



MatsukiyoCocokara & Co.

Integrated Report 2025



Regarding the publication of the Integrated Report 2025

We have been issuing our Integrated Report since the fiscal year ended March 31, 2021, with the aim of deepening understanding of our Group through this integrated financial and non-financial information about our vision for sustainable creation of corporate value and promoting constructive dialogues with all stakeholders, including shareholders and investors. In May 2025, we formulated and announced a new medium-term management plan for the period from the fiscal year ending March, 2026, to the fiscal year ending March, 2031.

This year's Integrated Report 2025 (hereinafter, the "Report") marks our fifth year in publication, and has been produced with the aim to present specific strategies on how we will realize and create the value (output, outcome, and impact) we provide to our stakeholders, based on the basic concept of "co-creating and sharing value" as outlined in our new medium-term management plan, and help them understand and agree with the growth story we envision. The Report has been developed through a cross-departmental exchange of views and information, repeated discussions in the Sustainability Committee, and approval by the Board of Directors. We hereby state that the process of producing this report is justified and sincere, and that the information contained in it is accurate. Based on dialogues with our stakeholders, the Group will continue to engage in matters that need to be improved on a company-wide basis, and continue to grow steadily every day, from yesterday to today, and from today to tomorrow.

Main points of Integrated Report 2025

POINT 01

Logic

Organizing the story of corporate value creation

The value-creation process has been renewed in a way that further strengthens and expands our business activities while creating environmental and social values, in order to enhance corporate value and realize our vision based on the new medium-term management plan.

POINT 02

Concreteness

Concrete explanation of new medium-term management plan and strategies

Detailed explanation of three strategies for achieving each quantitative target set in the new medium-term management plan and four core competencies (strengths) that support each strategy and act as the key drivers of our value creation.

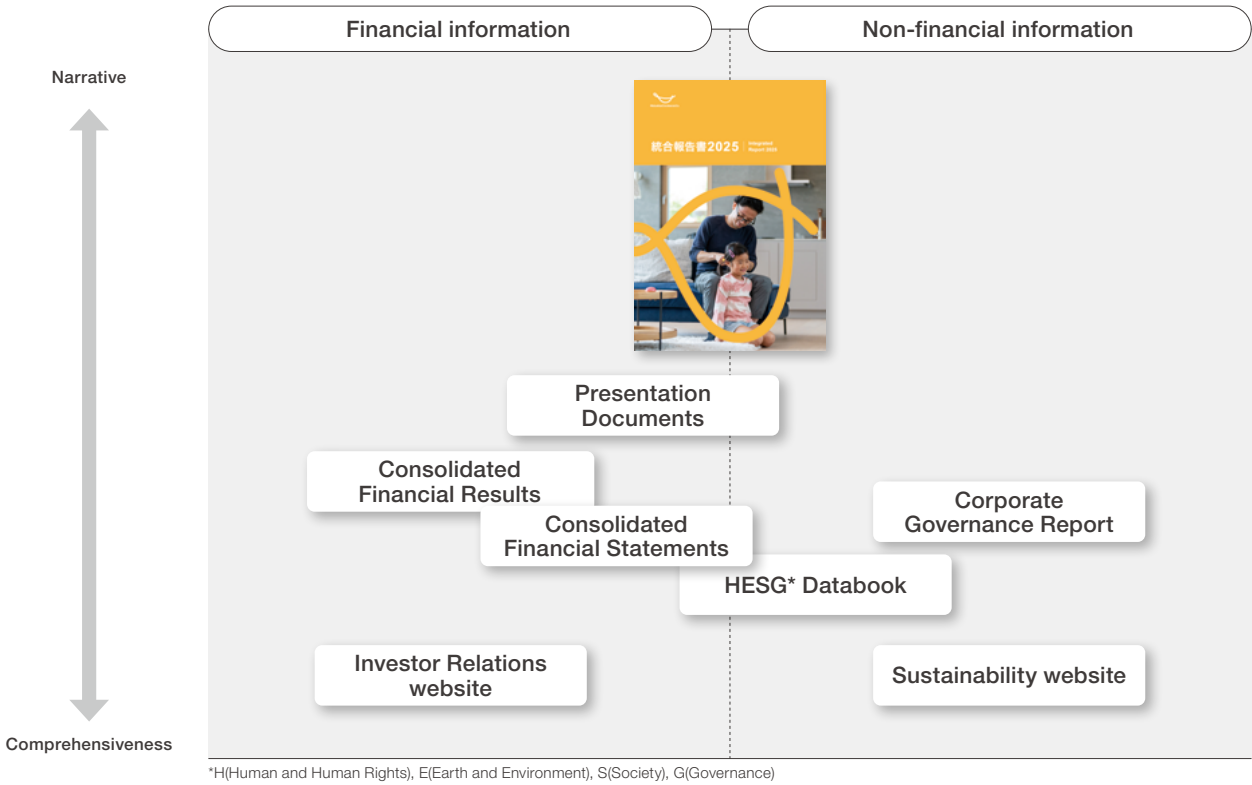
POINT 03

Plausibility

Expansion of information that contributes to long-term investment decisions

Expansion of the integrated financial and non-financial information necessary for shareholders and investors to make long-term investment decisions.

Information disclosure system



Editorial policies

We place great importance on dialogue with all stakeholders. We share the common understanding that we can always continue to evolve as an organization by thinking through how we should respond to the issues and expectations that arise through dialogue, and by implementing these reflections into actions. Through dialogue based on last year's Integrated Report 2024, we acknowledged that there are many expectations for us such as ① providing compelling explanations that build expectations for enhanced corporate value, ② presenting business plans and goals to aim even higher, and ③ demonstrating effective corporate management that enhances the likelihood of successfully executing those plans. (Please see page 89 for details of the dialogue.) In this report, we have focused on clearly presenting how we intend to achieve these expectations. We hope that this Report will help you gain a better understanding of our strong determination to achieve sustainable growth and enhance corporate value, and the path we are taking.

Scope of reporting

Reporting period	April 2024 to March 2025
	However, considering the importance of providing the latest information, some of the organizational structure and measures include information after April 2025.
Reporting Scope	MatsukiyoCocokara & Co. and the related operating companies
Date of issue	August 2025
Contact us	General Affairs Planning Office, Group Management +81-3-6845-0005 (general inquiries)

Company name indication

"MatsukiyoCocokara & Co." and the "Company" refers only to MatsukiyoCocokara & Co. In addition, the "Group" indicates MatsukiyoCocokara & Co. and its operating companies in Japan and overseas.

Forward-Looking Statements

Forward-looking statements relating to business plans, strategies, earnings for the Group that are given in this report are made based on current information available, but are subject to impacts from various factors, such as the economic environment and market trends. We therefore ask you not to rely entirely on these earnings forecasts alone. Please be aware that the actual performance may differ from these statements as a result of various factors.

Top Message

Our growth is just beginning

We will accelerate our growth and take on the challenge of the next stage in order to realize our new medium-term management plan.



President and
Representative Director
Kiyoo Matsumoto

Recent business environment

All of us at the Company are very grateful for the continued support of all our stakeholders. My name is Kiyoo Matsumoto, the President and Representative Director. Four years are about to pass since MatsukiyoCocokara & Co. was founded in October 2021. The anticipated integration process between the two companies has progressed smoothly, and the foundation is now in place for the next stage. On the other hand, we recognize that the most recent business environment is very difficult. We accept that this is a critical time, a period when our true strength will be put to the test, as the environment surrounding our Group is undergoing major changes, including soaring raw material prices, rising costs associated with higher commodity prices, and the accelerated business integration being carried out by a major drugstore chain.

Despite this environment, I continued to communicate to all employees through videos, letters, internal company newsletters, and “and Way”^{*} regarding the value the Group provides to society and how the Company will grow in the future. I also expressed my gratitude to employees who are working day in and day out in a difficult environment. The top management of each Group company also actively communicated their management policies, efforts to secure earnings, and recovery measures in light of each business environment. Thanks to this leadership demonstrated by the heads of each Group company, although profits declined in the first quarter of the fiscal year ended March 2025, ultimately we achieved record

highs in sales and profits, and we were able to achieve our Group management targets for the fiscal year ending March 2026, including operating profit margin and ROE, ahead of schedule. We believe that this is the result of each and every employee’s commitment to the value that we can provide to our customers and their continued efforts to achieve that value. I really appreciate it.

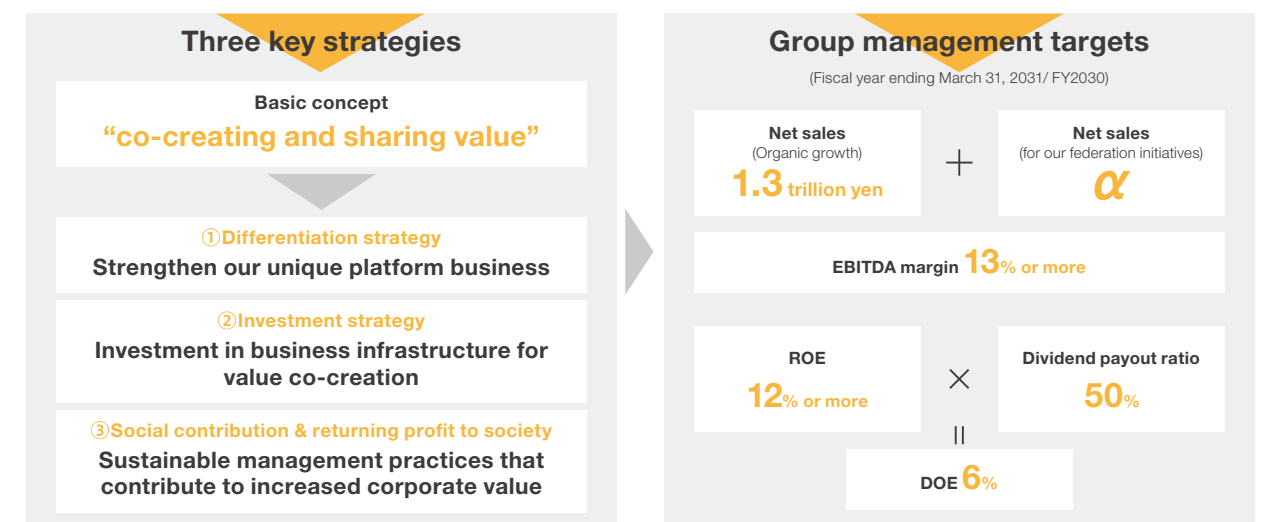
In light of this current situation, while there is one year left in our medium-term management plan that runs through the fiscal year ending March 2026, we have decided to set out a new medium-term management plan targeting the fiscal year ending March 2031. Now that the post-merger foundation is in place and the results of the merger are reflected in our business performance, we will promote the new medium-term plan as a new milestone toward realizing our Group Vision.

^{*} Tool for having the MatsukiyoCocokara WAY penetrate

Overview of the new medium-term management plan

In the previous medium-term management plan, we achieved our goals in terms of revenue ahead of schedule, but we recognize that we left some issues to be addressed in terms of communication of our net sales target with our stakeholders. Therefore, in order to provide an appropriate understanding of our Group’s situation, we have set and disclosed two separate targets in the new medium-term management plan: one for growth, which is based on the concept of consolidation through large-scale M&As and alliances, and the other for organic growth, with a sales target of 1.3 trillion yen. In addition, an EBITDA margin

Become Asia’s No. 1 drugstore and establish a leading position in the fields of health and beauty



^{*}Net sales target: Although previous target was set including our federation initiatives, it is now expressed as organic growth + federation initiatives.

^{*}EBITDA = operating profit + depreciation and amortization of goodwill

^{*}EBITDA margin (%) = EBITDA ÷ net sales

of “13% or more” has been set as a new management objective to look at medium-term cash-based profitability. We have also raised our target for ROE to 12% or more from 10% or more, aiming to further improve profitability, ensure financial soundness, and improve capital efficiency. We regard shareholder return as one of the most important management issues and have set a target to increase the dividend payout ratio to 50% from 30% based on the basic policy of progressive dividend payments.

We believe that this new medium-term management plan means increasing our “earning power” and “returning profit” appropriately, in other words, creating value for society by enhancing the corporate value of our Group, is the very act of co-creating with our stakeholders. Based on this concept, the new medium-term management plan clearly defines the concept of “co-creating and sharing value” and leads three key strategies that make the most of the Group’s strengths. Specifically, we will implement a “differentiation strategy and investment strategy” to provide value that only we can offer, and create a virtuous cycle of a “social contribution & returning profit to society” based on the revenue generated. Detailed strategies for each of them will be discussed in the messages from the Vice President and the Senior Management Director, that follow.

Group Vision and core competencies to realize it

Our Group’s vision is to “make health and beauty more fun and accessible.” This vision can only be realized with the commitment of all Group employees. The employees of the Group are people who possess the DNA of Matsumotokiyoshi, which is “ingenuity” and “innovation” and “originality” to create new common sense inherited from the Company’s founding, and the DNA of Cocokarafine, which is “social contribution” and “integrity” based on its social mission to build a local healthcare network. In addition to this organizational DNA, we are unique in that we have a large customer base that is highly sensitive to health and beauty, and we have accumulated purchasing information from our over 150 million contacts with customers. In particular, our private brand (PB) products, developed by combining product data and other data with purchasing and customer information accumulated over many years, are all attractive products that excite our customers. In addition, by categorizing data by value and preference, we practice One to One marketing, which provides effective sales promotion measures to each customer. For in-store employees, we are striving to improve the quality of their knowledge and customer service through various types of training and on-the-job training, and to maximize opportunities for customers to obtain attractive

PB products. The Group’s brand recognition in Asia has far surpassed that of our competitors, and we believe that this is a reflection of the results of these efforts.

I would like to develop our Group into a “corporate group” that provides customized solutions to the concerns and anxieties people have about health and beauty. We believe that as we work toward this goal, our customers’ lives themselves will be filled with enjoyment, leading to the revitalization of communities and networks, as well as to the sustainable development of the region.

Our pharmacist once pointed out to me that I was not taking the right combination of over-the-counter medications, and when I put the advice into practice to eliminate the side effects of the medications, I experienced a marked improvement in my health. My improved physical condition has allowed me to perform well in my hobby of mountain climbing, and I feel motivated to reach even greater heights with my mountaineering friends. The most gratifying effect of the improved work performance was a renewed desire to grow the business and make a greater contribution to customers and the community. This is just my experience, but I would like our clients who receive our Group’s services to experience a similar event. Our commitment to solving customers’ health challenges will have a positive impact on them by improving their health, increasing self-medication through better understanding of their medications, and reducing the burden of medical costs. Furthermore, we believe that the entire community, and ultimately society, will be revitalized by an increase in the number of active consumers. We hope that more customers will experience this value and its expansion. First, we would like to build the foundation of our Group in the Asian market.

Identification of new materialities

In formulating the new medium-term management plan, we have reviewed the five materialities (material issues) identified at the time of the business integration in 2021. In the past, we were working to integrate materiality and management strategy, but in the new medium-term management plan, we have placed the highest priority on linking business growth to the resolution of social issues. In our examination, we considered the challenges that would arise in the Asian market environment in 2030 and imagined a picture of a world in which customers, companies, and local communities live exciting lives using the platforms provided by our Group. We then extracted the challenges that would arise in that business environment and narrowed down the issues that should be prioritized. After much consideration of what needed to be done in the new medium-term management plan to resolve these issues, we came to the conclusion that we needed



what we call materiality to increase our Group’s presence in society, and this materiality to improve the effectiveness of governance in order to realize our strategies. We decided on four materiality themes: “Consideration of the health and beauty of society,” “Employee growth,” “Consideration of the health of the Earth,” and “Effectiveness of governance.”

As mentioned earlier, we believe that our Group Vision can only be realized with the presence of our employees. One of our materialities is “employee growth,” and we hope to provide a work environment that inspires growth and fosters a corporate culture in which employees can use their abilities to improve the health and beauty of our customers, thereby earning revenue, which is then returned to the employees. Since the merger, we have consistently promoted the ideal employee profile of ‘creativity,’ ‘contribution,’ and ‘challenge.’ We recognize that this profile will remain unchanged in promoting our new management strategy, and that they can only be realized in an environment where each employee can feel secure in demonstrating their abilities.

We believe that the approximately 46,000 employees of our group can bring about significant social change through embodying ‘creativity,’ ‘contribution,’ and ‘challenge.’ I believe that when our employees are active, society as a whole will be energized, and more customers will use our platform, which will further increase people’s awareness of health and beauty care. For example, we believe that the spread of such value will contribute to the success of working people in Japan who are engaged in daily work, and to the vitality of Japan as a whole. We envision an exciting future in which our Group’s businesses become a force for good in society as a whole.

Conclusion

Although I communicated my role as a manager in the last Integrated Report, I would like to make three promises to

our stakeholders again. The first step is to promote further governance reform. In the newly identified materiality, we have also set a goal to improve the “effectiveness of governance.” We will continue to examine the ideal form of the Board of Directors to realize the Group’s vision and promote discussions to realize effective governance. The next step is to develop a foundation for growth in overseas operations. In the new medium-term management plan, we have set a target of “100 billion yen in sales from overseas business” by the fiscal year ending March 31, 2031, and will concentrate resources to achieve this goal. Finally, we will continue to strengthen our human resources and organizational capabilities. As evidenced by our financial results for the fiscal year ended March 31, 2025, we feel that the ability of our Group’s employees in the field of health and beauty is steadily growing stronger, and the ability of our organization as a group of employees is steadily improving. To become No. 1 in Asia in the field of health and beauty, we will strongly promote investment in human resources and the cultivation of an organizational culture that practices the MatsukiyoCocokara WAY.

Although we are still only halfway there, we will remain conscious of the roles we have committed to here and work towards achieving our new medium-term management plan by promoting our new priority strategies of “differentiation strategy,” “investment strategy,” and “social contribution & returning profit to society.” Through dialogue with all of our stakeholders, we will drive the growth of the organization so that MatsukiyoCocokara will become a company that our stakeholders consider to be “indispensable to the world.” We would like to ask the readers of this Integrated Report for their continued understanding of and support for our Group.

Overall picture of the new medium-term management plan (for the fiscal year ending March 31, 2031)

In May 2025, we launched a new medium-term management plan that runs through the fiscal year ending March 2031, rather than waiting for the final year of the previous plan (the fiscal year ending March 2026). This is because we have achieved ahead of schedule for profitability and capital efficiency, which are particularly important to us, among the previous medium-term management goals formulated at the time of our business integration in 2021. In addition, the business environment surrounding us has changed significantly over the past few years, including the declining birthrate and aging population, social shifts caused by COVID-19, the rapid evolution of digital technologies represented such as generative AI, increasing geopolitical risks, and accelerating industry restructuring. Our new plan is designed to respond to these changes and to achieve sustainable growth and further enhance corporate value. Based on the basic concept of “co-creating and sharing value,” the new medium-term management plan aims to enhance corporate value by co-creating value with all stakeholders and returning profits earned through our business. We have also established specific strategies and goals to further pursue and realize our Group Philosophy of “Creating the future normal and innovating lifestyles” and our Group Vision of “Making health and beauty more delightful and accessible.” Below is an overview of the new medium-term management plan, including its basic concepts.

1. Cultivated DNA

The Matsumotokiyoshi Group, which has been creating new standards through ingenuity and innovative ideas since its founding, and the Cocokarafine Group, which has accelerated its efforts based on a local healthcare network, merged in 2021, and the traditions and cultures that have been cultivated have been fused and passed down as the DNA of both Groups. Today, as the same corporate entity, we continue to take on the challenge of creating new common sense in the health & beauty (H&B) field.

3. Group Philosophy & Vision

Based on our fundamental policy to continue fulfilling our customers' needs to “have fun” and “be healthy,” we have decided not to change our philosophy, vision, and slogan, which we will continue to deepen, and have set a policy of realizing a virtuous cycle of profits and returns.

Group Slogan

Find your “!”
wow

2. Our Company's role

We believe that our role as part of the social infrastructure is to contribute to the happiness of our customers by offering unique values and experiences that meet their desire to be healthy and beautiful, and to return the resulting profits to all stakeholders.

Group Philosophy

Creating the future normal and innovating lifestyles

Group vision

“Making health and beauty more delightful and accessible.”

Common Values and Standards of Conduct

- 1 How we are organized
- 2 Our awareness and responsibility
- 3 A heart of joy shared by each of us
- 4 Leader's commitment in management
- 5 Promise to customers
- 6 Commitment to business partners

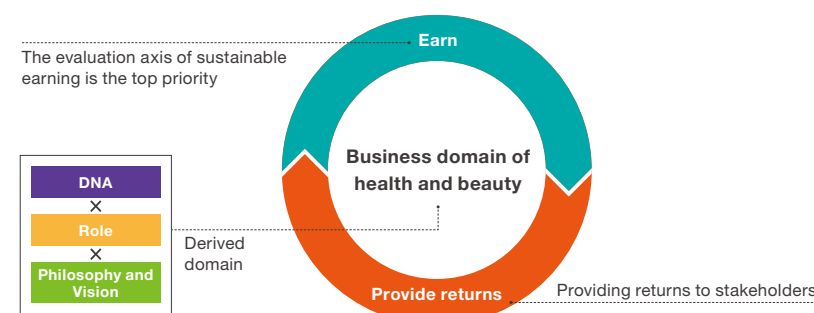
Click here to read the MatsukiyoCocokara WAY. <https://www.matsukiyococokara.com/sustainability/norm/pdf/02.pdf>



4. Enhance corporate value through a virtuous cycle of earning profits and providing returns to stakeholders

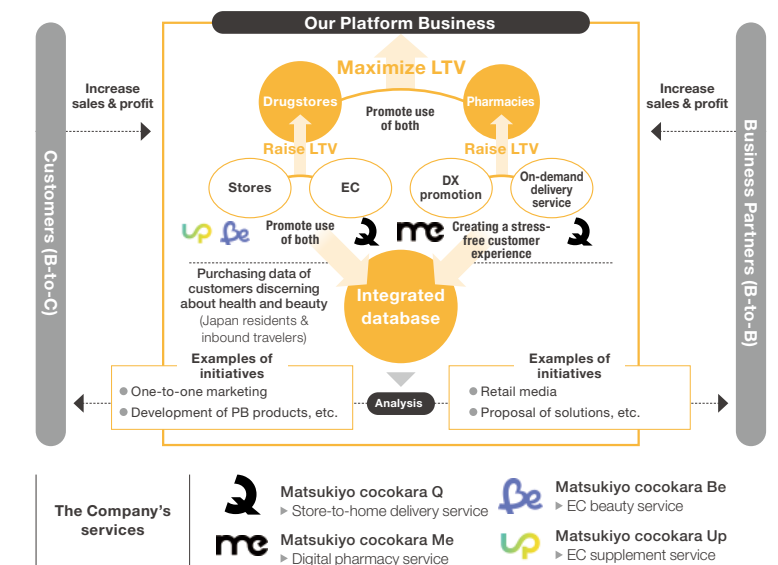
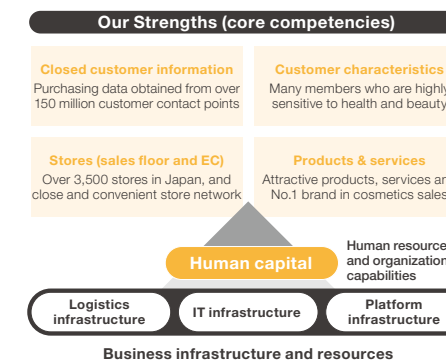
Based on our DNA, role, philosophy, and vision, our business domain is derived as “the field of health and beauty.” When evaluating businesses in these areas, our basic policy is to place the highest priority on “sustainable profitability” as the evaluation axis, and we will improve our corporate value by returning the profits earned from these businesses to all our stakeholders.

Earn × Provide returns = Enhance corporate value



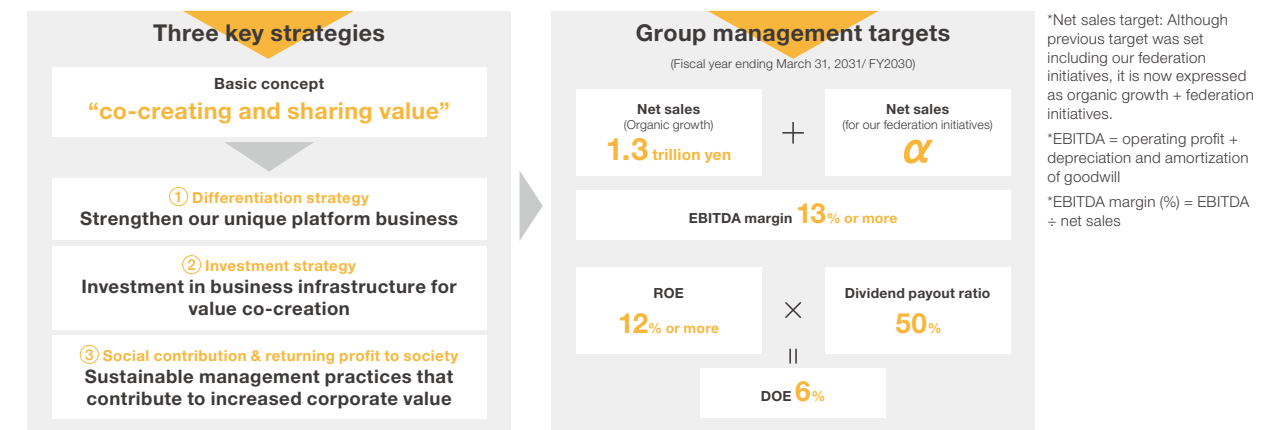
5. Direction of growth strategy

Leveraging our strengths (core competencies), we aim to our customers' desires for health and beauty by strengthening our platform business. This platform maximizes customer lifetime value (LTV) through the integrated use of drugstores, dispensing pharmacies, and e-commerce. Therefore, we will promote a strategy focused on added value and differentiation through investment in growth areas and strengthening unified branding.



6. Goals

Become Asia's No. 1 drugstore and establish a leading position in the fields of health and beauty



7. Cash allocation

• Growth strategies (45% of total)

Store openings and renovations, small-to-medium-sized M&As, human capital and intangible asset investment, overseas business, climate change response, etc.

We have set the allocation to growth investments at 45%. To achieve further growth, we will prioritize investment in expanding our existing businesses, including store openings and renovations, small-to-medium-sized M&As, various alliances, new businesses, digital transformation, human capital, overseas expansion, and climate change response.

• Shareholder return (45% of total)

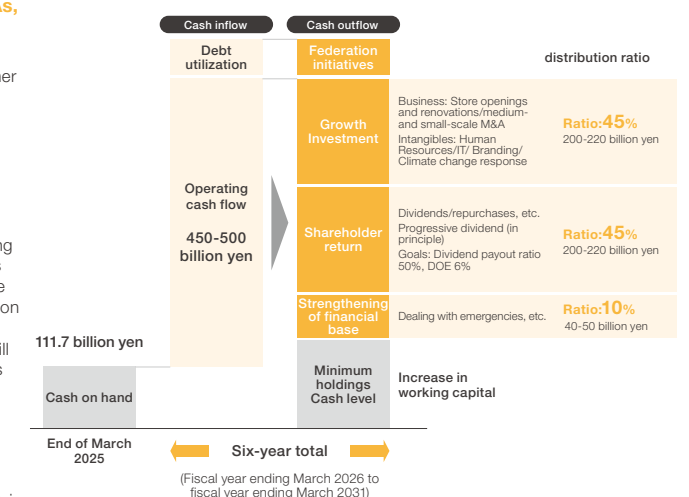
Dividends, share buybacks, etc.

We have set the shareholder return ratio at 45% to further enhance. Among these, we dividend policy positions the return of profits to shareholders as one of its most important management priorities. To this end, we will strive to strengthen our management base and improve profitability, and based on a base dividend, we aim for a dividend payout ratio (consolidated) of 50% and DOE (dividend on equity (consolidated) ratio) of 6%. In addition, we will purchase treasury shares in a flexible manner, taking into consideration its financial condition and stock price levels.

• Strengthen financial base (10% of total)

Dealing with emergencies, etc.

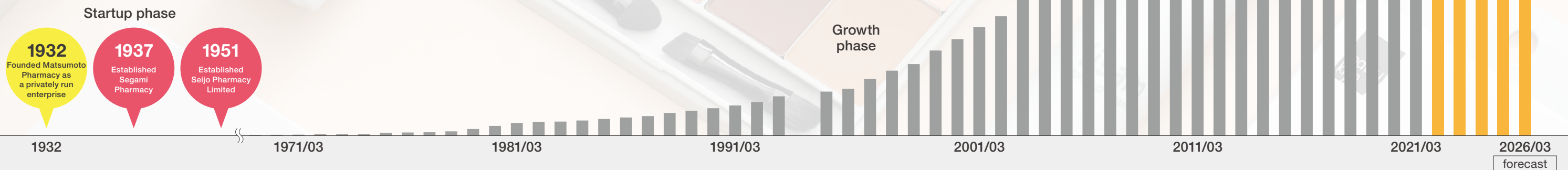
To support investments in existing business expansion and growth strategies, and to build a stable earnings base, we will secure stable funds in accordance with the scale of investments and expansion of business risks.



History of value creation

MatsukiyoCocokara & Co. has entered its fourth year since the business merger in October 2021. After the business merger, the entire Group has been working on unified measures to realize synergies from the business integration as soon as possible. As a result, we have achieved high profitability, including achieving key targets such as operating margin ahead of schedule, among the previous Group management targets for the fiscal year ending March 2026. With the shared aspiration, our Group will continue to take on the challenge of creating a new “normal” in the health and beauty field.

■ Net sales



Startup phase

- 1932 Establishment of Matsumotokiyoshi Kiyoshi Matsumoto founded Matsumoto Pharmacy as a privately run enterprise
- 1954 From private enterprise to incorporated organization
- 1987 Pioneer urban drugstore Ueno Ameyoko Store opened
- 1990 Listed on an over-the-counter market

Growth phase

- 1995 Company achieves largest sales in the Japanese drugstore market Net sales of 101,778 million yen, 216 stores in March 1995
- 1999 Company listed on the First Section of the Tokyo Stock Exchange
- 2001 Group expansion strategy starts Number of drugstores reaches 500
- 2007 Holding company Matsumotokiyoshi Holdings Co., Ltd. established

Transitional phase

- 2014 Collaboration with the Central Group Started test marketing of PB products in Thailand
- 2015 Opened first store overseas: Ladprao Store in Thailand (Bangkok) Original matsukiyo brand launched
- 2018 Our matsukiyo private brand was awarded the top prize, Best of the Best, at the Japan Branding Awards 2018
- 2020 Opened stores in 47 prefectures



Startup phase

- Segami Medics Co., Ltd.
- 1937 Segami Medics Co., Ltd. established Segami Pharmacy
- 2004 Listed on the JASDAQ (Japan Association of Securities Dealers Automated Quotation) stock exchange
- Seijo Corporation
- 1951 Seijo Corporation opened Seijo Pharmacy
- 2001 Fuji Pharma listed on the First Section of the Tokyo Stock Exchange

Growth phase

- 2008 Seijo Corporation and Segami Medics Co., Ltd. merged to establish Cocokara fine Holdings Inc., which was listed on the First Section of the Tokyo Stock Exchange
- 2010 Cocokara fine Holdings Inc. and Allied Hearts Holdings Co., Ltd. merged, changing the trade name to cocokara fine Inc.
- 2013 Merged the six sales subsidiaries of the Group of Seijo Corporation, Segami Medics Co., Ltd., Zip Drug Co., Ltd., Lifort Co., Inc., Suzuran Pharmacy Co., Ltd., and Medical Index Limited, and established Cocokara fine Healthcare Inc. Acquired stocks in IWASAKI KOHKENDO Co., Ltd., which has a drugstore business in Yamaguchi and Hiroshima, and made it a subsidiary
- 2014 Established Cocokarafine Associe Inc. as a subsidiary in order to utilize a diverse range of human resources
- 2015 Cocokarafine soleil Co., Ltd. started business as a subsidiary intended to expand employment opportunities for people with disabilities. Cocokarafine soleil certified as a special subsidiary under the Act to Facilitate the Employment of Persons with Disabilities
- 2017 Acquired Aianju Co., Ltd., which does business in sales and rental of welfare equipment and made it a subsidiary
- 2020 Established CFIZ Co., Ltd. as a joint venture with H2O Retailing Corporation

Development phase (taking on challenges)

2021

Matsumotokiyoshi Holdings Co., Ltd. has merged operations with cocokara fine Inc. to establish MatsukiyoCocokara & Co.



MatsukiyoCocokara & Co.

2022

Moved from the First Section of the Tokyo Stock Exchange to the Prime Market

Matsumotokiyoshi Ikebukuro Part 2 Store is the world's first drugstore to be awarded the iF Design Award 2022

Joint establishment of MC&C Fund, a corporate venture capital fund, with SBI Investment Co., Ltd.

2023

Launched matsukiyoFIRE to support new challenges

Full-scale launch of MatsukiyoCocokara Q in-house online store shipping service



2024

Launched new digital services: MatsukiyoCocokara Be for beauty care and MatsukiyoCocokara Me for pharmaceutical support

Commenced development of localized private brands that are derived from matsukiyo, a private brand that is popular among foreign visitors to Japan



2025

Certified as a Sports Yell Company 2025 by the Japan Sports Agency

Certified as a Health and Productivity Management Outstanding Organization 2025 (White 500 – Large Enterprise Category)

Maintained the position as Japan's No. 1 drugstore brand Ranked among the Best Japan Brands 2025

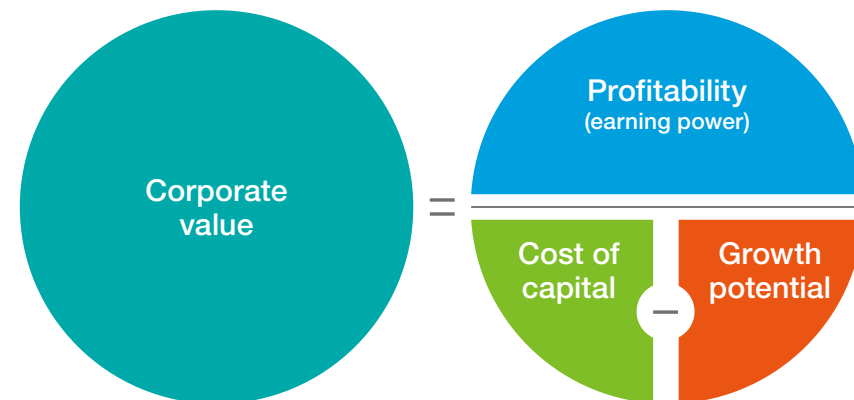
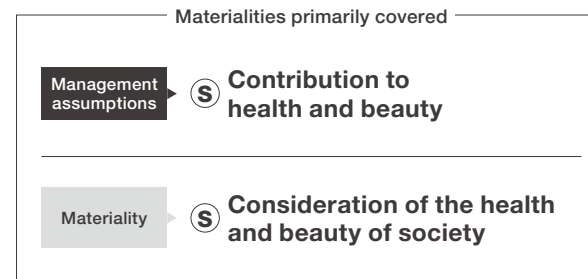


Corporate value ↑

The sum of all financial values such as total market value and non-financial values (contributions to stakeholders) that are expected to be reflected in financial values in the future.

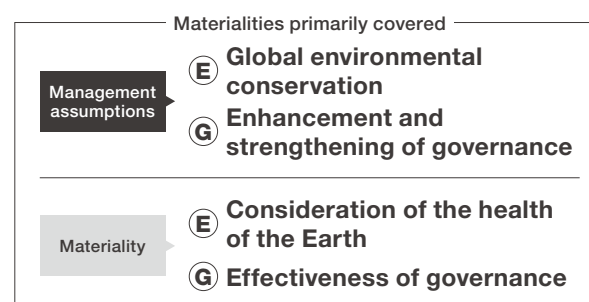
Profitability ↑ (earning power)

Initiatives to increase revenues generated through the business



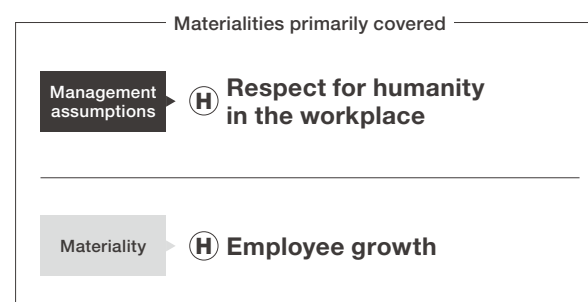
Cost of capital ↓

Initiatives to lower risk



Growth potential ↑

Initiatives for medium- to long-term growth of the business



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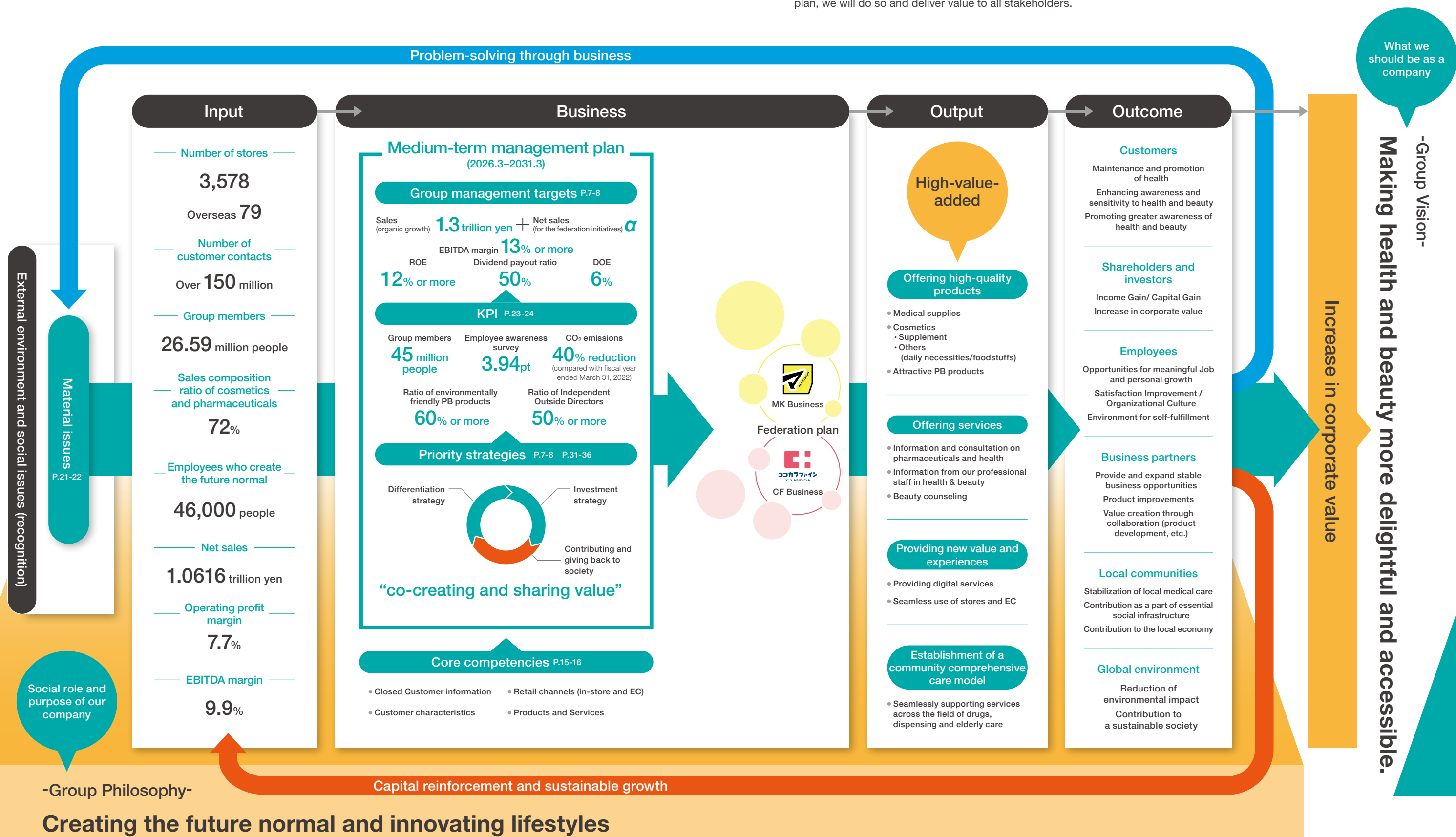
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Process of value creation

To achieve our Group Vision, “Making health and beauty more delightful and accessible,” we have consistently applied creativity and ingenuity to deliver various values to our customers. In order to continue to meet our customers’ desire to “stay healthy” and “be beautiful” into the future, we will work to resolve our four material issues by creating unique and attractive products, services, and customer experiences through business that leverages the core competencies we have cultivated over time. Under the concept of “co-creating and sharing value” set out in the new medium-term management plan, we will do so and deliver value to all stakeholders.



