Food segment

Q1. *Meiji Bulgaria Yogurt* revenues declined during the first half of FYE March 2018. Please comment on this issue. Also, what is your strategy to expand sales of LG21?

A1. Sales of *Meiji Bulgaria Yogurt* during the first half of FYE March 2018 decreased by 2.8% year on year. This is due to a normalization following significant growth on the yogurt market over the past two years.

We changed the LG21 tagline (advertising slogan) to “*Lactobacillus effective in stomach*” from “*Lactobacillus battles risks.*” We will promote the beneficial effects of *Lactobacillus*.

Q2. How do you improve profitability for the Fresh and Fermented Dairy Business? What are re-evaluation policies for low-profitable products and categories including milk products except *Meiji Oishii Gyunyu*?

A2. In our current medium-term business plan we are reviewing low-profitable products and categories. For example, we are reducing the number of products such as dairy beverages and juices. Interestingly enough, reducing low-profitable products and categories has improved sales of mainstay products where we are focusing on. We are adopting these initiatives in the entire business.


A3. We considerably reduced the number of products in the Nutritional Business - we terminated baby food business, for example. As mentioned above, we clarified our focus products and this resulted in favorable sales.

One of our competitive advantages is that we have products for customers with specific nutritional needs - sports nutritionals, infant nutritionals, and elderly nutritionals. Sports nutritionals continue to record double-digit growth. Sales of enteral foods are growing. We will increase our market share while focusing on securing profitability.

On the other hand, we do need to redouble our efforts in the general nutritional foods. We will develop products using our nutrition engineering technology and grow their sales.
Q4. Sales for the China Business in the Food Segment are growing significantly. What strategy will you employ to achieve continued sales growth in FYE March 2019 and beyond?

A4. We started drinking milk and yogurt business and the ice cream business in the past 5 years, and thus far we have prioritized being profitable. All businesses, including the confectionery business, are on course to record a profit in FYE March 2019. Thus far, we have focused our sales in the area where we have production plants. Going forward, we will expand sales area. To that purpose, we have invested in production capacity expansion. We will market value-added products, our competitive advantage, in China too.

Q5. During the first half of FYE March 2018, the Food Segment reduced cost, such as SG&A and other expenses, more than planned. What structural reforms are you planning for FYE March 2019 and beyond?

A5. We are preparing the three-year medium-term business plan starting from FYE March 2019. We will announce specific strategies for future structural reforms in May 2018. Structural reforms thus far have involved reducing product lineups and categories, improving logistics expenses, and increasing productivity in each division. We should work on structural reforms constantly and will continue further improvements.

Pharmaceutical Segment

Q6. What is your strategy to increase profits in the Pharmaceuticals Segment for the second half of FYE March 2018 and for FYE March 2019?

A6. First, we will grow sales of new drugs launched in FYE March 2017. The antipsychotic drug Sycrest was approved for long-term prescription* in June 2017. We will enhance marketing activities to increase volume of prescriptions. The anti-allergy drug Bilanoa is expected to be approved for long-term prescription in December 2017. We will boost marketing activities during the hay fever season.

We have expectations for the generic drugs business. In October 2017, we launched, in the Japanese market, four generic drugs manufactured by Medreich, our Indian subsidiary. Me Pharma Co., Ltd., our subsidiary, is managing the marketing process. We will expand sales of generic drugs manufactured by Medreich.

* Long-term prescription: Prescription for newly launched drugs is restricted to 14 days per prescription for the first 12 months following listing in the NHI drug price list. After approval for long-term prescription Sycrest and Bilanoa can be prescribed for 30 days.