

Meiji Holdings Co., Ltd. Sustainability Meeting

Part 1 Q&A

Part 2 Panel Discussion

December 14, 2021, 15:00 – 16:50 pm

Part 1 Presenters:

Kazuo Kawamura	CEO, President and Representative Director
Jun Furuta	CSO, Member of the Board and Senior Executive Officer

Part 2 Presenters:

Mariko Matsumura	Independent Outside Member of the Board
Masaya Kawata	Independent Outside Member of the Board
Michiko Kuboyama	Independent Outside Member of the Board
Koichiro Saio	Partner, CPA, KPMG AZSA Sustainability Co., Ltd.

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

Part 1

Q-1-1

Thank you for your explanation on Dairy Net Zero, the methane related part. Not only in the dairy industry, but also in the livestock industry, there is a considerable increase in interest.

I think it was page 10 that described the specific initiatives of your company. Of course, the results will come out in the future, but at this point, what percentage of methane emissions do you think can be reduced in the medium term? I would like to know if there are any important points regarding the 4 points mentioned here. Please tell us how you feel about the future prospects.

A-1-1

Kawamura: This kind of initiative has just begun worldwide, and in that sense, I think it is more accurate to say that we do not have any definite knowledge about how far it will go at this stage. However, unlike CO₂, methane is a greenhouse gas with a very short half-life. To put it bluntly, CO₂ is a greenhouse gas that will remain forever. Methane, on the other hand, is a greenhouse gas that declines in about 4 years or 5 years. Therefore, in a sense, the effect is easier to achieve than CO₂ reduction, and if we can reduce the production of methane itself, we may be able to achieve so-called Net Zero in a short time.

Rather than Meiji's initiative, this is the whole story, so I think it would be better to have the previous page out. These include feed and feeding management, waste management, fertilizer management, energy use on the farm, livestock health, and creating conditions where livestock can be raised for a long time without getting sick. All of these are actually the items to raise the dairy productivity itself.

The amount of methane per unit is very much related to the amount of solid milk production. In other words, where the average input and output is low, the methane load is relatively high.

Japanese dairy farming is very productive. In comparison, the methane load is higher in developing countries that mainly use subsistence feed, and in New Zealand, for example, where grazing-type dairy farming is practiced.

Although Japan needs to work on this issue, it is also a theme that needs to be tackled on a global scale. However, in this sense, I believe that the path to a solution is closer in regions with high productivity.

Basically, we need a lot of innovation in this feed management. For example, there is the issue of feed additives. Methane is a gas produced in the fermentation process inside the cow. The initiative to use the kind of feed additives that do not emit methane itself is now on-going.

However, the basic approach is to increase milk production per cow and raise productivity as a base, and we think we need combine this with efforts to reduce methane.

This has not yet started in Europe, and in the US, it has only just begun, but we expect to gather various knowledge in the future.

There is an international dairy industry organization called GDP, Global Dairy Platform. The GDP launched a new initiative called Dairy Net Zero this past November. Dairy means so-called dairy farming, and so, it is an initiative on how to realize Net Zero in dairy farming.

At COP26 that was held just recently, GDP appealed to the world's dairy industries to make a commitment to this initiative. We have heard that there have been overwhelming responses to this. In Japan, of course, there is a nationwide organization called J-Milk, and the individual dairy companies are all committed to participating in this kind of thing. Yes, of course, 2030 is probably going to be some turning point, but I think Net Zero itself will be achieved by 2050. I expect that by 2030 or so, we will have a much clearer picture of this direction.

Q-2-1

When I look at your company's integrated report for this fiscal year, I see that your domestic Scope 3 CO2 emissions are roughly 2.5 million tons. How much methane is in these 2.5 million tons of Scope 3? Does your company's disclosure include methane here? And what is the weight of methane that goes into Scope 3?

A-2-1

Furuta: Methane is also included in Scope 3 by converting it into CO2. Methane, or CO2 equivalent,

generated from dairy farming accounts for about 45% of this amount. Therefore, it is one of the most important raw materials in our supply chain, and I think it can be said that it accounts for a significant portion of our business.

Q-2-2-1

Basically the methane problem in the dairy sector is addressed. On the other hand, dairy products are still a very important source of nutrition for consumers, or rather, for the world, so the importance of dairy products remains basically unchanged.

While this will continue to be the case, ESG risks will continue to be pursued by the companies involved in this industry. In this context, as you said, innovation in technology is still clearly going to happen from here. However, only the risk will inevitably be reported sporadically for a while. In such a situation, what are the strategic areas that the Company would like to focus on? While there are risks here, I think it will be important for the Company to take a clear leadership in other areas, such as CO2 reduction, in terms of ESG strategies. Please let us know what you think about that.

A-2-2-1

Kawamura: I think it is difficult to say that we have yet to get down to a strategic base. However, since we have also set a goal of Net Zero in 2050, we would like to realize Net Zero including these issues in Scope 3, and we will continue to work in this direction.

