

Meiji Holdings Co., Ltd. Sustainability Meeting

Part 1 Q&A

Part 2 Discussion, Q&A

December 9, 2022, 3:00 – 5:00 pm

Part 1 Presenter:

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CSO, Member of the Board and Senior Executive Officer

Part 2 Presenters:

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

Part 1 Q&A

Q-1-1-1

I think you mentioned something like visualization using carbon credits. You said you would like to try a form of crediting and taking profit from reduced emissions of so-called methane gas and other substances. What I would like to ask is, compared to the global market, what is the Japanese dairy industry's level of technological accumulation in areas such as methane gas reduction and CO2 emissions reduction?

It is said that production of Japanese raw milk is very efficient compared to other global dairy industries, and I think there is a possibility that the Japanese dairy industry can take the lead in ESG by utilizing such raw milk. I would be very happy if you could tell us about your thoughts on carbon credits and reduction of carbon emissions.

A-1-1-1

Furuta: First of all, in terms of production efficiency, I believe that Japan is very efficient. I believe that Japan has a long way to go in terms of controlling and reducing methane and nitrous oxide. Overseas, research and development of compound feedstuffs that suppress methane and nitrous oxide emissions is in progress, and methane emissions are actually being suppressed by eating such feedstuffs. In Japan, however, the situation is still very limited.

Therefore, I believe that further improvement and development of feedstuffs will lead to suppression of methane and nitrous oxide emissions.

In such a situation, if the cost increases, the motivation of dairy farmers will decrease, so if the GHG emission reductions are converted into credits, and if it can be purchased by other companies through emissions trading, the motivation of dairy farmers will increase. We would like to work together with dairy farmers to help them in this regard.

Q-1-1-2

As for Japan, I understood that we are still behind in that sense and are in a position to learn a lot,

including from European companies.

A-1-1-2

Furuta: Yes. We will need to make more efforts from now on. I don't think we are advanced as we could be.

Q-1-2

I think it was mentioned that you are aiming for virtually zero in 2050 with regard to Scope 3. I would like to know if your company has a roadmap to achieve zero emissions by 2050, or if it is just an effort target and not an easy goal to achieve.

A-1-2

Furuta: Scope 3 for achieving carbon neutrality in 2050 must also be reduced to practically zero, but it is challenging. I think it will be very difficult to reduce it to zero without various innovations. However, we have to work toward that.

In Scope 3, collaboration with dairy farmers is very important. That is why, as I mentioned earlier, it is important for us to approach dairy farmers, rather than simply buying raw milk.

We believe that it is necessary for us to approach all raw materials, including cacao beans, as well as dairy farmers, in the supply chain to reduce CO2 emissions and GHG emissions. We believe that such cooperation and efforts will be necessary.

Q-2-1-1

I am looking at page four of the document you gave us, which is the progress of the Meiji ROESG, and I would like to ask you a few questions here. I'm looking at the top three items: healthy life expectancy extension, protein, and influenza vaccination rates. Are there any clues as to how to correlate this score with your company's business performance or your management strategy, or perhaps an approach to causality? I know this is very difficult, but please tell us if you see this cause-and-effect relationship, and how it will affect any of the numbers.

A-2-1-1

Furuta: I think the top three are what is commonly referred to as outcome or impact.

For example, we will be discussing our output, i.e., what kind of products and services will lead to an increase in healthy life expectancy. We will formulate a new three-year medium-term business plan for 2026, and in the course of that plan, we will carefully examine and disclose this information to the public.

Q-2-1-2

I know this is a very difficult subject, but do you feel that you have found a way forward? I understood that it is still difficult to give any specific details at this point.

A-2-1-2

Furuta: We are just in the process of examining this issue, and we would like to organize and disclose this information properly next year and the year after that.

Q-2-2

The fourth item, employee engagement score, deviation B, do you see any correlation between this score and your company's sales, profit, or some other aspect of your company's performance?

A-2-2

Furuta: At this point, we have not fully analyzed the results, but I believe that an increase in the engagement score will probably be linked to business performance. We are still in the process of analyzing this and would appreciate a little more time.

Q-3-1-1

I would also like to know more about the deviation score B of the engagement score. I would appreciate it if you could tell me more specifically why this score is B, what items are low or not satisfactory.

