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meiji

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

(From April 1, 2022 to June 30, 2022)

August 9, 2022

Meiji Holdings Co., Ltd.

Summary for Q1 FY2022 Consolidated Results

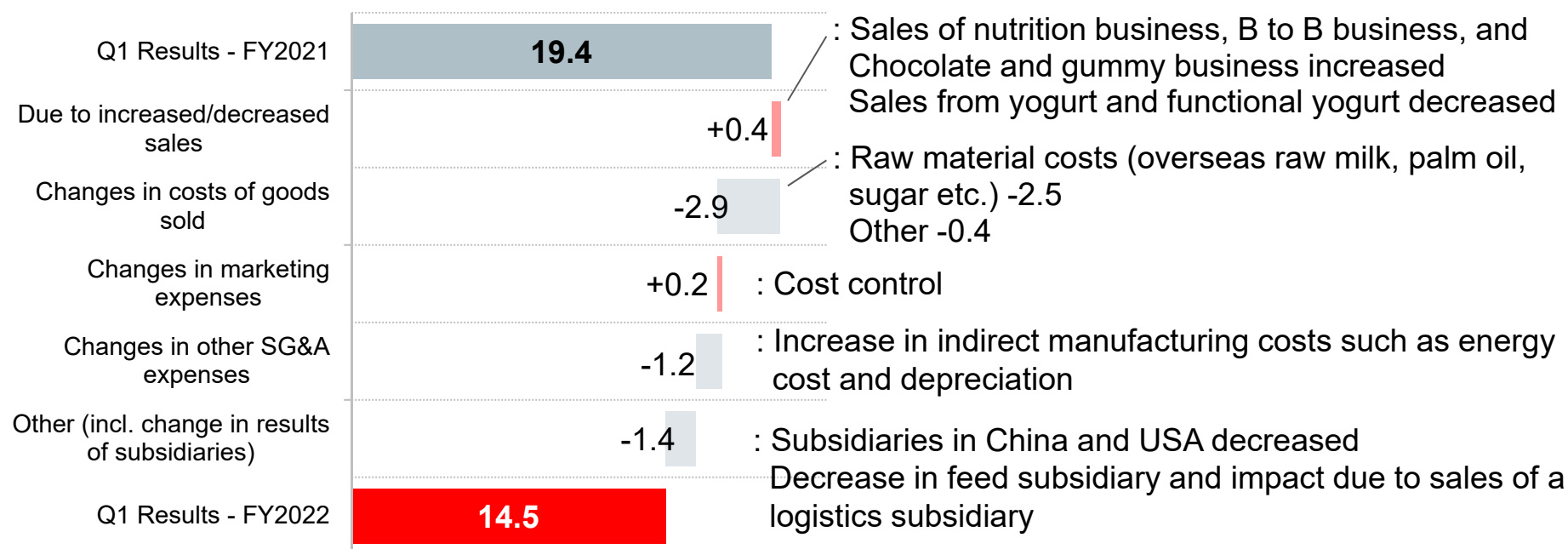
(JPY bn)	FY2021 Q1 Results	FY2022 Q1 Results	YoY Change	vs. H1 Plan	FY2022 H1 Plan
Net sales	235.9	247.1	+4.8% +11.2	48.7%	507.0
Operating profit	18.6	18.0	-3.1% -0.5	44.0%	41.0
Op. profit margin	7.9%	7.3%	-0.6 pt	—	8.1%
Profit attributable to owners of parent	12.4	16.0	+28.2% +3.5	51.7%	31.0
EPS (JPY)	86.09	113.73	+27.64	—	215.15

- Results for Q1: 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: Increased significantly
Extraordinary income increased on sales of subsidiaries and associates, and sales of non-current assets resulting from the transfer of a logistics subsidiary

Food : Summary – Q1 FY2022

(JPY bn)	FY2021 Q1 Results	FY2022 Q1 Results	YoY Change	vs. H1 Plan	FY2022 H1 Plan
Net sales	199.8	204.3	+2.3% +4.5	49.4%	414.0
Operating profit	19.4	14.5	-25.3% -4.9	42.5%	34.1

