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Meiji Holdings Co., Ltd.
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Presenters:

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Daikichiro Kobayashi	COO (Pharmaceutical Segment), Member of the Board and Executive Officer
Katsunari Matsuda	COO (Food Segment), Member of the Board and Executive Officer
Jun Hishinuma	CFO, Member of the Board and Managing Executive Officer
Toshiaki Nagasato	President and Representative Director, KM Biologics Co., Ltd.
Bunjiro Yao	Member of the Board and Vice President, Meiji Co., Ltd.

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

Q-1-1

First of all, Mr. Kawamura, thank you so much for your guidance and encouragement, and Mr. Matsuda, I look forward to working with you in the future.

Mr. Matsuda, I would like to ask you to tell us what challenges you are facing at the Meiji Group right now and where your own personality and strength would shine in the Company.

I would also like to ask you about your overseas strategy. What are the core competencies in terms of overseas strategy that your company is considering now? And if you have any more information about what kind of overseas expansion you are looking for, please let us know.

A-1-1

Matsuda: First of all, as explained earlier by Mr. Kawamura and Mr. Hishinuma, Meiji's challenge is its declining ROE. Especially ROE of the food segment has been declining. First of all, sales and net profit must be increased, as a matter of course. In this regard, there had been no new products in recent years. Additionally, our functional yogurt had been in a slump, but it has been recovering. Moving forward, we aim to turn things around by launching new products, which has been a challenge for us, and to steadily increase our profits.

In terms of capital efficiency, as was explained earlier, we will use the ROIC management method to determine whether we are on the right course or not. This is also something that we knew in our heads, but as we have never had the experience of investing while having plenty of money, we did not used to consider investment efficiency enough such as ROIC and other means to make a decision in flexible manner when things were not going well. We deeply regret this, and in the past two or three years, we realized it was not the way to do it. With that, we have been taking a hard look at the current situation and our footing, and have decided to get rid of what was not working, starting to eliminate and consolidate production lines and factories. We believe that by thoroughly implementing these measures, we will be able to improve ROE and realize our medium-term business plan.

The 2026 Medium-Term Business Plan is now in its second year. In here, we have set its concept as *Transformation*. While one of the things we will do is *Transform Focus Markets*, we also want to further promote our overseas strategy. We have been promoting the idea of doing this for both food and pharmaceutical segment.

With regard to the pharmaceutical segment, we have already completed the structural reforms mentioned earlier, or rather, we have already done it to a certain extent, and now, we are planning to do more overseas, as well as to expand the areas we have always been strong.
As for the food segment, we reflect there is room for improvement in our own initiatives, especially in China business, as well as given the worsening economic situation in China. While reflecting on the areas that require improvement, we would like to provide new values based on Meiji's unique technology. Now, with regard to our current problem in China, which is the deterioration of our profits and losses, we will consistently implement our profitability improvement plan.

We reflect on quite a number of points, but we will not be discouraged, we will actively pursue overseas expansion, including acquisitions. We will promote investments that will lead to growth while securing and confirming our financial strength, with the CFO taking the lead.

Q-1-2
I think you will consider such things as M&A in the overseas business in the future, but I would like to know what your company's core competencies are when you develop your company’s strategy overseas, and how you intend to further develop your overseas strategy.
I am sure you are not blindly embarking on M&A, but in light of current business situation in China, what core competencies do you see and in what areas do you think you can succeed overseas?

A-1-2

Yao: One of our competencies is that we can demonstrate our unique technology. While it is not working so well in China right now, we have no intention of changing that. The basic premise is to provide Meiji's unique value to global customers, we will venture into M&A where synergies can be achieved. We do not intend to change this premise.

However, I have been in charge of global affairs for a long time, and one of the core competencies that I think is lacking is capability, or organizational capability in the Meiji Group.

For example, in the U.S., where we are doing well in our global business, we have local staff, mainly from companies acquired through M&A. While the CEO comes from the Meiji Group, the COO and CFO are excellent local people.

Also, at CP-Meiji, joint company responsible for the dairy business in Thailand, while Meiji is in charge of manufacturing at the factory, CP Meiji is in charge of marketing and product planning, operating a business that is very rooted in the local area.

We are still lacking a little in this area, so going forward, we are planning to actively recruit external staff, and we are also looking for M&A opportunities in which we can acquire a certain degree of solid organizational capability. Although we do not yet have a concrete plan, we are planning to build our business with a focus on such areas.

