5 | 21.3 | -5.7% | 76.2% | 27.9 |
| Chocolate | 69.6 | 71.3 | +2.4% | 71.1% | 100.2 |
| Infant formula and enteral formula | 49.0 | 51.7 | +5.3% | 76.9% | 67.2 |
| Sports nutrition (incl. <i>SAVAS Milk Protein</i>) | 34.3 | 35.6 | +3.8% | 78.3% | 45.5 |
| Drinking milk, milk for home delivery | 59.3 | 55.1 | -7.1% | 75.9% | 72.6 |
| Ice cream | 33.0 | 33.7 | +2.4% | 81.8% | 41.2 |

Food: Q1-Q3 FY2022 Results by Business -1

Nutrition

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change |
|------------------|----------------------------|----------------|
| Net sales | 90.6 | +5.4% +4.6 |
| Operating profit | 12.8 | -23.5% -3.9 |

● Market size

- Sports protein (Powder and granules):
Decreased -3 to -4% at stores while EC sales were favorable for whey products etc.
- Liquid diet:
Grew both for hospital and in-home care

● Net sales

- Liquid diet and infant formula: Continue to perform favorably.
- SAVAS drink products: Continued to grow strongly. Competition in the powder products continued to be fierce, but enhanced EC sales promotions have been successful.

● Operating profit

Decreased significantly due to increase costs in raw materials, energy and depreciation expenses

Chocolate and Gummy

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change |
|------------------|----------------------------|---------------|
| Net sales | 75.2 | +4.8% +3.4 |
| Operating profit | 8.8 | -7.9% -0.7 |

● Market size

- Chocolate: -1 to -2%
- Gummy: +23 to +24%

● Net sales

Chocolate snacks, *Chocolate Koka* and gummy drove the sales.

● Operating profit

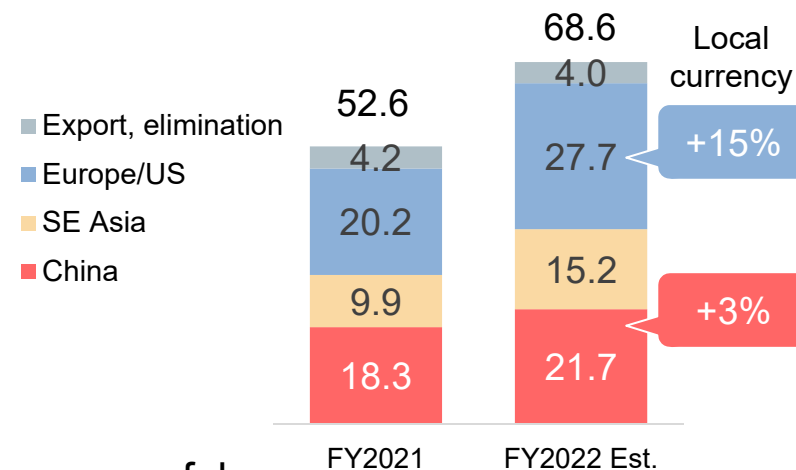
Decreased due to increased costs in raw materials and energy

Food: Q1-Q3 FY2022 Results by Business -2

Overseas Business

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change |
|------------------|----------------------|-----------------|
| Net sales | 49.9 | +30.3% +11.6 |
| Operating profit | -0.2 | — +0.1 |

Sales in each region (JPY bn)



China

- Ice cream: Continued to grow strongly, thanks to successful efforts to expand sales areas and aggressive new product development
- Confectionery: Limited impact of lockdown with mainstay products performed favorably
- Drinking milk and yogurt: Struggled. Working on expanding sales areas and product lines
- B to B business: Sales growth continued due to gaining new customers.
- A new milk and yogurt plant in Tianjin started operation in January.

The US

- Raised prices to offset higher costs. Sales of the Meiji brand chocolate snacks were favorable in volume terms.
- Steadily improving profitability by reducing the number of SKUs

