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Meiji Holdings Co., Ltd.

CEO Small Meeting Q&A for Securities Analysts

March 21, 2025, 16:00 – 17:30

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.

Q-1

Please discuss how you review FY2024 and what you see for FY2025.

The food segment implemented price increase to absorb the cost increases in FY2024 and sales volume grew. However, costs are expected to rise in FY2025, particularly for cocoa beans. Also, the segment is likely to be impacted significantly by factors such as labor expenses and logistics costs.

For the pharmaceutical segment, amid a worsening market environment for COVID-19 vaccines, we reviewed R&D expenses in FY2024 and, as a result, in FY2025 cost is expected to rise with R&D expenses being carried over.

A-1

Kawamura: Regarding the food segment, the significant rise in cocoa bean prices seen in FY2024 forced us to increase prices for chocolate products several times during the course of a single year. But this enabled us to cover the impact of raw material costs. From FY2025 onward, we are planning to propose new value and implement measures to increase the added value of existing products. Thanks to these efforts, performance is progressing firmly relative to the 2026 Medium-Term Business Plan.

As for the pharmaceutical segment, we were impacted by the contraction of the COVID-19 market but a certain portion of development costs are supported by the government so the impact on profits (losses) is not that significant. We expect to achieve our FY2024 operating profit target of 25.0 billion yen, towards the 2026 Medium-Term Business Plan target.

Q-2

Will you be able to cover the impact of higher logistics costs and labor costs next fiscal year by implementing price revisions?

A-2

Kawamura: While it can be difficult to implement price increases based solely on higher logistics

costs and labor costs, we do plan to conduct price increase that are aligned with increases in raw material costs. We are gaining understanding from retailers and with the Fair Trade Commission guidance, it is possible to bring such issues to the table for discussion.

Q-3

The 2026 Medium-Term Business Plan outlines innovation for product development processes. Can you discuss your results thus far and your future plans?

A-3

Kawamura: During FY2022 and FY2023, the majority of our energy was focused on price increases amid a difficult environment of soaring raw material costs. Moving forward, we will accelerate the product development process to shorten development cycles while also focusing on the development of major products.

In FY2025, we are planning new chocolate products launch in chocolate and B to B businesses, and we expect these to grow to become major products.

Meiji Oishii Milk Coffee, which we released to limited regions in FY2024, is now ready for nationwide release, so moving forward we will seek to expand sales, including added new products. We think these products will be significant in our efforts to return the drinking milk business profitable.

Q-4-1

I think you will need to increase price additionally to address cost increases in areas other than raw materials. Please discuss your price strategy moving forward, including in terms of the impact of lower sales volume.

A-4-1

Kawamura: Having a sense of speed is important. Any delays in the timing of price increases lead to an equivalent loss in profits. This is a point we have had to learn the hard way in the past. Previously, *Meiji Bulgaria Yogurt* was impacted significantly by lower sales volume attributable to

price increases. However, in FY2024, sales volume recovered and we think this category now has greater resilience. For our drinking milk as well, we are not significantly impacted by a decline in sales volume attributable to price increases. On the other hand, cheese is a category that is significantly impacted by sales volume decline from price increases, particularly in low-priced processed cheese. In this sense, our success with reflecting costs in prices differs depending on the category and our market position.

Q-4-2

What is the reason behind the recovery of sales volume for *Meiji Bulgaria Yogurt*?

A-4-2

Kawamura: While one view is that the market has fallen as far as it is going to go, there is also the fact that the market has taken a renewed interest in yogurt thanks to the government to grow the yogurt market through TV commercials and other PR initiatives.

Q-5

Amid projections that population decline will trigger a decline in future domestic demand, certain companies in the beer industry have begun outsourcing production. What interests you in terms of efforts to increase the future sustainability of the dairy industry?

A-5

Kawamura: From the perspective of ROIC, increasing only numerator is not a practical approach. We will consider both numerator and denominator to find the best solution. If the opportunity present itself, then a structure in which we do not own manufacturing facilities would be a good thing. If we find suitable manufacturing contractors, then we will consider such a structure. At the same time, it is also the reality that finding such a contractor is not easy considering the risks associated with a production structure based on contracted manufacturing, quality control, and potential technology leaks.

Q-6

What are your thoughts on increasing capital efficiency to a level that allows Japanese dairy companies to be properly evaluated by global stock markets?

A-6

Kawamura: A core management issue is how we streamline assets. This is something we plan to achieve by optimizing production.

We have decided to close two plants that were part of the new plant construction in the Hokkaido Kosen Region we announced in December 2023. We will also close three plants as part of the new plant construction in Kanagawa announced in September 2024. The most important part of this production system restructuring is our initiative to reduce labor.

At the new Kanagawa plant, we are also working to extend the best-before dates of yogurt products. We anticipate shifting from daily deliveries to an inventory structure will enable transaction partners to accelerate order dates as well as enable us to reduce lines by engaging in concentrated production. This structure will enable us to respond to production volume using the minimum amount of assets.