Four core competencies as the source of value creation

We hold over 150 million closed customer data records, making it the largest in the retail industry. In addition, primary data, such as customer purchase data by gender and age and web activity history, is combined with external open data, panel data, etc., to accumulate our original insights on customer values and purchase intention. Our original insights are used not only for sales promotion measures and PB product development, but also for digital marketing support for manufacturers in other industries. Most recently, we developed an application for a manufacturer in another industry that analyzes the purchasing conditions of highly seasonal products. By combining temperature and smartphone location information, this app enables to deliver incentives at precisely the right moment. Going forward, we will continue to pursue the development of new revenue streams by utilizing our original insights to expand our BtoB business.

Closed Customer information

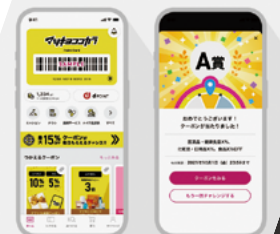
1



We have approximately 3,500 brick-and-mortar stores in Japan and overseas, as well as an e-commerce site, and regard them as valuable assets. As a result of analyzing the purchasing behavior of our customers, we have found that the total purchase amount tends to be higher for customers who use both channels than for those who use either store or EC exclusively. Therefore, we are focusing on providing an environment in which customers can shop freely in both stores and e-commerce without stress, rather than directing them to a specific channel. In our stores, product assortments are statically optimized based on the surrounding market environment and historical sales data. Meanwhile, our e-commerce site complements these store assortments by offering a full lineup of long-tail products. To enhance the customer experience, we are also strengthening the linkage between EC and stores on a daily basis. This includes initiatives such as in-store pickup for online orders and leveraging store inventory for faster delivery, enabling a more convenient and personalized shopping journey.

Retail channels (in-store and EC)

3



The most distinctive characteristic of our customers, as evidenced by external surveys, is the extremely high percentage of beauty-conscious customers compared with other companies. We believe this is due to our dominant presence in Japan's major metropolitan areas, where we offer product lineups tailored to customer needs. This successfully attracts a large number of fashion-conscious customers.

Beyond expanding our product lineup, we differentiate ourselves from other brands in the pharmaceuticals and cosmetics field as our main domains. This approach has earned strong support from a large customer base that values not only price but also quality. Furthermore, our beauty-conscious customers are also the ideal target audience for many cosmetics brands. As a result, we have received requests from cosmetics brands to collaborate with us for test marketing and promotions targeting our customer base, making us an valuable asset that sets us apart from our competitors.

Customer characteristics



2



4

Products and Services

We have positioned private brands as a pillar of our differentiation strategy, and focused on developing PB products that are chosen for their quality, rather than simply as a cheaper alternative to national brands. As a result of our numerous hit products (e.g., KNOWLEDGE cosmetics for men) in a category where customer demand is expected but there are no leading products, we are now widely recognized, both inside and outside Japan, as a major business that significantly contributes to sales and profits. The know-how we have cultivated through the planning and development of our PB products to generate "buzz" is also utilized in our co-creation development with manufacturers.

In developing new services, we evaluate them two key criteria: "whether the service is truly valuable to the customer" and "whether it enhances the purchasing experience through mutual use of stores and EC." Most recently, we introduced a makeup simulator and skin care analyzer that can be easily tried out on a smartphone to provide the same experience in EC as in stores. We have received positive feedback from customers who have experienced these services; "I'm really happy that my needs such as, wanting to try it in EC, or wanting to know if it suits me, can be met through the EC." We will continue to increase customer LTV through the development of products and services unique to our Group.

Value-creation stories through our core competencies

Development of our private brand “matsukiyo”

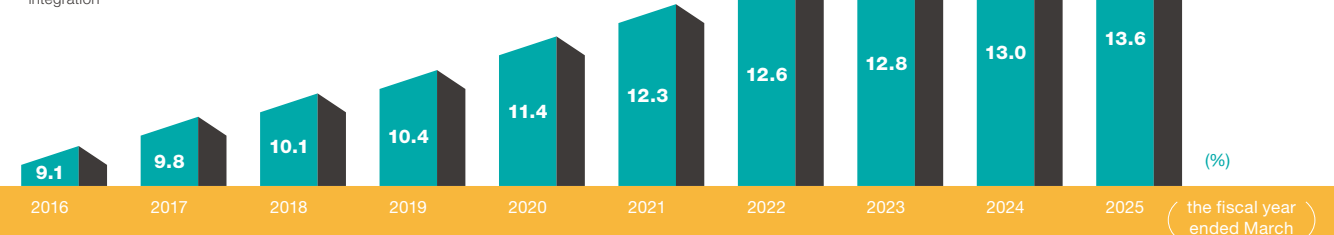
Our private brand “matsukiyo” was launched in 2015 as a new brand that not only emphasizes product quality but also adds the emotional benefits such as the pursuit of stylish design, which customers seek along with the unique and innovative spirit of Matsukiyo. Under the brand vision of “Making everyday life in Japan more enjoyable,” we develop a variety of products based on the concept of “a brand with ideas to make everyday life more beautiful, healthier, and more enjoyable.” To support this concept,

we emphasize three key elements: “reliable product creation,” “interesting and fun ideas,” and “a selection of products and stylish designs that enrich everyday life”. In addition to functional value and quality, we continuously pursue product quality and originality based on emotional values—asking ourselves whether a product brings joy, whether it is stylish, and whether it embodies the essence of Matsukiyo. We also develop new products by clarifying target demographics and key buying factors



PB product sales ratio (Fiscal year ending March 31)

*From the fiscal year ended March 2016 to the fiscal year ended March 2022, the results are those of the former Matsumotokiyo Holdings
From the fiscal year ended March 2023 onwards, performance is after the business integration



(KBFs), leveraging original purchasing data obtained from over 150 million customer contact points and our proprietary product DNA analysis. In our promotional efforts, we work with contract manufacturers to refine and implement marketing policies based on product concepts to deliver products with originality to the market.

We believe that for our Company to achieve sustainable growth, we must strengthen not only our PB products but also our NB (National Brand) products. To address

areas that are difficult to cover with NB products, we will complement them by reaching out to the market through the unique brand power of our private brand “matsukiyo” to respond to the detailed needs of our customers. We will continue to refine “matsukiyo” as a “PB for the new era” that shapes the future normal and innovating lifestyles, and meet the expectations of our customers.

Value-creation story through the full utilization of core competencies: Launch of the new “Femcare Service”

Identifying customers with specific challenges (persona setting)

Customer Characteristics

“matsukiyo FEMRISA,” a new femcare brand designed to support women’s unique mental and physical concerns, was born from the “PB Idea Creation Committee,” our program that gathers PB product development ideas from our store employees.

The idea originated from a proposal by project members at that time who suggested “As a growing number of consumer inquiries regarding femcare, we need PB products that they could confidently recommend.” At the time of development, the terms “Femcare” and “Femtech” were already recognized, and there was clear demand for products to address women’s specific health issues. However, femcare products, including in our stores, were not widely available, limited in options, and difficult to understand. Under these circumstances, our store employees, who interact daily with customers highly sensitive to health and beauty, recognized the potential of utilizing the sanitary products section, which is available in all drugstores, to introduce femcare items. Our own analysis of long-accumulated purchasing data revealed that “customers who purchase our health & beauty products tend to be highly sensitive to beauty, proactive about self-maintenance, and always seeking new and personalized items. Based on these insights, we developed a more refined persona and defined the target demographic. By gaining a deep understanding the characteristics of our customers, we established a clear direction for developing and launching new PB products to reach the market for women’s specific health needs, which are often difficult to approach with conventional NB products.



Data analysis using closed customer information

Closed customer information

One of our core competencies is unique purchasing data from over 150 million customer contacts. This valuable data enables us to establish clearer target profiles and gain deeper insights. For the “FEMRISA” brand, we conducted target analysis based not on conventional demographics such as gender and age groups but on customer “values”, in order to pursue an optimal balance between functional and emotional values, which we consider a core principle in developing our PB products. In this way, we set up a unique brand concept for FEMRISA, “not only solving superficial problems, but also enriching women’s feelings beyond them,” and proceeded with the project. Historical purchasing data was also used to verify the optimal sales area for FEMRISA. We believe that our data-driven approach to guide strategic decisions, rather than relying solely on past experience and intuition, differentiates us from our competitors. Based on the results of this analysis, we are exploring new display formats and store placements for femcare-related products to better appeal to our target customers. We will continue to maximize the use of customer information and data analysis for further development and growth of the FEMRISA brand.



Planning and developing original products and services

Products & services

In designing the products, we took into consideration the reality that Japanese society is not very receptive to women’s unique health concerns. In addition to the aforementioned analysis of purchasing and value data, we also conducted qualitative research with our female employees. Based on their insights, we designed packaging that reduces the embarrassment, or sense of taboo when purchasing or using our product at home with family. We also took care to avoid emphasizing the effects in promotional slogans as they can increase the embarrassment during purchase. These considerations were central to our product development process. Furthermore, we found that each company invested significant time and money on raising awareness of the NB femcare brand through market analysis, so we implemented a PR campaign that combined products and services (we came up with the concept of “Femcare Specialist” as a store-linked service) and focused on attracting the attention of influential media and influencers. As a result, the pre-launch press event for FEMRISA drew a great number of media and influencers that the venue was filled to capacity, successfully attracting a strong interest. Following the launch, various measures proved successful. The first series of FEMRISA recorded sales exceeding those of existing NB products soon after its launch. Today it has now grown into our one of our top-performing brands.

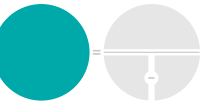


Providing a safe environment for customers to seek consultation and select products with expert support

Stores (sales floor and EC)

Recognizing that the necessity and proper use of past femcare products have not always been effectively communicated to customers, FEMRISA is dedicated to developing “Femcare Specialists,” expert consultants with specialized knowledge of Femcare and Femtech who stay close to customers and to provide empathetic support to women with unique mental and physical concerns. In cooperation with Japan Femtech Association, we have developed our original training program, which requires acquisition of Level 2 of the Femtech Expert Certification Examination of Japan Femtech Association, as well as participation in our Femcare consultation and response workshop training. Employees who have acquired the skills to deliver accurate information to customers are certified as “Femcare Specialists,” and to have been assigned to 40 major stores across Japan to date. Many “Femcare Specialists” are not only experts in Femcare, but also comes from a wide range of professional backgrounds, such as pharmacists with expertise in medicines, registered pharmaceutical sales persons specializing in OTC drugs, nutritionists with deep knowledge of food and nutrition, and experts in the field of beauty. This diverse knowledge base enables them to provide comprehensive consultations and share valuable information across both femcare and broader health and beauty domains. We will continue to make each and every one of our customers smile with FEMRISA, centered on our “Femcare Specialists.” We are committed to helping our customers make informed choices by providing accurate information about femcare products.





Group companies Expected Roles and Contributions

MatsukiyoCocokara & Co. formulates management plans and Group strategies for value creation, while MCC Management supports and manages business operations based on group strategies so that the operating companies within the Group can maximize their respective performance.

Matsumotokiyoshi Group Co., Ltd. and Cocokarafine Group Co., Ltd. are working to penetrate and thoroughly implement various measures to create and maximize value at their respective operating companies.



MatsukiyoCocokara & Co.

Formulate Group-wide strategies and management plans for value creation

Internal Control
Office

Group
Management
Planning

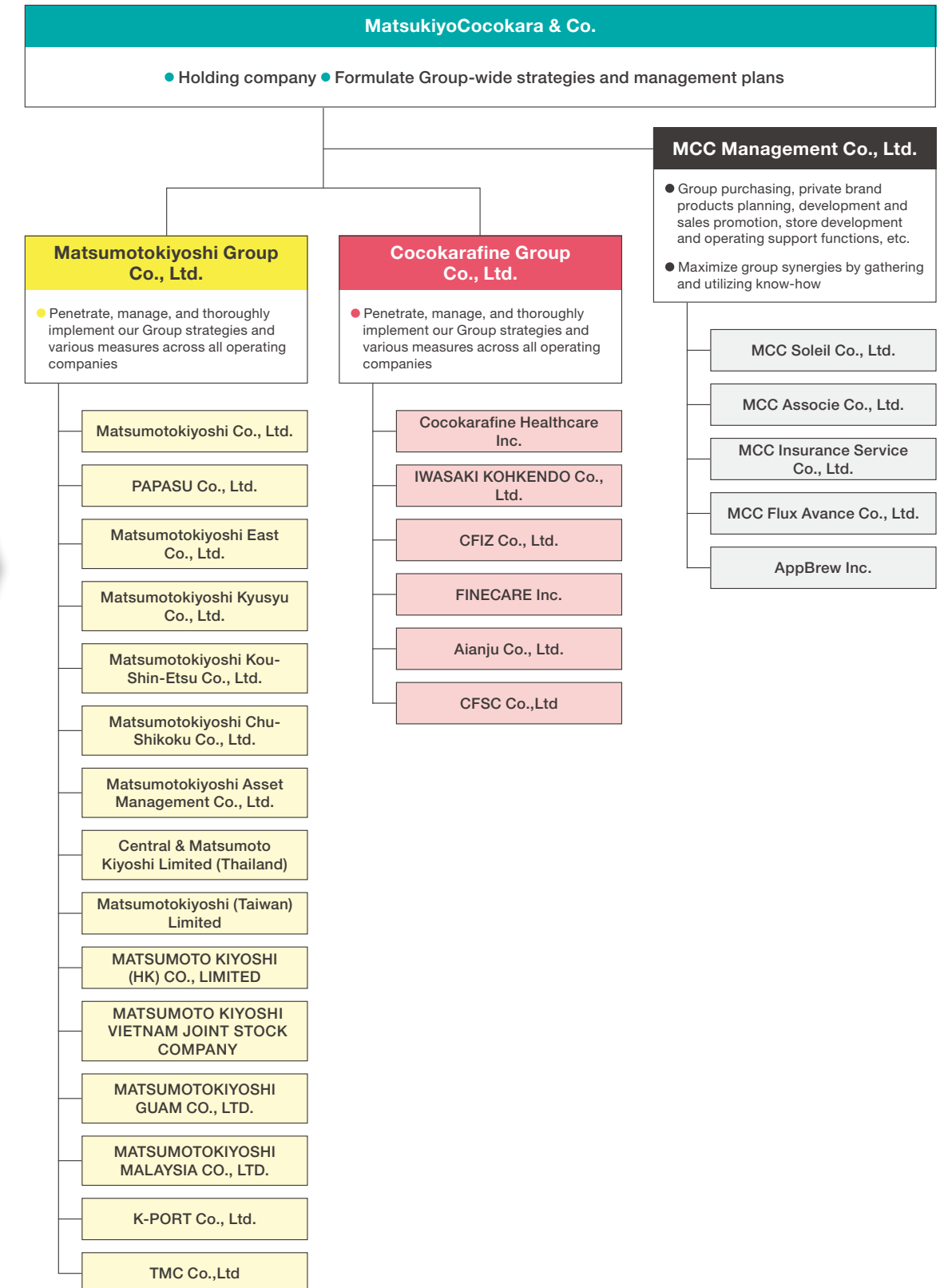
Group Business
Planning

Group Sales
Planning

Group
Management

Our Group's Organizational Structure

Current as of July 1, 2025



Materiality

Amidst drastic changes in the business environment surrounding our Group, we have formulated a new medium-term management plan (from the fiscal year ending March 31, 2026, to the fiscal year ending March 31, 2031) in order to achieve sustainable growth and realize our Group Philosophy and Group Vision which are the ideal state we want to be in. In order for the Group to fulfill its significance in society, materiality is positioned in this management plan as a priority issue to be addressed in order to link business growth to the resolution of social issues. We have reassessed the five materialities identified at the time of the business merger in October 2021, by reviewing the issues we need to address in a drastically changing business environment to achieve sustainable management that contributes to realizing our Group Philosophy and Group Vision and to enhancing our corporate value.

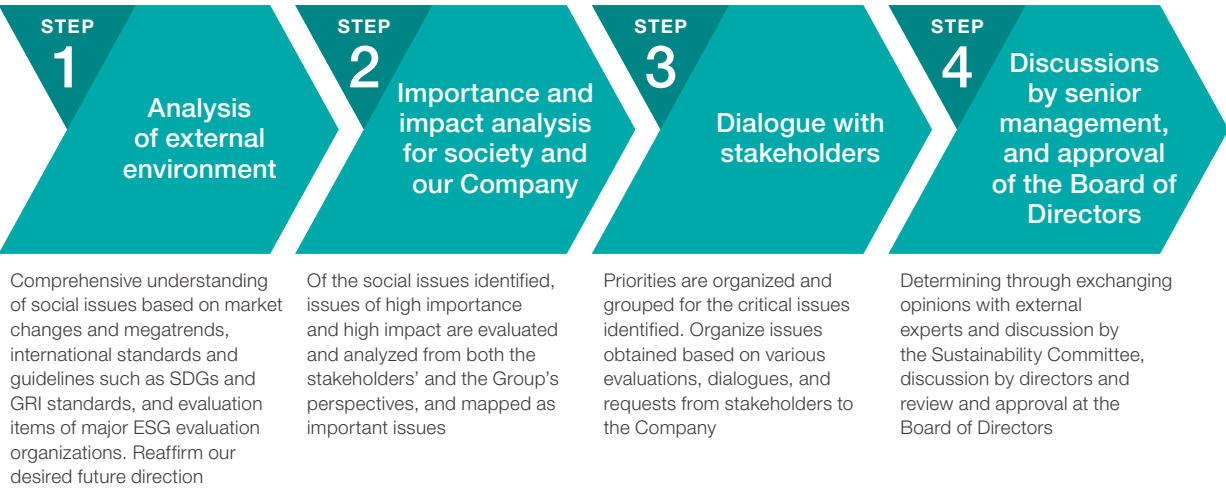
Background to the reassessment of materiality

There are two main reasons for this reassessment of materiality. The first is from the perspective of “reassessment in light of changes in the world.” The previous materiality was identified at the time of the business merger in 2021, and three years have passed since then. It was necessary to confirm the comprehensiveness in order to accurately capture changes in the world (changes in opportunities and risks)

during that period. The second is from the perspective of “consistency with the new medium-term management plan”. Although we have presented our management direction (course of action) in the newly formulated medium-term management plan, since it is important to promote initiatives in a way that is consistent with this direction, we have decided to reassess our materiality.

Materiality assessment process

Based on the analysis of future scenarios, the following process was used to reassess the materiality.



Results, changes, and reasons for changes

Reassessment result	Changes	Reasons for change
As a result of the reassessment based on the process above, we have confirmed that the previous five materialities cover all important issues and do not require major changes, and we believe that we can enhance the sustainability of society by solving the social issues through our core business. On the other hand, we also confirmed the overlap of key issues, especially in the core business.	In light of these factors, the new materiality includes the following two changes. ① Developmental unification of “Considering the health and beauty of our customers” and “Consider medical care that supports community life,” both of which are linked to improving profitability (earning power), into “Consideration of the health and beauty of society” ② Changed “Enhancement of governance and compliance,” which is linked to reducing capital costs, to “Effectiveness of governance”	① Regarding the developmental unification of materiality, the change was made in consideration of the overlap between the two aforementioned materialities, or key issues in our core business, and then with the platform concept of the new medium-term management plan in mind. ② We have made this change as a statement of our commitment because we believe that essential governance practices are needed to properly realize one of our new key strategies, “Social contribution & returning profit to society.” “Compliance” in the previous materiality is considered as one component of governance and is organized as an integral part of it.

Why the identified materiality is important to stakeholders and our Group

	New materiality	Our goal	Reasons why the identified materialities are important
Improvement in profitability	Consideration of the health and beauty of society	Company that solves problems related to people's health and beauty and delivers great peace of mind and joy to society, including local medical services	In order to consistently pursue a world view of “health and beauty” and provide new value that only our Group can offer, our strategy is to strengthen our unique platform and invest in business infrastructure to build a foundation to support this platform. By realizing the platform concept, our Group will expand contacts and connections with more people to fulfill their desire to “stay healthy” and “be beautiful,” and thereby satisfy their happiness. We believe that returning profits earned through customer happiness to our stakeholders will enhance our corporate value and co-create value for society, thereby contributing to the realization of a sustainable society.
Improvement of growth potential	Employee growth	Company so attractive that our employees would recommend it as a workplace to their loved ones	The source of the Group's value creation is its employees. In order to “co-create and share value” and realize a virtuous cycle of “earning” and “returning profit,” it is important for our customers and many other people to know about and use our Company. This is made possible by the employees of our Group, who are the starting point for the development of attractive PB products and the provision of thoughtful services, thereby enriching people's lives and increasing their happiness in the fields of health and beauty. We believe it is important to continue to be a company where each and every employee can feel a sense of personal growth and be proud to work for our Group.
Reduction of capital costs	Consideration of the health of the Earth	Company that achieves virtually zero CO ₂ emissions from business activities, thereby contributing to an ethical society	The Group identifies business risks and opportunities due to climate change, natural disasters, and other factors. Climate change and other environmental issues have a major impact on all stakeholders. This threatens the safety and security of our customers' lives, and also poses a threat to our Company's sustainable management. We also believe that delays in addressing climate change risks are an essential issue that must be resolved through our business, as it will have a significant impact on our business. The Group is committed to maintaining a healthy global environment in order to be needed by people as an infrastructure company for society and daily life, to continue to co-create value with all stakeholders, and to continue to do business now and in the future.
	Effectiveness of governance	Company that establishes a disciplined management system and practices stakeholder-oriented management	As a company that foresees “the future of health and beauty” and creates the future normal, in order to be a company that continues to be trusted and chosen by all stakeholders, it is essential that we strengthen our “governance,” which is the foundation of the company. To achieve this, we will increase management transparency, manage risks appropriately, practice the “MatsukiyoCocokara WAY” as the underlying philosophy and values, and conduct business activities based on the “MatsukiyoCocokara & Co. Code of Conduct” as the standards, rules and philosophy that must be followed. We will promote initiatives based on the idea that governance must be both essential and effective.

Implementation of Sustainable Management

The status and major initiatives as of March 31, 2025, for each of the Company’s four materiality goals are as follows.

KGIs and KPIs tied to materiality

Management Assumptions	Materiality and Goals	Main initiatives	Target / KPI (for the fiscal year ending March 31, 2031)	Results for the fiscal year ended March 31, 2025
Initiatives to increase profitability (earning power)	Contribution to health and beauty Society & Economy Consideration of the health and beauty of society P.39-42 ▶ Company that solves problems related to people's health and beauty and delivers great peace of mind and joy to society, including local medical services 3 8 9 11	Conduct periodic acquisition contests using various customer contact points to acquire new members	45 million Group members	26.59 million people
		Provide products and services that meet customer needs for health and beauty	Health & beauty sales composition ratio: 75%	72.0%
		Promote product development using customer data	PB product sales composition ratio: 15% or more	13.6%
		Concentrate resources on priority areas and execute well-targeted brand campaigns	Open 130–150 stores in priority areas / year	80 stores
		Store openings based on our enhanced expertise in health and beauty	Matsukiyo LAB stores 50 stores	33 stores
		Develop the necessary human resources and ensure that they meet certification requirements	Specialty Medical Cooperative Pharmacies 9 stores	6 stores
		Promote self-medication by upgrading pharmacy functions in the community through group-wide efforts	Community-based Integrated Care model sites 16 locations	9 locations
		Continue to open new stores with dispensing pharmacies and the addition of dispensing services to existing stores	Percentage of stores with dispensing pharmacies: 60%	55.8%
Initiatives to enhance growth potential	Respect for humanity in the workplace Human & Human Rights Employee growth P.45-58 ▶ Company so attractive that our employees would recommend it as a workplace to their loved ones 5 8 10	Implement initiatives to remove gaps through survey results and dialogue with employees	Employee awareness survey: 3.94pt	3.55pt
		Web-based training for all employees to instill our code of conduct to realize our philosophy and vision	Participation rate in the WAY training program: 100%	100%
		Assess the level of employee understanding of the WAY training and develop individual measures to resolve issues	Evaluation of the actions of the WAY: 46.9pt	44.4pt
		Preventing the loss of human resources by creating diverse work styles and working environments	Turnover ratio: 5.0%	5.2%
		Providing professional human resource development training and support for qualification acquisition, etc.	Training effectiveness: 45,000 yen	46,000 yen
		Develop human resources through systems and training, and establish a follow-up system	Ratio of female managers: 30%	22.9%
		Expanding the scope of operations and promoting the recruitment and retention of human resources	Ratio of employees with disabilities: 2.7%	2.58%
		Dissemination information, such as role models for understanding the system	Childcare leave acquisition rate: 100%	98.6%
		Individual interviews with employees before taking childcare leave to help them balance work and childcare	Return to work rate after childcare leave: 100%	96.7%
		Monthly awareness-raising for headquarters staff as one of the means of diverse work styles	Office attendance rate: 30%	32.6%
		Implement appropriate measures for employees who work long hours by complying with the Article 36 agreement, understanding the system, and managing working hours	Average overtime hours: 5.0 hours	7.8 hours
		Improving the working environment and implementing various health initiatives to increase employee satisfaction and productivity	Maintenance of White 500 certification	Acquisition
Initiatives to lower cost of capital	Global environmental conservation Earth & Environment Consideration of the health of the Earth P.65-70 ▶ Company that achieves virtually zero CO₂ emissions from business activities, thereby contributing to an ethical society 6 7 12 13 14 Enhancement and strengthening of governance Governance Effectiveness of governance P.71-89 ▶ Company that establishes a disciplined management system and practices stakeholder-oriented management 8 16	Based on the results of periodic health checkups, post-medical checkup measures and health guidance are provided according to risk categories	Implementation rate of specific health guidance: 90%	49.8%
		Identifying issues and implementing improvement measures based on health checkups and stress checks	Presenteeism: 15%	23.2%
		Investments in energy-saving equipment and green power	CO ₂ emission (Scope 1 and 2) reduction: 40%	11.7% reduction
		Establish environmental guidelines for PB products and work to create a database of CO ₂ emitted during product manufacturing	Environmentally friendly PB product ratio: 60% or more	52.0%
		Optimize the number of company cars and implementation of planned investment in next-generation cars	Switching to next-generation vehicles: 70%	15.5%
		Implementing various initiatives to address climate change challenges	CDP rating of “B” maintained	B
		Begin consultations with stakeholders	Scope 3 reduction target setting	Under consideration
		Increase the ratio of Independent Outside Directors and consider and implement measures based on the results of the evaluation of the effectiveness of the Board of Directors	Ratio of Independent Outside Directors: 50% or more	42.9%
		Utilize external auditing organizations and conduct CSR audits of domestic and overseas factories, including new ones	Implementing CSR audits for quality control of PB products: 100%	69.7%

Visualization of the story of enhancing corporate value driven by non-financial initiatives

Correlation analysis between non-financial and financial initiatives

Our strengths lie in non-financial capital, particularly human capital, and we aim to enhance medium- to long-term corporate value by leveraging and further developing these assets. On the other hand, we believe that clarifying the importance of non-financial initiatives will help motivate every on-site employee and promote greater understanding among stakeholders, which ultimately contribute to increasing market value added (MVA). In the fiscal year ended March 2024, we conducted a correlation analysis between non-financial initiatives and KPIs that tied to materiality and financial indicators, as well as an impact analysis between non-financial and pre-financial indicators. As a result, we identified non-financial KPIs that have a strong impact on financial indicators, and initiatives that are not set as non-financial KPIs but have an impact on financial indicators. In the fiscal year ended March 2025, with the aim to enhance the significance and effectiveness of our non-financial efforts, we conducted further analysis to clarify whether our non-financial KPIs and efforts are contributing to maximizing market value added (MVA) and corporate value, and how each effort is leading to increased corporate value.

Analysis overview

- [Analysis subject]** Data from 146 manufacturers whose business domains are retail and “health and beauty”
- [Objective variable]**
- Profitability: ROS (return on sales), Invested Capital Turnover Ratio
 - Growth potential: Rate of change in ROS
 - Cost of capital: DOE, WACC
- [Explanatory variable]** HESG-related indicators (approx. 210,000 = 146 companies × past 4 years × 370 ESG indicators)
- [Time series]** For the past seven years (2018–2024)

Analysis method

Visualization of complex relationships (connectivity) between non-financials and financials through quantitative data analysis using AI and machine learning, in cooperation with Sustainable Labs, Inc.

1 Contribution analysis (SHAP analysis)

2 Simulation analysis (ICE plot analysis)

Simulation analysis (typical results)

1

Contribution analysis: Analysis that visualizes the magnitude of correlation between specific financial and non-financial indicators

(The longer the bar graph, the greater the correlation with the financial indicators)

2

Simulation analysis: Analysis that simulates how changes in specific non-financial indicators affect financial indicators

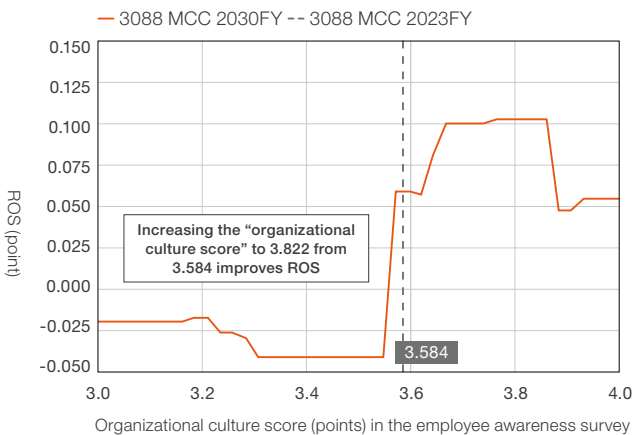
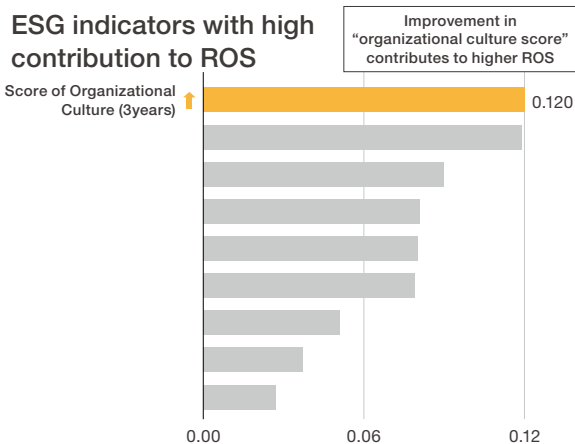
Based on the correlations and impacts confirmed through both contribution analyses and simulation analyses, we highlight the relationship between “ROS (return on sales),”—an element of improving profitability—and “employee awareness surveys” as an illustrative example.

In our previous analysis in the fiscal year ended March 2024, we identified a correlation between “ROIC” and “employee awareness survey score” as indicators that contribute to improving profitability. Therefore, in the analysis in the fiscal year ended March 2025, we further broke down “ROIC” and “employee awareness survey score” to conduct a more in-depth analysis. By doing so, we found that, among the evaluation items in the employee awareness survey, an improvement in the “organizational culture score,” was particularly and directly linked to an improvement in “ROS.” Specifically, we found that increasing the current average organizational culture score of “3.584” to “3.822” by the fiscal year ending March 2028 would lead to improve ROS by “0.1031 points.” Despite the

relatively modest score improvement, we view the analysis results as an important insight of the potential impact of at least 0.1 point on ROS. We believe that this correlation is rooted in three factors that resulting from improvements in organizational culture: (1)improved work efficiency and productivity, (2)reduced turnover and training costs, and (3)improved on-site guidance to achieve results.

Although we have consistently prioritized improving our survey scores, we have come to understand that the employee awareness survey not only reflects the state of “employee sentiment and the work environment” but can also serve as a driver for improving profitability. We have also obtained evidences that non-financial initiatives in human capital management, such as “improving engagement,” “creating job satisfaction,” and “fostering corporate culture,” can have a positive impact on financial indicators. These findings carry significant implications for our Group as we continue to promote human capital management.

ESG indicators with high contribution to ROS



Visualization of correlated pathways

Future outlook

To clearly illustrate and communicate the rationale behind the non-financial KPIs we have adopted and how these initiatives influence financial indicators, we have compiled and visualized the results of our analysis to date in the form of a correlation path diagram. These correlation paths indicate connectivity (represented by arrows) between elements, based on relationships that can be explained with qualitative and quantitative evidence.

As an example of the relationship, we will focus on the non-financial KPI “employee awareness survey” tied to the materiality “employee growth” and explain the flow of its impact. Since the results of the aforementioned analyses (1) and (2) confirm that an improvement in

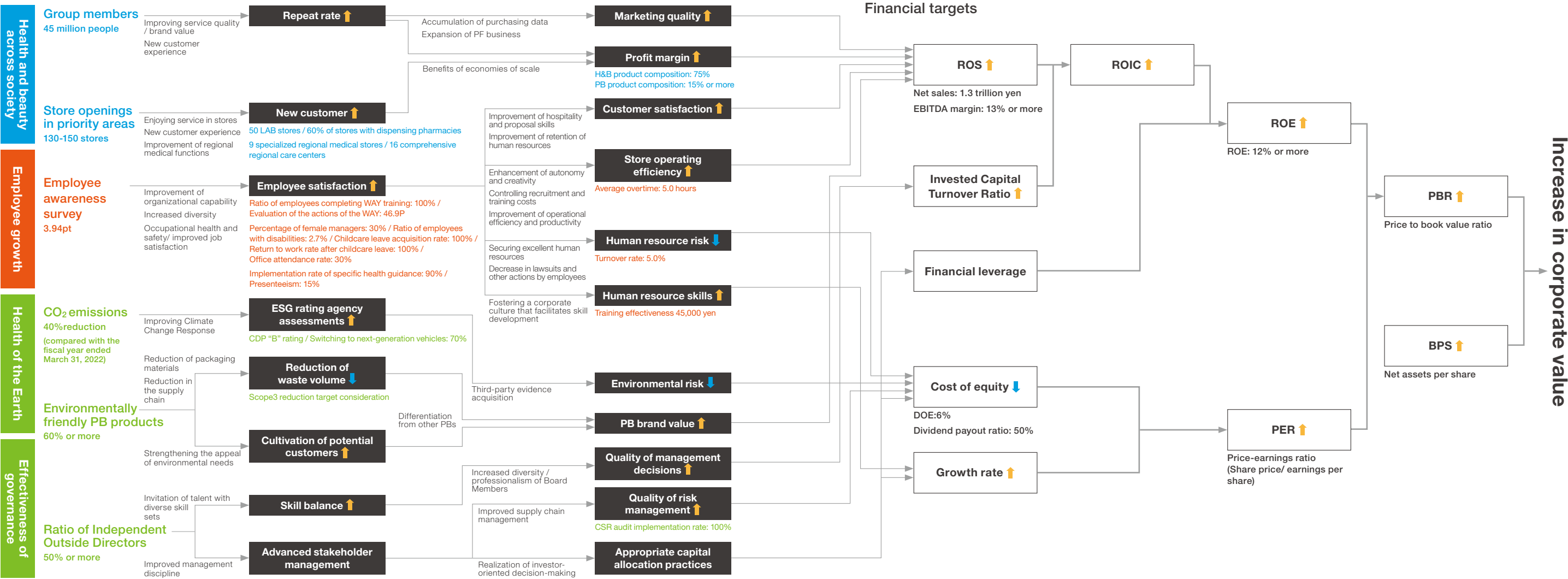
“employee awareness survey scores” leads to an improvement in “ROS,” some of the connections between these non-financial KPIs and initiatives are organized base on our hypotheses. The starting point here is the “employee awareness survey.” Improving its score is expected to enhance organizational strength, promote diversity, and ensure occupational health and safety/job satisfaction, and lead to contribute to higher “employee satisfaction.” Furthermore, improving “employee satisfaction” contributes to improving “customer satisfaction” through better customer service and stronger proposal capabilities and improved employee retention rates. These improvements ultimately lead to

a rise in “ROS,” a key financial indicator, and ultimately contributes to improving future corporate value.

We have formulated a new medium-term management plan with a back-casting approach, starting from the realization of the Group Vision, which is the ideal state we aim to achieve. To achieve the Group’s management targets outlined in the medium-term management plan and realize its aspirations, we will position the “non-financial KPIs and their initiatives” that affect financial indicators and corporate value, as confirmed through this visualization, as the most important key success factors and proceed with their initiatives.

Through this series of analyses, we visualized the connections from non-financial KPIs to financial indicators and corporate value improvement. For the key indicators identified in the analysis for the fiscal year ended March 2025, we establish new materiality and non-financial KPIs linked to the objective, and pursue these initiatives with a unified company-wide effort. These non-financial KPIs will continue to be monitored and discussed, primarily through the Sustainability Committee. If any significant changes occur in the external environment, we will revisit the non-financial KPIs and correlation diagrams, and report any updates to the Board of Directors. As we continue to analyze and verify data, if any new issues or noteworthy findings emerge, we will remain flexible in our response, engaging in timely discussions led by the Sustainability Committee.

Non-financial KPIs



Business results for the fiscal year ended March 31, 2025

In the fiscal year ended March 31, 2025, we achieved the key indicators related to profitability and capital efficiency at an early stage. These indicators are particularly important to our Group, among the group management targets ending in March 31, 2026, which were formulated at the time of the business integration in 2021. Going forward, we will flexibly respond to the rapidly changing business environment and pursue our newly formulated medium-term management plan, which ends in the fiscal year ending March 31, 2031, with the aim of achieving sustainable growth and further increasing corporate value.

Looking back at the fiscal year ended March 31, 2025

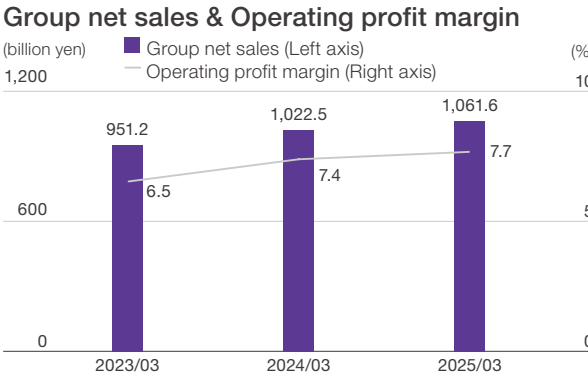
While the Japanese economy is slowly recovering due in part to wage increases and the effects of various policies, the future of the economy remains uncertain due to factors such as rising costs from inflation and heightened geopolitical risks. We also recognize that the business environment surrounding our Group is becoming increasingly challenging due to new store openings by competitors, industry reorganization, and competition from companies in other industries.

