

Revisions to Consolidated Financial Forecasts for FYE March 2024 (FY2023) and Recording of Impairment Loss

Explanatory Material

April 9, 2024

1. Revisions to FY2023 Consolidated Financial Forecasts and Recording of Impairment Loss
2. Current State of China Business and Future Initiatives

1. Revisions to FY2023 Consolidated Financial Forecasts and Recording of Impairment Loss

Revisions to FY2023 Consolidated Financial Forecasts

(JPY bn)

	FY2022 Results	FY2023 Plan (as of Nov.)	FY2023 Revised plan	YoY Change	vs. Plan as of Nov.
Net sales	1,062.1	1,098.5	1,113.0	+4.8% +50.8	+1.3% +14.5
Food segment	865.6	891.1	905.5	+4.6% +39.8	+1.6% +14.3
Pharmaceutical segment	197.2	208.1	208.1	+5.5% +10.8	—
Operating profit	75.4	80.0	84.5	+12.0% +9.0	+5.6% +4.5
Food segment	55.8	61.0	64.0	+14.7% +8.1	+5.0% +3.0
Pharmaceutical segment	21.7	22.0	23.5	+8.2% +1.7	+6.8% +1.5
Ordinary profit	74.1	78.0	76.0	+2.5% +1.8	-2.6% -2.0
Profit attributable to owners of parent	69.4	51.0	48.0	-30.9% -21.4	-5.9% -3.0

- Net Sales: upward revision for Food, no change for Pharma
- Operating profit: upward revisions both for Food and Pharma
- Ordinary profit and profit attributable to owners of parent: downward revisions
 - Share of loss of entities accounted for using equity method expected to be recorded as non-operating expenses
 - Extraordinary income due to sales of investment securities and impairment loss related to China expected to be recorded

Recording of Impairment Loss Related to Drinking Milk and Yogurt Business in China

Impairment loss related to AustAsia Group Ltd. (equity method affiliate*) [Share of loss of entities accounted for using equity method in Non-operating expenses]	JPY 6.2 bn	Decline in profitability due to soaring feed prices and drop in raw milk prices in China
Impairment loss related to the drinking milk and yogurt business in China [Extraordinary losses]	14.3 bn	Decline in profitability due to intensifying price competition facing the BtoC drinking milk and yogurt business

*Acquired stock in the company, which operates farms in China in July 2020, to promote the stable procurement of raw milk. Our current stock equity is 22.19%.

- Impact on balance sheets: Decrease in shares of subsidiaries and associates and non-current assets at the end of March 2024
- Impact on cash flows: No impact caused by the abovementioned losses
- Year-end dividend: No change from previous forecast announced in May 2023

