

Meiji Holdings Co., Ltd.
ESG Meeting (Part 2)
The Panel Discussion, Q&A

February 28, 2025, 4:00 – 5:00 pm

Presenters:

Shinya Kobayashi	President and CEO, Farmnote Holdings, Inc.
Mari Kogiso	Co-CEO, SDG Impact Japan
Peter David Pedersen	Independent Outside Member of the Board, Meiji Holdings Co., Ltd.
Shinji Matsuoka	CSO, Managing Executive Officer, Meiji Holdings Co., Ltd.

Facilitator:

Masashi Tanaka	General Manager of IR Dept.
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*This material has been edited to make it easier to understand some of the questions and answers.

Panel Discussion

Today's Speakers



Shinya Kobayashi
President and CEO,
Farmnote Holdings, Inc.



Mari Kogiso
Co-CEO, SDG Impact Japan
*Meiji ESG Advisory Board Member



Peter David Pedersen
Independent Outside Member of
the Board, Meiji Holdings Co., Ltd.
* Meiji ESG Advisory Board Member



Shinji Matsuoka
CSO, Managing Executive Officer,
Meiji Holdings Co., Ltd.

Tanaka: First, allow me to introduce the backgrounds of today's speakers.

The first speaker is Mr. Shinya Kobayashi, President and CEO of Farmnote Holdings, Inc. Farmnote Holdings is a leading company in dairy DX, offering solutions for dairy and livestock farming, such as cloud-based herd administration systems. Through practicing next-generation dairy farming at their own ranches, they focus on addressing social challenges through their business.

Next is Ms. Mari Kogiso, Co-CEO of SDG Impact Japan. She is involved in establishing and managing ESG engagement funds and impact funds, with extensive experience in sustainability-related finance. Leveraging her expertise from global companies and organizations, she serves as a member of the Meiji ESG Advisory Board.

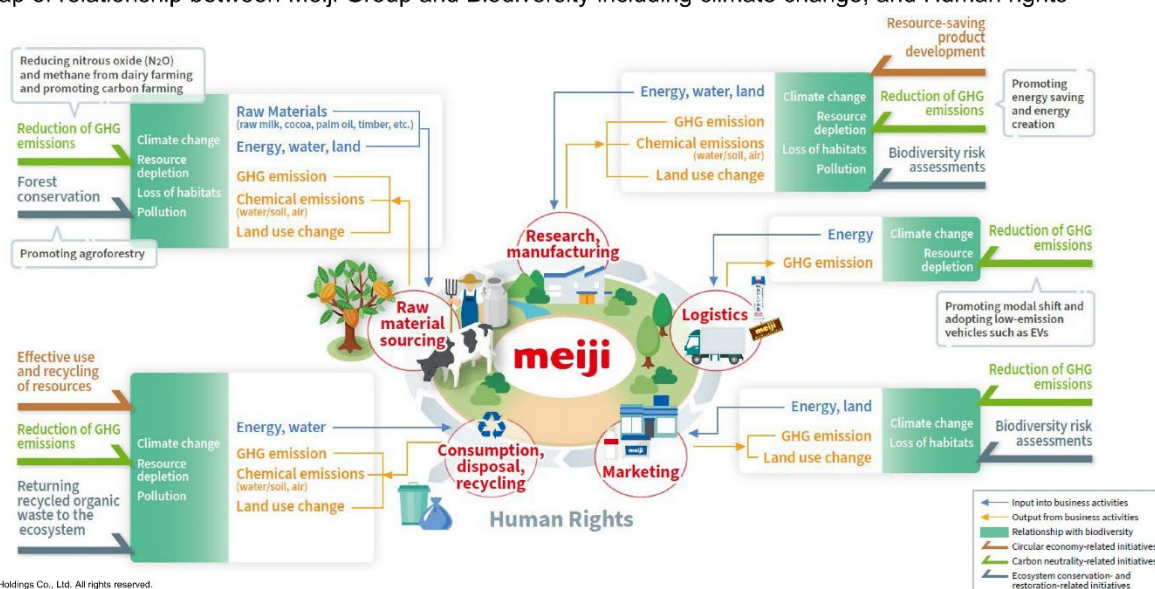
The third speaker is Mr. Peter David Pedersen, an outside director of Meiji Holdings. Since around 2000, he has been engaged in corporate sustainability administration, supporting many Japanese companies in formulating and advancing sustainability strategies. He joined the Meiji

ESG Advisory Board in 2021 and became an outside director in 2022.

Lastly, we have Mr. Matsuoka, our CSO. He has served as Head of the Sustainability Management Department since 2019 and was appointed CSO in June of last year.