Amid such external environment, we achieved our targets for the consolidated operating profit margin and ROE set out in our medium-term management plan for the fiscal year ending March 31, 2026, ahead of schedule, with net sales increasing to 1,061.6 billion yen and operating profit increasing to 82.0 billion yen. In the fiscal year ended March 31, 2025, we worked to continuously open new stores, renovate stores, and

expand the number of customer contacts across our group. In PB products, we launched our first men's skin care and hair care line "KNOWLEDGE" and femcare brand "FEMRISA", with plans to gradually expand their product lineup. Other efforts to improve customer convenience and customer experience include the release of a new digital-based dispensing service called "MatsukiyoCocokara Me." In addition, the Company was recognized for its efforts in health management and was the first company to be certified as one of the "Health and Productivity Management Outstanding Organization 2025 (Large Enterprise Category - White 500)."

Despite ongoing changes in the business environment surrounding our company, we will continue to pursue various initiatives to achieve our new Group management goals.

Group sales	1,061.6 billion yen
Operating profit margin	7.7%
ROE	10.6%



Main achievements	✓ Achieved "Operating profit margin of 7% or more" and "ROE of 10% or more" at an early stage among the previous Group management targets for the fiscal year ending March 31, 2026. ✓ Launched "KNOWLEDGE," the Group's first private brand (PB) for men's skin care and hair care, and expanded its lineup ✓ Developed a new PB brand "FEMRISA" specialized in femcare ✓ Launched "MatsukiyoCocokara Me," a new dispensing service using digital technology ✓ First to be recognized as the "Excellent Health Management Corporations 2025 (Large Company Category (White 500))."
Main medium- to long-term challenges	✓ Strengthen PB product development capabilities and initiatives for products co-created through collaboration with business partners ✓ Increase LTV by creating customer experience ✓ Selection and concentration on areas for store openings, with a focus on large metropolitan areas ✓ Expand platform business by pursuing uniqueness and providing new value ✓ Expansion of business scale upon expansion of overseas store network

Segment performance

In the fiscal year ended March 31, 2025, despite the negative impact from decline in demand for COVID-19-related products and revision of drug prices in the dispensing business, sales were strong, especially for cosmetics, due to increased foot traffic in urban areas, downtown areas, and shopping facilities, as well as an increase in the number of foreign tourists visiting Japan. As a result, both the Matsumotokiyoshi Group Co., Ltd. and the Cocokarafine Group Co., Ltd. saw an increase in revenue. In terms of earnings, the gross profit margin improved due to sales expansion of pharmaceuticals and cosmetics, our core business domains, as well as PB products and high-value-added products. Under the group's strength in KPI management, we also enhanced operating efficiency through optimizing staffing and cost control, sharing successful practices across both groups. As a result, operating profit margins improved significantly for both groups. We believe these achievements are the result of steadily advancing the four key strategies we formulated at the time of our integration, "pursuit of convenience," "pursuit of uniqueness," "pursuit of specialization," and "further expansion of global business."

Matsumotokiyoshi Group Co., Ltd. is promoting business development that will lead the Group, including the development of specialized health and beauty business categories that respond to market needs. In the fiscal year ended March 31, 2025, Matsumotokiyoshi Group Co., Ltd.'s net sales were 667.2 billion yen and segment profit was 57.9 billion yen, an increase in both sales and income. As of March 31, 2025, the number of pharmacies in Japan totaled 1,938 (including 461 dispensing pharmacies and 33 health support pharmacies), and the number of member pharmacies of the dispensing support program, a pharmacy management support service, expanded to 250. As for overseas store development, we opened a new store in Guam, bringing the total number of overseas stores to 79 – 29 in Thailand, 24 in Taiwan, 13 in Vietnam, 12 in Hong Kong, and 1 in Guam.

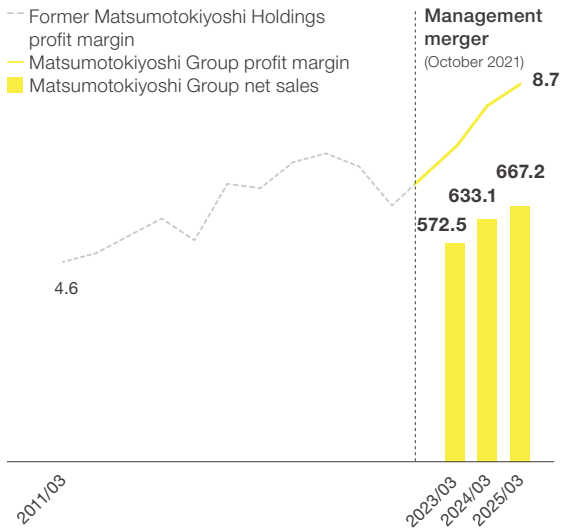
The Cocokarafine Group Co., Ltd. provides community-based health and beauty care services with a high level of expertise. For the fiscal year ended March 31, 2025, net sales of the Cocokarafine Group Co., Ltd. business were 391.0 billion yen, and segment profit (excluding the amortization of goodwill and the amortization of trademark rights associated with the business integration) was 31.0 billion yen, an increase in both sales and income. The number of domestic pharmacies totaled 1,561 (including 541 dispensing pharmacies and 87 health support pharmacies).

The Management Support Business is responsible for a wide range of sales planning and operational support functions for both groups, and contributes significantly to creating synergy, including the integration of membership, e-commerce (EC), and apps since the 2021 business integration. In FY2024, further synergy will be realized through the development of the "MatsukiyoCocokara Me" dispensing service and AppBrew's participation in the Group to strengthen the platform infrastructure and unify core systems.



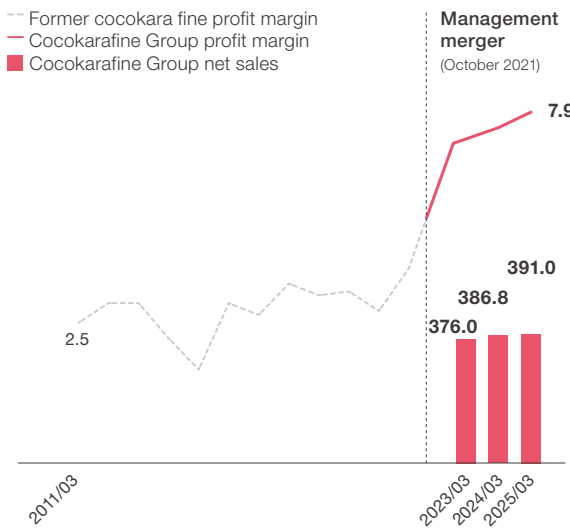
Matsumotokiyoshi Group, Co., Ltd

Matsumotokiyoshi Group Profit margin (%) / net sales (billion yen)



Cocokarafine Group Co., Ltd.

Cocokarafine Group Profit margin (%) / net sales (billion yen)

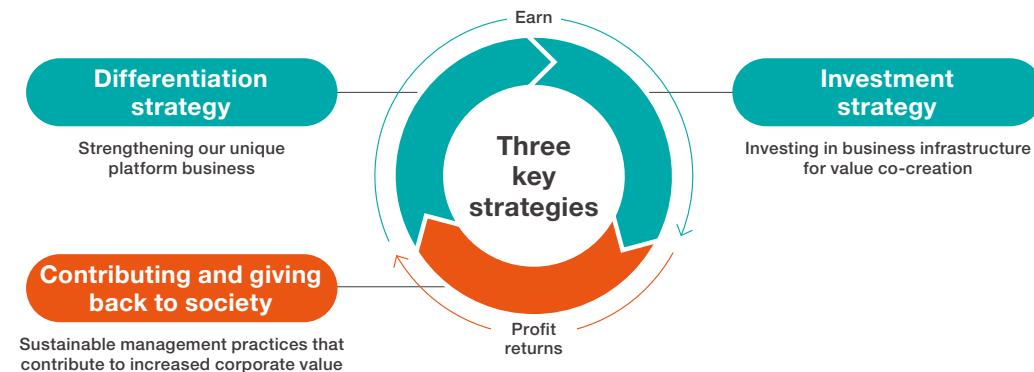


*Excluding the amortization of goodwill and the amortization of trademark rights associated with the merger between Matsumotokiyoshi Holdings Co., Ltd. and cocokara fine Inc.

Three new key strategies to achieve the new medium-term management plan

Message Differentiation strategy and investment strategy — achieving co-creation of value

Basic concept “co-creating and sharing value”



Thoughts and ideas on “earning power” in the new medium-term management plan

Currently, competition in the drugstore industry is rapidly intensifying as companies become larger and more restructured. We recognize that the business environment surrounding our Group is constantly evolving. In response to these changes in the business environment, the new medium-term management plan calls for maximizing “earning power,” or profitability, by focusing on the quality of sales rather than only on expanding the scale of sales, and by returning those profit to the shareholders to achieve sustained growth in corporate value.

Our strength is the unrivaled brand power that “When it comes to cosmetics, you think of Matsumotokiyoshi,” which we have cultivated together with our customers over many years through a powerful and dominant strategy, mainly in major metropolitan areas. The Group’s management goal in the new medium-term management plan is to “become Asia’s No. 1 drugstore and establish a leading position in the health and beauty fields.” However, in order to develop our brand in a rapidly changing business environment, we believe it is essential to improve our “earning power” through a “differentiation strategy” and an “investment strategy.”

Commitment to achieving earning power

We believe that maximizing “earning power” can be achieved by differentiating ourselves from our competitors, and we aim to achieve this by focusing on pharmaceuticals and cosmetics in the “beauty & health” field, our main business domain. Pharmaceuticals and cosmetics have relatively high gross margins, and the more we increase the proportion of pharmaceuticals and cosmetics in our portfolio, the higher our profitability. We believe it is very important to appropriately redistribute profits to our stakeholders and to

implement an appropriate portfolio strategy with a view to reinvesting in our businesses and investing in new growth.

Specific examples of differentiation strategies

In our “differentiation strategy,” we are constantly aware of two key principles, “ensuring there is a clear reason why customers choose MatsukiyoCocokara” and “deeply understanding our customers to deliver satisfaction” and will refine our efforts to provide new value and services unique to our Group. Through these efforts, we aim to increase LTV while increasing the number of fans, and through this spiral, drive further growth.

Among our “differentiation strategies,” one of the most critical initiatives is the expansion of our PB “matsukiyo”. This year marks the 10th anniversary of the launch of the “matsukiyo” brand, which has received support from many customers and has grown to now account for more than 13.6% of total company sales. Data shows that customers who purchase PB products have higher LTV than other customers, making PB development a key driver in increasing the number of our Group’s fans. On the other hand, in developing PB products, we also take into consideration a bird’s-eye viewpoint, such as whether the product will “increase sales for the entire store.” Rather than PB products taking market share from products that are selling well, we will introduce PB products in niche areas to satisfy unmet needs and attract new customers. This unique strategy has led to avoiding competition from national brand (“NB”) manufacturers and has contributed significantly to maximizing the Group’s sales and earnings.

The development of these PB products is supported by customer purchase data, which is the largest in the retail industry. By combining customer gender, age, and purchasing data with market data, we generate

secondary data that reflects customers’ “shopping values”. These original data enable us to explore niche fields and categories where no clear market leader exists, and develop and roll out products ahead of our competitors. In recent years, more manufacturers have embraced our approach to PB development, and we are developing PB products that combine the technological capabilities of those manufacturers with data from MatsukiyoCocokara in a form of “co-creation” rather than competition. By creating new markets through these efforts, we aim to grow while maintaining a win-win relationship for both parties.

During the period of the new medium-term management plan, we will also focus on establishing our unique platform business. We have previously developed and provided apps that connect offline and online services (such as “MatsukiyoCocokara Q,” a delivery service that enables same-day delivery, and “MatsukiyoCocokara Me,” improving convenience and reduce waiting times) to enable our customers to freely and seamlessly use among our e-commerce sites, drug stores, and dispensing pharmacies. In order to improve customer convenience and increase LTV, we will continue to integrate platforms and strengthen our customer value creation base.

Specific examples of investment strategies

In terms of our “investment strategy,” in addition to investing in our platform to create differentiation, we plan to make growth investments totaling approximately 200 to 220 billion yen over the six-year period of the new medium-term management plan. This includes investments in strengthening store openings in key areas, primarily metropolitan areas, M&A investments, overseas business investments to enter new countries, primarily in ASEAN, and human capital investments to support all of these initiatives. Among these, we expect to invest 60 billion yen in the digital field to enhance convenience of our customers, which is an important initiative for increasing the number of our fans in the coming age of AI. Today’s consumers have a strong tendency to consider purchases based on information gathered via smartphones, particularly evident in our

Senior Managing Director and Representative Director
Head of Group Sales Planning

Takashi Matsumoto



main domain, cosmetics. To approach this area, in 2024 we integrated AppBrew, which operates the leading reviewing website LIPS, and are working to create a new customer experience that fuses the real and digital worlds. We also have our own app, which has the largest number of downloads and active users of any shopping app in Japan, and through the app we provide timely proposals and services tailored to the individual needs of each customer. Moving forward, we will further accelerate our efforts to maximize customers’ LTV by promoting customer retention based on the connection through the application and by enhancing after-sales follow-up services to encourage customers to return to the store.

In logistics-related activities, we are investing in the development of our own rapid delivery service by establishing nationwide stores as delivery bases. By optimizing the delivery network through these efforts, we are working to shorten delivery times and eliminate the “waiting time” before receiving dispensed prescription drugs. Looking ahead, we plan to expand our prescription drug delivery to stores nationwide, and offer a seamless experience utilizing digital technology where customers can transmit prescriptions to dispensing pharmacies via our app, receive online medication instructions, and have their medications delivered to their homes through our own logistics network.

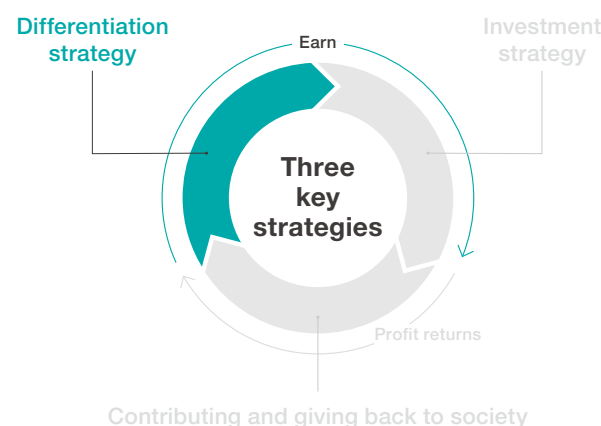
Based on the basic policy of the new medium-term management plan, “co-creating and sharing value,” we will aim to further expand our fan base and increase our customers’ LTV, and by promoting our “differentiation strategy” and “investment strategy” in tandem, we will achieve our Group’s management goals for the fiscal year ending March 2031.



Differentiation strategy

Strengthen our unique platform business

In the new medium-term management plan, we will promote initiatives based on both “earning power” and “returning profit” to realize our basic concept of “co-creating and sharing value.” One of the key strategies to enhance our “earning power” is the “differentiation strategy,” in which we aim to differentiate ourselves from our competitors, focusing on the health and beauty domain, which contributes significantly to our overall earnings and is expected to grow further. We will leverage our strengths, such as attractive products and services, new experiences, a store network centered on major metropolitan areas, and closed customer information obtained from over 150 million customer touchpoints, to provide new value and services, expand beyond the retail business domain, and improve our presence in Asia.



Provide new value and services

We have developed and provide a unique platform that allows customers to freely and seamlessly use various digital services such as MatsukiyoCocokara “Q,” “Be,” and “Me” for their convenience, as well as actual stores from drugstores to dispensing pharmacies. Based on this unique platform, we have always been creative and ingenious in providing a variety of products and services that create a new common sense, and unique customer experiences through our products and services. Recently,

we have been expanding our efforts on a daily basis, including the new “Beauty Flagship” business model, which aims to establish a position as a trendsetter in health and beauty through the provision of exciting products and services. Furthermore, by repositioning the “differentiation strategy” in our new medium-term management plan, we aim to further improve convenience for customers and patients and maximize customer LTV, and then strive to provide value to customers that only we can offer.

Expansion from the retail business

We have unique management resources, including the largest number of customer contact points in the retail industry at over 150 million, our customer base highly sensitive to health and beauty, and over 3,500 stores and e-commerce channels nationwide. Through data analysis using these resources, we have visualized a series of purchasing processes for specific customer segments, from advertisement recognition to purchase

and after-follow-up, and have developed unique products and implemented sales measures. We are working on providing marketing support to manufacturers by leveraging these intangible and intellectual assets. We will strengthen our efforts to establish a new earning pillar by expanding our business domain beyond the conventional retail business to B to B, taking advantage of our unique customer data and analysis.

Increased presence in Asia

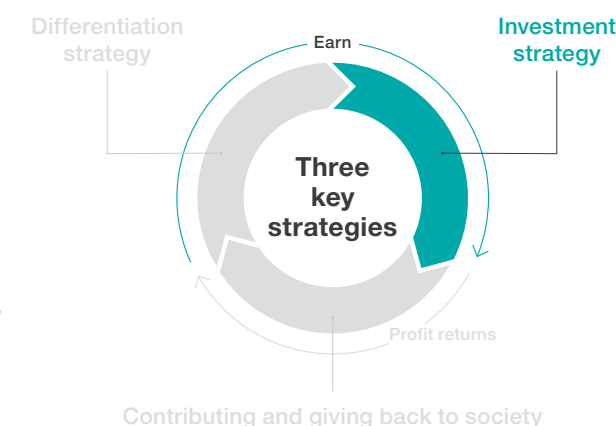
Our brand is widely recognized not only in Japan but also overseas, particularly in the ASEAN region. Through further business expansion, we will continue to strengthen measures tailored to regional characteristics and culture, such as the development of cross-border EC services that can be linked to SNS and the planning and sales of

localized PB products based on data analysis, with the aim of maximizing customer LTV as the same way we do domestically. In addition to further expanding our store base in the ASEAN region, we will promote measures such as global membership acquisition, IT system construction, and logistics efficiency to enhance our presence in Asia.

Investment strategy

Investment in business infrastructure for value co-creation

The “investment strategy” is another key strategy, along with the “differentiation strategy,” which is indispensable to enhance “earning power” in order to realize the basic concept of the new medium-term management plan, “co-creating and sharing value” Under the “investment strategy,” we will aggressively invest in our platform infrastructure to maximize our differentiation from competitors and achieve sustainable earnings. As Our key growth investments, we will focus on opening new stores in priority areas, mainly in major metropolitan areas, pursuing M&A to realize our alliance concept, advancing the co-location of dispensing pharmacies in drugstores, and expanding into new countries, particularly in the ASEAN region. In addition, we will invest in human capital in order to support all of these initiatives.



Investment to strengthen store openings in priority areas, mainly in metropolitan areas

Under our domestic store opening strategy, we are strengthening new store openings in metropolitan areas as priority areas, taking into account profitability and market growth potential, with the aim of further expanding connections with customers who are highly sensitive to health and beauty and increasing relative market share. We plan to open 130 to 150 new stores

annually until the fiscal year ending March 2031, which is the final year of our new medium-term management plan, and will make investments through selection and concentration. At the same time, we will also promote the co-location of dispensing pharmacies in our drugstores to increase store value, thereby expanding our retail business and improving profitability.

M&A investment to realize our alliance concept

We aim to further expand our scale through the realization of our alliance concept in order to become the No. 1 drugstore in Asia and establish a leading position in the field of health and beauty. In addition to the net sales target (1.3 trillion yen) through organic growth in the new medium-term management plan, we are considering aggressive M&A and business alliances that focus on expanding our business scale and improving profitability. As one example, in the fiscal year ended March 2025, we have integrated AppBrew, which operates the major

word-of-mouth site LIPS, into our Group to better understand and meet the diverse needs of our customers. We are currently creating new customer experiences that fuses both real and digital media. Moving forward, we aim to form partnerships that have a high affinity with our management philosophy, strategy, and business model, and that can create synergies, not limited to the drugstore industry. We are committed to realizing our alliance concept to enhance corporate value.

Overseas business investment for expansion into new countries, particularly ASEAN

As of the end of March 2025, we have stores in five areas: Hong Kong, Taiwan, Thailand, Vietnam, and Guam. In the fiscal year ending March 2026, we plan to expand into Malaysia as our sixth area. By establishing the “Matsumotokiyoshi brand” mainly in the ASEAN region, where market expansion is expected to continue due to population growth, we

will increase overseas sales up to 100 billion yen by the fiscal year ending March 2031. We will aggressively invest in overseas operations, such as further business expansion and store network expansion to improve efficiency and profitability, strengthen marketing effort including collaboration with inbound tourism, and differentiate ourselves through PB products.

Contributing and giving back to society

Sustainable management practices that contribute to increased corporate value

In order to realize the basic concept of the new medium-term management plan, “co-creating and sharing value” it is extremely important to “share” value with stakeholders, or “contributing and giving back to society,” as well as “earning.” To maximize “contributing and giving back to society,” we have redefined four materialities in line with the new medium-term business plan. By addressing these materialities and becoming a sustainable growing company that is needed by society, we will allocate the earnings generated through our business mainly to “investment for growth” and “return to shareholders.”



Message Contributing and giving back to society Towards the realization of “appropriate sharing”

I believe that in order for our Group to become a company needed by society in the future, it is essential to co-create value with our stakeholders to solve materiality issues and appropriately “contributing and giving back to society”

On the other hand, looking back on the efforts of the previous medium-term plan, we believe that there is room for improvement in the specificity, proactiveness, and alignment of our “contributing and giving back to society.” In terms of specificity, although we had promoted initiatives based on clear policies regarding the capital allocation to specific recipients and ratios, there was a lack of specificity regarding the scale of amounts and details. As a result, some shareholders and investors requested further explanations. Regarding proactiveness, although we had set a progressive dividend based on our shareholder return policy and had set targets for dividend payout ratio and DOE, we achieved these targets ahead of schedule. As a result, some shareholders and investors began to expect a more proactive approach to returns. As for alignment, we acknowledge that there is room for improvement in clearly alignment between the flow of returns and the enhancement of corporate value, such as how to return the revenue generated to stakeholders and reinvest it in the business to enhance corporate value.

In light of these issues, the new medium-term management plan clearly outlines the “contributing and giving back to society” policy. Based on this policy, we intend to ensure the appropriateness and accountability of the allocation of acquired management resources. Our basic approach is to create a virtuous cycle of “maximizing customer value” → “creating economic value” → “fair returns (i.e., creating social and environmental value)” → “maximizing

customer value.” To realize this cycle, we will proactively (1) provide stable returns to all stakeholders, (2) improve the effectiveness of governance, and (3) engage in dialogue with capital markets. The stakeholders in “(1) stable returns to all stakeholders” include shareholders/investors, customers, business partners, local communities, the global environment, and our employees. In order to remain a valued presence in society over the long term, we believe that returning value to these stakeholders lead to the Group’s sustainable growth. We will deliver value tailored to each stakeholder, such as progressive dividends and share price appreciation for shareholders and investors, and high value-added products and services for customers. Also, to continue being chosen by our stakeholders as a company that creates the future normal, we consider “(2) improvement of the effectiveness of governance” to be an essential initiative. In the new medium-term management plan, we establish a management system to realize disciplined management and practice management facing stakeholders to ensure “effectiveness” from “enhancement” of corporate governance. With regard to “(3) engage in dialogue with capital markets,” we will accurately communicate to shareholders and investors our Group’s will, our goal, and strategies we will create and return value to shareholders and investors for our goal. I believe that taking the “evaluations” and “voices” of our stakeholders into account through the Integrated Report is an important part of these efforts. We are committed to maintaining an open dialogue with the capital market and will continue to work with our stakeholders to realize management that creates value.

To create a virtuous cycle of “earning power” and “returning profit,” I see my role as consisting of two

Investment for further growth

(virtuous cycle of differentiation strategy, investment strategy and profit returns)

We will actively invest the earnings generated through our differentiation strategy and investment strategy to strengthen our “earning power” to solve the four materialities. Specifically, under our new six-year medium-term management plan, we will allocate approximately 200 to 220 billion yen, around 45% of the cumulative operating cash flow (excluding cash holdings), estimated at 450 to 500 billion yen, to growth investments and proceed with the following initiatives.

- “Consideration of the health and beauty of society”: New store openings, DX, realization of the federation concept, investment in overseas business, etc.
- “Employee growth”: Investments in human capital, such as employee awareness, diverse human resource activities, health management, etc.
- “Consideration of the health of the Earth”: Planning and promotion of Scope 1 and 2 reductions through CO₂ emission reduction efforts and reduction of environmental impact through PB products, etc.
- “Effectiveness of governance”: Enhancement of shareholder returns, reduction of strategic shareholdings, expansion of non-financial information disclosure, strengthening of digital risk countermeasures, etc.

Further strengthening of shareholder returns

Returning profits to shareholders is one of the most important management agendas for our Group, and we will strengthen shareholder returns based on a basic policy of progressive dividends. Specifically, under our new six-year medium-term management plan, we will allocate approximately 200 to 220 billion yen, around 45% of the cumulative operating cash flow (excluding cash holdings), estimated at 450 to 500 billion yen, to shareholder returns. Accordingly, in our new medium-term management plan, we have raised our management targets and set a dividend payout ratio of 50% (up from 30%) and a DOE (Dividend on Equity) of 6% (up from 3%). In addition, we aim to achieve “ROE of 12% or more” by flexibly implementing share buybacks, taking into account financial conditions and stock price levels.

key responsibilities. The first is to embed the concept of “contributing and giving back to society” throughout our organization so that our employees can embody it in their concrete thoughts and actions. I have been sharing messages with all Group employees and remain committed to continuing this communication moving forward. The second is the commitment to “value co-creation,” which based on contributing to society and returning profit to society. Without increasing earning power, we will not be able to contribute to society and return profit to society as planned. As the top of business Group of the Cocokarafine Group Co., Ltd., I also focus on creating “earning power” and strive to further enhance corporate value. To inspire growth expectations among our stakeholders, we will continue to take on new challenges without ever losing sight of our founding mission: as a drugstore and pharmacy serving as

part of society’s infrastructure, we face our customers and patients sincerely every day, support health and beauty, and strive to make society better through our business.

Vice President and Representative Director

Atsushi Tsukamoto



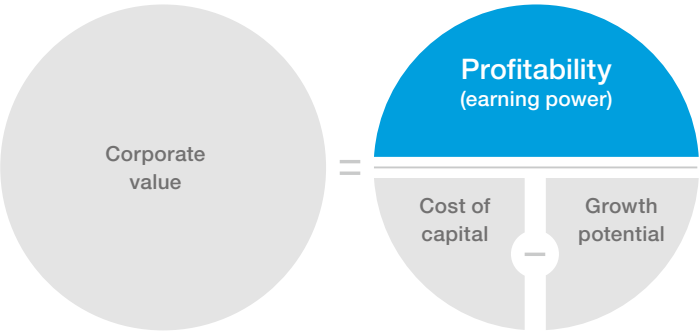
Basic principles for implementing sustainable management to enhance corporate value



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Initiatives to increase profitability (earning power)

Investments to increase profits generated through business operations



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New materiality

Consideration of the health and beauty of society

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Group business strategy that leverages our strengths

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Promote the establishment of a community comprehensive care model to support community medical care

This chapter describes the Group’s strategy for increasing the profitability. The concept of our new medium-term management plan is to “co-creating and sharing value” Specifically, the report describes specific initiatives in line with the key strategies of the new medium-term management plan and the progress of each KPI in the fiscal year ended March 2025 in response to the new materiality, “Consideration of the health and beauty of society,” and explains how these initiatives relate to improving profitability and realizing the Group vision.

KPIs to increase profitability



* To achieve the Community Comprehensive Care system promoted by the Ministry of Health, Labour and Welfare, the sites work with local authorities and other organizations to plan and implement model projects for providing integrated support for housing, medical care, nursing care, prevention and everyday life to allow elderly people to continue to live in their accustomed communities.

New materiality Consideration of the health and beauty of society

Group business strategy that leverages our strengths

Basic policy

Our group will continue to provide unique value by leveraging our strengths to meet our customers' needs to be healthy and beautiful. We will differentiate ourselves through attractive products, personalized sales promotions for each member, and aggressive store openings in key areas in Japan and Asia. By doing so, we aim to increase customer convenience and LTV and become a company that delivers peace of mind and joy to the local community.

Goals and KPIs

KPI	Goal for the fiscal year ending March 31, 2031	Actual results for the fiscal year ended March 31, 2025
Group members	45 million Group members	26.59 million people
Health & beauty	Sales composition: 75%	72.0%
PB products	Sales composition: 15% or more	13.6%
Store openings in priority areas	130–150 stores/year	80 stores
LAB store	50 stores	33 stores

Store opening strategy

Due to an increase in inbound demand, changes in the flow of people, especially in urban areas, and changes in lifestyles, competition to secure properties has intensified, especially in major metropolitan areas. As a result, and after taking into consideration business profitability, we ended up opening only 80 new stores, compared with our initial target of 120 stores. When making decisions to open new stores, we make comprehensive judgments based on both profitability, based on the accuracy of sales forecasts, and the quality of store openings. Aiming to open new stores that can contribute to early profitability and stable net store growth, we are forming and deepening our dominance mainly in strategically important areas (metropolitan areas).

Furthermore, in order to become the No. 1 company in Asia in the fields of health and beauty, the Group is actively working to acquire and strengthen its approach to global members, strengthen its marketing by analyzing domestic inbound data, and disseminate information to visitors to Japan using overseas social media, with the aim of quickly establishing a business foundation in Asia.

Number of stores in Japan for the entire Group

Region	Results of the fiscal year ended March 2025	Difference from previous year
Hokkaido/Tohoku	129stores	-1 store
Kanto (eastern half of Japan, including Tokyo)	1,522 stores	24 stores
Koshinetsu/Hokuriku	246 stores	1 store
Tokai	330 stores	-1 store
Kansai	740 stores	9 stores
Chugoku/Shikoku	220 stores	1 store
Kyushu/Okinawa	312 stores	2 stores
Total	3,499 stores	35 stores

Aggressive development of health & beauty strategy

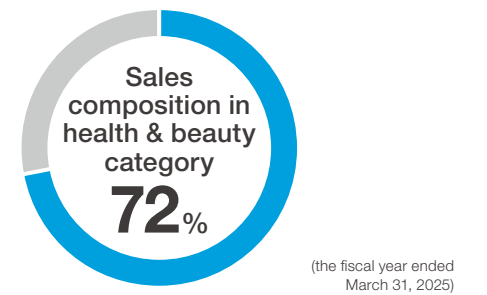
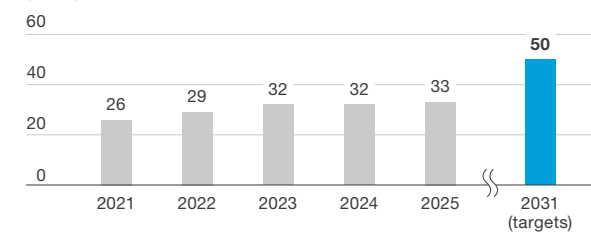
To realize our Group's vision of "Making health and beauty more delightful and accessible," we aim to become No. 1 in the health and beauty field in each region by responding to the detailed needs of customers who want to "stay beautiful and healthy forever."

As part of these efforts, we are developing "matsukiyoLAB," stores that provide customers with a high level of expertise and new value in the fields of health and beauty. As of the end of March 2025, these stores, which number 33 nationwide, will have more "pharmacists," "registered distributors," "registered dietitians" and "beauty specialists" than regular stores, providing high-value-added products and services to address the health and beauty concerns of customers. We provide high-value-

added products and services to address customers' health and beauty concerns. In the health and beauty sector, a high level of expertise in pharmaceuticals and cosmetics is essential. Therefore, by systematically training personnel with expertise in these products and services, we are thoroughly creating a sales floor that responds promptly to customer needs. In addition, the Group takes full advantage of economies of scale to procure competitive products and offer a wide selection of goods.

In the fiscal year ended March 31, 2025, the Health & beauty category will account for 72% of our total sales, and we will continue to pursue initiatives to become the No. 1 company in the region in this field.

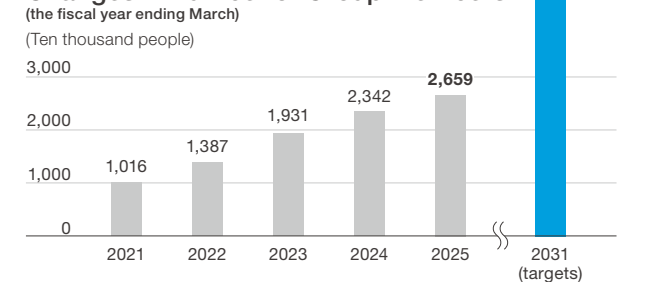
Number of matsukiyo LAB stores (the fiscal year ending March)



Strengthen customer base through expanding Group membership

Since the significant increase in the number of members due to the business integration, the integration of the infrastructure in 2023 has enabled the mutual granting and use of points between Matsukiyo group stores and Cocokarafine group stores. In 2024, the e-commerce site and official application were integrated, enabling commonization of sales promotion measures among the Group and introduction of new services, which improved convenience for customers and further attracted more members.

Changes in number of Group members



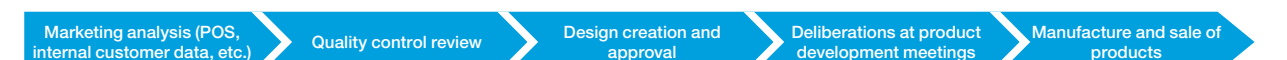
New PB product development based on analysis of purchasing information of more than 150 million customers

In order to meet the needs of various customers, the Group focuses on developing PB products that other manufacturers do not offer. Strengthening the development and sales of PB products is an initiative that embodies the Group Philosophy of "Creating the future normal and innovating lifestyles." We believe that by providing attractive products, we can gain loyal fans and establish a competitive advantage in the marketplace, while contributing to improving the value of our corporate brand.

In product development, we are conscious of whether

our products are in line with the Group Philosophy, and in marketing, we analyze data obtained from our overwhelming number of customer contacts, which total more than 150 million, to create new value. In addition, to provide safe and high-quality products, we are strengthening our quality control audit system at the manufacturing stage and improving the working environment at the factories of contract manufacturers with whom we collaborate. We will continue to strengthen our efforts to ensure that our customers can purchase our products with peace of mind.

Product development process



New materiality Consideration of the health and beauty of society

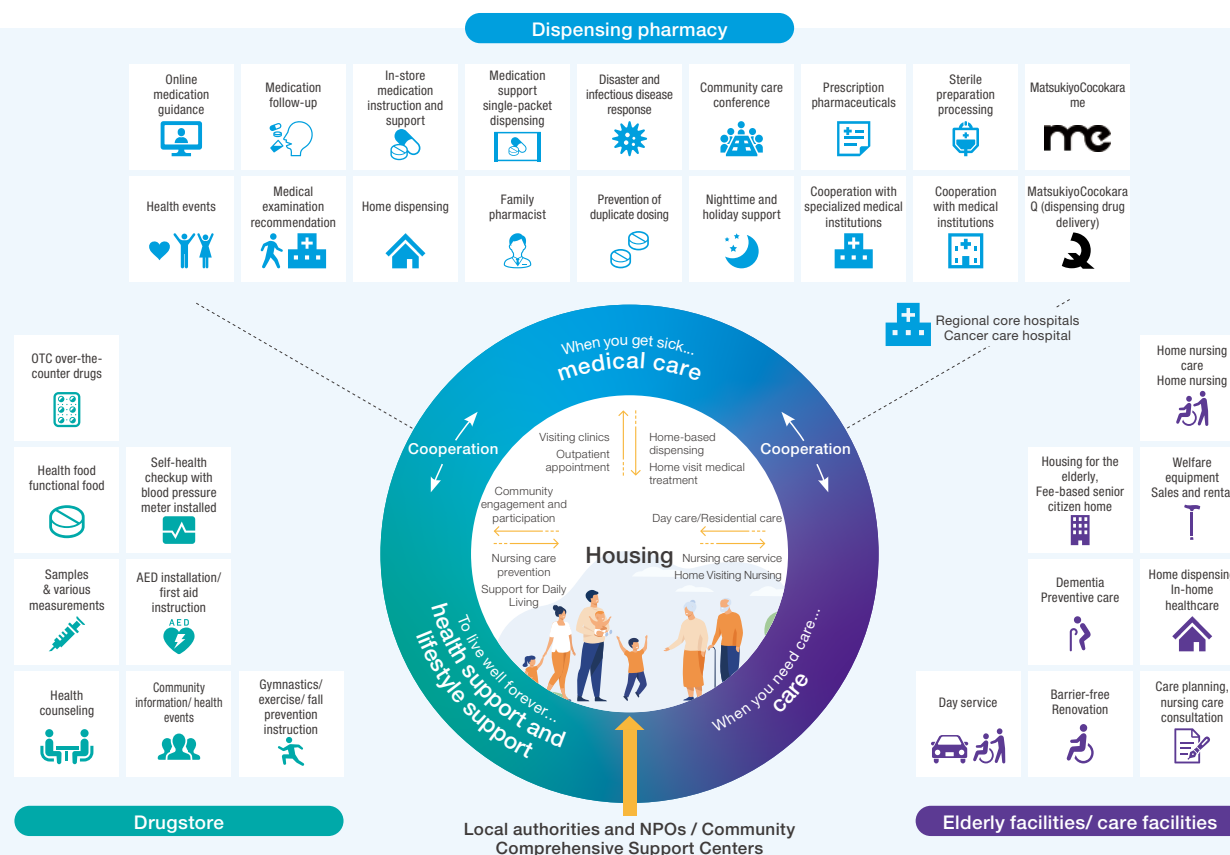
Promote the establishment of a community comprehensive care model to support community medical care

Basic policy

The Community-based Integrated Care model is an initiative promoted by the Ministry of Health, Labor and Welfare, and aims to build a mechanism that provides integrated support for housing, medical care, nursing care, prevention, and daily life, so that elderly people can continue to live in their familiar communities even if they become dependent on nursing care. As a corporate Group that operates drugstores and is responsible for the social infrastructure, we are working to create a unique community-based comprehensive care model that can provide comprehensive support for the health needs of local residents at each stage of life through drugstores, pharmaceuticals, and nursing care. As of the end of 31 March, 2025, we have established nine such models nationwide. In addition, we are also focusing on promoting specialized medical institution-linked pharmacies to further improve the quality of community healthcare, such as supporting the lives of patients with cancer and other conditions requiring advanced pharmacy management. As of the end of 31 March, 2025, we had six stores, and our goal is to have nine by the fiscal year ending March 31, 2031, which is the end of our medium-term management plan.

