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# Meiji Holdings Co., Ltd.
# Financial Results for FYE March 2026 (FY2025)
# The Online Briefing Q&A

May 14, 2026, 5:10pm – 6:30pm

**Presenters:**

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| Katsunari Matsuda | CEO, President and Representative Director |
| Toshiaki Nagasato | COO of the Pharmaceutical Segment, Member of the Board and Executive Officer |
| Bunjiro Yao | COO of the Food Segment, Member of the Board and Executive Officer |
| Jun Hishinuma | CFO, Member of the Board and Senior Managing Executive Officer |

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

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**Q-1-1-1**

You mentioned that achieving operating profit of JPY100.0 billion this fiscal year is a must. On the other hand, given the external environment, risks seem to be increasing, including the worsening situation in the Middle East. To what extent is there a risk of additional cost increases due to the situation in the Middle East? Could you explain the basis for your confidence that you can still achieve JPY100.0 billion in operating profit, even taking that into account?

**A-1-1-1**

**Hishinuma**: Assuming crude oil prices remain at around USD100 per barrel going forward, we estimate that costs could increase by up to around JPY10.0 billion per year, mainly in packaging materials and logistics expenses. In the initial stage we would cover the impact through product mix improvements and sales growth. However, if the impact reaches the JPY10.0 billion scale, we would need to consider measures such as price increases and product amount changes.

**Yao:** If the impact is within a range that we can absorb through our own efforts, we will do so. However, if we determine that the situation clearly requires us to pass on costs through price increases, we will move ahead with price pass-through. We will make that decision after monitoring the situation a little further.

**Nagasato**: In the Pharmaceutical business, the Government has said that naphtha can be supplied reliably, so at this point we do not have a strong sense of crisis. However, if naphtha truly becomes unavailable, it would affect stable supply, and prices would naturally rise due to stockpiling and other factors for packaging materials and solvents. The oil shock in 1973 created a similar situation, resulting in a review of NHI drug prices. If shortages do become serious, we believe the industry as a whole will need to take such measures.

**Q-1-1-2**

Listening to comments from other food manufacturers at their earnings briefings, some have said that costs may come first and that there is a risk they may not be able to fully cover all of those costs within the current fiscal year. If that happens, I think it would create downward pressure on the JPY100.0 billion target. Even so, by combining this with firm cost control and other measures, is achieving JPY100.0 billion still a must?

**A-1-1-2**

**Hishinuma**: Yes. I mentioned JPY10.0 billion earlier. In reality, we expect it to gradually increase toward H2, so if the situation calls for price increases in line with that, we will implement them. Since FY2022, we have implemented a considerable number of cost pass-through measures, so we believe we have developed the capability to execute them with much less of a time lag. We therefore believe we can absorb the impact effectively.

**Q-2-1**

I would like to ask you about pharmaceuticals. I understand that growth will be driven by increases in sales of blood plasma products and generics. However, the infectious disease area also has a fairly significant sales growth plan. I believe last fiscal year was somewhat challenging. Could you explain your projection for the domestic infectious disease market environment in FY2026?

**A-2-1**

**Nagasato:** The environment for infectious disease drugs in Japan has not improved much. However, we have been able to firmly maintain our share, particularly including specified critical materials. In the NHI drug price revisions this March, most of our infectious disease drugs received increases up to the ceiling, so this plan assumes that we can secure these figures without having to push volumes too aggressively.

**Q-2-2-1**

As shown on page 14, I think price increases for food products have been very successful and have contributed significantly. However, over the past one to two years, volume appears to have declined considerably across mainstay products. What is your outlook for a recovery in food product volumes this year, particularly for mainstay products? How do you plan to recover the volumes that have declined over the past two years or so?

**A-2-2-1**

**Yao**: For some mainstay products such as *Meiji Bulgaria Yogurt*, the decline in volume has started to bottom out. In addition, for consumer *Meiji Probio Yogurt R-1* products, even though there was some special demand in FY2025, volume has started to trend upward.

We have given clear instructions that we will recover the volume of products for which the prospects for recovery are very severe, by replacing them with new products or renewing them. For example, we launched a new product called *Meiji Nama no Toki*. Since it was a new product launched from the outset at a relatively high price, there was no original price to compare it against. As a result, we have been able to present the product to customers with an understanding that this is the value it offers.

Also, *Meiji Hemoglobin A1c Yogurt* are also contributing to volume growth for the overall functional yogurt business. Since we are experiencing inflation now, we intend to recover our volume by speeding up the revision and discontinuation of products and aggressively introducing new products.

**Q-2-2-2**

I think that you have a good track record in aggressively launching new products. I would like to ask about consumption environment. For example, the consumption environment in urban and rural areas is quite different. What kind of development is your company planning for the coming years based on the characteristics of such consumption?