1. How the Meiji Group Sees Sustainability in Dairy Farming

Map of relationship between Meiji Group and Biodiversity including climate change, and Human rights

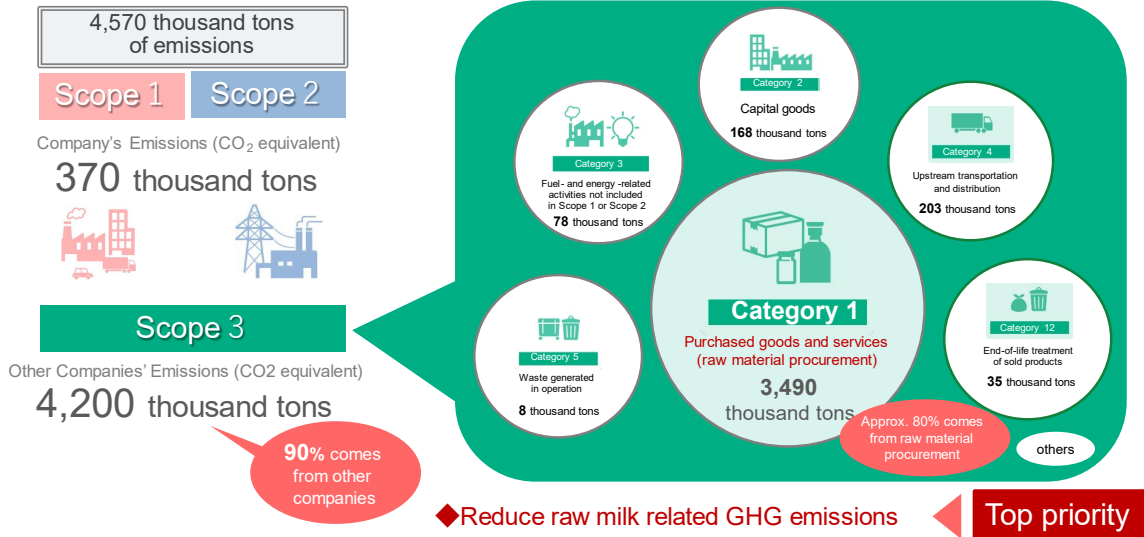


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Tanaka: Here's our first theme. This slide illustrates a map of the relationship between the Meiji Group and biodiversity, including climate change and human rights.

In our 2026 Medium-Term Business Plan, we identified 12 materialities, with climate change positioned as the most critical environmental materiality. How does the Meiji Group view the challenges of addressing climate change?

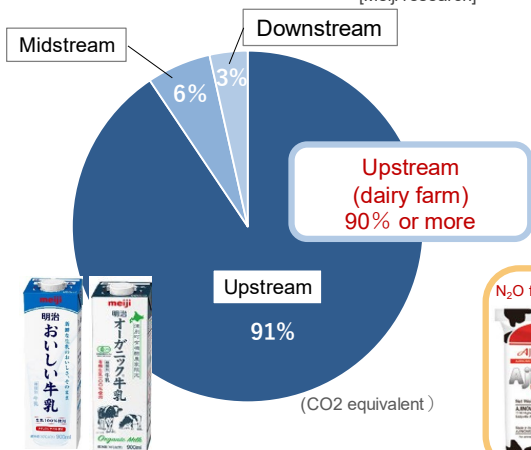
Meiji Group GHG Emissions Breakdown (Japan)



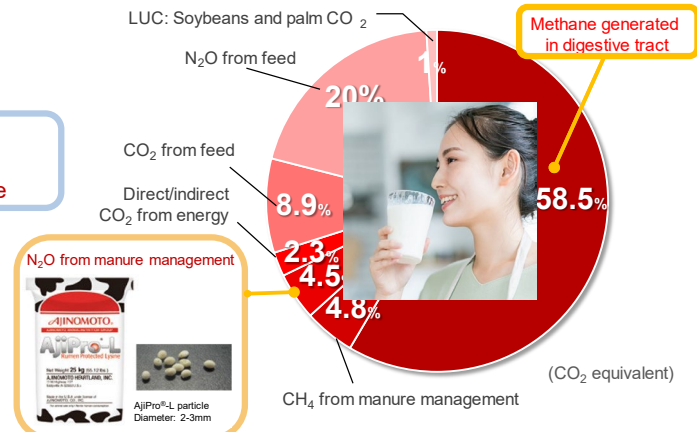
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GHG Emissions in Drinking Milk

Carbon footprint related to drinking milk [Meiji research]



