

Now ideas for wellness



Meiji Holdings Co., Ltd. ESG Meeting Q&A for Part 1

February 28, 2025, 3:00 – 4:00 pm

Presenters:

Kazuo Kawamura	CEO, President and Representative Director
Shinji Matsuoka	CSO, Managing Executive Officer

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

Q-1

Regarding the human resource strategy around page five and six, I would like to ask you if you have any idea of what you are aiming for, numerically.

Is it something that leads to the satisfaction and positive response rate in engagement survey as shown on page six, or is it something that increases profitability if the human resource strategy is successful, or is it being done with the idea of increasing some other KPI in mind?

Also, is the human resource strategy itself the realization and embodiment of what your company is aiming for, or are you preparing a human resource strategy based on companies that you believe are more advanced, while referring to case studies of other companies? Please let us know how you create it and what you hope to accomplish with it.

A-1

Kawamura: I think it comes down to how to improve the capabilities of the human resources themselves, rather than sticking to specific numbers.

Engagement is one of the KPIs, but I believe that the issue of how to improve the quality of human resources itself is something that all companies are aware of and are working on. Our main target is to improve the quality of our own human resources, it is not about other companies.

As for the system reform, we will finally enter the implementation phase of the new HR system in FY2025. We are designing a job-based system for managers, which is a much bigger shift from the previous job qualification system. I firmly believe It is important to start the system itself from now on.

This new HR system is not only targeted at managers, but there will also be some changes to general employees. I think that the introduction of a job-based system, especially for managers,

will be the starting point for getting them to fully understand the system itself.

In addition, although this is just a general discussion, the enhancement of the evaluation system is an extremely important matter for the proper operation of this system. We would like to design a system that will allow for more appropriate evaluations and how to spread these to the frontlines, while incorporating a variety of measures. I think we will continue to proceed through trial and error. In the end, I believe that it all comes down to how we can improve the quality and vitality of our human resources, our greatest capital.

Q-2-1

As to my question about ROESG, if we look at the integrated report from 2020, we can see a trend of gradual decline even in the three-year average. In other words, I am concerned that even with all these ESG initiatives, it is difficult to link them to ROE. What are your thoughts on this point?

A-2-1

Kawamura: I am sure you understand that in our ROESG, we are not doing ESG in order to only raise ROE. It is still very important for a company to realize them simultaneously, and thus, we have set a goal of ROESG.

ROE is a financial indicator, so it cannot be improved without reducing shareholders' equity and increasing net profits. On the other hand, I believe that ESG initiatives will not be successful unless each employee is aware of the importance of ESG initiatives and promotes efforts to improve various ESG indicators.

We are most aware of the decline in ROE, as you have pointed out, and we are now working on the 2026 Medium-Term Business Plan with the biggest theme of how to regain our business growth potential once again. In the first year, we are now making progress toward improving ROE compared to the previous year.

However, looking at long-term trends, it is true that our ROE is still considerably below the level of 2016 and 2017. The final target for ROE in the 2026 Medium-Term Business Plan is 9.5% and more, but we would like to return it to the 10% level as soon as possible.

Q-2-2

In my opinion, high quality ESG management is also related to valuation, and I have the idea ESG initiatives link to ROE, thereby enhancing overall evaluation.

Another question is about the remuneration of directors and officers. I have looked into the ROESG part included in performance-linked compensation, but I think the target may be a little low. I would like to ask you to think about this in the context of corporate governance.

A-2-2

Kawamura: I would like to explain a little about our compensation system, which consists of fixed compensation and, performance-linked compensation and share compensation categorized as variable compensation. The achievement level of ROESG is linked to this share compensation. The performance-linked compensation accounts for a large portion of total compensation. I believe that the system is similar to that of most other companies.

The share compensation accounts for about 20% of total compensation. Accordingly, performance-linked compensation is highly weighted, so we set ROIC as an indicator which we firmly manage to improve ROE.

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