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Meiji Holdings Co., Ltd. Food Segment Small Meeting Q&A

November 18, 2025, 14:00-15:30 for Securities Analysts

November 18, 2025, 16:00-17:30 for Institutional Investors

Presenters:

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

Q-1

Regarding the profitability improvement plan for the China business in the Food segment, you explained that you launched *Meiji Oishii Gyunyu* to increase marginal profit. Please discuss your assessment of the market environment for the China business and your strategy for increasing sales volume.

A-1

Thus far, the China business achieved its marginal profit target through ongoing initiatives outlined in the profitability improvement plan, but sales volume expansion continues to fall below plans.

The background behind the struggles of the Dairy business is related to structural issues unique to the China market. In Japan, the upstream of raw material procurement is controlled, while China is completely a deregulated economy from upstream to downstream. As a result of this system, the larger the scale of a business's operations, the more advantage it has in raw milk procurement. This means that local large-scale dairy manufacturers have an advantage in being able to procure raw materials at cheaper prices than Meiji.

Also, the demand-supply balance of the market is deteriorating. Even when consumption is down, raw milk production volume remains unchanged, resulting in excessive supply. In the past, demand-supply balance was maintained as there was demand for long-life drinking milk, which can be stored long-term. However, recent years have seen the increased popularity of chilled products, resulting in many cheap products hitting the market. As a result, *Meiji Oishii Gyunyu*, which is a higher-priced product, has faced severe competition due to the price difference compared to low-priced products.

There has also been a change in consumer sentiment. The idea of a *Japan premium* has faded and we are seeing a trend of increasing consumer loyalty towards domestic products. As a result, the current market environment is such that simply being a Japanese brand is not enough to gain consumer support.

In addition to the Dairy business, the worse-than-expected decline in ice cream business performance is dragging down overall earnings for the China business. Thus far, we have worked

to expand capacity as the business was previously a revenue pillar. However, competitors also made similar investments, resulting in the entire industry facing a state of over-supply. Compounding this issue has been stagnant consumption, resulting in a significant decline in market conditions. We have also tried engaging in the market for lower-priced products but this has not led to us capturing share from existing manufacturers.

Based on the above conditions, we are prepared for the reality that performance may be somewhat sluggish during the second half of FY2025 as well. However, in the Dairy business, we will further strengthen the products offered in the *Meiji Oishii Gyunyu* brand. For the ice cream business, we will work to increase sales volume by strengthening initiatives targeting successful channels such as EC and wholesale clubs.

Q-2

You are now pushing through structural reforms that previously you had not committed to implementing but what prevented you from taking these actions in the past?

A-2

This fiscal year represented a significant change in that we transitioned to a new HR system. We established the Next Career Special Support Program for employees who were not on board with those policies. This program adds supplemental terms to our existing early retirement program and is limited to this fiscal year only.

On the other hand, one of the issues we recognize is that the vertical wall created by the business division structure has become too rigid over the 15 years since the establishment of Meiji Co., Ltd. Moving forward, we will use inter-divisional project teams to strengthen organizational collaborations and increase our integrated capability.

Q-3

Can you be a bit more specific regarding your intent behind implementing the Next Career Special Support Program? Also, even if your HR system has changed, looking from the outside it is unclear

if the organization has truly changed. Please indicate your commitment in terms of how you will promote changes in employee behavior and in what direction you will head as a company.

A-3

The new HR system will more strictly evaluate commitment to set targets. Through the newly adopted absolute evaluations, we want to promote changes in employee behavior and reward that change through a dynamic compensation system.

The Next Career Special Support Program is a policy that encourages all employees to reevaluate their own vision for the future and assess their own ability to accept this new system. Employees who do not apply for this program will be deemed to have expressed their desire to engage in their work under the new system, and that is how we will respond as a company.

As a medium- and long-term policy, in addition to this program, we will also strengthen our recruitment strategy to eliminate age-related structural issues. At the same time, we want to acquire and inject resources into growth fields and optimize our business portfolio and link that to planned personnel reassessments. From the perspective of HR strategy, this will lead to the development of an environment in which human resources with expertise, intricate perspectives, and broad knowledge are able to leverage their capabilities. We believe such an environment will help maximize the performance of each employee and lead to increased engagement.