Q-2-1

I would like to ask you about page 11. If you look back over the past three years, I think that the measures that led to an increase in volume and a rise in unit price did not work very well.
Looking back at the past, how do you analyze now the reasons why those measures did not work, and what are your reflections on it? You are releasing these materials here, I am sure you are strongly aware of this point, but how do you intend to change this and turn these two axes?

A-2-1

Matsuda: First, regarding the reflection on the past, the biggest thing was the delay in the timing of the price increase. I also believe that we have not yet been able to reach the level of price increases sufficient to fully absorb the rising costs.

I think it was three or four years ago, when the energy costs and raw material prices started going up. Based on our experience thus far, there have been times when the raw material prices went up in one category only and did not happen in the other, but looking at the last years, it rose in all categories. Our failure to address in timely manner led to the delay of six months each time.

If I were to go even further, in the past, when prices rise, they do not go up again for a while, and during the time the prices did not go up, we were able to absorb the previous increase. That has been the trend for the past several decades. However, the current situation in this context is that when the prices go up and we are ready to absorb the previous increase, the cost go up again at twice or three times higher during the period when the increase is being absorbed. I think that trying to raise the prices again, which resulted in the delay of six months each time, has led to what is happening now.

In FY2024, we thought raw material prices were not rising that much so we would be able to absorb the increase, but as it turns out, in FY2024 as well, the raw materials prices still rose significantly, so I think we have yet to absorb that part of the cost.

When it comes to the recovery in products volume, I always used to say from my experience; it is normal to recover the volume in three months and If the volume cannot be restored after four months, it is the marketer's fault. However, since the prices have all been raised in various categories, and not just on our products only, I thought it was very difficult for the industry as a whole to recover.

During that time, we were not able to recover the volume of products because we were trying to absorb the price hikes I mentioned earlier and were not able to add new products or new value to our products in the event of price increase.

From that point of view, since last year or so, we have managed to launch new products or be able to add the new concept to even those products for which we are trying to increase the price. So I think we are making a comeback.

Yao: I will explain how we will change our response in the future. As Mr. Matsuda just mentioned, honestly, over the past few years, we have been raising our prices to cope with such a large increase in raw material costs. Even so, we were still six months behind, and to be honest, we had not yet gotten around to creating new value.

But since it seems the market has largely accepted our regular price increases, I think we have finally established a system to handle price increases as part of our regular work, even though raw materials prices will continue to rise in the future.

However, when it comes to this kind of price increases of products, simply put, if we only raise the prices, the value of our products will be damaged relatively speaking. Hence, we will raise the prices and add new value at the same time. And honestly, there will be products that cannot withstand price increases, so when it comes to those, we will have to actively replace such products with new ones, taking scrap and build approach.

Another important point is that, although the trend is toward inflation, in terms of the relationship between supply and demand in the domestic market, the population is declining while supply has not changed or is, in fact, growing, so it is not completely free of deflationary elements.
We believe that it will become increasingly important to review our price competitiveness once again and to operate existing products with a certain degree of price elasticity and competitiveness.

We will increase the value of our products and strengthen our cost competitiveness. We intend to take action on these two axes in the future.

Q-2-2

We have been receiving a strong message from you for some time now that you would strengthen value-added products and premiums, but from what you are saying just now, is your message that you will also increase cost competitiveness and capture and maintain a solid share in the mainstream market?

A-2-2

Yao: Strengthening cost competitiveness is not simply about cutting costs. Rather, we are thinking of making the system lean or improving efficiency in all areas, from R&D, procurement, production, and distribution.

Therefore, this is about a fixed cost for the entire company rather than a problem and a way to make it more profitable at each product level. If we take initiatives to lower the fixed cost to sales ratio, it will surely have a positive impact on all businesses and products. So we would like to make the current profit structure more muscular, including even businesses that are not profitable at present by lowering fixed cost to sales ratio to make it profitable to certain extent.

Q-3-1

I would like to ask you about functional yogurt and chocolate category in Japan for FY2025.
I am aware that FY2024 Q4 trend for chocolate and functional yogurt category were also favorable despite the considerable price hikes or so. But your FY2025 forecast for topline sales seems limited.
I would like to ask you how you will see the effect of the profit increase in FY2025, or the background why you view this as a limited effect on the top line.

A-3-1

Yao: As for functional yogurt, we have been able to maintain a good performance, but to be honest, the strong performance in FY2024 Q4 was partly due to the influenza outbreak and the special environment of a considerable shortage of pharmaceutical products in Japan.
With regard to our plan for FY2025, we expect a decrease in sales. With that said, it does not mean we will work not aiming for higher performance than the previous fiscal year. Of course, we will motivate our team to help us exceed the results of FY2024. The tailwind was too strong in FY2024, so we are making adjustments to compensate.