Breakdown of GHG emissions related to dairy farm



Source: Food and Agriculture Organization of the United Nations/Global Dairy Platform "Climate Change and the Global Dairy Cattle Sector: The role of the dairy sector in a low-carbon future" (2018)
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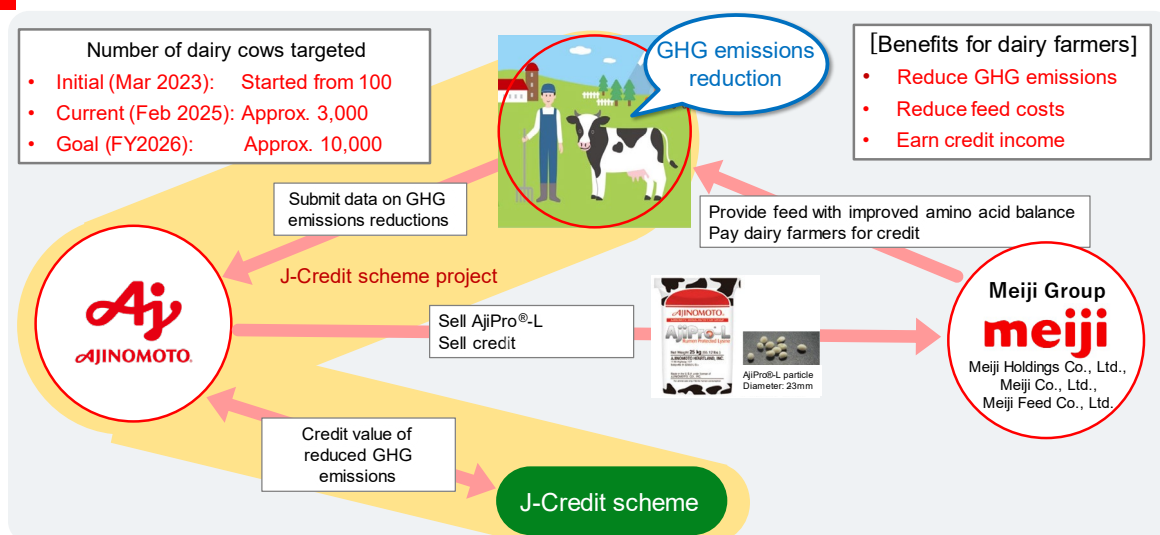
Matsuoka: The Meiji Group's GHG emissions in Japan amount to 4,570 thousand tons in total. Out of these, emissions from outside our operations, known as Scope 3, account for 90% of the total. Within Scope 3, Category 1, which is emissions from raw materials, makes up about 80%.

Regarding the carbon footprint of drinking milk, about 90% of GHG emissions occur upstream in the supply chain, specifically in dairy farming. Furthermore, Methane produced within digestive system, cow burps, accounts for nearly 60%, while nitrous oxide from feces and urine makes up 5%. Thus, I believe reducing GHG emissions in the dairy farming field is the top priority for the Meiji Group.

Pedersen: In Japan, dairy farming faces a crisis while also needing to tackle climate change. This requires a new approach to farming that considers farmers' productivity and economy. Achieving both simultaneously is a tough challenge, but I think the Meiji Group is well-positioned to address this. I have high hopes that Meiji can achieve this, and I feel there's great potential.

Tanaka: Could you introduce our current efforts and progress related to climate change?

Develop Business Model in Collaboration with Ajinomoto Co., Inc.



Matsuoka: This is our collaboration with Ajinomoto Co., Inc, which we have explained in the past. This initiative involves 3,000 dairy cows. We aim to expand this business model to more farmers, targeting over 10,000 cows by FY2026.

Reduce GHG emissions by means of Cow Burp Methan-reducing Feed Additive, **Bovaer®**

In May 2024, concluded MOU with dsm-firmenich AG, to reduce GHGs through use of **Bovaer®**

dsm-firmenich ●●●



Approx. **30%** cow burp methane emissions can be reduced, enabled by a 1/4 teaspoon of **Bovaer®** per cow per day



Approved as feed additive for dairy and beef cattle in **67 countries**

Over **200 thousand** cattle fed WW

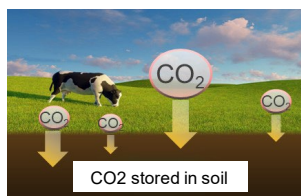
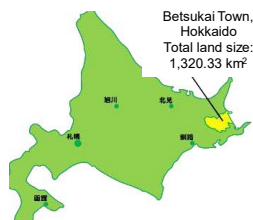
Approx. **250 thousand tons** of cow burp methane emissions reduced

*In Japan, approved for use in Nov 2024

Next, about burp methane. There's a feed solution called **Bovaer** for reducing it, developed by dsm-firmenich AG. Adding **Bovaer** to cow feed cuts burp methane by approximately 30%. It's not yet used in Japan, but globally, it's been provided to over 200 thousand cattle, reducing about 250 thousand tons of burp methane.

In Japan, it was approved as a feed additive in November last year. The Meiji Group plans to gradually expand its use in Japan and aims to turn the GHG reductions from **Bovaer** into credits.

Carbon Farming: Initiatives to Improve soil quality



Focus on soil (pastures) and redefine value of dairy farming as circular farming

Carbon Farming

Method of farming that aims to capture free-floating CO₂ in soil to improve farmland soil quality and reduce GHG emissions



- Sep 2023~ Started measurement of CO₂ storage in pastureland at 9 sites mainly in Betsukai town, Hokkaido
- From 2024~ Manage cover crops and compost to study changes in CO₂ storage
- Mid- to Long-term: Utilize communication and image analysis technology and sensing technology; build up optimal harvesting system for self-supplied feed & establish carbon crediting for CO₂ reduction, etc

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I would like to explain our carbon farming efforts. In August 2023, we established the Doto Carbon Farming Study Group with farmers in Betsukai Town, Hokkaido, and the Eastern Hokkaido Sustainable Agriculture Promotion Organization.

