

Meiji Holdings Co., Ltd.

The Teleconference for the Financial Results for the Third Quarter of FYE March 2019

Q&A Summary

Date and time: February 7, 2019, 5:00 - 6:00 pm

Presenter:

Jun Furuta

Member of the Board and Managing Executive Officer, General Manager of PR&IR Department,
Meiji Holdings Co., Ltd.

Q1: On February 4, 2019, you announced price hikes for milk and yogurt products. How will these price hikes impact on income next fiscal year? According to your 2020 Medium-Term Business Plan, you make the milk business profitable. Will these price hikes contribute to eliminating losses?

A1: The price hikes are determined based on a calculation of increases in domestic raw milk prices as well as rising costs for packaging materials, logistic expenses, and personnel expenses. We will announce the impact of price hikes on next fiscal year's earnings in May when we release our FYE March 2019 fiscal year earnings report. Our plan is to achieve profitability for the milk business in FYE March 2021 not only through these price hikes but also by optimizing product strategies and our production structure.

Q2: Were weak chocolate sales this fiscal year due to a normalization after the boom in high cocoa content chocolates seen last fiscal year? Or, did a greater-than-expected decrease in demand among children due to low birth rates push down overall chocolate sales? How are you analyzing this and what strategies do you have for recovery?

A: Thus far chocolate demand has increased steadily but recently the demand seems slowing down. However, we anticipate the demand grows over the medium-to-long term. Looking at category trends, health-conscious chocolate is growing thanks to media coverage. On the other hand, growth of conventional chocolate has been weak. Sales of premium product *THE Chocolate* were favorable last fiscal year but it is sluggish this fiscal year. We will promote the delicious taste of chocolate to nurture new chocolate culture.

Q3: Your FYE March 2019 second half target for sports nutrition products is aggressive, outlining net sales growth of 20.1%. As of the third quarter, progress is slow relative to target. What is the cause and what strategy do you have to reverse this performance in the fourth quarter? Also, what will be the impact on operating income if this target is not achieved?

A3: Each year we outline a bold plan for sports nutrition products. In the third quarter, we strengthened both in-store and EC sales, and performance was favorable compare to the previous fiscal year. However, progress is lagging behind plans. As our mainstay product *SAVAS* is a highly profitable product in the sports nutrition business. There may be some negative impact on income if we fail to meet the sales

targets.

Q4: Group consolidated operating income for the first nine months was JPY 79.6 billion. Considering the full-year income plan of JPY 101.0 billion, there will be a significant decline in income for the pharmaceutical segment in the fourth quarter. What negative factors are you anticipating?

A4: For the pharmaceutical segment during the fourth quarter, we are expecting decline in income due to the return of influenza vaccine. In addition, income fluctuates depending on sales of our mainstay products *REFLEX* and *BILANOVA*. Thus it is hard to forecast financial results before the end of FYE March 2019. Therefore we won't make any revisions to our full-year targets.

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