However, that requires quite a variety of innovations. Especially in the field of dairy farming, we are not directly involved in the business. We have to find a way to involve dairy farmers, who are the bearers of agriculture. I think we need to strengthen how we deal with it including that.

This is just one point of view, but agriculture is actually on the side of emitting CO2 that is related to the environmental burden, and on the other hand, agriculture can also be on the side of offsetting CO2. This has not been a big topic yet, but for example, in the discussion of how to adsorb or contain CO2 in the soil, the farmland used for feed in dairy farming can be utilized. Alternatively, the grass itself also has a role to play in offsetting CO2 emissions. So, if we can make use of these areas for Net Zero, it will not be a burden on the dairy farmers. They can also see their own

opportunities, and I think that agriculture is characterized by this aspect. I do not believe that there is only risk one way or the other. Therefore, I think it is very important to institutionalize the agricultural side of things as well.

However, it is still very difficult to quantify the issue of offset emissions credits. As I mentioned earlier, we need to determine the extent to which this area will be strengthened in this trend.

Europe in particular is very enthusiastic about offset credits, so the idea of creating a product for dairy farmers has been a big topic of discussion, especially among financial institutions in Europe. As I mentioned earlier, I think that by 2030, we will be able to see a little further into the future.

Q-2-2-2

Thank you very much. It is very helpful. Scope 3 contains 45% methane from dairy farming, but this part of methane has a short half-life. Of course, this gas has a high greenhouse effect in the short term, but the way to reduce them is linked to productivity, so it may be easier to see a certain direction by 2030.

Between reducing 45% of Scope 3 and reducing the remaining 55% of CO₂, do you see methane is somehow easier to deal with?

A-2-2-2

Kawamura: It is very difficult to determine if we can say yes to that so clearly. I think CO₂ is also a very high hurdle for us as a manufacturer. The burden of logistics is unavoidable. I think that the shift to EVs for trucks and other vehicles will probably play a role here.

However, there is not much talk about trucks and EVs for transportation at this point. We are aware that the hurdles in this area are still quite high.

In addition, the issue of alternative energy supply, i.e., how much of the electricity used to run factories will be replaced by alternative energy sources, is actually a very important issue for society as a whole. This issue is no more at the level of dairy industry. However, I think that one of the problems specific to the dairy industry is methane. As a dairy manufacturer, we are committed to taking a firm stance on this issue.

Q-3-1

Thank you very much for the presentation on your company's views on greenhouse gas emission reduction efforts related to dairy farming and nutrition related to animal protein.

I am wondering if the Company can develop alternative protein products that only the Company can do with its knowledge of animal protein. Do you have any plans to increase the number of alternative protein products, including so-called plant-based proteins, in the future?

In particular, I believe that your company has expertise in processed foods and pharmaceuticals. Please tell us about your thoughts on this.

A-3-1

Kawamura: Our main business is milk and dairy products, so we have been focusing on nutritional value and product supply. For example, a number of soy protein products from the sports protein product line called SAVAS have been on the market, and we are currently working on such products. This may be a little different, but chocolate is a typical plant-based food product. Chocolate is made from a plant called cacao beans. In a way, it does not actually contain that much protein because it is very high in fats and oils. I think this oil content is a typical plant base oil. We are currently working with start-ups and venture companies to develop new technologies for cacao bean cell culture, for example.

Cacao is a plant that grow in a very limited area and only grows within a certain width of the tropics. There is basically a limit to the amount of production. Of course, even in regions where chocolate is not consumed in large quantities, such as China, ASEAN, and Africa maybe, it is said that chocolate will be eaten more for its health value and taste value. However, on the other hand, it is also true that there is a limit to production due to the fact that the farming area is limited. Therefore, we are working to see if we can increase the production of cacao itself using new technologies.

Or, for example, we are working to purify the breed of cacao. Certain breeds are currently mixed. There is a single variety of cacao that is very tasty and nutritious, but it is actually very difficult to produce it as a single seed. Inevitably, there are many different types of cacaos around, so crossbreeding occurs. We are trying to grow and cultivate cacao that has a very good taste and a

high amount of cacao polyphenols, but the amount is very limited.

If we can increase the production of such breeds using new technologies, such as cell culture, we have high hopes that we can greatly expand the utilization of cacao, or the market for cacao.

We have just started this project, but we would like to engage in such efforts, and in a sense, we would like to engage in the plant base in a way that only we can.

Q-4-1

I would like to sort out how the initiative on Dairy Net Zero will affect your company's Scope 3 or your company's performance and business. In fact, even if the advisory board does go around, is there any plan to link it to business at this point? Or is there some kind of business opportunity in the development of additives or formula feed? What can you tell me about this?

Also, at present, with Hokuren's centralized income, even if the Company proceeds with this initiative, it will not benefit the Company, but rather, it seems to raise the base level of the entire dairy industry. Is this understanding correct?

If that is the case, I felt that the discussion should be in a broader context such as the industry as a whole or the Japanese dairy administration rather than just Meiji.