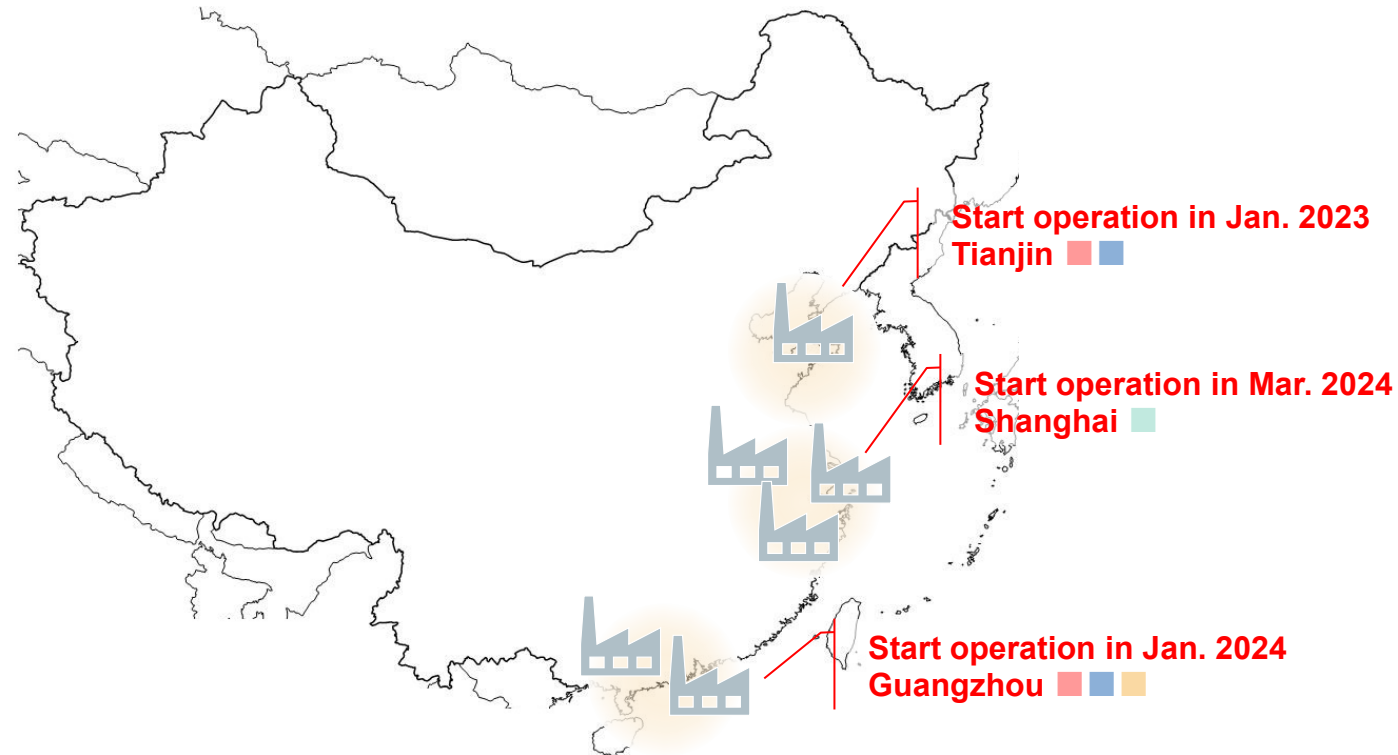
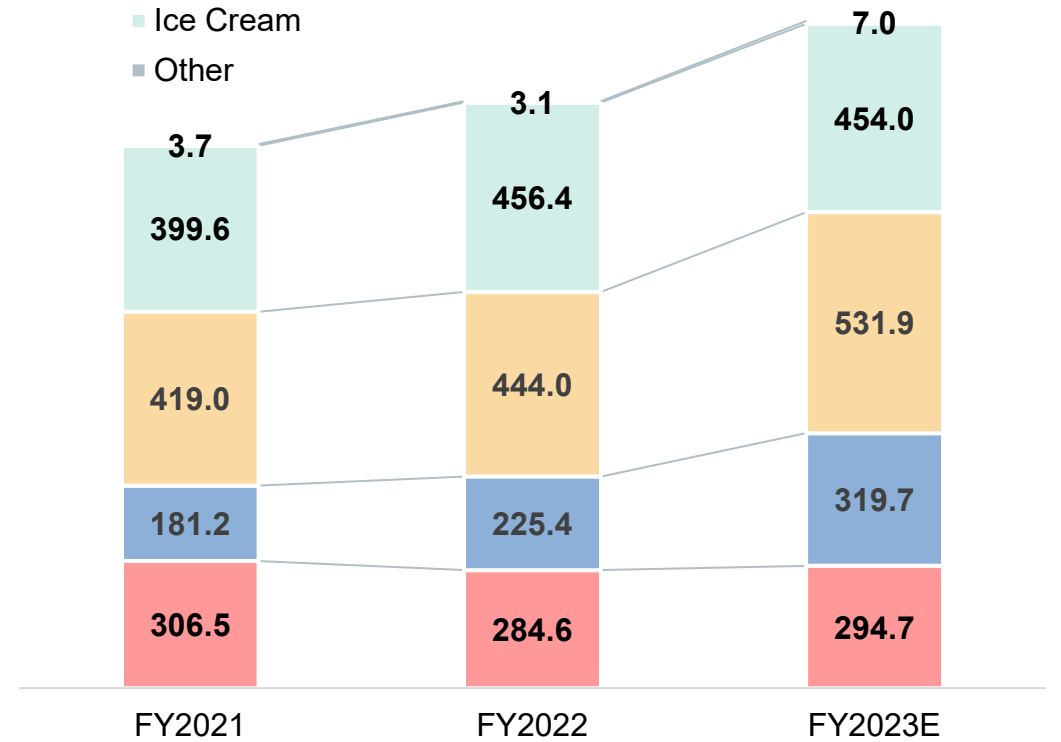
2. Current State of China Business and Future Initiatives

