

**Meiji Holdings Co., Ltd.**

**The First Half of FYE March 2017 Results Briefing for Analysts and Institutional**

**Investors**

**Q&A Summary**

Date and time: November 14, 2016, 3:30-5:00 pm

Presenters: Mr. Masahiko Matsuo, President and Representative Director

Mr. Takashi Hirahara, Member of the Board and Senior Managing Executive Officer

Mr. Kazuo Kawamura, President and Representative Director, Meiji

Mr. Daikichiro Kobayashi, President and Representative Director, Meiji Seika Pharma

**1) Sales of functional yogurt and chocolate grew in the first half of fiscal 2016. Tell us your outlook on future growth.**

A Functional yogurt grew significantly in the first half of fiscal 2016, up 17.5% year on year. Annual sales exceeded JPY 100 billion, thus it might be possible that the growth rate slow down. However, we will use scientific information for the marketing to achieve further growth.

High cocoa content chocolate market is growing thanks to being widely recognized the research results on cocoa polyphenols. Sales of our chocolate are growing favorably. In September 2016, we released enriched new *THE Chocolate*, the “premium chocolate.” *THE Chocolate* represents our professional expertise in chocolate and innovative spirit and we propose “premium chocolate” in the market. We will develop chocolate based on the concepts of “health” and “premium” and increase chocolate sales.

**2) Some of your businesses, such as the Nutritionals business, are highly profitable. I think your gross profit margin, 35%, for the overall Food segment is a little bit low. I believe there will be room for improvement. Tell us how you improve your gross profit margin.**

A We have greatly improved our gross profit margin over time. We will continue to focus our resources on mainstay products by pursuing the appropriate “selection and concentration” so as to increase revenues and achieve growth.

**3) In a breakdown of your operating income, Elimination and Corporate Expenses is increasing. Explain the factors for this.**

A In the Food segment, expenses increased by JPY 3.8 billion year on year in the first half of fiscal 2016. The breakdown of major factors are; corporate advertising expenses, Pro Forma Standard Taxation amount due to increased profit, and expenses related to the relocations of Meiji Co., Ltd. headquarters and research laboratories, and others. We anticipate such expenses will incur in the second half of the fiscal year as well. Note that expenses related to the relocations will decline from the next fiscal year.

**4) Structural reform initiatives resulted in remarkable cost reduction so far. Will this effect continue in the future?**

A We are implementing various structural reforms based on our Medium-term Business Plan, STEP UP 17. The cost reduction effect by reducing the number of new products in the Confectionery business realized relatively quickly. We are currently implementing structural reforms in productivity, distribution efficiency, and sales productivity. We believe these efforts will lead to noticeable cost reductions.

**5) The sales of China business is growing favorably in the Food segment. Tell us your future growth plan.**

A In the Confectionery business, profitability of our consolidated subsidiary in Shanghai has improved significantly and recorded a profit for two consecutive years on local currency basis. Our plan is to secure income and expand business. Sales of drinking milk and yogurt business and ice cream business are growing favorably. We will expand business while evaluating optimal timing for investments.

**6) There will be some concerns about deflation risks in the second half of fiscal 2016 and later. Tell us your strategy for product development and sales.**

A One of the countermeasures against the deflation is to enhance product appeal. In the Confectionery business, *THE Chocolate*, released in September 2016, is a good example. This is “premium chocolate” with fine aroma and rich taste. In September, we started test sales of *Meiji Oishii Gyunyu* 900 mL in the Kyushu region. We use improved milk carton, which is convenient for the customers and keeps tastiness longer. Because of the value-added milk carton, we maintain the original price despite of 100 mL less. Accordingly we will introduce value-added and premium products onto the market and strengthen the reputation of our products even in the deflation.

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