A-4-1

Kawamura: At this point, we are not doing the Meiji Dairy Advisory initiative with the intention of incorporating something in our business or anything like that. Basically, we are trying to provide information to reduce the risk of environmental impact in the dairy industry.

This Meiji Dairy Advisory is not just about environmental issues or animal welfare issues, but rather about helping dairy farmers run their own businesses. In other words, as the efficiency of management increases, the cost will naturally decrease, contributing to stable production. In a larger sense, we are doing this with the understanding that it will be a positive thing from the perspective of the dairy industry. If we focus on selling our feed products, for example, it will not be welcomed. We have been providing information separating from selling our products, and it has been very well received so far. We are proactively approaching people who want to know and ask

about such things.

I think we have to take a little bit of a long view on this to see how it will lead to our business. In addition, I think you are right that such activities should basically be carried out by the government or other public organizations. The basic approaches are done by the government. For the environment and animal welfare, the Ministry of Agriculture, Forestry and Fisheries is now actively working on these issues and providing more and more information.

However, it is not enough for us to just sit back and watch, so from our standpoint, we have begun to make such efforts. This is something that the industry as a whole need to think about in order to finally solve it. As I mentioned earlier, in the end, the most important thing is for dairy farmers themselves to be aware of such issues and work on them proactively, so I think it is about how we can support them. We also have a feed company under our umbrella, so I think we can pursue this as a business opportunity.

Q-4-2

I have just heard about the idea of alternative protein. For example, from the consumer's point of view, we probably should not call them as milk substitutes, but products such as soy milk and oats milk are increasing.

The milk products of the Company occupy the large spaces of retailers. If the Company can offer something like plant-based milk, I feel that would be a potential opportunity for the Company. Please tell us a bit more about your thoughts on alternative milk, and whether there is any possibility that the Company will do this business in the future.

A-4-2

Kawamura: As for the alternative milk, I mentioned that we are not immune to the plant-based. So, we will continue to work on these. However, for example, it is not very interesting for us to simply enter into the soy milk or oats milk business that is already in the market.

I think it is important for us to have our own approach to the plant-based. Someone mentioned earlier that Meiji sticks with milk and is eliminating plant-based products, but this is not the case. If

products that sell well come in, these shelves will naturally be taken over, so we want to do our best to convey the value of milk.

I think that pursuing the plant-based products that only Meiji can provide will lead to higher added value for our company at this point.

Q-5-1

The first one is about ROESG. Are there any specific KPIs on the frontline side that will help each and every employee of your company to increase this ROESG? You mentioned earlier that if the ROESG rises, it will be linked to the compensations of the executives, but is there a system or structure that would make the employees happy if the ROESG rises? This is my first question.

A-5-1

Kawamura: To employees, we have held many long courses on what our goals are and how we are going to achieve them.

Furuta: The Meiji ROESG score itself is linked to the compensations of executives and is not linked to the respective employees. However, if you look at the composition, you will see that each workplace has its own mission, such as raising the score of ESG research institutes or the bonus points of Meiji's uniqueness and work hard toward them. In this sense, we are requesting each workplace and each individual to take these kinds of initiatives, so we can say that we have KPIs for these areas.

Therefore, although the overall score is only for executive compensation, if you break it down, it will eventually lead to the goals of each and every employee.

Q-5-2-1

The second question is about corporate governance. I understand that the composition of the Board of Directors takes diversity into consideration, but when I look at the skill matrix of the Board members, I do not see many highly skilled people in the area of global business.

I think it is a very important theme for you to expand its overseas business. Please let us know if

this monitoring function will work well as you continue to expand your overseas business in the future.

A-5-2-1

Kawamura: To be honest, the overseas market is currently 4% of our total. In that sense, I don't think that the number is too small at present. As the business grows, I think it will become more appropriate if we continue to bring in people with such knowledge into the Board of Directors. At this stage, we are making sure to appoint people who have such information and experience, especially as outside directors. In that sense, I do not see how the lack in that area at this stage will affect overseas efforts.

Therefore, we will naturally review the composition of the Board of Directors as appropriate in line with the growth of our overseas business. In the current situation, the current ratio is sufficient for discussion. In that sense, if just 1 person with appropriate skills gives appropriate suggestions and advices, even if the number in the skill matrix is not good enough, that would be sufficient, I think.

Q-5-2-2

In order for your company to achieve growth in the future, you place a lot of emphasis on overseas markets. So, in that sense, I thought it was important to think about the composition of the system with an eye to the future, rather than just saying that it is fine as it is currently just 4%.

A-5-2-2

Kawamura: Thank you very much. I think this is a very valuable opinion.

Part 2

Saio: We would now like to start the panel discussion.

As for the first topic, I would like to discuss corporate governance.

I would like to ask each of the outside directors what they think about the role of outside directors and the effectiveness of the Board of Directors.

First of all, I would like to hear from Director Matsumura, who has been in office for 4 years. Ms. Matsumura, please go ahead.

