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Meiji Holdings Co., Ltd.
Financial Results for the Q3 of FYE March 2026 (FY2025)
The Telephone Conference Q&A

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Presenter:

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*This material has been edited to make it easier to understand some of the questions and answers.

Q-1-1

I would like to ask about the progress up to this Q3. As far as I can see, things are going well, while in Q4, you will naturally have to slightly increase operating profit for both pharmaceutical and food. What is your response to the full-year operating profit plan of JPY91.0 billion?

Secondly, in the Food segment, I believe the impact of the volume decline is becoming smaller. Of course, in Q3, the influenza impact was different from a year ago in terms of the timing, so I think *Meiji Probio Yogurt R-1* may have sold well. What is your company's assessment of the response to the sales recovery in your main food product categories?

A-1-1

Hishinuma: Regarding the Food segment, as I mentioned in the presentation, while our infant formula in nutrition business faces a challenging situation, this is being offset by strong performance in our dairy, chocolate, and B2B businesses. We expect to fully offset this negative impact and firmly achieve our plan.

On the other hand, for the Pharmaceutical segment, the epidemic of infectious diseases has subsided, or not as much as last year, which means that the mainstay antibacterial drugs face a very difficult situation. As for *KOSTAIVE*, the inoculation rate is low. But the Group's plan of JPY91.0 billion is fairly certain because it can cover by royalties in the overseas business and the production efficiency of vaccine by KM Biologics.

Secondly, the decline in sales volume is slightly narrowing. The impact of the volume decrease is greater for the dairy business, which is bought every day. However, while domestic raw milk prices were revised upward in June and August last year and our price increased, along with those raw milk price changes, which lead to a decrease in volume, it had little impact on our mainstay functional yogurt. Rather, the increase or decrease in sales volume was due to other factors. Compared to the springtime of FY2025, currently, the number and volume of overall price increases in the market have decreased, and I perceive the overall impact of the volume

decrease is reduced a bit.

The sales volume of *Meiji Probio Yogurt R-1* as functional yogurt, which is the most directly related to our results grew very much in Q3 due to the slightly earlier influenza epidemic rather than the price increase impact. In Q4, while influenza was highly prevalent last fiscal year, this FY2025's plans were already set below the previous year's levels. Therefore, we should be able to comfortably meet the plan for the current fiscal year.

Currently, we're seeing a slight resurgence in B-strain popularity, so while demand remains uneven by products, we expect the decline in sales volume to follow a similar trend to the first three quarters, concluding the full year at a similar level.

Q-1-2-1

I think the key to the next fiscal year will be the recovery of sales volume. Based on current momentum, do you believe solid profit growth in the Food segment is achievable next fiscal year as well?

A-1-2-1

Hishinuma: I'm somewhat hopeful, since in FY2024 and 2025, the real wages were negative during those years and assuming real wages will probably turn positive by FY2026. In FY2026, the cost of raw materials will still increase, but I think it will be within a double-digit billion yen increase, not a triple-digit increase, as it has been in the past.

There will be no more plans for price increases like in the past, at this stage. So, based on that idea, I think we can expect sales volume recovery compared to FY2023-2025.

Q-1-2-2

You mentioned double-digit billion yen in the cost increase. Is this a rough idea, like JPY5.0 billion or so?

A-1-2-2

Hishinuma: I see It's not going to JPY10.0 billion. If the exchange rate goes near 160 yen per dollar, it will be closer to JPY10.0 billion. At around 150 yen, the situation will change again, so that is where we are looking now with the range.

Q-2-1-1

I'm looking at slide four, the impact on operating profit of the price increase plus product amount change. This Q3 was plus JPY13.4 billion compared to your company's plan for this H2 of JPY36.8 billion, so my impression is that you didn't get as much as you expected in Q3. It will be like plus JPY22.0 billion to JPY23.0 billion out in Q4, if it goes on this pace. It's not like you are raising prices this January to March, so I wonder what this gap is. Could you please explain the background here?

