Q1. In April 2019, you raised the price of drinking-milk. Any impact on sales volume?

A1. We negotiated the price increase with retailers, obtaining their understanding. Consequently, the price increase has been penetrating smoothly. So far, the impact on sales volume has been less than we initially anticipated. Probably the impact on the whole market will not be so serious.

Q2. In the FYE March 2019, sales of functional yogurt were decreased. Tell us the factors behind this result? How do you recover sales in FYE March 2020?

A2. According to our analysis, this is because many other health-oriented products are launched. To get sales of functional yogurts back on track, we will focus on an effective communication strategy. We will relaunch Meiji Probio Yogurt PA-3 as a Food with Function Claims* on May 27. We will appeal the benefits of our three functional yogurt products to customers at retail stores.


Q3. Your plan is to increase the sales of other products than Meiji Bulgaria Yogurt by more than JPY 10 billion. Do you launch any yogurt with new product concept?

A3. Yes. We are launching such products as Meiji The Greek Yogurt and Meiji Yogurt Dolce Torokeruto. By offering new values of yogurt, we will activate the market as a leader in the yogurt industry.

Q4. You recorded an impairment loss (a lump sum amortization of goodwill) for Medreich, India-based subsidiary in pharmaceuticals segment.
A4. We acquired Medreich in 2014. Medreich subsequently did not perform as good as recognized in an acquisition for a number of factors, including increase in active ingredient costs and labor costs in India, and uncertain generic drug business in the UK. Accordingly, we made a lump sum amortization of goodwill. Still, we remain optimistic about Medreich’s potential and expect further growth. Our key client, global pharmaceutical companies, recognize Medreich’s contract manufacturing for its competitive costs and product quality. Sales of contract manufacturing is about 90% of total sales of Medreich.

Q5. In your 2020 Medium-Term Business Plan, you have set a target of JPY 125 billion in operating income. You should increase JPY 17 billion from the target for the FYE March 2020. How will food and pharmaceutical segments contribute to this target?

A5. Of the JPY 125 billion, JPY 110 billion comes from Food segment, and JPY 15 billion from Pharmaceutical. The target for FYE March 2020 for Pharmaceutical segment is JPY 18.5 billion already, it may hit JPY 20 billion in the FYE March 2021. To accomplish the Meiji Group’s operating income target of JPY 125 billion in FYE March 2021, it is crucial for Food segment to achieve JPY 90 billion in FYE March 2020.

In the Food segment, we will increase the operating income by launching products and establishing effective production system of core products such as functional yogurt, chocolate, and SAVAS. We will also launch cheese products to contribute to increase in operating income.

In the pharmaceutical segment, the NHI drug price revisions are due in October 2019 and April 2020. Despite these price revisions, we will grow the sales of the anti-allergy drug BILANOA and the schizophrenia drug SYCREST further, and also increase sales of influenza vaccine. Accordingly, we will realize top-line growth and increase operating income.

Q6. In the food segment, sales of China businesses have been accelerating. What are the factors behind this trend? The sales in China has reached around JPY 10 billion. Consequently, the China businesses may become profitable.

A6. Our three China businesses, confectionary, drinking-milk and yogurt, and ice cream, are making headway. In the FYE March 2019, the drinking-milk and yogurt business turned a profit for the first time since the start of business in 2013. This is because the demand for chilled milk is increasing. Regarding yogurt, we are exploring market strategies for our plain yogurt, considering Chinese consumers prefer sweetened yogurt. As for ice cream, we launched premium products recently, and we plan to expand the sales area outside Suzhou, where our factory is located. As these businesses grow, we
should invest on production capacity expansion. Thus, instead of just seeking rapid profit growth, we would like to grow the profit steadily.

Q7. In the FYE March 2020 plan, KM Biologics merely increase the operating income by JPY 100 million, despite quite increase in sales. I understand increasing the market share of new vaccines and blood plasma products is the key to increase operating income. Tell us how KM Biologics grows its operating income.

A7. KM Biologics has three businesses: human vaccines, blood plasma products, and animal vaccines. Human vaccines, its mainstay business, are right on track as the optimal production system is established. Blood plasma products business has the biggest impact on profit growth. Because of the GMP violation, this business was damaged, and therefore regaining its market share is crucial. We will accelerate the development of product pipeline and expand our product portfolio.