Q-4

In terms of your marketing strategy, you appear to adapt successfully through methods such as lowering unit costs to reduce psychological barriers. However, does the decline in sales volume, which can be seen as a decline in the number of users, lead to a loss of brand value? Please discuss your brand strategy moving forward.

A-4

As you suggest, a balance of brand value and pricing is extremely important. Products that are recognized for their value by customers are seeing net sales growth because sales volume does

not decline particularly even when we implement price increases. For example, sales volume for *Meiji Bulgaria Yogurt 400g* has not declined even after price increases. Also, while partially attributable to seasonal demand, sales volume for *Meiji Probio Yogurt R-1* for the consumer market is outperforming the previous fiscal year even after a price increase. In this sense, we are able to conduct price increases while maintaining sales volume for products where customers recognize the provided value as exceeding the price.

On the other hand, this means that products seeing a decline in sales volume are products where the value and price are not in balance. For such products, we must adopt an approach of revamping the product to redefine its value and then having consumers judge the product for its offered value. In the future, I believe it will be possible to adopt new provision methods, such as expanding chilled products into other temperature zones, if we can do so without damaging the fundamental value of our brand. Of course, this is not easy as it will involve factors such as capital expenditures. However, I am confident that there is still room for growth on markets in Japan if we can overcome the vertical wall that exists between business divisions.

Q-5

Other companies engage in product selection by concentrating on marketing products for which they can promote value and discontinue products for which the value and price are not aligned. Is Meiji in this type of process of identifying which products to keep and which products to discontinue?

A-5

Yes, we are engaged in such a process. For example, the Chocolate business has been working to optimize its product lines. Much like with *Nama no Toki*, which we released this year, moving forward we will seek to increase the number of new products incorporating distinctive manufacturing methods and technology.

We do think that product discontinuation will be one option in cases when we negotiate with retail channels on price increases but retail channels do not accept increases because they do not see

the value in the product. Our policy will be to concentrate management resources on products that are recognized for their distinctive value.

Q-6

Looking at the market overall, has evidence for food with functional claims become somewhat arbitrary? Amid such market conditions, how will you maintain the value of your functional yogurt brands?

A-6

It is not our view that our evidence has become arbitrary. Regardless of whether or not we obtain certification for products with functional claims, as long as we are putting products out into the world, we take responsibility to ensure our claims are firmly backed by scientific evidence.

For example, *Meiji Probio Yogurt R-1* is not a food with functional claims but the fact that *R-1* has maintained its track record of sales over many years is evidence that customers appreciate the value the product offers.

Q-7

What marketing strategy are you considering amid a decline in consumer sentiment?

A-7

For yogurt, we have maintained sales volume even after price increases but we have seen a decline in volume for products in other categories.

We have maintained favorable volume for the Chocolate business as well thanks to the limited impact of price increases. One factor for this favorable performance was our ability to accurately capture inbound demand. We have increased sales significantly thanks to collaborations with companies and stores heavily frequented by inbound travelers. Although shopping sprees targeting luxury brands have subsided, sales from people buying large amounts of confectionery as gifts have been extremely favorable.

We want to capture inbound demand by applying the initiatives used by the Chocolate business to accurately identify consumer trends in other categories.

Q-8

Please indicate your medium- and long-term policies for capital expenditures in the Food segment.

A-8

We largely have two approaches to capital expenditures.

The first is investments for markets in Japan linked to specific growth strategy such as responding to inbound demand.

The second is multifaceted investment activities aimed at changing forms to convert our unique value into various products without limiting ourselves to any single category.

For example, we sell ice cream under the *Meiji Chocolate Kouka* brand, but this is still at the level of one of our brands being leveraged by a different business division. What we are aiming for is to provide the core elements of a product's health value to customers regardless of temperature zone. We want to invest in fields that will lead to this type of new value creation.

