



SUNDRUG



Integrated Report 2025



Management philosophy

Illuminate a corner of the world.



We hold high standards and start immediately from what we can do right at the moment.

By making each and every individual shine, we try to illuminate even just one corner of the world.

We hope that as our friends grow and our small lights come together, they will become a bigger light.



About the SUNDRUG Group

The SUNDRUG Group comprises SUNDRUG CO., LTD. and its consolidated subsidiaries Seikodo Pharmacy Corporation, Sundrug Plus Co., Ltd., DIREX CORPORATION, Daiya Inc., and SUNDRUG Dream Works Co., Ltd.

Businesses	Segments
SUNDRUG CO., LTD.	Drugstore business
Seikodo Pharmacy Corporation	Drugstore business
Sundrug Plus Co., Ltd.	Drugstore business
DIREX CORPORATION	Discount store business
Daiya Inc.	Drugstore business
SUNDRUG Dream Works Co., Ltd.	Drugstore business/Special-purpose subsidiary in accordance with the provisions of Article 44 of the Act to Facilitate the Employment of Persons with Disabilities

CONTENTS

- 01 Management philosophy/Group structure/ Table of contents/Editorial policy

Chapter 1 What is SUNDRUG?

- 03 History of SUNDRUG
- 05 Overview of the SUNDRUG Group's business
- 07 Financial and non-financial highlights

Chapter 2 Values and strategies

- 09 Message from the CEO
- 15 Progress of the Medium-term Business Plan
- 19 Introduction of businesses
- 21 Value creation process
- 23 Materiality

Chapter 3 Initiatives on environment

- 1.Promotion of environmental management
- 25 Environmental management
- 29 Information disclosure based on TCFD recommendations

Chapter 4 Initiatives on society

- 2.Implementation of human capital management
- 35 Human capital management
- 37 Human resources education
- 39 Respect for diversity, equity, and inclusion
- 41 Health and productivity management

3.Quality, safety, and convenience of products and services

- 45 Merchandise management and health management
- 46 Private brand (PB) products
- 47 Response to medication safety

4.Coexistence with society and local communities

- 51 Contributing to society
- 52 Coexistence with local communities

Chapter 5 Governance

5.Strengthening of corporate governance

- 53 List of officers
- 55 Corporate governance

6.Internal control and compliance

- 59 Compliance
- 61 Stakeholder engagement

7.Promotion of risk management

- 63 Risk management
- 65 Business partners
- 67 Human rights

8.Establishment of IT governance

- 69 Information security and privacy

Chapter 6 Management data

- 71 Consolidated financial statement
- 74 Company information and stock information

Editorial policy

The Integrated Report 2025 reports on the Group's business performance for the period covered and its efforts to create value over the medium- to long-term. It also links and explains our approach to sustainability as well as financial and non-financial information to help shareholders, investors, and other stakeholders better understand the Group and deepen dialogue.