Goals and KPIs

KPI	Goal for the fiscal year ending March 31, 2031	Actual results for the fiscal year ended March 31, 2025
Specialty Medical Cooperative Pharmacies	9 stores	6 stores
Community-based Integrated Care model sites	16 locations	9 locations
Percentage of stores with dispensing pharmacies	60%	55.8%



Dispensing support program

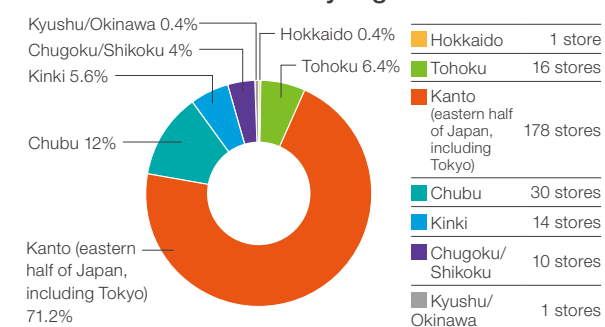
Responding to a wide variety of needs in the Kanto area and expanding nationwide

The dispensing support program is a BtoB business that utilizes the know-how cultivated by the Group to solve various issues faced by pharmacy operators in response to management problems such as the stable supply of pharmaceuticals and the recruitment and training of pharmacists faced by "local dispensing pharmacies" other than our Group. For example, when pharmacies purchase pharmaceuticals, we help stabilize purchase prices and ensure appropriate inventory management

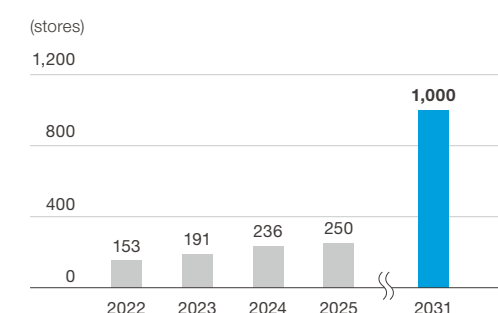
by coordinating prices and delivery dates with pharmaceutical wholesalers on their behalf.

We also make proposals for OTC sales floor development and educate pharmacists. So far, we have been able to steadily gain support from "local dispensing pharmacies," and the number of affiliated pharmacies expanded to 250 in the fiscal year ended March 2025. We will continue to promote our business with the goal of having 1,000 affiliated pharmacies by the fiscal year ending March 2031.

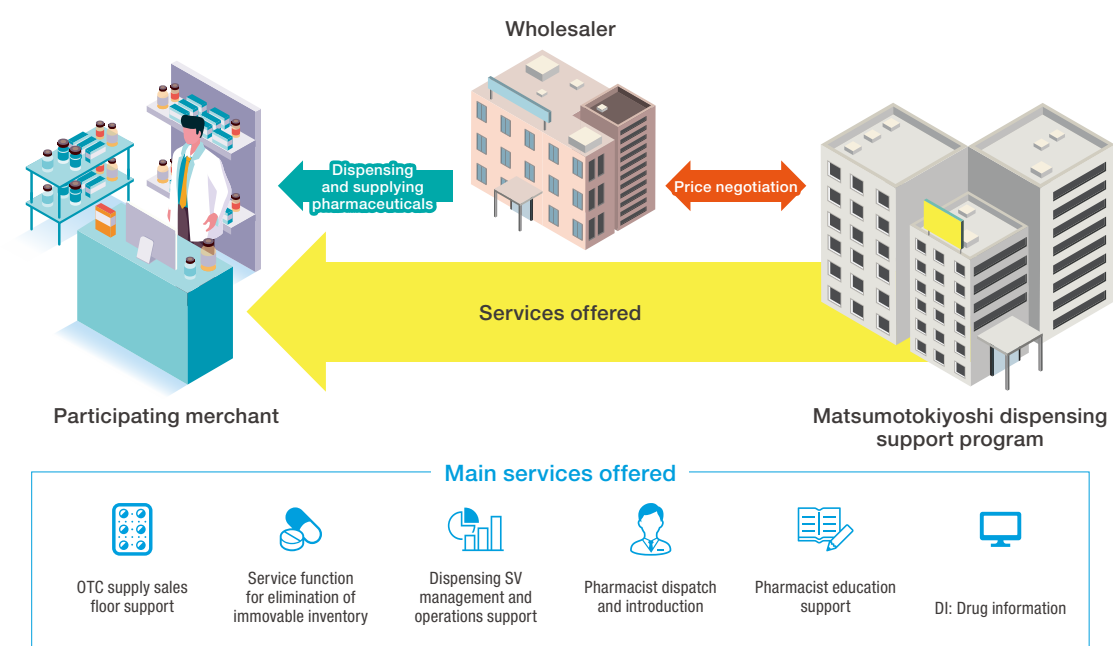
Percentage of franchisees and the number of stores by region



Number of member stores of support program (the fiscal year ending March)



Overview of pharmacy support program



Message

Roadmap for becoming a company that solves social issues and grows sustainably



Managing Director,
Head of Group Management
Shingo Obe

Toward enhancing corporate value

In the previous medium-term management plan, we identified five materialities and have been promoting strategies to resolve them. In the process of setting targets and KPIs for each measure and promoting initiatives, we feel that the value that the Group provides to society is steadily increasing along with business expansion, and we have had many opportunities to receive external recognition, including the first acquisition of the White 500 certification for Health & Productivity Management Outstanding Organizations (Large enterprise category). We believe that we are achieving a certain level of success.

On the other hand, we recognize that we have a long way to go in terms of communication to provide concrete explanations of the Group's sustainable growth and to make people feel that there is a probability of such growth. We also have not been able to provide a clear explanation of our investments in intellectual property and other intangible assets, which will be an important part of our Group's strategy going forward. These matters have also been pointed out in our dialogue with shareholders, investors, and other stakeholders. We recognize that our stakeholders have high expectations that we will be able to demonstrate with certainty how the Group will grow into the future while creating social value.

In light of these issues, we first reviewed our materialities, which are the key issues that we must resolve over the medium- to long-term time horizon. The major difference from the past is that we have determined the issues and materialities to be solved in order to realize our vision, and formulated a new medium-term management plan to realize it. In resolving materialities, i.e., in promoting the new medium-term management plan, the Group's employees, who are the source of value creation, play an important role. By combining the expertise of our employees in the fields of health and beauty with the closed customer information

of our Group, we will be able to create unique products and services that reliably meet the needs of our customers, which in turn will improve our earnings and solve social issues. We believe that this will create a virtuous cycle of increased demand for our newly developed products and services, thereby enhancing our presence in society. We calculate the effectiveness of training by visualizing the results, and as a result of strategically implementing initiatives in the fiscal year ended March 2025, the operating profit per 100 yen of training investment was 46,000 yen, significantly exceeding last year's 42,000 yen (training effect = operating profit ÷ annual education investment × 100 yen).

Human resource strategy for realization of the new medium-term management plan

The most important characteristic of our Group's employees is their belief in supporting the health and beauty of our customers. We believe that by attempting to understand our customers in depth, we can develop a relentless spirit of inquiry and foster a problem-solving ability that surpasses that of other companies. In the discussions held by the Board of Directors and the Group Management Committee in formulating the new medium-term management plan, maximizing these strengths of the Group's employees became a point of discussion. Developing human resources capable of responding to changes in the business environment and promoting diverse work styles are part of these measures. In particular, recruitment and training in anticipation of digital transformation and global expansion are urgent issues, and we have been studying how to optimize our current human capital portfolio to establish a greater competitive advantage in the future.

The human resource strategy, developed through discussions by the directors and management team, consists of two strategic themes, "Creating a healthy and rewarding work environment and visualizing the benefits of investment,"

and "Continuously developing diverse human resources and promoting their active participation," as well as five supporting measures. Positioning these as the compass for the Group's sustainable growth, we aim to establish a sustainable growth cycle for both employees and the company by linking human capital investments to clear returns.

To achieve the goals of the new medium-term management plan, it is essential to have expert personnel who can drive DX promotion, digital marketing, and global business, as well as transformation drivers who can integrate diverse values and create new value. Therefore, we will strengthen recruitment and training to become Asia's No. 1 drugstore by developing DX human resources through reskilling and promoting diversity, equity & inclusion, including knowledge and experience. We will also invest in the development of an environment that supports diverse work styles and increase employee engagement, thereby achieving both individual growth and improving organizational productivity. We will rebuild the talent management system that will serve as the foundation for such human resource development, thoroughly visualize the effects of training, and strategically implement our initiatives.

In promoting the human resource strategy, it is my responsibility to listen to the voices of employees and reflect them in the strategy, while monitoring progress and allocating the necessary resources to ensure that the strategy formulated is implemented. We will continue our efforts to become a company that all employees can be proud to work for and an attractive company that they would want their loved ones to work for.

Consideration of the health of the Earth

In the new medium-term management plan, we will continue to set "Consideration of the health of the Earth" as our materiality and accelerate our Group-wide efforts in this area.

In order to reduce the impact of climate change, we have established a target of reducing emissions by 40% by the fiscal year ending March 31, 2031, compared with the fiscal year ended March 31, 2022, as a milestone toward achieving net-zero emissions (Scope 1 and 2) by the fiscal year ending March 31, 2051, and have also established a roadmap for achieving this target. Based on this roadmap, we aim to achieve our goals by promoting measures such as switching to LED store lighting, installing solar panels, adopting 100% renewable electricity, and utilizing FIT Non-Fossil certificates. As for Scope 3, we have set a new target of "shifting to more than 60% environmentally friendly PB products" by the fiscal year ending March 31, 2031, and we intend to further strengthen our efforts. We will not only ensure that our suppliers understand our environmental and procurement policies, but also work together to visualize CO₂ emissions from purchased products, etc., and consider setting specific reduction targets.

By "thinking about the global environment," our Group hopes to create a positive impact on society as well. At present, the profitability of environmentally friendly PB products and customer purchasing intentions regarding such products are limited, and we have not yet seen a rapid shift toward these products. However, as mentioned above, by promoting efforts to switch PB products to environmentally friendly ones, we hope to raise awareness among our fans who purchase these products and connect this to future

business opportunities. In addition, we intend to appropriately return (invest) profits generated from our business activities to initiatives related to reducing our impact on climate change, such as through the introduction of renewable energy. These efforts are our responsibility to fulfill in society, and we will steadily pursue these initiatives to meet the expectations of all stakeholders related to the Group's business.

Financial capital strategy

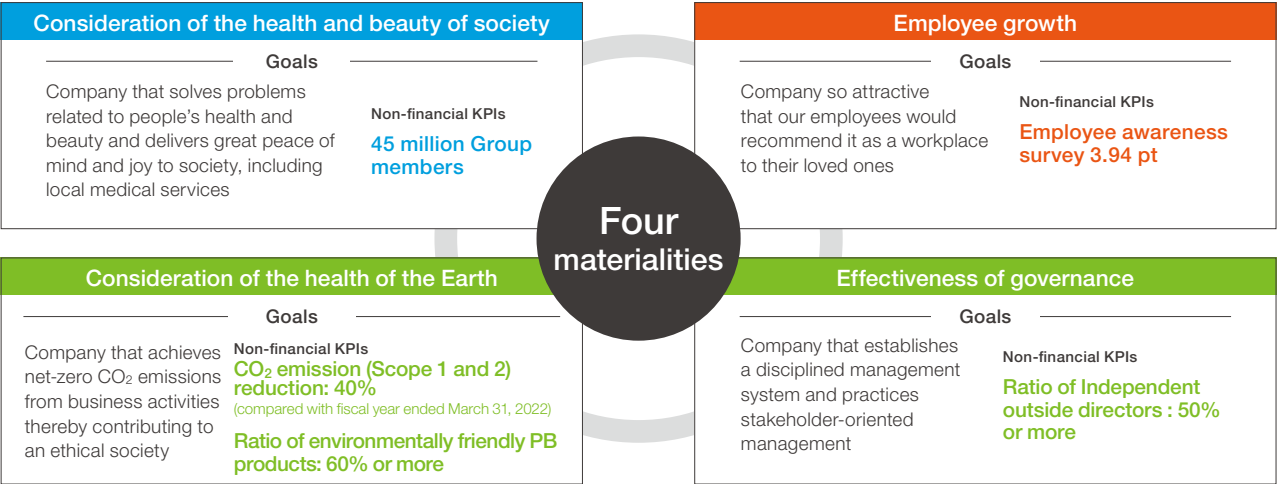
For the year ended March 31, 2025, our ROE and ROIC are 10.6% and 10.8%, respectively. Based on the opinions of our top investors in dialogue, we understand that the cost of capital is approximately 5.2% to 7.0%, and we believe that the current equity spread is approximately 3.6% to 5.6%, and the EVA spread is approximately 3.8% to 5.6%.

As for PBR, it stood at 1.87x as of March 31, 2025, but has recently exceeded 2x. With the PER currently exceeding 20x, we believe that investors have a certain degree of expectation for the Group's future growth. However, although the EVA spread is positive, we recognize that the cost of capital remains high, and we will continue to promote dialogue with shareholders and investors through active information disclosure and other means.

We have reviewed our capital allocation policy, which has been frequently pointed out in past dialogue with shareholders and investors, and will put it into practice in the new medium-term management plan. We expect to generate operating cash flow of 450 to 500 billion yen over the six-year period up to the fiscal year ending March 2031, and in addition to this, we expect to be able to generate cash through selling cross-shareholdings and idle real estate. On the other hand, for cash outflows, we will place the highest priority on growth investment in our core businesses that drive our "earning power." Specifically, in addition to investing in new store openings and renovations to accelerate the growth of the Matsumotokiyoshi Group business and the Cocokarafine Group business, the company plans to invest 200 to 220 billion yen over the six-year period in the realization of our federation initiatives and in intangible assets such as IT, human resources, and branding. In addition, we intend to maximize the use of debt when realizing large M&As as a federation. Additionally, we plan to secure liquidity assets of 40 to 50 billion yen in preparation for the occurrence of risks that could have a negative impact on the generation of operating cash flow, such as a predicted major earthquake or pandemic.

We will enhance and strengthen returns to shareholders and investors through both capital gains and income gains. With regard to capital gains, we will make investments that will lead to further growth as mentioned above, and steadily promote information disclosure in response to requests from stakeholders, aiming to maximize corporate value. Income gains will be allocated to shareholders based on the balance between investments for growth and investments to strengthen the financial base. While continuing our progressive dividend policy, we aim to achieve a DOE of 6% and a dividend payout ratio of 50% for the fiscal year ending March 2031.

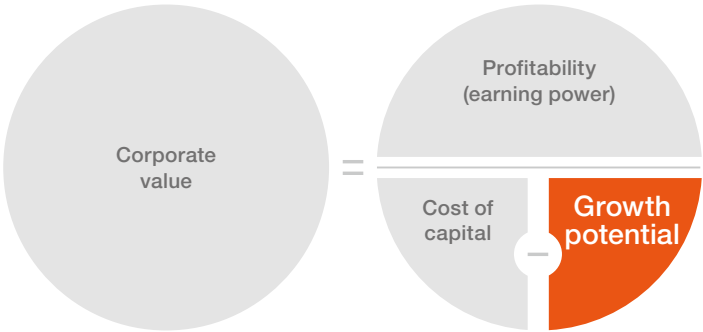
Through these efforts, we will continue striving for the sustainable enhancement of corporate value. We look forward to your continued guidance and encouragement.



CONTENTS

Initiatives to enhance growth potential

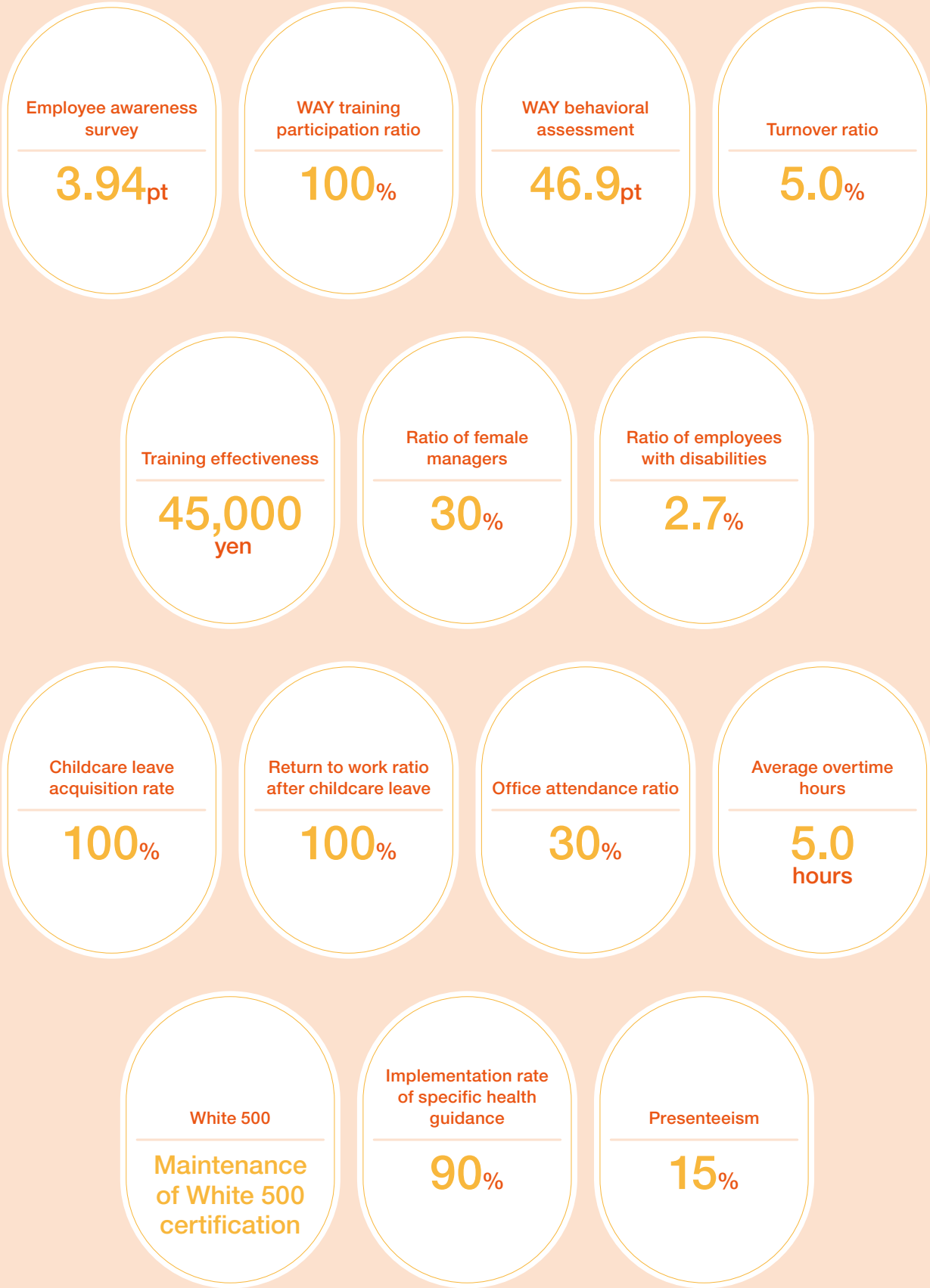
Investment for medium- to long-term growth of the business



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P47		Human resource strategy
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P55		Development of professional human resources
P56		Planned development of global human resources and next-generation management personnel

In this chapter, we will explain the basic policy of our HR strategy to maximize the value of human capital, as well as how our management strategy and HR strategy are linked to improve our corporate value, as part of our efforts to contribute to improving our Group’s future growth potential. Based on the Group Philosophy and the Group Vision, materiality, and key strategies, the HR strategy has been organized into three themes: “promoting diversity,” “health and productivity management,” and “fostering organizational culture and planned human resource development.” The report then explains the specific initiatives for each theme in fiscal 2024 and the progress of each KPI.

KPIs to enhance growth potential



New materiality Employee growth

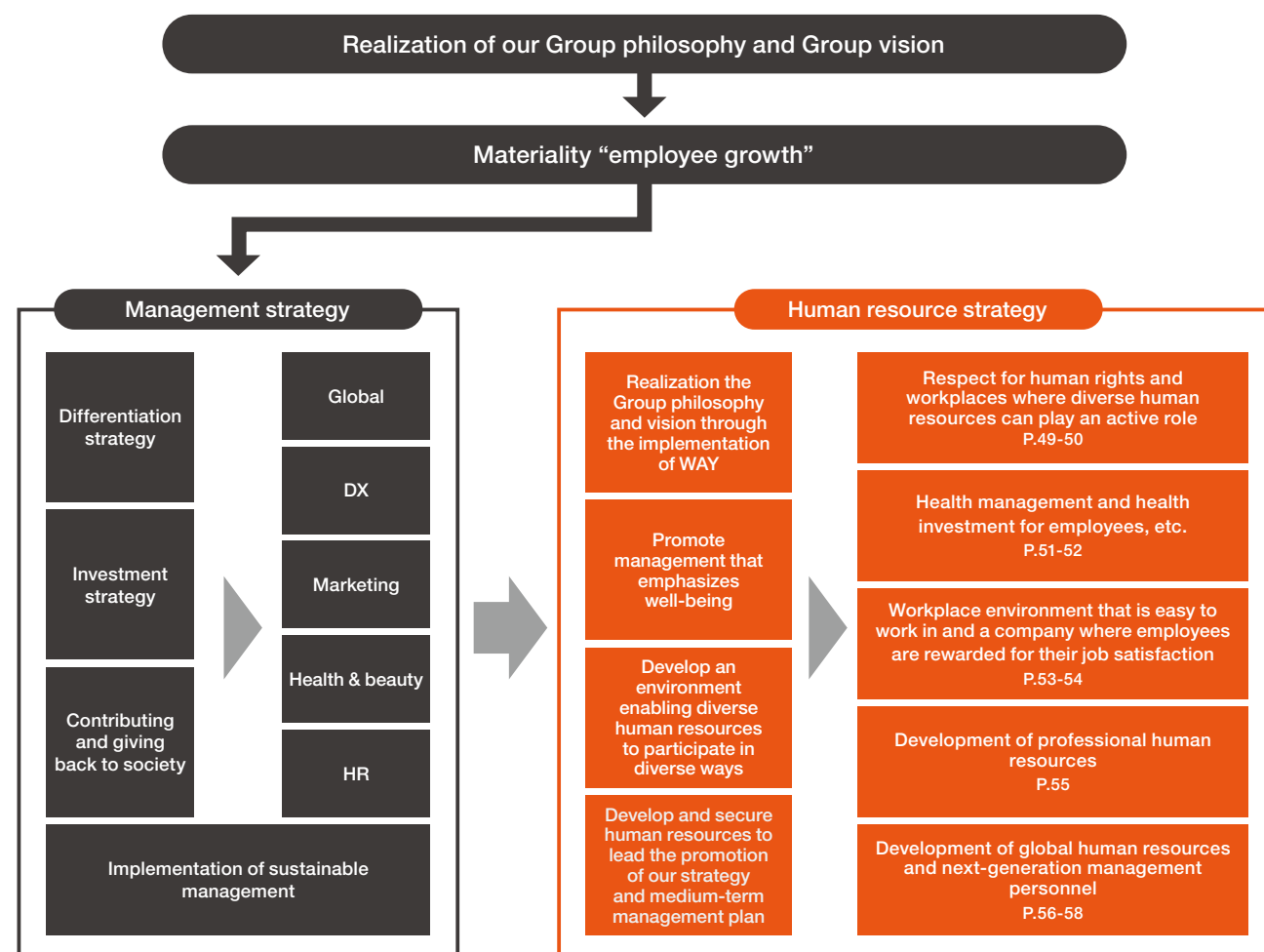
Human resource strategy

Pursuing a human resource strategy that is correlated with our management strategy and maximizing the value of human capital, in order to realize our Group Vision

Basic policy

We strive to maximize the value of the human capital which is the foundation of our value creation, as indicated under the materiality “employee growth,” in order to achieve the Group vision and management goals based on the Group philosophy. To accomplish our management strategy for realizing our Group vision, we have focused our human resource strategy on enhancing corporate value over the medium and long terms. We have identified five key themes under human resources strategy, “development of professional human resources,” “Planned development of global human resources and next-generation management personnel,” “respect for human rights and workplaces where diverse human resources can play an active role,” “workplace environment that is easy to work in and a company where employees are rewarded for their job satisfaction,” and “health management and health investment for employees, etc.” Based on these themes, we work to implement each human resources initiative, by setting targets and KPIs to manage our progress each year, as benchmarks for the corporate structure we should seek to build over the medium to long term.

Realizing our Group philosophy and vision by linking our management strategy and human resource strategy



Targets and KPIs

KPI	Goal Target for the fiscal year ending March 2031	Actual Results for the fiscal year ended March 2025
Employee awareness survey	3.94pt	3.55pt
WAY training participation ratio	100%	100%
WAY behavioral assessment	46.9pt	44.4pt
Turnover ratio	5.0%	5.2%
Training effectiveness	45,000 yen	46,000 yen
Ratio of female managers	30%	22.9%
Ratio of employees with disabilities	2.7%	2.58%
Childcare leave acquisition rate	100%	98.6%
Return to work ratio after childcare leave	100%	96.7%
Office attendance ratio	30%	32.6%
Average overtime hours	5.0 hours	7.8 hours
White 500	Maintenance of White 500 certification	Obtained
Implementation rate of specific health guidance	90%	49.8%
Presenteeism	15%	23.2%

Materiality policy and significance of initiatives related to material issues

We believe the promotion of business strategies and transformation of business models are all based on human capital. We also believe that the value of our human resources can be maximized only when our employees have a greater deep understanding of the Group's Philosophy and the Group Vision and are convinced of the measures taken to realize them. In order to realize our Group Vision of “Making health and beauty more delightful and accessible,” we have identified “employee growth” as a materiality. After reconsidering the issues that need to be addressed in response to the changing business environment, we have decided to set the score of the “employee awareness survey” as the most important non-financial KPI that indicates employee growth.

With health and beauty as our focus, we actively incorporate new technologies and ideas to make people's daily lives more enjoyable. We will then provide greater peace of mind and joy to people's livelihoods and communities, by continuing to be a familiar presence with all, thanks to every one of our employees being sensitive to people's expectations. All of our employees are sensitive to people's thoughts and feelings, and will continue to be a familiar presence for people, bringing greater peace of mind and joy to their lives and communities. We will strive to increase our corporate value by growing into an attractive company that is rewarding to work for and that our employees want their close and dear loved ones to work for.

KPI categories and actual examples

Indicators related to classifications of the medium-term management plan, and indicators related to hired human resources	Training time by specialized area		
Indicators related to overseas business, and indicators related to employee appointments by level of post held	Ratio of senior management candidate fulfillment	Ratio of management candidate fulfillment	
Indicators related to DE&I, indicators related to corporate philosophy	Ratio of employees with disabilities	Ratio of female managers	WAY training program
Indicators related to employee engagement, working conditions and working environment	Employee awareness surveys	Stock ownership association membership rate	Ratio of male employees taking paternity leave
Indicators related to health management of employees	White 500	Percentage of employees who have received a health check-up	Implementation ratio of specific health guidance



New materiality Employee growth

Respect for human rights and workplaces where diverse talents can thrive

Basic policy

The Group respects human rights and promotes the creation of an organization in which diverse human resources can demonstrate their abilities. We view the diversity of knowledge, experience, and values held by our employees as a strength, and actively promote the recruitment and training of human resources in our focus areas, including the “health, beauty, and wellness” fields, as well as internal reassignments (including assignments outside the groups). In addition to further promoting women’s participation in the workforce, we aim to become No. 1 company in Asia by expanding employment opportunities for a diverse range of people, including the elderly and people with disabilities, and creating an environment in which everyone can work with peace of mind.

Targets and KPIs

KPI	Goal Target for the fiscal year ending March 2031	Actual Results for the fiscal year ended March 2025
Ratio of female managers	30%	22.9%
Ratio of employees with disabilities	2.70%	2.58%
Rate of Male childcare leave uptake	100%	54.1%
Average overtime hours	5.0 hours	7.8 hours

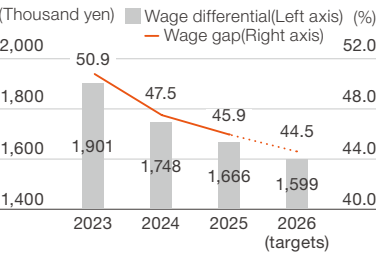
Development of an environment where diverse employees can demonstrate their capabilities

Initiatives to promote active roles of women

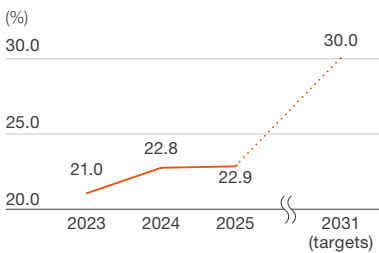
Approximately 70% or more of our employees are women, and we believe that promoting the participation of women as part of our efforts to create an environment in which diverse human resources can thrive will lead to the sustainable growth of our company. As a concrete measure to increase the ratio of female managers, we have implemented the “store manager and pharmacy manager promotion system.” Additionally, we will continue to implement the mentor system for female managers who are candidates for the next generation of management, and as a new initiative, we encourage our female managers (including candidates) to participate in cross-industry exchange training. Cross-

industry exchange training provides a learning opportunity for them to acquire awareness and confidence, and greatly contributes to the retention, skill development, and mutual understanding of female managers. Exposure to the values of other industries fosters self-understanding and a viewpoint for business improvement, resulting in a virtuous cycle of increased attachment to the workplace and proactive behavior. At the same time, in order to correct the wage gap between men and women and realize an organization in which all employees, regardless of gender, are fairly evaluated, we are striving to offer various kinds of support such as career development support, creation of role models, and development of flexible work styles.

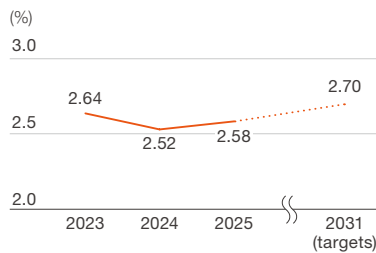
Wage gap between male and female employees (the fiscal year ending March)



Ratio of female managers (the fiscal year ending March)



Employment rate of persons with disabilities (the fiscal year ending March)



Initiatives related to employment of persons with disabilities

Aiming to be a company where everyone can continue to work vibrantly, regardless of whether they have a disability, MCC Soleil Co., Ltd., a special subsidiary, has been established to provide support services such as checking due dates and cleaning at stores so that employees working at Group stores can focus on customers, as well as to perform clerical work and sort merchandise at the distribution center on a contract basis. By working together and supporting each other, we continue to create an environment that balances employees’ growth and social contribution. We aim to continue to be a role model for expanding employment in the region and promoting normalization, and will

Reduced overtime and flexible work styles for a more fulfilling workplace

“Reform of work styles” is not only about reducing overtime hours, but also about making changes that will enable each employee to maximize his or her abilities and lead a more fulfilling professional life while maintaining a good balance between work and private life. Long working hours not only damage physical and mental health, but also reduce productivity. To this end, we are working to streamline operations through the use of digital tools and promote close collaboration between employees to thoroughly reduce unnecessary overtime and promote “smart working styles” that produce maximum results within a limited time, aiming to reduce the burden on individuals while strengthening the Company’s competitiveness. By creating an environment in which employees are physically and mentally healthy and motivated to work, we can reduce turnover, secure excellent human resources, and improve the performance

continue to create an environment where employees can achieve both growth and social contribution.

Initiatives for promoting the active participation of senior human resources

We believe that leveraging the extensive experience and knowledge of senior personnel as a strength for the entire Group will revitalize the organization and lead to the sustainable growth of our group. We provide senior personnel with a place to work by accepting employees who have reached retirement age from within the Group into MCC Associe Co., Ltd. through a re-employment system. We will continue to provide flexible employment options and rewarding working environments, aiming to continue diverse careers and realize a sustainable society.

of the entire organization. The Group has also introduced a flexible work style that accommodates diverse lifestyles and values. Remote work, flextime systems, and expanded four-day workweeks allow employees to work in ways that suit their individual circumstances, enabling them to make effective use of commuting time, balance work and childcare/ nursing care, and enhance their personal development. Through these efforts, we will increase engagement and nurture a climate in which more creative ideas can emerge.

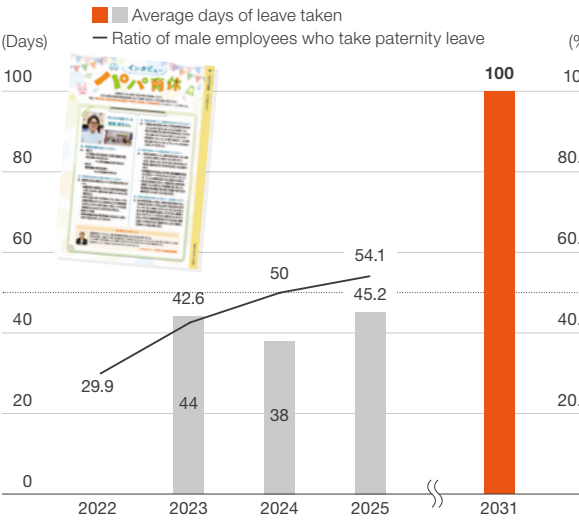
Average overtime hours

Fiscal year	Average overtime hours
Fiscal year ended March 31, 2025	7.8 hours
Goal Target for the fiscal year ending March 2031	5.0 hours

Encouraging men to take paternity leave

To prevent male employees from “just taking time off” when they take paternity leave, we have devised a communication system so that men can take leave with peace of mind, by sending information from employees who have already taken paternity leave and who can act as role models, and by arranging an interview between men applying for paternity leave and their superiors prior to taking leave. As a result of these initiatives, the proportion of male employees taking paternity leave in the fiscal year ended March 2025 was 54.1%. The average number of days of childcare leave taken was 45.2 days, achieving our goal of 50% male childcare leave taken by the fiscal year ending March 2026, as in the previous year. In addition to the increase in the take-up rate, the average number of days of childcare leave taken increased by 7.2 days compared with the previous fiscal year, which we take as evidence that a positive attitude toward taking paternity leave is taking root within the company. We will continue to build a working environment where work can be balanced with childbirth and childcare.

Ratio of male employees who take paternity leave/ Average days of leave taken (the fiscal year ending March)



New materiality Employee growth

Health management and health investment for employees, etc.

Basic policy

The Group has set “employee growth” as one of its materialities and regards the mental and physical health of its employees and their families, which is a prerequisite for this, as an important management resource. Based on this concept, we position maintaining and improving employee health as an important investment in “human capital” and aim to improve corporate value over the medium to long term by strategically promoting initiatives to improve the vitality of each employee, revitalize the organization, and increase productivity. We also believe that creating such a vibrant organization will contribute to attracting talented people from the labor market and improving employee retention rates. To promote health management that is unique to the Group, we have established the “MatsukiyoCocokara & Co. Health Declaration,” and are proactively supporting employees’ activities to maintain and improve their health and promoting organizational health promotion.

MatsukiyoCocokara & Co. Health Declaration

Based on our “Group Philosophy,” in order to serve our customers’ health and support their health promotion, it is essential that our employees themselves are healthy. We believe that without health, we cannot be the most customer-friendly store.

We regard the mental and physical health of our employees and their families, who support the growth of our Company, as one of our most important management resources. By proactively supporting health maintenance and improvement activities and promoting organizational health promotion, we aim to be a company that contributes to the development of local medical care and the economy while enabling each employee to live a vibrant, rich, and healthy life in society.

President and Representative Director **Kiyoo Matsumoto**

Targets and KPIs

KPI	Goal Target for the fiscal year ending March 2031	Actual Results for the fiscal year ended March 2025
Health and Productivity Management Organization Acquisition of White 500 certification	Maintenance of certification	Acquisition
Implementation rate of specific health guidance	90%	49.8%
Presenteeism	15%	23.2%

Initiatives to improve employee productivity and wellbeing

The uniqueness of our Group is that we have approximately 600 management nutritionists, and we provide in-house specific health guidance to our employees. We believe that this system enables high-quality individualized guidance, which leads to greater health awareness and health improvements among employees. We are also promoting collaborative health in cooperation with the health insurance association, holding programs to prevent lifestyle-related

diseases from worsening and walking events aimed at promoting employee health and stimulating communication. We will continue to work on initiatives that lead to the improvement of the health of each and every employee.

In order to thoroughly manage the health of our employees, the Group has established a “Health Management Promotion Task Team,” headed by the President and Representative Director, to promote initiatives.

In December 2023, we established the Wellness Support Center, a specialized department for promoting health management, within the Human Resources Department, and in April 2024, in order to promote its activities with greater independence and expertise, we separated the Wellness Support Center from the Human Resources Department and reorganized it into a department-level organization, thereby strengthening our company-wide health management promotion system. Since establishing the Wellness Support Center, we have centralized the health support measures that had previously been implemented individually by the Human Resources Department, Human Resources Development Department, health insurance association, etc., and have been promoting new measures aimed at solving issues regarding health management within our group. Specifically, some of these initiatives include “strengthening disclosure of information about health management measures,” “implementing employee education on health issues specific to women,” “launching initiatives to support balancing work and caregiving,” “opening a health consultation desk staffed by in-house public health nurses,” and “holding health consultation sessions staffed by physical therapists in collaboration with Josai International University.” As a result of these efforts, our Group’s health management initiatives were recognized, and in March 2025, we were the

first to be certified as a “White 500” top corporation in the “2025 Health and Productivity Management Organization Recognition Program (Large Enterprise Category),” a program jointly promoted by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

At the same time, we recognize that there is still significant room to further improve employee health and use this to create corporate value. Therefore, we first identified our company’s health issues and then revised the “Health and Productivity Management Strategy Map,” which visualizes how measures to address those issues will contribute to the sustainable growth of our Group and the creation of social value through improving productivity, increasing engagement, reducing risks, etc. In that map, we set “employee work performance” as the outcome indicator for the initiative, and set “improvement in presenteeism” as a KPI as one of the indicators of productivity loss, and established a system to quantitatively evaluate progress. As specific initiatives to improve presenteeism, we plan to “revise our industrial health system,” “introduce health guidance for each risk category based on the results of regular health checkups (centralized management of follow-up measures for health checkups),” and “strengthen mental health care,” and will continue to promote health management for the sustainable growth of our company.

System of MatsukiyoCocokara & Co. Health Declaration

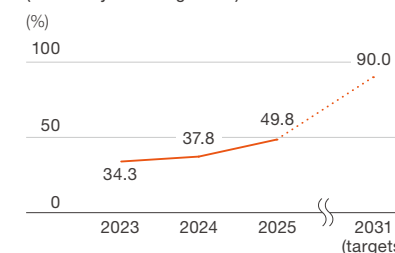


Other initiatives

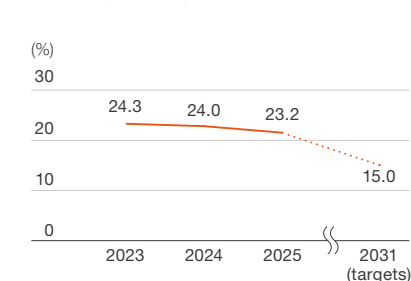
2025 Health and Productivity Management Organization Recognition Program (Large Enterprise Category), White 500 certification
Health and Productivity Management Strategy Map
<https://www.matsukiycocokara.com/en/sustainability/policy/>



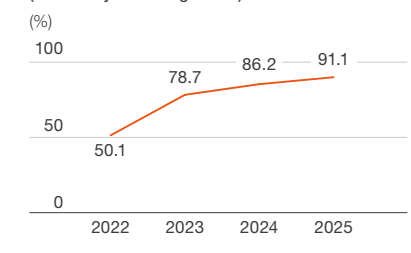
Implementation rate of specific health guidance (the fiscal year ending March)



Trend in Presenteeism (the fiscal year ending March)



Participation rate of Training for Wellness Support (the fiscal year ending March)





New materiality Employee growth

Workplace environment that is easy to work in and a company where employees are rewarded for their job satisfaction

Basic policy

The Group has formulated the “MatsukiyoCocokara WAY,” a code of conduct that all employees should keep in mind, and is promoting corporate culture and human resource development. In addition to improving the quality of products and services, having the WAY take root will enhance employees’ work awareness and satisfaction, foster a sense of Group unity, and serve as a driving force for business promotion. To this end, we have set the training participation rate and action evaluation as KPIs to help the WAY take root in our organization, and we have assigned a WAY promotion staff member to each operating company to encourage employees at the field level by regularly disseminating case studies. In addition, management regularly sends out messages and visits stores for direct dialogue with employees. We will continue and strengthen these measures to further promote the WAY. To give an example of how the WAY taking root has led to concrete employee action, a system is being established in which the real voices of employees working in the field are reflected in actual product development and system improvements through the PB Idea Creation Committee and the in-house proposal system. The awareness that emerges from the workplace, such as “I wish this were better” and “this would make people happy,” takes shape, and a culture in which each employee is involved in the Company as a driving force has been established. These trends are supported by the spread of the WAY. By sharing a common base of values and actions, a culture of “thinking and acting on one’s own” is fostered, and initiative and creativity are naturally drawn out. As a result, the quality of products and services has increased, leading to higher customer satisfaction. By bringing the WAY to life not only in philosophy, but also in daily work and dialogue, a virtuous cycle is created in which employee awareness is heightened, leading to increased productivity and profitability for the Company as a whole. The entire Company is steadily developing a foundation for continued growth, starting from the strength of the frontline. Furthermore, the development of “professional human resources” is essential to achieving our Group Vision. We will continue to promote various human resource development measures while building on the WAY’s penetration.

