Q1: Please discuss progress relative to sales targets and your forecast for each segment.
A1: In the Food segment, functional yogurt sales recovery is slower than expected but sales are steady for nutrition, chocolate, gummy, and professional food products, all of which increased year on year. A product-specific analysis of functional yogurt shows that sales of R-1 outperformed two years prior. We think sales will gradually recover compared to the previous fiscal year. The issue is the sales decline of LG21. This is the 21st anniversary of the launch so we plan to strengthen marketing to recover sales. Additionally, we will advance new product development in an effort to increase overall sales for functional yogurt.
The Pharmaceutical segment is on a recovery trend from the previous year when domestic pharmaceuticals were impacted by reduced number of outpatient visits to medical institutions. From Q2 onward, we expect revenues from handling product storage and transporting of the AstraZeneca COVID-19 vaccine in Japan. Additionally, influenza vaccine production is progressing smoothly so overall we expect the segment to transition according to plans.

Q2: For the Food segment, you did not revise your first-half plans despite the struggles of the functional yogurt business. Do you think it is possible to achieve targets?
A2: During Q1, the decline in sales from functional yogurt did impact overall Food segment sales significantly. However, currently sales are on a recovery trend and we feel that current efforts are working. From Q2 onward, we expect functional yogurt will recover gradually compared to previous year sales. We will also aim to reach targets by growing sales for other favorable products besides functional yogurt. We want to grow income by increasing overall sales from our core businesses, which
includes functional yogurt. Ever product has a life cycle so we will achieve stable sales growth and generate income by working on new products as well as existing products.

**Q3: We are seeing a new surge in COVID-19 but will this have an impact on future marketing activities or new product launch?**

A3: The continued spread of COVID-19 could result in a sales decline of professional food products or sales growth for confectioneries sold in large-volume packages. We anticipate some restrictions on marketing but we will engage in optimal marketing activities based on conditions at the time.

We do not anticipate an impact on new product launch. We did not launch many new products during the previous year due to COVID-19. However, this does not mean that we can maintain or increase sales solely with existing products. To promote future growth, we will aim to regularly launch new products offering high added-value.

**Q4: In the Food segment, is there a risk that raw material costs could exceed plans? What measures will you implement in response to increases in raw material costs?**

A4: We are forecasting a JPY 2.2 billion increase in raw material costs for the year but in light of the current situation there is the possibility that cost increases could exceed plans. In particular, we are considering price revisions to address the higher cost of palm oil. Sugar costs are also higher. Sales of high cocoa content chocolates are favorable and these products relatively use less sugar. As such, we think the impact will be limited. On the subject of overseas dairy ingredients, the rise in prices is in part due to firm demand for nonfat dry milk, particularly in China. However, we have a certain amount of stock of overseas dairy ingredients so there should not be a significant impact this year.

**Q5: Please discuss your approach to cost control from Q2 onward.**

A5: Effective budget allocation will be critical amid expectations that the COVID-19 pandemic will be a long-term situation. Marketing expenses in particular are a necessary growth investment so we will allocate some expenses to marketing to promote sales growth. However, we will control these expenses by carefully watching sales and income levels.
Q6: Q1 income for overseas pharmaceuticals in the Pharmaceutical segment decreased but can you recover in Q2?
A6: Subsidiaries in Spain and Indonesia have struggled due to the impact of reduced number of outpatient visits to medical institutions. At the same time, a subsidiary in India, Medreich’s CMO/CDMO business was favorable to the point where we were able to secure both sales and income. With the ongoing global pandemic, there is the possibility of a certain level of impact in Q2 as well. However, we will work to offset this by continuing to grow Medreich’s favorable CMO/CDMO business.

Q7: Please discuss the development status for the KM Biologics inactivated vaccine for COVID-19.
A7: Phase I & II clinical trials are progressing smoothly and they are currently preparing for the next clinical trials. If trials proceed smoothly, we may be able to achieve launch to market ahead of our current plans for FYE March 2024. At the same time, we are advancing production system development to enable the start of production by spring 2022.