Analysis of changes in operating profit



Food : Analysis of Operating Profit – Q1 FY2022

(JPY bn)	Segment Total	Yogurt & cheese	Nutrition	Chocolate & gummy	Drinking milk	B to B	Frozen dessert & ready meal	Overseas	Other/ domestic subsidiaries
Q1 Operating Profit – FY2021	19.4	10.0	4.8	2.1	-0.0	0.3	0.5	0.1	1.4
Due to increased/decreased sales	+0.4	-2.4	+0.9	+0.9	-0.4	+0.8	+0.3	+0.1	+0.2
Changes in COGS	-2.9	-0.6	-0.9	-0.4	-0.0	-0.5	-0.3	-0.1	-0.1
Changes in other SG&A expenses	-1.0	-0.9	-0.7	+0.1	+0.4	-0.2	+0.2	-0.1	+0.1
<i>Change in marketing expenses</i>	+0.2	-0.5	+0.1	+0.3	+0.4	-0.1	+0.1	-0.1	+0.0
<i>Change in other expenses (R&D expenses)</i>	-1.2 (-0.0)	-0.4	-0.8	-0.2	+0.0	-0.0	+0.1	-0.0	+0.1
Other (incl. change in results of subsidiaries)	-1.4	-0.1	+0.0	-0.0	-0.2	-0.0	+0.1	-0.5	-0.5
Q1 Operating Profit – FY2022	14.5	6.1	4.1	2.6	-0.3	0.4	0.7	-0.4	1.1

Food: Q1 FY2022 Results by business

Yogurt & cheese

(JPY bn)	FY2022	
	Q1 Results	YoY Change
Net sales	50.2	-7.5% -4.0
Operating profit	6.1	-39.0% -3.9

Net sales YoY changes	Q1
Functional yogurt	-9.8%
Yogurt	-6.1%
Cheese	-9.5%

● Market size

- Yogurt: -5 to -6%
- Cheese: -4 to -6%

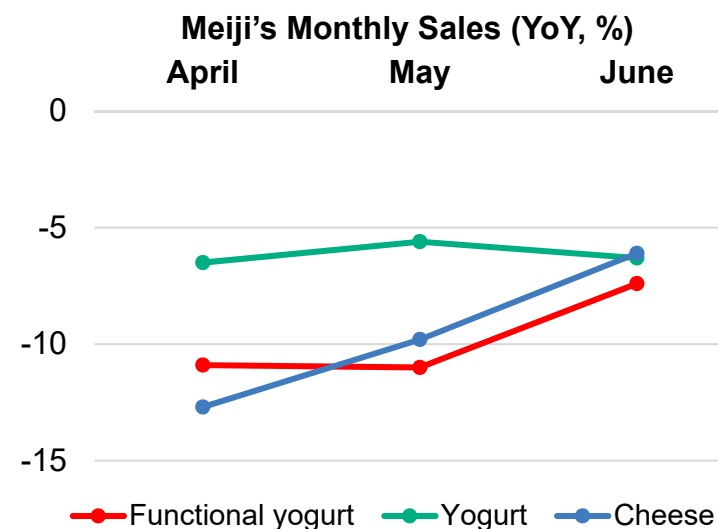
Continuing downward trend from the previous year due to weak consumption trend and budget-minded trend

● Net sales

Total: Decreased due to April-May significant decline
LG21: Sales decline may have hit bottom, expecting speedy recovery

● Operating profit

Significant decrease: Decrease in sales, increase in raw material costs and marketing expenses



Food: Functional Yogurt, Recovering Growth Trajectory

R-1

- Sales decreased year-on-year in Q1
But sales of *Mitasukarada* series, released in April, remain above plan
- Six labelless bottles in a box will be released after August
- Boost sales using effective marketing and attractive products



LG21

- After package renewal in April, sales remain preferable due to successful marketing such as TV commercials
- Cup-type product obtained permission for functional labeling in June



New products

- Preparing for release in 2nd Half of FY2022
Obtained permission for functional labeling



Food: Q1 FY2022 Results by business

■ Nutrition

(JPY bn)	FY2022	
	Q1 Results	YoY Change
Net sales	28.9	+5.8% +1.5
Operating profit	4.1	-14.4% -0.6

- Market size
 - Sports protein (Powder and granules): decrease -4 to -5%
 - Liquid diet: Grow both for hospital and in-home care
- Net sales
 - Sales of liquid diet and infant formula increased
 - Sale of SAVAS series largely unchanged year on year. SAVAS increased price and reduced volume
- Operating profit
 - Decreased significantly due to increase in raw material costs and depreciation