In terms of chocolate business, they are doing very well in Japan, and we are planning for stronger domestic growth in FY2025. However, the *Hello Panda* business in the U.S. is doing very well, and in order to further expand it, we will naturally invest more in boosting our production capacity and in marketing.

It is something like a lull, as we will build a much bigger business by spiraling upwards. Our plan is to increase sales, but in terms of profit, we will have to deal with depreciation, as there will be a fairly large jump in depreciation since the production capacity will be increased. We are also planning to boost investment in marketing by applying marketing that is appropriate to the production capacity, which will then result in our profit shrinking. Since this is merely a lull, I believe we will plan for significant growth again in FY2026.

Q-3-2

I am sorry for asking about the short term, but since the beginning of April, has the momentum for functional yogurt actually died down, partly due to the drop in special demand caused by influenza? You also said that you are planning to grow the chocolate business in Japan this year as well.
With additional price increases in the future, will the effect of this be more pronounced in FY2026 if, assuming the cost of raw materials settles down?

A-3-2

Yao: With regard to functional yogurt, in my view, once the volume goes up, it does not fall all at once. I think it is safe to say that it is still going strong in April compared to FY2023, as it gradually goes down while remaining high.

As for chocolate business, even though we have raised the prices, the demand has remained relatively steady, and we are also able to offer new value proposals, such as *Meiji Nama no Toki*. I believe that we are now in a very good cycle.

In FY2026, we will determine whether we have a structure that will let us make more profit when raw materials prices drop, and since we are in competition with other companies, when it comes to what we will do when prices of raw materials drop significantly, we will have to assess the situation at the time and decide whether to increase the volume or continue as is. We will decide depending on the situation at that time.

Q-3-3

From what you are mentioning now, are you considering lowering the price when raw materials prices settle down in the future?

A-3-3

Yao: We have not decided yet. However, as mentioned earlier, the market is all about competition, so if another company offers products of the same value at much lower prices, we need to respond accordingly. However, if our product appeal is superior to those of other companies and we are able to stimulate demand even with a certain price difference, then we may try to stimulate demand through other measures. We would like to make an appropriate decision based on the competitive environment at that time.

Q-4

I would like to ask you about cash flow. I believe you explained cash flow and shareholder returns on pages 24 and 25 of the materials.

In FY2024, net cash flow from operating activities was considerably lower than the previous fiscal year. Is that because of the sale of cross-shareholdings or something else, or were there other factors? First of all, can you please tell us how you evaluate the level of net cash flow from operating activities? As capital expenditures will increase significantly in the next fiscal year, the negative free cash flow will grow, so is there any particular change compared to the medium-term plan?

Was the share buyback postponed at this time because of negative free cash flow? I thought share buybacks would be done even at this time, so please tell me how you view cash flow in conjunction with this.

A-4

Hishinuma: First of all, net cash flow from operating activities in FY2024 was about JPY39.0 billion less than in the previous year. One of the main reasons for this is an increase in raw materials expenses and inventories. This is an increase in both unit price and volume.

In addition, net cash flow from operating activities decreased compared to FY2023 due to an increase in tax-related expenses, including consumption tax and corporate tax, which were related to the sale of cross-shareholdings in FY2023.

We expect the base of net cash flow from operating activities for FY2025 to be about the same level as FY2024. On the other hand, cash outflows for investments will increase in FY2025, resulting in negative free cash flow for FY2025 expected. As we have announced, this means that in food segment, investment in new plants in Kanagawa, and then Hokkaido will be in full swing.

In the area of pharmaceuticals segment, there is a need to invest heavily in manufacturing facilities for penicillin bulk drugs and other dual-use facilities for vaccines. These figures are based on the fact that the investment amount is also surging due to the rising personnel and material costs.

In terms of overall cash flow, we are currently considering prioritizing some regular investments in light of increasing inventories and investments.
Finally, about share buybacks, as explained in our 2026 Medium-Term Business Plan, there is no change in our policy of opportunistically conducting share buybacks while keeping an eye on the share price, cash situation, and profit situation.
In our current situation, we have decided that this is not the right time, given that raw materials costs related to inventories, are rising very rapidly and that the future is very uncertain due to the tariffs policy by the U.S.

Q-5
I would like to know how you position China business within the Group.
We have seen your plan for FY2025 through the profitability improvement plan, which is to reduce deficit in China. Can you execute that plan properly? Also, from a medium-term perspective of FY2026 and beyond, will it contribute to the profit of the Group as a whole?