Pharmaceutical: Analysis of Operating Profit – Q1-Q3 FY2022

| (JPY bn) | Segment Total | Domestic ethical pharmaceuticals | Overseas ethical pharmaceuticals | Human vaccine | Veterinary drug* |
|--|--------------------|----------------------------------|----------------------------------|---------------|------------------|
| Q1-Q3 Operating Profit – FY2021 | 18.3 | 3.1 | 2.9 | 13.0 | -0.6 |
| Due to increased/decreased sales | +4.9 | +7.6 | +1.6 | -1.5 | -2.8 |
| Impact of drug price revision | -3.6 | -3.6 | — | — | — |
| Changes in COGS | +0.1 | -0.2 | -0.3 | +0.6 | +0.0 |
| Changes in other SG&A expenses | +5.6 | +2.6 | +0.1 | -0.5 | +3.4 |
| <i>Change in marketing expenses</i> | <i>+2.0</i> | <i>+0.3</i> | <i>+0.1</i> | <i>-0.3</i> | <i>+1.8</i> |
| <i>Change in other expenses (R&D expenses)</i> | <i>+3.6 (+3.9)</i> | <i>+2.3</i> | <i>+0.0</i> | <i>-0.2</i> | <i>+1.6</i> |
| Other (incl. change in results of subsidiaries) | -4.3 | -0.0 | +1.9 | -6.8 | +0.5 |
| Q1-Q3 Operating Profit – FY2022 | 21.0 | 9.3 | 6.2 | 4.8 | 0.5 |

*FY2021 result includes the agricultural chemicals business before the transfer of the business (results of the cumulative third quarter). From April 2022, Meiji Animal Health Co., Ltd., a newly established subsidiary, operates both the veterinary drug business and the veterinary vaccine business. Therefore, changes in profit of the veterinary business for FY2022 are included in "Other."

Pharmaceutical: Q1-Q3 FY2022 Results by Business

■ Domestic ethical pharmaceuticals

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change |
|------------------|----------------------------|-----------------|
| Net sales | 73.5 | +10.4% +6.9 |
| Operating profit | 9.3 | +201.6% +6.2 |

● Net sales

Sales of antibiotics *SULBACILLIN*, COVID-19 antigen rapid test kit, and antineoplastic agent *Hiyasta* increased.

● Operating profit

Increased significantly

- R&D expense decreased.
- Significant increase in sales contributed.

● Other

Promoted structural reforms including shutting down research laboratories and reorganizing sales offices

■ Human vaccine

| (JPY bn) | FY2022 Q1-Q3 Results | YoY Change |
|------------------|----------------------------|----------------|
| Net sales | 28.1 | -24.5% -9.1 |
| Operating profit | 4.8 | -62.9% -8.2 |

● Net sales

Overall sales decreased

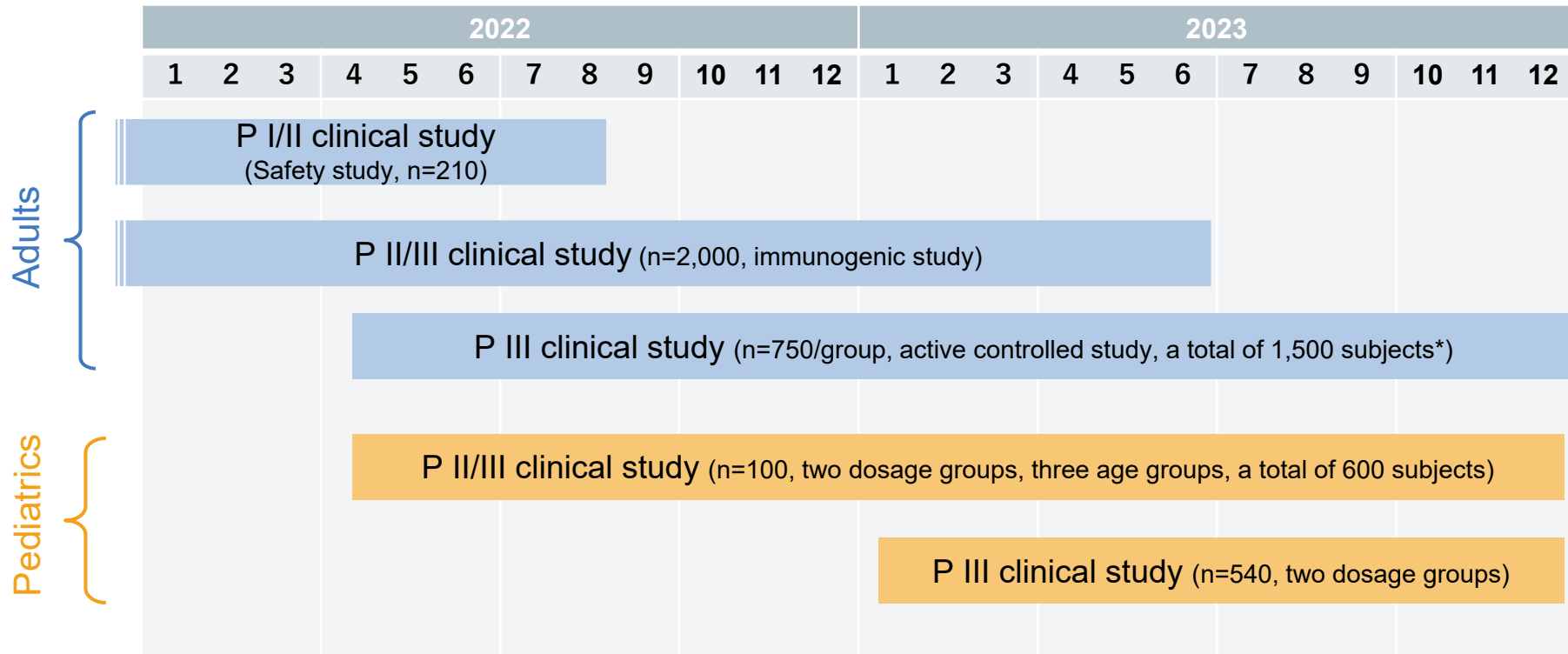
- Supply of influenza vaccine marked a record high, while immunization rates fell below expectations.
Increased provision for sales returns
- No contracted manufacturing income for COVID-19 vaccine formulation