Overview of China Business

(JPY bn)	FY2022 Results	FY2023 Plan (as of Nov.)	YoY Change
Net Sales	21.4	24.3	+13.5% +2.8
Operating profit	-0.4	-4.0	— -3.5

Sales by business* (RMB million)

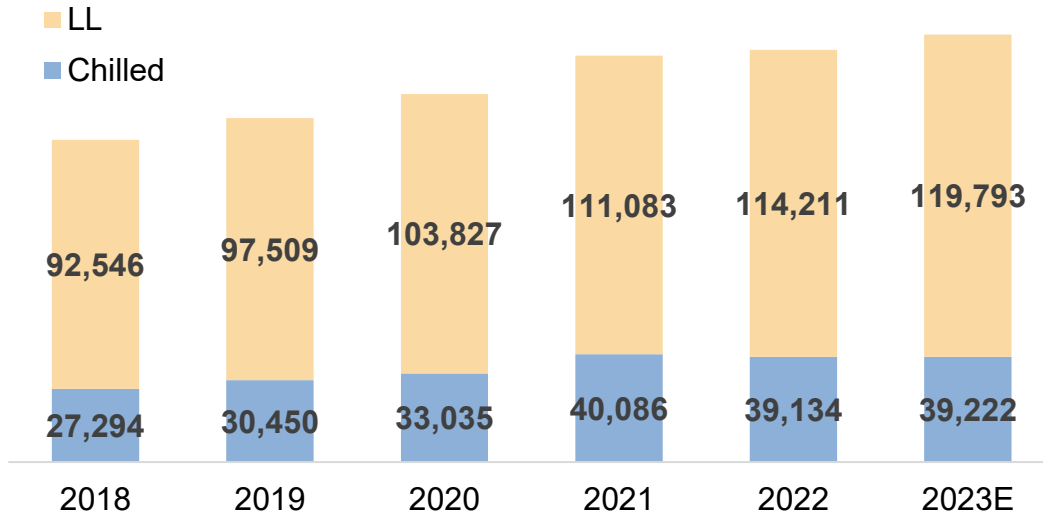
- BtoC Drinking Milk and Yogurt
- BtoB Drinking Milk and Cream
- Confectionery
- Ice Cream
- Other



*Not calculated as net sales after applying revenue recognition accounting standards

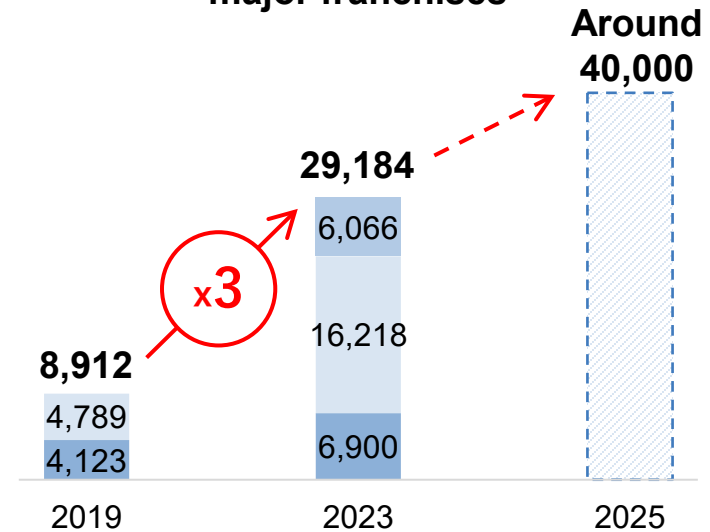
Drinking Milk Business: Changes in External Environment

Market trend of drinking milk
(RMB million)



*Euromonitor International

Number of café of the three major franchises



*Meiji's research

- BtoC market

- Largely unchanged after rapid growth driven by getting recognition of milk as healthy
- Severer price competition due to increase in engaged companies in the market and the eased supply and demand of raw milk

