

Meiji Holdings Co., Ltd.
Financial Results of FYE March 2024 (FY2023) and 2026
Medium-term Business Plan
The Online Briefing Q&A

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Presenters:

Kazuo Kawamura	CEO, President and Representative Director
Daikichiro Kobayashi	COO (Pharmaceutical Segment), Member of the Board and Executive Officer
Katsunari Matsuda	COO (Food Segment), Member of the Board and Executive Officer
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Jun Furuta	CSO, Member of the Board and Senior Executive Officer

*This material has been edited to make it easier to understand some of the questions and answers.

Q-1-1-1

Please tell us about the concept of the 2026 Medium-Term Business Plan. I believe that one of the key points is to invest management resources in growth fields. In this context, I would like to ask what Meiji's strengths are to accomplish this.

The Meiji Group has various strengths. To build up this growing business, what kind of strengths do you plan to further strengthen? Please tell us about the core competence of Meiji, and what you are thinking about here now.

A-1-1-1

Kawamura: This is a question from a broader point of view, and it is difficult to answer simply. As I mentioned earlier, I understand that Meiji's business has grown by targeting solutions to social issues. In this new era of capitalism, I understand that companies that take a "trade-on" approach, to link solving social issues to business growth, will grow in the future.

In this sense, there are various social issues in both the Food and Pharmaceutical businesses. Of course, we have to provide solutions to these issues as part of our sustainability efforts, but I think it is very important to consider how we can solve these issues in our business and how we can commercialize our efforts to solve these issues.

In the 2023 Medium-Term Business Plan, we promoted simultaneously achieving business growth and sustainability activities based on the ROESG approach. In the 2026 Medium-Term Business Plan, in addition to this simultaneous realization, we intend to further strengthen the perspective of integrating business and ESG.

Therefore, we believe that the Meiji Group is expected to be a company that grows while solving such social issues, and this is the direction that we ourselves would like to take.

Q-1-1-2

What kind of power does Meiji have to achieve and realize these aspirations? What do you think from the viewpoint of Meiji's strengths and the need to strengthen these areas more in order to achieve this goal?

A-1-1-2

Kawamura: I believe that the various projects we are already engaged in are closely linked to such social issues. For example, it could be a stable supply of pharmaceuticals or efforts against emerging and reemerging infectious diseases. The Pharmaceutical business is right in the middle of these efforts, and we are currently working on the antibacterial drug business and the vaccine business.

In this area, we have the knowledge, the ability to develop and produce the products, and the system to sell the products while properly explaining them to the doctors. I believe that this is precisely the kind of strength that can be utilized in this area.

In the case of the Food segment, having the product line that contributes to health is highly valuable. We understand that our strong sense of trust and confidence in our brands is one of our strengths that other companies do not have, especially in the businesses that contribute to health. We must continue to improve such capabilities, but we already have a high level of reliability and the ability to achieve it in this category. We believe this is our strength.

Q-2-1-1

I wanted to ask you about the numbers in the 2026 Medium-Term Business Plan. I know that the plan for this fiscal year is JPY86 billion in operating income. It looks to me as if profits are expected to be increasing toward the final year of the Medium-Term Business Plan.

I would appreciate it if you could tell me what the positioning is for the first year and also why the profits for both Food and Pharmaceutical businesses can jump so much for the second and third years.

A-2-1-1

Matsuda: As the CEO explained earlier, I think this is two points: to increase profits and to bring the current negative amount into the positive.

For the latter point, we will achieve at least a turn into black on operating income base for the total China business in FY2026 by firmly implementing the revival plan. As for the dairy

business in China, we aim to turn into black on EBITDA base. We will at least realize this, then aim to put additional profit on top of it.

We implemented firm price hikes for FY2023. However, the current situation is that the volume of products did not grow as much as we had expected, which is why it is only JPY64 billion of operating income for FY2023.

The decline in the volume of products has already weakened compared to last year. Although there are some problems with cacao market prices in the future, other than that, raw material prices are stable. We believe that profits will recover this fiscal year by firmly working on the recovery of sales volume.

However, as I explained earlier, in FY2024, we will be making investments, including overseas investments, and the burden of depreciation is greater than the profits from these investments, so we are not planning significant growth. We are confident that we will be able to achieve the profits that we are currently showing for FY2026 through the success of our investments and the implementation of each of the measures we are taking.