This group focuses on no-till farming and cover crops to improve soil health and increase soil carbon storage, with the aim of demonstrating carbon farming. It aligns with the concept of regenerative agriculture, which has been gaining attention recently.

In FY2023, we measured current carbon storage at nine pasture sites in Betsukai Town. In FY2024, we're verifying how cover crops and fertilizer administration affect carbon storage changes.

In the mid-to-long term, we plan to use communication image analysis and sensing technologies for efficient self-sufficient feed production and to credit GHG reductions.

Tanaka: Ms. Kogiso, these topics we touched upon likely come up in the Meiji Advisory Board. Could you share your thoughts or insights?

Kogiso: First, as a member of the Meiji Advisory Board, I would like to comment on it.

In the Meiji Advisory Board, we have lively discussions with CEO and others. The ESG efforts and management's passion permeate the entire company. It's educational and inspiring for me to participate.

In the meeting, the topic does not end only with reporting progress of ESG activity, but goes further into how to integrate ESG into the core of strategy. Beyond risk reduction, in terms of increasing the Group's corporate value, how to turn ESG into value creation is a serious discussion point.

As mentioned today, through these discussions, we've been discussing on actively utilizing credit mechanisms and carbon farming, in comparison to conventional farming methods using fertilizers.

Of course there are some hurdles, but many exciting efforts to leverage them economically have emerged since last year, and I look forward to their progress.

Tanaka: Mr. Pedersen, regenerative agriculture is your field of expertise. Could you share your thoughts on how to advance it?

Pedersen: Not just Japanese agriculture, but global agriculture faces a crisis. Soil degradation threatens food production, and regenerative agriculture has become a global trend.

In dairy industry, *regenerative dairy farming* is now a major keyword. Japan faces aging farmers, closures, and deficits, and manufacturers struggle to make profit. I feel like we're facing an overwhelmingly multifaceted crisis.

I have been involved in Meiji Holdings' management for three years, and I would urge investors to analyze deeply how a company contributes to sustainable agriculture beyond profits. I would ask investors to evaluate these efforts positively.

I would love to hear Mr. Kobayashi's take. Against Japan's multifaceted dairy crisis, what measures are needed, including from companies like Meiji?

Kobayashi: We support dairy farmers' DX and run our own dairy operations, so I'll speak from

both perspectives.

A key dairy industry issue is the ongoing decline in farmers. Compared to advanced dairy nations like the US and Israel, Japan's per-cow production is 2/3, and this low productivity undermines farmers' economic viability, leading to exits. That's the current state I see.

Conversely, there's significant room for productivity improvement in Japan. If other countries can do it, adapting the methods they use to Japan could boost productivity. I believe this, and Farmnote supports it through DX.

To raise productivity, reviewing agriculture, which is the raw material foundation, can improve the entire supply chain.

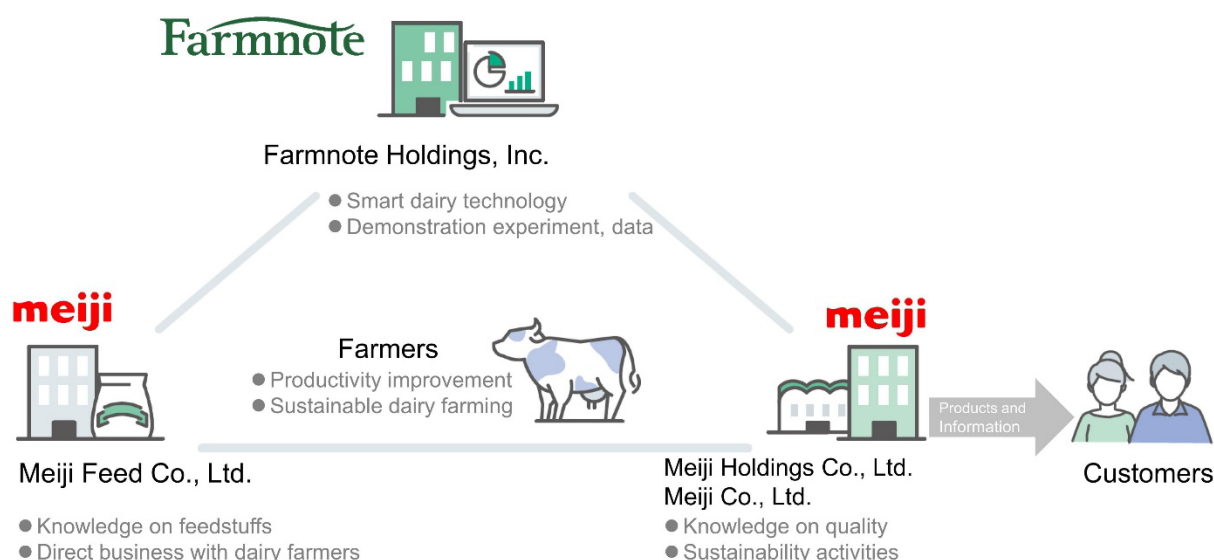
Currently, there's a gap between dairy manufacturers and farmers. Farmers finish by milking, and manufacturers finish by procuring standard-quality raw milk. Farmers focus only on quality standards to sustain production. That's the reality.

