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Meiji Holdings Co., Ltd.
Financial Results for the Q1 of FYE March 2027 (FY2026)
The Telephone Conference Q&A

August 5, 2026, 4:30 – 5:30 pm

Presenter:

Jun Hishinuma	CFO, Member of the Board and Senior Managing Executive Officer

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

Q-1-1-1

I think you got off to a good start in Q1. It looks like you'll be able to meet H1 plan even with a decline in profits in Q2. Compared to the H1 plan, what is the current status of progress in both the Food and Pharmaceutical segments, and can we expect to exceed expectations?

My second question concerns the impact of the situation in the Middle East. You expect full-year additional cost increases of approximately JPY8.0 billion to 9.0 billion. You have announced product amount reductions for protein products, so I assume the impact is manageable. Could you explain your current outlook on whether you can fully offset cost increases?

A-1-1-1

Hishinuma: In the Food segment, our mainstay products are performing very well. On the other hand, I believe that foreign exchange rates—not just the situation in the Middle East—are having the greatest impact. Regarding the higher-than-expected raw material prices, we believe the impact can be offset by increased profits driven by higher sales. Therefore we remain committed in achieving our planned figures we have announced. Meanwhile, in the Pharmaceutical segment, in addition to support from NHI drug upward price revisions, sales of new products such as *REZUROCK* have been favorable. If this trend continues, results may slightly exceed the plan.

As for cost increases, there are three main factors: foreign exchange movements, the Middle East situation, and higher raw material market prices. We expect unbudgeted full-year cost increases of approximately JPY8.0 billion to 9.0 billion. The largest factor is the increase in whey prices, which are dairy ingredients. This mainly affects sports protein products, but we can fully address the impact through the price increase implemented in June and the product amount change planned for September. Other dairy products, including yogurt, will also be affected. Although we cannot disclose the details yet, the high-protein yogurt market is growing, and we plan to launch new high-protein products in H2 and beyond.

Since our top-line performance is favorable, we believe we can fully absorb the additional costs of JPY8.0 billion to 9.0 billion, even while complementing with businesses that do not entail additional cost increases.

Q-1-1-2

Regarding costs, whey had already been identified as a concern, including by the market, but we believe the impact can probably be offset through product amount change. Do you currently expect to be able to absorb the higher packaging costs for yogurt and other products through sales growth, including sales of new products?

A-1-1-2

Hishinuma: In May, when the impact of the situation in the Middle East was still difficult to predict, we explained that packaging costs could increase by JPY4.0 billion to JPY5.0 billion for the full year. At that time, we assumed that crude oil prices would remain at USD100 per barrel. However, we have not yet seen any increase in packaging material costs in Q1. We do not expect the increase to be that significant over the full year either. We had expected functional yogurt in the dairy business to be the most affected by higher packaging costs, so we believe the impact should be manageable.

In addition to the positive impact by new products, for yogurt, competitors have implemented price increases. Narrowing the gap in retail prices are driving a substantial increase in our sales volume and market share. Right now, demand is so high that production can barely keep up. Taking these factors into account, we believe we can fully absorb the impact.

Q-1-1-3

You had expected packaging material costs to increase by JPY4.0 billion to 5.0 billion. Realistically, how large an increase do you now expect?

A-1-1-3

Hishinuma: Of the additional cost increases, about JPY3.0 billion goes toward packaging

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materials. The rest is roughly JPY5.0 billion for dairy ingredients, and distribution costs are just under JPY500 million. We had originally anticipated a full-year packaging material cost increase of JPY2.5 billion, so the additional impact should be limited to approximately JPY3.0 billion on top of that.

Q-2-1-1

While costs of protein have risen, I believe demand remains very strong. On page 10 of the presentation material, the ready-to-drink type market grew by about 21%, and you also saw a 13.6% increase in sales from sports nutrition. What is the demand situation by products?

You mentioned that you are planning to launch new high-protein products going forward. Regarding domestic demand related to diabetes treatments, the slide states that the situation will continue to be closely monitored. What is your strategy moving forward?