Kobayashi: The growth strategy for the Pharmaceutical business is outlined in what CEO Kawamura just mentioned. In other words, in Japan, we will steadily increase total sales as we expand our product portfolio of antibacterial drugs and vaccines.

Until now, antibacterial drugs have been very important medical products, but drug prices have been falling due to NHI price revisions. However, the government has made a policy decision to maintain drug prices for medically necessary drugs that have been designated as Specified Critical Materials.

Among them, we have two products in our Specified Critical Materials, and four items in the Stable Supply Medicines Category A. We have about 52% share of *TAZOPIPE*, a systemic antibacterial drug, and 80% share of a penicillin formulation's most important first-line drug, *SULBACILLIN*. The demand is expected to grow steadily as the population of the elderly in the later stages of life will not decrease until 2050. In addition to that, we will launch some products such as the COVID-19 vaccine that we are developing now and the blood plasma product. The

sales of our overseas CMO and CDMO business will increase as the demand for access to medicines expands globally. Then we hope to maintain our top line growth while controlling such as R&D expenses and achieve an operating income of approximately JPY40 billion in FY2026.

Q-2-1-2

Thank you. So, you are saying that both businesses will make solid investments this year. Is it correct to understand that the key to achieving the 2026 Medium-Term Business Plan is to obtain a return on that investment?

A-2-1-2

Kobayashi: Yes. That's right.

Q-3-1

I wanted to ask about the returns to shareholders. I understand the purpose of the policy that the cash flow over those three years will be more than JPY120 billion for returns to shareholders and the total return ratio of 50% or more. It seems to me that returns to shareholders are planned on a slightly larger scale based on the net income plan that you have presented.

Could you please tell us a little more about this 50% or more total return ratio figure and your thinking behind this JPY30 billion share buyback?

A-3-1

Shiozaki: As you mentioned, JPY120 billion for returns to shareholders are based on the JPY30 billion share buyback announced this time and dividends, but we believe that we can consider extra share buyback depending on the situation.

We have set a dividend payout ratio as a KPI for returns to shareholders, but this time we set a numerical target of a total return ratio of 50% or more, which includes the active share

buyback.

Q-4-1

Regarding the overseas business of the food segment on pages 12 and 13 of the document, you explained the plan for sales by area and what your strengths are in each area.

I would like to know a little more, especially in Asia, and Europe and Americas. For example, sales in Asia will more than double in the next three years, and sales in Europe and Americas will also grow steadily. Can you give us some more details about this?

A-4-1

Matsuda: Now, I will explain our growth strategy in Europe and Americas, and Asia.

The confectionery business in the US is doing very well. The production capacity is approaching its limit, and items produced in Japan and other countries are being brought, packed, and sold. We believe that will also be a limitation. Therefore, we are taking steps to strengthen our production system.

We are planning for a large increase in profits in the US after the completion of the investment, but we are planning for profits in FY2024 to be lower than FY2023, when the investment will begin to be amortized, unfortunately.

In Asia, we are steadily expanding our business, especially in the area of confectionery. We have already invested in the expansion of our production line in Singapore and have been expanding confectionery business. In addition, we are planning to expand in the nutrition business.

All out businesses excluding commercial milk business in China are currently progressing very well, and we are working to further expand them.

Q-5-1-1

I would like to ask you about the Meiji ROESG in the Medium-Term Business Plan, mainly about “trade-on” of food products. I have the impression that your company's foundation for

the “trade-on” business model is now in place, with the creation of product development framework such as Meiji Nutritional Profiling System (“Meiji NPS”). On the other hands, looking at the current consumption environment, I personally have the impression that the consumer side is not ready.

In order for the “trade-on” business to be sustainable, I think it is necessary to expand awareness that Meiji brands contribute to health and to develop a sales strategy that encourages consumers to buy the product at an appropriate unit price. What is your company's strategy for the current Medium-Term Business Plan in terms of sales? Can you tell us about that?

A-5-1-1

Matsuda: Certainly, as you have pointed out, it is not easy to penetrate our aim among Japanese consumers. I think it is still not enough compared to Europe and Americas.

Therefore, we are actively communicating the Meiji Group's efforts to solve social issues through our corporate and product brands.

We have been communicating the sustainable concept behind our products, such as the Meiji Dairy Advisory and the Sustainable Cacao Business Concept. I believe that one thing is to do such communication and promotion steadily.