Applicable period

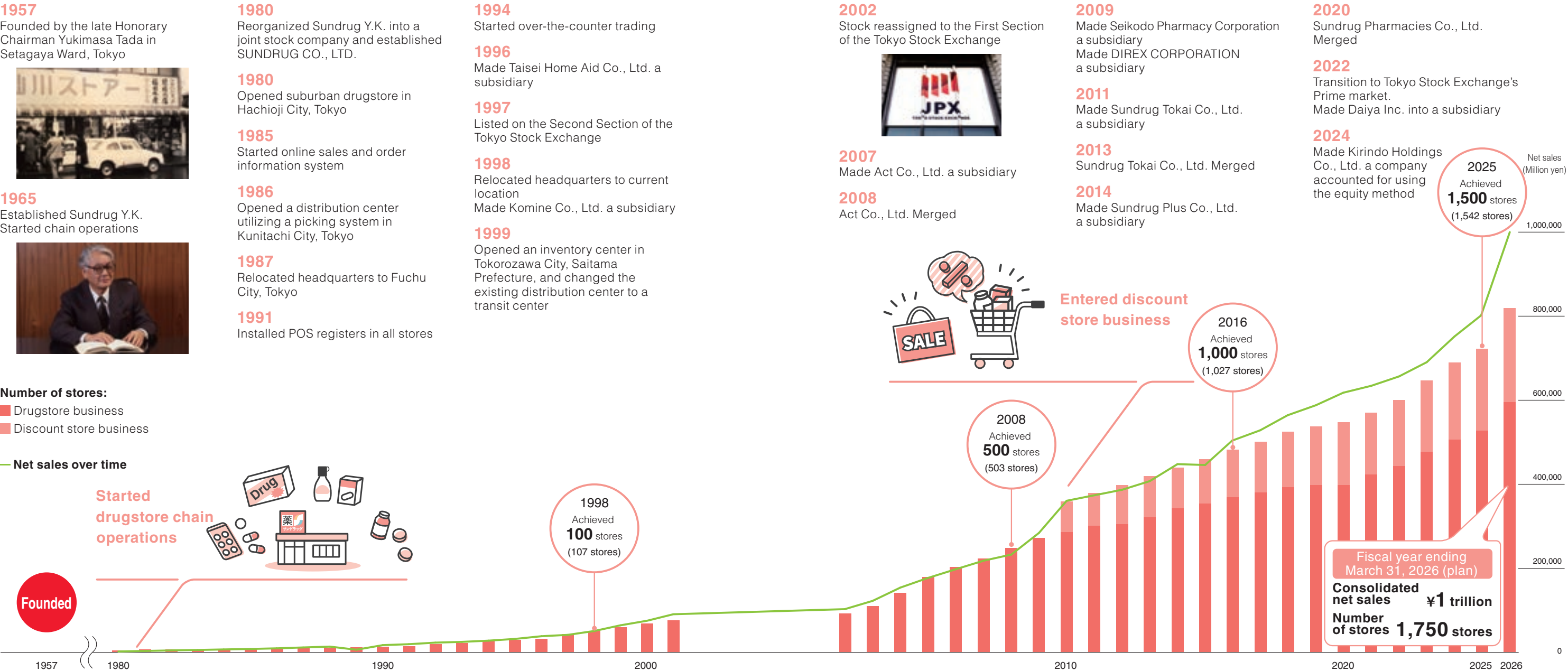
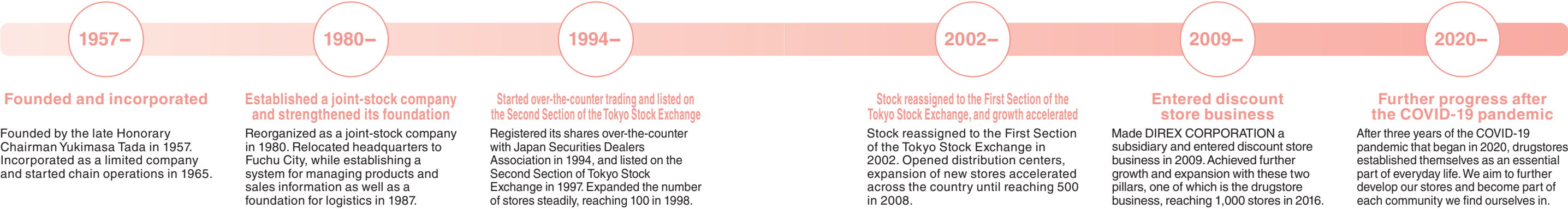
Some contents for the fiscal year ended March 31, 2025 (April 2024–March 2025) include activities and forecasts before or after that period.

Notes concerning forward-looking statements

The Integrated Report 2025 contains projections and forward-looking statements regarding the Group's plans and strategies for the future. These statements are not historical facts, but rather assumptions and beliefs based on information currently available. Actual results may differ from our projections due to risks and uncertainties associated with factors including future economic trends, consumer spending, market demand, taxation and other various systems.