A-2-1-1

Hishinuma: I think the protein market encompasses more than just so-called sports protein powders; products fortified with protein—yogurt, for example—are the representative examples. Overall, I believe the domestic market will continue to grow in the future. Looking at the global picture, the markets in countries such as India and Brazil are growing, and in the U.S., people are taking diabetes medication alongside protein. With global demand still on the rise, the current price structure has emerged due to a mismatch between supply and demand. Given these global trends, there is also a strong focus on protein intake in Japan, and we expect this trend to continue growing.

One of our strategies is to strengthen our soy protein offerings, as whey prices have risen significantly. We believe this will help attract new users, particularly women in the beauty supplement segment, rather than simply taking share from existing users.

Also, our company's target market consists of people who prioritize efficiency and effectiveness over physical appearance or muscle mass, and we plan to move forward by creating new markets for them. By attracting these new users, we can offer new propositions, including soy protein products and whey-type *SAVAS BIOPRO*, which was launched this spring and contains lactobacilli. We also plan to launch around two new products this fall. We aim to achieve continued growth by stimulating demand and acquiring new users.

Q-2-1-2

How are users currently responding to the combination of lactobacilli and protein of *SAVAS BIOPRO*?

A-2-1-2

Hishinuma: We emphasize the synergistic effects of protein, which provides the nutrients needed for building the body, and the lactobacilli, which help improve absorption in the gut. Since it was just released and we've also launched a ready-to-drink version, we hope to expand its reach alongside the powdered version.

Q-2-2-1

As shown on page 21, I believe your overseas subsidiaries in the Pharmaceutical segment performed well. Looking at the analysis of changes in operating profit, the increase in profits seems to be largely driven by the "Others" category. What kinds of businesses are currently favorable overseas? Also, since there was an earthquake in Kumamoto prefecture, please let me know if there are any impacts on KM Biologics.

A-2-2-1

Hishinuma: The growth in overseas pharmaceutical sales was driven by strong performance at the CMO/CDMO business in India. Vaccines and veterinary business made a positive contribution due to strong performance at KM Biologics, included in "Others". The reduction in costs of goods sold made a contribution, resulting from change in the inventory valuation method.

Speaking of KM Biologics, there was an earthquake in Kumamoto, but while we have four locations there, they are all a bit far from where the earthquake struck. There has been no disruption to operations at our production or research facilities. There has been a minor issue at a facility in Kikuchi, which is located relatively close to Aso, causing a slight delay in quality inspections, but overall, this has not had a significant impact.

Q-2-2-2

What drove Medreich's higher operating profit in Q1?

A-2-2-2

Hishinuma: Higher sales were the primary driver. Medreich is essentially a CMO/CDMO for major pharmaceutical companies, specializing in small-molecule drugs. In markets such as India, West Asia, and Africa, to which we export our products, demand has been growing at a rate of between 8-10% over the past few years.

Q-3-1-1

Could you please walk us through the progress of each business within the Food segment? Specifically, regarding the chocolate business, while the impact of lower raw material costs is expected to begin in H2 of this fiscal year, the plan shows that profits will start to increase in Q2. Could you confirm if this is correct?

The second question is concerning the Pharmaceutical segment. I believe the sales growth in the domestic market shown on page 21 indicates significant progress. You mentioned earlier that the growth in the infectious diseases sector was due to a rebound from last year's stagnation; could you please explain how sustainable this trend is?

A-3-1-1

Hishinuma: First, regarding the performance by business in the Food segment for Q1, sales growth was strong across all segments thanks to growth in our mainstay products. Only the chocolate business posted a decline in profit due to changes in costs of goods sold. The items

we bought when it was probably at highest price are about to be used up. Prices are expected to begin declining around the end of Q2. On page seven, changes in costs of goods sold show a negative impact of under JPY3.0 billion YoY. However, the impact of cocoa beans prices themselves will be negative by JPY3.7 billion in H1, while in H2, they are expected to make a positive contribution of around JPY2.7 billion, based on the initial plan. The direction of the impact will therefore reverse. I think chocolate business will also contribute significantly to profit growth in H2 of the fiscal year, and things will go according to the original plan.
Next, for the Pharmaceutical segment, one factor supporting changes in domestic pharmaceutical sales is the NHI drug upward price revisions. *REZUROCK* in the immune system area continues to grow, and this positive momentum is expected to continue. Generic drugs also contributed, including the three authorized generics transferred from Sanofi. I believe this positive trend in domestic sales growth will continue for the remainder of this fiscal year.