- BtoB market

- Increase in handling in the dining industry
- Rapid increase in the number of cafés

- Intensified competition in the chilled milk market
- Profitability declined on drop in retail prices
- Increased demand for our BtoB milk business

Existing Initiatives and Issues

- Expand product lineups
 - Introduce new products with enhanced nutritional function and products aligned with local needs
 - Launched functional yogurt and strengthen promotion of its unique functions
- Aggressively expand BtoB milk and cream business
 - Business transactions grew on reputation for high quality and stable supply
 - Focus on major café franchises, which are driving market growth
- Strengthen structure ahead of launch of operations at new plants
 - Sales: Increase sales staff and contracted dealers in North China and South China regions
 - Logistics: Build a core logistics system for delivering products to North China, East China, and South China
 - Development: Establish a product development center and integrate the development functions

Such products did not take hold so well in the market and are still on the way to a growth trajectory

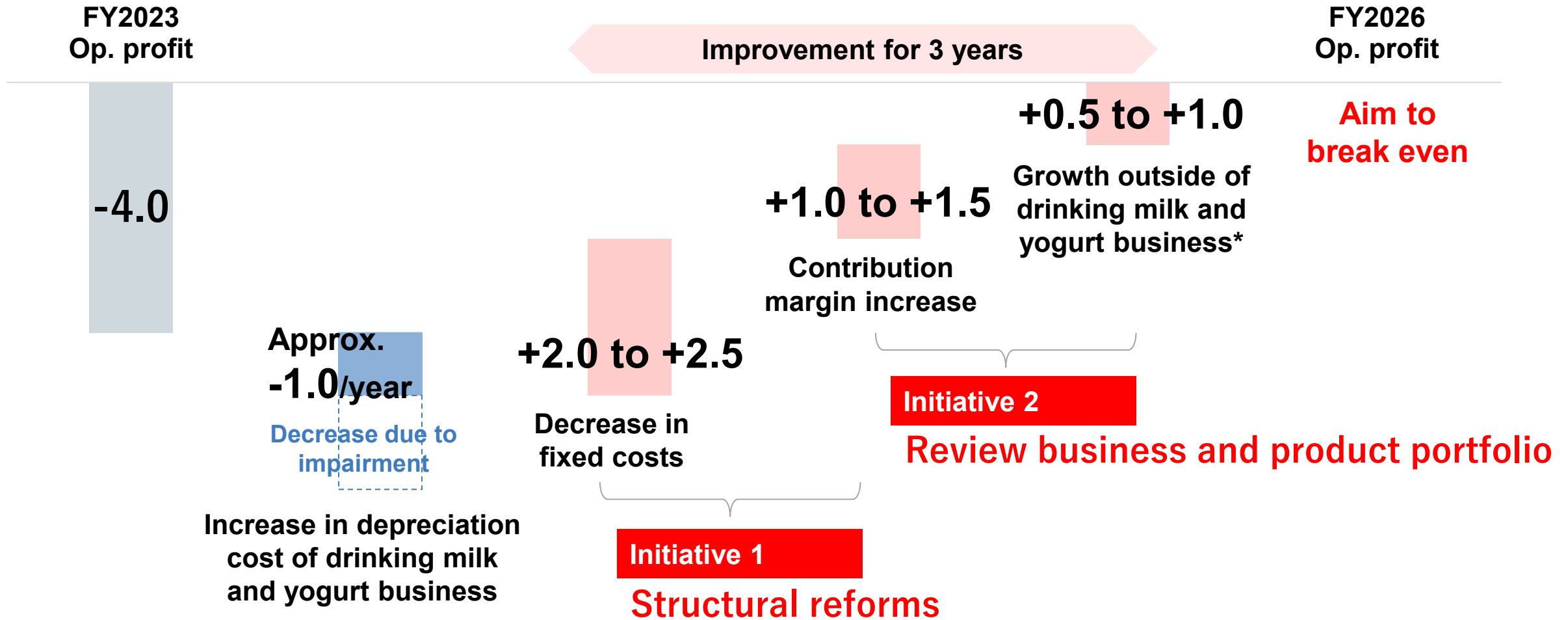
Steadily growing

Strengthened structure but management issues remain

Issues requiring action:

