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2023 Medium-Term Business Plan

May 18, 2021

Concept

Promote the Meiji ROESG^{®*} Management effectively

Realize both profit growth and sustainability activities

Key Issues

1. Business strategy

Food segment

- 1) Recover from the slump in our core business
- 2) Accelerate growth in our business overseas

Pharmaceutical segment

- 1) Integrate business operations of Meiji Seika Pharma and KM biologics (Strengthen vaccine business)
- 2) Expand CMO/CDMO business

Group-wide

Venture into new domains

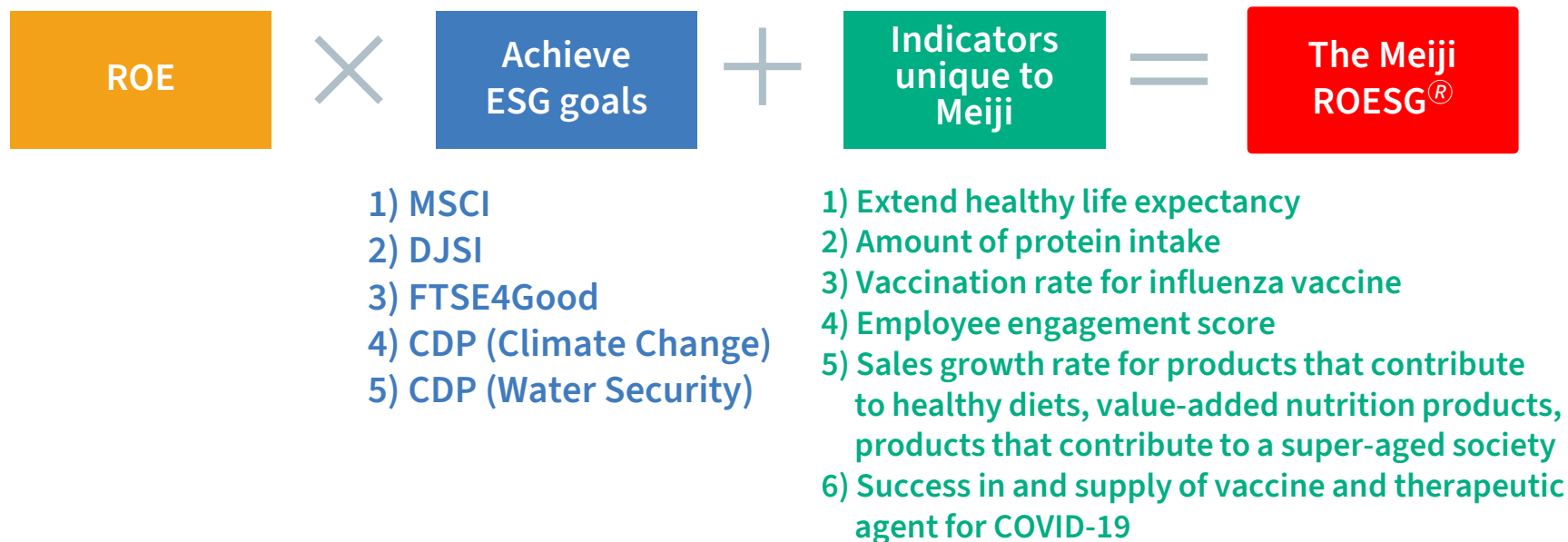
2. Improve business management using ROIC effectively

3. Investing to grow business while constructing strong financial base

4. Promote the Meiji Group Sustainability 2026 Vision

Promote the Meiji ROESG[®] Management Effectively

Offering Health Value: our founding commitment
We reaffirm this commitment and will be a sustainable corporate group that shares health value with people and societies around the world in order to achieve growth



- Set up our unique indicators as KPI. Indicators include sustainability goals unique to the Meiji Group in addition to ROE and ESG
- Link with officer compensation to ensure efficacy

Business Strategy: Food segment - 1

Recover from the slump in our core business

● Yogurt and functional yogurt

- Improve functionalities and evidences of existing products
- Launch new products that have new added-value
- Venture into new domains and new market