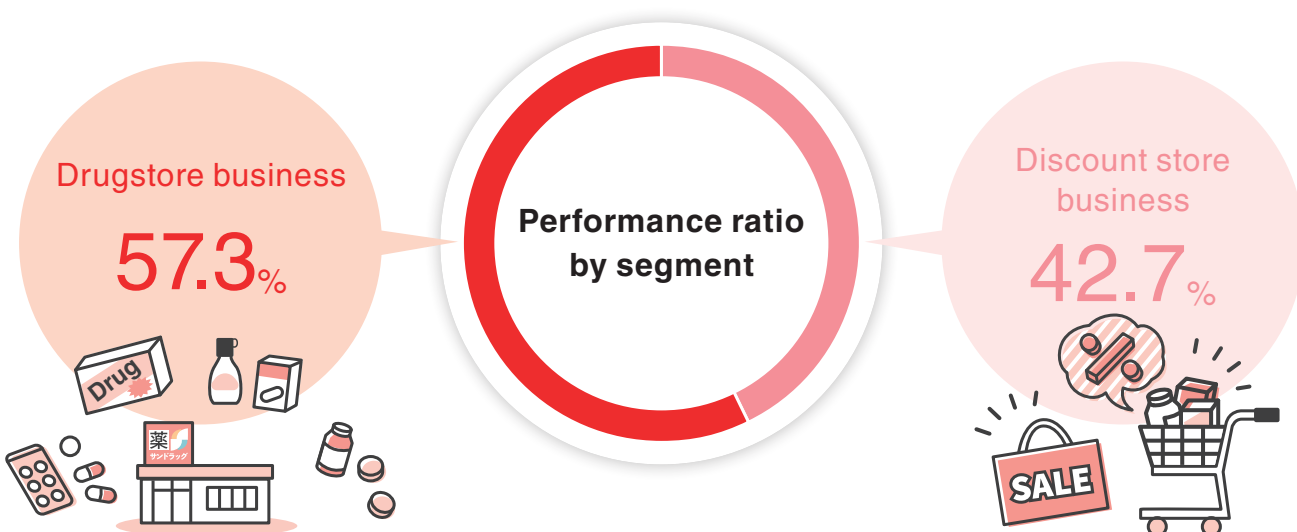
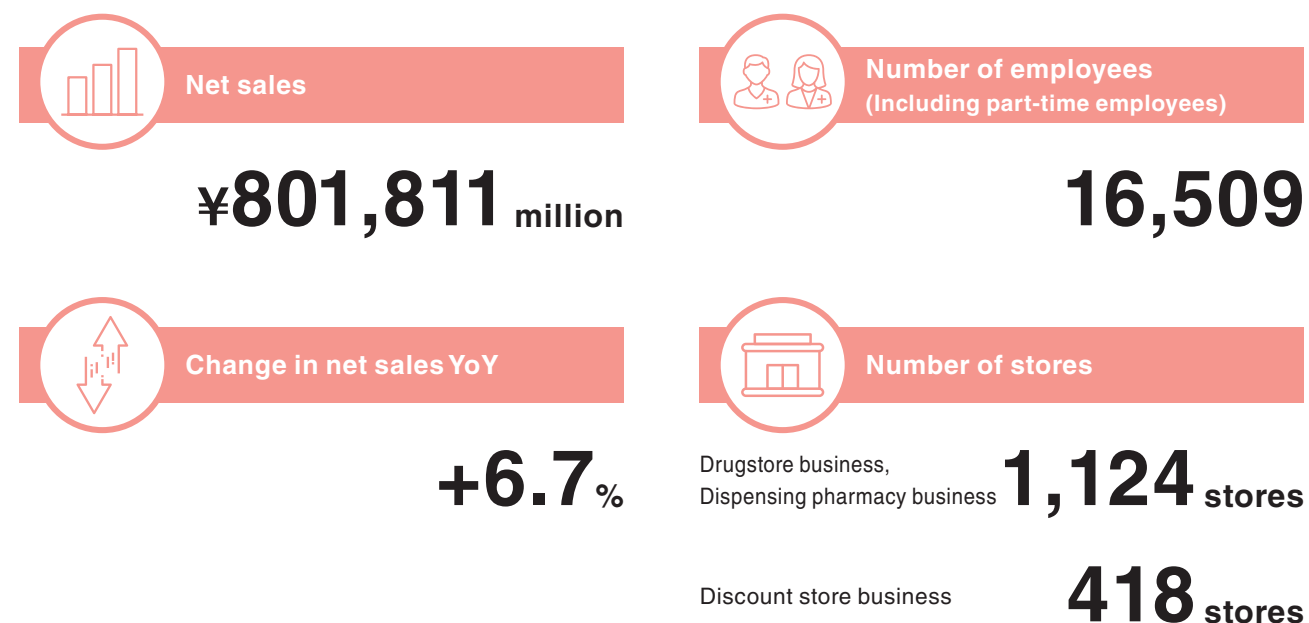
History of SUNDRUG

Since its founding in 1957, the Company’s guiding principle has been to provide “safety, reliance, and convenience” from a customer-focused mindset; that is to always act from the perspective of ensuring customer satisfaction.



Overview of the SUNDRUG Group's business

SUNDRUG Group in Numbers (Fiscal year ended March 31, 2025)



*Calculated with sales of merchandise to the discount store business excluded from the drugstore business

Drugstore business

Net sales ¥517,333 million (Up 5.3% YoY) **Number of stores opened per year** 63 stores (net increase of 44 stores)

Our goal is to develop stores that win the trust of our customers in accordance with our motto of “safety, reliance, and convenience.” In order to attract as many customers as possible to our stores, we are promoting the development of attractive-looking stores that meet the diversified needs of our customers. At the same time, we are also promoting the development of stores where our specially-trained pharmacists proactively provide customers with counseling to provide pharmaceuticals with enhanced added value, enabling customers to undergo consultation with peace of mind.

Discount store business

Net sales ¥342,267 million (Up 9.1% YoY) **Number of stores opened per year** 27 stores (net increase of 25 stores)

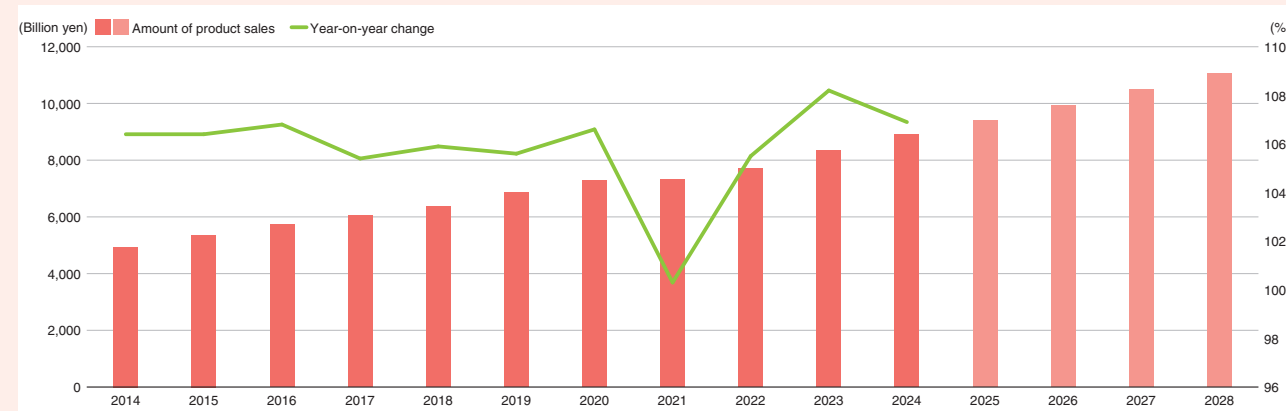
DIREX is expanding its store openings nationwide with the goal of opening 1,500 stores. We are currently developing “new types of stores that combine the elements of a drugstore and a supermarket into a discount store,” as well as “community-based stores that meet local needs” and offer “the most necessary products for daily life at a lower price than anywhere else.”