Targets and KPIs

KPI	Goal Target for the fiscal year ending March 2031	Actual Results for the fiscal year ended March 2025
Employee awareness survey	3.94pt	3.55pt (May 2025 survey)
WAY training program participation ratio	100%	100%
WAY behavioral evaluation	46.9pt	44.4 pt (implemented in April 2025)

Employee awareness survey initiatives

We conduct an employee awareness survey every year to assess employee awareness and workplace conditions after the merger. In May 2025, we conducted the fifth survey of 23,836 employees in the Group. The response rate was 99.7%, up 0.8% from the previous survey, and the overall score increased by 0.10 points from the previous survey to 3.55 points (out of 5.00).

The results of the questionnaire survey conducted in May 2024 made it clear that there was a need to enhance

discussions between labor and management, so we established a new Labor-Management Committee as a meeting body to share management’s direction and labor-management issues across the entire Group, in addition to the labor unions of each operating company. By regularly sharing information with each other and identifying issues, etc., management and the Group labor union are moving forward with initiatives based on a common direction. To address common issues, as a joint labor-management

measure, communication meetings were held in each prefecture, where management and employees of each company could freely and openly exchange opinions, thereby promoting exchange that transcended the boundaries between Group companies. In addition we have made a conscious effort to send messages from management not only at the end of the fiscal year, but also at times when bonuses are paid and base salaries are increased, with the aim of improving employee motivation and increasing the sense of unity throughout the Company.

Survey results by employee category

The results of the employee awareness survey by employee category showed that the scores of both regular and non-regular employees increased, with non-regular employees seeing a higher increase of +0.10 points compared to +0.09 points for regular employees. Following the merger, regular employees, who have more opportunities to interact with executives and management, saw an initial increase, but we believe that the effects of the measures are also steadily appearing among non-regular employees.

Survey results by perspective

The survey for our Group is composed of items from three perspectives, “commitment to management,” “employee satisfaction,” and “organizational culture.” Across all perspectives, scores increased from the previous survey. The three perspectives consist of 22 items, and scores for these items also increased from the previous survey. The “attractiveness of welfare benefits,” which was the only item whose score declined in the previous survey, was the most improved in the survey conducted in May 2025 compared to the previous survey. We believe this is due to the fact that we have organized information on internal regulations and welfare programs and made it accessible via a learning management tool assigned to each employee, making it easier for employees to use the systems in accordance with their life events. In the previous survey, the item that received the highest score was “height of philosophy,” at 3.99 points. This is the result of Group employees demonstrating an understanding of the Company’s management philosophy and social mission. We believe that these have permeated the organization as universal values that should be cherished in daily work, even if the business environment changes dramatically. On the other hand, the lowest score was for “satisfaction of rewards,” at 3.01 points. This is 0.11 points increase from the previous survey, and we believe that the wage revisions and increase in bonus payments implemented in the fiscal year ended March 2025 have had a certain effect. On the other hand, we recognize that there are high expectations for this issue in the future from the perspective of real wages due to the impact of rising prices. We will monitor the relationship between salary and bonus payments and “satisfaction of compensation,” and also aim to improve scores for highly correlated factors such as “satisfaction of evaluation,” “satisfaction

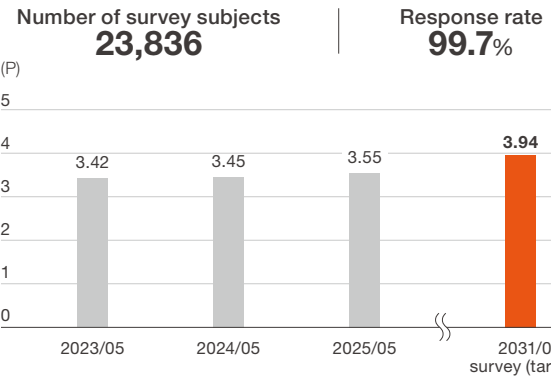
of placement,” “attractiveness of work,” “attractiveness of employee benefits,” and “work load.” We will also continue to investigate how improvements to employee awareness survey affect employee engagement and retention rates and clarify the direction at the Labor-Management Committee as an issue that the group’s management and the Group labor union must address.

Results of Employee awareness survey

	May 2024	May 2025	The difference between the year before last
Total	3.45	3.55	+0.10
Perspective			
Commitment to management	3.63	3.73	+0.10
Employee satisfaction	3.28	3.39	+0.11
Organizational culture	3.60	3.67	+0.07
Sub-item			
Height of philosophy	3.91	3.99	+0.08
Entrenchment of philosophy	3.59	3.69	+0.10
Feasibility of vision	3.61	3.72	+0.11
Entrenchment of vision	3.53	3.64	+0.11
Feasibility of policy	3.57	3.69	+0.12
Entrenchment of policy	3.58	3.68	+0.10
Attractiveness of the Company	3.60	3.72	+0.12
Attractiveness of human resource development	3.44	3.54	+0.10
Attractiveness of welfare benefits	3.22	3.49	+0.27
Satisfaction of compensation	2.90	3.01	+0.11
Satisfaction of evaluation	3.23	3.35	+0.12
Satisfaction of placement	3.09	3.18	+0.09
Attractiveness of work	3.42	3.51	+0.09
Workload	3.10	3.19	+0.09
Supervisor’s management	3.69	3.77	+0.08
Working hours and holidays	3.05	3.11	+0.06
Work environment	3.33	3.40	+0.07
Interpersonal relationships	3.66	3.73	+0.07
Communication	3.64	3.71	+0.07
Management	3.51	3.58	+0.07
Delegating authority	3.75	3.81	+0.06
Sense of belonging	3.36	3.45	+0.09

Regular employees			Non-regular employees		
May 2024	May 2025	The difference between the year before last	May 2024	May 2025	The difference between the year before last
3.47	3.56	+0.09	3.43	3.53	+0.10

Overview of employee awareness survey



New materiality Employee growth

Development of professional human resources

Based on our Group Philosophy of “creating the future ‘normal’ and innovating lifestyles,” we have positioned the development of “professional human resources” as one of our key themes to achieve our Group Vision. Our group defines “professional human resources” as people who, in addition to a high level of specialized knowledge and skills, possess high ethical standards and initiative, and who contribute to the achievement of organizational goals and the creation of innovation by continuing to learn without fear of change. In order to promote the three key strategies outlined in the medium-term management plan—

“differentiation strategy,” “investment strategy,” and “social contribution & returning profit to society”—it is essential to develop talent who combine digital literacy and expertise to promote digital transformation; global talent who can create value in diverse cultures and markets; sickness care and healthcare talent involved in dispensing, OTC, and nursing care; and beauty care talent involved in makeup and other beauty care areas. In order to develop and acquire these talented professionals, we mainly promoted the following specific measures in the fiscal year ended March 2025.

Development of a systematic training program
Combination of position-based training, job-specific training (three-level class system for pharmacists, registered pharmaceutical sellers, registered dietitians, beauty specialists, etc.), and self-development support to strengthen the expertise of each job category and practical skills in the field. Total training hours in the fiscal year ended March 2025 were 739,145, with an average of 16.8 hours of education and training per person. In addition, the “MatsukiyoCocokara WAY penetration continuous training” for all employees to instill our shared values achieved a 100% participation rate (41,122 employees). As an example of human resource development, achieving the goal of PB products accounting for 15% or more of sales depends on strengthening the planning ability to accurately identify potential customer needs, the expertise of each job category, and counseling skills. Our specialized personnel, including pharmacists, registered pharmaceutical sellers, registered dietitians, and cosmetics specialists, combine the latest knowledge they have gained through level-specific and job-specific training with feedback from the field to lead the development of high-value-added PB products, provide specialized counseling, and increase engagement with customers. In this way, they play an essential role in achieving our goal of PB products accounting for 15% or more of total sales.

Creation of new customer experiences through DX drivers
With the aim of “maximizing customer LTV” by creating new customer experiences through DX drivers, we are focusing on strengthening our digital platforms such as MatsukiyoCocokara Me and MatsukiyoCocokara Be. This is supported by DX promotion personnel who combine digital literacy and marketing thinking. A newly organized , as a Self-improvement seminar, “Generative AI Workshop” for the fiscal year ended March 2025 was attended by 115 motivated employees. The knowledge gained from this training has immediately begun to be applied to upgrading customer analysis using the integrated database and improving the accuracy of OnetoOne marketing, and is expected to produce concrete results toward achieving the KPI of 45 million Group members.

		Basic class	Middle class	Advanced class	Support for acquiring job-specific professional qualifications
Job-specific training	Pharmacist	● Understanding of pathology ● Hospitality ● Pharmaceutical compliance	● Case study ● Cooperation with medical ● Home care	● Sterile preparations ● Hospital training ● Clinical research ● Conference presentations	
	Training to obtain pharmacist training certification				
	Pharmacy administration	● Overview of prescription fees ● Laws and regulations related to insurance dispensing ● Hospitality	● Nursing Care Insurance Scheme ● Medical Institution Cooperation	● Medical Plan ● Error-control measures ● Risk prediction	
	Pharmacy assistant training, responses to medical fee revisions, responses to changes in the health insurance system				
	Registered pharmaceutical sellers	● OTC (basic) ● Pharmaceutical compliance ● Counseling skills	● OTC (applied) ● Medical examination recommendation (basic)	● Clinical inference ● Medical examination recommendation (applied)	
	Training to improve the quality of registered pharmaceutical sellers				
	Registered nutritionists	● Nutrition by life stage ● Recipe creation and pre-symptomatic area ● Counseling skills	● Understanding of prescription (basic) ● Specific pathological condition (basic) ● Coaching skill	● Understanding of prescription (applied) ● Specific pathological condition (applied) ● Conference presentations	
	Skill development training (nutritional counseling, specific health guidance, support for the earlier-stage elderly people, etc.)				
	Cosmetics	● Basic make-up ● Basic skin care	● Make-up practice ● Skin care practice	● Total beauty care practice	
	Cosmetics skill improvement seminar				
Specialized departmental positions	Field-specific training (HR, finance, legal affairs, IT, Marketing, wellness, global, etc.)				

New materiality Employee growth

Planned development of global human resources and next-generation management personnel

In order to achieve sustainable growth of our Group and to enhance our corporate value over the medium- to long-term, we consider the development of next-generation leaders who will be responsible for future management as one of the most important management issues, and we are strategically promoting the “Management Personnel Development Program.” Develop PB products with expertise at the core and strengthen counseling capabilities: Achieving the target of PB products accounting for 15% or more of sales depends on our planning ability to accurately grasp the potential needs of our customers. Specialist personnel such as pharmacists, registered dietitians, and beauty specialists lead the development of high-value-added PB products by combining the latest knowledge gained through position-specific and job-specific training with the opinions of front-line workers. This specialized counseling plays an integral role in increasing customer engagement and achieving our goal of health and beauty products accounting for 75.0% of sales.

Many leaders who embody sustainable management have been produced from those who have experienced this program. A symbolic example of this is the appointment of a female E-qualification holder to a position at the core of our human resources strategy. The position of planning and executing the “Management Personnel Development Program” described in this paper has created a virtuous cycle of training and promotion, with those who have experienced this program becoming its bearers. This marks an important step towards achieving the “30% female managerial ratio” set out in our medium-term management plan, and demonstrates our strong commitment to strengthening diversity in management. In the future, we will set the “executive-level candidate fulfillment rate” and “management-level candidate fulfillment rate” as indicators to work on, and manage training and internal promotions in tandem.

In this program, we offer management strategy development workshops, leadership training, and lectures

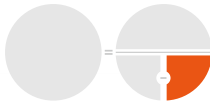
by invited outside instructors. The program has produced tangible results, such as appointments to new project leaders and other important positions in Japan and abroad. Our challenge for the future is to continue to produce leaders with diverse backgrounds who can more strongly promote our strategies so that we become “Asia’s No. 1” and “strengthen our platform business,” as stated in our medium-term management plan. Therefore, we will incorporate modules on global management perspectives and DX strategy execution into the program content, and through early identification of candidates and systematic operation of the succession plan, we aim to ensure diversity and enhance the expertise of the executive team to sustainably strengthen corporate competitiveness.

Management personnel development program



Status of human resource pool (the fiscal year ending March)





Fostering global talent to become Asia's No. 1

Our Group aims to “become Asia's No. 1 drugstore and establish a leading position in the health and beauty fields.” and achieve “100 billion yen in overseas sales (by fiscal year ending March 31, 2031)” in our new medium-term management plan. Securing global talent is essential to respond to the maturation of the domestic market and to expand business in ASEAN. We define such talent as individuals who possess not only language proficiency but also cultural understanding, value creation, and ability to succeed locally. As a strategic human capital investment linked to the plan, we are working to “establish global

training” and develop global leader candidates through training programs for overseas and domestic use and next-generation management development programs. The training emphasizes cross-cultural understanding, a global mindset, and sharing of the Group Philosophy. From the HR perspective, we established the “Global HR Section” and built a support system for overseas business operations. In the future, we will strengthen our global human resource base and enhance corporate value through initiatives such as revitalizing talent rotations, supporting local training programs, and building a digital learning platform.

Overseas Training

With the aim of becoming “Asia's No. 1 in the health and beauty field,” we conduct “overseas training” for personnel responsible for store operations and business promotion in Japan. In the fiscal year ended March 2025, eight store and pharmacy managers were selected to participate in the training and visited Taiwan. They deepened their international insight by observing local store operations and marketing strategies, attending Taiwanese economic seminars, and experiencing local culture. The purpose of this training is to develop next-generation leaders who will promote global expansion, learn from successful overseas case studies and problem-solving approaches, deepen their understanding of diversity, and apply these insights to domestic operations. In many cases, participants who completed this training program have gone on to take overseas assignments. Their understanding of diverse values has contributed not only to the growth of our overseas business, but also to the advancement of our domestic business, and ultimately to the achievement of the Group's overall goals.

Talent with a global perspective



Overseas training participants

As a member of our Group, which is expanding its overseas business, I felt the need to broaden my own perspective and gain new ideas not only domestically but also internationally as we respond to the diversifying needs of our customers. During the training, the participants made detailed visits to Taiwanese subsidiaries and stores, learning about many business practices and challenges that differ from those in Japan, such as unique sales promotion strategies, regulations on pharmaceutical sales, and the requirement that all products be labeled with expiration dates. Interacting with the local staff and observing the streets and the flow of people was an experience that truly deepened our understanding of different cultures and diversity, and was extremely beneficial in fostering a global mindset.

We are confident that the cross-cultural understanding and appreciation of diversity that we have cultivated through training will contribute greatly to our domestic operations, such as capturing inbound demand in our daily store operations and creating a comfortable working environment for everyone.

We hope to contribute to the achievement of our Group's overall goals, and ultimately to the enhancement of our corporate value, by taking a global perspective and tackling the challenge of overseas business in the future. I would also like to be a part of the next generation of leaders in achieving our Company's goal of becoming “No. 1 in Asia.”



Cocokarafine Pharmacy
OokayamaEkimaeten

Natsuki Kodama

Thoughts on global training

In order to continue to create value even in times of rapid change, we respect diversity and consider the development of talent who can play an active role globally as a key priority. Last year, as the head of the Human Resources Development Division, I participated in ATD ICE 2024* to learn about advanced practices in talent development, leadership, and DE&I (diversity, equity, and inclusion) initiatives in various countries. We believe that globally competent talent are those who “embrace different cultures and diverse values, take initiative, and positively influence those around them.” We will continue to focus on developing global talent who possess autonomy and the ability to co-create by expanding opportunities for cross-border learning and cross-cultural exchange between domestic and overseas locations. Talent development from a global perspective is an indispensable foundation for our sustained growth. Through cultivating future leaders, we aim to enhance our corporate value.

*ATD ICE 2024: “ATD-ICE (International Conference & Exposition),” the world's largest human resource and organizational development-related event, held in New Orleans, USA in 2024



MCC Management Co., Ltd.
General Manager of the
Administrative Division's
Personnel Development
Department

Taeko Hatsushika

Global training

As part of our new medium-term management plan, we are promoting the “differentiation strategy” and “investment strategy” with a strong focus on strengthening global talent development for overseas business growth. The core of this program is “global training” for overseas Group Companies. The program aims to cultivate the ability to create value based on diverse cultural understanding and local needs, and to improve participants' independence, personal growth, and organizational engagement. In the fiscal year ended March 2025, next-generation leader candidates from Taiwan participated in a wide range of programs including cross-cultural understanding, Group Philosophy, PB products, Japanese store operations, and health and beauty training. Participants are expected to apply the knowledge and skills gained through the training in their local markets and play a leading role in

driving business growth in their respective countries. This training program will continue to be an important investment toward strengthening the global human resource foundation and “creating the future normal.”

Offering courses on seven themes



Global training participants

With the expansion of overseas business, there is a need to optimize the local logistics system and strengthen cooperation with Japan. I wanted to participate in this training program in order to enhance my own expertise and broaden my contribution from a global perspective. Before the training, I had focused mainly on logistics indicators such as cost efficiency and lead time, but I felt there was a lack of skill in concretely connecting logistics indicators to local store operations and customer experience. During the global training, participants had the opportunity to directly learn about Japan's advanced PB/NB products and effective display methods. Furthermore, I was able to experience firsthand the service spirit of the on-site staff and their meticulous efforts to provide the best possible experience for their customers. This experience shifted my perspective, as I realized the importance of a perspective that puts the customer and the store first, rather than the logistics-centered perspective I had previously held. Moving forward, I will work with the Taiwanese import manager to explore opportunities to introduce new products, utilizing the product knowledge and display tips gained from the training. Above all, from a logistics standpoint, we will do our utmost to support the store staff to provide the best possible service at the local stores, in order to be the “strongest backer” of the store staff. I hope to reflect the multifaceted perspectives gained from the training in our daily work and contribute to the growth of our Group.



Taiwan Matsumoto Kiyoshi
Co., Ltd.
Merchandise Department
Logistics Section,
Assistant Manager

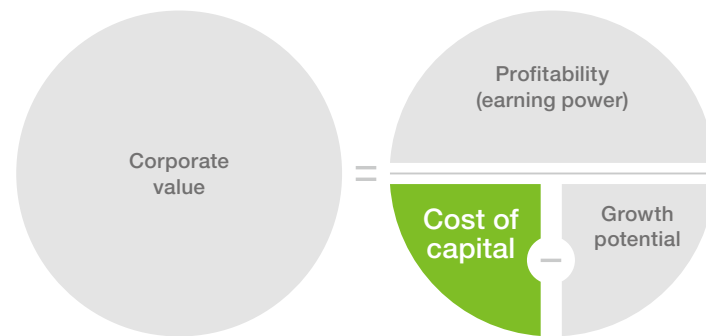
Miffy



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In this chapter, we introduce the Group's efforts to reduce the cost of capital. In order to reduce the cost of capital, it is vital to promote financial capital strategies and to work toward the materiality "consideration of the health of the Earth" and "effectiveness of governance." In "consideration of the health of the Earth," we explain specific initiatives and the progress of each KPI toward climate change and increasing the ratio of environmentally friendly PB products. In addition, "effectiveness of governance" describes the concept of corporate governance and specific initiatives aimed at improving corporate value over the medium- to long-term.

Main KPIs to lower the cost of capital

CO₂ emissions
(Scope 1 and 2)

40%
reduction

Environmentally
friendly PB
product ratio

60%
or more

Switch to
next-generation
vehicles

70%

CDP rating

Rating of
"B"
maintained

Scope 3

Reduction target
setting

Ratio of independent
outside director

50%
or more

Implementing CSR
audits for quality
control of PB products

100%

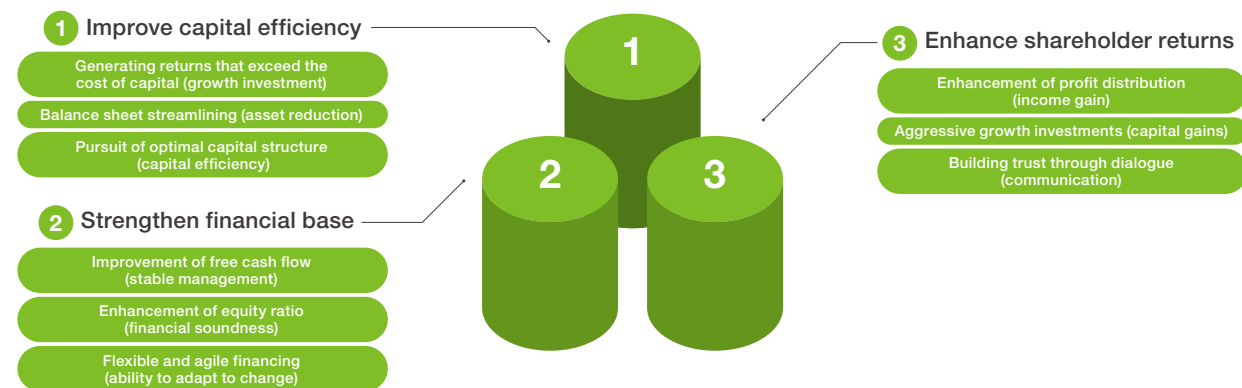
Financial and Capital Strategy for Enhancing Corporate Value

Three pillars of financial and capital strategy

In the new medium-term management plan (from the fiscal year ending March 31, 2026, to the fiscal year ending March 31, 2031), based on the basic idea of “co-creating and sharing value” we aim to enhance corporate value through a virtuous cycle of “earning” and “returning profit.” In other words, we aim to generate profits by focusing on the health and beauty sectors, where we can differentiate ourselves from our competitors by demonstrating our Group’s competitive advantage, and use those profits as the main source of funds to invest

in growth and return profits to all our stakeholders.

Based on the same approach in the financial and capital strategy of the medium-term management plan, we will continue to follow a basic policy of striking a balance between “improving capital efficiency,” “strengthening financial base,” and “enhancing shareholder returns.” We aim to enhance corporate value by striking a balance between improving profitability and efficiency, strengthening the foundation for continued growth, and returning profits to shareholders.



Initiatives to enhance corporate value

We believe that further improvement of our PBR is a key challenge in our financial capital strategy. The basic concept outlined in our medium-term management plan— “co-creating and sharing value” — is the very essence of improving PBR. We aim to continue to provide maximum value to our shareholders and

investors by creating value and contributing to society while achieving sustainable growth. In order to improve PBR, we are promoting various approaches from the three perspectives: “improving ROE,” “reducing the cost of capital,” and “increasing the growth rate.”

Current market valuation of our business activities

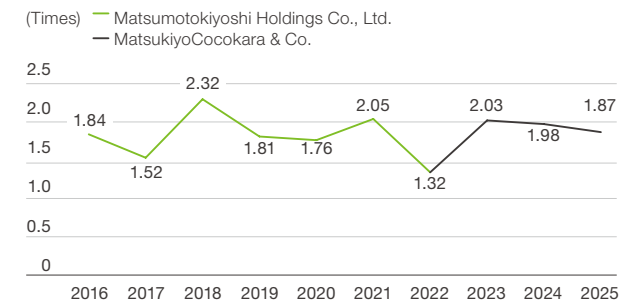
At the outset of our new medium-term management plan, our market valuation reflects strong performance in the capital markets. As of the end of March 31, 2025, our PBR stood at 1.87x, and has recently been above 2x. In addition, our ROE and ROIC were 10.6% and 10.8% respectively.

On the other hand, we recognize our cost of capital to be in the range of around 5.0% to 7.0% and WACC to be in the range of approx. 5.2% to 7.0%. The cost of capital is analyzed and evaluated from multiple perspectives, including CAPM, perspectives of shareholders and investors through methods such

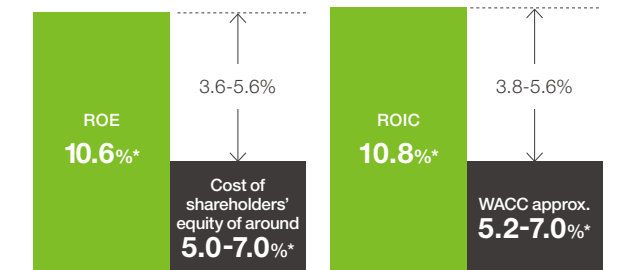
as earning yield, dividend discount model, and residual profit model, as well as opinions expressed in dialogue.

Equity and EVA spreads are currently positive between 3.6% and 5.6%. Maintaining a consistently positive spread indicates that we continue to generate returns exceeding the expectations of our shareholders and investors, thereby creating shareholder value, which is one of the indicators that we consider important. We aim to achieve sustainable growth, maximize shareholder value, and enhance corporate value by further expanding the spread that drives improvements in our PBR.

Market valuation: trends in PBR (end of each FY)



Equity spread



*Results for the fiscal year ended March 2025

① Improve capital efficiency

In the new medium-term management plan, we will create a virtuous cycle in which we invest in areas that differentiate ourselves from our competitors in order to build a foundation for providing value that only our Group can offer. The earnings generated are returned to stakeholders. To create the cycle, we recognize the importance of efficiently generating profits by leveraging our competitive advantage, while making the most of

our limited capital resources. We believe that improving capital efficiency leads to higher profitability and increased shareholder value, ultimately enhancing corporate value.

To improve capital efficiency, we are promoting efforts to generate returns that exceed the cost of capital, to streamline its balance sheet, and to pursue an optimal capital structure.

Initiatives to improve ROE

ROE was 10.6% as of March 31, 2025, as mentioned earlier. We have set ROE as a key indicator, and have raised it from “10% or more” to “12% or more” as a Group management target in the new medium-term management plan. We have also set a new target of an EBITDA margin of “13% or more” as an indicator of profitability. This clearly reflects our commitment, from the perspective of shareholders and investors, to further enhance the quality of our earnings and to improve our corporate value over the medium- to long-term, with a focus on both financial soundness and capital efficiency.

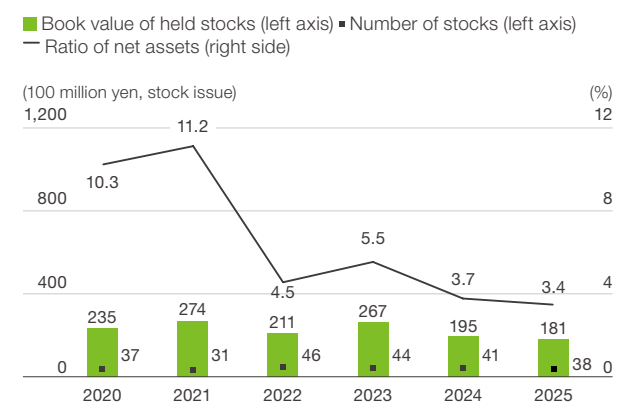
The main initiatives for ROE improvement are

strengthening pricing power and customer loyalty by providing attractive products and services, which are our strengths, and unique customer experience. We are also expanding our store network in strategic priority areas to improve customer convenience and increase our market share. These efforts aim to secure higher and more stable profits, thereby improving ROE. Regarding financial leverage, we remain committed to pursuing an optimal capital structure. Also, we continue to uphold our policy of not increasing debt without a clear purpose, while remaining debt financing as a means to realize our long-held vision of our federation concept.

Reduction of cross-shareholdings

We have been reinforcing the effort to reduce cross-shareholdings as one of the measures to strengthen balance sheet management. In the fiscal year ended March 31, 2025, we sold all shares of three listed companies. As a result, our net asset ratio decreased by 0.3 percentage points from the previous fiscal year to 3.4%, and we are steadily reducing such holdings. We also continue to engage in dialogue with the companies in which we hold shares, and the Board of Directors discusses and verifies the significance of these holdings. Shares for which a strategic purpose no longer exists are being sold accordingly. We are also working to optimize idle assets, mainly through the sale of real estate.

Cross-shareholdings (Fiscal year-end)





② Strengthen financial base

To improve free cash flow

Our free cash flow for the fiscal year ended March 31, 2025, was 60.6 billion yen, an increase of 19.9 billion yen from the previous year. It has consistently remained positive since before the business integration and continues to generate free cash flow.

The Group's strategy is implementing a growth strategy that channels a substantial share of our generated free

cash flow into investments designed to reinforce our strengths in the health and beauty sectors and broaden our business domains. To improve free cash flow, we are focusing on key initiatives such as increasing revenue, improving marginal profit, and reducing fixed costs to lower the break-even point. In addition, we are working to shorten the cash conversion cycle (CCC).

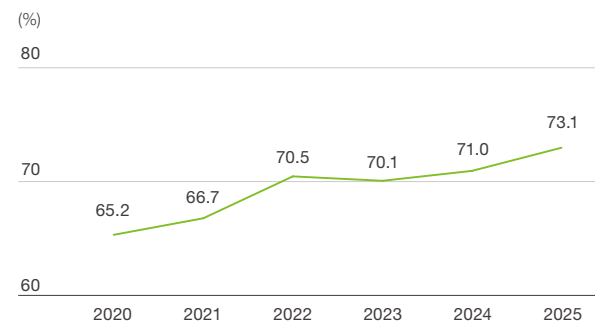
Sound financial base

Our policy is to secure stable funds for the expansion of existing businesses and investment in growth strategies, in accordance with the scale of investment and associated business risks. As our financing policy, we strive to maintain financial stability and soundness, as well as appropriate credit ratings in order to respond flexibly and promptly to investment opportunities. Regarding credit rating, which is an indicator of financial soundness, we have received an "A+" rating from Rating and Investment Information, Inc. (R&I).

We believe that our Group is currently in a "re-growth phase" in which we are accelerating initiatives such as the realization of our federation concept and global expansion. Therefore, we aim to build a stable earnings base by expanding net assets through accumulating a certain level of profit and maintaining an appropriate

equity ratio in order to enhance corporate value over the medium to long term. We remain committed to our policy of considering the use of debt as a means of financing to achieve our federation initiatives.

Equity ratio (Fiscal year-end)



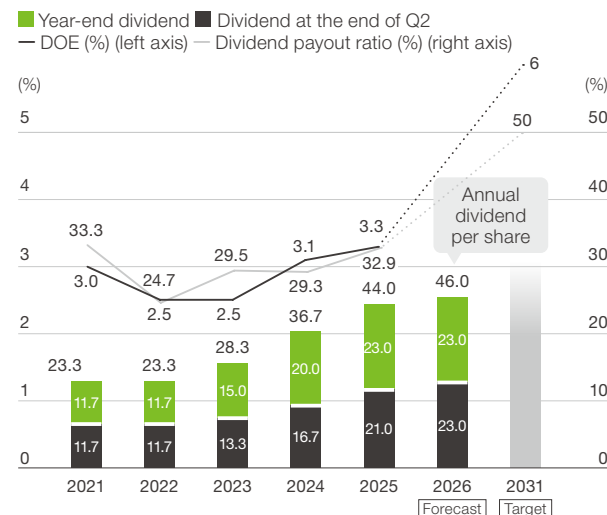
③ Enhance shareholder returns

We recognize that returning profits to shareholders is one of our most important management priorities. In our new medium-term management plan, our basic approach is to co-create value with all stakeholders and appropriately return the earnings generated through our business activities, and shareholder returns in our financial capital strategies are based on the same approach. In order to further enhance shareholder returns, we have set new quantitative targets in our shareholder return policy; increasing DOE (dividend on equity) from 3% to 6%, and increasing the dividend payout ratio from 30% or more to 50%. There is no change in the policy regarding progressive dividends and share repurchases.

The dividend for the end of the fiscal year ended March 31, 2025, will be 23 yen per share, an increase of 2 yen per share over the initial dividend forecast.

*Progressive dividend policy: A dividend policy that, as a rule, avoids reducing dividends and instead maintains or increases them.

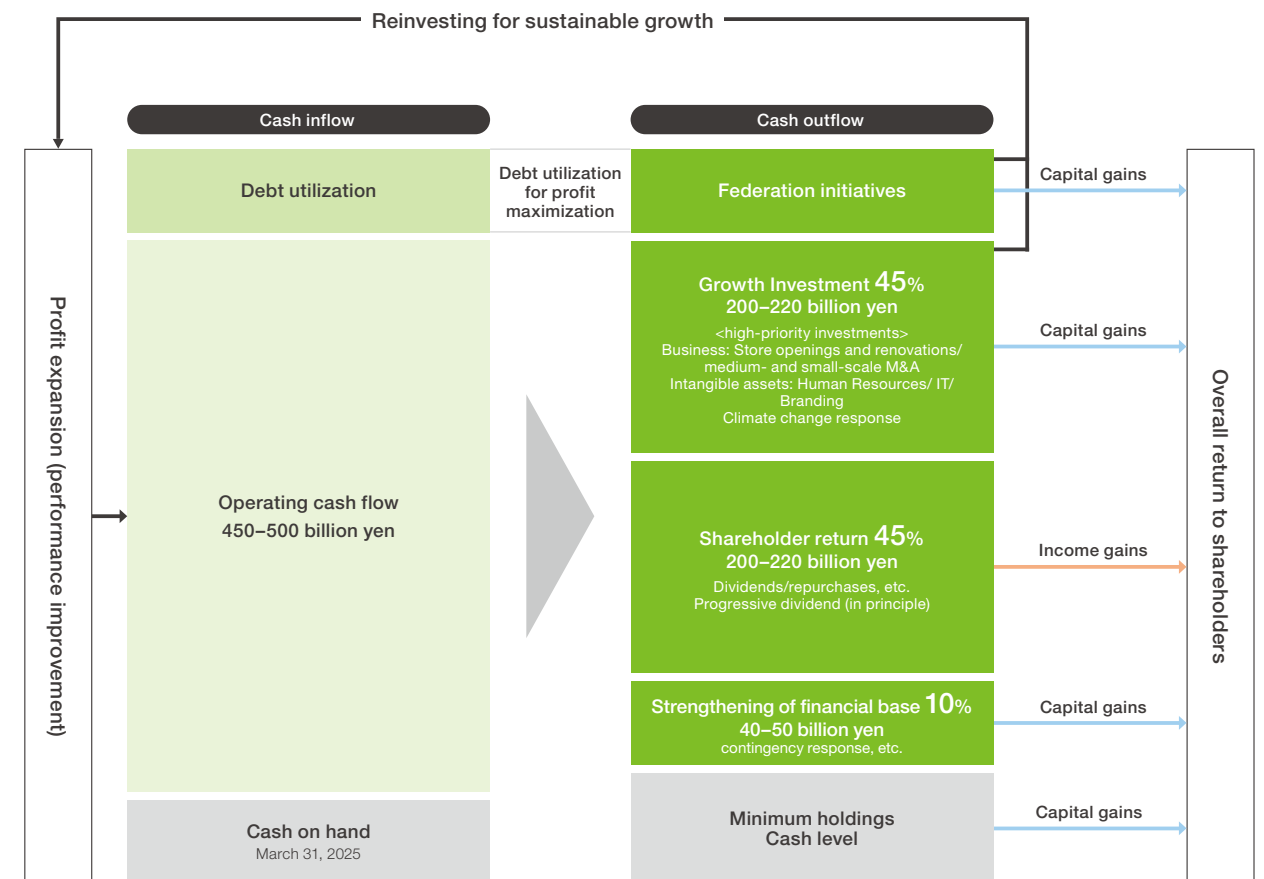
Dividends/ DOE/ Dividend payout ratio (the fiscal year ending March)



Capital allocation concept

As part of our Capital allocation policy to realize our vision for the future, we have reconsidered our cash distribution ratio based on the basic concept of "co-creating and sharing value" set out in our medium-term management plan. Based on this approach, we have set specific investment amounts for three key

areas: "growth investment," "shareholder returns," and "strengthening our financial base." We will continue to actively pursue "growth investment" and "shareholder returns" in order to maximize capital gains and income gains, which are the overall return to shareholders.



Of the 450 to 500 billion yen in operating cash flow to be earned over the six-year period ending March 31, 2031, cash, excluding working capital additions, will be allocated based on the following ratios. We believe that investments for sustainable growth are very important to maximize the overall return to shareholders, so we have set the allocation to "growth investments" at 45%. We aim to achieve sustainable growth by building a cycle in which profits we generate are reinvested into growth initiatives, leading to further profit growth and further cash generation. To expand existing businesses, we plan to prioritize investments in store openings and renovations, small- and medium-sized M&A as well as various alliances, new businesses, DX, human capital, overseas expansion, and climate change response, with an estimated amount of 200 to 220 billion yen.

As mentioned above, in order to further enhance returns to shareholders, we have set the percentage to be allocated to "shareholder returns" at 45%, and the amount is expected to be between 200 billion yen and 220 billion yen.

Lastly, we will secure stable funds by allocating 10% to "strengthening the financial base" to prepare for contingencies, etc. and to respond to the expansion of investment scale and business risks. The amount is expected to be between 40 and 50 billion yen.

Currently, we are making growth investments using the cash generated through our business activities. But at the same time, we aim to expand our business not only through organic growth but also through the realization of our federation concept. Therefore, we continue to consider debt financing as part of our funding options to realize it.



New materiality Consideration of the health of the Earth

Initiatives to reduce environmental impact and CO₂ emissions to contribute to an ethical society

Basic policy

We have identified “consideration of the health of the Earth” as a material issue and aim to be “a company that contributes to an ethical society by reducing CO₂ emissions from business activities to net zero.” We believe that promoting environmental initiatives will reduce and avoid our medium- and long-term business risks and further reduce the cost of capital. Climate change countermeasures are particularly important and require a global response. And they will have a significant impact not only on our business, but also on our multiple stakeholders. Therefore, in order to further strengthen our Group-wide climate change countermeasures, we have set a long-term goal in the fiscal year ended March 2025 to achieve “net-zero CO₂ emissions across our entire Group by the fiscal year ending March 2051” and have been promoting efforts toward this target.

Targets and KPIs

KPI	Goal for the fiscal year ending March 31, 2031	Actual results for the fiscal year ended March 2025
CO ₂ emissions(Scope 1 and 2)	40% reduction (Compared to the fiscal year ended March 2022)	11.7% reduction
Environmentally friendly PB product ratio	60% or more	52.0%
Switch to next-generation vehicles	70%	15.5%
Maintain CDP rating of “B”	Rating of “B” maintained	Rating of “B”
Scope3	Reduction target setting	Under consideration

Long-term goal

Setting targets for the fiscal year ending March 2031 toward achieving Net-Zero CO₂ Emissions Across the Entire Group by the fiscal year ending March 2051

We have set specific KPIs related to Scope 1, 2, and 3 and is promoting efforts to achieve the target of “net-zero CO₂ emissions across our entire Group by the fiscal year ending March 2051.” For Scope 1 and 2, we are targeting a “40% reduction from the fiscal year ended March 2022 levels by the fiscal year ending March 2031,” which is the level required to limit the global average temperature increase to 1.5°C above pre-industrial levels (4.2% reduction each year from the previous year), in order to

reduce total CO₂ emissions for the entire Group, including offices. As for Scope 3, we will continue to develop and expand environmentally friendly PB products as well as set the reduction targets with the goal of achieving a “60% ratio of environmentally friendly PB products by the fiscal year ending March 2031.” We will continue to make further efforts to reduce our environmental impact, as a company that contributes to an ethical society.