Matsumura: As for my own career, I have been a lawyer for over 30 years. As a result, I have no direct experience in management. Therefore, I believe that my important role as an Outside Director is to monitor management based on discussions at Board of Directors meetings and other information provided by the Company, rather than to provide direct advice on management itself. As a legal expert, I also consider it an important role to provide advice from the perspective of compliance and governance, system building, and misconduct issues.

Regarding the effectiveness of the Board of Directors, I feel that each Board meeting and each agenda item is carefully reviewed and discussed, and that the executive side listens and responds sincerely to the opinions of outside directors.

Questions and opinions from outside directors are never interrupted, and meetings are therefore held for quite a long time. In addition, we request individual briefings from outside directors and auditors as necessary, and they respond to such requests, so I believe that the effectiveness of the system has been ensured.

Next, regarding the sharing of information in advance, during the 3.5 years I have been in office, there have been changes in the members of the outside directors and the method of information sharing has been changed due to the spread of COVID-19. However, in recent years, explanations have been provided in advance of each Board of Directors meeting and information has been provided in response to questions from outside directors, and I feel that these have enriched the discussions at the meetings.

Kawata: It has been just about half a year since I joined the Board of Directors, so I feel very fresh and new.

As for the role of outside directors, although it overlaps with the role of the Board of Directors itself, the basic requirement is that discussions that contribute to the enhancement of corporate value from a medium- to long-term perspective be held. Or, it could be a strategic point of view, or a discussion that fits into a larger focus. Also, from the perspective of whether management resources are being allocated in an appropriate manner, I think our role is to promote decision-making and to apply the brakes. This is often referred to as both offensive and defensive governance.

Obviously, there are shareholders behind us. In this day and age, we are trying to tackle this issue from the virtual perspective of how we appear to a wider range of stakeholders.

As for the effectiveness of the Board of Directors, I believe that it is basically effective. Although we are still new to the process, we are able to enter the voting session with a thorough explanation of the agenda and other matters in advance.

The atmosphere of the Board of Directors' meeting is also conducive to frank and open discussion. From now on, I will keep trying to understand and catch up with the agenda. Also, I have to keep a perspective to make the agenda more and more important from a medium- to long-term perspective. In particular, since we are advocating sustainable management from now on, I think that the effectiveness of the Board of Directors meetings will be enhanced if we can accelerate the discussion from a higher perspective which is more suitable for this purpose.

Kuboyama: I've only been involved for about 6 months, so I'm still fresh. Regardless of our company, we still think outside directors are important to contribute to objectivity or transparency in governance.

When we aim to increase corporate value from a medium- to long-term perspective, we work together on a daily basis, recognizing the importance of these aspects so that we can provide convincing explanations to our multi-stakeholders and deepen the discussion of the essentials in the Board meetings.

With regard to the effectiveness of the Board of Directors, I have read the report on the self-evaluation conducted last year. The report showed that the system is generally functioning effectively, and that improvements have been made through various efforts since the evaluation the year before last, which is a very solid approach.

Nevertheless, in order to ensure the objectivity of the effectiveness evaluation and to reflect the needs of the times, I think it is essential to conduct a third-party evaluation to analyze and sort out the issues. I have heard that a third-party evaluation is scheduled to be conducted for the first time this fiscal year, and I am very much looking forward to it.

Saio: Thank you very much. I think Director Kawata said that he wanted to approach the Board meetings from a more strategic and broad perspective. While approaching Board meetings from that perspective, after actually participating in Board meetings for about 6 months, what do you think about the agenda and content of the discussions?

Kawata: Naturally, the discussions that must be resolved by the Board of Directors are properly raised, and I think necessary matters are raised as reports. When I ask questions, I could always get detailed answers.

Whether it is an investment project or anything else, each project is undoubtedly important. However, I think it is because I still don't have a clear picture of the whole picture, but I have received some explanations about the overall direction, the positioning in the context, and the status of each project. However, we would like to be able to discuss the meaning of each project within the narrative of the scenario from the perspective of the overall corporate value, even if it is the business value of a certain segment.

In such a case, it is necessary for us to make such a request or even a proposal. However, there is an information gap between outside directors and people inside the Company, or rather, there is a difference in the accumulation of recognition and information. This is why I hope that the discussion will proceed in a direction that makes the most of the 3-dimensional, good form of discussion.

Saio: Does Director Kuboyama have any comments on this point?

Kuboyama: It's a really generous and organized company. When I meet the employees, I really feel that way about each and every one of them.

However, there is a difference between the information that is necessary and sufficient from an internal perspective and the information that is necessary and sufficient when heard by outside directors, such as myself, who has no background or history in the field. For example, there are many internal terms used. In addition to this, we need to improve the efficiency of the process, so that outside directors can hear and get right to the point. It would be nice to see more ingenuity in that area and strengthen monitoring as well.

I think other companies have various ways of strengthening monitoring, but I believe we will need to strengthen monitoring in the sense of making the discussions in the management meetings more visible. Also, although the explanation in advance is very detailed and thorough, it would be helpful if you could explain the necessary background or the structure of the industry outside the Company, as Mr. Kawata mentioned earlier. We can get informed if we ask, but I think it was omitted for us because that information is obvious to everyone from the Company. Rather than just asking and answering those questions, I think it would be better if the discussion proceeds on the premise that there is an outside director, so that we can get into more essential points.