■ Chocolate & gummy

(JPY bn)	FY2022	
	Q1 Results	YoY Change
Net sales	22.0	+5.5% +1.1
Operating profit	2.6	+23.0% +0.4

- Market size
 - Chocolate: -3 to -4%
Decrease in demand from staying at home and increased temperature in June
 - Gummy: +25 to 26%, sales recovery trend
- Net sales
 - Chocolate snacks, *Chocolate Koka* and Gummy drove the sales
- Operating profit
 - Grew significantly due to sales increase in highly profitable products

Food: Strategies to Overcome Cost Increase

Effect of material costs increase on full-year operating profit in FY2022

Initial plan (FX: JPY 120/USD)


- Materials cost increase
about JPY **12.5** billion
- Energy cost increase
about JPY **1.5** billion



Additional forecasts (FX: JPY 135/USD)

- about JPY **9.5** billion
(including increase in raw milk
price hike in November)
- about JPY **3.5** billion

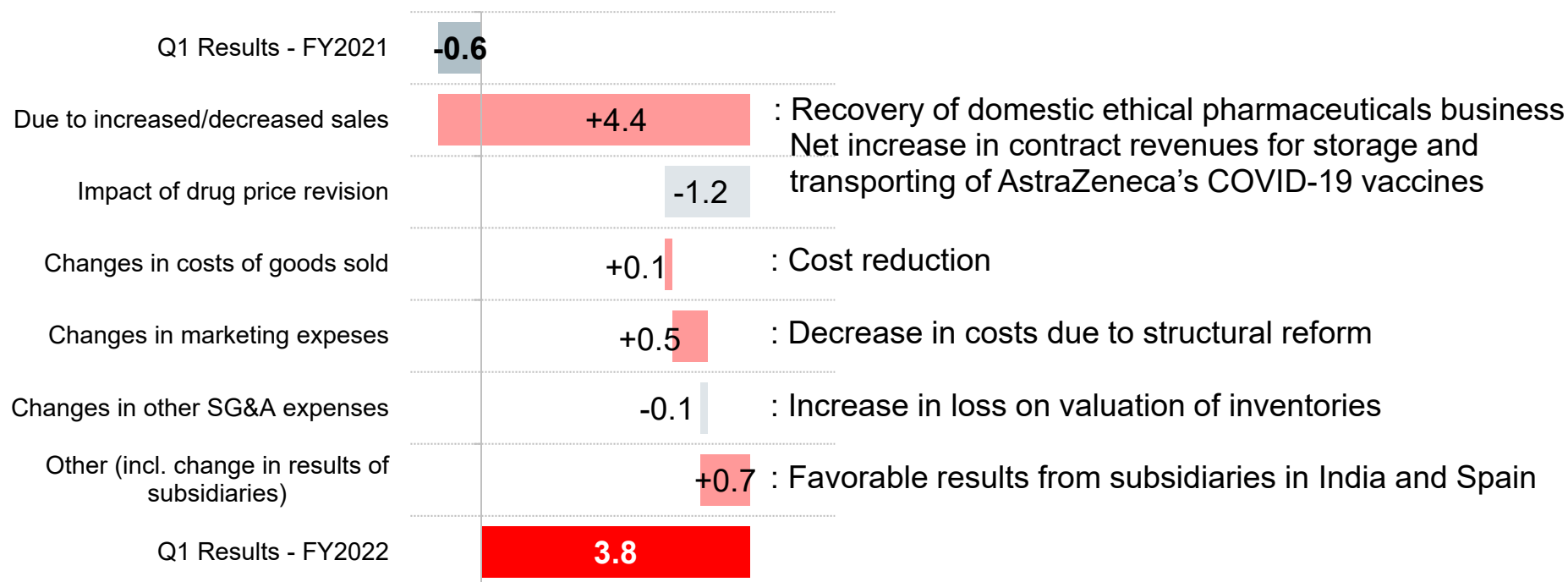
Incorporate recent cost increase that exceeds initial plan, such as further yen depreciation, escalating raw material costs, increase in milk price in the middle of fiscal year

- 
- Consider additional price hikes
 - Strategic marketing initiatives
 - Intensive cost reduction

Pharmaceutical: Summary – Q1 FY2022

(JPY bn)	FY2021 Q1 Results	FY2022 Q1 Results	YoY Change	vs. H1 Plan	FY2022 H1 Plan
Net sales	36.2	42.8	+18.3% +6.6	46.1%	93.0
Operating profit	-0.6	3.8	— +4.4	49.2%	7.7