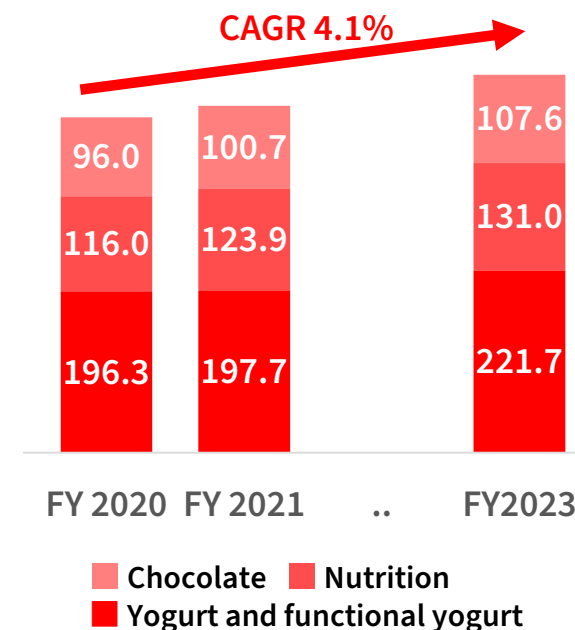
● Nutrition

- Sports nutrition: Increase sales of *SAVAS* products
- Infant formula, enteral formula: Increase share by enhancing product values

● Chocolate

- Applying the value of cocoa, develop innovative products in new domains and at various serving temperature
- Promote procuring sustainable cocoa and adding value to products
- Optimize production system

Sales* (JPY bn)



* Before applying revenue recognition standards

Business Strategy: Food segment - 2

Expand overseas Business

● China

- Increase production capacity significantly

Production capacity at the end of FY 2023 (Based on monetary amount, compare to FY 2020)
 Milk and yogurt About 4 times (Expand capacity in Suzhou*¹,
 New factory in Tianjin*², Guangzhou*³)

Confectionary About 2 times (New factory in Guangzhou*³)

Ice cream About 2 times (New factory in Shanghai*³) *1: FY 2021 *2: FY 2022 *3: FY 2023



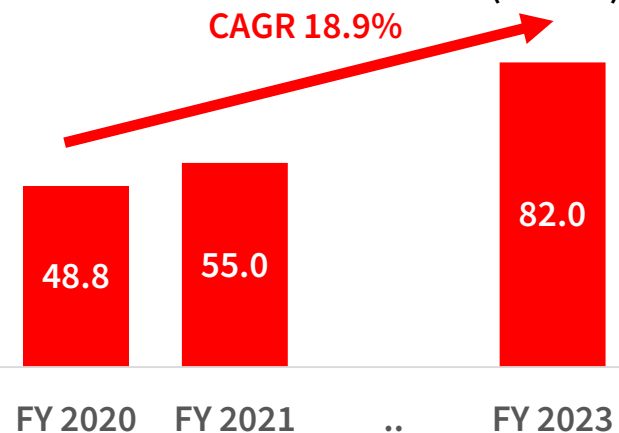
- Increase sales of functional yogurt and SAVAS

● Other area

- Strengthen business partnership with Danone regarding the infant formula tablets



Sales*⁴ of overseas business (JPY bn)



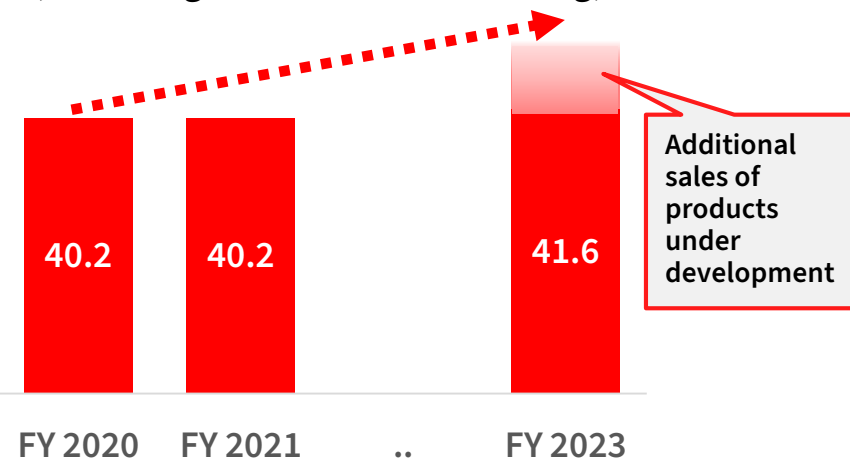
*⁴ Before applying revenue recognition standards

