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**Meiji Holdings Co., Ltd.**

**CEO Small Meeting Q&A for Institutional Investors**

March 21, 2025, 14:00 – 15:30

**Presenters:**

Kazuo Kawamura      CEO, President and Representative Director

Jun Hishinuma      CFO, Member of the Board and Managing Executive Officer

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

**Meiji Holdings Co., Ltd.**

#### Q-1

Some investors are questioning the idea of multiplying ESG indicators to calculate Meiji ROESG. You indicate market capitalization, brand value, employee engagement, and intangible asset for measuring improvement in corporate value. As a member of management team, how do you assess?

#### A-1

**Kawamura:** We currently are in the process of reviewing these metrics for improvement in corporate value. Although we did not produce particularly significant results related to market capitalization during FY2024, we are making steady improvements to employee engagement. As for brand value, the value of Meiji as a corporate brand is improving but there remain issues related to individual product brands.

We view ROE as the highest priority area of improvement. Previously ROE was in the 10% to 12% range, we recognize that ROE falling to roughly 7% is an issue. We will work to improve ROE back up to 9.5% in FY2026. At the same time, we will strengthen the cooperation between Meiji HD and operating companies to position the improvement of ROIC as a core initiative.

Also, as ROE and ESG comprise different processes, it is critical that we pursue improvements based on their respective approaches. We will continue working on ESG initiatives to mitigate long-term management risks.

#### Q-2

Looking back on the past 10 years, I believe ROIC for drinking milk and chocolate improved but what is your assessment of ROIC levels for functional yogurt?

#### A-2

**Kawamura:** The chocolate business, the nutrition business, and the B to B business have achieved steady profit growth. On the other hand, growth potential for functional yogurt has declined due to market engagement by numerous competitors. This had a significant impact on the growth of the

food segment as a whole.

In the 2026 Medium-Term Business Plan, we are pursuing profitability improvements based on targets that do not rely on functional yogurt. Even amid flat performance for functional yogurt, we secured a growth trajectory for the segment overall and FY2024 progress was in line with targets.

### **Q-3**

How does the pharmaceutical segment R&D Department view R&D for health-related products in the food segment? The health food market has a lot of so-called evidence-backed products based on findings that have statistical meaning but are not clinically significant. That gap in awareness that exists between manufacturers and consumers concerning product function is a major issue.

### **A-3**

**Kawamura:** We view food and pharmaceuticals as different categories. Pharmaceuticals are expected to produce a medicinal effect. This differs from the functions or efficacy expected of food. The functions and efficacy of certain foods are confirmed through labeling systems such as Food for Specified Health Uses and Foods with Function Claims. This differs from the approach applied to the efficacy of pharmaceutical products. As such, we do not think a comparative evaluation is appropriate for these products.

### **Q-4-1**

How has the company evolved in response to a market environment that has undergone major changes in recent years? In particular, what initiatives have you pursued to improve your price flexibility in response to the increasing cost of raw materials and volatility in procurement?

### **A-4-1**

**Kawamura:** Firstly, I think how the market reacts to price increases has shifted, not only through our own initiatives. The shift from deflation to inflation has occurred amid the impact of yen depreciation and soaring prices on foreign raw material markets. In addition to a change in the

pushback felt from retailers concerning price increases, measures by the Fair Trade Commission and other entities are also having an impact.

Also, we, buyers face demands from logistics operators, etc. for price increases to reflect rising labor expenses, we are in a position of having to accept rational price increases. This results in the need for price increases that not only reflect raw material prices, but also logistics and labor expenses.

Delays in implementing price increases can lead to profit losses. As such, speed is an important factor.

#### **Q-4-2**

Recent years have seen fluctuations in cocoa bean prices from weather fluctuations and geopolitical factors, and volatility is increasing. In your procurement activities, have you made any changes to your hedging or inventory management methods?

#### **A-4-2**

**Kawamura:** The cocoa bean market environment is unique in that supply is limited yet demand is high. We are not in a position to exert a powerful influence on the market compared to manufacturers in Europe and America. We must work to secure stable procurement amid these conditions.

However, the fact that we are not a major buyer also means that we are able to employ various strategies. For example, we work to increase cocoa beans produced in Latin America. We have focused on increasing procurement volume while prioritizing quality despite higher prices. As a result, we have been able to establish stable procurement that does not rely solely on West Africa.

#### **Q-5**

Please discuss your progress on the profitability improvement plan for the China Business.

**A-5**

**Kawamura:** Profitability for the China Business remains low, mainly from the unfavorable ice cream business, increasing profit loss in FY2024. In addition to worsening market conditions in China, another major factor was unseasonable weather leading to over-supply on the ice cream market. Conditions on the China market remain difficult but we will aim to reduce losses in FY2025 and break even in FY2026.

**Q-6**

Looking at the 2026 Medium-Term Business Plan, how has the probability of achieving profit targets changed now that one year has passed?