We would be grateful if you could also tell us specifically what needs to be improved there, for example, whether it is the personnel system, or the way management treats employees. I think the wellbeing part is very important, and I wanted to know how hard your company is working on it.

A-3-1-1

Furuta: We recognize that the score of production department was still slightly worse, especially when divided between the head office and other functional departments, for example, production and sales. I believe that this was due to the working conditions where there was an impact of COVID-19.

The head office and sales staff could work from home and have a flexible work style, but the factory has a mission that requires proper production on site, and I believe this was the reason why the score of production department was a little lower.

Also, our engagement survey looks at the gap between expectations and actual satisfaction. If there is a match, it is a strength and the score is high. If there is a large gap, it is a weakness and the score is low.

I would say that the strong points are the influence on society and the level of contribution to society. In addition, the workplace is working in unison with the support of supervisors.

On the other hand, in terms of weaknesses, we are feeling a little challenged in terms of the organizational climate or workplace climate, as well as in terms of the work styles, especially the diverse work styles that are becoming more common in the pandemic, the choice of work styles, and the personnel system, including evaluation and compensation.

As for what steps we are taking, there are two. First, the Group Human Capital Committee was launched this year. The presidents and the concerned parties of each company of Meiji Group have come together to form a committee. We discuss and decide on the future direction of D&I, Health and Productivity Management, and human resource development.

Secondly, we changed our group slogan last year. We hold a workplace meeting once every two months to discuss how to successfully promote the new group slogan "Now ideas for wellness," in short, how to seriously tackle the Meiji brand.

We are holding these workplace meetings in conjunction with the sustainability program, and through this platform, we would like to improve the workplace culture, or the organizational culture. In addition, we hold a competition once a year in March. We would like to know what kind of ideas people have, both individually and in the workplace, so we hold an award for ideas to implement "Now ideas for wellness." By promoting these awards, we would like to raise the overall culture and motivation of the organization.

Lastly, as to the correlation between sales and profit, I am certain that there is a correlation, but unfortunately, we have not been able to quantify it. Therefore, we recognize that this is an issue for the future.

Q-4-1

This may be a bit similar to the previous question, but you have included an external evaluation of ESG indicators in ROESG. We would like to know the linkage between this and corporate value, or perhaps the logic behind the increase in corporate value.

A-4-1

Furuta:

We have set five survey organizations as goals. For these five survey organizations, an increase in score is still a sign of improvement in sustainability efforts. This means that they have become more sophisticated. We believe that this will ultimately lead to business performance, and that the advancement of various sustainability and ESG initiatives will lead to improved business performance and corporate value, as mentioned earlier. I believe that these efforts will lead to improved business performance and corporate value.

Part 2 Discussion

Yamashita: I'm Yamashita of the Sustainability Management Department and serving as moderator in this session.

I would now like to introduce the career history of Mr. Pedersen.

He was born in Denmark in November 1967. He has lived in Japan for about 30 years, so he is a very fluent Japanese-speaker.

He has since served in several positions, including president and representative director, and is currently the representative director of NPO NELIS since August 2020. He has also been an outside director of MARUI GROUP CO., LTD. since June 2021. And in June of 2022, he was appointed as an outside director of our company. He is also a member of the ESG Advisory Board, which has been in place since FY2021.

We would like to hear a few words from Mr. Pedersen.

Pedersen: Thank you very much. I have been involved as an outside director since June this year, but in fact I have been involved in Meiji's evolution since about five years ago, particularly in the area of sustainability and how the Company should evolve in the future, while providing a little advice and even a little intervention and watching over the evolution of the Company.

Yamashita: Thank you very much.

Mr. Kawamura, could you please comment on the background of Mr. Pedersen's appointment as an outside director of the Company?

Kawamura: As you can see from his career history, he has both a high level of knowledge of sustainability and a high level of insight into global business. He is our company's first outside director with a foreign nationality. We were looking to expand our board of directors from three to four members, and we wanted someone with different insights from our previous outside directors. In this sense, he has a very high level of knowledge about sustainability, and his insight into global

business is something that we have never seen before in our outside directors, and that is why we asked him to join our Board.

Yamashita: Thank you very much.

Mr. Pedersen, could you tell us what you think about your role as an outside director of Meiji Holdings, as well as your expectations for the Meiji Group?