Results, key Initiatives, and challenges for the next fiscal year by Scopes

Initiatives to reduce CO₂ emissions in Scope 1 and 2

To reduce CO₂ emissions (Scope1), we are reviewing and optimizing the number of company cars. In this context, we have installed new EV chargers at our main offices, Shin-Matsudo office and Yushima office, with a view to expanding the use of electric vehicles (EVs) in the future. In the fiscal year ended March 2025, we could transition 15% of our fleet to environmentally friendly next-generation vehicles such as EVs and hybrids.

To reduce CO₂ emissions (Scope2), we are promoting the transition to energy-efficient facilities and equipment at our stores. We are also focusing on energy creation, and have installed solar power generation systems in our stores and the Shin-Matsudo office to generate environmentally friendly electricity. In addition to these efforts, the Shin-Matsudo office uses electricity derived from renewable energy sources generated in Chiba

Prefecture and Matsudo City with the aim of having local production and consumption. In tenant stores where it is difficult to designate electricity procurement sources, we have begun to purchase non-fossil certificates from the fiscal year ending March 2026 to reduce CO₂ emissions.

Initiatives to reduce Scope 3 CO₂ emissions

In the past, products were shipped from multiple distribution centers within the same area in the Tokai/Kyushu. By integrating distribution centers the fiscal year ended March 2025, we improved the shipping efficiency. We will continue our efforts to improve efficiency and energy reduction through further integration of distribution centers. We will also strive to reduce our environmental impact by shifting to environmentally friendly PB products and recycling the material of lab coats that had previously been discarded during store renovations.

Item	the fiscal year ended March 2025		the fiscal year ending March 2026
	CO ₂ emissions	Main achievements	Action plan
Scope1	3,764t-CO ₂	● Installation of EV vehicle charging facilities 3 office locations ● Optimizing Company vehicles and switching to next-generation vehicles	● Switching to next-generation vehicles
Scope2 Market-based	167,074t-CO ₂	● Introducing LED light at stores ● Installing solar power generation systems ● Adopting renewable energy for Shin-Matsudo Office ● Purchase of FIT non-fossil certificates	● Introducing energy-saving equipment (e.g., LED lighting) ● Installing solar power generation systems in offices ● Purchase of FIT non-fossil certificates
Scope1 + 2 Total	170,838t-CO ₂	● 4.5% reduction from the previous year	
Scope3	Category 1: Products and services purchased or acquired	1,571,809t-CO ₂	● Introducing environmentally friendly PB products ● Reviewing delivery by integrating distribution warehouses ● Recycling store uniforms has resulted in a 92% reduction in CO₂ emissions compared to simple incineration ● Initiatives with the Ministry of the Environment ① As a partner company of “Re-style,” conduct 3R activities in cooperation with customers, suppliers, and local communities ② Participating in circular economy demonstration project, including the “Medicine Sheet Recycling Program” and in-store collection of empty daily product containers at stores in Yokohama and Kawasaki, Kanagawa Prefecture, and enhancing information disclosure
	Category 2:Capital goods	55,610t-CO ₂	
	Category 3: Fuel- and energy-related activities	29,948t-CO ₂	
	Category 4: Transportation and distribution (Upstream)	16,611t-CO ₂	
	Category 5: Waste generated in operations	29,541t-CO ₂	
	Category 6:Business travel	1,658t-CO ₂	
	Category 7: Employee commuting	4,792t-CO ₂	
	Category 12: End-of-life treatment of sold products	222t-CO ₂	
	Category 14:Franchises	3,684t-CO ₂	● Continuation of efforts for the fiscal year ended March 2025 ● Consideration of Scope 3 reduction targets

Response to climate change (disclosures in line with TCFD recommendations)

Recognizing climate change as one of the most urgent and important environmental issues, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2021 and disclose our governance, strategy, risk management, metrics and targets in accordance with the framework.

Governance

In order to adapt to changes in the external environment due to climate change and to enhance sustainable business practices, we have established a Sustainability Committee, chaired by the President and Representative Director and composed of full-time Directors, full-time Corporate Auditors, heads of all division, and other members appointed by the Committee Chairperson. The Committee meets four times a year to conduct deliberation and assessment of risks and opportunities related to climate change, make decisions on key policies and initiatives, and report on KPI progress and other relevant matters. The Board of Directors supervises important matters and action plans discussed by the Committee.

In addition, our General Planning Office serves as the secretariat of the Sustainability committee and works with related departments to minimize the impact of climate change on our business by regularly analyzing climate change risks and opportunities, confirming the status of responses to identified risks and opportunities, and reviewing our climate change response plan.

Bodies and departments	Roles
Board of Directors	- Supervising the Sustainability Committee - Deliberating on and making decisions related to important policies and matters pertaining to climate change
Sustainability Committee	- Managing and reporting on the progress of actions taken to respond to climate change - Reporting and offering advice to the Board of Directors (four times per year and as necessary) - Deliberating on and evaluating various types of analysis, measures, etc. related to responding to climate change
General Planning Office (the Sustainability Committee secretariat) and related departments	- Analyzing risks and opportunities related to climate change - Gaining an understanding of the impacts on our business strategy - Considering measures to mitigate or adapt to climate change and disclosing related information

Strategy

We re-identified material issues by analyzing the significance of external environmental factors and social issues, both to society and to our group. We will continue to regard the response to climate change as a critical management issue for us, and to address the material issues “consideration of the health of Earth,” we will promote various initiatives to become “a company that contributes to an ethical society by reducing CO₂ emissions from our business activities to net zero.”

In addition, we conducted an impact analysis of our retail business based on the IEA's NZE scenario and the IPCC's assumed scenario, with the aim of identifying

issues that need to be addressed by us from a long-term perspective and understanding the possible impacts. As a result, we have identified increased energy costs and resource materials as the main transition risk, damage to stores and employees due to natural disasters as the main physical risk. We also recognized new opportunities, including changes in consumer awareness (shift to sustainable consumption behavior).. Based on these findings, we are promoting initiatives such as installing energy-saving equipment and solar power generation to reduce risk, and developing and promoting environmentally friendly PB products to create opportunities.

Risk management

Recognizing that “delays in responding to climate change risks” could lead to a major management risk, we have incorporated it into the company-wide risk assessment items and monitors the progress of KPIs in the same manner as other risks.

The risks and opportunities identified in the scenario analysis are analyzed by the Sustainability Committee secretariat, which takes the lead in

developing a plan of action. These measures are incorporated into business strategies, and after setting KPIs and departments in charge of each measure, the Sustainability Committee deliberates on them and reports to the Board of Directors. Through this series of processes, we update risk assessment items as necessary and manage them in accordance with our internal risk management implementation plan.

Metrics and targets

Our goal is to achieve “net zero CO₂ emissions and 100% eco-friendly PB products by the fiscal year ending March 2051”. We have set KPI targets for the fiscal year ending March 2031 of “40% reduction in CO₂ emissions (compared with the fiscal year ended March 2022) and 60% or more

environmentally conscious PB products” and are promoting energy- and resource-saving initiatives throughout our supply chain. In addition, our initiatives for climate change have earned us a B grade under the CDP, an external rating organization, for the second year in a row.

Identifying risks and opportunities

We analyze climate change risks and opportunities in our retail business based on the IEA's NZE scenarios and IPCC assumed scenarios. As a result of our analysis, we have identified particularly critical risks, such as the introduction of carbon pricing, increased store costs due to higher electricity prices, and the impact of severe weather-related disasters, and we are

working to procure renewable energy and develop and promote environmentally friendly PB products. To address the material issue “consideration of the health of the Earth,” we will promote energy and resource reduction throughout our entire supply chain, aiming for “net zero CO₂ across our entire Group and 100% eco-friendly PB products” by the fiscal year ending March 2051.

	Category	Risk	Realization/achievement period *1	Financial impacts	Related businesses and key measures
Transition risks	Introduction of and increase carbon pricing, Stronger GHG (greenhouse gases) emissions regulations	- Increased store operating costs - Increased raw material procurement costs - Increased manufacturing costs	Medium term	Approximately ¥3.5 billion (per year) *The amount resulting from the introduction of the carbon pricing system is shown here. The above calculation assumes a carbon price of 140 dollars per ton based on the NZE Scenario.	- Optimization of the number of company cars - Transition to next-generation vehicles - Installation of solar panels
	Rise in electricity prices	- Increased energy costs - Increased raw material procurement costs - Increased manufacturing costs	Medium term		
	Stronger CFC regulations	Increased investment costs to shift to non-CFC equipment in stores, etc.	Medium term	Approximately ¥800 million (converted to an annual value) *The above calculation assumes an average capital investment of ¥5 million per target store.	Switch to eco-friendly high-efficient air conditioners and refrigeration equipment at stores
	Stronger plastic regulations	Increased procurement costs to obtain alternative raw materials in response to plastic regulations	Short term	The impact on the Group's business and finances is assumed to be somewhat large.	Simplification of packaging and reduction of materials used for private brand products
	Change in consumer attitudes	Decline in brand image due to delayed environmental consideration	Medium term	The impact on the Group's business and finances is assumed to be minor.	Development of environmentally friendly PB products
Physical risks	Growing intensity of extreme weather-related disasters	- Damage to employees, the source of our value creation - Damage to the stores themselves - Decreased sales due to store closures	Medium term	The impact on the Group's business and finances is assumed to be somewhat large.	- Implementation of regular checks on safety confirmation systems for all employees - Establishment of disaster preparedness manual
	Rise in global average temperatures	Increased electricity use in stores	Medium term	Approximately ¥700 million (per year) *The above calculation assumes a 10% increase in the amount of electricity used by air conditioning and refrigeration equipment.	Directly or indirectly contribute to measures against climate change, such as reduction of CO₂ emissions

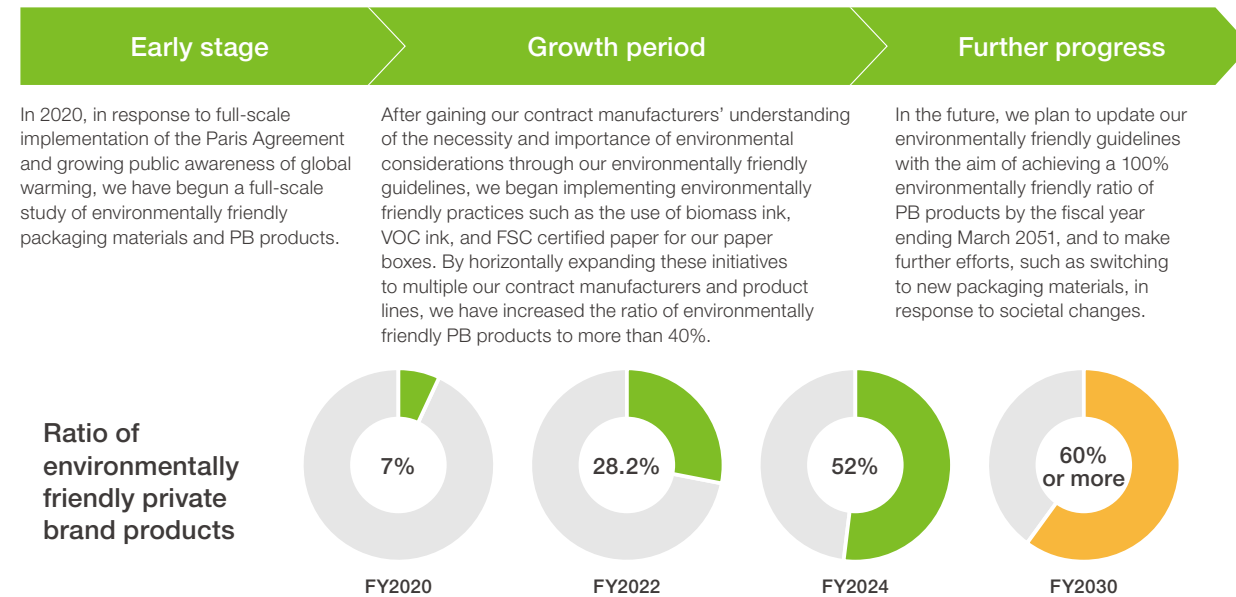
	Category	Opportunity	Realization/achievement period *1	Financial impacts	Related businesses and key measures
Opportunity	Introduction of and increased carbon pricing, Stronger GHG (greenhouse gases) emissions regulations	Reduced operating costs when the carbon price increases due to the use of low-emission energy sources	Medium term	Approximately ¥1.7 billion (per year) *The above calculation is based on the NZE Scenario and assumes a 50% CO ₂ emission reduction rate.	Introduction of renewable energy
	Investments in energy-saving equipment	Reduced energy consumption due to the use of low-emission energy sources	Medium term	Approximately ¥1.2 billion (per year) *The above calculation assumes that energy-saving equipment can be introduced at 30% of all stores and an electricity use reduction rate of 30%.	Switch to energy-saving equipment, such as LED lighting and more efficient air conditioners at stores
	Change in consumer attitudes	Increased sales due to the development of environmentally friendly products and services	Medium term	Approximately 1.6 billion yen *The above calculation assumes the achievement of all of the KPIs related to our FY2031 net sales targets, net private brand product sales composition, and the ratio of environmentally friendly private brand products, as well as a sales increase rate of 2%.	Development of environmentally friendly PB products

*1: In the above table, “short term” means up through the fiscal year ending March 2026 (the last fiscal year of the medium-term management plan), “medium term” means up through the fiscal year ending March 2031, and “long term” means up through the fiscal year ending March 2051.

Initiatives to raise the ratio of environmentally friendly private brand products

promoting environmentally friendly initiatives not only in our products but also in the packaging materials. To achieve this target, cooperation with our suppliers is indispensable. Therefore, we have incorporated the design concept of our PB products into our “environmentally friendly guidelines,” which we share with our contract manufacturers of PB products. Through daily discussions based on this guideline, we are jointly designing and developing PB products. As a result of these efforts, we achieved the target set in our previous mid-term plan for the fiscal year ending March, 2026 (ratio of environmentally friendly PB products of 40% or more) ahead of schedule. However, in order to further increase the ratio of environmentally friendly PB products toward our target of the fiscal year ending March 2051, it is necessary to appropriately address the issue of increased costs related to packaging materials and rising country risks. In the area of packaging materials, we are closely working with our contract manufacturers to transition to environmentally friendly materials while maintaining quality, and we are promoting initiatives that differentiate our products from those of other companies. We believe that increasing the ratio of environmentally friendly PB products is something that we “must achieve,” and we will continue to work to expand our range of environmentally friendly PB products.

As part of our commitment to addressing our material issue, “Consideration of the health of the Earth,” we have set a target to ensure that 100% of our PB products are environmentally friendly by the fiscal year ending March 2051. We are



Efforts to develop potential customers

To promote environmentally friendly measures for PB products by material type, we established “environmental response guidelines” for packaging materials in the fiscal year ended March 2023, and have called for cooperation of our contract manufacturers. As a result, the ratio of environmentally friendly PB products has expanded steadily to date. On the other hand, as the world’s awareness of environmental friendliness grows, regulations on packaging materials are being tightened both in Japan and overseas, and new materials are also being developed to meet these regulations. In response to these changes in the external environment and to flexibly develop new environmentally friendly PB products that meet customer needs, we plan to update the “environmental response guidelines” within

the fiscal year ending March 2051. We will continue to watch market trends closely and work with our contract manufacturers to develop and offer environmentally friendly PB products, contributing to resolve our material issue of “Consideration of the health of the Earth.”



Quality control of PB products

We have established a cooperative system with approximately 560 factories (As of March 31, 2025) in Japan and overseas that manufacture pharmaceuticals, cosmetics, daily necessities, and food products, sharing the “matsukiyo” brand vision as our business partners. We work with them to improve quality on a daily basis, in order to provide functionality and value beyond what our customers demand and to earn their unwavering trust in our safety and security. The “matsukiyo” brand has established strict quality standards for each product

genre, and in cooperation with external inspection agencies and manufacturing plants, incorporates “ingredient and product inspections,” “manufacturing process inspections,” and “confirmation of legal compliance” into our quality control. In addition, the on-site quality control audits of overseas manufacturing plants, which were temporarily suspended due to COVID-19, were resumed in the fiscal year ended March 2025 and are now being promoted together with CSR audits (surveys on human rights, environmental aspects, etc.: P87).

Conduct quality control audits and CSR audits

For factory audits, we or external auditors visit the factories of our contract manufacturers to audit the manufacturing environment and operational status. In accordance with our original audit items based on ISO 9001 and cosmetics GMP, we check the “quality control system,” “ingredient and raw material management,” “hazardous items and equipment management,” “manufacturing process management,” “lot, inspection and shipping management,” and “5S management (sorting, tidying, cleaning, standardization and discipline),” identifying issues and requesting improvements to maintain and improve quality.

Previously, CSR audits of our contract

manufacturing partners were limited to domestic plants. However, starting at the end of the fiscal year ended March 2025, we have expanded the scope to include overseas manufacturing plants as well. Through CSR audits including “any problems with our contractor’s operations,” “any factors in the supply chain that could hinder the realization of a sustainable society,” and “systems are in place to respect human rights of employees,” we aim to detect risks at our manufacturing contractors at an early stage and work together to implement appropriate risk mitigation measures. Through these efforts, we aim to promote sustainability in the supply chain.



Image of quality control organization

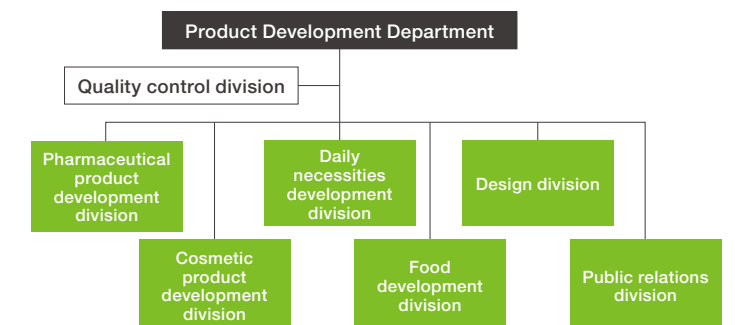
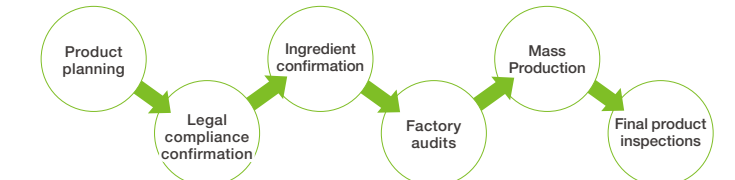
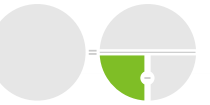


Image of quality control operation





Dialogue

between outside directors



Outside director, Chairman of the
Nomination and Remuneration
Advisory Committee

**Hiroo
Omura**

Outside director

**Tomoko
Okiyama**



To enhance the corporate value

Okiyama Our Group is involved in various initiatives to promote diversity, and I am participating in roundtable discussions as part of the efforts. The purpose of the roundtable discussions is to promote women to management positions and to develop human resources who are aiming for higher positions among women managers. Through communication with our attendees, I always feel strongly that each and every one of our members is going about work with an understanding of our Group's philosophy, vision, and policies on a daily basis. This is clearly reflected in the results of the "Commitment to Management" section of the employee awareness survey as well as in the numbers. I believe that alignment between employees' sense of purpose—Why do I work for this company—and the Company's philosophy and values is essential for strengthening governance. I feel that this alignment is particularly strong within our Group. On the other hand, the diversity of the Group's human resources remains a challenge and we are halfway there. In light of the business domain of health and beauty, I believe that we need a diverse range of employees to create these products. I will continue to support diversity initiatives to achieve future business growth.

Omura In addition to the diversity of talent within our Group, we have received comments from external stakeholders concerning the diversity of our Board of Directors. Our Board of Directors sincerely accepts our opinions as outside directors, in addition to the points raised, and earnestly considers the course of action to take in light of the Group's will. We recognize that this flexibility is a strength of our Board of Directors, and the speed with which we put them into action is a strength of the executive side. I feel that the discussion process and disclosure content of the new medium-term management plan have evolved further based on the input from outside parties. On the other hand, I believe that the transition to a monitoring type of governance,

which was also a theme in the effectiveness evaluation, is a challenge for the future. As the lead independent outside director, I would like to drive the discussion on the ideal governance structure for the Company, reflecting the opinions of the newly appointed directors, with a view to the future transition of the governance structure, including changes in the design of the organization.

Okiyama We recognize that society expects us to continue to play a role as a pharmacy, drugstore, and social infrastructure, and to continue to provide more attractive products and services in the fields of health and beauty. To this end, we believe it is important to increase consumer sensitivity to health and beauty through our Group's employees.

Omura I agree with you. In particular, I feel that nowadays people of both genders are becoming more and more aware of the importance of beauty. In addition, one of the social issues that the Group must take on is improving health and reducing medical costs. To solve this challenge, it is essential to increase people's awareness of self-medication. These initiatives are part of our Group's mission, and as an outside director, I hope to build a strong team that can provide opinions and advice from a big-picture perspective and oversee the executive side of management.

Features of the Executive Management Team

Okiyama The impression is that the members of the executive management team, led by the president, have clear roles, yet communicate well with each other, for example, by holding weekly management meetings. This allows them to accurately grasp what is happening in the front lines including overseas, and I feel that this attention to detail is one of our Company's unique characteristics.

Omura You are right. In addition, for every matter brought to the Board of Directors is presented as a summary from the executive side that reflects the opinions of those on

the front lines, which gives the impression that there is a very close relationship between the two sides. I would like to further enhance the quality of discussions at the Board of Directors going forward. In the fiscal year ended March 2025, we continued our deliberations on the topics of cost of capital and cross-shareholdings, and I believe that we need to operate in a manner that adequately guarantees both the time and content of our deliberations. In addition, beginning with the fiscal year ended March 31, 2025, important matters to be discussed by the Board of Directors are now explained in advance and opportunities for an exchange of opinions are provided. This enabled the Board of Directors to focus on the main points and deliberate on the day of the meeting. This improvement is designed to make discussions at board meetings more informative.

Discussion of management strategies

Omura Recently, our Group's new medium-term management plan was announced. There were multiple opportunities for preliminary explanations and exchanges of opinions from the executive side regarding this matter, and I feel that a good plan was ultimately developed. In the previous medium-term management plan, we achieved our profitability targets ahead of schedule thanks to the steady creation of synergies from the business integration. This is the result of the management executive team's work from the pre-integration preparations. During the discussion process of the new medium-term management plan, we noted the setting of goals for overseas operations. Through discussions with the Directors, the new medium-term management plan, in addition to specific size targets, also includes initiatives to achieve them: store openings, membership base, linkage with inbound sales, differentiation through PB, and establishment of headquarters functions to support overseas operations.

Okiyama One issue that we discussed in particular with the

executive management team was how to co-create value with and return profit to stakeholders. Through those discussions, I believe we were able to raise the level of understanding about the significance of the Group's existence in society. I also believe that we were able to discuss our capital allocation policy in greater depth than ever before, in conjunction with our long-term management direction and medium-term management plan. Regarding the discussion of the business portfolio, the Board of Directors agreed with the policy of concentrating management resources on the Matsumotokiyo Group and Cocokarafine Group businesses, which are retail businesses with strong "earning power," while growing overseas and BtoB businesses.

To strengthen governance in the future

Omura In order to strengthen governance in the future, in addition to the aforementioned shift to a monitoring model, we believe it is necessary to begin as soon as possible to develop a succession plan that includes the CEO. These points are also included in the concerns raised by shareholders and investors, and are currently being discussed in the Nomination and Remuneration Advisory Committee, for which I serve as chair.

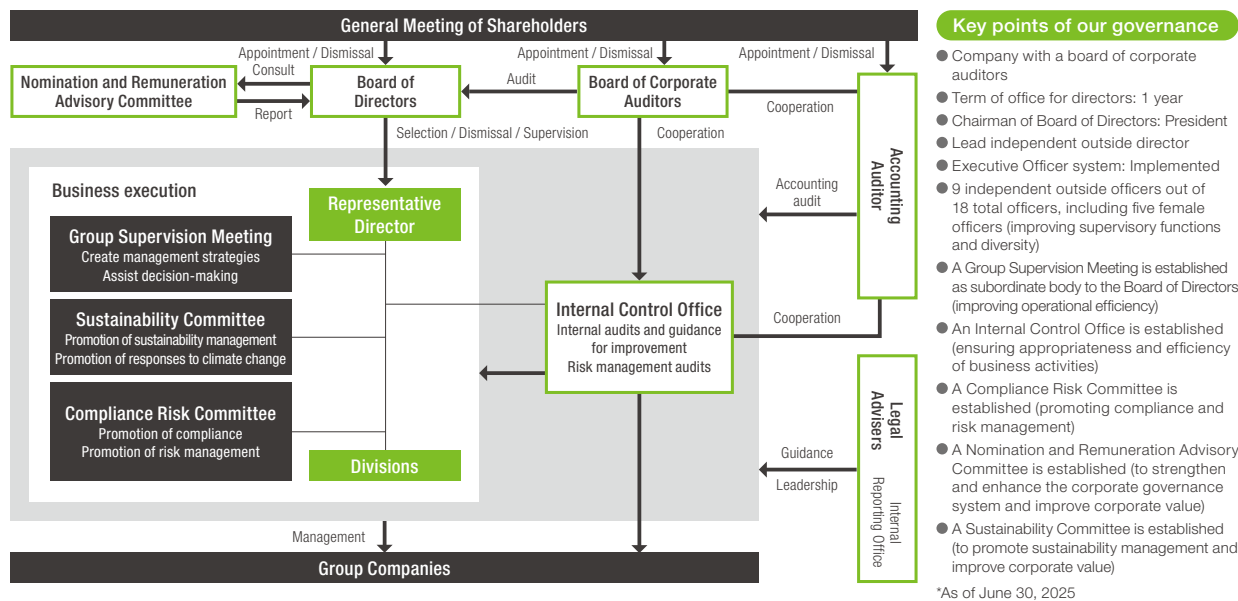
Okiyama By strengthening governance, we will increase corporate value and build a solid foundation for the management of our Group. To this end, we have been discussing the ideal form of the Board of Directors, including its structure. One such goal is to achieve a "ratio of at least 50% of outside directors." In formulating the new medium-term management plan, we have reviewed the material issues on the executive side, and in order to promote more specific initiatives, we have changed the previous expression "enhancement of governance" to "effectiveness of governance." We will continue to upgrade the Board of Directors so that it can clearly present management policies from a long-term perspective and the executive side can carry out day-to-day operations with greater certainty and speed in realizing the strategies.

New materiality Effectiveness of governance

Establishment of a disciplined management system

Basic policy and structure

It is extremely important to enhance the effectiveness of corporate governance in order to realize the vision based on the Group's philosophy and to sustainably enhance corporate value. The basic policies of the Group's governance are "disciplined management practices" and "dialogue with stakeholders," and the Board of Directors oversees the progress of efforts to address the material issues identified in light of medium- to long-term changes in the environment. We will also aim to maximize sustainable corporate value by promoting stable returns to stakeholders, further improving effectiveness of governance, addressing environmental and social issues, and implementing management that is conscious of the cost of capital.



Goals and KPIs

KPI	Goal for the fiscal year ending March 31, 2031	Actual results for the fiscal year ended March 2025
Independent outside director ratio	50% or more	42.9%(As of July 1, 2025)

Operation of the Board of Directors

Composition of the Board of Directors

Based on the basic policy that the Company's Board of Directors is responsible for making decisions on important matters and supervising the execution of business operations, the responsibilities of each director are clearly defined. To strengthen the effectiveness of corporate governance, we have established a system in which outside directors work together to reflect diverse perspectives in management.

In particular, in order to strengthen the supervisory function of the Board of Directors, we not only clarify the role of outside directors, but also stipulate independence requirements, aiming to increase

the ratio of outside directors to at least 50% in the future. By leveraging the expertise of all directors, we will ensure a system to supervise management objectively and from a stakeholder's perspective.

Three roles expected of outside directors

1	2	3
Providing advice to enhance corporate value in the medium to long term	Overseeing management in critical decision-making processes	Reflecting diverse stakeholder perspectives in governance
Major Indicators	Target	Results
Independent outside director ratio	50% or more	42.9%
Ratio of female directors	-	21.4%
Ratio of female officers*	-	27.8%

*Directors and auditors: The results in the table above are figures as of July 31, 2025.

Authority of the Board of Directors

The Board of Directors, as the highest decision-making body of the Group, makes decisions on important matters related to business execution, and

supervises and monitors the status of achievement of the management plan and the execution of duties by each director. Under this structure, we will strive to sustainably enhance corporate and shareholder value.

1	Matters related to the General Meeting of Shareholders	8	Matters related to important assets
2	Matters related to directors and auditors	9	Matters related to human resources
3	Important matters related to accounting, tax, and external audits	10	Matters related to accounting and finance
4	Important matters related to business operations	11	Matters related to general affairs and legal affairs
5	Matters related to stocks and corporate bonds	12	Matters related to overall systems
6	Matters related to the organization	13	Matters related to internal control
7	Matters related to affiliates	14	Other matters that have a major effect on stakeholder interests

Major topics at Board of Directors meetings in the fiscal year ended March 31, 2025

Theme	Major topics
Medium-term management plan	Evaluation of the progress of the previous medium-term management plan (by the fiscal year ending March 2026) and formulation of the new medium-term management plan (from the fiscal year ending March 2026 to March 2031), progress in performance targets and response to entry into different industries, industry restructuring, carbon neutral strategy, integration of systems and logistics infrastructure
Cost of capital and corporate value enhancement	Pursuit of profitability and growth with awareness of cost of capital, disclosure of management targets and shareholder returns policies
Strategic investment	Growth investments in new store openings and overseas business, system investments for DX promotion, investments in human capital including wage increase
Asset portfolio optimization	Planned reduction of cross-shareholdings, sale and effective utilization of idle real estate (leaseholds, etc.)

Evaluation of Board Effectiveness

To further enhance corporate value, we annually assess the effectiveness of the Board of Directors. The results of the fiscal year ended March 2025 evaluation confirmed that the effectiveness of the Board of Directors is generally ensured and that the PDCA cycle, which leads to improvements based on evaluation results, is functioning effectively.

Through this evaluation, the Board of Directors also reaffirmed the Group's unique strengths, and mentioned the importance of further invigorating discussions at

the Board of Directors meetings from the perspective of further enhancing the effectiveness of the management oversight function. Going forward, we will work toward achieving the goals set forth in the new medium-term management plan by prioritizing the issues listed in the plan and further enhancing the discussion of management strategies at the Board of Directors meetings, among other measures, to further improve the effectiveness of the plan.

Major issues identified by the survey

Issue	Short term	Long term
Further enhancement of individual agenda items	● Enhancement of opportunities to discuss each important topic (cost of capital, DX, etc.) ● Setting an annual Board of Directors meeting agenda and organizing viewpoints for each agenda item ● Appropriate timing of information provision in deliberation materials	● Consideration of transition to a monitoring-focused Board of Directors (defining roles, addressing issues, and developing roadmaps) ● Continued discussion by the Nomination and Remuneration Advisory Committee on directors' succession plan

Overview of the Board effectiveness evaluation

We conducted a questionnaire of all directors and corporate auditors in April–May 2025 to assess the effectiveness of the Board of Directors in the fiscal year ended March 2025. To ensure objectivity, the questionnaire was designed, administered, and analyzed with the support of a third-party organization, and the responses were evaluated by multiple organizations. In addition, continuous efforts are made to ensure that the evaluation does not become a mere formality, such as reviewing questions that have been rated highly for two consecutive years with new questions to further deepen governance.

Evaluation method

Five-grade evaluation
(with comment fields for each question) and additional space for open-ended responses

Evaluation items

- 1 Composition and operation of the Board of Directors
- 2 Management strategy and business strategy
- 3 Business ethics and risk management
- 4 Management evaluation and remuneration
- 5 Dialogue with shareholders, etc.

Officers' skill set

Basic requirements for directors

We select directors who meet the following requirements.

1. Expertise of corporate management

To achieve the Group vision and management targets, directors must be capable of understanding changes in the management environment for the health and beauty fields and then devising a suitable strategy in response. In addition, directors must have the wide range of knowledge and experience necessary to achieve a management plan and maximize corporate value.

2. ESG and sustainability

Directors must have extensive knowledge and experience in environmental, social and governance (ESG) practices and sustainability (including solutions to environmental and social issues) to execute the Company's management plans, enhance its corporate value for the long-term, and facilitate the management of the Group. In addition, directors must meet the business execution requirements necessary to implement the Company's "four materialities (Consideration of the health and beauty of society, employee growth, Consideration of the health of the Earth, and effectiveness of governance)."

Basic requirements for outside director

Outside directors are required to help the Board of Directors maintain its high-level oversight of the Company's management practices by providing necessary feedback and identifying issues from an independent and objective viewpoint in decision-making processes based on their extensive experience, knowledge, and expertise.

Selection process

The Company consults the Nomination and Remuneration Advisory Committee about director candidates, taking into consideration the composition of the Board of Directors, the qualifications and performance of the eligible candidates, and the criteria for director selection. The committee reviews the proposed director candidates and reports to the Board of Directors. The Board of Directors then discusses the candidates and passes a resolution, giving the utmost respect to the committee's report. The Board of Directors will refer the proposal to the general meeting of shareholders.

Skill matrix items and reasons for selecting them

Item	Reasons for selection	Item	Reasons for selection
DX (Digital Transformation)	In order to realize the Group Vision and Management Targets, it is important that we utilize and promote information technology while providing new value to customers and expanding our business. Therefore, we require Directors who have a wide range of knowledge and experience needed for promoting DX and building a corporate structure that uses digital transformation as its strength.	Global	With the aim of becoming Asia's No. 1 drugstore, it is important for us to plan growth strategies and supervise management of global businesses. Therefore, we require Directors who are experienced in overseas business management, and also have good knowledge and experience in overseas lifestyles and business environments.
Marketing	In order to realize the Group Vision and Management Targets, it is important that we utilize marketing that is responsive to our customers' values and life stages. Therefore, we require Directors who have a wide range of knowledge and experience needed for accurately grasping the business environment and consumer preferences, building strategies, and implement specific measures for ensuring our superiority in the industry.	Finance/ Accounting/ M&A	In order to realize the Company's management plan, improve our corporate value—including financial aspects—and achieve sustainable growth, we require Directors who can conduct appropriate financial activities for rebuilding our revenue base and ensure our financial soundness. We also require Directors who have a wide range of knowledge and experience needed for expanding the scale of our existing businesses and creating new businesses by promoting M&A.
HR (Human resources)	In order to realize the Company's management plan, improve our corporate value—including non-financial aspects—and achieve sustainable growth, we require Directors who can promote active participation of diverse human resources and development of organizations that support them. We also require Directors who have a wide range of knowledge and experience needed for effectively utilizing human resources, and implementing measures that contribute to the business.	Risk Management/ Legal Affairs	Building an appropriate governance system is the basis for sustainable corporate value improvement, and it is important to improve the effectiveness of management supervision by the Board of Directors. Therefore, we require Directors who have proven knowledge and experience in the fields of corporate governance, risk management, and compliance.

Skill matrix

● indicates the possession of experience and knowledge regarding which the Company expects a lot
○ indicates the possession of experience and knowledge

Name	Current position and responsibilities at the Company	Business execution requirements					
		DX	Marketing	HR	Global	Finance, accounting, and M&A	Risk management and legal affairs
Namio Matsumoto	Chairman of the Board		●				
Kiyoo Matsumoto	President and Representative Director		○		○		●
Atsushi Tsukamoto	Vice President and Representative Director	○	●				○
Takashi Matsumoto	Senior Managing Director and Representative Director, Head of Group Sales Planning	○	●		●		
Shingo Obe	Managing Director, Head of Group Management			●		○	●
Akio Ishibashi	Managing Director, Head of Group Management Planning	○	○			●	
Tsuyoshi Yamamoto	Director, Head of Group Business Planning			○		●	○
Takashi Matsuda	Director, Deputy Head of Group Sales Planning	●	●		○		
Hiroo Omura Outside Independent	Director		●				○
Keiji Kimura Outside Independent	Director				●		○
Junko Kawai Outside Independent	Director			○			●
Tomoko Okiyama Outside Independent	Director		○	●			
Hideaki Shinada Outside Independent	Director		●		○		
Taeko Yamamoto Outside Independent	Director	●			○		
Hisao Honta	Standing Corporate Auditor					○	●
Noriko Koike Outside Independent	Corporate Auditor					●	
Shoichi Watanabe Outside Independent	Corporate Auditor						●
Yoko Okumura Outside Independent	Corporate Auditor					●	

Examples of how skills contribute to solving business problems

Example: Weekly meetings are held with the office and department heads in the areas of human resource strategy, financial strategy, general affairs planning, and legal strategy, with feedback from the management meetings and progress reports from each office and department in the management plan. Weekly meetings are held individually with each office and department head to discuss issues to be improved. As a result, the Company promotes flexible work styles while linking management and human resource strategies. In addition, prior communication for announcements of financial results and General Meetings of Shareholders has led to responses with content that reflects the will of each department. Furthermore, at the Sustainability Committee and the Compliance Risk Committee, our efforts have led to the precise selection of issues to be discussed and the establishment of measures to deal with them.

Implementation of succession plan

Our succession plan is based on the basic policy of systematically training and selecting successors for the president and other senior executives, and ensuring a smooth transition at the appropriate time. This process primarily involves the Board of Directors, the Nomination and Remuneration Advisory Committee, the President/current management team, and the Human Resources Department, each playing a distinct and specific role. Among them, the Board of Directors is responsible for determining the succession plan policy in line with the long-term management strategy, and for clarifying the leadership requirements for senior management, including the President. The Board of Directors deliberates and finalizes the proposed selection and dismissal of successor candidates recommended by the Nomination and Remuneration Advisory Committee. In the succession planning process, The Nomination and Remuneration Advisory Committee, which is composed primarily of outside directors, is responsible for the practical processes, including selecting and evaluating potential successors, monitoring their development, and preparing proposals for their selection and dismissal.