On the other hand, we will proactively look to refresh assets that are not generating the marginal profit.

Q-9

In the subject of overseas business, what are your thoughts regarding current area-specific management? Will area-specific management become a hinderance as you seek to strengthen your global brand? Also, are you able to conduct collaborations between areas?

A-9

Our briefings on overseas business cover three areas (US, China, Asia) but, as an administrative structure, overseas business is centered on vertical management based on a business division structure.

As for business development moving forward, for the Nutrition business we will evaluate a structure that enables us to capture significant market share in each country. Also, the Chocolate business is performing favorably in the US, with *Meiji Hello Panda* sales growing to nearly JPY15.0 billion. Including considering M&A deals, we want to cultivate this business into a global growth engine. As an organizational structure, in China operations are managed by Meiji China. For Southeast Asia, we have established a management company in Singapore to oversee business administration for multiple businesses. These functions enable collaborations between businesses, so there are no issues with our organizational design. However, one issue we are facing currently is that performance has been sluggish due to difficult market environments.

Q-10

On the subject of structural reforms, you mentioned that you would make a decision on the China business based on conditions this fiscal year but what will be your policy moving forward?

A-10

For the China business, we are aiming to break even in FY2026. If marginal profit improvement is insufficient, we will have to implement measures related to fixed costs.

As for Japan, we have already indicated the direction of major structural reforms related to the new Kanagawa Plant and the new Hokkaido Plant. At present, we are not considering reforms beyond these but, depending on changes in the market environment, we may be forced to evaluate an additional level of restructuring should the decline in volume continue.

However, continuously reducing assets will fall into a state of balanced contraction, which would leave us unable to pursue our growth strategy. We want to keep this in mind as we work to maintain appropriate assets relative to our business scale.

Q-11

With a change in the management team amid difficult conditions for your stock price, what will be necessary to pursue measures you have not been able to implement thus far?

A-11

Over the past few years, Food segment profit has declined by JPY20.0 billion. Based on our analysis, we believe that half, JPY10.0 billion, can be recovered by fixing problems. Specifically, this means rebuilding the China business and improving profitability for the yogurt business in Japan, where sales volume declined due to price increases.

As for the other JPY10.0 billion, we will need to implement growth strategy to increase sales volume. As capital expenditures and improvements in production technology take time, we will begin by first aiming to recover the JPY10.0 billion associated with fixing problems in second half of this fiscal year and during next fiscal year. From there, we will implement growth strategy, including M&A, to work up to an additional JPY10.0 billion and restore performance to operating profit levels achieved during peak years for the Food segment.

Q-12

You have spent several years narrowing down your products selection but will you continue measures aimed at strengthening profitability?

A-12

Thus far, we have discontinued numerous products, including long-sellers. Ultimately, it comes down to a balance between product value and price. When the sales volume of a product drops significantly due to a price increase, it means that the balance has not been accepted by customers. We believe that such products will repeatedly be subject to decisions on whether we revamp the product to suit the times or discontinue the product. Even for long-selling products, it is important that we continuously redefine their value to suit the times.

Q-13

Please indicate your direction and progress for generating JPY100.0 billion from new business and achieving a profit margin of 30%. Also, how do you view the synergy between Food and Pharmaceutical?

A-13

Regarding the synergy between Food and Pharmaceutical, since management integration there is the example of the Confectionery and Milk businesses, which are based on different business systems but were successful in learning beneficial traits from each other. Rather than a total fusion of the two businesses, in the field of R&D technology, I believe the Food business could leverage the dedicated assets of the Pharmaceutical business to exert unique strengths not possessed by other food manufacturers.

A specific example of unique value includes the new production technologies featuring world's first functionality that were used to establish *Meiji Hemoglobin A1c Yogurt* and *Nama no Toki*. The technology used to establish *Nama no Toki* features a universality that can be applied in various fields, including the B2B business.

Q-14

It appears that functional yogurt has shifted from being an outstanding business to a phase of being a just great business. When considering the home delivery business, there is the danger of not being able to restore net sales to JPY100.0 billion. How do you plan to recover sales?