Pedersen: As I mentioned, I have been working for the past five years on the Sustainability Vision, or the content of the activities, and I think there has been a considerable evolution over the past five years. I really think this is a big leap forward for this initiative.

The Meiji Group recognizes that we have reached the point where we can join the global leading group in this field. If there is anything I can do in that sense, it is not only to give my opinion as an outside director to the Board of Directors, but also to advise the Meiji Group to become one of the leading sustainability companies in the global market.

Yamashita: Thank you very much.

Now, let me get right to the first topic of today's session.

I would like to show you a slide prepared by Mr. Pedersen. Please refer to the page 23.

The diagram shows the correlation between the corporate value that a company should create and the social value. As the corporate value is shown on the horizontal axis, Mr. Pedersen states that companies are required to pursue the improvement of corporate value while simultaneously pursuing the improvement of social value and sustainability on the vertical axis, and that such trade-on responsibilities are required.

In terms of the simultaneous realization of profitable growth and sustainability activities, Mr. Pedersen, please begin with a comment on the mindset that companies should have and how they should work.

Pedersen: Thank you very much. The term "trade-on," which I coined about 14 years ago, refers

to the creation of a virtuous cycle in which, by addressing sustainability and social issues, brand value and competitiveness increase, which in turn increases sales and profit.

In the matrix earlier, many major companies, including the Meiji Group, are now trying to shift their strategy vector from the lower right box of trade-off, where corporate value is prioritized and social value is slightly undermined, to the top-right box as sustainability management.

This is not something that can be done overnight. Sometimes it's a story that takes years, and the hardest part is achieving a real trade-on. How to create a correlation with performance is the toughest part here. As I mentioned earlier, Meiji has evolved considerably over the past five years or so, and now our next challenge is how to achieve a true trade-on.

The most important point is to further strengthen this link and clarify how this will lead to strengthening the competitiveness of the Meiji Group as a whole in the global and Japanese markets, and how to make it the brand of choice on a priority basis. From this sustainability perspective or an ESG perspective, I think this is one of the most important points.

Yamashita: How about your opinion, Mr. Kawamura?

Kawamura: In order to ensure that our sustainability activities do not become a self-satisfying endeavor, we have formed an advisory board to which we invite people from outside the Company to receive opinions on our sustainability initiatives, such as evaluations and points to be improved. Peter has been a member of this Advisory Board from the very beginning and has provided us with a wide range of input. One of his ideas is the concept of trade-on that has just been brought up as a topic. I thought it was a very good way of thinking, and I still vividly remember listening to his talk, which was an eye-opening experience for me as I have been working on this sustainability activity. I think the most important thing from now on is how to accept sustainability at the management level. We have not yet achieved that. To be honest, there is a lot of uncertainty as to what kind of initiatives will lead to such a situation. However, I believe that if we consider this sustainability while setting this trade-on as our target, we will be able to see in it a sustainability initiative that is unique to Meiji.

Therefore, I think it is a wonderful idea to incorporate this trade-on perspective into sustainability activities, as Peter mentioned, and to incorporate a management perspective into sustainability. I hope that the Meiji ROESG concept, which we are currently working on, will basically be based on this trade-on approach.

Not just ROE, or not just ESG, but how to achieve that very fusion of the two. I believe that ROESG management can only be completed when both have a trade-on relationship with each other, rather than a trade-off relationship. We are still in the process of trial and error, but I would like to realize the concept of trade-on that Peter mentioned in the management of Meiji ROESG. It was a very stimulating concept.

Yamashita: Thank you very much.

As mentioned earlier, I think that one way of presenting Meiji ROESG is to trade on sustainability in management, which is a very Meiji-like approach. Please let us know what you think about this, Peter.

Pedersen: In thinking about this trade-on, we have two parts to consider in running a company: the operations part and the products and services part.

I think there has been a remarkable evolution in the operations over the past five years. In terms of carbon neutrality and procurement activities, I believe it has risen to the global level. This part is of course extremely important in the mid- to long-term to protect brand reputation, and it is a very positive factor in protecting the brand.

But I think if anything, perhaps, from the investor side, it might look like risk mitigation or risk response.

The challenge from now on is to take that trade-on approach to product services. This is very difficult. In other words, for example, a procurement rate of 42% sustainable cocoa is a great number, but when we achieve 100%, how we can link this to the competitiveness of Meiji's chocolate is the job of the management team, including myself.