I think it would be a waste of time to have superficial internal and external questions and answers at Board meetings. I'm looking forward to more improvements in this area.

I am very aware of what I need to learn myself as well.

Saio: Thank you very much. I would like to ask a question to Director Matsumura. In this sense, I think it is very important for outside directors to have opportunities to share information and exchange opinions, but do you think that we, Meiji Holdings, have these kinds of opportunities?

Matsumura: At Meiji Holdings, we have a system of round-table discussions 2 to 3 times a year with outside directors, including corporate auditors, of whom there are currently 5. The number of

times we do this may have decreased by once or more because of COVID-19, but we do have been provided such opportunities, and we have frank exchanges of opinions among outside directors.

As I think you just mentioned, we have had the opportunity to ask for systematic explanations of various business backgrounds that are not fully understood at ordinary Board meetings.

Saio: In that sense, would you like to make use of the place where the effectiveness of the Board of Directors is further enhanced by making more and more use of such opportunities and receiving explanations of the background?

Matsumura: That's right. We would like to make it such a place.

Saio: Thank you very much. 1 more thing, I would like to ask Director Matsumura, about the operation of the Nomination and Compensation Committee, which you have set up on a voluntary basis.

Matsumura: As you mentioned, Meiji Holdings has established a voluntary Nomination and Compensation Committee. Until now, the committee has been chaired and led by the President of Meiji Holdings. This was amended this month to a system in which both the nomination and compensation committees are chaired by outside directors.

Even when the President was the chairman of the committee, the first meeting of the committee every year was held to discuss the election and dismissal of the President himself, and outside directors have always been the majority of the committee. I also feel that the committee had a good discussion with many outside directors expressing their frank opinions.

However, even so, I think it is difficult for outsiders to understand from a governance point of view if the committee is chaired by the President, so I believe that the revision of the rules to have the committee chaired by an outside director is a step forward in terms of governance.

I was appointed as an Outside Director in FY2018, and the leadership values were formulated the

year before, and although I was not involved in their formulation, I was briefed on their content. In addition, in FY2018, the year I took office, the Group succession plan and the succession plan development policy were established, and I was part of the discussions. The succession plan has been in operation since the following year, 2019.

It just so happened that my appointment as an Outside Director coincided with the appointment of President Kawamura of Meiji Holdings as President and President Matsuda of Meiji Co., Ltd. as President, so there has been no succession since then. I have no first-hand experience of the succession process or procedures at this time.

Since the outside directors have been replaced this year, I feel that it will be a challenge to have them provide us with concrete information in preparation for future succession and to understand the information on internal human resources regarding successors.

Saio: Thank you very much. Now, I would like to move on to the next theme, which is the 2023 Medium-Term Business Plan that was formulated this year. The only person who was present at the Board meeting at that time was Director Matsumura, so I would like to ask Ms. Matsumura again.

I would like to ask you how you view the 2023 Medium-Term Business Plan, taking into account the discussions of the Board of Directors.

Matsumura: I was involved in the formulation of the 2023 Medium-Term Business Plan. Starting with the report on the outline of the medium-term business plan in October 2020, the plan was submitted to the Board of Directors 5 times, and a wide range of opinions were expressed, and the plan was repeatedly reviewed and formulated.

Particularly, a review of the 2020 Medium-term Business Plan, which failed to achieve its numerical targets, was discussed. There, discussions were held on management issues such as reviewing the portfolios of the food and pharmaceutical segments, examining the business areas to focus on in the future, and the direction of innovation in the sense of creating value in both the food and pharmaceutical sectors.

In order to achieve sustainability that is unique to Meiji, the ROESG, which was mentioned earlier, is being discussed as something that each and every employee should work on as their own.

In addition, the Board of Directors spent a lot of time discussing and deliberating on a wide range of issues, including strengthening corporate governance, risk management for each business, DX strategies, and diversity.

As a result, I personally believe that we have been able to formulate a well-balanced medium-term plan that pays attention to a very wide range of fields.

I think what is particularly revolutionary is the theme of Meiji ROESG management, with the concept of ROESG at its core. The Meiji Group has adopted a new slogan, "Now ideas for wellness," with the goal of creating health value that is unique to Meiji.

The concept of ROESG was new and confusing to me at first, but I think it is a very good idea in the sense that it integrates profit growth and sustainability. Although there are some points that cannot be achieved through the efforts of the Meiji Group alone, I believe that this is a very ambitious goal that will contribute to the sustainability of society as a whole.

However, with regard to the simultaneous realization of corporate growth and sustainability, the issue of increasing costs for sustainability has been discussed since the formulation of the medium-term business plan, and I recognize that how to strike a balance between the 2 will be an issue for the future.

Saio: Thank you very much. Since this is an ESG Large Meeting, we would like to focus on ROESG, the simultaneous realization of profit growth and sustainability.