Analysis of changes in operating profit



Pharmaceutical: Analysis of Operating Profit – Q1 FY2022

(JPY bn)	Segment Total	Domestic ethical pharmaceuticals	Overseas ethical pharmaceuticals	Human Vaccine	Veterinary drug*
Q1 Operating Profit – FY2021	-0.6	-0.7	0.1	0.3	-0.3
Due to increased/decreased sales	+4.4	+4.8	+0.1	+0.3	-0.8
Impact of drug price revision	-1.2	-1.2	—	—	—
Changes in COGS	+0.1	-0.0	-0.0	+0.1	+0.0
Changes in other SG&A expenses	+0.4	-0.6	+0.1	-0.1	+1.1
<i>Change in marketing expenses</i>	+0.5	-0.0	+0.0	-0.1	+0.6
<i>Change in other expenses (R&D expenses)</i>	-0.1 (+0.0)	-0.6	+0.1	-0.0	+0.5
Other (incl. change in results of subsidiaries)	+0.7	-0.0	+1.7	-1.3	+0.4
Q1 Operating Profit – FY2022	3.8	2.0	1.9	-0.6	0.4

*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 FY2022 Results by business

Domestic ethical pharmaceuticals

(JPY bn)	FY2022	
	Q1 Results	YoY Change
Net sales	23.1	+32.6% +5.7
Operating profit	2.0	— +2.8

Market size

The receipt number increased along with increase in number of outpatients' visits in April 2022*

	vs April 2021	vs April 2019
Pediatrics	+7%	-7%
Otolaryngology	+9%	-15%

Net sales

Increased despite NHI Drug price revision

- Sales of antibiotics *SULBACILLIN* and anti-allergic drug *Bilanoa* increased significantly
Bilanoa OD tablet was newly launched
- Contract revenues for storage and transporting of AstraZeneca's COVID-19 vaccine

Operating profit

10 Increased due to increase in net sales

Human vaccine

(JPY bn)	FY2022	
	Q1 Results	YoY Change
Net sales	4.3	-4.8% -0.2
Operating profit	-0.6	— -0.9