This is not an easy task, but I think this is the evolution that is awaited in the next period of the Meiji

Group, in terms of what kind of story will be told and how it will be appealed, both to consumers and to investors.

In that context, in addition to operations, there is also the financial aspect, and that is where ROESG is being put forward. First, I think it is important as a corporate stance to ask the world about this kind of thing. We don't want to receive a questionnaire from some evaluation agency and make up answers, but rather, it is important that we show what our attitude is. In that sense, it is very much deserving of recognition that we have put forth ROESG.

In terms of content, as was mentioned earlier in the Q&A session, for example, how can we see the correlation between items that are typical of Meiji and our performance? I think this will probably be checked again as we move toward ROESG 2.0, and perhaps the items will be replaced. However, I would like analysts and investors to first appreciate the fact that a company is putting forth this kind of stance. I also think it is an important initiative to throw a stone into the pond.

Yamashita: Thank you very much.

I think we are entering a phase in which the effectiveness of ROESG management will be questioned.

We would like to talk more about our group's efforts, breaking it down a bit.

The first topic we would like to discuss is the realization of Meiji Unique Value for Wellness.

As shown in the page 24, the slogans of the Meiji Group are Now Ideas for Wellness and CURE, CARE, SHARE. We aim to deliver Meiji Unique Value for Wellness to all our stakeholders through these actions.

In addition, as mentioned earlier, we have also set the target of uniqueness of Meiji in the evaluation index of ROESG management, and have set how we will work toward the resolution of social issues. I believe that this is exactly the kind of scheme that we are aiming for, simultaneously realizing profitable growth and the sustainability that is unique to Meiji.

In light of these goals, we would like to talk about the specific initiatives that the Meiji Group is now pursuing, with its two domains of food and pharmaceuticals.

I would like to proceed with our efforts in the food segment. Please refer to the page 25.

One of the new initiatives we have started is the development of the Meiji version of the Nutrition Profiling System (NPS). This profiling system is the system that evaluates foods in terms of nutrition. First, I would like to ask Mr. Kawamura to give us an overview of this initiative and its objectives.

Kawamura: The Meiji Group started its business with the phrase "contribute to our nation's people through nutrition" as its slogan, way back at the time of its foundation 100 years ago. The founder of the company held this as an important business spirit. We believe that the phrase "contribute to our nation's people through nutrition" internally forms the backbone of this Group.

Therefore, we have learned from our predecessors that the founder of the Company did not just start a nutrition-related business, but that they really thought about how they could contribute to society through nutrition from the very beginning of their business. Businesses, after all, have their ups and downs, and there are good times and bad times in various businesses.

I believe that the phrase "contribute to our nation's people through nutrition" has always been a great encouragement to our efforts in such situations. I have also been in charge of nutrition-related products since I was a new employee, so I can really relate to Meiji's commitment to contributing to our nation's people through nutrition. I think the phrase is very easy to understand from an employee's perspective.

What we are trying to address now is how to redesign the phrase "contribute to our nation's people through nutrition" as it applies to today's society. As you are well aware, the issues related to nutrition are now becoming very complex in the world as a whole.

For one thing, we have a very wide range of nutrition-related issues, from undernutrition to overnutrition. In a sense, the exact opposite challenges lie ahead. In developing countries, the issue is more centered on undernutrition, and in middle to developed countries, the problem of overnutrition has led to a decline in people's health.

Another issue that has come to the forefront is that until now, nutrition has been more about providing proper nutrition to infants and young children who are still growing and developing in order to ensure their proper growth and development. Nowadays, nutritional issues are actually occurring in mature age, so to speak, even in people in their 20s and 30s. There are problems of

low nutrition and protein deficiency, and this is actually happening even in developed countries. Another major issue is the problem of the elderly. This is already becoming a very big problem in what are now considered developing countries. The health issues peculiar to the elderly have also come to the forefront. If these issues are not addressed appropriately, they can lead to serious health problems. I believe that nutritional issues are becoming more complex and diverse than ever before.

It is difficult for us to address all these issues, but within a larger framework, we need to design our nutrition initiatives so that we can address the issues of undernutrition and overnutrition, as well as nutrition issues by age group.