A-5
Yao: First, regarding the profitability improvement plan, in FY2024, the plan progressed as planned. However, it is also true that this hurdle is getting higher with each passing year. In FY2024, we narrowed down our focus to high-quality sales, and in FY2025, we will enter a phase in which we will expand high-quality sales and increase marginal profit, so I think this is a critical point.

For FY2026, in terms of dairy business, we still have not changed our goal at all: plus or minus zero, on EBITDA base, and that our business in China will be positive overall. So we think a major point will probably be how much marginal profit we can increase this year.

However, the only way to improve business is to either increase marginal profit or reduce fixed costs, so if the plan for increasing marginal profit falls slightly short of the plan, we will have no choice but to adjust fixed costs. We are committed to achieving the final target for FY2026 in this manner.

At present, we have a deficit of approximately JPY7.0 billion in FY2024, so just resolving this issue will add JPY7.0 billion to our profits. Therefore, we are determined to accomplish this. I feel that this is the mission I have been given, and nothing has changed to my plan to complete it.
Regarding your question about how we should position China in terms of Meiji's future global growth, and whether China is the area that will drive our global business in the future, there is still some debate given the current economic situation and other factors.
In terms of the future expansion of Meiji's global business and which areas will be the main focus, I think this is something that will be explained again at another time.
However, we hope you understand today that we will complete the improvement of profits and losses in China.

Q-6-1
I would like to ask about the nutrition business. As you discussed, your business in Japan was quite tough in FY2024 Q4. You somehow struggled in terms of sales, including price competition.
I believe your plan is to make a significant recovery in H2 FY2025, but you mentioned earlier that you will also consider drastic measures, including structural reforms. What is your outlook on business improvement this year?

A-6-1
Yao: The nutrition business comprises three main categories. The first is the infant formula business, centering on infants, the second is the sports nutrition business centered on *SAVAS*, and the third is the nutrition business for the elderly, including enteral formula.

With regard to the third item, or nutrition for the elderly, it has been going well, so we know that there are no major issues at this point.

The second business, the sports nutrition business, can be divided into two main categories, which are ready-to-drink types that include *SAVAS Milk*, and then powder-type. Ready-to-drink types are growing very smoothly. However, for the powder-type, there is a tremendous upsurge in the prices of raw materials. We were originally competing in the premium price range, but as a result of successive price increases due to the surge in raw material prices, I think there are some areas where the prices have become a little too high. Since there are many cheaper products available online, it is true that the increase in volume was less than expected given the price difference. I think how we will deal with this will be a major point.

One thing we can do is to appeal for more new value, and of course, offer products with commensurate prices, but as mentioned earlier, another thing is to strengthen cost competitiveness in the entire value chain so that the business can have a certain degree of price elasticity. Another option would be to change the number of items or product amount to make our products more affordable.

The same thing can be said of the infant formula business, where we had to increase prices due to the significant jump in raw material prices, and prices have been stuck in the higher levels. This is similar to what happened with *SAVAS*, and we will introduce new products and add new value. I think one of the major points in Japan is to strengthen our cost competitiveness.

As for infant formula, one other thing is that inbound demand has dropped more than expected, and this is mainly due to demand from China, which has gradually declined. I am not saying that there was no such trend before, but I think it became more pronounced in FY2024 Q4. With regard to China, it used to be an area where regular exports from Japan were not possible, so this business area has been built solely on inbound business from the Chinese people. We have analyzed that the main factor now is the improved quality of our domestic products in China, but we must carefully assess whether this is a temporary situation or whether it will continue in the future.

Our future measures are to increase the number of exporting countries, mainly in Southeast Asia, where we can actually export to, since Vietnam and other countries are currently growing very well. We will also expand exports in areas where we can boost demand in the future and rebuild our business.

Q-6-2

You mentioned drastic structural reforms in this field, and if so, is it for the powder-type *SAVAS* or the infant formula? I cannot imagine the kind of drastic reforms.

A-6-2

Yao: Rather than drastic reforms, I think it is about the strengthening of cost competitiveness as a company-wide initiative. So rather than focusing on any one business or plant, I think that there is still a great deal of waste overall. By making them appropriately leaner, it will eventually have to come down to the ratio of fixed costs to net sales. As a result, the competitiveness of each business will rise, which will then lead to price elasticity and improved profitability.

When we make specific efforts, we will naturally be doing it internally, such as what to do at this plant, but at this stage, we are not at the level where we can specifically mention which plants we are going to do what.

