

Meiji Holdings Co., Ltd.

The Conference Call -- Financial Results for Q3 of FYE March 2021

Q&A Summary

Date and time: February 9, 2021, 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 factors caused the decline in Q3 net sales for functional yogurt and *Bulgaria Yogurt*? What measures will you implement moving forward to address this?

A 1. Our assessment of factors behind decreased net sales for functional yogurt indicate a decline in casual consumers. That decline is potentially due to the following three reasons:

1) Sales of *R-1*, our mainstay functional yogurt product, have always been linked to influenza season but this season influenza cases have dropped compared to previous years.

2) Conditions caused by the COVID-19 pandemic are constraining storefront marketing activities. Decreased opportunities for sampling value-added products tend to result in a consumer shift towards low-priced products.

3) There are numerous products other than yogurt that are promoting health value. There is a possibility customers are shifting to other foods and beverages.

Decreased net sales of *Bulgaria Yogurt* are due to struggling sales of yogurt drinks. Yogurt drinks may be seeing customers shift to other drink categories. On the other hand, sales of yogurt cartons (400g) are favorable on stay-at-home demand. We will implement various measures for both products to stimulate sales recovery.

Q 2. How will you achieve your plan to increase Q4 net sales for the Confectionery business?

A 2. For Q4, we will focus on chocolate sales promotions targeting Valentine's Day, the highest demand period for chocolate. We will also aim to achieve plans by launching new chocolate and gummy products.

Q 3. What caused decreased net sales for the drinking milk and yogurt business in China during Q1-Q3? Also, what is your outlook for the operating environment?

A 3. The impact of the COVID-19 pandemic caused commercial drinking milk sales to struggle in H1. On the other hand, sales of drinking milk for the consumer market were very favorable and sales of yogurt were largely unchanged from the previous fiscal year. The market in China was sluggish due to the impact of the COVID-19

pandemic but is gradually returning to normal. Commercial drinking milk sales are recovering and Q3 resulted in increased net sales. We expect sales growth for both consumer and commercial drinking milk next fiscal year.

Q 4. Your Food segment forecast is for decreased net sales and profit for H2 of FYE March 2021. How will you increase profit in FYE March 2022?

A 4. FYE March 2021 saw restrictions on sales promotions for new products due to the COVID-19 pandemic. In FYE March 2022, we will aim to increase profit by strengthening our development of new products. However, sales activities, including storefront promotions, are critical to market permeation for new products. We will determine launch periods based on trends related to how the COVID-19 pandemic subsides.

Q 5. What factors resulted in increased profit for KM Biologics in Q3?

A 5. In addition to the impact of increased sales of mainstay influenza vaccine, increased production efficiency for the influenza vaccine and a decrease in inventory valuation losses also contributed to the increase in operating profit.

Q 6. What is your direction for KM Biologics in FYE March 2022? Can you improve on the productivity for the influenza vaccine achieved in FYE March 2021? Also, is there room for profit growth in existing business?

A 6. Candidate viruses for the influenza vaccine are selected by the Japanese authority every year. In FYE March 2021, we increased shipments of influenza vaccine by improving productivity, because of the features of the vaccine viruses selected for this season. It may depend on what types of candidate vaccine viruses are selected whether we could improve productivity further. On the other hand, there is room for growth in areas other than influenza vaccine, including for human vaccines and blood plasma products. We want to improve earnings by strengthening manufacturing and sales structures.

Q 7. Meiji Seika Pharma and KM Biologics concluded an agreement with AstraZeneca related to supplying the vaccine in Japan. What impact will this have on earnings?

A 7. The contract forbids us from disclosing the economic terms of the agreement.

#####