As Mr. Pedersen noted, farmers need to understand the importance of regenerative agriculture. Manufacturers must grasp farmers' realities and consider what the entire supply chain needs to do.

The Meiji Group's investment and collaboration with us are reassuring. Initiatives like *Meiji Dairy Advisory (MDA)*, directly supporting farmers, getting closer to them, which we farmers find encouraging and great for co-creating the industry. The next step is discussing how to accelerate this.

Tanaka: Thank you. IR still sees challenges here in terms of information disclosure and communication efforts. We'll consider activities to convey this importance to farmers, not just investors.

2. Collaboration between Farmnote and the Meiji Group



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Tanaka: Moving on, the next slide briefly covers our collaboration with Farmnote. Mr. Kobayashi, could you explain how you view current environmental challenges?

Kobayashi: Yes. Our company started in software development, and by running our own ranch, we verify how DX contributes to productivity step-by-step. At the same time, we aim to make our ranch a model for sustainable dairy farming through various efforts.

In digitalization, we visualize ranch administration and monitor cows via sensors to optimize high-productivity of cows.

Managing about 1,500 cows, we achieve 1.3 times Japan’s average productivity. We want to share this know-how with farmers to boost their productivity.

Fundamentally, Japan’s limited land restricts feed and crop production. I believe the core of Japanese agriculture should be maximizing production with minimal resources. Valuing resources is a prerequisite for dairy operations.

Regarding the model case of sustainable dairy farming at our own ranch, we attach sensors to measure cow burps, observing what actions will reduce them while carrying out production. High-milk-yield cows produce more methane per head, but research shows methane per kilogram of milk decreases relatively.

So, raising productivity directly reduces GHG emissions. It's not about raising productivity for sustainability, and raising productivity inherently enhances sustainability.

Regarding *Bovaer*, research suggests it maintains production while improving milk components. If milk protein or fat increases, enhancing milk quality, it could boost farmers' revenue.

Rather than doing something just for sustainability, focusing on basic dairy administration, or balancing cow and human benefits across the industry, naturally raises sustainability. That's our ranch's real experience.

Treating cows well drives productivity, which is sustainability itself, leading to animal welfare.

Changing farmer mindsets directly ties to the sustainability of manufacturers' supply chains. We feel this as farmers too.

Tanaka: Thank you. Mr. Matsuoka, what are your thoughts on this?

Matsuoka: Raising productivity leads to GHG emission reductions. How to increase per-cow productivity is a future challenge we need to consider. I agree completely.

Tanaka: Why is overseas production higher, in countries such as the U.S.? Are there some factors?

Kobayashi: From our perspective, cow productivity is heavily influenced by two factors, the cow's genetic traits and the operations to maximize that genetic potential.

In Japan, many small-scale farmers handle milking, feeding, treatment, and breeding alone, requiring high skill levels. If support systems improve, productivity would surely rise in Japan.

Another factor is genetic potential. For example, the prefectures are getting hotter and hotter, so Japan's unique breeding improvements, like developing heat-resistant cows for hotter regions, can enhance productivity.

Both breeding improvements and operations aren't yet optimized for Japanese dairy farming. There's potential for manufacturers, cooperatives, and firms like us to contribute.

Tanaka: Mr. Matsuoka, could you explain the current collaboration with Farmnote and the background behind it?

Matsuoka: Farmnote's goal is to contribute to a sustainable, prosperous planet through technological innovation. We view the idea that advanced technology is essential for tackling dairy's social challenges.

Meanwhile, The Meiji Group Sustainability 2026 Vision sets sustainable procurement as a common theme, including realizing sustainable dairy farming. We're advancing sustainable farm management and GHG emission reductions.

To push these efforts, combining Farmnote's advanced technology with Meiji's expertise and assets complements and strengthens us, enhancing our ability to solve social challenges through this collaboration.

Tanaka: That's why Meiji invested into Farmnote, but Mr. Kobayashi, what do you expect from the Meiji Group?

Kobayashi: I kept wondering if just making raw milk was enough. We didn't know how it's productized and supplied to the market and saw only part of the value chain. Could this really achieve sustainable dairy farming? Collaborating with the Meiji Group let us understand the full value chain, redefine our role, and learn what to do. That's how it started.

We especially expect the Meiji Group to move forward with productivity improvement as a main theme. Advancing productivity as a theme could enhance sustainability, which is our hope.