- ✓ Establish differentiating superiority for BtoC products
- ✓ Further increase presence on BtoB market
- ✓ Implement structural reforms

Financial Forecasts for China Business



*Including increase in depreciation cost of businesses other than drinking milk and yogurt business

Key Points of Future Initiatives

1. Structural reforms

- Review areas and stores with lower profitability
- Cost reductions across entire supply chain
(review merchandising and logistics, pursue optimal personnel distribution, reduce production and procurement costs)
- Organize production structure, including optimization of production lines

2. Review business and product portfolio

- Expand ratio of high-value-added products by launching products with unique value
- Utilize Meiji technology towards developing retail products suited to local needs in China
(strengthening a product development center in China)
- Sustainable growth for BtoB business
- Export to the outside of China (long-life products, etc.)

3. Management reform

- Strengthen management structure with focus on profitability

Appendix

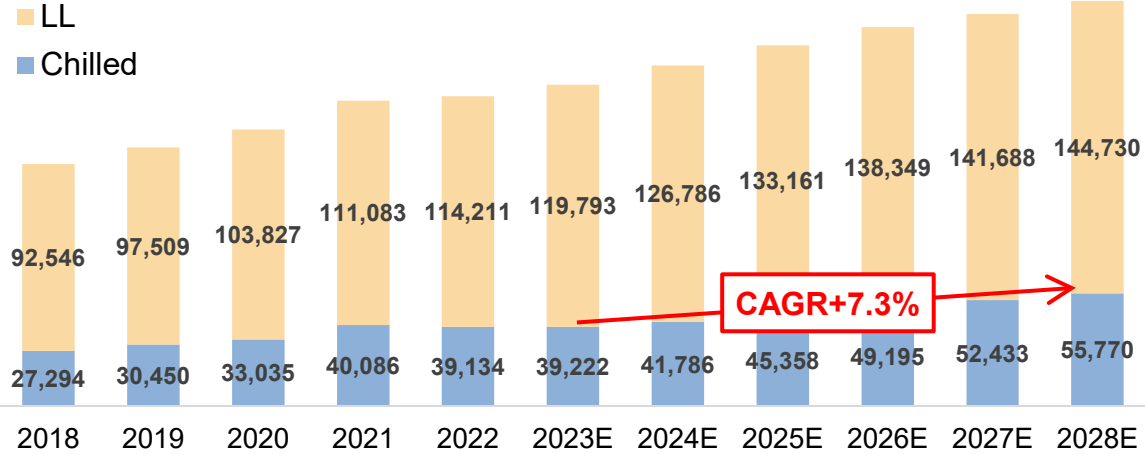
Market Trend in China

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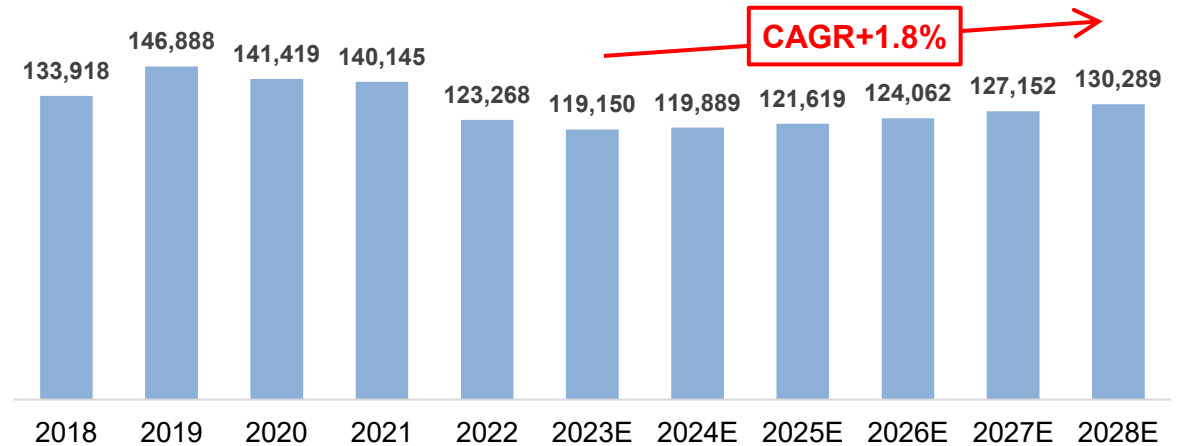