In terms of products, we have already achieved a 62% sustainable cocoa procurement ratio for our chocolate products in FY2022, and we are showing this result on our packaging. I believe it will be close to 70% in FY2024. Meiji is working in a way that shows its efforts toward sustainability in dairy and cacao, and we plan to continue to strongly hold that view in FY2024 and beyond.

As the CEO explained earlier, we have begun the selection process for sustainable products based on our own measures. We would like to communicate with consumers in a way that includes the concept of sustainability in the products.

Q-5-1-2

Thank you. For example, on slide 15, in the section on building a new marketing model, there is a sentence that says something about moving from mass marketing to personalized marketing. I was listening to the conversation, wondering if this kind of thing would also work positively for the “trade-on” business.

A-5-1-2

Matsuda: That is more for the solutions business. In terms of communication strategy, we have mostly communicated to an unspecified number of consumers, the so-called mass consumers.

I believe that in the future it will be difficult to get returns on such an approach. The environment is changing, and consumer awareness is changing, so we have presented personalized marketing as the solution business as a way to convey our information directly to individuals and have them find value in it. We have already announced some of them, and we hope to continue to do so in the future.

We are working with outside start-ups and data analysis companies to explain the concept of communicating with individual consumers.

Q-5-1-3

Does it mean that the items here and the “trade-on” business are a little different?

A-5-1-3

Matsuda: Basically, “trade-on” has to be done for every business and field. So I believe that this is naturally related to the shift from mass marketing to personalized marketing.

Q-6-1-1

For about 10 years, your company has issued several Medium-Term Business Plans. I think you have that track record of not quite achieving your goals.

Because you have been unable to achieve results in the past, can we be sure that you will be able to achieve this new Medium-Term Business Plan, and if so, why? For example, because of a change in organizational structure, because of a growing sense of crisis, or because of more thorough ROIC management. I would like to know if there is something like that, something different from what we have seen in the Meiji Group, so that you can improve your ability to execute.

A-6-1-1

Kawamura: The past Medium-Term Business Plans had their own issues and results. Naturally, we would like to consider those reflections.

I would like to draw your attention to the fact that the structure of the Group as a whole is undergoing a major change.

That is because, after all, the profitability of the pharmaceutical business has improved significantly from the level of the past Medium-Term Business Plan. We have the ability to achieve operating profits of approximately JPY20 billion to JPY25 billion.

Thus, regarding JPY40 billion of the current Mid-term Business Plan target, it is true that this is not an easy goal to achieve, but we have new products and new categories to support this goal, and our development pipeline is becoming more robust.

I believe that the increase in the operating profit level of the pharmaceutical business has contributed significantly to the scale of profits of the Group as a whole.

In the Food segment, the functional yogurt business gained very high profitability in a short period of time. We have been able to build a very stable business foundation, although its profit level has declined slightly. The profitability of the chocolate business, the nutrition business, and the B2B business has also improved very much.

Therefore, it is true that the certainty in terms of these overall capabilities has increased compared to 10 years ago, or even five years ago. In the Food segment, the JPY83 billion operating profit is the target for FY2026. The composition of the JPY83 billion is a level that we have already achieved in the past, so we do not consider it to be too high a target.

We believe that structural changes in the pharmaceutical segment and the food segment have been underway over the past 10 years. Therefore, we understand that the target of JPY116.5 billion in the 2026 Medium-Term Business Plan, including the growth of pharmaceuticals, is a level that we can fully achieve.

Q-6-1-2

Thank you very much. Earlier, you said that the overall strength of the Company has increased in areas other than functional yogurt, such as chocolate, nutrition, B2B, etc. What are the details behind this?

A-6-1-2

Kawamura: It means that the profit level is rising. For example, the top line of the B2B business is growing, and profitability is also increasing. As I mentioned earlier, there is a great deal of room for new product development in the B2B business, and although the B2B sales ratio is only expected to grow by about 1.5% in the 2026 Medium-Term Business Plan, I believe that we can achieve even higher growth. We are now in a situation where we can offer materials that we have never offered before, as well as conventional.

In the past, ROIC-based profitability was only around 4%, but in FY2023, it has reached around 6%, and we have set a goal of raising it to an even higher 9% during this Medium-Term Business Plan.

Then, the nutrition business has always had a high ROIC level, and we have been maintaining the level of 12%. Even with various cost increases and in various environmental changes, the top line is growing well. For example, the sales of sports nutrition products have grown very much in FY2023.