Yamashita: Mr. Kawamura just commented our responsibility to nutrition. Peter, what are your thoughts on this?

Pedersen: I'd like to hear a little more about this very profiling system. This is now globally called Nutrient Profiling by WHO. I think this is a theme that companies that handle food products globally can hardly avoid now. For Meiji in particular, it is still necessary to increase the ratio of overseas markets in the future. We need to go global, and in doing so, we may have to develop new areas outside of our current mainstay products.

If we did not have a backbone or a strong policy at that time, it would be a random act. First, from such a perspective, I have the impression that "contribute to our nation's people through nutrition" is a wonderful word for a framework like NPS, as a philosophy to be the heart and soul of everyone, but that is not enough. How to systematically go out to overseas markets and what approach to take is of tremendous importance.

Kawamura: I think you are right. This nutrition profiling effort is actually one of the things that we organized in the food segment as the nutrition statement when we started the current mid-term plan. How we think about the assembly of the nutritional framework that I mentioned earlier has been organized as a nutrition statement.

Regarding the NPS issue, we have decided to take this one step further and start working on this nutrition profiling initiative, and we are currently working on it internally.

Various companies are already working on this NPS initiative. Many companies in Japan have started initiatives based on this kind of thinking. There are two types of NPS initiatives: one is a company-level initiative and the other is a government administration-centered initiative. I would very much like to be involved in both.

First, we are now working on how to build a corporate version of a nutrition profiling system, especially how to organize our products. I hope that with a little more time, we will be able to present this in a slightly more organized manner.

We also participate in government-related issues, such as the efforts of the Ministry of Health, Labour and Welfare, and this is more of a labeling issue. The Ministry of Health, Labour and Welfare and the Consumer Affairs Agency are currently discussing the creation of a system that will allow consumers to select products with easy-to-understand nutritional information.

We will also be involved in this, and in addition, there will be a corporate version of the NPS. We will display as part of our own NPS, and there will also be a variety of things to show on the website and in other ways. We would like to propose a label that is easy for nutrition consumers to understand, and to organize our products in such a way.

Yamashita: Thank you.

I think that is exactly what we have just started to do. As Mr. Kawamura just mentioned, we have begun to formulate a Meiji version of the nutrition profiling system, and I believe that this will serve as a catalyst to further clarify the direction that Meiji is aiming for in nutrition.

Now I would like to continue and enter the area of pharmaceuticals.

In the pharmaceutical segment, we are working on the areas related to CURE and CARE from the CURE, CARE, SHARE slogan mentioned at the beginning.

We are working on the development and supply of vaccines as a means to contribute to solving the problem of infectious diseases, which is one of the most important social issues. We would like to talk about this initiative.

First, under the theme of realizing Meiji Unique Value for Wellness, Mr. Kawamura will comment on how to solve social issues and enhance corporate value through the development of an inactivated vaccine against COVID-19, which is currently under development, and mRNA vaccines as a new modality.

Kawamura: Another very important category of our company is the pharmaceutical category. Our pharmaceutical business is not large in scale compared to so-called large pharmaceutical companies, and in a sense, I would say that we are a medium-sized pharmaceutical company.

Therefore, it is difficult for us to respond to all kinds of medical needs and the needs for new drugs. We intend to continue to develop our business with a focus on initiatives related to the area of infectious diseases that we have been working on.

We have focused our efforts on antibacterial drugs, which cure infectious diseases.

By bringing a new company, KM Biologics, into the fold in 2018, we were able to enter the vaccine market in the infectious disease area, which is exactly what CARE is about. This means that we now have a value chain from prevention to treatment in the field of infectious diseases.

Originally, the field of pharmaceuticals was a very large field in terms of contributing to society. We would like to be a company that is firmly engaged in the value chain from prevention to treatment in the field of infectious diseases, and we will focus on such businesses.

If we look at current social issues, the issue of COVID-19, especially the domestic production of vaccines, is a major theme now. Unfortunately, domestic vaccines have not yet been approved for use in Japan. We would like to succeed in this area as soon as possible.

We are now developing a vaccine for COVID-19 using two modalities: an inactivated vaccine called KD-414 and an mRNA vaccine called a replicon vaccine, which is a completely different mRNA from the mRNA used up to now.