**A-2-2-2**

**Yao**: Originally, we have a strong presence in urban areas including convenience stores.

On the other hand, many of our retail partners tend to work on a more nationwide, uniform basis.

Therefore, rather than dividing products too finely by area or others, our current plan is to offer new value on a somewhat broader basis and actively regain ground in areas where we are currently losing.

**Q-3-1-1**

I would like to ask about your approach to future price increases in the Middle East situation. Going forward, I think this will likely become increasingly necessary. At the same time, even as the consumer environment for yogurt is improving, there remains some concern that this could dampen that momentum. There is also the issue of chocolate, where prices have already risen considerably. In nutrition as well, given the competitive environment, is there really still room for price increases to be accepted? I would like to know your thoughts on this.

**A-3-1-1**

**Yao**: As you point out, we are naturally aware of the risk that a mere increase in price may encourage a decline in volume. If the volume trend is down considerably, we will replace the products with new ones, or aggressively introduce new products in areas where we are currently losing ground. We are preparing measures based on a two-pronged or even three-pronged approach.

**Q-3-1-2**

How confident are you in your initiatives including new product development?

**A-3-1-2**

**Yao:** As for *Meiji Nama no Toki*, we are using our proprietary technologies and customers have recognized that value. There is considerable potential for further development, such as new chocolate formats using this unprecedented kneading process (nama-neri) and we will apply the technology to such products. *Meiji Hemoglobin A1c Yogurt as* functional yogurt *and SAVAS BIOPRO series*, which utilizes lactobacillus, are products that are highly compatible with our strengths. We believe these are products whose value we can clearly communicate and confidently recommend. We will continue to develop in these areas while thoroughly pursuing unique value. We will continue to introduce more and more products with unique value, while keeping an eye on the volume trend. Even when the environment turns against us and we are forced into a situation where price increases become unavoidable, that way of thinking does not change.

**Q-4-1-1**

I would like to ask you about your chocolate business. First, regarding the FY2025 results, I think there was a fairly significant slowdown in Q4, what was the major factor?
Also, regarding the plan for this fiscal year, or page 15 of the supplemental materials, looking particularly at Japan, sales are expected to increase by more than 5% in H1, while H2 is almost flat. Could you explain why sales are not expected to increase in H2? How should we view this H1/H2 balance? Also, how do you expect raw materials to trend going forward? It would be helpful if you could organize your thinking on how this will impact COGS.

**A-4-1-1**

**Hishinuma:** First, regarding the point that Q4 in FY2025 appeared to slow down, one factor was that costs rose more than expected. Even when we refer to cocoa raw materials, there are various types. In particular, there is a raw material called liquor that we purchased at a high price. One factor was that our use of this raw material increased more than expected. In addition, demand for chocolate products was very strong, so we had increased production. COGS increased due to the need to secure labor, etc. Another factor was products such as *Meiji Nama no Toki*. We also implemented promotions designed to lead into FY2026. These expenses increased slightly more than expected, so when looking only at Q4, it appears as though there was a slowdown.

And for FY2026 plan, we basically do not plan to lower the price. Currently, spot cocoa bean prices have fallen again to around 2,600 pounds on the London market. However, the prices of the raw materials we actually use were already fixed by around the end of last year, so cocoa raw materials themselves will represent a cost increase YoY in H1. In H2, costs are expected to decline YoY, but we do not plan to lower prices in response to this. In terms of profit, I think H2 appears to account for a larger portion of the increase since lower profit is expected for H1. This is because raw material prices will be higher YoY in H1 but lower YoY in H2. In overseas markets, profit is expected to be flat in H1 but increase in H2 due to the effects of price increases and sales growth. As a result, higher profit is expected in H2.

As for sales, H2 appears somewhat flat, but this does not mean that we are lowering prices. These figures simply reflect the individual plans. Rather than focusing only on the sales, if you look at the profit, it reflects the factors I explained earlier, in terms of raw material cost trend.

**Q-4-1-2**

Could you share anything about how much cocoa raw material costs are assumed to decline in H2?

**A-4-1-2**

**Hishinuma**: For the overall Food segment, we currently expect the annual cost burden from cocoa to increase by around JPY1.0 billion. Roughly speaking, costs will increase by JPY3.0 billion in H1 and decrease by JPY2.0 billion in H2. This figure includes B2B as well as Chocolate business.

**Yao**: The cocoa beans market prices have declined, but in principle, we have no intention of lowering prices. However, there may be situations where we temporarily increase product volume or take similar measures, monitoring the market and competitors' situations.