Director Kawata, what do you think about this simultaneous realization of profit growth and sustainability?

Kawata: I think that the direction itself is important, but if the simultaneous realization of profit growth and sustainability is a narrowly defined idea that sustainability activities themselves are directly linked to profit, then I think that is not quite right.

I think that President Kawamura is probably talking about the simultaneous realization of profit

growth and sustainability activities, not as a play on words, but from that perspective.

In order to seriously engage in sustainability activities, it is important for top management to have a strong will and to communicate that will. This is something that I have felt very strongly, and I think it is very important.

It is true that it costs a lot of money to carry out various sustainability activities, whether they are environmental or social in nature. However, in this day and age, if we don't address this issue, we are abandoning a great social responsibility, which in itself increases the risk, and the cost of leaving external diseconomies untouched will be passed on to us in the form of increased costs. By working on this, we can minimize the risk in a healthy way, and although it may be a negative world, it will contribute to profits. So, that not doing so would have a very large negative impact on profits.

In addition, thinking seriously about these issues will lead to the sowing of seeds that will generate profits through innovative ideas and new businesses. Then, it will lead to profit growth.

However, since this is not an immediate matter in terms of time frame, I think that we need to consider the balance between short-term and medium- to long-term perspectives.

What is important is that the market is naturally paying a lot of attention to the relationship between profit growth and sustainability, because what we can say qualitatively and quantitatively about how we are doing in the current or transitional situation. I think it would be good to share values with the market by disseminating qualitative and quantitative information.

In the past, the concept of corporate value itself was probably based only on external data, and how much of it was good in terms of PL, BS, and CF. However, I believe that the non-financial information is the pivotal part of sustainability management. I believe, too, that Meiji is serious about that kind of thinking.

However, this is something that Japanese society as a whole has only just begun to tackle. From now on, we will keep a close eye on this, and as outside directors, we would like to play a role in supporting the Board of Directors.

Saio: Thank you very much. Director Kuboyama, what do you think about this point?

Kuboyama: I'd like to talk about my own expectations for this, or rather, what I want it to be.

I have been working for Kao, a company enhancing ESG management for a long time. Having grown up in such an environment, I have a great deal of sympathy for this declaration and its direction.

I don't know if this is the way I would put it internally, but I feel that the social value that I expect Meiji Holdings to realize is wellbeing itself. The key words are "anti-aging" and "immunity," and I think that is where our strength is very clear, but nutrition, probiotics, confectioneries and pharmaceuticals all fit into this. This can be seen as food and pharmaceuticals, but in a larger sense, it supports wellbeing.

Safety, security, and good taste are the very essence of human happiness. It is the life of each and every one of us that we can live well every day, and it is also the vitality of our society. When you think about it in that way, it's really great. I strongly hope that you will strengthen this area and aim for a strong rotation of both corporate value and social value.

I believe that the business portfolio we have now is very advantageous for this purpose, but as we continue to refine the synergies here and each of them, we will be able to become the guardian of wellbeing. I picture such things in my mind and look forward to thinking about them.

Nowadays, a lot of co-creation through external partnerships is starting to be promoted, so I think this is a goal that cannot be achieved by 1 company. By expanding the results of co-creation here and contributing to the world with impact, we will be able to earn the respect of everyone as an indispensable company. That is my own dream and expectation to Meiji Holdings, and I would love to work with you to contribute to that.

Saio: That's exactly what "Now ideas for wellness" means.

Kuboyama: That's right.

Saio: I think it represents the Company itself, and I hope to see it progress in that way. I understand. Thank you.

Next, I would like to talk to you from the perspective of future orientation. I think ROESG itself is more of a medium- to long-term concept rather than a short-term one.

In this context, when you think about the future, what are the issues for the Meiji Group in terms of future growth? I would like to ask you about what those things are. I would like to start with Ms. Kuboyama.

Kuboyama: The synergies between food and pharmaceutical segments that I mentioned a little earlier are 1 thing, but I think the greater value is the centripetal force of the Meiji Group which grows over human resources.

Each of our operating companies is now very unique and strong, but 10 years after the integration, we should strengthen our functions as a holding company for future growth. Or organize its functions. We believe that these aspects are essential.

It's not just about compliance and risk, but also about human resource strategy and how the corporate appearance should look. Also, we need to create more and more people who can look at each company as a whole and think about what the big strategy is. In this sense, I feel that only by having the functions of Meiji Holdings, and by assigning people to those functions, and by strengthening those areas as a whole, will we be able to produce concrete results for our future vision.

Saio: Thank you very much. In this regard, Director Kawata, what do you think?

Kawata: It's a similar thing, but I think the concept of ROESG itself is correct, including its Meiji-ness.

In terms of ROE, of course, we need to constantly look at the global picture and benchmark to improve our ROE. However, we still have a solid financial structure, and I think this is the result of the efforts of the current management team and the efforts of all of us.