Business Strategy: Pharmaceutical segment - 1

Integrate business operations of Meiji Seika Pharma and KM Biologics (Expand vaccine business)

- Improve research and development collaboration
- Enhance supply management integrating production and sales
- Progress product development
 - Inactivated vaccine for COVID-19
 - DTaP-IPV/Hib vaccine
 - Dengue vaccine
- Expand overseas business
- Establish new modality for drug discovery/development by promoting open innovation

Sales of human vaccines (JPY bn)*
(Excluding contract manufacturing)



* Before applying revenue recognition standards

Business Strategy: Pharmaceutical segment - 2

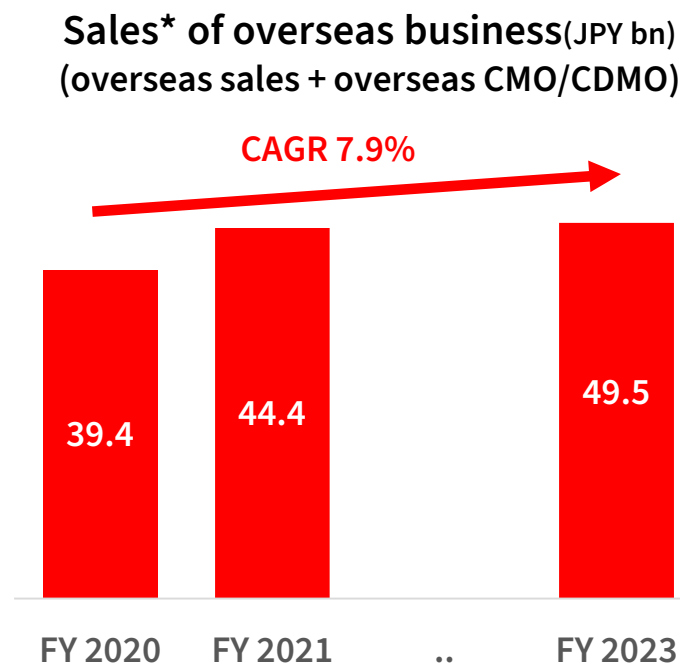
Expand CMO/CDMO

● Overseas

- Expand businesses with existing customers and capture new customers
- Strengthen R&D capabilities to secure a competitive advantage
- Expand production capacity (capital expenditure)
- Respond to increasing demand for access to medicines

● Japan

- Use Medreich's large-scale production capacity for Japanese market



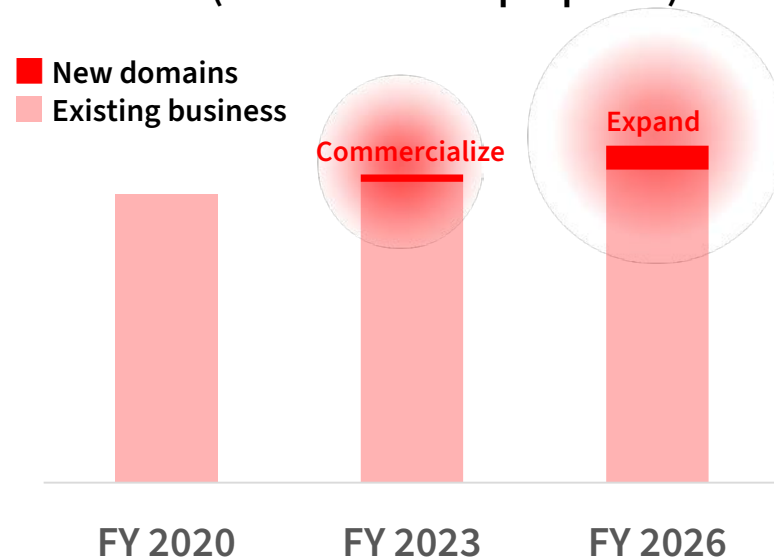
* Before applying revenue recognition standards