Q-3-1-2
Should we view the increase in domestic pharmaceuticals sales as a sustainable upside factor?

A-3-1-2
Hishinuma: Yes.

Q-3-2-1
I understand while in the nutrition business costs have continued to rise, I feel like the sales momentum has shifted slightly from last year. Would you say that sales momentum has changed somewhat?

A-3-2-1
Hishinuma: As for the infant formula sales, inbound demand has decreased, however, it

exceeded the plan in Q1 since we saw some inbound demand. Basically, since the number of births in Japan has fallen by 2%, I don't think it will be likely to expand moving forward, aside from some benefit from the price increase made in H2 of FY2025.
On the other hand, while the protein market is growing, the rise in whey prices has led competitors to raise their prices as well, significantly narrowing the price gap. *SAVAS* is the leading brand and given the balance between its brand strength and the price gap, the demand has shifted toward our products at the current price differential. In that sense, the cost increases are actually working to our advantage.

Q-3-2-2
You will be decreasing product amount change in September. Won't that widen the price gap once more? Aren't you concerned about that? Or is demand strong enough to offset that?

A-3-2-2
Hishinuma: September's change involves a reduction in product amount, not price increase. We have implemented repeated price increases over the past few years. As a result, we believe reductions in product amount have less of impact on sales volume rather than price increase, which affects the amount customers pay per purchase. Since the cost of whey is expected to continue rising, and I'm not sure what pricing strategies our competitors will adopt. But I believe we can continue to expect the increase in sales volume we've projected.

Q-3-2-3
You mentioned earlier that the situation in the Middle East has affected about JPY5.0 billion worth of dairy ingredients—is whey the main component here? Please let me know whether this price already reflects current whey market conditions, or whether, given the current market conditions, another price increase is still needed.

A-3-2-3

Hishinuma: As you pointed out, the majority of it is whey. Based on this premise, we have incorporated product and pricing strategies as well. Price increases and product amount changes alone may not fully offset the impact, including the decline in sales volume, however, we are continuing structural reforms in the nutrition business, including reforms to our production and sales systems, and plan to absorb the cost increases across the business as a whole.

Q-4-1-1

My point concerns the restructuring of the food portfolio, specifically in Japan. You mentioned that you will close the Ibaraki Plant and reallocate resources to higher-margin businesses. Is my understanding correct that this will accelerate top-line and profit growth in areas such as the chocolate and dairy businesses starting next fiscal year?

A-4-1-1

Hishinuma: Since frozen foods also generate marginal profit, discontinuing them would reduce that profit; however, because indirect costs are also involved, I don't think there will be much of a change overall to operating profit. Although the frozen foods business is smaller than the dairy and chocolate businesses, it still had a sizable headcount in its research and marketing organizations and incurred certain costs. By reallocating these resources to the chocolate and dairy businesses, we aim to drive growth in these core businesses.

Q-4-1-2

Are there several initiatives of this nature being considered in preparation for the next medium-term business plan? Or, conversely, does the withdrawal from the frozen foods business mark the conclusion of the restructuring of your domestic portfolio?

A-4-1-2

Hishinuma: There are still some initiatives under consideration domestically. We will eliminate any negative factors as much as possible during this fiscal year so that we can focus on growth starting next fiscal year. Depending on our progress, as we gain greater visibility into its realization, I believe we will be able to announce specifically at some point.

Q-4-2-1

The profits for overseas food products in Asia and Europe and the U.S. declined in Q1. Could you please share a brief comment on this?

A-4-2-1

Hishinuma: In the U.S., the production line for *Hello Panda* began operating in H2 of last fiscal year, resulting in higher depreciation expenses. Although costs are still running ahead, top-line growth remains solid. Additionally, in Q1, there were also several production issues at the U.S. plant. These affected the Stauffer's brand rather than the Meiji brand, and caused some shipments to be delayed. Operations have since recovered, so we are not concerned.