A-2-1-1

Hishinuma: Regarding Q4, first of all, we have an assumption that the cost of raw materials will not go up to this level, including domestic raw milk. Since the effect of the price increase and cost reductions are not expected to be as great, I suspect that sales volume will not be as low as well.

Since it is only a subtraction, it is true that when you look at the analysis of changes in operating profit and each individual item, you may see things that look a bit odd, but I think it would be better if you look at the set of sales increase and decrease and cost fluctuation.

Q-2-1-2

Is it fair to say that we don't have to worry about the risk of the price increase not being as effective as expected?

A-2-1-2

Hishinuma: We think you don't need to worry about such a risk. Therefore, since we are

keeping an eye on three things - price increases, sales volume, and cost increases- we do not expect raw material prices to rise this much, and we do not expect sales volume to drop this much. Overall, we are fairly certain that we will be able to secure operating profit within the current plan.

Q-2-2-1

Looking ahead to FY2026, what kind of figures do you have in mind for the impact on operating profit in terms of price increase and product amount change in the food business?

A-2-2-1

Hishinuma: The cost increase in the next fiscal year will probably be a third or so of FY2025 level, so I think we will absorb this through firm price increases and specification review. Since the extent of price increases will be smaller, we expect the decline in sales volume to stabilize compared to previous periods. Therefore, we hope to maintain a positive trend for profit growth, looking at cost increase, price increase and sales volume decline as the three-point set next fiscal year as well.

Q-2-2-2

Is my understanding correct that basically there is no need to consider additional price increases or anything else under the current circumstances?

A-2-2-2

Hishinuma: As of today, there is no price increase planned for this spring, but we will do so if necessary. For FY2026, although the prices related to domestic raw milk will remain unchanged for the time being, but now, we have to consider how to respond to the increase in raw materials for chocolate and others. Since the market price is falling, it is difficult to simply raise prices, so we will have to do something like replacing products, communicating with concerned people in various ways.

Q-2-3-1

About the China business, it looks like it will probably land up with a deficit of about JPY6.0 billion if you go on like this. Is that understanding correct?

Also, I think the new fiscal year has already started for the China business itself although it starts from April on the Group consolidated basis. So, I would like to know what kind of measures are currently running for the China business to break even in FY2026.

A-2-3-1

Hishinuma: For FY2025, we are closing the accounts for China business at December, but on a consolidated basis, we are provisionally closing the accounts for January to March to adjust. I think we should land somewhere between negative JPY5.5 and 6.0 billion.

Aiming for break-even in the next fiscal year, we have been working to increase marginal profit mainly through dairy business, and this has been successful. However, we are still overwhelmingly short on product sales volume, so we are taking additional measures to address this issue on the fixed cost side. We will make an announcement when the time is right.

Including such things as a measure, we can see some prospect of turning profitable.

However, the timing of the implementation of the measures is still a bit uncertain as to whether we can all start on April 1. If the start dates are staggered, there is a possibility of a shortfall when evaluating the performance for the period of FY2026. But if the monthly gap is corrected as a measure, the break-even measures will be accumulated and you can think of it as the timing of confirmation and implementation.

Q-2-3-2

The break-even in FY2026 may be difficult to see because of the monthly gap, but you will be taking various measures. Will it be drastic?

A-2-3-2

Hishinuma: Yes, you are right. Therefore, we will decide on measures by the end of this fiscal year, and I believe we will be able to disclose them as appropriate once they are decided.

To some extent, we will carry out structural reforms for break-even, but we do not think that the goal of the China business is to achieve a flat zero, so we would like to explain at that time the measures we will take beyond that.