**A-6**

**Kawamura:** There is no change in our policies or strategies aimed at achieving the targets outlined in our 2026 Medium-Term Business Plan. In the pharmaceutical segment, our *KOSTAIVE* struggled due to market contraction but the five-in-one combination pediatric vaccine, *Quintovac* performed favorably and the rate of returned products for influenza vaccines also improved. We also launched new drugs, which has covered the negative impact of *KOSTAIVE* resulting in the profitability improvement of the segment other than *KOSTAIVE*.

Looking at the food segment, while the issue of the China business impacted FY2024, overall, the segment is trending favorably in line with targets outlined in the 2026 Medium-Term Business Plan. We will continue working to expand profit growth in line with plans.

**Q-7**

There was a gap between the sales plan and actual demand for the self-amplifying mRNA vaccine, *KOSTAIVE* in FY2024. Do you see similar risks for other vaccines for next season?

**A-7**

**Kawamura:** We see this as a phenomenon unique to the COVID-19 vaccine.

I believe not only us but also other companies including foreign companies are finding it difficult to adopt the same marketing approach for next season. In Japan, vaccines other than the COVID-19 vaccine are in short supply, except for influenza vaccine. So, we believe that the role of domestically produced vaccines will become increasingly important.

**Q-8-1**

With regards to human capital strategy, you will introduce a new human resource system in FY2025. Are there any other relevant new systems you will be introducing?

**A-8-1**

**Kawamura:** We do not have any other specific plan at this moment, but we would like to further promote women's advancement in the workplace. We are currently working to increase the percentage of women in key positions. The number of female managers has increased so far, and we will increase the number of department heads moving forward.

For mid-career recruitment, we are hiring more than new graduate recruitment. We will speed up the hiring, compared to the past, and in particular, we will strengthen the global talent recruitment focusing on mid-career recruitment.

**Q-8-2**

In terms of utilizing external talent, which positions do you consider to be in need and supplemented by mid-career recruitment?

**A-8-2**

**Kawamura:** Global human resources. As we are expanding our overseas business, we are not able to respond only by in-house human resources development. We are short of global talent, so we are strengthening mid-career recruitment.

**Q-9**

You started operations at a new plant in China for ice cream business, but I am aware the business was not favorable in FY2024. Can you discuss the operating status of the plant and the possibility of impairment?

**A-9**

**Hishinuma:** We began operations at our new Shanghai plant in the spring of FY2024, but we struggled due to the combination of the operational situation and the deteriorating market environment. Since the inventory problem has now been resolved and business negotiations for FY2025 are on track, there is no indication of impairment at this point in time.

**Q-10**

Regarding the development of female talent, what are your thoughts on the appointment of young human resources to the board of directors and other important posts?

**A-10**

**Kawamura:** The new human resource system will be job-based. This will certainly increase opportunities to promote young employees to management positions. On the other hand, we believe that what matters is not age but ability. We believe it is important to deploy the right people in the right places who work on enhancing the company's performance.

**Q-11-1**

Are there any measures to further improve ROIC in the pharmaceutical segment for the next medium-term business plan?

**A-11-1**

**Kawamura:** I believe it is feasible. Currently, our antibacterial drugs are designated as essential drugs, so the price does not decrease, and they are in short of supply.

In addition, profits are expected in the future by producing in-house antibacterial bulk drugs starting from FY2026. We believe we can certainly increase ROIC through antibacterial drugs, which is our largest part of pharmaceutical segment.

As for the influenza vaccine, the mainstay of our vaccine business, we will promote it through sales development and technology licensing to overseas markets. ROIC can be improved simply by eliminating the loss of vaccines in Japan, with high level of vaccines gone unused and disposed.

In addition, the pediatric vaccine has been switched from a quadruple combination to a quintuple combination. Next, the six-in-one combination vaccines are expected to be launched, so we believe that we will be able to cater to a wider variety of pediatric diseases, and both the unit price and the volume will increase. We expect the vaccine business to grow even larger in the future.

Regarding the generic drugs, Japanese market is facing supply uncertainty issue.

By leading the consortium concept, we plan to lower production costs in addition to eliminating supply concerns, thereby avoiding a scenario of lower profitability.

#### **Q-11-2**

Is there any possibility of exporting the influenza vaccines to Asia and other countries?

#### **A-11-2**

**Kawamura:** I think people tend to be less aware of vaccination in Japan. Influenza vaccination rate is relatively high, but there is a certain amount of return or disposal every year. If such vaccines can be exported to Southeast Asia and other regions, production losses will decrease, and profitability will improve.

#### **Q-12**

To what extent do you incorporate the risk of drug price reductions for stable supply medicines?

#### **A-12**

**Kawamura:** Although it is difficult to factor the impact of drug prices into our plans, we believe that

there is a certain possibility that drug prices for stable supply medicines will continue to rise in the future, given the long-term supply uncertainty expected of antibacterial drugs.

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