Dispensing pharmacy business

The dispensing pharmacy business consists of two types of dispensing pharmacies: pharmacies attached to drugstores that sell non-prescription, over-the-counter (OTC) pharmaceuticals and dispensing specialty pharmacies located near medical institutions, which are uniquely operated as educational institutions that provide services and train pharmacists. As aging of society advances and interest in health gradually increases, the Group is dedicated, as a family care drugstore pharmacy, to providing the types of high-quality medical services that are needed by local communities to enable as many people as possible to lead healthy and fulfilling lives.

Drugstore market

Scale and growth forecasts of drug store market in Japan



*Figures for the years from 2025 to 2028 are linear predictions based on the growth trend in the last five years.

The drug store market in Japan is maintaining steady growth in recent years. Nationwide net sales for fiscal 2023 increased by 5.6% year on year to ¥9,202.2 billion, exceeding ¥9 trillion for the first time. The number of stores also increased to reach 23,041 (up 4.3% year on year), supporting the expansion of the market scale. Japan Association of Chain Drug Stores (JACDS), an industry association, has set a target to increase the market scale to ¥10 trillion by 2025, and the target is currently close to being achieved. In addition, there is a forecast that the market scale will expand to ¥13 trillion by 2030. The chart above shows the trend and forecasts of the amount of product sales in the market until fiscal 2028.

The major growth drivers are increased demand for pharmaceuticals due to the aging population and increase in purchase of healthcare products due to growing health consciousness. In 2025, baby boomers will become age 75 or over (applicable for a medical care system for elderly in the latter stage of life), in which medical demand is expected to reach its peak and consumption of prescription medication and nursing care-related products will increase. Additionally, the government's policy to promote self-medication (self-treatment of mild illness) for reducing medical expenses is boosting the markets for OTC pharmaceuticals and health supplements.

Meanwhile, the total population of Japan has entered a phase of decline since the late 2010s and is estimated to decrease by 8.88 million to approximately 116.62 million in 2030, compared to approximately

125.50 million in 2022. Accordingly, there is a limit on simple market expansion and the number of customers per store is on a declining trend (from approximately 5,700 per store in 2022 to approximately 3,300 per store in 2030). Going forward, it will be necessary to expand the market through increasing the spend per purchase of each elderly customer (increase in prescription medication and health-related products) and revenue from new services. Rise in prices causing an increase in unit prices is serving as another driver for increase in sales. Based on the above, the market is expected to maintain an annual growth of approximately 3 to 5 percent until around 2025.

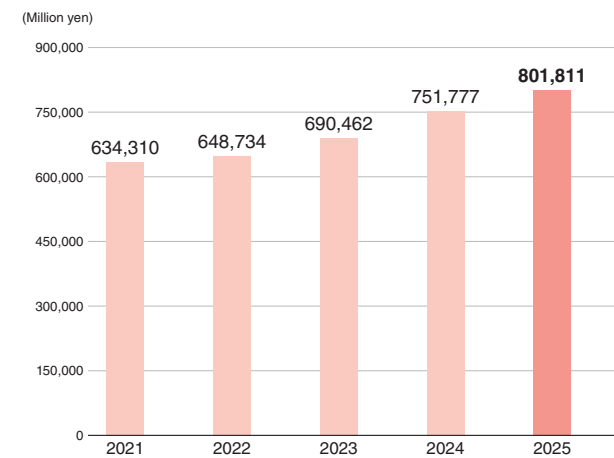
By considering the factors discussed above, we believe that the drugstore industry will enter the phase of both “further growth and maturing” in the coming five years. While the market scale has room for expansion due to the aging population and promotion of self-medication, the high growth previously seen is expected to slow down due to the declining population and the intensifying competition. In such circumstances, the industry is moving toward ensuring sustainable growth by adopting digital technologies and advanced services, as well as by creating new added value. While improved efficiency and scale merit are increasingly pursued due to the domination by a small number of large companies, it is important to note the movement toward differentiation through finely tuned services oriented to local communities and strengthening of expertise.