Q-3-1-1

I would like to get some additional information on your thinking for FY2026. As you mentioned earlier that you have a high probability of achieving the full-year operating profit plan of JPY91.0 billion for the current fiscal year, given that the raw material cost of chocolate is expected to give a positive impact starting in the latter half of FY2026, as well as efforts to reduce fixed costs in China. What is your perspective for the next fiscal year?

A-3-1-1

Hishinuma: Regarding JPY116.5 billion of operating profit target, as indicated in the 2026 Medium-Term Business plan, we see a very high hurdle at this stage. We are still in the process of finalizing, so I cannot make any definite statements, but we are still working to achieve JPY100.0 billion yen level in operating profit, which is something the Company is determined to achieve. I am aware that this four-digit figure is not unreachable at all.

Q-3-1-2

In achieving that JPY100.0 billion level target, what do you think the drivers are?

A-3-1-2

Hishinuma: There may be a slight month gap, but in terms of food, one thing is the profit improvement in China. Then, the first-round effects of the price increase, along with a recovery in sales volume, can also be expected, although there will be still increases in raw materials

cost. This is the second point.

Then, there are yogurt and drinking milk, which account for large volumes in the dairy business. The average profit margin for these categories is low, but we are working to improve the profitability of yogurt and make the drinking milk business profitable by restructuring our production lines as well. We can expect a bit of profitability improvement from dairy product lines other than functional yogurt for this fiscal year and the next.

Also, the nutrition business, which is extremely negative this fiscal year, will probably bottom out in this Q3 and will start to catch up with the previous year from Q4. In this sense, the Food segment aims to increase profit.

On the other hand, for the pharmaceutical business, we had a significant write-downs in FY2024 for *KOSTA/VE*, the COVID-19 vaccine. It has gone away this term, but there are still some major R&D expenses and some negatives like the inoculation situation was not as good as the Company had hoped for this term. We expect these to be eliminated in FY2026.

In addition, blood plasma products will also contribute as growth driver. We are gradually shifting the sales of these products to Meiji Seika Pharma. From this April, our core product will begin to shift to Meiji Seika Pharma. Combined with positive factors like these, we expect to exceed this fiscal year's operating profit level in FY2026, so we are working hard to achieve four-digit billions yen in operating profit for the Group as a whole.

Q-3-2-1

I would like to ask regarding the cost increase and price setting in the chocolate business. You earlier mentioned the benefits of cost decrease will emerge from H2 of FY2026, are you then considering chocolate prices being lowered in response to a decline in the market price? Or, are you keeping this price firmly in place and keeping the spread, so that the benefits of cheaper raw materials there are also firmly reflected in the profit area?

A-3-2-1

Hishinuma: I think this depends on products, but our basic idea is not to lower prices even if raw materials cost drop. Rather than immediately lowering prices while monitoring competitors' sales strategies, our basic approach is to maintain prices overall. Instead, we'll focus on activities, such as reintroducing products with increased volume or running short-term campaigns.

Products like *Meiji Chocolate Kouka* and others with no comparable substitutes, will likely remain unchanged, but for highly competitive categories like nut chocolates, I think we really need to incorporate some kind of sales promotion strategy.

Q-3-2-2

Talking about the impact of the cocoa beans price being lowered, you mentioned that positive effects will start to emerge from H2 of FY2026. Can we assume that positive impact will carry through the full year after FY2027?

A-3-2-2

Hishinuma: Currently, the market price was a little less than GBP3,000. I think the price will probably peak out roughly around H1 of FY2026 when we will use up the cocoa beans secured at highest prices. If the market stays as it is now and the exchange rate remains the same, I think it will be beneficial. However, I am wondering if the price goes down, and then the demand might go up again, and the price might increase as well, because we see the biggest reason for the current drop in the market price is that demand has decreased. So we are thinking about various things on the assumption that the market will go up a little again rather than seeing it remain flat.

Q-4-1

Regarding the profitability improvement plan in China, it seems the deficit is expanding year-on-year, looking only at Q3. Could you please explain this, including whether you can say that

the plan is going well or there were any special factors?