**Q-4-1-3**

In this phase of declining cocoa raw material prices, what KPI do you place the greatest importance on? Is it restoring the profit margin to the level before the surge in cocoa beans prices, or is it expanding market share and volume?

**A-4-1-3**

**Yao:** Basically, it goes both ways. I am aware that chocolate prices were too cheap in the past. Even if we look at the price range in Europe and the U.S., without considering inflation and the weak yen, Japanese chocolate is still too cheap. I think it is a common perception among confectionery manufacturers that current price range is finally in line with the value they are originally offering. Therefore, we have no intention of returning prices to the previous level because raw materials prices have fallen.

However, as I mentioned earlier, this will involve market or competitive dynamics. In that context, we believe there are various temporary measures we can take to maintain current prices while retaining customer support and increasing volume.

**Q-5-1-1**

I would like to ask for some additional comments on the restructuring of non-core businesses, which you discussed on page 18. What level or what kind of criteria are being used to make decisions, and what is the time frame for the current fiscal year or the next medium-term business plan? Of course, I know you can only share a limited number of details, but is there anything you can add?

**A-5-1-1**

**Yao:** In the Food segment, our operating profit margin is slightly above 7%, but we want to raise it further. Even if a business is profitable, if it has no growth and remains stuck at low profitability, we would regard it as a non-core business.

For businesses that are not growing and whose profit margins are not improving, we will address them proactively in advance, rather than waiting until they result in impairment losses like in China, as we learned lessons from it. I cannot give you specifics on which projects and at what time, but we do have some candidate categories and businesses, which we will explain when we are ready to announce them.

**Q-5-1-2**

How much of profit improvement effect can we expect from those? The slide shows that production system optimization is expected to contribute around JPY5.0 billion. Would the impact be close to that level, or comparable to it? Should we understand that you are considering measures with a certain level of impact?

**A-5-1-2**

**Yao**: We do not think there are many opportunities for JPY5.0 billion-level improvements just lying around. However, at the very least, rather than looking only at the profit or loss of the business itself, we also consider how to reallocate the management resources it consumes to other businesses and accelerate growth there.

**Q-6-1-1**

Assuming you achieve JPY100.0 billion this fiscal year, what level of profit growth should we expect for FY2027? Could you share your thinking?

**A-6-1-1**

**Hishinuma**: We are currently planning to consider our long-term vision with 2035 as the goal, as well as the medium-term business plan that will serve as the first step toward that vision, during this H1. Toward 2035, including both organic growth in existing areas and inorganic growth, we aim to achieve average profit growth in the mid-single-digit percentage range.

**Q-6-1-2**

Compared with your aim to continue achieving mid-single-digit profit growth, should we think of FY2027 as being above that level? Including the fixed cost reductions you mentioned earlier, should we expect growth above that level, or given that you will still be in an investment phase, should we look somewhat below that level? What kind of year would it likely to be?

**A-6-1-2**

**Hishinuma**: We are currently assuming average growth of 5%, including inorganic growth. Within the 10-year vision, we expect the growth rate to be higher in the latter half.

**Q-6-1-3**

I see. I thought it might be somewhat higher in FY2027 because fixed costs will decline.

**A-6-1-3**

**Hishinuma**: Overseas currently accounts for only around 10% of the Food segment. We do not expect sudden major growth, and competition is also becoming more intense. Therefore, at this point, we are not assuming excessive profit growth. We have reflected on the fact that past medium-term business plans were built on the assumption of significant profit growth over three years, but we missed the target for consecutive periods. Therefore, we intend to take a stricter view than before on various risks and market assumptions. I hope you will understand that we are currently working out the details.

**Q-6-2-1**

Regarding the likelihood of achieving that target, I think the key will probably be how you manage cost increases stemming from the Middle East situation. Given that packaging is probably a major factor, I assume the dairy business costs seem significant. Listening to your comments, it seems that in past price increase phases, you were able to pass on costs, but the decline in volume was too large, so in the end you were not able to secure sufficient yield. As a result, profit was challenging. That is how I understand the situation. Listening to Mr. Yao's earlier response, rather than saying you are willing to let volume decline in order to secure profit, you need to work on a very difficult design for price increases: passing on costs while avoiding a decline in volume.

In that case, I understand your determination to do it, but I still have some questions about whether it is really achievable, including based on past experience. Would you now prioritize implementing price increases properly first, even if it means accepting some decline in volume, and then consider the next steps from there?

**A-6-2-1**

**Yao:** You are right that the dairy business environment is very difficult. This is because the dairy business is closely linked to agricultural policy and the management of dairy farmers. As we have a certain sense of responsibility as an industry leader, It is also important to fulfill our responsibilities to the domestic dairy production base. We hope you understand that we cannot easily reduce volumes just to secure profits.