We hold data on 10% of Japan's cows, which is a significant big data set. Together with generative AI as an opportunity, we're planning to apply it at our ranch.

We would love to work with the Meiji Group on a next-generation dairy farming model, blending AI, digitalization, and sustainability efforts like *Bovaer*. That's our expectation.

Tanaka: Ms. Kogiso, could you comment on this collaboration between them?

Kogiso: As Mr. Kobayashi said, this collaboration transforms the value chain. The Meiji Group's involvement brings a consumer perspective on products, plus community connections and technology. I am very much looking forward to seeing what kind of value will be created in the value chain through this kind of collaboration.

In both dairy farming and agriculture, what deeply concerns us is sustainability, especially population wise. Aging workers and declining numbers are concerns even as consumers.

Expanding this value chain links dairy farmers, manufacturers and consumers to understand and support each other. That's critical for a sustainable world.

I would like you to actively share these efforts, as I believe the more people you involve, the greater the economic impact and significance in various ways. I have high expectations for value chain transformation through such initiatives.

Pedersen: Japan's dairy fails to meet necessary demand. Imports near 40%, closures rise, and over 40% of farmers run deficits. It's not an exaggeration to call the industry collapsing.

This is my personal opinion, the government should act. At the same time, the private sector must lead in Japan. Meiji should amplify its current path, partnering with innovative players like Farmnote to push forward.

In regenerative agriculture, Meiji and Suntory Holdings Limited lead the Japan Food & Agriculture Summit, a new effort.

We should compete where competition is necessary and collaborate in non-competitive areas, transforming systems to smarten agriculture, boosting productivity, and achieving sustainability simultaneously.

Going forward, Meiji should boldly, courageously set a grand vision and lead the charge. Eventually, the government will follow, in my view. That's my expectation.

3. How should we get involved in Dairy Farming?



- Support sustainable dairy farm management by focusing on human resource management on dairy farms
- Expert team from the Meiji Group discuss what the farm should be (philosophy and goals) with an owner of a dairy farm.
The team also provides an opportunity for farm staff to discuss what is necessary to achieve the goals and how to achieve them
- Each farm is the main player.
In order to realize sustainable dairy management, we aim to establish a *KAIZEN culture* in which farmers habitually make improvements, and to create a system that enables dairy farmers to run on their own

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■ Examples of MDA activities

- Kickoff meeting for managers to inform employees of new year's targets
- Foreign Intern study group to help foreign employees acquire necessary skills
- On-site improvement activities with dairy farmers to check health condition and feeding behavior of dairy cows



● Launch of Meiji Dairy Advisory COMMUNITY



Tanaka: Let's move to the next theme. How should Meiji engage with dairy farming? Overseas, some manage ranches themselves in vertical integration, but in Japan, dairy farming and the dairy industry have long worked in tandem like two wheels.

For the Meiji Group, beyond environmental aspects, how should we engage with dairy farming for sustainable raw milk procurement? We've long run *MDA*, or *Meiji Dairy Advisory*. Mr. Matsuoka, could you explain this activity?

Matsuoka: As Mr. Pedersen noted, raw milk production and farmer numbers have declined for years. With many in deficit, we fear we can't deliver high-quality drinking milk and dairy products to consumers. This crisis spurred *MDA*, launched in 2018, to support farmer management.

MDA focuses on human resource administration in farm operations, improving tasks and administration techniques to foster growth for those in dairy. We're working with 54 farmers now.

Specifically, we aim to create workplaces where dairy workers feel motivated, cutting waste to streamline tasks and ease burdens. We're shaping the ideal farm vision alongside farmers and their teams.

Tanaka: I would like to ask Mr. Kobayashi. What do you expect from Meiji in this regard?

Kobayashi: Dairy is labor-intensive, so farmers easily isolate. Therefore, the people farmers interact with daily are largely limited to vendors and staff. I believe it's very important to spread know-how about how such efforts can improve things.

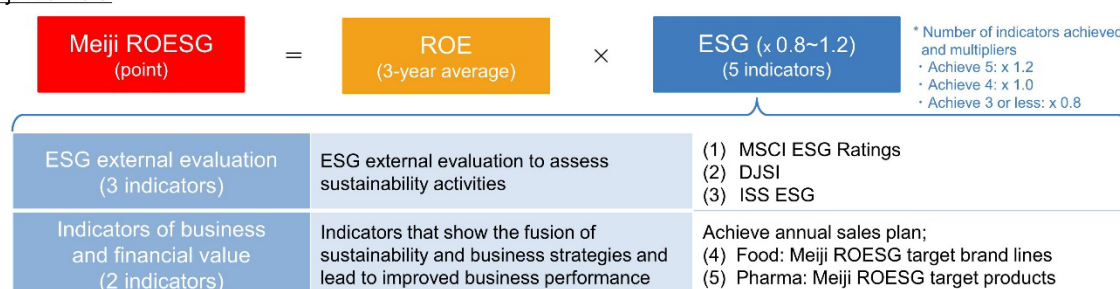
The more advisors there are to identify problems and suggest improvements, the more dairy operations can be directly elevated.