Business Strategy: Venture into New Domains - 1

Contribute in immunity domain

- Offer new value that contributes to extending healthy lifespans
 - Commercialize anti-ageing ingredients
 - Create immunity-boosting substances
- R&D Structure (collaborations: industry/ government/ academia)

Sales (for illustration purposes)



Government
(AMED)

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Academia

Invest in
ventures/startups

Business Strategy: Venture into New Domains -2

Strengthen external partnerships to create new businesses (promote open innovation)

1. Internal development program

- Establish innovation business strategy department
- Solicit internally to launch new businesses driven by young employees
- Partner with external contractors (major corporations, ventures, academia, consultants, etc.)

2. External development program (Meiji accelerator program)

- Solicit to launch new businesses driven by internal young employees with external ventures/startups

3. Search startups/ventures

(1) LP* investment in New Protein Fund in Big Idea Ventures

Evaluate businesses related to next-generation protein technology such as plant-based protein

(2) TECH PLANTER by Leave a Nest

Participate in food tech and biotech domains

* LP: Limited Partner

Improve the Group capital productivity

- Review noncore businesses, redistribute management resources to growth businesses
- Improve capital productivity by business

Efforts to strengthen business management structure

- | | |
|---|---|
| 1. Strict ROIC management by business | ● Strengthen management and evaluations for B/S and ROIC by Board of Directors |
| 2. Manage business focusing on capital costs | ● Optimize invested capital using ROIC key components
● Improve capital productivity |
| 3. Clarify structure for authority and responsibility | ● Designate portfolio strategy manager |
| 4. Investment evaluations | ● Use ROIC to evaluate capital expenditures, M&A, and R&D investments |

Improve Business Management:

Using ROIC effectively -2

- Defined business categories for ROIC evaluation

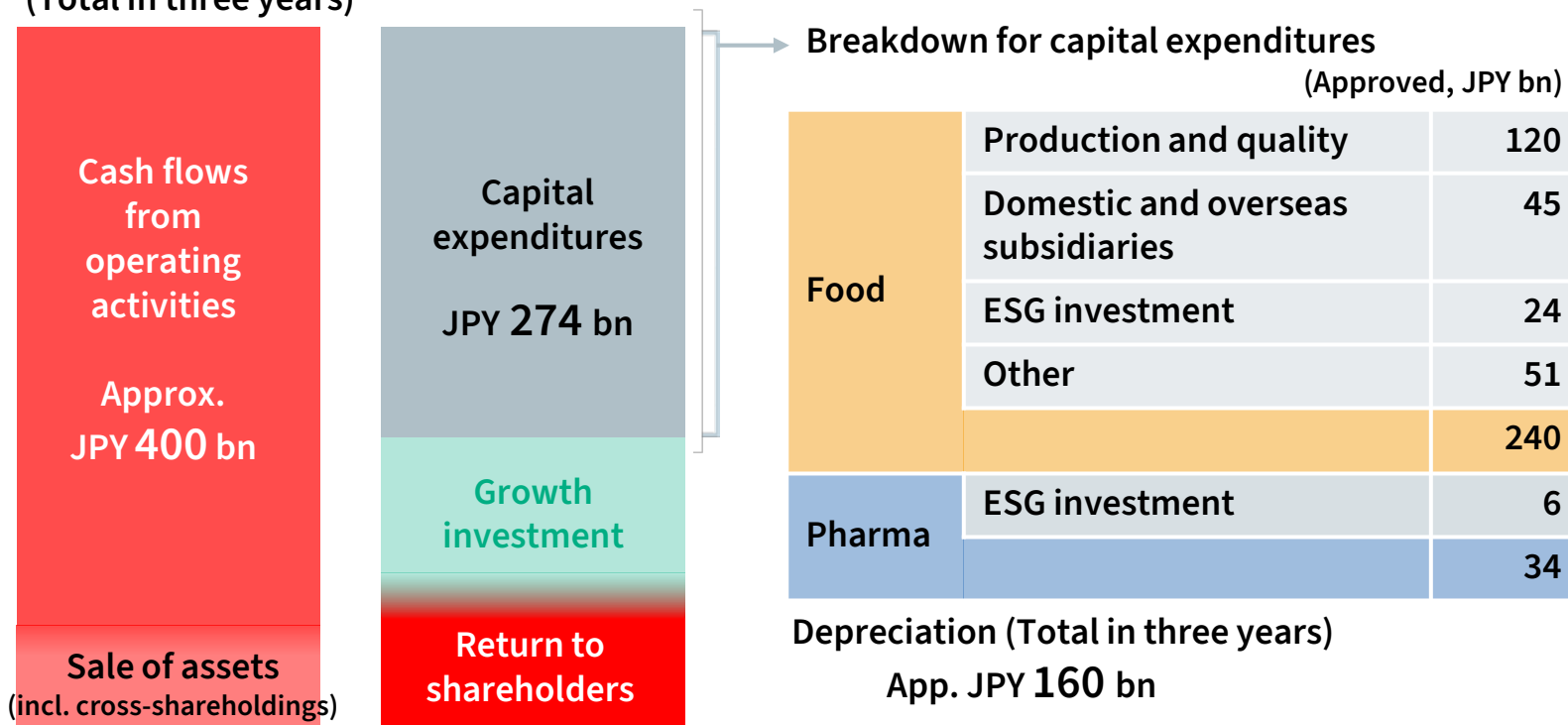
Food segment: 10 Pharmaceutical segment: 9

	Disclosure unit	Business management unit	Category
Food segment	Yogurt&cheese	1) Yogurt&cheese	Functional yogurt, yogurt, cheese
	Nutrition	2) Nutrition	Infant formula, sports nutrition, medical, other nutritionals
	Chocolate&gummy	3) Chocolate&gummy	Value-added chocolate, chocolate, gummy
	Drinking milk	4) Drinking milk	Drinking milk, milk for home delivery
	B to B	5) B to B	Cream, other dairy products, cocoa
	Frozen dessert&ready meal	6) Frozen dessert&ready meal	Ice cream, ready meal, butter and margarine
	Overseas business	7) China 8) ASEAN 9) EU, USA	-
	Other/ domestic subsidiaries	10) Others Domestic subsidiaries	Pharmaceuticals, OTC drugs, others
Pharma segment	Domestic ethical pharmaceuticals	1) Brand-name drugs 2) Long-listed/generic drugs	Domestic ethical pharmaceuticals (incl. long-listed drug, basic drugs, generic drugs), Me Pharma, domestic CMO/CDMO, biosimilar drugs, PDT, newborn screening
		3) Blood plasma product 4) New domain	
	Overseas ethical pharmaceuticals	5) Overseas sales of own products 6) Overseas CMO/CDMO business	ASEAN, China, Europe and America, export, overseas CMO/CDMO
	Human vaccines	7) Human vaccine	Influenza vaccine, other vaccines
Agricultural chemicals& veterinary drug	8) Agricultural chemicals 9) Veterinary drug	-	

Financial strategy: Capital rationing

- Continue investments to grow business (growth investment) within cash flows from operating activities
- Effective M&A as part of growth strategy
- Reduce cross-shareholding by 30% (based on book value)
- Increase dividend continually, Gradually increase dividend payout ratio to 40%
- Examine share repurchase considering optimal capital structure

Cash flows from operating activities, Capital expenditure and Return to shareholders
(Total in three years)



Sustainability: Materiality -1

Healthier Lives



Contribute to healthy diets through our business activities

- Develop health-conscious products and nutritional products with added value
- Promote and spread healthy diets and food culture