Officers

(As of July 1, 2025)



Chairman of the Board

Namio Matsumoto

1965 Joined Drugstore Matsumotokiyoishi, Ltd. (currently Matsumotokiyoishi Co., Ltd.)
1999 Chairman, Japan Association of Chain Drug Stores
2001 President, Matsumotokiyoishi Co., Ltd.
2007 President of the Company
2014 Chairman of the Company
2021 Chairman, Matsumotokiyoishi Group Co., Ltd. (current position)
2023 Chairman of the Board of the Company (current position)

Attendance
Board of
Directors
14/14



President and Representative Director
Member of the Nomination and
Remuneration Advisory Committee

Kiyoo Matsumoto

1995 Joined Matsumotokiyoishi Co., Ltd.
2007 Director and Merchandise Manager of Sales Division, Matsumotokiyoishi Co., Ltd.
2011 President, Matsumotokiyoishi Co., Ltd.
2013 Representative Director and Vice President of the Company
2014 President and Representative Director of the Company (current position) Chairman, Matsumotokiyoishi Co., Ltd.
2021 President, Matsumotokiyoishi Group Co., Ltd. (current position)

Attendance
Board of
Directors
14/14



Vice President and
Representative Director

Atsushi Tsukamoto

1985 Joined Seijo Co., Ltd. (currently Cocokara fine Healthcare Inc.)
2002 President, Seijo Co., Ltd. (current position)
2008 President and Representative Director, cocokara fine Inc. (currently Cocokara Group Co., Ltd.) (current position)
2021 Vice President and Representative Director of the Company (current position)
2022 Vice President and Representative Director, MCC Management Co., Ltd. (current position)
2024 Chairman, Japan Association of Chain Drug Stores (Current position)

Attendance
Board of
Directors
14/14



Senior Managing Director and
Representative Director, Head of Group
Sales Planning

Takashi Matsumoto

1999 Joined Sato Pharmaceutical Co., Ltd.
2002 Joined Matsumotokiyoishi Co., Ltd.
2013 Director supervising Sales of the Company
2015 Managing Director supervising Sales Planning and Merchandise Control of the Company
2019 Senior Managing Director and General Manager of Sales Management Division of the Company
2021 President, Matsumotokiyoishi Co., Ltd. (current position)
2023 Senior Managing Director and Representative Director, Head of Group Sales Planning of the Company (current position)

Attendance
Board of
Directors
14/14



Managing Director, Head of Group
Management

Shingo Obe

1985 Joined The Daiiei, Inc.
2006 Joined Matsumotokiyoishi Co., Ltd.
2008 General Manager of Personnel Department of the Company
2012 Director and General Manager of Personnel Department, Matsumotokiyoishi Co., Ltd.
2017 Director, General Manager of Administrative Division and General Manager of Personnel Department of the Company
2022 Managing Director, Head of Group Management of the Company (current position)

Attendance
Board of
Directors
14/14



Managing Director, Head of Group
Management Planning

Akio Ishibashi

1989 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation)
2009 Joined Matsumotokiyoishi Co., Ltd. General Manager of Business Development Office of the Company
2012 Director and General Manager of Operation Planning Department, Store Operations Division, Matsumotokiyoishi Co., Ltd.
2017 Director, General Manager of Corporate Strategy Planning Division and General Manager of Corporate Planning Department of the Company
2022 Managing Director, Head of Group Management Planning of the Company (current position)

Attendance
Board of
Directors
14/14



Director,
Head of Group Business Planning

Tsuyoshi Yamamoto

1990 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
2016 Senior Advisor, cocokara fine Inc. (currently Cocokara Group Co., Ltd.)
2017 Director, Executive Corporate Officer, in charge of Business Development and General Manager, Finance Department, Corporate Strategy Division, cocokara fine Inc.
2019 Director, Executive Vice President, Director of Administration Headquarters and General Manager of Corporate Strategy Office, cocokara fine Inc.
2021 Director, Head of Group Business Planning of the Company (current position)

Attendance
Board of
Directors
14/14



Director,
Deputy Head of Group Sales Planning

Takashi Matsuda

1996 Joined Matsumotokiyoishi Co., Ltd.
2007 Manager of Operation Planning Section, Sales Planning Department, Matsumotokiyoishi Co., Ltd.
2011 Deputy General Manager of Operation Planning Section, Operation Planning Department, Matsumotokiyoishi Co., Ltd.
2019 Executive Officer, General Manager of the Sales Planning Department, Sales Management Division, concurrently in charge of Online Business Unit of the Company
2022 Director, Deputy Head of Group Sales Planning of the Company (current position)
Director, MCC Management Co., Ltd. (current position)

Attendance
Board of
Directors
14/14



Director/Outside/Independent
Member of the Nomination and
Remuneration Advisory Committee

Hiroo Omura

1970 Joined SUMITOMO LIFE INSURANCE COMPANY
1991 Joined THE NIPPON ROAD Co., Ltd.
2012 Executive Advisor, THE NIPPON ROAD Co., Ltd.
2018 Outside Director of the Company (current position)

Attendance
Board of
Directors
14/14

Reasons for appointment as an outside director

Mr. Omura uses his extensive experience and knowledge related to development and sales planning, as well as his deep knowledge of environmental issues, to actively speak up, thereby invigorating the Board of Directors.



Director/Outside/Independent

Junko Kawai

2004 Registered as an attorney
2008 Partner, Umegae-Chuo Legal Profession Corporation (current position)
2021 Outside Director of the Company (current position)

Attendance
Board of
Directors
14/14

Reasons for appointment as an outside director

As an attorney, Ms. Kawai actively participates in daily initiatives aimed at protecting basic human rights and achieving social justice as well as the corporate legal field both within Japan and abroad, and this enables her to suitably manage and supervise the Company's business execution.



Director/Outside/Independent
Member of the Nomination and
Remuneration Advisory Committee

Keiji Kimura

1970 Joined Mitsubishi Estate Co., Ltd.
2005 President and Representative Director, Mitsubishi Estate Co., Ltd.
2017 Senior Advisor, Mitsubishi Estate Co., Ltd. (current position)
2018 Outside Director of the Company (current position)

Attendance
Board of
Directors
12/14

Reasons for appointment as an outside director

Mr. Kimura uses his extensive management-related experience and knowledge, deep knowledge of overseas business sectors, and experience as an outside director for other companies to actively speak up, thereby invigorating the Board of Directors.



Director/Outside/Independent

Tomoko Okiyama

1975 Joined TOA CORPORATION
2013 Executive Officer, Deputy Head of Building Construction General Headquarters and General Manager of Welfare Project Dept., TOA CORPORATION
2020 Outside Director of the Company (current position)
2025 Outside Director, HIGASHI-NIPPON BANK, Ltd.

Attendance
Board of
Directors
14/14

Reasons for appointment as an outside director

Ms. Okiyama uses her extensive sales-related business experience to actively speak up, thereby invigorating the Board of Directors. She also offers advice on developing women role models in the workforce and contributes to increasing diversity in human capital management.



Director/Outside/
Independent

new appointment

Board of
Directors

Hideaki Shinada

1980 Joined AJINOMOTO Co. Inc.
2016 President and Representative Director, Ajinomoto AGF, Inc.
2023 Outside Director, NISSAN SHATAI CO., LTD.
2025 Outside Director of the Company (current position)

Reasons for appointment as an outside director

Mr. Shinada has a wealth of experience in management and experience working in corporate management at global companies. We expect him to bring a fresh perspective that will help invigorate the Board of Directors' meetings.



Standing Corporate
Auditor

Hisao Honta

1979 Joined Matsumotokiyoishi Co., Ltd.
1996 Central Executive Committee Chairman, Matsumotokiyoishi Labor Union (now UA ZENSEN)
2007 Store Manager, Kashiwamatsugasaki Store, Matsumotokiyoishi Co., Ltd.
2013 Store Manager, Mabashi Store, Matsumotokiyoishi Co., Ltd.
2018 Manager to General Affairs Department, Administration Department of the Company
2019 Corporate Auditor of the Company (current position)

Attendance
Board of
Directors
14/14

Audit and
Supervisory Board
14/14



Auditor/Outside/
Independent

Shoichi Watanabe

1993 Registered as an attorney
2011 Opened the Rights Law and Patent Offices (current position).
2020 Outside Auditor of the Company (current position)

Attendance
Board of
Directors
14/14

Audit and
Supervisory Board
14/14

Reasons for appointment as an outside auditor

Mr. Watanabe uses his expertise and extensive experience working as a lawyer—including working at a law firm and jointly opening a law firm after obtaining his qualifications as a lawyer—to contribute to the further improvement of the auditing function.



Director/Outside/
Independent

new appointment

Board of
Directors

Taeko Yamamoto

1987 Joined Mitsubishi Corporation
1994 Joined GoldCoast Technical Documentation Inc.
1998 Joined Microsoft Japan Co., Ltd.
2001 Joined IBM Japan, Ltd.
2013 Joined Microsoft Japan Co., Ltd.
2017 Executive Officer, Microsoft Japan Co., Ltd. General Manager, Marketing Division, Partner Business Headquarters
2020 Joined Fujitsu Limited: Corporate Executive Officer, CMO
2022 Corporate Executive Officer, EVP, CMO, Fujitsu Limited
2023 Outside Director, Funai Soken Holdings Inc.
2025 Outside Director of the Company (current position)

Reasons for appointment as an outside director

Ms. Yamamoto has many years of experience working in the technology field with a strong focus on marketing, and possesses deep expertise in digital transformation from a global perspective. We expect her to bring a fresh perspective that will help invigorate the Board of Directors' meetings.



Auditor/Outside/
Independent

Noriko Koike

1993 Registered as a Certified Public Accountant
1997 Opened the Koike Certified Public Accountant Office (current position).
2020 Outside Auditor of the Company (current position)

Attendance
Board of
Directors
14/14

Audit and
Supervisory Board
14/14

Reasons for appointment as an outside auditor

Ms. Koike uses her expertise and extensive experience working as a Certified Public Accountant—including working at a major auditing firm and opening her own private Certified Public Accountant office—to contribute to the further improvement of the auditing function.



Auditor/Outside/
Independent

new appointment

Board of
Directors

Yoko Okumura

2000 Joined Shigeo Muto Tax Accountant Office (currently MUTO TAX Co.)
2001 Joined KPMG Peat Marwick Mitchell & Co. (currently KPMG Tax Corporation)
2003 Registered as a Certified Tax Accountant
Founded Yoko Okumura Tax Accountant Office (current position)
2025 Outside Auditor of the Company (current position)

Reasons for appointment as an outside auditor

Having gained extensive professional experience and expertise as a tax accountant through employment at a major accounting firm and the establishment of an independent tax accounting practice, we anticipate the contributions toward further enhancing our audit functions.

Executive officer

Name		Duties and important concurrent positions	Name		Duties and important concurrent positions
Yasuyuki Oike	Executive officer	General Manager of Wellness Strategies Office, Group Sales Planning, and General Manager of IT and Logistics, Sales Support Strategies Office	Masafumi Morita	Executive officer	General Manager of the Legal Planning Office, Group Management
Hiroshi Nishida	Executive officer	General Manager of the Financial Strategies Office, Group Management, Director of Matsumotokiyoshi Co., Ltd., Director of Matsumotokiyoshi Asset Management Co., Ltd.	Shunichi Mori	Executive officer	General Manager of Policy Collaboration Office, Group Management
Ryoichi Wachi	Executive officer	General Manager of the Internal Control Office, Auditor of CFIZ Co., Ltd.	Kei Aoki	Executive officer	General Manager of Wellness Strategy, Wellness Strategies Office, Group Sales Planning, Director of PAPASU Co., Ltd.
Mitsuhiro Abe	Executive officer	General Manager of the Personnel Strategies Office, Group Management, Director of Matsumotokiyoshi Kyushu Co., Ltd., Director of MCC Associe Co., Ltd.	Taro Yamauchi	Executive officer	General Manager of the Product Strategy, Sales Strategies Office, Group Sales Planning, Director of Matsumotokiyoshi Co., Ltd.
Yasuhiko Nakamura	Executive officer	General Manager of the Business Planning Office, Group Business Planning, Manager of the General Planning Office, Group Management	Daiki Matsuura	Executive officer	General Manager of Wellness Strategy, Wellness Strategies Office, Group Sales Planning
Seiichi Tenma	Executive officer	General Manager of Corporate Planning Office, Group Management Planning			



Message

From the Chairman of the Nomination and Remuneration Advisory Committee

Enhancing corporate governance for sustainable growth

Outside Director, Chairman of the Nomination and Remuneration Advisory Committee

Hiroo Omura

Roles and responsibilities of the committee

I have been involved in the management of the Company for 7 years since I was appointed as an outside director in 2018, and to date we have grown into a company with a market capitalization and annual sales of 1 trillion yen. In May 2025, we announced a new medium-term management plan and moved to a new stage starting this fiscal year.

In this context, I believe that decision-making regarding the nomination and compensation of directors are the cornerstone of corporate governance that supports sustainable growth and has a significant impact on the future of the Group. The role of the Nomination

and Remuneration Advisory Committee is to discuss and consider matters related to the nomination and compensation of directors and make recommendations to the Board of Directors. Until now, I have served as a member of this committee, but following the Annual General Meeting of Shareholders held on June 20, 2025, I have assumed the role of Chairperson. I will be responsible for facilitating meetings, providing explanations at Board of Directors, and coordinating with the executive human resource team, all while striving to ensure smooth committee operations and the effective execution of its responsibilities.

Activities in the fiscal year ended March 2025

In our deliberations regarding director compensation for the fiscal year ended March 2025, we spent most of our time evaluating performance-related KPIs. In light of the many comments received in past dialogue with shareholders and investors regarding the importance of human capital management, the committee took the lead in deliberating how to reflect non-financial indicators related to human capital in the evaluation indicators of director compensation. Recognizing that employee growth is indispensable to achieving medium- and long-term improvements in corporate value, we have set “employee growth” as a materiality. By reflecting non-financial indicators (employee awareness survey scores) related to employee development and performance in the evaluation of internal directors’ compensation from the fiscal year ended March 31, 2025, we will encourage management to take the initiative in

promoting human capital management more than ever.

In addition, the succession plan was the main topic in our deliberations regarding the nomination of directors. Based on the Company’s management philosophy, management vision, materiality and management goals, the committee deliberated from a long-term perspective on the current plans to develop successors, the roles of each organization in implementing the strategy, successor candidates, management talent programs and training for top management, etc.

To further contribute to enhancing the Group’s corporate value, the Committee will continue to align compensation with further non-financial indicators as well as indicators that reflect corporate value. It will also deepen its discussions on the skill sets, diversity of the Board of Directors and personnel composition with a view to the future of the Group.

Initiatives and review in the fiscal year ended March 2025

As part of matters related to director nomination, we considered the skill sets of director candidates, including executive officers, succession plans, and the composition of the Board of Directors. And, as part of matters related to director compensation, we considered the base amount of fixed compensation by position and

the addition of employee awareness survey criteria as a new KPI for performance evaluation, and submitted our recommendations to the Board of Directors. After deliberations based on shareholder and investor opinions, the Board of Directors decided to add employee awareness survey criteria to the performance evaluation KPIs.

Nomination and Remuneration Advisory Committee

The Company has voluntarily established the “Nomination and Remuneration Advisory Committee” as an advisory body to the Board of Directors. The composition, roles and responsibilities of the Committee are as follows.

Roles and responsibilities

1 The following matters relating to director nomination	1 Basic policy for director nomination (including selection criteria, independence criteria, and the equivalence of the skills matrix) 2 Proposal for the appointment and reappointment of directors 3 Proposals for the appointment and reappointment of executive officers and representative directors of major Group business companies 4 Succession plans for directors
2 The following matters relating to director compensation	1 Basic policy on director compensation (approach, structure, level, performance-linked indicators, delegation of compensation decisions, compensation decision process, etc.) 2 Remuneration system for directors (specific calculation methods, results of performance evaluation, etc.) 3 Remuneration system for executive officers (specific calculation methods, results of performance evaluation, etc.)
3 Other matters deemed necessary by the Board of Directors or the Nomination and Remuneration Advisory Committee in relation to the preceding items	

Overview of the Nomination and Remuneration Advisory Committee

Item	Overview	
Number of meetings	7 (from April 2024 to March 2025)	
Major topics	Matters related to director nomination ● Skill set ● Director candidates, executive officers, and Group business company representative directors ● Succession plan ● Shareholders expectations to the committee	Matters related to director compensation ● Performance evaluation KPI ● Shareholders expectations to the committee

Challenges and responses in the fiscal year ending March 2026

The Committee recognizes the need to further strengthen the skill sets of directors in relation to director nomination, and will be taking action such as conducting director training. We will also continue to discuss on the ideal composition and structure of the Board of Directors, and consider reflecting on them in our succession plan and related initiatives. In terms of director compensation, we have recognized that there is room to integrate more non-financial KPIs into the evaluation framework. Accordingly we will further examine this issue in the future.

Discussion on our succession plan

We recognize that the succession plan is essential for the continued growth of our Group, and the committee conducts regular monitoring to ensure the transparency and appropriateness of its content. The candidate selection process is operated based on the management personnel development program. Through top management training, candidates increase their understanding of our vision and direction, while enhancing their ability to communicate effectively both internally and externally. This prepares them to lead the Group as officers, determining short-, medium-, and long-term initiatives, and making business and investment decisions.

Director compensation

Matters regarding the policy on determining individual director remuneration

We have established the “Nomination and Remuneration Advisory Committee” as a voluntary advisory body to the Board of Directors for matters director regarding nominations and remuneration. The remuneration of individual directors are discussed and resolved by the Board of Directors based on the deliberations and reports of the Nomination and Remuneration Advisory Committee.

The proposed remuneration of directors for the current fiscal year will be drafted in accordance with the executive remuneration framework previously approved by the General Meeting of Shareholders. The executive remuneration proposals take into account our remuneration structure (fixed remuneration, performance remuneration, and stock remuneration) as well as their position and performance. The proposed

compensation plan is submitted to the Nomination and Remuneration Advisory Committee for consultation and deliberation, and the Board of Directors will respect the results of the Nomination and Remuneration Advisory Committee to the maximum extent possible.

To foster motivation and encourage employees to contribute to enhancing the corporate value of the Group, we have set a target level that will enable us to secure and retain the talent essential for our growth. In addition, our remuneration system is designed with consideration for factors such as improving consolidated performance, strengthening the Group’s competitiveness, enhancing governance effectiveness, and building beneficial relationships with various stakeholders.

Fixed compensation	Performance-linked compensation	
Basic remuneration 55.9%	Performance remuneration 28.5%	Stock remuneration 15.6%

Matters regarding resolutions at the General Meeting of Shareholders on director and corporate auditor remuneration
Within ¥1 billion per year (including an outside director remuneration limit of ¥100 million, with no limit for performance remuneration)

Category		Overview	Eligible officers	
Fixed remuneration	Basic remuneration		Directors* (excluding outside directors)	Outside directors and corporate auditors
		- Fixed remuneration based on position - Monthly pay *Remuneration levels are determined based on market standards (remuneration in the same industry and at retailers of similar sizes)	8	10
Performance-linked	Performance remuneration	- Set based on the recorded results in accordance with the level of achievement of consolidated net sales and consolidated operating profit performance targets - Monthly pay, which is calculated during a certain period every year and divided into 12 equal parts	8	—
	Stock remuneration	- Set based on the recorded results in accordance with the level of achievement of consolidated net sales and consolidated operating profit performance targets - Paid during a certain period every year by using restricted stock (RS)	8	—

*Number of officers as of July 1, 2025

Basic remuneration (fixed)

The basic remuneration for inside directors is a fixed amount determined by their position (Chairman of the Board, President, Vice President, Senior Management Director, Management Director, and Director) based on the maximum employee salary, public standards, and the Company’s ability to pay. The basic remuneration for outside directors is a fixed amount based on market standards of remuneration paid by listed companies.

Performance-linked remuneration (short-term incentive)

We regard the growth of our group as the power of our employees and aim for a compensation system that shares the rewards of the growth. In terms of performance remuneration and stock remuneration, we consider our overall growth potential and profitability by using the consolidated-net sales and consolidated-operating-profit-performance achievement rates and ROE as performance indicators. The compensation of internal directors is

directly linked to the group’s performance through a performance coefficient (0% to 200%) that fluctuates based on the degree to which these metrics are achieved. During fiscal year ended March 31, 2025, we achieved consolidated net sales of 1,061.6 billion yen (a year-on-year increase of 3.8%) and consolidated operating profit of 82.0 billion yen (a year-on-year increase of 8.4%), thereby attaining a considerable increase in revenue and profit. Furthermore, believing that employee engagement is key to our Group’s sustainable growth, we have added the employee awareness survey score as a new evaluation metric for performance-based compensation and stock-based compensation to further advance our human capital management. The survey conducted in May 2025 showed a result of 3.55 points (a 1.0% increase from the previous period), and this result has been reflected in the compensation for internal directors since July 2025. Our company promotes the growth of the entire

group by linking the compensation of internal directors to employee growth. We sincerely listen to each employee’s voice and work together to build a prosperous future.

Stock remuneration (medium- to long-term incentives) reflecting shareholder value

We have introduced a restricted stock remuneration plan to incentivize directors to achieve the sustained improvement of business performance and to promote further sharing of created value with the shareholders. In this plan, the maximum number of shares to be granted is 90,000 per year and annual monetary remuneration is limited to a maximum of 360 million yen. We grant monetary remuneration claims to eligible directors as compensation for the allocation of restricted stock. These directors then contribute the full amount of the monetary claims as assets in kind, in exchange for the issuance or disposal of common shares of the company.

Matters regarding resolutions at the General Meeting of Shareholders on director and corporate auditor remuneration, etc.

Category	General Meeting of Shareholder resolution date		Resolution overview	Number of officers*
Directors	June 21, 2024 (17th Annual General Meeting of Shareholders)	Stock remuneration	- Within ¥360 million per year - Within 90,000 shares per year	8 (excluding outside directors)
	June 20, 2025 (18th Annual General Meeting of Shareholders)	Basic remuneration Performance remuneration	Within ¥1 billion per year (including an outside director remuneration limit of ¥100 million, with no limit for performance remuneration)	14 (including 6 outside directors)
Corporate auditors	June 27, 2008 (1st Annual General Meeting of Shareholders)	Basic remuneration	Within 48 million per year	4 (including 3 outside auditors)

*Number of officers as of the effective date of the Annual General Meeting of Shareholders

Total amount of director and corporate auditor remuneration (for the period from April 2024 to March 2025)

Officer category	Total amount of compensation, etc.	Total amount of remuneration by remuneration type			Number of eligible officers
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (including outside directors)	¥700 million (39)	¥429 million (39)	¥193 million (—)	¥77 million (—)	14 (6)
Auditors (including outside auditors)	26 (19)	26 (19)	—	—	4 (3)
Total	726 (59)	455 (59)	193 (—)	77 (—)	18 (9)

(Notes)1.The above director payment amounts do not include the employee salaries of director-employees.

2.As of the end of the most recent term, there were 14 directors (including 6 outside directors) and 4 auditors (including 3 outside auditors).

3.Performance-linked remuneration includes the payment of both performance remuneration and stock remuneration, and it is calculated by using a performance coefficient that fluctuates according to the level of performance target achievement. We use consolidated net sales (year on year) and consolidated operating profit (year on year), ROE (year-on-year), and employee awareness survey scores (year-on-year) as indicators, with performance factors that vary according to the degree of achievement against those performance targets. Note that these performance indicators were selected to consider the Group’s overall growth potential and profitability.

Sustainability Committee

We have established a Sustainability Committee with the objective of promoting sustainable management in order to enhance corporate value through the resolution of critical issues. The committee is chaired by the President and Representative Director and composed of full-time Directors, Auditors, all the department managers, and other members nominated by the chair.

Sustainable management promotion cycle

Decision-making and supervision	● The Board of Directors identifies material issues, and the Sustainability Committee sets KPIs linked to the material issues. ● The Board of Directors receives reports and proposals from the Sustainability Committee and oversees the progress of sustainability initiatives and KPIs.
Execution	● Each department implements initiatives to achieve KPIs
Management and reporting	● The Sustainability Committee reviews and monitors the progress of KPIs and reassesses the material issues and KPIs.



Activities in the fiscal year ended March 2025		
Item	Overview	
Committee member	Chairman	● President and Representative Director
	Committee member	● Full-time Directors, full-time Auditors, all department managers, and other persons nominated by the chairman
Role	Committee	● Reassessing material issues ● Setting, monitoring and reassessing KGIs and KPIs linked to material issues ● Reporting and providing advice to the Board of Directors (Four times per year)
	Responsible department	● Execution of business to achieve KGIs and KPIs ● Proposal of KGIs and KPIs linked to material issues
Number of meetings	4 (April 2024 to March 2025)	

Major agenda for the fiscal year ended March 2025		
Item	Overview	
Major topics	Materiality	● Reassessing and review materiality
	KGI / KPI	● Action plans for achieving KPIs and progress reports ● Review of KGIs and KPIs including those related to responses to climate change ● Discussion of the relation between non-financial KGIs, KPIs and financial indicators
	Integrated Reports	● Discussion of the policy for preparation of Integrated Report 2024 and the plan for Integrated Report 2025

Major progress in the fiscal year ended March 2025

Based on the results and challenges of the conventional KPI management, we reviewed our KPIs by analyzing their relevance to the new material issues, climate change initiatives, and correlation between non-financial and financial KPIs in order to increase the chance of achieving our management targets for the fiscal year ending March 31, 2031.

Initiatives for the fiscal year ending March 2026

To achieve the goals of the new medium-term management plan and create corporate value, we will continue to implement strategic KPI management led by the Sustainability Committee and create a virtuous cycle to solve material issues , which are medium- to long-term challenges, thereby enhancing the sustainability of society and our Group.

Risk management

As we handle pharmaceuticals in our business activities, we recognize the importance of complying with laws and regulations and ensuring higher ethical standards. Therefore, we believe it is important to strengthen our risk management system and fulfill our social responsibility. In order to properly manage all management risks, we have established the Compliance and Risk Committee to oversee compliance and risk management for the entire Group, and have organized a department in charge of risk management. The activities of the Committee, the status of whistle-blowing, and the responses to major risks are regularly reported to the Board of Directors following each Committee meetings.

Major business risks and mitigation policy			
Risks related to the business environment	Major risks	Description and expected impact	Major countermeasures
	Intensifying competition	Competition with retailers, including drug stores, supermarkets and discount stores, and e-commerce companies may intensify.	We will implement sales promotions, expand the range of products and services we provide, including PB products, develop diverse store formats, and enhance digital marketing efforts.
	Inbound demand	Inbound tourism demand may decline due to fewer foreign visitors coming to Japan resulting from travel restrictions caused by political and economic situations, natural disasters, and infectious diseases.	We will monitor trends and develop plans to maximally capture the demand when it recovers. We will promote sales to Japanese customers and develop products for them ahead of the recovery of the demand.
	Regulations concerning approvals and licenses, etc.	To enhance the understanding of compliance, we offer compliance training related to appropriate drug sales to address increased costs caused by revisions to regulations related to our business, including the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, unexpected penalties, or litigation.	We also offer pharmaceutical compliance training for employees and legal compliance training to pharmacists and registered pharmaceutical sales clerks. We will address the findings of pharmaceutical audits and consistently and promptly improve.
	Securing and developing human resources	As our business grows, we will be hiring, training, and developing our workforce. However, we may face challenges in acquiring the necessary human resources due to talent outflows to competitors. We are also worried about rising recruitment expenses and personnel expenses as we work to retain skilled personnel.	We will consistently offer training programs to help employees obtain qualifications for the management of registered pharmaceutical sales clerks and provide online training tailored to specific qualifications and positions. To reduce turnover, we will inform employees of the helpline and consultation counter and hold annual career consultations.
Risks related to business operations	Pharmacy business environment	Pricing of prescription pharmaceuticals (drug prices) and dispensing fees are determined by laws and regulations. Revisions to drug price standards and dispensing fees may impact business plans and results.	We will be responsive to diverse medical needs and revisions to medical service fees in our pharmacy business. We will develop "health support pharmacies" and "community collaboration pharmacies" to assist in enhancing the health of local residents.
	Major risks	Description and expected impact	Major countermeasures
	Pharmaceutical sales	If lawsuits are filed against dispensing pharmacies or stores with dispensing pharmacies due to medication malfunctions or dispensing errors, we will suffer financial losses and lose the trust of society.	We will establish a comprehensive management system, including a pharmacy audit system at our pharmacies and stores with dispensing pharmacies. When selling prescription and non-prescription drugs, we will appropriately gather and disclose information.
	Product safety	Consumers' product safety-related demands are increasing. Any product safety problems will undermine society's trust in us.	To increase the trust that customers and patients have in us, we will continuously improve our quality management and product management systems.
	Information leaks, system failures, etc.	Unauthorized access from external sources or attacks using computer viruses may result in the leak of personal or confidential information. Information system failures may halt crucial store operations and services.	We will improve our internal management system and thoroughly control personal information. To prevent successful targeted email attacks, we will regularly conduct training and communicate the results of efforts to the entire Company to increase employee awareness.We will consider enhancing our BCP measures related to system integration.
Risks related to business operations	Fluctuations in the value of owned assets	We may need to recognize impairment losses in relation to various tangible and intangible assets, such as business assets (primarily at stores), and goodwill related to acquisitions due to changes in the profitability of stores and the business environment.	We will determine asset value accurately based on surveys by external experts and create plans for securing medium- to long-term profitability.
	Natural disasters, serious infections, and climate change, etc.	Natural disasters, such as large earthquakes and typhoons, as well as extreme weather and unexpected accidents may lead to a decrease in the number of customers and result in reduced sales. They may also physically damage stores.	We prioritize addressing climate change as the most material issue of our sustainability management practices. We acknowledge that the risks and opportunities linked to climate change will greatly influence our business strategies. We collectively manage climate change risks and other environmental risks as environmental issues in our company-wide management of risk.

Compliance Risk Committee

We have established a permanent Compliance Risk Committee in order to fulfill our social responsibilities by promoting compliance, a high level of ethics, and risk management across the Group's corporate activities.

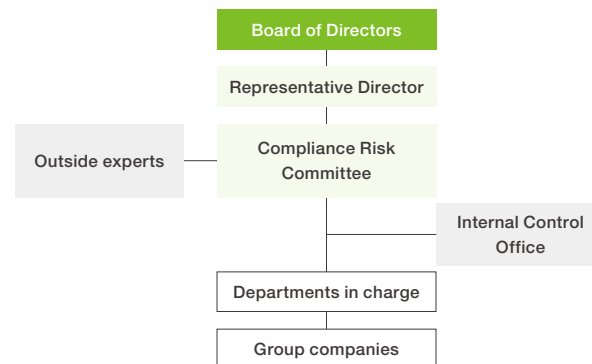
Risk management promotion cycle

Decision-making and supervision	● The Board of Directors deliberates risk management and makes decisions regarding risk management. ● The Board of Directors receives reports and recommendations from the Compliance Risk Committee and oversees the status of risk management.
Execution	● The Internal Control Office identifies and assesses risks inherent in each department and operating company. Important Group risks are identified and reported to the Compliance Risk Committee. ● Departments responsible for risks develop and implement risk management implementation plans.
Management and reporting	● The Internal Control Office audits risk mitigation initiatives and reports the results of these audits to the Compliance Risk Committee. ● The Compliance Risk Committee reviews, monitors, and re-evaluates risk measures.



Risk management system

The Internal Control Office conducts risk identification and identifies significant risks based on their impact and likelihood of occurrence. Departments and group companies associated with these identified significant risks implement mitigation initiatives, with the Compliance Risk Committee monitoring progress. Furthermore, to enhance the objectivity, transparency, and expertise of this framework and strengthen management, external experts have been appointed as members of this committee.



Activities in the fiscal year ended March 2025

Item	Overview	
Committee members	Chairman	● President and Representative Director
	Committee members	● 16 members
Role	Committee	● Deliberating compliance and risk management issues, making decisions regarding them, and reporting on these matters to the Board of Directors
	Responsible department	● Internal Control Office
Number of meetings	4 (April 2024 to March 2025)	

Major agenda for the fiscal year ended March 2025

Item	Overview	
Major topics	Important Group risks	● Review of the progress of risk mitigation measures for the fiscal year ended March 2025 ● Assessment of Group risks in the fiscal year ending March 2026 and discussion on important risks
	Whistleblowing system	● Review of the operation of the Internal Reporting Office in the fiscal year ended March 2025 and discussion on reported cases
	Dispensing errors	● Review of dispensing error incidents in FY2024 and discussion of preventative measures
	Other accidents and incidents	● Report on the status of compliance accidents and incidents in the fiscal year ended March 2025 and discussion on preventative measures

Major progress in the fiscal year ended March 2025

In the fiscal year ended March 2025, we identified risks to be addressed by each business subsidiary and department, and formulated a response plan accordingly. For each of the risk on measures, we monitored the status of actions taken during this fiscal year and evaluated their effectiveness.

Initiatives for the fiscal year ending March 2026

Based on risk assessment scoring and the implementation status of risk mitigation measures in the fiscal year ended March 2025, we identified “securing qualified pharmacists and other personnel” and “talent acquisition and development” as key risks for the fiscal year ending March 2026. We will continue to monitor the progress of risk mitigation measures and work toward reducing these risks.

Initiatives to strengthen information security / personal information protection / AI risk countermeasures

In accordance with the Group Code of Conduct and Information Security Policy, we are strengthening measures against external attacks and internal fraud to enhance the information security of the entire Group. To raise employee awareness of information security, we conduct information management training through e-learning (participation rate

in the fiscal year ended March 2025: 90.2%) and simulated phishing e-mail training. We will continue to promote greater awareness among employees and strengthen measures against cyber-attacks. The status of these security risks initiatives is reported to the Compliance Risk Committee and subsequently to the Board of Directors through the committee.



Personal data protection and customer data management

We recognize the importance of protecting personal information handled in our business operations and is committed to strict compliance with relevant laws and regulations. We implement safety control measures across four aspects—organization, people, physical elements, and technology—and prevent unauthorized access, loss, destruction, falsification, and leakage of personal information entrusted to us by our customers. In managing customer data, we take optimal security measures tailored to the characteristics of each type of data, and employ a decentralized management approach based on security level (sensitive information, personal information, etc.) and application (sales promotion, provision of services, etc.). This approach helps limit the scope of impact and minimizes associated risk in the event of a data breach.



System security enhancement

We have identified “information leaks, system failures, etc.” as one of the risks related to business operations, and the Compliance Risk Committee and the departments in charge monitor the status of risk response. In response to increasingly sophisticated cyber-attacks in recent years, we are strengthening security measures and raising employee awareness through trainings. Specifically, we conduct simulated drills that assume the risk of computer virus infection from external attacks. The percentage of employees who were pseudo-infected during training in the fiscal year ended March 2025 was 3.2%, a 7.7-point improvement from 10.9% in the fiscal year ended March 2024. We are providing internal guidance on issues identified during these drills and will continue to work to further raise employee awareness against cyber-attacks.



Dealing with AI risks

Our group recognizes the risks associated with the use of generative AI as: ① the leakage of important internal information, ② the acquisition of inaccurate information, and ③ the risk of copyright infringement. We have established our generative AI usage guidelines as the countermeasures, clarified the specific rules for the generative AI systems we permit and their usage, and thoroughly communicated to our employees.

Human rights initiatives to establish “respect for humanity in workplace” as our management assumption

As stated in our management assumption of “respect for humanity in workplace,” we recognizes respect for human rights as an important management theme. As one of its efforts, the Company formulated a “Basic Policy Against Customer Harassment” in September 2024 to promote a safe and comfortable working environment where the human rights of each and every employee—our important stakeholders—are respected. To mitigate human rights risks, we will continue to ensure that all employees are well-informed our human rights policy and code of conduct, and promote countermeasures at the company level by implementing a customer harassment response manual, providing ongoing training, and setting up consultation desks. In addition, we will work with our business partners to promote efforts to reduce human rights risks in the supply chain.

Key initiatives related to major human rights risks

Initiatives	Details
① Respect for human rights in cooperation with business partners	We have established a joint hotline where employees of our business partners can directly report concerns of human rights violations (harassment, non-payment of wages, etc.).
② Establish a work environment that takes human rights into consideration	We have established a clear policy that defines harassment and discrimination, outlines prohibitions, and specifies disciplinary actions for violations. We also conduct “harassment prevention training” for Group employees to ensure that labor compliance is widely disseminated.
③ Establishment and operation of a whistleblowing system	We have established a whistleblowing system that is available not only to current employees, but also to former employees within one year of leaving the company as well as family members living with them, and we ensure that all employees are informed of the relevant contact information. This contact point covers complaints in the workplace, harassment, and problems at work or at home, in addition to acts of injustice and violations of laws and regulations.

CSR audits of PB product development and manufacturing business partners

In the fiscal year ended 2025, we conducted CSR audits of subcontractors involved in PB product development and manufacturing. For the audit, we asked approximately 70% of our domestic and overseas business partners to respond to a questionnaire, and the response rate was 100%. Through the questionnaire, we assessed the status of each company’s efforts in areas such as “laws and regulations,” “working conditions,” “wages,” “harassment and discrimination,” “health and safety,” and “environment.” As a result, we confirmed that all responding companies comply with the Labor Standards Act and other laws and regulations, provide employee education on the prohibition of harassment and discrimination, and have a whistleblowing system. On-site audits were also conducted to verify in detail how the working environment and employee relations were being handled in accordance with our stricter standards. While no cases found to posed a direct risk, we requested improvements in items that could pose a risk in the future, and encouraged continuous improvement. We will continue to strengthen cooperation with business partners of PB products and promote CSR initiatives in our supply chain.

Survey questions	Details
Laws and regulations	● Does the supplier comply with the Labor Standards Act, Industrial Safety and Health Act, environmental laws, and local ordinances? ● Does the supplier keep track of legal revisions and new laws? ● Does the supplier provide education and training to prevent compliance violations?
working conditions	● Does the supplier create employment regulations and report to the Labor Standards Inspection Office? ● Does the supplier provide occupational safety training to employees? ● Does the supplier manage operations based on the Labor Standards Act and Part-Time Employment Act? ● Does the supplier understand and comply with the prohibition of forced labor?
Wages	● Does the supplier pay salaries on a specified date and provide pay slips? ● Does the supplier pay at least local minimum wages? ● Does the supplier correctly provide paid leave to the right people and manage this?
Harassment and discrimination	● Has the supplier established a system of fines related to in-house rule violations and mistakes? ● Has the supplier set up mechanisms and educational systems to prevent harassment and discrimination—thereby ensuring that human rights are respected—and does the supplier make all employees aware of this? ● Does the supplier have a whistleblowing system as well as a help desk that accepts complaints, and are the employees aware of this?
Health and safety	● Does the supplier provide and keep a record of health and safety education upon employment, when the work changes, etc.? ● Does the supplier have fire protection equipment, create a self-protection fire brigade organization chart and evacuation routes, and communicate them to employees? Does the supplier conduct regular maintenance? ● Does the supplier suitably keep track of work that requires certification?

