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Meiji Holdings Co., Ltd.
IR Day -- The Online Business Strategy Conference
Q&A Summary

Date and time: June 15, 2021, 1:00-4:15 pm
Presenter:

Part 1 -- Food Segment

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Part 2 -- Pharmaceutical Segment

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Member of the Board, Meiji Seika Pharma Co., Ltd.

■ Part 1 -- Food Segment

Q 1. You outline aggressive investments in China in the 2023 Medium-Term Business Plan. What are your projections for future sales and income margin?

A 1. Production capacity will increase by approximately 400% for drinking milk and yogurt and approximately 200% for confectioneries and ice cream. As such, we think we can expand sales on a level equivalent to the increase in production capacity. In China, consumer recognition of added value leads to acceptance even at prices exceeding prices in Japan. In the future, we anticipate being able to achieve an income margin that is higher than margins in Japan.

Q 2. One of the mindsets outlined in the Meiji Nutrition Statement is the commitment to helping create enriched lifestyles for people in each country and region through nutrition. Specifically, to what areas does “each country and region” refer?

A 2. Our initial focus is on providing our unique value to customers through our drinking milk, yogurt, and protein (for sports use) in the core market of China. Over the long-term, we want to contribute to enriching the lives of consumers in the U.S. and Asian countries.

Q 3. What are some of your infrastructure (workforce capabilities, management skills, human resource development) initiatives related to production and sales in China?

A 3. The development of plant workers and our production facility functions are nearly on par with standards in Japan, and we are able to provide Chinese customers with the same secure and reliable products that we offer in Japan. In the past our marketing methods differed between each subsidiary in China but through MEIJI (CHINA) INVESTMENT Co., Ltd., we are taking the opportunity to engage in consistent marketing activities. We reassigned Japanese personnel to share our marketing knowhow with local employees to strengthen personnel development.

Q 4. You adopt ROIC as a new KPI in the 2023 Medium-Term Business Plan. How will you incorporate this KPI?

A 4. We will organize and improve our production structure in ways that tie into improvements in ROIC. We will also engage in analysis focused on ROIC and will consider the elimination of businesses and products that lack promise or lack efficiency.

Q 5. What efforts have you outlined in the 2023 Medium-Term Business Plan for functional yogurt and chocolate?

A 5. In addition to expanding existing products, we are also expecting the growth of new products. For functional yogurt, we are considering launching new products that are linked to scientific evidence. For chocolate, we are developing business centered on sustainable cocoa. We will focus on the value of cocoa and combine our technology and knowhow to create innovative new products.

Q 6. How is progress on research aimed at generating synergy between food and pharmaceuticals? Will you be able to achieve commercialization during the

period of the current 2023 Medium-Term Business Plan?

A 6. The Co-Creation Center is engaged in research specializing in the functions of lactobacillus. Specifically, they are advancing research related to improving the intestinal environment and thus far have produced various data. We are also evaluating a few different business projects based on research related to food therapy and microbiome. We expect being able to achieve commercialization for some of these projects during the current 2023 Medium-Term Business Plan.

■ Part 2 -- Pharmaceutical Segment

Q 1. Your ROIC goal for the pharmaceutical segment for FYE March 2024 is to maintain the current level of 6%. What structural reforms will you implement to improve ROIC?

A 1. We will work to reduce sales offices, reduce poor assets, and reduce indirect costs for plants and research centers. At the same time, we will build a new product portfolio. As part of that process, we will increase R&D personnel and also collaborate with external entities.

Q 2. You purchased Medreich Ltd. in 2015. How do you evaluate your efforts thus far and what are your projections for the future?

A 2. At the time of the purchase, we struggled more than anticipated with plant organization and operations management. Despite those struggles, the company has been praised for achieving the quality required by the Japanese market within roughly three years. That achievement was the result of our technicians going on site to establish a culture of quality management.
Medreich has production capacity to supply the Japanese market with approximately 2 billion pills per year. We will use this production capacity to further expand business to the Japanese market. Additionally, growth potential for the overseas CMO/CDMO business remains strong and we expect to achieve further business growth. During the period of the current 2023 Medium-Term Business Plan, we will expand production capacity to capture increasing demand.

Q 3. Please explain your vision for the pharmaceutical segment in 2026. Also, how will you restructure your portfolio during the 2023 Medium-Term Business Plan to achieve that vision?

A 3. We outline three major goals in our 2026 Vision. The first is to become a leading company in Asia in the vaccines and infectious diseases domain.

The second is to provide high-quality pharmaceuticals through our CMO/CDMO business to promote global pharmaceutical access. The third is to contribute to productivity improvements for global agriculture and livestock industries through environmentally-friendly agricultural chemicals and veterinary drugs.
To achieve these goals, during the period of the current 2023 Medium-Term Business Plan, we will improve overall business profitability with a particular focus on the vaccines and infectious diseases domain. Similarly, we will aim for growth through drug creation by successfully developing drugs in the blood cancer and rare diseases domains.

Q 4. You indicate you are working on the development of a vaccine based on a new modality. As there are already companies that have developed, for example, an mRNA vaccine, what is the meaning in being a latecomer to an existing market?

A 4. The development of mRNA vaccines is not a question of being an early bird or latecomer. We view this as the development of a tool. There are numerous new antigen proteins as well as numerous viruses that cannot be controlled. If we can identify a virus doing harm to the human body, we can use mRNA to generate that effect and create a vaccine. We believe there are numerous applications for this technology.
We will collaborate with external entities to advance vaccine research. We have the seeds for multiple promising mRNA vaccines. We hope to succeed in drug development by partnering with companies in possession of the structural technology needed to develop mRNA vaccines.

Q 5. Please tell us about the status of development for an inactivated vaccine against COVID-19.

A 5. Phase I/II trials are proceeding smoothly. We have also begun negotiations with PMDA ahead of Phase III trials. We are conducting comparisons with existing drugs (approved vaccines). We have already gathered data indicating that efficacy can be secured if the rate of increase of neutralizing antibodies for the inactivated vaccine exceeds a certain level. In light of those results, we are engaged in deliberations regarding Phase III trials. Our goal is to conduct Phase III trials before the end of the year. Production facilities will begin full-scale operations from spring of 2022. We are united in our efforts to achieve commercialization as soon as possible.

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