I hope the Meiji Group will accelerate the efforts to support dairy farmers with strong leadership. We would like to join, blending in to speed up our own progress too.

Pedersen: Piloting with 54 households is fantastic. We need sustainability that benefits farmers going forward. If it becomes a new model, people will naturally gravitate to it. Sustainability without economic viability isn't possible. Finding that sweet spot, as we say in English, is doable.

4. Linking Non-financial and Financial Value to Enhance Corporate Value

Meiji ROESG



Key strategies

1. Invest management resources into growth business

- Strengthen and expand overseas and B to B businesses of food segment, and pharmaceutical businesses as growth drivers

2. Keep and improve stable cash flow

- Enhance competitive advantage by pursuing added value
- Review business portfolio and improve capital efficiency

The fusion of sustainability and business strategies (*Trade-on*)

3. Promote human resources strategy linked to management strategy

Tanaka: The final slide shows ROESG, linking to financial value and enhancing corporate value. We've so far discussed various points, but ultimately, it's about financial value.

I would like your ideas or thoughts on this. Mr. Kobayashi, first, please.

Kobayashi: From a farmer's view, in the cycle of milking cows and shipping it out daily, figuring out how to differentiate the raw milk itself is, as expected, quite difficult to conceive.

For farmers to add value, increasing production is about the only option. Conversely, if manufacturers can specify what raw milk is needed and where opportunities lie, farmers can adapt and think creatively.

Consumer needs likely spark manufacturers' ideas, but co-thinking raw material innovations could boost added value.

Kogiso: I was struck by how proper care raises production and cuts GHG emissions. Ultimately, getting consumers to understand and reward the value of low GHG emissions and strong animal welfare in some way, and building such a mechanism, is something I believe must be done at the national level, industry level, and individual level alike.

Also, what stood out in today's discussion was how sustainability activities enhance corporate value, which I think isn't very visible to investors. Visualizing and sharing that more would be crucial for corporate value efforts.

Pedersen: Two quick points. First, over the past seven to eight years, the Meiji Group's sustainability administration has evolved significantly. Ranking top in Japan and 10th globally in the Access to Nutrition Index, as noted in part one of our presentation today, is impressive. Now, as a truly global firm, I would love Meiji to aim for the top five in sustainability with ambition.

Second, a request to investors. The Meiji Group's ESG efforts these past few years are top-notch, but market valuation is low. It needs to recognize companies that operate soundly, striving to balance economics and sustainability. Otherwise, society won't become sustainable.

I would like the market to focus not only on high profitability, growth, and return on sales, but also to evaluate companies that contribute to sustainability with sound practices and leadership, including their stock prices. I truly hope the market considers this.

Matsuoka: Adding value is a critical theme. We're solving social issues and creating social value, but weaving that into product concepts is our next challenge.

As an idea, we think low-carbon drinking milk, animal welfare drinking milk, or milk from regenerative pasture. For these to become economic value, they must be valuable to customers. Otherwise, it won't work.

Currently, animal welfare or environmental care isn't seen as added value by customers. That's the reality. How we change that is what we must tackle. We must clearly convey our farm-level social efforts to customers.

For that, having a compelling story is crucial. We need to clearly communicate what social issues are, how Meiji addresses them, and what benefits they bring to customers. If customers understand and empathize with how we turn this into value for them, it becomes added value.

It's easy to say but a big challenge ahead. This can balance environmental efforts and economics, so we'd appreciate ongoing advice as we move forward. Thank you.

Tanaka: Not just by products, but these efforts will lead to the Meiji Group's corporate value, resulting in making us chosen in various places. This is key, I realize.

Q&A

Q-1-1

I have one question for Mr. Pedersen.

We also recognize that Meiji's sustainability activities has undergone major changes in recent years.

Mr. Pedersen is an outside director and Member of the Board. I believe you work alongside internal directors to enhance stock prices and corporate value.

How do you reflect the voices of the market, including the stock market, in board meetings? What activities are you engaged in, and what challenges do you perceive? Could you also tell us about your role in the board meetings?

A-1-1

Pedersen: While I am an outside director, I feel my activities go beyond the traditional role of an outside director.

Sustainability frequently comes up as a topic in board meetings, and I consistently push sustainability. How to truly fuse sustainability and business strategies remains a central theme, and I think I've been able to contribute somewhat there.

Beyond that, leveraging my expertise in sustainability, I participate in the ESG Advisory Board. Additionally, at the Japan Food & Agriculture Summit, Meiji takes leadership in guiding the industry toward regenerative agriculture and upcycling. These efforts extend a bit beyond the field of an outside director, and I believe this is where I can contribute.

Q-1-2

We aim to conduct thorough corporate evaluations. But when, for instance, we've seen significant impairment losses in AustAsia Investment Holdings Pte LTD., while we highly value

your sincere efforts to address social issues, it is challenging corporate evaluation-wise . In that regard, if you could clarify what goals you see and what risks you're willing to take, it would make it easier for us to evaluate Meiji more precisely.

