

Meiji Holdings Co., Ltd.  
Financial Results - For the First Half of FYE March 2019  
Briefing for Analysts and Institutional Investors  
Q&A Summary

Date and time: November 12, 2018, 3:30 - 5:00 pm

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.

- Q1 For operating income in H1 FYE March 2019 in Food Segment, cost reduction covered the declining profit from decreased sales. The plan for H2 is to increase operating income with increasing sales and reducing cost and expenses. My concern is that future sales may decline if you reduce marketing and sales expenses too much.
- A1 Net sales and operating income slumped in Q1. We secured profit by reducing costs and expenses and increasing sales in Q2. We will carry on our basic approach to increase operating income in H2; manage costs and expenses appropriately and increase sales.
- Q2 Meiji is focusing on developing/providing high value-added products in Food Segment. What if Japanese consumers won't accept this marketing strategy in the future? Wondering if this may become a risk for future growth.
- A2 We will promote the added-value strategy. We anticipate the future demand from the needs of current customers and develop product concept. Our added-value strategy is to provide products reflecting the concept we create. We are working on bridging a gap between our concept and actual customer needs. We will analyze shopping trends and develop distinctive added-value products. Thus, we will create/maximize win-win relationship with our customers.
- Q3 Sales of functional yogurt in H1 FYE March 2019 was down 4.7% year on year. Tell us your marketing strategy how to recover sales.
- A3 The sales of functional yogurt seems to hit a growth plateau but we believe there's a room for further growth. Because we have been experiencing growth cycle; steady growth and temporary slowdown/plateau. Even so, we may not provide our unique product values to our customers effectively. Meiji have created the yogurt market in Japan. Accordingly, we believe we will achieve sustainable sales growth by appealing inherent values of the products.
- Q4 Sales of chocolate in Food Segment decreased year on year in H1 FYE March 2019. The plan for H2 is to increase sales. Is this because the sluggish sales results of sales during St. Valentine's Day last year? What is your strategy to boost sales?
- A4 As you pointed out, we are expecting the sales of chocolate will increase year on year because of poor business results in H2 previous FY. But this doesn't suffice us. We have

been focusing on providing premium chocolate bars and chocolate for health-conscious consumers for several years. We will accelerate this strategy. We will expand customer base by appealing inherent values of cocoa and chocolate, in addition to traditional values for sustainable sales growth.

- Q5 Sales trend in Q1 and Q2 seems changing significantly in Sports Nutrition, Food Segment. Tell us the background factors for sharp recovery in Q2.
- A5 Reasons for significant increase in sales of *SAVAS* are as follows: Growing sales of *SAVAS MILK PROTEIN*, ready-to-drink protein drink selling in supermarket and convenience stores, naturally leads customers to *SAVAS*, whey protein powder. In addition, expanded shelf space due to product line extension and success in aggressive efforts to expand ecommerce channel contribute to sales increase according to our analysis.
- Q6 Meiji consolidated KM Biologics in Q2 in Pharmaceutical Segment. Tell us how the KM Biologics' business is and synergic effects with Meiji Seika Pharma.
- A6 The sales of influenza vaccine, KM Biologics' mainstay product, is expanding and recovering steadily. Meiji Seika Pharma is selling some of KM Biologics' influenza vaccines and gaining solid reputation from the customers. This, we believe, is synergic effect; provide information on both antibacterial agents and vaccines. Accordingly, to have preventive and therapeutic drugs is our competitive advantage in infectious disease. We started copromotion of veterinary drugs such as drugs for swine and poultry. We are expecting synergistic effects on R&D to achieve innovative corporations.
- Q7 Meiji recorded negative goodwill, JPY 6.5 billion, raised from consolidation of KM Biologics. Aside from negative goodwill, full year net income is revised upward from initial plan. On the other hand, Meiji left unchanged the annual dividend. Tell us your rationale for that.
- A7 We consider stable and continuous return to shareholders is important. Our basic policy for profit dividends is consolidated dividend payout ratio of around 30%. Planned annual dividend for FYE March 2019 is JPY 130 per share. We will scrutinize annual dividend per share considering increase in cash demand due to aggressive capital investment and business trend in H2.

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