Q-7

I would like you to discuss the development plan for ME3183 in the pharmaceutical segment, on page 23 of the materials. How will it be reconsidered? Does your decision come from uncertainty in the U.S. market in light of the Trump administration's actions and intensifying competition for psoriasis medications? Or is it the rising cost of clinical trials?

A-7

For ME3183, we completed Phase II in the U.S. and Canada and the trial itself has progressed very well. As you know, though, as a PDE4 inhibitor that is a treatment for psoriasis, the modality

is similar to *Apremilast*, which is widely used today. We have been developing the product with a profile that is slightly more effective and safer than that.
However, the psoriasis treatment area has a very fast pace of technological innovation, such as with the oral IL-23. This is an antibody drug that is currently being injected and has extremely good performance. Furthermore, the development of an oral form of this has progressed much faster than we had expected, and the market environment is such that the drug will be launched next year.

When that happens, the needs for psoriasis drugs will change dramatically after the introduction of this innovative drug, and this is how PDE4 inhibitors will be positioned in the area of psoriasis. We should reexamine it and see if we can use this efficacy as originally planned, or we can change the indications, such as sudden pulmonary fibrosis, so maybe we should research it again and reconfigure it. This is the situation.

Q-8
This is a question about the 2026 Medium-Term Business Plan for the pharmaceutical segment. You target JPY40.0 billion for FY2026. As shown on page 20 of the materials, you rearranged target figures per business unit, and I don't think it is a low hurdle at all. What will change from the time the medium-term business plan was formulated? Please tell us your outlook for achieving this goal.

A-8
Nagasato: With regard to the pharmaceutical business, it has grown steadily over the past four years, with both sales and profit increasing.
We position infectious diseases and vaccines as fundamental pharmaceuticals. Even in Japan, they will continue to grow in the aging society. And since there is no impact from drug price revisions, we believe that we will be able to grow our business steadily.

In addition, for overseas business, we have many bases, especially in Asia. Looking at the past four years, our overseas subsidiaries have also achieved steady increases in sales and profit. Even

when it comes to infectious diseases, it is growing in Asian countries, and since the population is also increasing, we expect this area to contribute to sales and profit.
We have also developed and successfully launched new drugs such as *REZUROCK, Quintovac,* which is a 5-in-1 combination vaccine, and *Equfina*, an anti-Parkinson's drug that Eisai exclusively sells in Japan. Sales and profit from these drugs are steadily rising. In addition to that, from FY2026, we expect that the new drug for insomnia treatment to be introduced from Taisho Pharmaceutical will contribute to our performance on a full-year basis.
At the moment, we think we will somehow reach the JPY40.0 billion operating profit under our 2026 Medium-Term Business Plan.

Q-9

Previously, we had heard that you planned to increase operating profit in stages toward the final year of the 2026 Medium-Term Business Plan. Your guidance of 7% profit growth for FY2025 appears weak compared to your previous statements. What is the reason for this?
Is FY2025 conservative, or is it a preparation period for the next fiscal year? Or, are you planning to have the remaining approximately 30% increase in operating income in FY2026? Please tell us if there is anything you can say now about the reason for this.

A-9

Yao: First of all, regarding the outlook towards FY2026, we are currently carrying a loss of about JPY7.0 billion in China, and by bringing this to break-even, we can achieve a large improvement in profit and loss.
Another thing is that until now, we have been forced to focus on implementing price increases to absorb rising costs, leaving us with little room to initiate other measures. But moving forward, we will aggressively introduce new products by proposing new value unique to Meiji. Some of those products will be released in FY2025 and into FY2026, and we will leverage them to recover from the decline in volume. We are now in an environment where we can aggressively take on the challenge of providing new value in the future.

As we have said before, we will also work across the entire company to reduce fixed costs in order to strengthen our cost competitiveness. We believe that we will be able to see some results by around FY2026, so we will work hard to achieve the goals of the 2026 Medium-Term Business Plan by combining these three initiatives.

Matsuda: As both Mr. Yao and Mr. Nagasato mentioned, I believe it is important for each operating company to steadily and firmly implement the medium-term business plan.
It is true that in FY2024, we fell short of the targets we disclosed, but in this time of uncertainty, there are some things that we did not initially plan for, such as the vaccine situation in pharmaceutical segment and the change in inbound situation in the food segment. We would like to respond to these things thoroughly.

On the other hand, as Mr. Nagasato and Mr. Yao explained earlier, we incorporated something extra for the elements that were not originally included in the 2026 Medium-Term Business Plan when we set forth, so we would like to combine these things thoroughly and work to ensure that we are able to implement and achieve the targets.

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