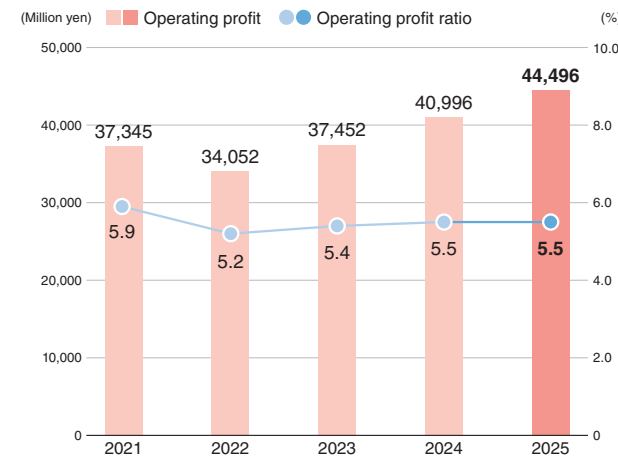
Financial and non-financial highlights

Financial performance

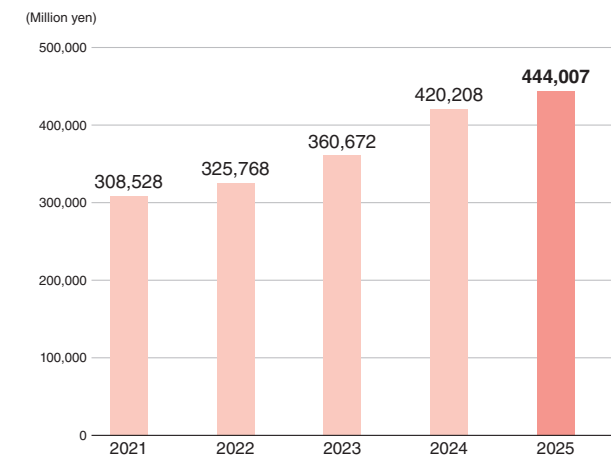
Net sales: **¥801,811 million**



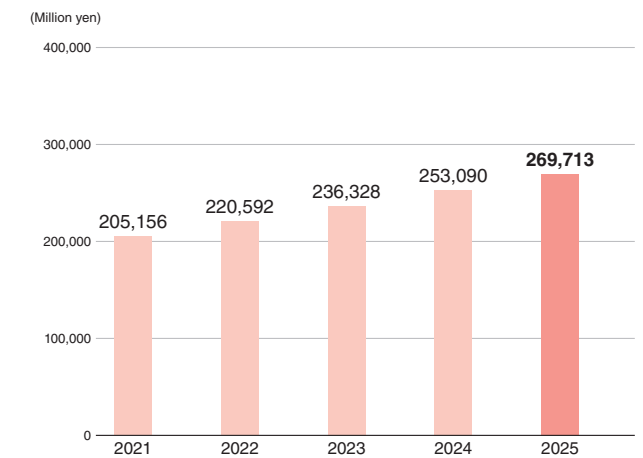
Operating profit: **¥44,496 million** Operating profit ratio: **5.5%**