Action against emerging/re-emerging infectious diseases

- Develop and supply vaccine for COVID-19
- Develop vaccine for Dengue fever

Caring for the Earth



Action against climate change

- Promote using renewable energy (install solar power generator, purchase renewable energy)
- Get SBT (Science Based Targets) certification in FY 2021
- Introduce internal carbon pricing in FY 2021
- Abolish totally the use of specific fluorocarbons



Promote plastic resource circulation

- Reduce (use lighter and thinner plastic container packaging and switch to paper)
- Use bioplastics and recycled plastic



Secure Water Resources

- Reduce water use, protect and conserve water resources
- Respond to water risks

Sustainability: Materiality -3

A richer society



Respect for diversity

- Promote Diversity and Inclusion



Respect for human rights

- Conduct human rights due diligence and disclose results

Sustainable procurement



Procure raw materials in accordance with human rights and environmental impact

- Establish responsible supply chain
(Questionnaire survey for sustainable procurement)
- Plan procurement of sustainable cocoa beans, certified palm oil and environmentally friendly paper



Sustainability: Sustainability investment

- Invest JPY 30 bn in 3 years in sustainability investment
Invest strategically to realize 2026 vision

Item	JPY bn	Content
Reduce CO ₂ emission	13	<ul style="list-style-type: none"> • Introduce energy-saving equipment • Introduce solar power generator
Abolish totally the use of specific fluorocarbons	7	<ul style="list-style-type: none"> • Install fluorocarbon-free refrigerators and freezer
Reduce domestic plastic usage	3	Introduce manufacturing equipment for <ul style="list-style-type: none"> • Lighter and thinner plastic container packaging • Environmentally friendly container packaging
Secure water resources	3	Introduce equipment for <ul style="list-style-type: none"> • improving water use efficiency • Improving wastewater quality
Other	4	<ul style="list-style-type: none"> • Introduce manufacturing equipment for stable supply of pharmaceuticals
Total	30	

KPIs for 2023 Medium-Term Business Plan

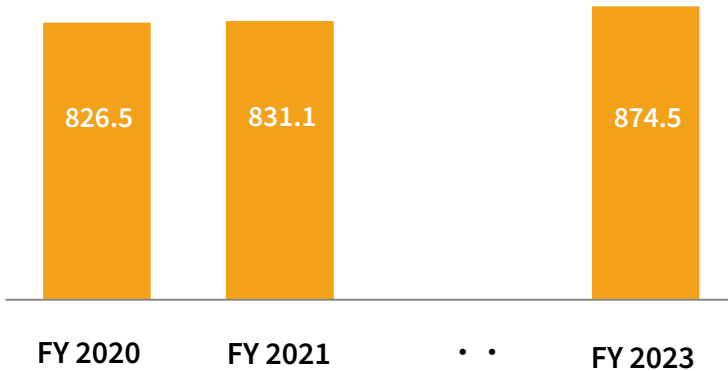
	Indicator	FY 2020	Target for FY 2023*
Integrated goal	Meiji ROESG [®]	9 points	13 points
Growth and Profitability	Consolidated net sales	JPY 1,191.7 bn	JPY 1,080.0 bn
	Consolidated operating profit (profit margin)	JPY 106.0 bn (8.9%)	JPY 120.0 bn (11.1%)
	Overseas net sales	JPY 86.8 bn	JPY 134.5 bn
Efficiency and Safety	ROIC	10.0%	≥10%
Return to shareholders	ROE	11.1%	≥ 11%
	Dividend payout ratio	35.4%	40%