Stakeholder engagement

Main initiatives and results of the fiscal year ended March 2025

Key stakeholders	Means	Details of initiatives	Main results
Customers/ patients	Stores, pharmacies, online store, Customer support center	In addition to the home delivery service “MatsukiyoCocokara Q” and the digital beauty service “MatsukiyoCocokara B,” the company has added two new apps “MatsukiyoCocokara Me,” an app that digitizes pharmacy services, and “MatsukiyoCocokara Up,” which suggests supplements that are tailored to each customer. With the introduction of these four apps, we are improving the convenience of our products and services and provide high-quality service in our stores. And for children, our future customers, we continue to provide work experience at Shinagawa Student City and support “Sorapuchi Kids Camp,” a facility for children with incurable diseases.	The number of MatsukiyoCocokara members increased to 26.59 million (increased by 3.17 million people from the previous term) 1,056 hours of activity time spent for future customers
Employees	Employee awareness survey, labor-management collaboration communication meetings Internal whistleblowing system, such as a risk hotline	The Group promotes the development of a workplace environment in which employees can work vibrantly and be themselves. We conduct an annual employee awareness survey to identify issues and make improvements. Furthermore, through regular dialogue with the labor union, we are working to foster an open workplace culture and improving our personnel system so that each employee can work with enthusiasm. In addition, we have established a new consultation desk specializing in health, strengthening the system so that employees can easily seek advice regarding their own health.	Employee awareness survey up 0.1 points Approx. 850 participants in labor-management collaboration communication meetings
Business partners	Briefing session for business partners Conducting CSR audits	In November 2024, we invited approximately 600 business partners to a strategy presentation. In addition to the Group’s management strategy, Senior Managing Director Matsumoto explained the Group’s marketing strategy using digital technology and PB product development based on data analysis as examples of value creation through the evolution of digital services. In addition, we conducted CSR audits of our domestic and overseas business partners involved in the development and manufacture of PB products in the fiscal year ended March 2025.	Percentage of companies conducting CSR audits: 69.7% (up 9.7% from previous term)
Shareholders and investors	General Meeting of Shareholders, financial results briefings, Top Management Meeting, IR/SR Meeting	We strive to enhance corporate value through active dialogue with shareholders and investors. We hold financial results briefings twice a year, top management meetings four times a year, and General Meeting of Shareholders once a year. In addition, we held IR meetings with 357 companies and SR meetings with 14 companies. The issues raised in these dialogues are discussed by the Sustainability Committee and reported to the Board of Directors, leading to enhanced disclosure of financial capital strategies and strengthening of efforts to address climate change and other issues.	IR/SR dialogue Total of 371 companies

Promoting new well-being through industry-academia collaboration

Our group promotes health management based on the belief that our employees should be healthy in order to serve our customers’ needs of health and beauty and support their health improvement. In November 2024, we entered into a comprehensive partnership agreement with Josai International University, which plans to establish a “Health Sciences Department” where students can comprehensively study nursing, physical therapy, and welfare. In the fields of health, medical care, and welfare, we aim to achieve well-being not only through disease management but also enabling people of all ages to live vibrant and healthy lives. By integrating the knowledge, technology, and expertise that both parties have built up over the years with their stores, personnel, and resources, we have begun initiatives aimed at achieving new well-being. Since the signing of the agreement, we have been advancing initiatives such as implementing education from a physical therapy perspective in training programs for certified health educators and conducting health consultation sessions led by physical therapists.



CONTENTS

Data and corporate profile

Dialogue with shareholders and investors

We recognize that dialogue with our shareholders and investors is an important initiative, and through ongoing dialogue, we aim to achieve sustainable growth and enhance our corporate value over the medium- to long-term. Opinions obtained through dialogue, expectations and issues regarding our company are organized and visualized, discussed by the Sustainability Committee, and reported to the Board of Directors on a regular basis. In addition, the Board of Directors deliberates on important matters that will lead to value enhancement, and further enhances information

disclosure and implements new initiatives. We establish a mechanism to make improvements based on the content of the dialogue, and by repeating this cycle, we strive to sustainably enhance corporate value.

Dialogue results

In order to strengthen dialogue with shareholders and investors, we have established the IR and SR departments as dedicated divisions, and have built a cross- departmental internal system in which all relevant divisions collaborate with each other.

Opportunity	Frequency/number of companies	Formats/details	Major dialogue holders
Annual General Meeting of Shareholders	Once a year	The meeting is held to report important matters concerning company to the shareholders for their resolution.	President and representative Director
Financial results briefings	2 times a year	Held for analysts and institutional investors each quarter.	President and representative Director /Vice President and Representative Director /Senior Managing Director and Representative Director / Managing Director and Head of Group Management/ Managing Director and Head of Group Management Planning
Top management meetings	4 times a year	A group meeting is held with the participation of the President and Representative Director.	Same as above
IR Meetings	357 companies (fiscal year ended March 31, 2025)	One-on-one meetings are held for institutional investors, focusing on the themes of profitability and growth potential.	Group Management Planning and Corporate Communications Office
SR Meetings	14 companies (fiscal year ended March 31, 2025)	The program is conducted regularly as part of SR activities.	Managing Director and Head of Group Management/ Managing Director and Head of Group Management Planning/ Executive Officers (in charge of management Planning, IR, Financial Strategy, HR Strategy, and General Affairs Planning (SR))

Major contents of dialogue and improvements through dialogue of the fiscal year ended March 2025

Major contents of dialogue (topics)		
Overall (corporate value improvement)	● Roadmap for sustainable growth ▶ Connection between management strategy, strategy, KPIs, etc. and corporate value ▶ Roadmap for achieving business goals	● Investment and utilization of intellectual property and intangible assets ▶ How to leverage our four core competencies to create corporate value
Improvement of profitability	● Improvement of capital efficiency ▶ Stating the target level and setting even higher goals	● Further value-creation story (earning power) ▶ Outlook for growth drivers such as federation initiatives, digital/DX, overseas strategies, and strengthened branding
Improvement of growth potential	● Human capital management ▶ Conducting employee awareness survey to identify issues → countermeasures ▶ Creating a mechanism to improve scores ▶ Detailed disclosure of scores	● Identification of human capital issues and ongoing measures
Capital cost reduction	● Environment ▶ Responses to Scope 3 ▶ Setting of reduction targets and measures to achieve them ▶ Supply chain initiatives ● Cost of capital ▶ Capital allocation ▶ Identification and clarification of the specific amount of cash allocation ▶ B/S streamlining efforts ▶ Explicit statement of the target for optimal capital structure ● Specific measures to lower the cost of capital ▶ Presentation of convincing capital-cost-reduction measures	● Corporate governance ▶ Board of Directors ▶ Consideration of monitoring type/management type, number of directors, ratio of outside directors, ratio of female directors, etc. ▶ Conducting dialogue between outside directors and investors ▶ Indication of the rationale for indicating possession of experience and knowledge on the skills matrix ▶ Nomination and compensation ▶ Nomination: Succession Planning, Executive Evaluation ▶ Compensation: Linking non-financial indicators to executive compensation, improving transparency ● Cyber-security measures ▶ Management system, supervision by Board of Directors ▶ AI risk identification

In the fiscal year ended March 2025, we categorized the aforementioned dialogue content into three broad categories: (1) Evaluation (Done), (2) Continued Expectations (In Progress), and (3) New Expectations (To Do), and after discussing these categories with the Sustainability Committee, we reported to the Board of Directors.

As an example of our response based on the dialogue, we reviewed and enhanced disclosure

regarding the disclosure of the new mid-term management plan and goals, as well as the disclosure of financial strategies, at the Board of Directors.

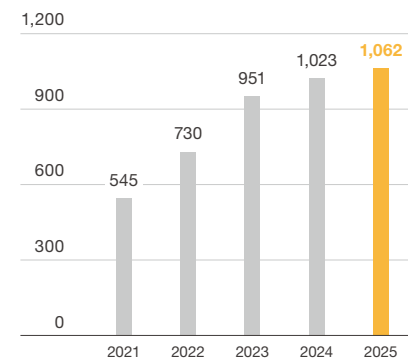
Regarding themes that remain long-term challenges, we will continue to discuss at the Sustainability Committee and Board of Directors for sustainable improvement of corporate value.

P91	Financial / Non-Financial Highlights
P93	Financial data / Non-financial data (past summary)
P95	Store openings by group
P96	Stock Information
P97	Corporate Information

Financial Highlights March fiscal year

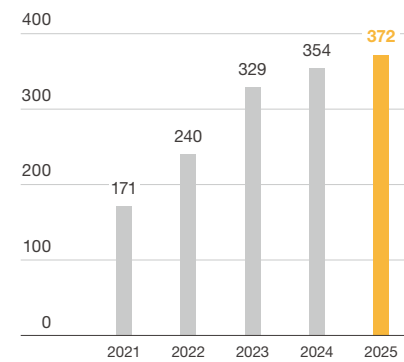
Net sales

(10 hundreds of millions of yen)



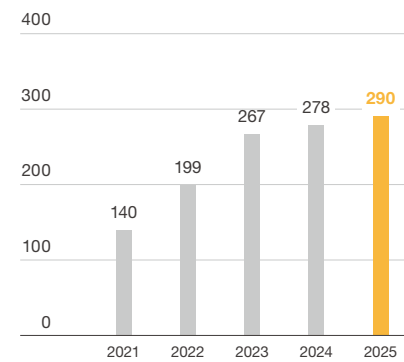
Gross profit

(10 hundreds of millions of yen)



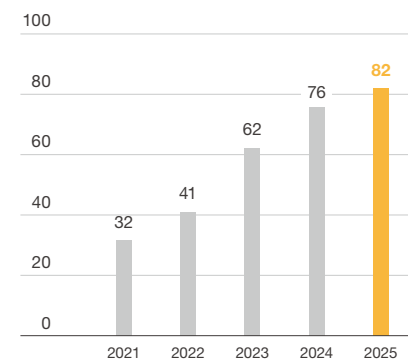
SG&A

(10 hundreds of millions of yen)



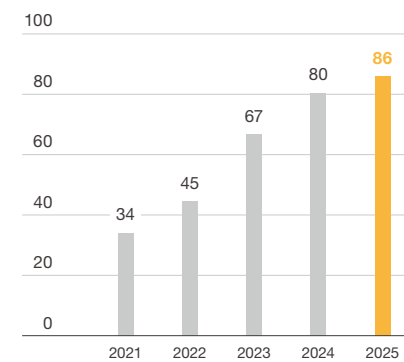
Operating profit

(10 hundreds of millions of yen)



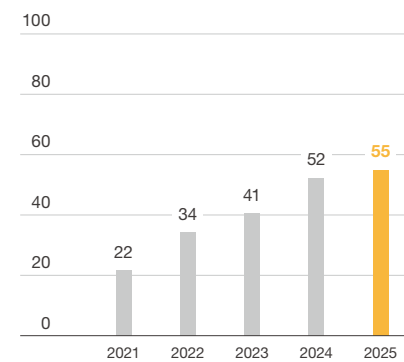
Ordinary profit

(10 hundreds of millions of yen)



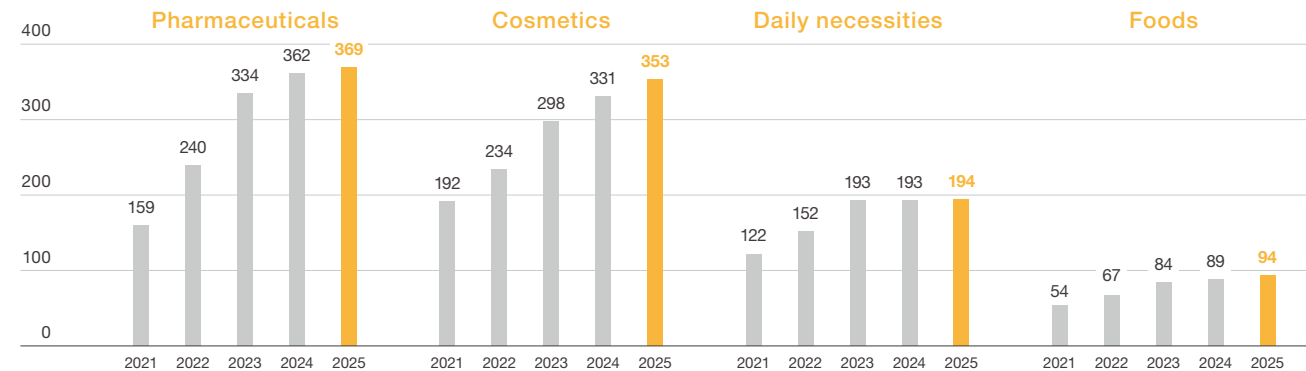
Net profit

(10 hundreds of millions of yen)



Net sales by products

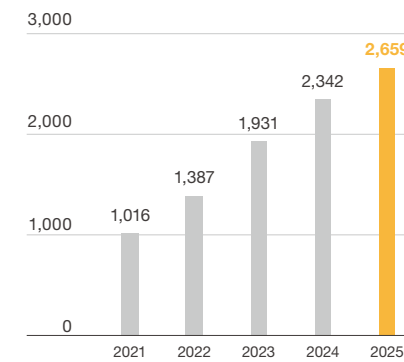
(10 hundreds of millions of yen)



Non-Financial Highlights March fiscal year

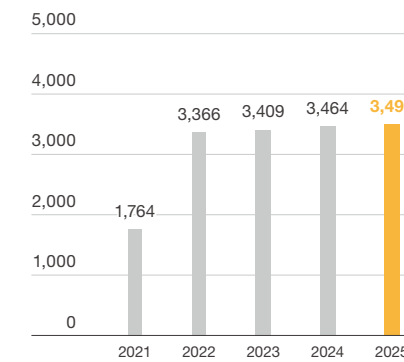
Number of Group members

(Ten thousand people)



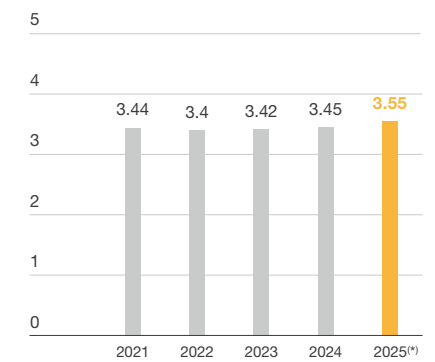
Number of Group stores

(Stores)



Employee awareness survey

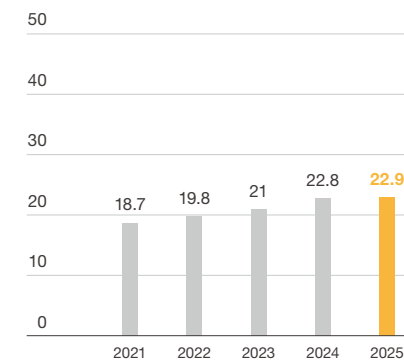
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*Results of the assessment conducted in May 2025

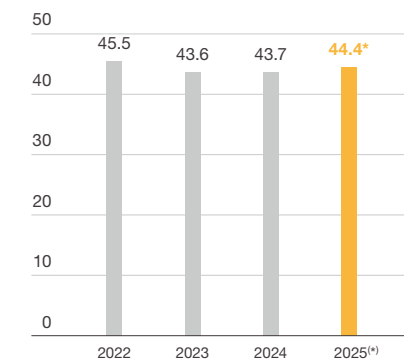
Ratio of female managers

(%)



MatsukiyoCocokara WAY evaluation

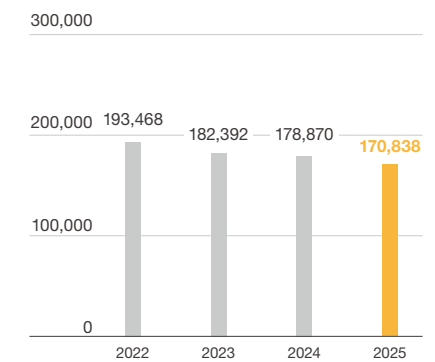
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*Results of the assessment conducted in April 2025

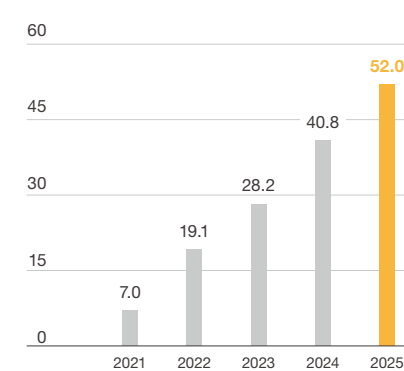
Scope1, 2 emissions

(t-CO₂)



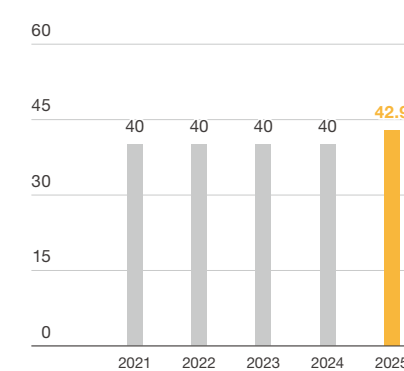
Environmentally friendly PB product ratio

(%)



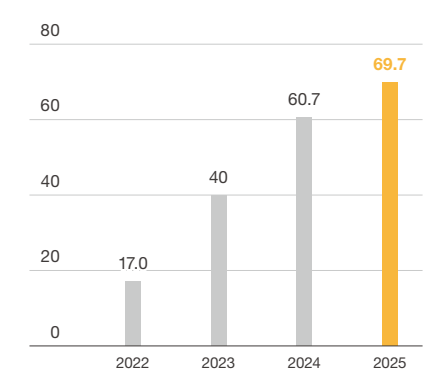
Ratio of Independent Outside Directors

(%)



CSR audits of private brand products

(%)



*The figures for the fiscal year ended March 31, 2021, and before are for the former Matsumotokiyo Holdings, Co., Ltd.

Financial data / Non-financial data(past summary)

Financial data

		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Business results (unit: millions of yen)	Net sales	485,512	536,052	535,133	558,879	575,991	590,593	544,737	729,969	951,247	1,022,531	1,061,626
	Cost of sales	345,346	380,380	376,848	389,673	396,509	401,154	373,496	489,990	621,927	668,433	689,390
	Selling, general, and administrative expenses	122,532	128,253	129,854	135,639	143,453	151,875	139,658	198,887	267,043	278,392	290,153
	Operating profit	17,633	27,418	28,431	33,565	36,028	37,563	31,582	41,091	62,276	75,705	82,082
	EBITDA	24,791	34,989	36,377	41,270	44,262	45,968	40,162	55,954	83,117	98,073	104,681
	Net profit for the year	11,619	17,853	20,119	22,755	25,035	26,176	21,602	34,377	40,545	52,347	54,675
Financial condition (end of each fiscal year) (unit: millions of yen)	Total assets	255,151	276,990	285,733	314,178	318,324	351,809	368,936	652,524	688,132	724,747	712,780
	Interest-bearing liabilities	4,448	4,257	4,262	4,587	5,794	24,180	23,701	22,921	21,414	20,664	2,206
	Equity	157,738	171,579	183,998	204,813	209,226	229,261	246,177	460,062	482,429	514,686	520,754
Cash flow (unit: millions of yen)	Cash flow from operating activities	9,010	31,075	23,722	27,938	21,897	24,764	25,875	39,812	64,061	63,506	81,472
	Cash flow from investing activities	-7,720	-4,330	-7,453	-7,741	-7,872	-48,840	-6,311	-15,485	-19,669	-22,760	-20,792
	Cash flow from financing activities	-8,422	-5,745	-9,824	-7,060	-22,290	9,089	-9,409	-20,337	-23,734	-18,273	-66,662
	Free cash flow	1,289	26,744	16,269	20,197	14,025	-24,075	19,563	24,326	44,392	40,746	60,679
	Cash and cash equivalents at end of year	11,032	32,032	38,477	51,613	43,349	28,363	38,517	74,519	95,224	117,720	111,750
Per share information (unit: yen)	Net profit for the year	215.6	332.9	378.2	215.0	239.4	255.0	210.5	281.4	96.0	125.3	133.9
	Net assets	2,941.0	3,199.1	3,477.7	1,935.4	2,038.8	2,233.5	2,398.1	3,255.2	1,153.6	1,233.8	1,290.4
	Annual dividend	60	85	95	80	65	70	70	70	85	-	44
Various indicators	Operating profit margin	3.6%	5.1%	5.3%	6.0%	6.3%	6.4%	5.8%	5.6%	6.5%	7.4%	7.7%
	ROE	7.6%	10.8%	11.3%	11.7%	12.1%	11.9%	9.1%	9.7%	8.6%	10.5%	10.6%
	Equity ratio	61.8%	61.9%	64.4%	65.0%	65.7%	65.2%	66.7%	70.5%	70.1%	71.0%	73.1%
	Dividend payout ratio	27.8%	25.5%	25.1%	37.2%	27.1%	27.4%	33.3%	24.9%	29.5%	29.3%	32.9%
	DOE	2.1%	2.8%	2.8%	3.0%	3.3%	3.3%	3.0%	2.5%	2.5%	3.1%	3.5%

Non-financial data

		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Number of stores (stores)		1,528	1,545	1,555	1,604	1,654	1,717	1,764	3,366	3,409	3,464	3,499
Number of overseas stores (stores)		—	—	10	21	35	40	48	43	55	66	79
Number of employees (people) *The number of temporary employees is adjusted based on their actual working hours compared with an eight-hour workday. The number is the average during the fiscal year.		14,666	14,583	14,216	14,097	14,559	14,666	14,666	27,896	28,464	28,638	27,575
Employee awareness survey (points)		—	—	—	—	—	—	3.44	3.4	3.42	3.45	3.55
Certified Health & Productivity Management Outstanding Organizations Recognition Program Acquisition of White 500 certification		—	—	—	—	—	Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category)	Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category)	Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category)	Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category)	Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category)	Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large enterprise category) Acquisition of White 500 certification
Ratio of female manager (%)		16.3	14.8	16.4	17.6	15.4	17.9	18.7	19.8	21	22.8	22.9
Independent outside director ratio (%)		38	38	38	30	33	33	40	40	40	40	42.9
MatsukiyoCocokara WAY evaluation (points)		—	—	—	—	—	—	—	45.5	43.6	43.7	44.4
Number of Group members (10,000 people)		—	72	136	210	326	495	1,016	1,387	1,931	2,342	2,659
Number of Matsukiyo LAB stores (stores)		—	1	4	10	20	22	26	29	32	32	33
Scope 1, 2 emissions (t-CO ₂)		—	—	—	—	—	—	—	193,468	182,392	178,870	170,838
Ratio of environmentally friendly PB products (%)		—	—	—	—	—	—	7.0	19.1	28.2	40.8	52.0
CSR audits of PB products (%)		—	—	—	—	—	—	—	17	40	60.7	69.7

Notes *The financial data for the fiscal year ended March 31, 2021, and before uses the indicators of the former Matsumotokiyo Holdings, Co., Ltd.

*The financial data for the fiscal year ended March 31, 2022, does not include the consolidated results for the first six months (April 1, 2021, to September 30, 2021) related to Cocokarafine Group Co., Ltd. (formerly cocokara fine Inc.).

*Starting in the fiscal year ended March 31, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, which is dated March 31, 2020) was applied, so the financial data for the fiscal year ended March 31, 2021, uses indicators, etc. that reflect the retrospective application of this accounting standard.

*Starting in the fiscal year ended March 31, 2023, the evaluation method for the Matsumotokiyo Group's business products was changed from a lower of cost or market method based on the retail method to a cost method based on the periodic average method (including the use of the book value write-down method based on profitability decreases for balance sheet prices). The financial data for the fiscal year ended March 31, 2022, uses indicators, etc. that reflect the retrospective application of the above accounting policy change.

*We conducted a stock split in the ratio of 3 shares for 1 ordinary share held, as of October 1, 2023. Based on the assumption that a stock split was implemented at the start date of the fiscal year ended March 31, 2023, we calculate the information per share, net profit for fiscal year and net assets.

*Regarding information per share and the annual dividend for fiscal years before the fiscal ended March 31, 2023, we record the actual dividend amount prior to the stock split as of October 1, 2023. For dividends in the fiscal year ended March 31, 2025, we do not indicate, as a simple aggregation based on implementation of stock split cannot be done. The annual dividend per share prior to the stock split for the fiscal year ended March 2025 is 132 yen.

Store openings by group

Total number of stores **3,578** stores (current as of March 31, 2025)



Matsumotokiyoshi Group

Total number of stores

2,017 stores

Matsumotokiyoshi (including FC stores and NET stores)	1,153 stores
PAPASU	155 stores
Matsumotokiyoshi East	182 stores
Matsumotokiyoshi Kyusyu	178 stores
Matsumotokiyoshi Kou-Shin-Etsu	183 stores
Matsumotokiyoshi Chu-Shikoku	87 stores

Overseas

Central & Matsumotokiyoshi	29 stores
Matsumotokiyoshi (Taiwan)	24 stores
MATSUMOTO KIYOSHI VIETNAM JOINT STOCK COMPANY	13 stores
MATSUMOTO KIYOSHI (HK)	12 stores
Guam	1 store

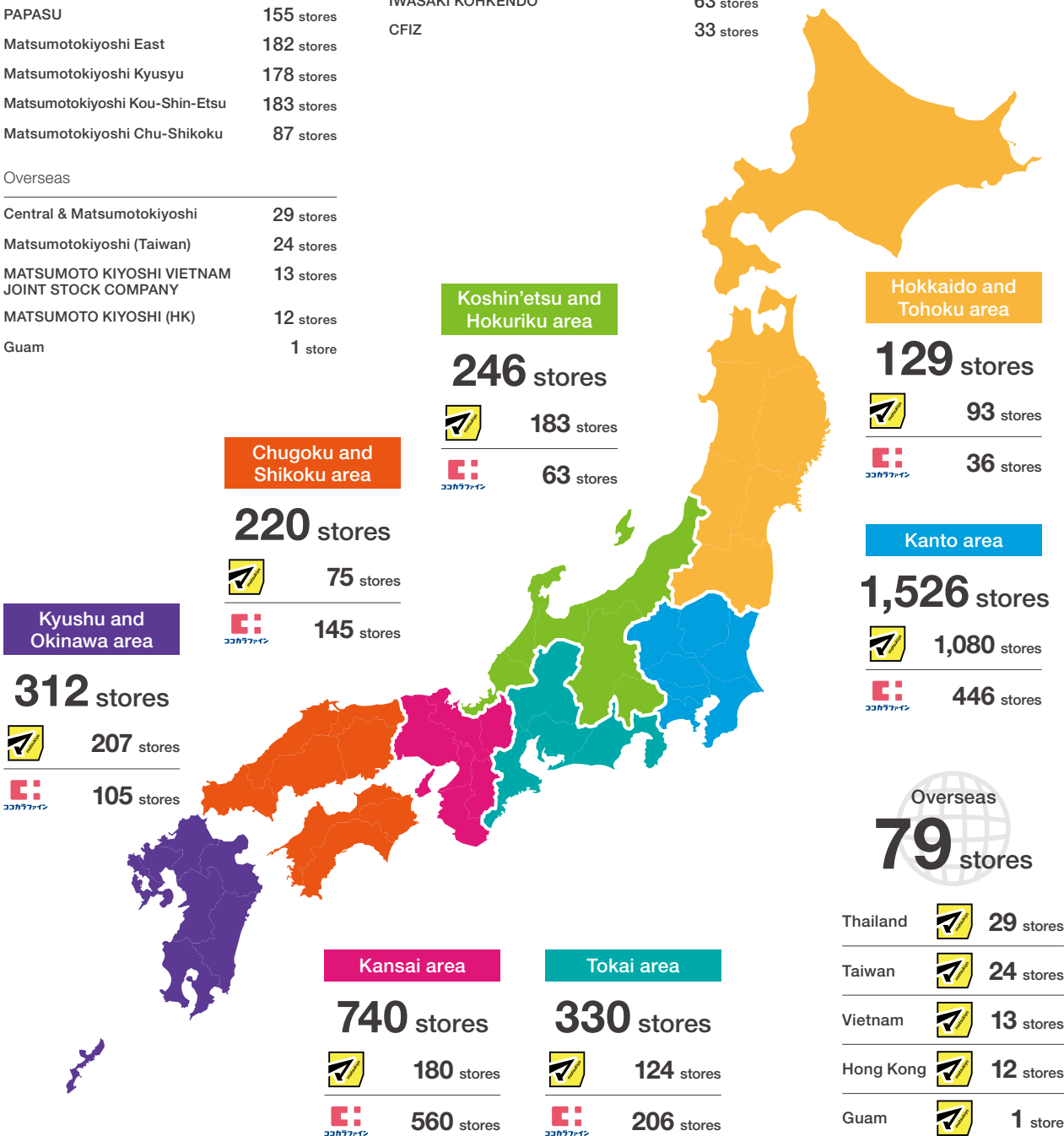


Cocokara fine Group

Total number of stores

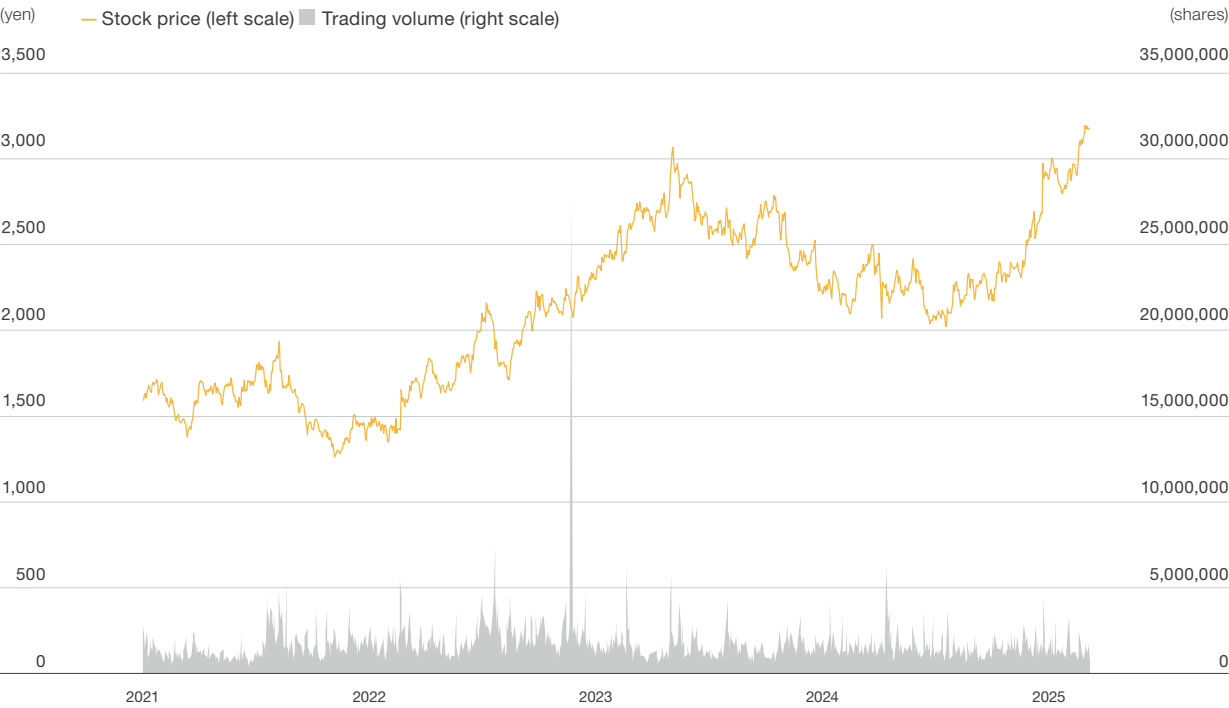
1,561 stores

Cocokara fine Healthcare	1,465 stores
IWASAKI KOHKENDO	63 stores
CFIZ	33 stores



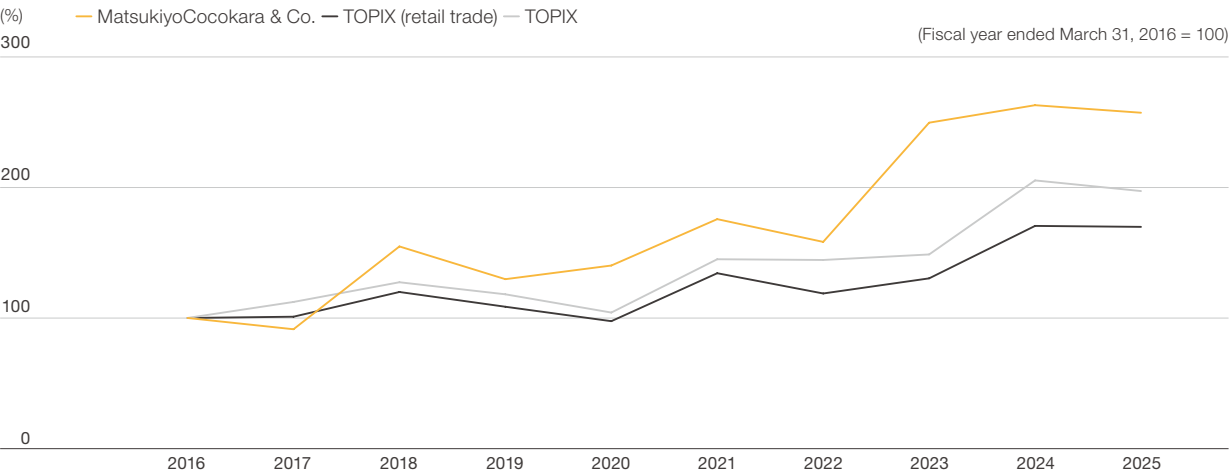
Stock Information

Stock price and trading volume



	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Stock price at end of period (yen)	1,643.33	1,445.00	2,336.66	2,439.50	2,340.50
High price	1,736.66	1,940.00	2,340.00	3,193.66	2,525.50
Low price	1,153.33	1,883.33	1,345.00	2,266.66	2,022.00

TSR (The end of each term)



Corporate Information

Corporate profile (current as of July 1, 2025)

Company name	MatsukiyoCocokara & Co.	Trade name change	October 1, 2021 Trade name changed from Matsumotokiyoshi Holdings Co., Ltd. due to the management merger with Cocokara fine Inc.
Address	7F, MK Ochanomizu Bldg., 1-8-2 Yushima, Bunkyo-ku, Tokyo, 113-0034 Japan	Main Business Activities	Group-wide strategy formulation, strategy implementation support and management and administration
Phone	+81-3-6845-0005 (general inquiries)	Capital	¥22.051 billion
Incorporated	October 1, 2007	Fiscal year-end	March 31

Basic stock information

Company name	MatsukiyoCocokara & Co.		Notification method	Electronic notification. However, if electronic notification is not possible for unavoidable reasons such as accidents, we will post information on the NIKKEI.
Listed stock exchange	Tokyo Stock Exchange Prime Market			
Securities code	3088		Shareholder registry administrator and special account management institution	Mitsubishi UFJ Trust and Banking Corporation 100-8212 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Number of shares per unit	100 shares			
Fiscal year	April 1 to March 31 of the next year		Contact information	Mitsubishi UFJ Trust and Banking Corporation: Securities Agency Department 1-1 Nikkocho, Fuchu, Tokyo Tel.: +81-120-232-711 Reception hours: 9:00–17:00 on weekdays, excluding Saturdays, Sundays, and holidays Mailing address 137-8081 Shin-Tokyo Post Office, Post Office Box No. 29 Mitsubishi UFJ Trust and Banking Corporation: Securities Agency Department https://www.tr.mufg.jp/daikou/
Annual General Meeting of Shareholders	June			
Record date	Annual General Meeting of Shareholders	March 31		
	Year-end dividend	March 31		
	Interim dividend	September 30		

Major shareholders (top 10) (as of March 31, 2025)

Shareholder name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	60,505	14.98
Custody Bank of Japan, Ltd.	20,837	5.16
The Chiba Bank, Ltd.	13,546	3.35
NankaiKoosan Co., Ltd.	12,861	3.18
Namio Matsumoto	8,871	2.20
Eisai Co., Ltd.	8,445	2.09
STATE STREET BANK AND TRUST COMPANY 505001	7,569	1.87
Kiyoo Matsumoto	7,440	1.84
Takashi Matsumoto	7,426	1.84
JP MORGAN CHASE BANK 385781	7,242	1.79

(Notes) 1. The shareholding ratio is calculated based on the number of shares (403,960,718) obtained by subtracting the number of treasury shares from the total number of issued shares, and is rounded to the nearest hundredth.
2. Number of shares held is rounded down to the nearest thousand.
3. The Company's shares held by the directors' compensation BIP trust account and the stock contribution ESOP trust account are not included in the above treasury stock.
4. Under the aggregate figure for The Master Trust Bank of Japan, Ltd., the following are included: trust account, retirement benefits trust account, Lion Corp. account, directors' compensation BIP trust account 75966 units, stock contribution ESOP trust account 75967 units, management trust account 79208 units. Details of shareholdings are as follows (unit: thousands of shares): trust account at 50,870.7; retirement benefits trust account, Lion Corp. account at 657.0; directors' compensation BIP trust account 75966 units at 85.2; stock contribution ESOP trust account 75967 units at 307.6; and management trust account 79208 units at 8,584.5.
5. Under the aggregate figure for Custody Bank of Japan, Ltd., the following are included: trust account, pension trust account, trust A account, pension special account, trust account 4, trust B account, Sumitomo Mitsui Trust and Banking retrust portion/ ZERIA Pharmaceutical Co., Ltd. retirement benefit trust account. Details of shareholdings are as follows (unit: thousands of shares): trust account at 17,506.8 pension trust account at 375.8; trust A account at 477.5; pension special account at 424.9; trust account 4 at 1,470.0; trust account B at 135.2; Sumitomo Mitsui Trust and Banking retrust portion/ ZERIA Pharmaceutical Co., Ltd. retirement benefit trust account at 447.0.

Evaluation from outside the Company (current as of July 1, 2025)



*1 The FTSE4Good Index Series, developed by global index and data provider FTSE Russell, is designed to measure the performance of companies with outstanding environmental, social and governance (ESG) practices. The FTSE4Good Index is used by a wide range of market participants in the development and evaluation of responsible investment funds and other products. FTSE Russell's ratings are based on performance in areas such as corporate governance, health and safety, FTSE Russell's evaluations are based on performance in areas such as corporate governance, health and safety, anti-corruption, and climate change. Companies included in the FTSE4Good Index Series meet various criteria related to environmental, social, and governance factors.
*2 The FTSE Blossom Japan Index, created by global index and data provider FTSE Russell, is designed as an industry-neutral benchmark that reflects the performance of companies in Japan with strong environmental, social and governance (ESG) practices. FTSE Russell's assessment is based on performance in areas such as corporate governance, health and safety, anti-corruption and climate change. Companies included in the FTSE Blossom Japan Index meet various criteria related to the environment, society and governance. Companies included in the FTSE Blossom Japan Index meet a variety of environmental, social and governance criteria.
*3 The FTSE Blossom Japan Sector Relative Index is designed as a sector-neutral benchmark that reflects the performance of companies in Japan with excellent environmental, social and governance (ESG) practices. The index selects companies with high ESG ratings within the top 50% of each sector and ranks them based on the Transition Pathway Initiative's management quality score. This index selects companies with high ESG ratings within the top 50% of each sector and evaluates companies' climate governance and climate change initiatives based on the Transition Pathway Initiative's Management Quality Score, thereby supporting the transition to a low-carbon economy. For more details, please visit the FTSE Blossom Japan Index Series page.
*4 Note that the use of the data of MSCI ESG Research LLC or its affiliate (MSCI) or MSCI's logo, evidence, service marks, or index names by MatsukiyoCocokara & Co. does not imply that MSCI supports, advertises, or promotes the sales of MatsukiyoCocokara & Co. In addition, MSCI services and data are the assets of MSCI or its information providers; they present the current situation, and they do not come with any kind of warranty. MSCI's name and logo are registered trademarks or trademarks of MSCI.



Certified under the Ministry of Economy, Trade and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program

This certification is used to recognize companies that pursue initiatives in line with health issues faced by communities or that implement health management based on the health promotion efforts of Nippon Kenko Kaigi (literally: the Japan Health Conference).



Acquired Ministry of Health, Labor and Welfare Eruboshi certification (three stars, the highest possible rating)

- Matsumotokiyoshi Co., Ltd.
- Cocokarafine Healthcare Inc.
- Matsumotokiyoshi Kou-Shin-Etsu Co., Ltd.
- Aianju Co., Ltd.
- Matsumotokiyoshi Kyusyu Co., Ltd.
- MCC Soleil Co., Ltd.
- Matsumotokiyoshi Chu-Shikoku Co., Ltd.

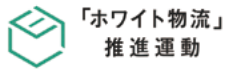


Certified as a Sports Yell Company by the Japan Sports Agency

This certification is used to recognize companies that actively pursue initiatives aimed at promoting employees' health through sports.



Endorsement and participation outside the Company (fiscal year ended March 31, 2025)



MCC Flux Avance has issued a voluntary declaration of action as part of its initiatives aimed at sustainable distribution.



MatsukiyoCocokara & Co.

MatsukiyoCocokara & Co.

1-8-2 Yushima, Bunkyo-ku, Tokyo, 113-0034 Japan,
Tel: +81-3-6845-0005 (general inquiries)