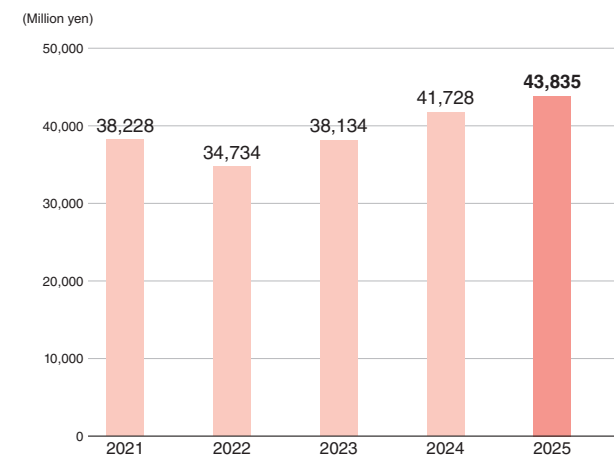
Total assets: **¥444,007 million**



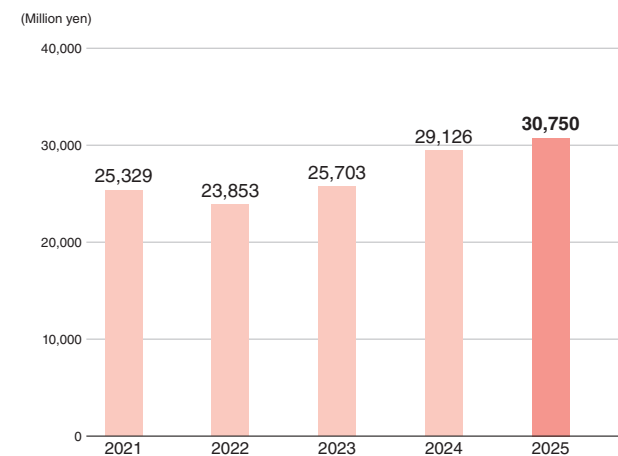
Net assets: **¥269,713 million**



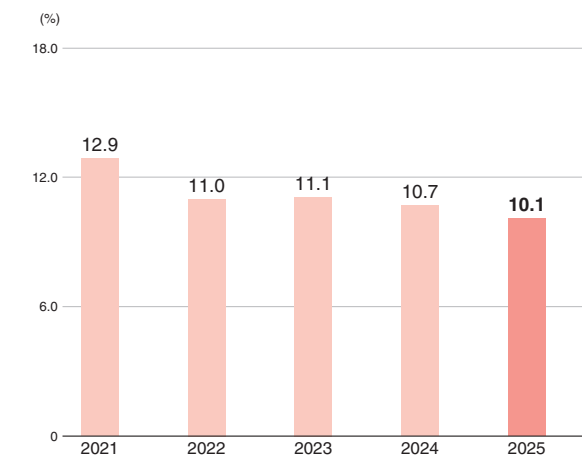
Ordinary profit: **¥43,835 million**



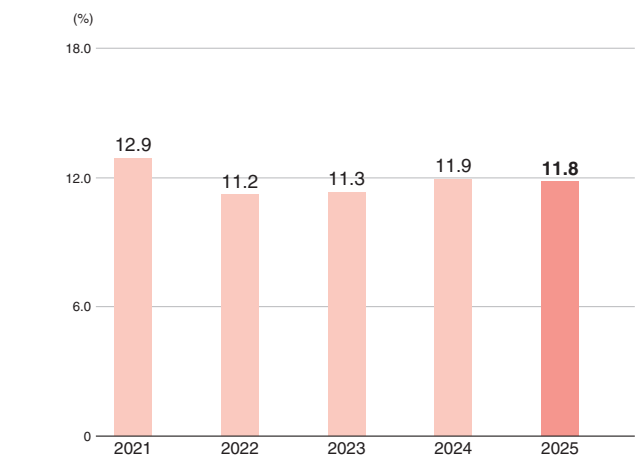
Profit attributable to owners of parent: **¥30,750 million**



ROA: **10.1%**

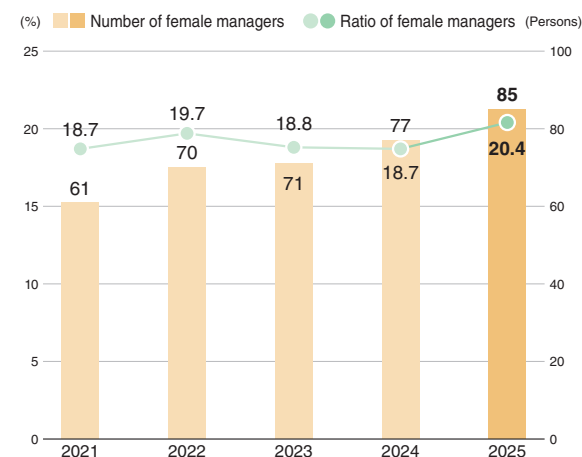


ROE: **11.8%**

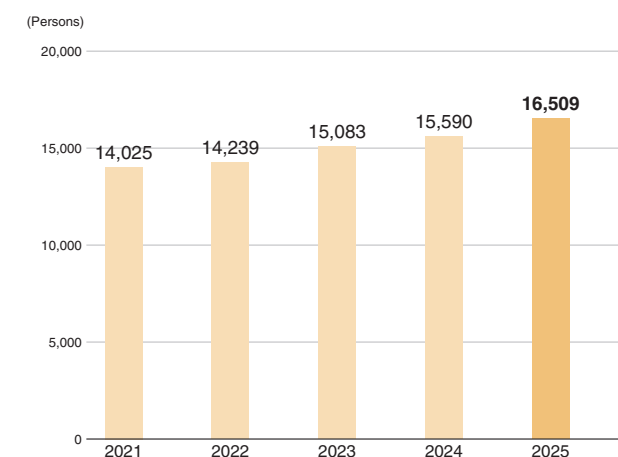


Non-financial performance

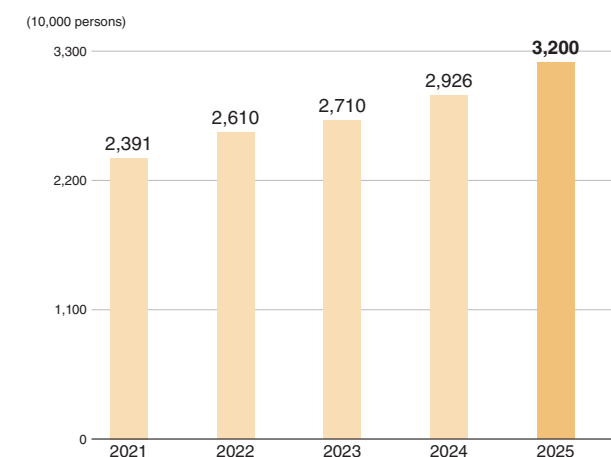
Ratio of female managers (SUNDRUG): **20.4%** Number of female managers: **85**