* Applying revenue recognition standards for FY 2023 Target

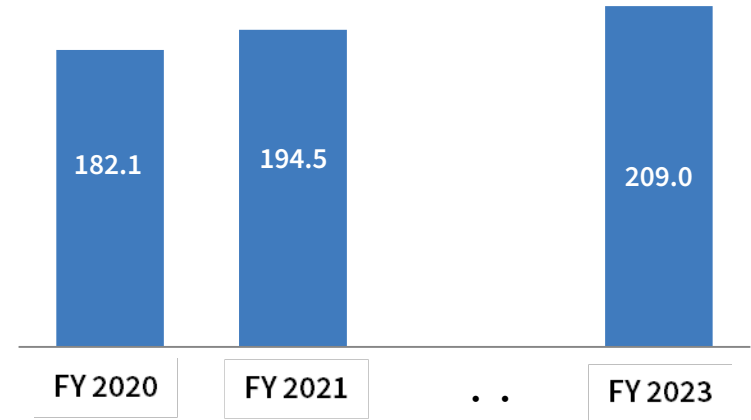
2023 Medium-term Business Plan

Target for sales* and operating profit

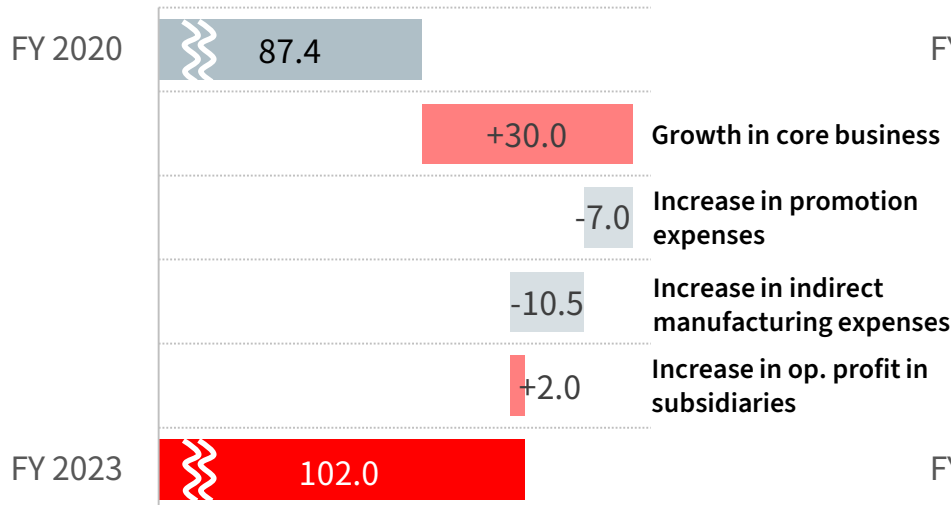
Food Segment Consolidated Sales (JPY bn)



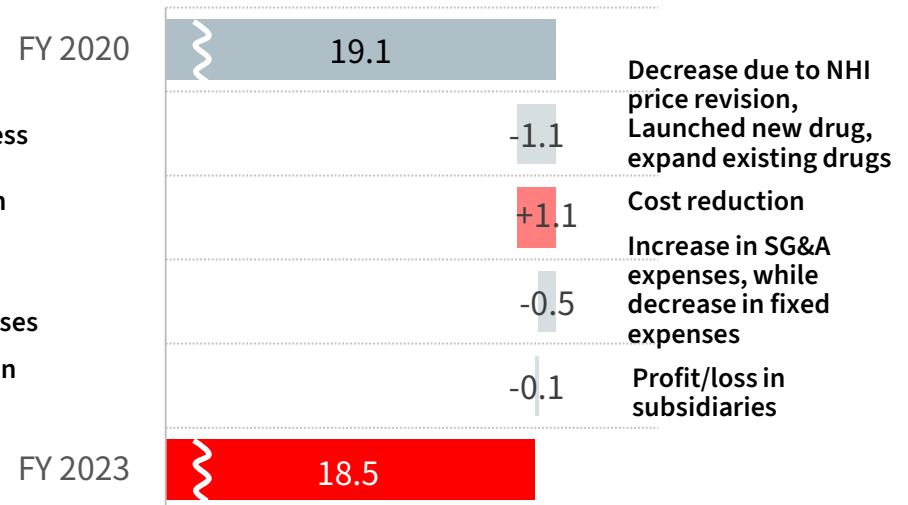
Pharmaceutical Segment Consolidated Sales (JPY bn)



Analysis of Operating Profit (JPY bn)



Analysis of Operating Profit (JPY bn)



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