Q 1. Looking at progress through the first nine months of FYE March 2020, achieving the full-year operating income target of JPY 108.0 billion will require a year-on-year increase in income of JPY 9.0 billion during Q4. How will you achieve this?

A 1. We understand increasing income by JPY 9.0 billion in Q4 is not easy. In the Food segment, recovery in the sales of Meiji Probio Yogurt R-1 is critical. December 2019 sales exceeded previous fiscal year figures and we will work aggressively to expand Q4 sales as well. In the Pharmaceutical segment, we are forecasting decreased income of JPY 1.8 billion in Q4 due to NHI pricing revisions. However we will achieve targets on sales growth of SYCREST, Bilanoa, and human vaccines, as well as by reducing costs and expenses.

Q 2. Confectionary business income decreased on lower net sales in Q3 as well as due to increased logistics costs and sales promotion expenses. Will these conditions continue through Q4 into the next fiscal year? Thus far, you have increased income by controlling costs when sales growth was weak. Is that strategy no longer working?

A 2. We think Q4 for the Confectionary business will result in increased income as planned. Q3 net sales decreased due to lower sales of gummy, gum, and biscuits as well as due to increased logistics expenses and promotional expenses. Sales growth for Chocolate Koka slowed compared to 1H but sales are still outperforming the previous year as performance remains favorable. We will work to further control costs.

Q 3. Net sales of SAVAS Milk Protein through the first nine months were +139% year on year, suggesting that the growth is slowing down.

A 3. We evaluate that sales of SAVAS Milk Protein continue to remain robust. Consumers will drink SAVAS Milk Protein when they feel thirsty in addition to after exercise. Accordingly sales are highest during the summer months of Q2. Also, significant increase in net sales began during Q3 of the previous fiscal year so the growth rate for Q3 this year is gradually slowing down.
Q 4. Recently, prices for nonfat dry milk and cocoa beans have been increasing. What impact will increase in raw material costs have on income next fiscal year?

A 4. We estimate that the overall impact on income next fiscal year attributable to raw material costs will be less than the impact seen this fiscal year. Domestic raw milk prices will remain unchanged next fiscal year and thus will not lead to cost increases. It is difficult to predict market prices for cocoa beans or overseas dairy ingredients. We will explain details when we release our earnings forecast for next fiscal year in May 2020.

Q 5. Sales from Food segment overseas business increased by 1.1% through the first nine months, indicating that the growth rate has slowed compared to 1H. On the other hand, you have nearly achieved your full-year targets for operating income. How are you analyzing this gap?

A 5. Net sales for overseas business are weakening compared to 1H. This is because sales of confectionary and infant formula in export business declined in some countries. However, net sales at overseas subsidiaries in China, Southeast Asia, and the U.S.A. are growing favorably. We forecast full-year income will exceed targets.

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