● Operating profit

Decreased significantly

- Decrease in consignment income
- Increase in allowance for possible returns

Pharmaceutical: Development of Inactivated COVID-19 Vaccine (KD-414)

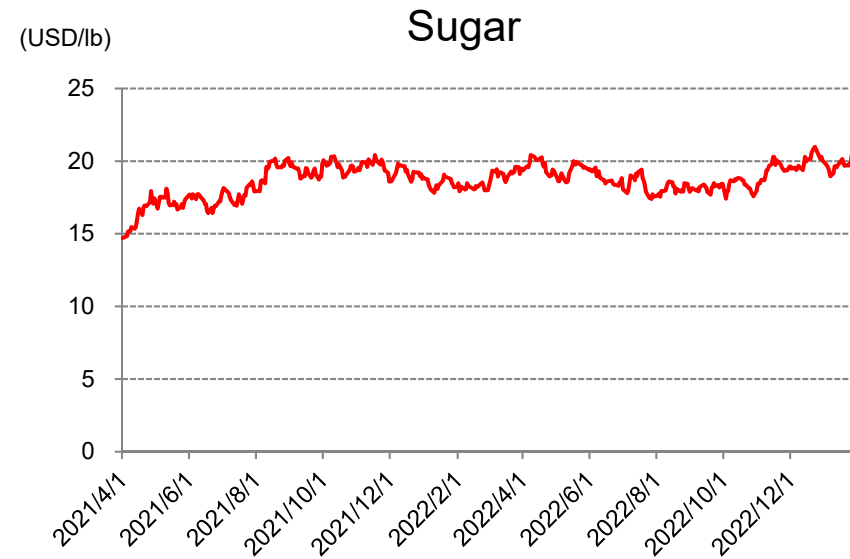
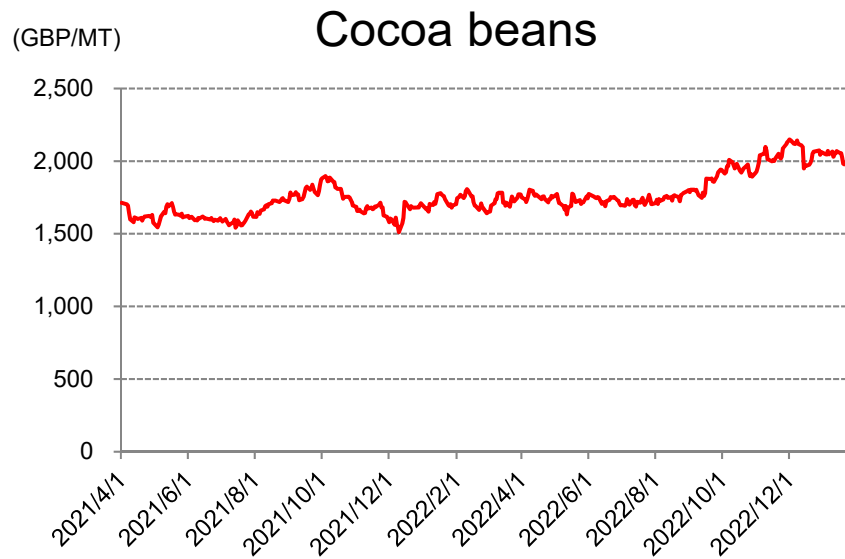
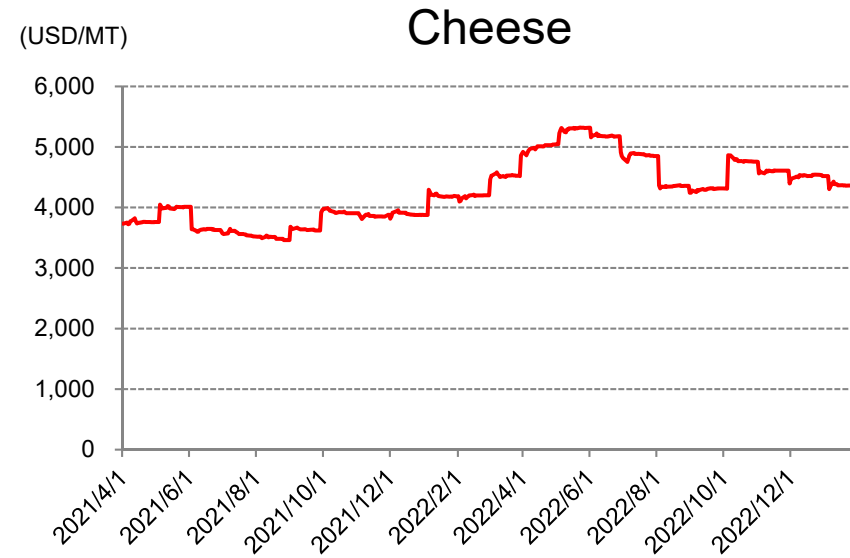
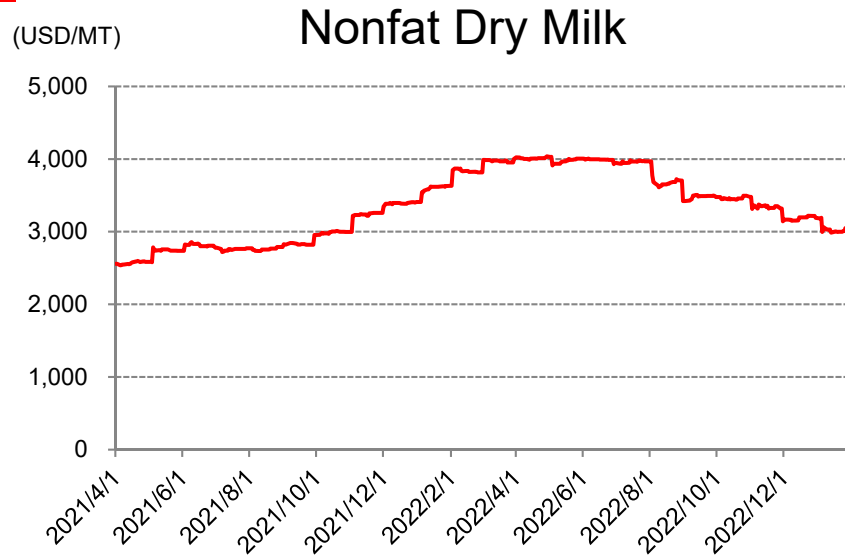


