

Meiji Holdings Co., Ltd.  
Financial Results - For the First Half of FYE March 2020  
Briefing for Analysts and Institutional Investors  
Q&A Summary

Date and time: November 12, 2019, 10:00 -11:30 am

Presenters:

**Kazuo Kawamura**

President and Representative Director, Meiji Holdings Co., Ltd.

**Koichiro Shiozaki**

Member of the Board and Managing Executive Officer, Meiji Holdings Co., Ltd.

**Katsunari Matsuda**

President and Representative Director, Meiji Co., Ltd.

**Daikichiro Kobayashi**

President and Representative Director, Meiji Seika Pharma Co., Ltd.

- Q 1. Food segment operating income for the first half of FYE March 2020 increased by 1.4%. Second half plans call for the significant increase of 10.3%. Please explain.
- A 1. The significant increase in FYE March 2020 second half income is largely from functional yogurt and *Meiji Bulgaria Yogurt*. First half income decreased due to the impact of the price increase in April. Sales have been recovering since September. We are launching new TV commercials to promote the possibilities of lactobacillus and proposing new ways to enjoy yogurt. If sales return to previous fiscal year levels, 10 percent increase in operating income during the second half is possible.
- Q 2. There is concern about the impact of increased depreciation and amortization related to capital expenditures on FYE March 2020 income. How will you absorb increased costs?
- A 2. As we are making capital investments, depreciation and amortization costs will increase. But we aim to maintain overall indirect manufacturing expenses at levels on par with the previous fiscal year or further reduce these costs. Specifically, this entails closing the Hokuriku Plant in September 2019 and disposing the production lines of gable top cartons for milk products. The production lines for gable top cartons fall into disuse because we are replacing gable top package of *Oishii Gyuunyuu* to caps. We also are constructing Kurashiki plant and increasing production capacities for the Sakado Plant and the Osaka Plant. These investments is to improve product quality and increase production capacity while also achieving energy and labor savings. Through these initiatives we will reduce indirect manufacturing costs.

Q 3. What changes have you seen in the consumer trends since the consumption tax rate hike? In addition, has the budget-minded consumer trend had any negative impact on your added-value product strategy in the Food segment?

A 3. At present, there has not been a significant impact, we believe. Sales of our added-value product lines are steadily growing. We are confident that we will satisfy our customers with added-value products, and customers continue to purchase them.

Q 4. **SAVAS Milk Protein** is recording rapid growth. To what extent do you think it can continue to grow?

A 4. **SAVAS Milk Protein** is loved by many customers and has been growing rapidly in recent years. For the current fiscal year, we are forecasting net sales of JPY 13.0 billion, more than double previous fiscal year net sales. At present, it is difficult to predict the future growth potential. We will continue to develop products targeting a broad consumer audience. On the other hand, not getting enough protein among Japanese people has become a social issue. We will contribute to resolving this issue with the **SAVAS** brand and many other products.

Q 5. The pharmaceutical segment recorded significant net sales growth during the first half of FYE March 2020. Overseas business operating income increased significantly. The sales of domestic business increased because you could ship influenza vaccine ahead of initial plans (accelerated shipment). Are these results attributable to various initiatives implemented thus far?

A 5. Increase in operating income of overseas business is largely due to the steady development of the CMO/CDMO business at Medreich in India. The sales of domestic business increased due to the accelerated shipments of influenza vaccine. This is because vaccine was efficiently manufactured this year and the initiatives to optimize and stabilize production implemented last year were successful.

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