We had hoped to somehow get the product to the point of filing for development this year, but unfortunately, we were not able to speed up the clinical studies to that point. However, our goal for the next year is the development and application of KD-414 and the replicon vaccine. Also, we are already preparing production facilities for KD-414. We are also working on a system to produce the

replicon vaccine in Japan through a partnership with a certain company. We would like to make efforts to be a solid and trusted company in this area of infectious diseases.

Yamashita: Thank you.

Peter, could you comment on the Group's contribution to the field of infectious diseases?

Pedersen: Yes, thank you.

I have only been in management for about six months. I have two thoughts on this. Analysts and investors often ask us what the synergistic effects between food and pharmaceuticals are. From a management perspective, I don't necessarily think that we can draw a straight line, but I believe that having these two businesses is one of the Meiji Group's strengths right now.

For example, food products are currently going through a very difficult period due to soaring raw materials prices, exchange rates and energy costs. It may be just a coincidence, but I would like you to pay attention to the fact that the pharmaceutical business now contributes more to profit, as if they are complementing each other, and in this sense, very synergistic effects are being created on a large line.

The other thing is, and this is a bit of a broad perspective, but if you look at the efforts in the pharmaceutical business, it is already tremendous. To be clear, if there were more support from the government, marketization could be achieved more quickly, and I believe that Japan's bureaucratic system and structure are very much in the way of this, which cannot be handled by a single commercial enterprise alone. As Meiji, we have no choice but to keep doing what we are doing. There is tremendous value for Japan in taking on the challenge of domestically produced vaccines, preferably through more rapid licensing by the national certification bodies.

My understanding is that KD-414 has fewer adverse reactions, and of course, cost-wise, it is far better than procuring large quantities from overseas, as the money will flow back into Japan. I hope that all of you will pay attention to this issue, but I recognize that we have no choice but to work hard until we break through this barrier.

Kawamura: Just to add, we have received a support from the government. I think the rest is something we have to work on. We would like to work together with the Japanese government to develop domestically produced vaccines.

Yamashita: Thank you.

In a world facing COVID-19, there are high expectations for this vaccine on a global level. From that perspective, I think this is increasing the presence of the Meiji Group as well.

I would now like to move on to the final theme.

Page 27 shows the status of the ESG assessment of the Meiji Group, as explained by Mr. Furuta in part one. As explained in the presentation in part one, for the current year, only the FTSE results are available at this time.

However, looking at the past trends, I believe that the external evaluation of the Meiji Group's sustainability is gradually increasing.

Mr. Pedersen, as you mentioned briefly at the beginning, since your participation in the 2026 Vision Sustainability dialogue in 2017, you have seen the Meiji Group's efforts over the past several years. Once again, could you give us your assessment of the initiative?

Pedersen: Thank you very much.

I have been watching these various rating and evaluation organizations since the dawn of time. In fact, for DJSI, I have visited SAM in Switzerland where they did actual evaluations, and I have visited CDP's small office in London when it was in its infancy. It is deeply moving that they have such a huge impact. I think that means a lot.

For us, it is not just a matter of receiving a questionnaire and having to answer it, but I believe that this exchange enhances the quality of management. Although it is difficult and requires a variety of resources to be invested in this area, I believe it is necessary to take a positive view that this will result in lower medium- to long-term risk and higher overall management quality.

I really think that the Meiji Group has done a great job of handling that in recent years. In that sense, my view is that there is little to complain about in this response. Then, returning to the theme of the

very beginning, the next stage is to bring it to a real trade-on.

This cannot be done by the response to earlier mentioned ESG evaluation or rating organizations alone. They may provide the foundation for a trade-on. We also need to think about our own story and how we can tie our products together. For example, this may also be the case for Unilever and Danone. Each brand has worked on sustainability and brand strength. We have been able to successfully wrap up our brand and promote the fact that this is a growth driver. I think that this is the next stage of the Meiji Group's evolution.

Kawamura: I'm sure we have a long way to go, so I would like to hear your opinions on how we can evolve this trade-on to the next level.

We have been working on the ROESG management target since 2021, and we would like to evolve it in the next mid-term management plan, which will start in 2024. I believe that evolution is the key word when it comes to ROESG, and that evolution is exactly a trade on. I strongly believe that we must work to make our various initiatives more tied to our business and to increase the value of our business.