A-4-1

Hishinuma: Compared to the recovery of Q2, I think Q3 is a bit negative versus the previous year. The main factor was the decline in profit of chocolate business in this Q3.

The surge in raw material costs for chocolate in China emerged slightly later than in Japan, starting around FY2025. Since September, price increases of chocolate have also been implemented in China. However, our position in China market is not that high, so there is a slight delay in the penetration of price increases. Penetration has been slow, and we have been negatively impacted by decrease in sales volume due to the price increase. However, we currently believe that Q4 will see a gradual recovery due to a recovery in the sales volume and the penetration of price increases.

Then, there's another point regarding ice cream. We changed the accounting treatment from the previous year, resulting in an increase in the Q3 depreciation expense burden.

Overall, we are seeing an improvement from this fiscal year's plan of negative JPY6.0 billion deficit. So, while looking solely at Q3 might make it appear we've regressed compared to Q2, I believe there's no need for excessive concern here, as we expect to recover this in Q4.

Q-5-1

My question is about pharmaceutical.

For the operating profit plan, you are aiming for JPY40.0 billion in FY2026 from JPY26.0 billion in FY2025. How far can you go in filling in the gap? You mentioned earlier that there will be a transfer of sales operations of mainstay blood plasma products and that the sales expansion of *REZUROCK* will be expected as well as introduction of *Vorzzz*. Please tell us how far you think you can go next fiscal year, including the negative rebound reaction by the influenza vaccine.

A-5-1

Hishinuma: I think JPY40.0 billion is a very hard goal to achieve. However, we would like to secure a figure firmly in the low JPY30.0 billion range.

One reason is that sales of mainstay blood plasma product by Meiji Seika Pharma will be started from FY2026. While the number of patients for *REZUROCK* isn't particularly high, we still believe there is room for growth next fiscal year.

As for *Vorzzz*, we expect peak sales to be in the JPY10.0 billions or over, so we have high expectations for this area. Other areas include new authorized generic we'll start to market, we think it will also add to our profit. As for *KOSTAIVE*, we do not know what the inoculation situation will be like in the next fiscal year, but we intend to prepare the amount based on this year's vaccination demand. Coupled with reductions in R&D expenses, we believe this factor will also contribute to profitability.

We are currently working on a plan that will allow us to generate a solid low JPY30.0 billion range.

Q-5-2-1

You are saying that nutrition business is bottoming out from Q4 because the impact since Q4 of FY2024 has run its course. Can you tell us if there is any special response there?

A-5-2-1

Hishinuma: The main reason is that the impact has run its course. In addition, we believe sales of the new infant formula with bifidobacteria in Japan will actually start to increase from this Q4. So, in that regard, we expect it to show year-on-year growth.

Q-5-2-2

So, you are feeling that positive response now, and you are confident that the situation will bottom out next fiscal year. Is that correct?

A-5-2-2

Hishinuma: Yes, you are right. Our performance has declined significantly starting in Q4 of FY2024. Therefore, compared to the same period last fiscal year, we expect recovery starting this quarter. We are thinking about various ways to further expand, that is the situation.

Q-6-1

I feel that the one is a little brighter for the new fiscal year than it was three months ago at Q2 last November. If so, could you tell us what has changed from three months ago?

A-6-1

Hishinuma: In the Food segment, the cost of raw materials will continue to rise next fiscal year, but we are now able to cope with this situation without a time lag. Next year, as was mentioned earlier, there will not be such a large increase in raw materials cost. This is a little less than what we saw three months ago. At that time, we thought that there might be another domestic raw milk price increases in April 2026, but it turned out that the price was left unchanged. I can't tell you today specifically, but we are starting to see quite a few fixed cost measures for the China business, so I think that's about it.