The chocolate business is also a very important category for us, and profitability has been increasing as well. We have also done a lot of product category reorganization. We are able to work under a structure that specializes in chocolate. The level of ROIC itself, while increasing the basic level, the possibilities for improvement of overseas business are becoming

very high.

Therefore, we understand that we are now able to increase profitability in a way that is accompanied by top-line growth rather than just improving profitability as in the past.

If we can add to this the factor of rebuilding the dairy business, especially the growth of functional yogurt, we can aim for a higher level of profitability.

However, in this Medium-Term Business Plan, the top line of the dairy business will be flat but not overseas. So we are trying to expand sales in our businesses. I understand that the target level of JPY83 billion is a level that can be achieved.

Q-6-2-1

Regarding this ROIC improvement of the dairy business, what would be the most important part of how to improve this ROIC without extending the top line growth? What is the most crucial part?

A-6-2-1

Kawamura: As you can see from our product lineup, for example, we launched a product called *R-1 the Gold* that doubled the number of EPS in September last year. This is a situation where new customers are buying than we thought.

This is a product that is double the selling price of the conventional *R-1*. I understand that there is still a lot of potential for functional yogurt as new customers are buying it. We will need a little more verification, at least we believe the brakes for the declining trend of sales were firmly put in place in FY2023.

It is true that it remains to be seen how far we will be able to grow. We have yet to fully utilize the potential of other products, such as *LG21* and *Shibou Taisaku Yogurt*. The key point is what kind of marketing will pull this up in total.

As Matsuda explained earlier, I understand that further growth will be possible if individual marketing, marketing that works directly with customers, is added to this. However, I would like to ask you to consider that it is not that heavily factored into the plan here.

In fact, in the dairy business, we hope to return to the growth curve in this Medium-Term Business Plan phase through trial-and-error during this period.

Matsuda: Except for *R-1 the Gold*, we couldn't launch new functional yogurt products. I can't give you any specifics yet, but there will be a new product in the fall. Or, for products other than *LG21* that have just been mentioned by CEO Kawamura, we plan to launch products in the fall, such as those with strengthened evidence, new products, and those with changed taglines. The sales of *R-1* are doing well, at least within the category, and we are maintaining the previous year's level. We plan to work on other products this fiscal year as well, including sales promotions, to strengthen our product strategy and to achieve greater growth for functional yogurt as a whole.

Q-7-1-1

For the Pharmaceuticals segment, you are to spend about JPY7 billion in H1 of this year and increase profits by about JPY10 billion in H2. Please tell us about the increase in expenses in H1 and the certainty of the increase in revenue from the COVID-19 vaccine in H2.

If you don't mind me asking, could you tell me about the regular vaccination program, the number of people involved, the unit price, etc.?

A-7-1-1

Kobayashi: For the current fiscal year, we have a plan of JPY25 billion in operating profits, but as you pointed out, there is a large difference between the H1 and H2 estimated amounts. In H1, we expect to spend more on R&D than ever before, so profits will be heavily weighted toward H2.

H2 is also the period of demand for antibacterial drugs and hay fever drugs, so profits are inevitably skewed toward H2.

So, there are still some real uncertainties about the COVID-19 vaccine, *Kostaive* is making good progress in its development. We have already finished taking the data for the mutant

strain and are preparing to submit the application.

Therefore, one of the points of contention is whether or not the rapid reviewing procedures will be conducted once the vaccine is classified as Class 5, but we expect that it will be added to the lineup of fall and winter vaccinations.

On the other hand, we are developing an inactivated vaccine, KD-414, at KM Biologics. We are currently conducting a test of 5,000 clinical trials, which is likely to cause a slight delay in the market launch.

We expect to produce approximately 4 million vials of *Kostaive* in terms of production volume. We are not in a position to give specific detailed figures on how much revenue will be generated from this, because the unit price and the area of inoculation coverage are still uncertain. So please understand that we are still projecting a certain amount of revenue if all 4 million vials are supplied.

However, once *Kostaive* is on the market and becomes a routine vaccination, even though we do not know what the vaccination environment will be like, we are quite confident in its efficacy and safety, and we believe that it will naturally be the first vaccine of choice.

Q-7-1-2

Last year, I believe that the H2 plan was revised downward by about JPY10 billion due to the delay in the launch of the vaccine. I don't think it is equal because the unit price is probably different. Is it correct to say that the increase in profit is expected to be close to that level?