Chocolate business in Asia also declined slightly due to rising raw material prices globally. Because our market position is still relatively weak as compared to Japan, we are a bit behind in passing on these cost increases. If we execute price increase, we'll be able to secure profit.

Q-5-1-1

By how much did Q1 operating profit exceed the internal plan? Could you provide the figures separately for the Food and Pharmaceutical segments? Based on what you have explained, it appears that the additional costs of JPY8.0 billion to 9.0 billion can be offset through price increases, product amount changes, and top-line growth. Could you confirm whether the message is that you can carry the Q1 outperformance through Q2 and Q3 and aim for operating profit of more than JPY100.0 billion?

A-5-1-1

Hishinuma: As far as our internal plans are concerned, the Food segment is generating profits almost exactly as planned. We have successfully offset the negative impact of the higher cocoa beans prices and weak yen with the positive effects of increased sales. In the Food segment, we expect to absorb the cost increases by continued strong top-line growth from Q2 onward through price increases, product amount changes, new products launch. We therefore believe we can firmly achieve the full-year operating profit plan of JPY74.0 billion.

As for the Pharmaceutical segment, we are on track to exceed our internal plan by about JPY2.0 billion. Since this JPY2.0 billion represents a net increase rather than a simple timing difference, I believe it will remain. Therefore, we expect sales of pharmaceuticals to exceed expectations even on an annual basis. Overall, we hope to achieve consolidated operating profit slightly above JPY100.0 billion.

Q-5-1-2

Regarding pharmaceuticals, if we assume a positive deviation of JPY2.0 billion multiplied by 4, is it reasonable to expect an upward deviation of about JPY8.0 billion over four quarters?

A-5-1-2

Hishinuma: I don't expect that to be the case. As for the influenza vaccine business, shipments in Q2 account for 70-80% of the total. This year, the Ministry of Health, Labour and Welfare designated three influenza strains, all of which are new. Production yields are not expected to be very high, and we expect the shipment volume to be lower than initially expected.

However, our competitors are likely facing the same situation, so we do not expect our market share to decline. The key will be how much we can ship by the end of September ahead of vaccinations beginning on October 1. This is the one area of concern in the Pharmaceutical segment. So we do not expect the Q1 level of JPY2.0 billion to continue for all four quarters.

Q-5-2-1

I would like to ask about the top-line strength of the domestic food business. Looking again at functional yogurt, nutrition, and chocolate, I feel that top-line growth has become significantly stronger across these businesses. Is this a recovery from the decline in sales volume following past price increases, or does it indicate that your company's ability to generate top-line growth has returned? How does your company assess this?

A-5-2-1

Hishinuma: This year, we are focusing on increasing sales volume as a key company-wide initiative. It's true that, given the repeated price increases, I think there will be some recovery. In addition to this, whether it's existing products or new offerings, sales are performing well, so I think that's what's making the strategy work.

For functional yogurt, *Meiji Probio Yogurt R-1* bottomed out around 2024 and has been growing since then. Although winter has traditionally been the peak season for *Meiji Probio Yogurt R-1*, due to the intense summer heat, we are now running commercials and other marketing campaigns focused on boosting immunity during the summer as well. *Meiji Probio Yogurt R-1* remains strong against this backdrop. Most notably, the *Meiji Hemoglobin A1c Yogurt* launched last year is growing very rapidly. We would say at its current pace, it could approach the sales level of *Meiji Probio Yogurt LG21* by the next fiscal year.

In the chocolate business, although growth paused somewhat in Q1 last year, partly due to the extreme heat, sales have continued to grow since then and remain strong. *Chocolate Kouka* has performed well, supported by initiatives such as the launch of medium-sized pouches. Anniversary campaigns, including the 100th anniversary of *Meiji Milk Chocolate* and the 50th anniversaries of *Kinoko no Yama* and *Takenoko no Sato*, have also been well received and have continued to drive growth. I think we can keep this up.

In the nutrition business, although the infant formula market remains challenging, we are focusing on products such as protein drinks for women and *SAVAS BIOPRO* etc. We have also developed new propositions that we are not yet able to disclose. Internally, we've launched new products and new communication initiatives, and we believe they're going well. We believe that top-line growth will continue along these lines in Q2 and beyond.

