Q 1. The 2023 Medium-Term Business Plan outlines your goal for net sales growth ratio 4.1% CAGR for core businesses in the Food segment. How do you plan to achieve this goal?

A 1. We will launch new products to provide options for diversifying consumption occasions.

We are planning to launch new functional yogurt products that offer new added value. For existing functional yogurt products, we will use evidence to further promote their value. For yogurt, we revamped Bulgaria Yogurt Drink to increase consumption occasions, including for use as a salad dressing and as an ingredient in miso soup.

For chocolate, we will develop products that take advantage of our total in-house structure for everything from cacao bean procurement to manufacturing and sales. For example, we will create new markets by taking advantage of our sales channels and our knowhow related to distributing products in all temperature states, frozen, refrigerated, and ambient. To promote this new initiative, our research labs, Development Department, and Marketing Department are evaluating new product launch methods.
Q 2. The 2023 Medium-Term Business Plan outlines increased sales for overseas business in the Food segment but what approach will you take in China? What were earnings for China in the FYE March 2021 and what are your targets for FYE March 2022 through FYE March 2024.

A 2. In China, we launched sales of functional yogurt in April 2021. We plan to increase production capacity at the Suzhou factory from July, which will enable us to expand sales. We also have decided to invest further in China, including two fresh dairy plants, one confectionery plant, and one ice cream plant. This will enable us to increase production capacity during the 2023 Medium-Term Business Plan. We will also work on building brand recognition and expanding sales channels for the SAVAS sports protein we launched in August 2020.

FYE March 2021 net sales for China were JPY 16.2 billion. We are planning on net sales of JPY 20.0 billion for FYE March 2022 and JPY 35.0 billion for FYE March 2024.

Q 3. You indicate that you will increase production capacity for functional yogurt in China but what approach will you take to increase sales?

A 3. We redesigned the product to better suit the tastes of consumers in China. Compared to the product we sell in Japan, the functional yogurt we sell in China has higher in volume and viscosity. We also increased personnel to strengthen our sales structure in China. From July, we will be increasing production capacity and will also gradually expand sales.

Q 4. What led to FYE March 2021 operating profit in the Pharmaceutical segment outperforming targets? Also, what will be a growth driver for the Pharmaceutical segment moving forward?

A 4. Improvements to influenza vaccine production efficiency at KM Biologics and a reassessment of our valuation method for inventory assets contributed to increased profit. Overall, unrealized income on inventory assets improved for the Pharmaceutical segment. In addition to human vaccines and injectable antibacterial drugs, the infectious disease domain, including the inactivated COVID-19 vaccine we are currently developing, will be future growth drivers for the segment.
Q 5. In your 2023 Medium-Term Business Plan, you indicate public-private-academic partnerships for research activities as part of efforts to venture into new fields. Are there specific companies you are using as a benchmark? How will you advance open innovation?

A 5. There are few major corporations already engaged in this type of endeavor. We are paying attention to trends among venture companies.

We will aggressively pursue open innovation by dispatching research staff to external research institutes. We will pursue open innovation through various formats, including through work in academia, by working with national R&D institutes, and by forming startup companies.

Q 6. What are the key points of your growth strategy in the 2023 Medium-Term Business Plan?

A 6. There are two key points. The first is to strengthen our competitiveness in existing domains. In the Food segment, we think it is possible to further expand market share for our core businesses: yogurt and functional yogurt, chocolate, and nutrition. In the Pharmaceutical segment, we will focus on the infection disease domain. The second point is to develop new domains. Research being conducted at our Co-Creation Center on anti-aging and immunity boosting is producing interesting results. We think applying these results in Food and Pharmaceutical will lead to significant business chances.

Q 7. What do you hope to achieve by defining detailed business management categories for each segment and what direction will this take moving forward?

A 7. We defined these categories to further strengthen our portfolio management. For example, we have nine businesses in the Pharmaceutical segment, and feel this is a large number of businesses relative to the segment’s overall contributions to net sales. The concentration of management resources is critical, and we intend to focus on core businesses such as the infectious diseases domain.

Q 8. The 2023 Medium-Term Business Plan outlines your KPI as an ROIC of 10% or higher and an ROE of 11% or higher, but what is your approach to capital efficiency?

A 8. We will continue efforts related to reevaluating and maximizing capital. We feel adding ROIC as a KPI is important because it encourages business supervisors to focus on improving profitability and capital efficiency.
Q 9. What are your plans for FYE March 2022 capital expenditures and assumptions for depreciation?

A 9. Of Group total planned capital expenditures of JPY 120.0 billion, we are planning on investments of approximately JPY 100.0 billion in the Food segment and roughly JPY 20.0 billion in the Pharmaceutical segment. Major investments in the Food segment include a new factory (drinking milk) in Eniwa and investments in China (Shanghai, Guangzhou, Tianjin). In the Pharmaceutical segment, we are planning on investments to add new production lines to the Odawara Plant and plants in India and Indonesia. We are also planning on investments for facilities related to COVID-19 vaccine. We are forecasting that depreciation for FYE March 2022 will increase by roughly JPY 2.5 billion over FYE March 2021.