Net sales

Overall sales decreased

No revenue from formulating AstraZeneca COVID-19 vaccine

While sales of Japanese encephalitis vaccine *ENCEVAC* increased significantly

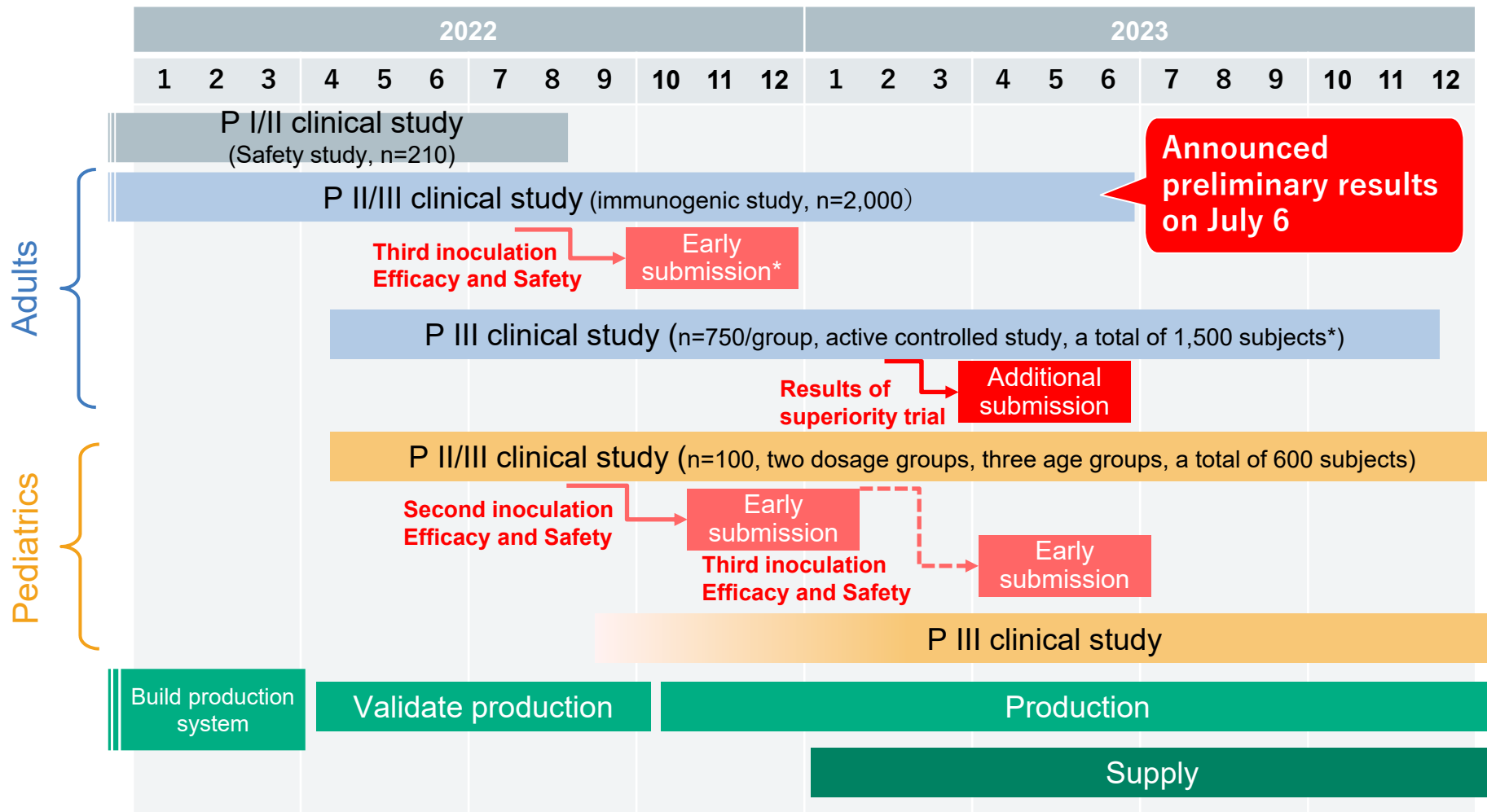
Operating profit

Decreased

- Decrease in contract revenues
- Increased in loss on valuation of inventories

* Source: Health Insurance Claims Review & Reimbursement Services

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
- Aiming to start drug supply in FY2022 for unvaccinated adults and children/adolescents under age 18 years old

Outlook for FY2022 (No revisions)

(JPY bn)	FY2021 Results		FY2022 Plan			
	H1	Full-year	H1	YoY Change	Full-year	YoY Change
Net sales	500.7	1,013.0	507.0	+1.3% +6.2	1,035.5	+2.2% +22.4
Operating profit	50.3	92.9	41.0	-18.5% -9.3	92.5	-0.5% -0.4
Op. profit margin	10.1%	9.2%	8.1%	-2.0 pt	8.9%	-0.2 pt
Profit attributable to owners of parent	36.6	87.4	31.0	-15.4% -5.6	62.5	-28.5% -24.9
EPS (JPY)	252.54	607.24	215.15	-37.39	433.76	-173.48
Cash dividends per share (JPY)	80	170	85	+5	170	—
Dividend payout ratio	—	28.0%	—	—	39.2%	+11.2 pt
ROE	—	13.5%	—	—	9.0%	-4.5 pt
ROIC	—	8.4%	—	—	8.0%	-0.4 pt
Capital expenditures	48.0	93.1	49.3	+2.7% +1.2	96.3	+3.5% +3.2
Cash flows from operating activities	61.1	127.5	—	—	70.0	-45.1% -57.5
Free cash flows	25.5	99.9	—	—	-20.0	— -119.9



Appendix

Financial Position as of June 2022

(JPY bn)	Results as of Jun. 2022	Change	Main Factors for Change
Current assets	481.1	+5.6% +25.5	- Cash and deposits (+20.3) - Merchandise and finished goods (+7.0) - Other (+4.4) - Notes and accounts receivable-trade (-9.6)
Non-current assets	663.2	+0.2% +1.3	- Machinery, equipment and vehicles, net (-3.0) - Land (-0.8) - Buildings and structures, net (+3.4)
Total assets	1,144.3	+2.4% +26.8	—
Current liabilities	302.1	+5.4% +15.3	- Short-term borrowings (+37.5) - Income taxes payable (-12.4) - Notes and accounts payable - trade (-6.1) - Provision for bonuses (-4.8)
Non-current liabilities	116.8	-0.7% -0.8	- Long-term borrowings (-0.8)
Total liabilities	418.9	+3.6% +14.5	—
Shareholders' equity	636.1	+6.2% +3.3	- Retained earnings (+3.3)
Accumulated other comprehensive income	50.2	+24.3% +9.8	- Foreign currency translation adjustments (+11.7) - Valuation difference on available-for-sale securities (-2.5)
Non-controlling interests	38.8	-2.0% -0.7	—
Total net assets	725.3	+1.7% +12.3	—
Interest bearing debt	117.9	+45.1% +36.6	- Short-term borrowings (+37.5)
Equity ratio	60.0%	-0.3 pt	—