A-14

We recognize that we will not see another market environment in which we have the stage all to ourselves. Retail channel performance is strong but the home delivery channel is facing structural issues, and it will take time to achieve the fundamental resolution of certain issues such as reforming how we attract customers.

We believe the key to a recovery will be to transplant the value we only offered through the chilled yogurt category to other temperature zones and in different forms. This differs from the simple horizontal expansion of a brand and focuses on the approach of delivering the core value of a brand to customers in different forms. We believe that, by doing so, we can return the business to a growth trajectory.

Q-15

Functional yogurt surpassing its peak is something that was indicated five or six years ago but you were unable to resolve this issue. Looking back on the past, what do you think is the reason? Also, do you feel the market has bottomed out and that a turnaround is possible?

A-15

Frankly speaking, functional yogurt grew at a speed that surpassed our expectations. In that sense, I cannot deny that our analysis was insufficient. Even if sales dropped somewhat, we still expected a rebound so we did not take fundamental steps towards the business.

We are facing the reality that the market will not return to those conditions and currently focused on reviving the business from the bottom-up. We have outlined a timeline for resolving issues and we feel that the key will be to transcend the silo management style of the business divisions and expand into other categories, forms, and temperature zones. We are advancing reforms based on a strong belief that we can still achieve growth, including our internal mindset.

Q-16

Do you think you would be better evaluated by the stock market if, instead of continuing to record losses for the China business, you concentrated those management resources on Japan? It appears that you are not doing what needs to be done.

A-16

Obviously, we are not satisfied that the China business continues to record losses and we do not intend to maintain a business that continuously produces losses. We realize we may need to make difficult decisions depending on future performance.

Q-17

Retail business is posting earnings thanks to recent inflation but manufacturers are not making money. Amid consumer thrift and a downward trend that is making it difficult to generate profits,

don't you think manufacturers should be more aggressive with retailers?

A-17

When we issue requests for price increases, if the retail channels reject our request or switch to a competitor's product, then we take the position that such products do not have a balance between value and price, and thus should be eliminated. Conversely, products for which price increase requests are accepted are viewed as having value that is recognized by both the customer and the retail channel. Our only course of action is to be strict in our selection of these products.

For eliminated products, there is a need to revamp the product to redefine its value. Also, one idea is to pursue new options such as limiting the sale of products with uniquely high value to EC sites. It is not easy to reverse the power balance that exists between retailers and manufacturers but we do think that the only way to do so is through highly appealing products with unique value.

Q-18

While the retail side is advancing industrial reorganization, manufacturer profits are declining and there has been no progress in industrial reorganization. With manufacturers facing an extremely difficult environment, while offering innovative products is critical, don't you think you should have a greater sense of urgency towards the need for fundamental reforms rather than just reducing fixed costs?

A-18

We do, in fact, have a strong sense of urgency in that regard. Amid population decline, we will eventually face the worst possible situation, raw material inflation and market deflation, if we do not pursue a fundamental reduction of production capacity for the Japan market.

However, there is also the reality that absolutely no progress was made towards industrial reforms in the past when the government led efforts to modernize the beef and dairy industry. We believe that optimization is possible, even without reducing the number of manufacturers, through measures such as promoting joint distribution and the flexible production of commodity products

within the industry.

Q-19

Setting success or failure to the side, the Pharmaceutical business appears to have more exciting developments. As a holdings company, why not take the position of viewing the Food business as a cash cow and using that cash to invest in the exciting Pharmaceutical business?

A-19

We invested the cash generated from the *Meiji Probio Yogurt R-1* boom that occurred around 2015 to 2016 in the Pharmaceutical business. This enabled us to restructure our portfolio and build a business structure that was stable and had less volatility compared to our competitors. Regardless of how such decisions are evaluated by capital markets, our assessment is that this was a good example of generating synergy between Food and Pharmaceutical.

Whether or not to invest Food business cash in promising Pharmaceutical business ventures as you suggest requires the careful evaluation of the risk and return balance. However, that does not mean that we outright reject the potential for such activities.

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