Q-7-1

In China, the dairy business recorded impairment losses in FY2023 and the ice cream business recorded significant losses due to the impact of weather fluctuations. It has been one year since you announced the profitability improvement plan, so-called revival plan for the China Business. Please discuss the status of progress thus far.

A-7-1

Hishinuma: Overall, our view is that progress is advancing in line with the revival plan.

The ice cream business was impacted by China's economic stagnancy and unseasonable weather, which resulted in over-supply for the entire industry. The occurrence of these factors overlapped with the launch of operations of a new plant in Shanghai, which increase the impact on profits

(losses). However, the problem of excessive inventory has already been resolved. The ice cream business is one year behind the schedule outlined in the plan.

For the dairy business, the marginal profit rate has improved as we reevaluate unprofitable transactions and clients. In FY2025, we will launch new products and focus on increasing sales volume.

Q-7-2

Please discuss market competition for drinking milk from the China dairy business. It appears that the difference from local competitors in quality is narrowing. What is the current status of the market?

A-7-2

Hishinuma: When we first entered the market, we achieved differentiation with the chilled products vs local long-life (LL) products of local competitors. However, as local manufacturers began engaging in the chilled category, we became entwined in pricing wars. Currently, we are growing sales by injecting high-protein drinking milk as a differentiating product with added value.

We see the potential for the ability to secure shelf space by competing in this area by added value products that differentiate us from the competition, and are planning to inject new products moving forward.

Q-8

Since the cocoa shock, has the chocolate business been capable of generating margins like it did in the past? What are Meiji's strengths in terms of its production structure?

A-8

Kawamura: Procurement will be our biggest issue moving forward. While we are able to implement price increases to reflect procurement cost increases, stable procurement will remain an issue. Raising inventory to previous levels will require that we strengthen relationships with cocoa bean

producers. While Ghana is the main procurement region, we will also strengthen procurement from Latin America through *Meiji Cocoa Support*.

As for sales, chocolate prices in Japan are still cheap relative to overseas. We will do as much as possible to achieve appropriate pricing for high cocoa products. Additionally, we will strengthen the B to B business to take advantage of our ability to sell at high unit prices.

The strength of our production is in the fact that we possess a refinement process. There are not many manufactures in Japan capable of purchasing cocoa beans, handling them in-house, and processing them into chocolate raw materials. This serves as a strength in terms of both product quality and costs.

Q-9

Are there any area that the dairy industry companies can collaborate for the industry overall to exist in the future? I am aware the industries such as beer and oil and fat are partnering in the upstream.

A-9

Kawamura: While we compete in competitive area, we are teaming up together in non-competitive field. For example, in the yogurt category, we are working together including industry body to boost the demand in the market overall.

Q-10

Please discuss your issue awareness and improvement measures, that relates to employee engagement.

A-10

Kawamura: Our low score for plant employee engagement is an issue. At Meiji, plant employees account for roughly half of all employees. KM Biologics has a similar employee composition. We recognize that the issue lies in the information sharing from the head office. We are proactively engaging in initiatives to resolve this problem, including efforts at each plant to cultivate an

understanding of company policies.

Q-11

For yogurt category, are you considering value-adding to products, apart from enhancing functional yogurt line-ups?

A-11

Hishinuma: For our yogurt strategy, we are introducing value-added products into the mass market, if there is still room to explore. For example, in our *Meiji Bulgaria Yogurt brand*, we launched *HOME MADE STORY*, the plain type of its brand in FY2024. It is selling well despite its high price. For the individual and multiple packs types, we are also introducing high-end lines, containing plentiful rich fruit pulp and others.

Q-12

Please explain about the current plant operation rates and future production systems for food and pharmaceutical segments. For example, I think sales volumes of antibacterial drugs are growing now, but do you think you could maintain the supply volume when the market expands further?

A-12

Kawamura: Yogurt category has the greatest impact on operation rates. Currently, we are working on reorganizing our production system around yogurt. We optimize production lines when production volume declines. Also, we review and reduce items to be produced accordingly. The discontinuation of large volume drink-type yogurt was part of this effort. Due to this, sales fell but profitability improved.

With regards to the chocolate business, we have been reviewing the number of products as well as divesting our production subsidiaries. We will work to increase production efficiency and value within the current three-plant system.

For the pharmaceuticals, it has a history of devaluing antibacterial drugs and reducing production. Currently, production is not keeping pace with demand. The fact that our antibacterial drugs have been designated as stable supply medicines means that we are required to supply in stable manner, and we will work to ensure stable supply including our group companies overseas.

Q-13

Can you discuss the current status of the global brand development of chocolate business as stated in the 2026 Medium-Term Business Plan?

A-13

Kawamura: We are working on globalizing a chocolate snack brand called *Hello Panda*.

Among our line-ups, *Hello panda* is sold in the largest number of countries in the world, mainly in the United States but also in ASEAN and other countries. We are planning to expand its production capacity for *Hello Panda* in the U.S.

In addition, *Chocorooms*, the global brand name of *Kinoko no Yama* sold in Japan, is also selling well in the U.S. In the future, we will promote the development of nut chocolates as well.

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