Earlier, we talked about sustainable cocoa, but this is not just a matter of procurement. The cost will probably go up, because of the procurement system when we achieve a procurement rate of 100% sustainable cocoa. Then, the current product system would not be able to take advantage of this sustainable cocoa. Only procurement is a matter of how to buy, and no one is opposed to buying at a particularly high price, so people will probably bring it to us.

However, I believe that the most difficult challenge in the true sustainable cocoa business is to link this to products that can add value in terms of sales as a business. In the end, I believe that when we achieve a procurement rate of 100% sustainable cocoa, the profitability of our chocolate business will have to be converted into a business that generates more value than it has so far, although I cannot say how many times more. Or I believe that we will not be able to take advantage of this sustainable cocoa.

I think the more difficult part is probably the sustainable milk. This in fact is not even recognized as a value right now. For sustainable milk, we have taken on many challenges in the past. For example,

one of the initiatives we have undertaken is pastured milk. Unfortunately, however, the customer did not recognize its value.

What we are doing now on the other hand is organic milk, and I think Meiji is probably the only company in Japan that is doing this on a commercial basis. Then, are they selling a lot? The answer is No. Unfortunately, only a fraction of the procured organic milk is being utilized as organic. This is exactly a matter of how sustainable milk initiatives can be linked to increased value, and how this can be communicated in products, product planning, and in a framework for consumers to understand the concept.

Also, I think that carbon neutrality initiatives will be an issue in the dairy field, and sustainable milk is one of these. I think the carbon neutrality issue is also meaningless unless it is converted into value for the dairy farmers. Is this something we should do directly, or should it be done with different people working together?

I don't think the sustainable milk issue will be complete as a business unless we can get to the point where reducing methane, for example, turns into income in the form of offset rights.

I don't think it is a complete business unless we can achieve a trade-on. Therefore, we have raised the banner of ROESG as the first step in our current mid-term plan, but next, we would like to evolve ROESG to lead to the evolution of our business.

Yamashita: Thank. Peter, do you have any comments about this?

Pedersen: No, I would love to hear the questions. I would like to leave some time.

Yamashita: Thank you.

Our scheduled time of 40 minutes passed in a blink of an eye. I would like to conclude the talk session at this point.

The Meiji Group is a company built on the bounty of nature, and we hope that through our business we can embody the concept of trade on, today's theme, including the discussion of raw materials. Next fiscal year is the final year of the 2023 Medium-Term Business Plan, and we will work together

as a group to achieve the target of the plan, including the initiatives we mentioned today.

It is almost past the finish time, so I will conclude today's talk session.

Thank you very much.

Part 2 Q&A

Q-1-1

I would like to ask Peter. Regarding sustainable cocoa and sustainable milk as Mr. Kawamura mentioned earlier, I have a question whether sustainability initiatives in Japan can really lead to added value or brand value, and whether they will be accepted by many consumers not just as niche products. What are your thoughts on that?

I would like to ask one more question briefly. I think the current situation is that the corporate value of the Company has not increased enough to be evaluated by the stock market. I think it is still a trade-off, not a trade-on. I would appreciate it if you could briefly tell me what you feel is the biggest challenge or the biggest issue right now, and what is needed in this regard.

A-1-1

Pedersen: The first question, whether this kind of sustainability is worthwhile in Japan, has been my concern for more than 20 years. I am also the one who brought the term LOHAS, or Lifestyles of Health and Sustainability, to Japan, and according to a survey of values and awareness, more than 30% of consumers have such a mindset, but there is no market for it. The market conditions are not set up very well.

The roles of political leadership, the media and the corporations must work in unison, but until now the vectors have been quite disparate. I think we are finally seeing the possibility of that. For example, plant-based and soy-based foods are gradually good recognition.

However, as you say, it is not yet as well as Europe at all. This cannot be done by a single company alone. We must work with society and the industry to create such a market, and we must also

educate consumers.

But what we can do is tell the story better. For example, now the rate of sustainable cocoa is 42%, but probably most consumers who buy Meiji products don't know that. Meiji is also responsible for this, and there is still room for the Meiji side to do better in telling people what it means and how it can improve the lives of children and communities, for example, in a way that captures people's hearts and minds.

So, even though the situation is difficult in Japan, I think the challenge for the future is to tell the story better where we can, and to link it to our products.