(RMB million)

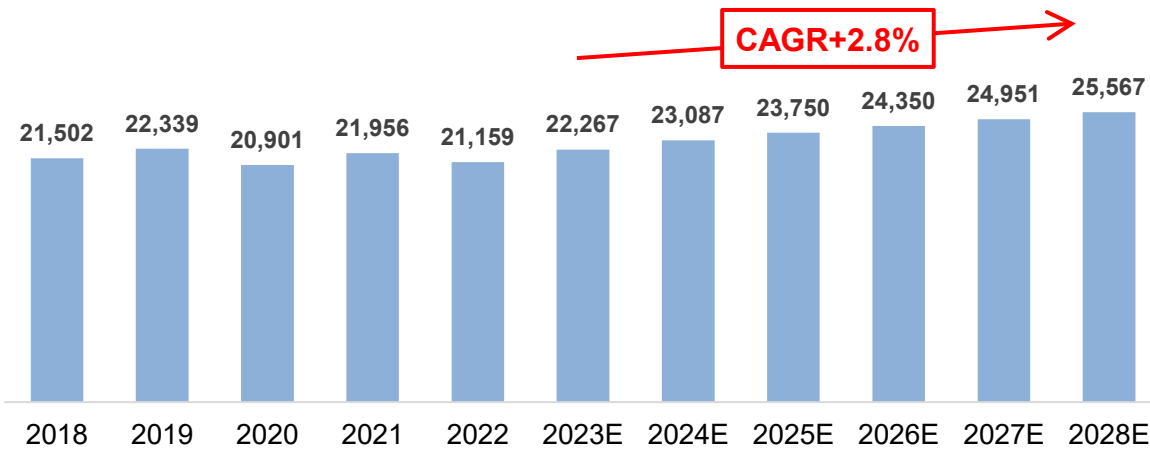
Drinking Milk



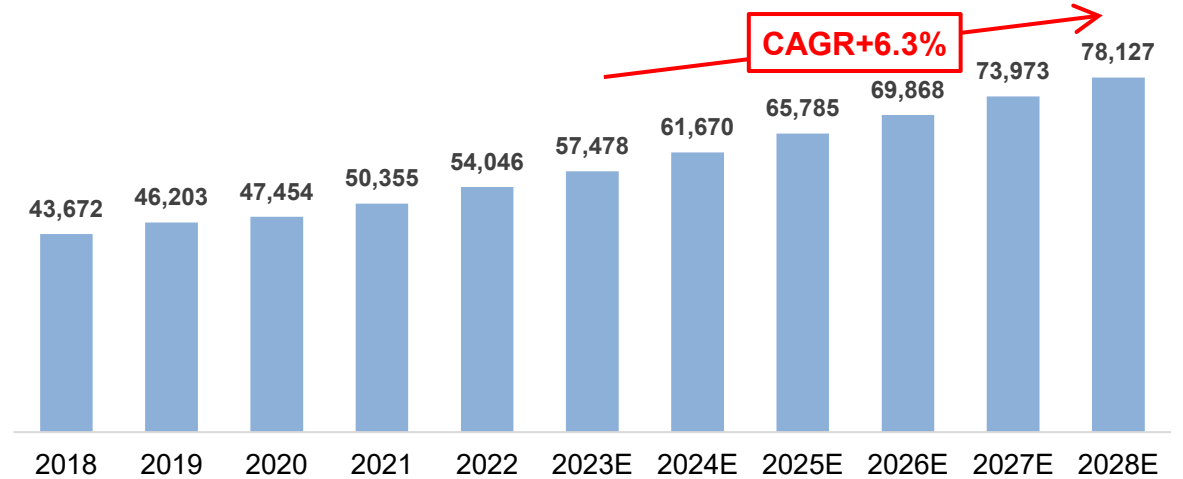
Yogurt



Chocolate



Ice Cream



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