Therefore, in order to increase corporate value by promoting ROESG, we need to hurry up and take care of things ahead of time. In order to do this, the sound financial structure we have is 1 of

Meiji's strengths. I believe that this is the major direction and strategy for how to effectively allocate and utilize these management resources as a whole to further increase corporate value under a virtuous cycle. In this context, I think it is important to combine the aspects of ESG with those of sustainability.

I believe that each of the units in the food and pharmaceutical segments are becoming stronger in this perspective and are making various strategic proposals and suggestions.

In other words, the fact that you are strongly advocating the creation of synergies indicates that you have felt the need to do so over the past several years. Therefore, I think it is important for us to have a thorough discussion under the leadership of Meiji Holdings on how we can realize this.

Saio: What do you think of these efforts, such as Co-Creation Center, that are actually being undertaken?

Kawata: I think they are probably still doing it. I'm sure that in the process of working towards 2023, or even 2026 before that, there must have been a lot of discussion about such things.

I may be saying this because I happen to not be involved and I don't know. However, the Co-Creation Center was established a few years ago, and although the results may not be that great yet, I think that the milestone that you are trying to achieve is the right one.

I think we are now at a stage where we can do what we have been doing by bringing in human resources from both sides, do it in more businesses, and show concrete results, even if they are small successes, and then accelerate to achieve greater results..

Saio: Thank you very much. I would like to ask 1 more question to Ms. Kuboyama. We just heard the word "synergy" earlier, and in that context, it was mentioned that it is very important to strengthen the Holding Company, but is it also important to have the corporate culture of each operating company and human interaction? As an Outside Director, I would like to know if you have any suggestions on how to improve the situation in this area.

Kuboyama: I also need to go visit the sites and talk directly with the employees a little more. At the moment, I'm still hearing indirectly and reading materials, so I may not be able to see many things due to the fact I am still new.

After all, I have a completely different specialty, and I think there are many differences in corporate culture and values when it comes to manufacturing and product development. I think each business company has tacit knowledge of what they need to focus on and what they need to work on, and they have accumulated a great deal of such knowledge. So, I think this is the part I have to hold on to.

This is valuable, but if we want to take it 1 step further, I think it is important for people who don't do pharmaceuticals themselves, but who work in confectionery, to understand the perspective involved in the development of pharmaceuticals and that this is the key to the business.

Also, I think that the more people know about each unique knowledge, the more centripetal force the Company will have. Sharing the corporate culture. It doesn't have to be a monoculture, but while understanding what we are trying to achieve and what kind of people do we have, we can look at the same direction. I think there is still a lot of work to be done on such things.

Nowadays, inner communication is also being strengthened, and the inner communication magazine, amazing!, can be seen not only in print but also on the web. With those kinds of communications being more active and visible, however, it's not just about being visible, it's about being more involved, and by being involved, you can come up with ideas for work.

Or, if other businesses are having trouble with something like that, our knowledge might be useful for them, and we can share our business skills or tools with different businesses. Or I think we can share ideas omitting unrelated parts. Moreover, I think there are possibilities here and there to do so, and it would be a shame not to do so. We will be actively involved in the exchange of concrete knowledge, while staying close to the mind that each businesses have. This place probably has a lot of room to grow, and it's also a lot of fun.

It's not the time when the higher-ups come down to us with serious things and tell us how things should be. However, even if you ask young people to think more and more, in their first, second, or third year, they may look around a little and wonder how much they can stretch themselves.

However, we need to revitalize the thoughts and energetic dreams of the newcomers, so that they do not wither, and by doing so, that energy will pervade over every generation and the whole Company as well. I believe that the future vision and value of the Company, including its Holdings, will probably be supported in such areas.

Saio: Thank you very much. I would like to ask Ms. Matsumura about the challenges that Meiji faces in its future growth, also from a future-oriented perspective.

Matsumura: I would like to talk about the perspective of diversity.

Prior to Ms. Kuboyama's appointment as a director this year, I was the only woman on the Board of Directors of Meiji Holdings, and I am very concerned about the ratio of women in the Meiji Group, and I believe that I have a role to play in saying this.

The Meiji Group as a whole has set a goal of raising the ratio of women in management positions to 10% in the 2026 Vision, but at present, the ratio is still in the low 3% range, and I think it will be difficult to achieve this goal. However, even so, I would like the entire Group to make efforts to get as close to the target of 10% as possible.

Even if we are unable to achieve the numerical targets, I would like to see women appointed to management-level positions, if possible, so that the Meiji Group can express its commitment to diversity both externally and internally.

I was informed that Meiji Co., Ltd. has been working on the DIAMOND Project to increase the number of women in management positions and increase their activities. I hope that it will continue to become more and more active and spread in the future.

I would like to see the promotion of foreign nationals as well as women in terms of diversity.

As we have been talking about for a long time, the speed of our overseas expansion is accelerating. In that sense, I would like to see more in the ratio of foreign nationals among our employees, foreign nationals among our Board members, and, as stated in our corporate governance, a wide range of ages.