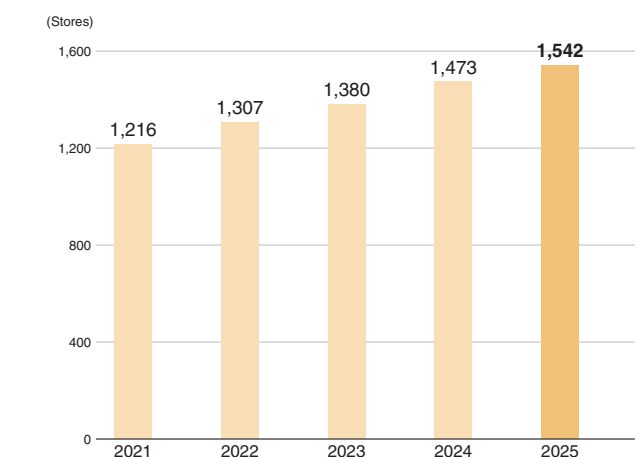
Number of employees: (Including part-time employees) **16,509**



Number of Group card members: **32.00 million IDs**



Number of stores: **1,542 stores**



Message from the CEO



To be stores needed by local communities now and in the future, we will execute diverse initiatives from a medium- to long-term perspective.

CEO and Representative Director Hiroshi Sadakata will discuss the Group's current state, strengths, and growth strategy.

Hiroshi Sadakata

CEO and Representative Director

Overview of the fiscal year ended March 31, 2025

Increases in both sales and profits for three consecutive years; achievement of the Medium-term Business Plan in sight

For the fiscal year ended March 31, 2025, with a mild recovery in inbound demand, such as a record a high number of foreign tourists visiting Japan, the drugstore business saw a continued recovery in sales of pharmaceuticals and cosmetics at stores in downtown areas.

Meanwhile, in the discount store business operated by DIREX, sales in the food department remained robust due to the rising food prices, and the efforts to improve efficiency in operations resulted in improved productivity.

Due to the above, improvement of gross profit and cost reduction through improved productivity were both achieved. As a result, net sales for the fiscal year ended March 31, 2025, were ¥801.8 billion (up 6.7% year on year) and operating profit was ¥44.4 billion (up 8.5% year on year), achieving increases in both sales and profits.

The Group is working to promote business strategies and strengthen its management foundation based on the five-year Medium-term Business Plan, which aims to achieve consolidated net sales of ¥1 trillion, operating profit of ¥60.0 billion, and the number of stores of 1,750 in the fiscal year ending March 31, 2026. Looking back on the last four years anticipating the final year starting in April 2025, net sales increased but profit decreased for the fiscal year ended March 31, 2022, because of the slow sales of station-front stores and the reactionary decline in stay-home demand due to the impact of the COVID-19 pandemic that broke out in the previous year. However, as discussed later, the Group was able to achieve increases in both net sales and profits for three consecutive years until the fiscal year ended March 31, 2025. This was as a result of the sincere efforts for systematic store openings and development of stores with expertise, strengthening of the e-commerce business and the dispensing pharmacy business, increase in operational efficiency through promotion of digitization, and development of human resources that serve as the foundation of everything. I am proud that the efforts we have made resulted in this outcome, and expect that the current business-specific strategies will bring further achievement for the next Medium-term Business Plan. In addition, with the target figures for the Medium-term Business Plan developed assuming strategic M&As, we were able to execute business investments steadily for the four years. As a result, it is expected that the number of stores will exceed 2,000 and net sales will reach approximately ¥1 trillion as planned, including those of Kirindo Holdings Co., Ltd. (Kirindo HD), a capital and business alliance partner. Operating profit is also expected to reach ¥60.0 billion, considering the anticipated synergy.

Progress of the Medium-term Business Plan

Implemented well-balanced store opening strategy and strategic M&As

The core of the Group's store opening strategy is diversified business formats. We operate "SUNDRUG" drugstores and "DIREX" discount stores. As for drugstores, suburban stores are divided into non-food stores that are combined with supermarkets and standalone stores that strengthen food sales. Station-front stores are divided into shopping area stores and downtown stores. Our feature is diverse options in terms of store formats that meet the needs of local residents. The number of store openings per year, which was around 50 before the COVID-19 pandemic, has been kept at around 100 on average in recent years. With the small number of stores closed, the net increase rate is around 80%. The accuracy of our new store opening plan is improving year by year. As of March 31, 2025, the number of stores reached 1,124 for the drugstore business, 418 for the discount store business, and 1,542 in total (increase by 69 year on year). The essential factor for accelerating store openings is development of store development staff. As a result of staff increase every year and education that takes nearly two years, the number of development staff increased from 26 in the fiscal year ended March 31, 2019 to 53 in the fiscal year ended March 31, 2025, and is planned to be 61 in the fiscal year ending March 31, 2026.