- According to the P II/III preliminary results, younger age group showed higher neutralizing antibody titer against COVID-19 virus, the same result from P I/II study
- Started pediatric PIII study in January 2023
- Clinical studies proceeding steadily, aiming to start drug supply ASAP

Consolidated FY2022 Full-year Plan

| (JPY bn) | FY2021 Full-year Results | FY2022 Full-year Plan (Rev. Feb. 9) | YoY Change | FY2022 Full-year Plan (Int. May 12) | FY2022 Full-year Plan (Rev. Nov. 8) |
|--|--------------------------------|--|-----------------|--|--|
| Net sales | 1,013.0 | 1,058.0 | +4.4% +44.9 | 1,035.5 | 1,052.5 |
| Operating profit | 92.9 | 77.5 | -16.6% -15.4 | 92.5 | 83.5 |
| Op. profit margin | 9.2% | 7.3% | -1.8 pt | 8.9% | 7.9% |
| Profit attributable to owners of parent | 87.4 | 62.0 | -29.1% -25.4 | 62.5 | 60.0 |
| EPS (JPY) | 607.24 | 440.89 | -166.35 | 433.76 | 426.00 |
| Cash dividends per share (JPY) | 170 | 170 | — | 170 | 170 |
| Dividend payout ratio | 28.0% | 38.6% | +10.6 pt | 39.2% | 39.9% |
| ROE | 13.5% | 9.0% | -4.5 pt | 9.0% | 8.6% |
| ROIC | 8.4% | 6.4% | -2.0 pt | 8.0% | 7.2% |
| Capital expenditures | 93.1 | 82.9 | -11.0% -10.2 | 96.3 | 88.0 |
| Cash flows from operating activities | 127.5 | 54.0 | -57.6% -73.5 | 70.0 | 60.0 |
| Free cash flows | 99.9 | -6.0 | — -105.9 | -20.0 | -13.0 |

Market Prices of Main Raw Materials Imported



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meiji

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