Consolidated Cash Flows for Q1 FY2022

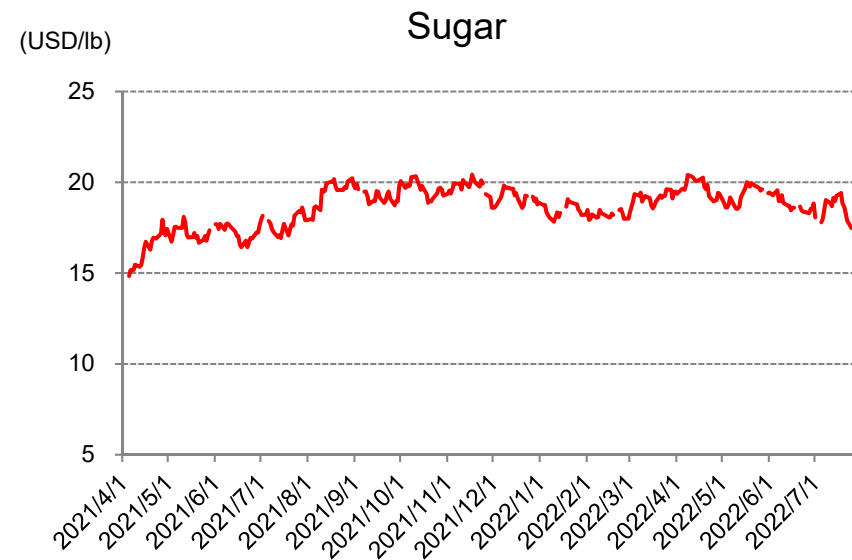
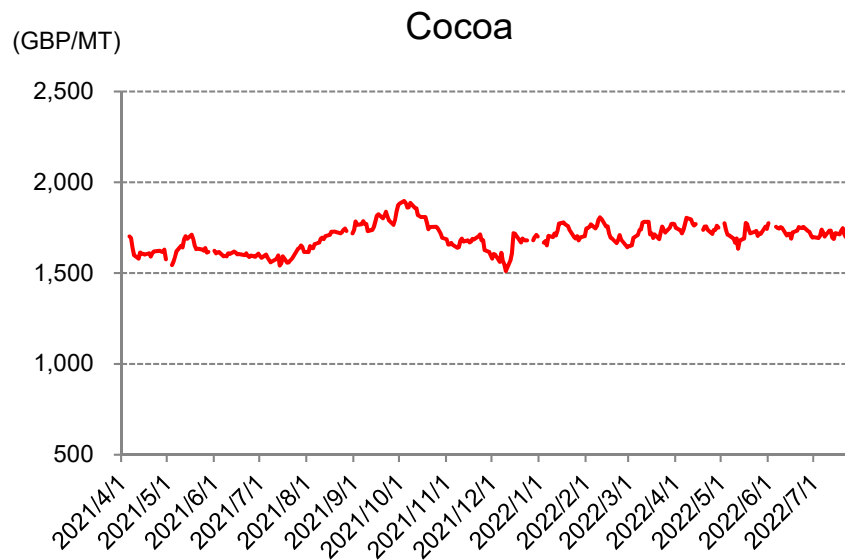
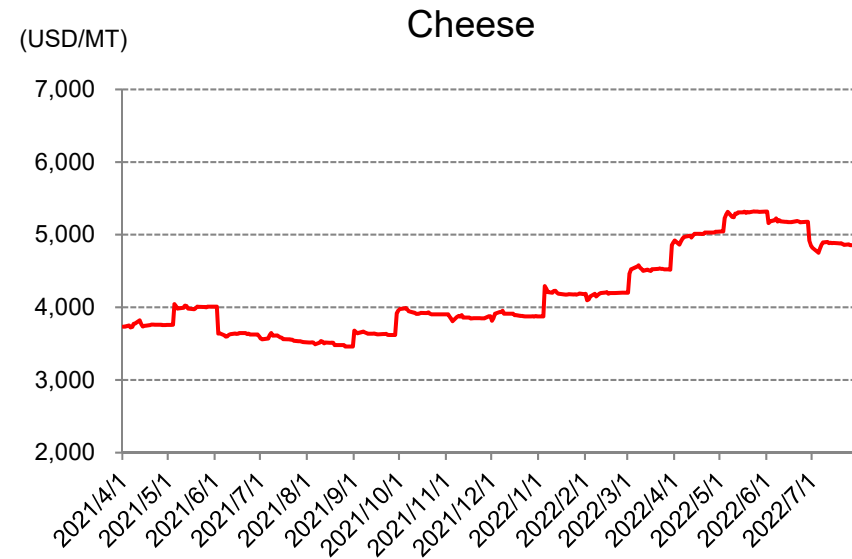
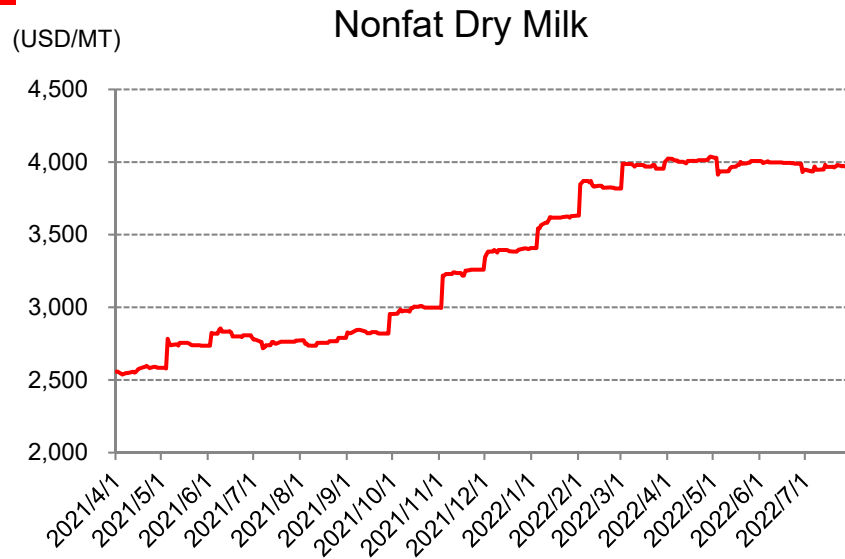
(JPY bn)	FY2022 Q1 Results	YoY Change	Main Factors for Change
Cash flows from operating activities	4.7	+0.5	<ul style="list-style-type: none"> - Profit before income taxes (+4.0) - Change in trade payables (+2.4) - Income taxes paid (+2.0) - Other (+8.1) - Gain on sale of property, plant and equipment (-4.2) - Change in contract liability (-1.7) - Change in inventories (-1.9) - Change in trade receivables (-8.5)
Cash flows from investing activities	-8.9	+3.4	<ul style="list-style-type: none"> - Proceeds from sales of property, plant and equipment and intangible assets (+5.8) - Purchase of property, plant and equipment (+3.0) - Subsidies received (-4.2)
Free cash flows	-4.2	+4.0	—

Food: Sales by Main Products for Q1 FY2022

(JPY bn)

	FY2021 Q1 Results	FY2022 Q1 Results	YoY Change	vs. Full-year Plan	FY2022 H1 Plan
Yogurt	21.2	19.9	-6.1%	46.5%	42.8
Functional yogurt	25.3	22.8	-9.8%	45.3%	50.3
Cheese	7.5	6.8	-9.5%	49.9%	13.6
Chocolate	19.8	20.5	+3.5%	49.8%	41.1
Infant formula and enteral formula	14.6	16.3	+11.7%	51.9%	31.4
Sports nutrition (incl. SAVAS Milk Protein)	11.7	11.8	+0.6%	44.5%	26.6
Drinking milk, milk for home delivery	19.8	17.9	-9.5%	47.2%	37.9
Ice cream	10.4	11.0	+6.2%	44.6%	24.7

Market Prices of Main Raw Materials Imported



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