

Meiji Holdings Co., Ltd.

The Conference Call -- Financial Results for Q1 of FYE March 2021

Q&A Summary

Date and time: August 12, 2020, 3:00-4:00 pm

Presenter:

Jun Furuta

CSO (Chief Sustainability Officer)

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

Q 1. What is your forecast for the food business and the pharmaceutical business from Q2 onward?

A 1. Q1 results of the food business were relatively favorable. Looking at the pharmaceutical business, mainstay products such as antibacterial drugs and antihistamine drugs struggled significantly due to a decline in outpatient numbers for pediatric and otorhinolaryngology clinics. The impact of COVID-19 pandemic is likely to continue during FYE March 2021. Consumer trends will also be significantly impacted so we anticipate the food business will see a similar operating environment in Q2 and beyond. As such, we forecast favorable sales of yogurt and functional yogurt. Sales of processed food products to food service industry struggled significantly in Q1. However, its sales have begun to recover since June so we hope to achieve our full-year targets. On the other hand, sales of chocolate are still struggling. The issue we face now is how we will generate its demand to drive a recovery in sales. We forecast the pharmaceutical business will continue to face a severe operating environment. In light of current market conditions, we are focusing on effective information provision activities and promotional activities. At the same time, production of influenza vaccine is progressing smoothly. We hope sales of vaccines will cover declines in sales of other pharmaceuticals in Japan.

Q 2. Q1 sales of *R-1* were favorable but what is the current status of sales? Do you view this performance as sustainable?

A 2. Q1 sales of *R-1* increased by roughly 30% year on year. Our view is that both customer volume and purchases by repeat customers increased. COVID-19 pandemic is driving an increased awareness of health management, which has led to an increase in new customers and the return of customer who had previously stopped buying the product. To sustain current performance, we are starting promotion with new TV commercials. We will work to maintain favorable sales by strengthening marketing activities promoting the consumption of *R-1* for health management.

- Q 3. The confectionery business struggled during Q1. Moving forward, what strategies will you implement to turn things around?
- A 3. The number of customers visiting convenience stores decreased significantly due to the widespread adoption of telecommuting. As a result, sales of products to mainly office workers such as gummy products and *Galbo* chocolate decreased significantly in Q1.
We will continue to analyze the impact of COVID-19 pandemic on operating environment. We will focus efforts on sales displays and storefront development as we head into autumn during the demand season.
Sales are relatively favorable for health-conscious chocolates such as *Chocolate Koka* and *Origo Smart*, and family-sized products that have captured in-home consumption demand. We will work to ensure sufficient volume so that we do not lose out on sales opportunities.
- Q 4. Q1 sports nutrition sales increased by roughly 3% year on year. Please tell us about the status of sales for *SAVAS* and *VAAM*, and your forecast for the future.
- A 4. Q1 sales of *VAAM* decreased significantly. Net sales of *SAVAS* for the month of June increased significantly year on year. This is thanks to sports clubs resuming operations from late May and increased consumer consciousness towards diet and exercise. Also, our analysis indicates that commercials featuring Shohei Ohtani have been effective. Furthermore, *SAVAS* series renewed last year has been praised for how easily it dissolves. We expect sales of *SAVAS* will remain firm in Q2 and beyond.

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