

Meiji Holdings Co., Ltd.

FYE March 2018 Results and 2020 Medium-Term Business Plan Briefing for Analysts and Institutional Investors

Q&A Summary

Date and time: May 17, 2018, 1:00 - 2:30 pm

Presenters:

Masahiko Matsuo

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

Koichiro Shiozaki

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

Kazuo Kawamura

President and Representative Director, Meiji Co., Ltd.

Daikichiro Kobayashi

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

Q1. In the 2020 Medium-Term Business Plan, sales growth contributes significantly to operating income of JPY 110 billion. If you do not reach your sales targets, how will you achieve your operating income goal?

A1. We are assuming that we will successfully increase sales but operating income, JPY 110 billion, may not come from sales growth alone. We will increase profitability by;

- 1) Improving our product mix, which will involve expanding high-profitability product lines, and
- 2) Implementing structural reforms to improve productivity
Improved revenues from the Drinking Milk business will contribute significantly. We will improve *Meiji Oishii Gyunyu* brand revenues by promoting its 900 mL product launched in September 2016. We will evaluate low-performing Drinking Milk products and may discontinue some of them.

Q2. In Japan, you are experiencing struggles with yogurt and chocolate sales growth recently. What strategies will you implement to stimulate growth for the coming FYE March 2020?

A2. The Yogurt market is not recording constant growth. The market trend has been repeating growth and plateau phases. We believe the market will achieve sustainable growth even though it may experience short-term periods of stagnancy.
The Chocolate market has been relatively stable thus far. Our proposals for Healthy and Premium products have generated new market demand recently. We will propose and

develop attractive products to grow market further. We are investing in the Osaka plant and the Sakado plant to increase chocolate production.

We hope to spark another chocolate renaissance during the 2020 Medium-Term Business Plan.

Q3. The 2020 Medium-Term Business Plan outlines significant net sales growth for the Nutrition business. In particular, you will expand production capacity for sports nutritionals and are planning to grow significantly. Tell us your growth strategy.

A3. Our target consumers for most sports nutritionals products are serious athletes. General consumers do not consume SAVAS brand protein products very much. Since around 2015, people are gradually beginning to understand the importance of protein for sports use and demand is increasing. Thus the sales nearly doubled compared to that in 2011. The current issue is how we expand the brand to a broader audience. For example, we will enhance our line of jelly protein products.

Q4. One of the key issues in your 2020 Medium-Term Business Plan is how you grow international business significantly. Tell us your strategy to grow international business?

A4. Our key areas for international business stay the same; China, ASEAN, and the U.S.A. However, we will revise our business operations. We have three strategies with a medium- to long-term focus.

- 1) Establish companies that oversee business operations and marketing in each area to increase the Meiji Corporate brand value
- 2) Develop human resources. Both the development of human resource and the effective use of local workforce are important to establish business structure
- 3) Develop and expand the Nutrition business in China and ASEAN

Q5. Meiji will focus on China business in the 2020 Medium-Term Business Plan. What will be the business portfolio to achieve your net sales target of JPY 23 billion by FY2020?

A5. China net sales are largely comprised of the Drinking Milk and Yogurt businesses, followed by the Confectionery business and ice cream business. We will grow these businesses. We are planning to launch protein products for sports use, SAVAS, in China. If conditions allow, we hope to resume exports of infant formula.

Pharmaceutical Segment

Q6. Meiji sets the Vaccine business as one of the core businesses in the 2026 Vision. Explain the rationale for that. Earnings for The Chemo-Sero-Therapeutic

Research Institute (Kaketsuken) are stagnant. Based on what projections does Meiji conclude to make KM Biologics Co., Ltd. its consolidated subsidiary?

- A6. Mainstay products in the Pharmaceutical segment are anti-infective drugs. Treatment with drugs is considered not sufficient to fight against infectious disease globally. The world's attention is turning from treatment to prevention for patients around the world. We will create healthcare value chain to provide treatment and prevention for patients after consolidating KM Biologics and entering into the vaccine business. Potential opportunities for the vaccine business exist across the world. We will move into both Japanese and Asian markets. We should improve KM Biologics' compliance and governance and recover reliability. We are confident that KM Biologics will grow in the Meiji Group in the near future.

#####