However, we believe we have a track record of minimizing volume declines to a certain extent by offering various forms of unique value and new products. Going forward, we will work on this even more than before, while coordinating closely with relevant parties.

**Q-6-2-2**

While packaging costs are expected to rise, it would still be difficult to raise prices without an increase in milk prices. So, the message is that you will proceed together with milk price increases, correct?

**A-6-2-2**

**Yao:** Raising prices further for drinking milk and dairy products without an increase in milk prices would depend on the situation. Easy price increases have directly led to volume declines. There is the issue of excessive stocks of nonfat dry milk. This is not to say that we will not increase prices at all, but it seems not a realistic option at this point.

**Q-7-1-1**

I am looking at the cash allocation section on page 28.

First, this fiscal year’s capital expenditure amount is at an even higher level than two fiscal years ago and last fiscal year. Is this figure derived in some way by working backward, or is it based on a bottom-up calculation?

Regarding shareholder returns, I believe the total will probably exceed JPY110.0 billion if this fiscal year's dividends are included. I do not believe there was any announcement on share buybacks today. Could you explain your current view on how you will allocate cash to shareholder returns?

**A-7-1-1**

**Hishinuma**: First, regarding the increase in investment cash outflows in FY2026, in the Food segment, payments for the new plants in Hokkaido and Kanagawa will peak in FY2026 and FY2027. In the Pharmaceutical segment as well, there were investments in bulk drugs in Gifu and investments related to dual-use production. For pharmaceuticals, this fiscal year will be the peak year for payments. It reflects the fact that spending will likely peak this FY2026 for both segments. Next, regarding returns to shareholders. Under the 2026 Medium-Term Business Plan, we have explained that we will provide shareholder returns of more than JPY120.0 billion over three years, increase dividends every year, and set a total payout ratio of 50% as the minimum. We intend to keep this commitment. If you calculate it, a dividend of JPY110 alone would not bring the ratio above 50%. Therefore, we are constantly considering share buybacks while monitoring business progress and cash conditions.

**Q-7-1-2**

There have been years when you announced share buybacks at the time of full-year results, but is it correct to understand that this is not necessarily the timing for making the decision? Could you also explain whether we should understand that uncertainty, including the situation in the Middle East, is one reason why you have not made a decision at this point?

**A-7-1-2**

**Hishinuma**: The timing of financial results is certainly one possible timing, but not the only one. Today, we have mentioned that we are preparing additional structural reforms. Please understand that we are considering the right timing.

**Q-8-1-1**

Should we understand the JPY100.0 billion operating profit figure as your commitment line, even with the cost impact from the situation in the Middle East?

The other point I wanted to ask is about President Matsuda's earlier comment that the Company will incorporate external opinions to accelerate change. What kind of mindset change is taking place in your company right now? Could you explain what kinds of changes are actually taking place, what external opinions you have found useful, and what areas you believe need to change? I would appreciate your comments on this.

**A-8-1-1**

**Matsuda**: First, regarding JPY100.0 billion, you may regard it as our commitment. Of course, we have explained that we will respond to various environmental changes, but we remain committed to achieving JPY100.0 billion.

Regarding your other question on how external opinions are being reflected, I believe the Meiji Group has made significant progress over the past year in properly recognizing the current situation, addressing what needs to be reflected on, and taking firm action in response. Each of us is gradually developing a mindset of proactively pursuing structural reforms and other initiatives.

In this context of proceeding with structural reforms, in the dialogue with Japan Activation Capital, we use them as a sounding board. They provide information and perspectives that are difficult to obtain from within Meiji, and we discuss whether there are alternative approaches in light of peers' practices. Through these processes, we refine and solidify what we are trying to do.

The other point is speed. We have received this feedback multiple times. We believe the results will start to become visible soon. I would ask you to give us a little more time.

**Q-8-1-2**

Do you have any initiatives that are expected to emerge during FY2026? Are you referring to initiatives that could serve as seeds for growth? Or are you talking about cutting something?

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**A-8-1-2**

**Matsuda:** You could expect both within FY2026.

**Q-8-1-3**

I have no objection to steadily reducing low-profitability businesses, but from 2011 until around 2016 or 2017, you cut back as much as you could. I think what is happening now is that you no longer have enough growth drivers. When I think about that, I believe it is also very important to manage the business not on the assumption of cutting back, but by nurturing smaller seeds for growth.

**A-8-1-3**

**Matsuda:** Of course, we have been trying to pursue new initiatives, but they have not worked out as well as expected. However, your point is absolutely valid. We are therefore moving forward with product development and new business initiatives in areas we believe are important. Please wait a little longer.

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