In that sense, the second question was about what the biggest challenge is, or whether it may be a trade-off in the end. This depends on how you look at it. If you look at our efforts over the last five years or so, I think we are in the midst of a direction correction of vectors in the matrix we showed earlier, rather than contributing to trade-offs.

If we did not do this, the risk would certainly increase. Funding will also be difficult to obtain. I think this was a very important initiative to build on, because it would have eliminated resilience as a brand.

However, as Mr. Kawamura mentioned earlier, we must evolve from there, and I think that there is still much to be desired in the future, not only in Japan. Stories and brand appeal regarding sustainability will be a weapon, a competitive advantage and a differentiation. I think the biggest challenge is to make that link.

Q-2-1-1

I would like to know a few things about the nutrition profiling system.

First, I understand that the government is trying to do various things, mainly through the Ministry of Health, Labour and Welfare, such as an evaluation system, like the Health Star Rating System in Australia, for example. What is the timing of the completion of these systems, and how many years do you envision?

I also think that even if your company creates this NPS, perhaps the most important key here is how to link this to management. I think you need to tie this NPS to marketing, product development

and many other areas. I am wondering where you see the challenges in doing this, and I am sure it is easy to say but very difficult to do. For example, how will things like confectioneries, which cannot be easily evaluated by the NPS, be handled?

Lastly, it is still before the introduction of the NPS, but you are taking various approaches based on nutrition, such as *TANPACT*. However, I don't think they are succeeding very well. What do you think are the necessary conditions to bring this story to the trade-on you mentioned earlier?

A-2-1-1

Kawamura: For the first question, I don't know how much the government-affiliated organizations are targeting, but they have already set up their own organizations to study the issue. Several companies have joined the initiative and it has been launched. I don't know how long it will take, but I am sure it will be done.

Secondly, we are now trying to determine how to utilize the NPS as a company. We are now considering the possibility of using the profiling system as a basis for product evaluation. We would like to develop and launch products that can receive such nutritional evaluation.

In this sense, Nestlé and Danone are already working on this corporate NPS overseas. I think that, while referring to these things, what we as a company can realize in terms of display is something that you can all imagine to some extent, and that is where we can do it right away.

In addition, I think it's important what kind of nutritional issues we adjust the profiling to.

For example, for the elderly, we should target products that are low in protein or low in nutritional content, and we should consider how the labeling should be to guide people when they choose such products. I think it is important to first clarify the nutritional issues, which will eventually lead to health issues. We would like to first follow up to see how far we can go in our company by referring to the NPS of overseas companies, especially European companies.

The third question you asked was whether the *TANPACT* project is not yielding results. We think that we are getting some good results. It depends on where you place your expectations, but we are currently working on *TANPACT* with the involvement of various companies, and we are receiving very positive feedback from distributors and others.

Therefore, I think we have achieved a great deal more in terms of communicating the Company's attitude and suchlike than in terms of product sales. In terms of sales, it certainly hasn't been an explosive hit, but such products are certainly making inroads in stores, and this is a protein-only story.

So, in a sense, we are doing this with only very simple elements, and I think we are achieving results in our own way, though this depends on where you place the axis of evaluation.

Q-2-1-2

I had high hopes that this would be a group of brands that would drive some sales for your company and become a smash hit. I think this NPS concept is going to be very important in the future, and I really hope that this will be the power that drives business performance.

A-2-1-2

Kawamura: We hope so, too. To this end, we would very much like to make our efforts as comprehensive as possible. We would like to consider not just a few things that can be done, but as comprehensive an approach as possible, and when we do this at the corporate level, we would like to consider the entire company's efforts.

Q-2-1-3

I know you will be doing more of this in the future, but what do you need to accelerate this NPS-based or rather nutrition-based strategy, to bring this to trade-on?

A-2-1-3

Kawamura: I think it comes down to what we perceive as the nutritional challenge. The *TANPACT* product is also, in a sense, a challenge for today's problem of protein deficiency and not meeting the required protein intake, especially among the elderly. This is where we are targeting in *TANPACT*.

I think it is necessary to communicate in a larger sense, not just in the form of ordinary product

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packaging, so that consumers can better understand that these people have these nutritional issues. So, this is not just about the product level, but our overall communication approach is also needed.

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