A-7-1-2

Kobayashi: Well, the demand for antibiotics was stronger than expected in the last fiscal year, so we have covered all the lack of not having shipped *Kostaive*. We believe that we will be able to achieve our current sales target even with a slight delay in the launch of *Kostaive* because the growth of our mainstay antibiotics will remain strong in the current fiscal year.

Q-8-1

You mentioned the outlook for *Kostaive* in FY2024, but looking ahead to FY2026, human vaccines are expected to have a very large traction. I would like to ask a little more about this driver.

Specifically, for example, what is the outlook for the five-in-one combination vaccine, or what will happen to the influenza vaccine in the future? Please explain your outlook here.

A-8-1

Kobayashi: We have just launched *Quintovac*. This five-in-one combination vaccine is being marketed by two other companies including our company. We will be able to expand demand for the five-in-one combination vaccine after FY2025 while converting from the four-in-one combination vaccine, *Quattrovac*, which is still on the market. In FY2025 or FY2026, we believe that we can get above a certain level in the market.

Unfortunately, our production capacity is not yet up to that level in FY2024, so we do not estimate so much revenue of *Quintovac* in the first year, but we expect it to be a major source of revenue for vaccines in FY2026.

Regarding influenza vaccines, one company has withdrawn from supplying inactivated influenza vaccines, and we believe that we will be able to take a share of that market.

New vaccines from overseas are expected to enter the market, which we did not expect at the beginning, but we have a solid production capacity and a sales force that is committed to the market. We believe that we can achieve this level of growth for human vaccines, not only for *Kostaive*, but also for inactivated COVID-19 vaccines, which we expect to launch in the future.

Q-9-1-1

I would like to know more about your thoughts on ROIC for food products, especially the control of invested capital.

In page 21, you mentioned that the Company will optimize its production system, normalize fixed costs, and reduce assets, and that over the next three years, it will contribute significantly

to profit growth by reducing fixed costs in Japan by JPY9.5 billion.

Please tell us what you are looking for here, or rather, what you are thinking about.

A-9-1-1

Matsuda: In the 2023 Medium-Term Business Plan, we have been investing aggressively. Regarding the project which has not been able to make good progress, we are trying to take prompt actions to establish a structure that takes into account the current environment and our sales capabilities.

I can't give you a specific answer, but we will take prompt action while keeping ROIC in mind and fully considering the optimization of the production system.

Q-9-1-2

Does it mean that in addition to new plant and plant closures that have already been announced, you are also thinking about various other aspects of production restructuring?

A-9-1-2

Matsuda: Yes, that's right.

Q-9-1-3

I understand. Can you also tell us what is in this JPY9.5 billion reduction in fixed costs? I know there is a portion of depreciation that will increase, but is that included? Excluding this, we would like to ask how much reduction in fixed costs is expected.

A-9-1-3

Matsuda: The JPY9.5 billion includes an increase in depreciation and amortization. I cannot give you a specific amount, as with the investment in the Hokkaido plant already announced, new plant construction is also accompanied by the consolidation of old bases. For businesses in Japan, such cost reduction is expected to be effective.

Q-10-1

I have a question regarding human capital. On slide 22, there is a discussion of human capital. I would like to know quantitative data on the current ratio of personnel in the global business and group management human capital, and how much of that will be achieved by the target fiscal year. What are your thoughts about this growth strategy, and the status of the discussions that led to the presentation of this slide?

A-10-1

Kawamura: I don't have the figures on hand for the quantitative data at this time, so I will explain the concept. I understand that our most pressing issue is the global human capital that can lead the global business. To be honest, we are working on this with the understanding that the more, the better. This includes reskilling, as well as increasing the number of people who are involved in the business in Japan who can take on global jobs. In the meantime, we will continue to expand the number of global human capital by enhancing career recruitment.

Regarding group management human capital, we have already been training such people in our company, but I think it is still important to improve the quality of management personnel.

The group management human capital themselves are changing around. In other words, they sometimes retire at a certain age. We are now working hard to improve the quality of the new management personnel.

As with group management human capital, more is not better, but it's the quality that is important. After all, we recognize that the development of high-quality group management human capital is necessary for the future growth of the Group.

We aim to improve the ratio of female employees and career employees, from the perspective of diversity. We are working to improve the quality, not the quantity, regarding the group management human capital.

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