Q-5-2-2
So, despite the ongoing cycle of price increases and rising raw material costs, is it fair to understand that you are taking an offensive approach and successfully capturing growth?

A-5-2-2
Hishinuma: Yes.

Q-5-3
At the FY2025 Q4 financial results briefing last May, I believe President Matsuda said something along the lines of, "We plan to unveil something exciting during FY2026, so please look forward to it." Since then, you have announced structural reforms in China and the closure of the frozen foods plant. Should we expect any other, more exciting announcements during FY2026?

A-5-3
Hishinuma: Since there are several structural reform measures currently underway, I would like to announce them at an appropriate time, depending on the progress and timing. As for this fiscal year, while it won't have a direct impact on our earnings, we've made some progress in internal discussions regarding a new synergy project between the Food and Pharmaceutical segments, and it looks like we'll be able to launch products starting around April of next year. I believe we'll be able to announce specific details—such as products and business models—at some point in H2 of this fiscal year.

Q-6-1-1
I would like to know about the structural reforms in China. Could you explain the strategy

behind the decision to retain the ice cream business?

A-6-1-1

Hishinuma: In China, we mainly operate the dairy, ice cream, and chocolate businesses. As we have explained previously, we intend to focus on the chocolate business, which has the largest demand potential and offers the strongest product differentiation in the Chinese market. As for ice cream, we've been struggling significantly in recent years due to new competitors entering the market and issues with temperatures. They have been very profitable in the past, and our products have been highly regarded. We do not plan to make any major investments. However, by using our single plant in Guangzhou to produce offerings that are distinctly Meiji, we believe we can secure stable earnings.

We currently believe that it is better to revitalize the business and secure earnings than to withdraw. We have therefore decided to continue both the chocolate and ice cream businesses.

Q-6-1-2

As for China, I believe a plan has been announced to achieve profitability by the next fiscal year. If it appears that the target will not be met, I would very much like to hear your thoughts on whether a further review of the situation across all of China—including the possibility of a withdrawal—would be considered.

A-6-1-2

Hishinuma: We have announced that China's projected deficit for this fiscal year is JPY800 million. The recently announced business transfer in the dairy and B2B businesses is scheduled to close in December and is expected to increase annual profits by approximately JPY1.5 billion. However, since this fiscal period unfortunately covers only the four months from December, I don't think it will completely offset the JPY800 million. Next fiscal year, we will realize the benefits for the full year, so we believe we can firmly return the business to profitability.

Chocolate business is showing strong top-line momentum, and its future growth trajectory is quite clear. Ice cream business does indeed involve some uncertainties—or rather, risks—so while we'll proceed on the assumption that we'll continue with this business, we'll also move forward in parallel with a review of our portfolio and a restructuring strategy. If the ice cream business ends up having a significant negative impact overall, I think we'll consider additional measures. However, at this point, we expect growth in the ice cream and chocolate businesses starting next fiscal year and beyond. Once next year arrives, we plan to announce our future plan for China.

Q-6-2-1

My question may be somewhat premature. How much of profit level do you see for FY2027? With the new medium-term business plan set to begin, I'd like to know where the growth drivers are located.

A-6-2-1

Hishinuma: We are currently formulating the plan but we are considering a target of approximately 10% average annual profit growth. However, we need to factor in various risks. In addition, because the new businesses will require upfront investments in their early stages, it would not be appropriate to simply assume 10% growth on a JPY100.0 billion base. At the FY2025 Q4 financial results briefing last May, we indicated average annual growth of around 5%. Since then, we have implemented various structural reforms and launched new initiatives, and we have structured our projections to expect average profit growth in the high single digits, taking risks into account. We plan to announce further details sometime when available.

Q-6-2-2

Would it be correct to assume that you expect an increase of just under JPY10.0 billion next fiscal year compared with this fiscal year?

A-6-2-2

Hishinuma: With operating profit planned at JPY100.0 billion for this fiscal year, we would like to achieve an increase of around JPY5.0 billion or more next fiscal year, even if we do not reach JPY10.0 billion.

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