Saio: Thank you very much. Earlier, Ms. Kuboyama also mentioned that we should not focus on monoculture. I thought that realizing diversity is exactly what will lead to the growth of your company when you think about it from a future-oriented perspective.

Do you feel that this kind of diversity is becoming very important, Mr. Kawata?

Kawata: Yes, I totally feel that. Nowadays, people are really talking about D&I, diversity and inclusion, but if you have the same monocultural way of thinking, you will inevitably end up in an echo chamber, and you will feel comfortable at that time. We would say, "You're right, I'm right, I totally agree with you." It's a lot of fun, but it doesn't create any new value.

Diversity is not only about attributes, but is also represented by gender, or nationality. Of course, there is more to diversity than just that, but it is important to make the most of diversity, because diversity is meaningless if it remains diverse and uneven. It is the philosophy and concept that Meiji is aiming for, that everyone should move in a certain direction voluntarily, rather than forcefully and coercively from above. As we move toward our goal of "Now ideas for wellness," the Meiji brand, the Meiji identity, and our philosophy, we will see a wide variety of ideas emerge.

From this point of view, the Meiji brand project, which I've heard a lot about, has appointed many brand promotion leaders, and they hold detailed discussions and debates at each workplace. I've also heard that they suggested young people, and President Kawamura personally arranged various opportunities for the representatives to meet with top management.

I really think this is a good trick that will accelerate the good of diversity. I think they're doing a lot of other things that I don't know about, and they're trying to get ideas from younger people.

Now that we are so web-based and online, we can do whatever we want with it. Although food and medicine are completely different, I think we can freely have various discussions about them in cross-company terms.

In such a case, beyond diversity in the sense of food and pharmaceuticals, the theme must be 1 or 2 ranks higher in abstraction, because if we are talking about a practical business, we will not be able to get anywhere. We should set themes that go beyond that, and utilize diversity, including discussing each other with flexible ideas and exchanging opinions.

Also, diversity goes hand in hand with the things I mentioned earlier, and although we are all Japanese, we have different backgrounds and values. Generation is a great diversity as well. I'm sure they are working on ways to communicate as much as possible.

I believe that communication is very important to make the most of diversity in a positive direction, and to bring it to the direction of fusion or purpose. I believe that the Meiji Group has a base culture of working hard to achieve these goals, and I would like to see the Group accelerate its efforts even further by creating new mechanisms.

Saio: There is also the issue of diversity within the Company but considering the fact that the Meiji Group itself is engaged in business that is directly linked to consumers, the concept of multi-stakeholder. Ms. Kuboyama, if you have any opinions or thoughts about this, please let us know.

Kuboyama: As a consumer myself, I love chocolate, *R-1*, and I drink *SAVAS* in my milk every day, so I am a very constant user of Meiji products. There are aspects of Meiji that I can see from those eyes, and there are also things like Meiji's initiatives and visions that I have learned for the first time through various explanations at the Board of Directors meetings over the past 6 months.

As I mentioned earlier, I feel that the initiatives are very good, that they are trying to solve the problem, and that they are future oriented. However, I would like to make Meiji more attractive to the outside world, not in the sense of advertising or PR, but as a corporate entity. To make it attractive, it would be great if ordinary people could see the free and open-minded "Now ideas for wellness" that we have now, rather than window-dressing it.

Also, it's my fault that I didn't learn enough about it, but it's been 6 months since I first learned of its presence in the pharmaceutical industry.

In that sense, we need to send out more information to the outside world and gain their understanding. Then, to make sure that people understand what we are saying, we can conduct image surveys and other checks to make sure that people can see and understand what we are saying. I would like to see more of that in the future.

Saio: Thank you very much. I also thought that Meiji had done a lot of things. I think there are some areas where we are not appealing well, so I think it is very important for the Meiji Group to work on these areas while being aware of our stakeholders.

In closing, I would like to thank all of you for the discussions we have had so far, and I would be happy to hear any new opinions you may have or if there is something you may want to say. Is there anyone? Director Kawata.

Kawata: May I have your attention, then? It's not a must for me to say something, but it's my impression.

In this day and age, we are in a position where we have no choice but to take a long-term, ultra-long-term perspective on the environment. In fact, Meiji has set forth a long-term environmental vision for the year 2050. Everywhere in Japan, several companies are setting goals for 2050 and even 2030 in terms of the environment, and we are doing what we have to do to achieve them.

However, what exactly is the image of Meiji in 2050, and what do we want it to be like? I don't know if it's a backcast or a cast idea, but 2030 is closer, so it may seem a little more concrete.

At least in 2030, and even in 2050, there should be a place where we can have younger people discuss what we want Meiji to be in 2050. This is a really big future-oriented idea, and the people who support future dreams of Meiji will be able to talk with each other.

I think it would be very good if there was a mechanism to do various things across the Company, beyond the divisions. I feel that it would be good from a future-oriented point of view if we could also move forward with expectations for young people, the next generation, the generation after that, and the generation after that.

Saio: Thank you very much.

I would now like to conclude the panel discussion of outside directors of ESG Large Meeting.

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