Q-6-2

For FY2026 operating profit plan, the figure of JPY100.0 billion is starting to take shape. So, roughly speaking, would it be something like JPY30.0 billion for pharmaceuticals, JPY75.0 billion for food, and an adjustment amount of just under minus JPY5.0 billion?

I think that's a reasonable increase in profit. What are your thoughts on the risk factors in aiming for the JPY100.0 billion mark?

A-6-2

Hishinuma: The point is how far the recovery of the sales volume will go. Although the decline in chocolate's volume was little, it will be important to see how far they can recover from the decline in sales volume each time of the price increase. Then, as for nutrition, how to raise profit in an environment that has not improved much, even though we have caught up year-on-year.

Also, to add to our profit, we are focusing on the dairy business. The profitability of yogurt and drinking milk is low, so one of our themes is to improve this area. Things like production line consolidation are actually in progress here, though, so I wonder if it can be done with a high degree of certainty.

I do not see any significant risk for each business, but each of these is a hurdle to overcome, so I do not think it will be easy. JPY100 billion is a very hard hurdle to overcome optimistically.

Q-6-3

In terms of depreciation, two new plants will start operation from the end of FY2026, one in Kanagawa and the other in Hokkaido. That means various aging plants are decreasing from FY2028. When we look at just FY2026, do we have to view fixed costs as increasing?

A-6-3

Hishinuma: The new plants will be fully operational in FY2027, but the building will be completed ahead of this, so the depreciation cost will be incurred. Since we don't start to produce there, depreciation expenses would be an additional burden.

For the major effect of the plant consolidation, JPY5.0 billion scale will be made from FY2027 onward, we have already reduced assets such as Tohoku plant that stopped operations earlier, and line consolidations, that I mentioned earlier.

Also, as we announced the other day, the Next Carrier Special Support Program had incurred

an extraordinary loss of JPY1.1 billion, this was due in part to the effect of personnel reductions. In spite of base increases, I think we will be able to keep fixed costs flat, or even slightly over.

Q-7-1

I would like you to explain a little more about the consolidation of domestic production lines that you have been working on this fiscal year. Is it my understanding that you have consolidated the yogurt and drinking milk lines? Also, have there been any moves to cut back on the functional yogurt line?

A-7-1

Hishinuma: It is centered on dairy products, but one thing we have done is to suspend large volume type drinking yogurt, resulting in consolidating production lines. Also, in the case of drinking milk, the sequential discontinuation of milk bottles in the spring of 2025, the shutdown of the Tohoku plant in H2 of FY2025 and so on, all add up to this.

Regarding functional yogurt, we are focusing on expanding sales. Rather than consolidating at this timing, we will reorganize to establish an optimal production system when the new Kanagawa plant has been completed.

Q-7-2

Regarding demand projections, you mentioned earlier that if real wages will rise, and therefore, the next fiscal year should be good. But I wonder if demand for yogurt and chocolate will increase if real wages rise.

Also, for functional yogurt, do we need to view the growth rate on an actual basis excluding the impact of the flu? What are your thoughts here as well?

A-7-2

Hishinuma: Whether demand would actually increase if real wages rose remains highly uncertain. Looking at trends in food consumption, although we are producing the high-end

products, I think we can expect some extent of sales recovery, as wages rise to a certain level. As for functional yogurt, it is difficult to say to what extent *Meiji Probio Yogurt R-1* has been affected by the influenza epidemic and other factors, but the growth of *Meiji Probio Yogurt R-1* has actually led to growth in the overall functional yogurt performance. Existing products such as *Meiji Probio Yogurt LG21* and *PA-3* continue to be in a negative trend, but the new *Meiji Hemoglobin A1c Yogurt* is covering the other negative factors, so we do not expect this growth trend structure to change next year.

I perceive expanding the sales of *Meiji Probio Yogurt R-1* will be the key. In the planning stage, we will subtract special demand caused by an influenza epidemic, but even so, we do expect stable growth of 1% or so for functional yogurt .

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