While Japan's dairy industry is currently struggling, if there's a clear goal for the future, I believe global interest in dairy companies would further increase. Even dairy companies in Europe are facing difficulties, and this seems to be a major hurdle that the stock market struggles to overcome. How do you view this?

A-1-2

Pedersen: Right. In that sense, Meiji has made significant strides in sustainability over the past seven to eight years. Going forward, by exercising leadership, through communication with consumers and other stakeholders, Meiji can become a standout, highly valuable company from its own perspective. There's still much Meiji can do in this regard.

Q-2-1

I strongly resonate with the idea that working alone has little impact. I believe Meiji and other companies and industry all together should collaborate, actively act and communicate.

Given the current situation companies are reflecting rising raw milk prices to product prices, I strongly feel that we've reached a phase where, beyond just ESG efforts, the dairy industry should collaborate closely in other areas too, reducing costs and, as a result, defining the ideal future state for the industry.

Despite reaching this phase, why hasn't collaboration progressed? What do you think the bottlenecks are?

A-2-1

Matsuoka: As the person in charge of sustainability, I'll respond from that perspective. It's true that solving social issues is difficult for a single company. And I perceive other peer companies share this awareness.

In fact, every three months, we hold a meeting with group leaders and above, including board members, from each company's sustainability departments. It's an information-sharing forum

where we discuss sustainability-related challenges. For issues that the three companies can address together, we've been collaborating.

Though this might differ slightly from the intent of your question, in a sense, collaboration in non-competitive fields has made considerable progress.

Pedersen: That's true. We must work together with a bigger dream and vision. Meiji has to more boldly exercise leadership. I would like to hear Mr. Kobayashi's opinion on this too.

Kobayashi: I agree with Mr. Pedersen's opinion. From my on-the-ground perspective, we are beginning to see what to do; if we do certain things, productivity will rise and improvement will be made. Thus, if Meiji, the industry's largest player, takes strong leadership, the industry will improve.

Q-2-2

I genuinely hope you'll demonstrate strong leadership. I would love to see solid collaboration among dairy companies, not just in sustainability's non-competitive fields but across broader areas with robust negotiations. Please consider this.

A-2-2

Matsuoka: In our aforementioned dairy-industry meetings with other companies, we're not only addressing non-competitive fields but also considering impacts on competitive areas. As we aim to fuse sustainability with business strategies, there will be points where the sustainability side needs to speak to the business side. From this perspective as well, Meiji aims to exercise strong leadership.

Q-3-1

I would like to ask some questions to President and CEO Kobayashi. Is Farmnote's dairy division currently generating solid profits? I am aware the dairy farming industry as a whole is in the red, but in spite of that situation, is your company profitable enough to expand and reproduce?

If so, by adopting your methods and increasing production by 30%, could most dairy farmers turn profitable and sustain themselves at current raw milk prices?

A-3-1

Kobayashi: Our ranch business is profitable and has reached a level to expand and reproduce. From my position, I can't comment on how raw milk prices might be affected. However, in our operations management business, where we fully manage ranches, we increased one farm's net sales by 1.5 times between January and October 2023. This suggests that by doing the right things properly, profitability is achievable.

The next challenge is how to scale this. Digitalization alone won't boost productivity. Daily operations need to run reliably. High productivity comes from consistent operations.

The challenge lies in training people to handle these operations. I believe it's possible, but how to expand it remains a future task.

Q-3-2

Even if productivity rises by 30%, Japan's current tariff situation could lead to excess drinking milk. In that case, wouldn't another round of consolidation among dairy farmers be necessary?

A-3-2

Kobayashi: This is my personal opinion, but I see the reduction in the number of farms as irreversible. Large-scale operations are indeed growing. 10 years ago, the average herd size per farm was 77, but last year it was 110.

At Farmnote, we think that if production rises by 30%, we could alternatively reduce herds by 30%. In a country with limited land, effectively using precious resources might mean adjusting production to match those resources.

We're production-side players, so we don't fully grasp whether current raw milk production meets demand. However, preparing for any scenarios including increased production and herd reduction, raising productivity is something we consider essential.

Q-3-3

Reducing production, cutting herd sizes, and triggering consolidation among farmers might be necessary since consumption won't grow by 30%. How prepared are you for this?

A-3-3

Kobayashi: Rather than focusing on whether the number of farmers decreases, I prioritize how much production we can increase per cow.

The reduction in farm numbers is a result, not the goal. There's still room for us, as supporters of dairy farmers, to improve our capabilities and boost production within the current environment.

However, dairy farming is an investment-heavy industry. Farmers unable to withstand the investment will inevitably exit. My resolve lies in continually refining techniques to enhance production.

I'm not convinced that simply reducing farm numbers is the right answer. When aligning production with national supply and demand, raising productivity is the immediate task ahead. This is our perspective.

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