The management environment in our industry is becoming increasingly severe, with heightened competition in store openings with our competitors in the same industry, restructuring of the sector among the major chains, and competition from other industries. Under these circumstances, we have engaged in strategic business investments alongside our systematic store opening strategy, and acquired shares of Kirindo HD to make it a company accounted for using the equity method in February 2024. Kirindo HD achieved increases in both net sales and profits consecutively for the fiscal year ended February 28, 2025. Kirindo HD is currently rebuilding its logistics system, which will create full-fledged group synergy upon completion. The Group will continue aggressive store openings conscious of dominant strategy eyeing a nationwide network. For the future, we are anticipating a further increase mainly in the Kanto and Kinki regions to approximately 3,000 stores, including those from M&As and business alliances.

Message from the CEO

Expanded sales channels into domestic and foreign shopping websites

Aiming for achieving both increased customer satisfaction and expanded revenue, we are working on strengthening the e-commerce business for internet sales, in addition to sales at real stores. In addition to our e-commerce site that offers multilingual support in six languages, major internet shopping websites in Japan, and Lazada, one of the largest e-commerce sites in Southeast Asia, we opened new online stores in d Shopping, JAL Mall, and ANA Mall in 2024 and in the online shopping mall of WeChat, a messaging app widely used in China, in April 2025, making SUNDRUG products available to 196 countries around the world. In parallel, we worked on the improvement of convenience by enhancing our product lineup to include diverse products such as pharmaceuticals , cosmetics, pet supplies, DIY, and home appliances, and improving same-day shipment ratio to 33.5% (for the fiscal year ended March 31, 2025) in cooperation with logistics companies. As a result, net sales of the e-commerce business for the fiscal year ended March 31, 2025 steadily grew at a two-digit percentage rate, while the market growth rate was only 3%. Going forward, we will further strengthen our e-commerce foundation to make the e-commerce business an important source of revenue.

Strengthening the dispensing pharmacy business; accelerating opening of drugstore pharmacies

The direction of our Group's business is not decided by ourselves but by the customer always coming first. Our basic policy is to provide products and services needed by local residents. As part of such a policy, the Group is currently strengthening the dispensing pharmacy business to meet demand of local residents. The Group's dispensing pharmacy business operates



pharmacies attached to drugstores that sell non-prescription, over-the-counter (OTC) pharmaceuticals and dispensing specialty pharmacies located near large hospitals. For the fiscal year ended March 31, 2025, the total number of stores was 177 for drugstore pharmacies (increase by 26 year on year) and 33 for standalone pharmacies (increase by 2 year on year). In addition, we proactively worked on digital transformation (DX) in dispensing and established the system to accept electronic prescriptions at all SUNDRUG dispensing pharmacies. Moreover, we are promoting the use of My Number health insurance cards (usage ratio for the fiscal year ended March 31, 2025 was 30.9%, up 25.9% year on year). As a result of these efforts, the net sales and the number of prescriptions of the Group's dispensing pharmacy business are growing at two-digit percentage rates. Going forward, we are planning to accelerate store openings focusing on drugstore pharmacies, with a plan to open 43 drugstore pharmacies in the fiscal year ending March 31, 2026. To this end, the Group is focusing on education of supervising pharmacists equipped with knowledge and skills for both dispensing and OTC, by providing unique educational curricula and other measures. Amid concerns over pharmacist shortage, the Group's dispensing pharmacy business is attracting many applicants as it offers opportunity for experiencing both OTC operations to serve customers and dispensing pharmacy operations, and new graduate recruitment is also progressing as planned. Furthermore, we will strengthen collaboration with neighborhood medical institutions, and expand activities and services to contribute to local communities and society. This includes holding health-related events, expanding in-home support services through working closely with local governments and comprehensive community support centers, cooperation to the "Disaster Cooperation Pharmacy" system, and promotion of installation of AEDs.

Promoting DX in store operations anticipating the future; aiming at further improvement of productivity

In the Medium-term Business Plan, we are actively engaging in DX in store operations across the board for further improvement of operational efficiency, as part of efforts to strengthen the management foundation. One of the recent outcomes is introduction of semi self-checkout systems and electronic shelf labelling. The latter digitizes product explanations and price labelling in stores. Before the introduction of electronic shelf labelling, the labels on products were manually replaced on the day before the special sales days. This in some cases resulted in selling at special prices from the day before the special sales days. However, after

the introduction, the labels can be replaced on the day of on which special sales start. This will lead to future revenue improvement of approximately ¥4.0 billion in total per year through improvement of gross profit, labor cost reduction resulting from labor saving, and reduction of printing, logistics, and other costs. In addition, we introduced an expiration date management system, which enables us to manage products' expiration dates with a handheld terminal, at all SUNDRUG stores in the fiscal year ended March 31, 2025, and are planning to introduce it at DIREX and other Group companies gradually. Furthermore, we are exploring the possibility to introduce full self-checkout systems that are suitable for individual store formats. At the moment, investments in digitization are resulting in a temporary increase in depreciation. However, anticipating an increasing difficulty in securing the labor force against the backdrop of the declining population, we will continue investments in labor saving measures to prepare for the future. At the

same time, we acknowledge that, in making investments, it is important to determine whether digitization truly contributes to customer satisfaction and productivity improvement, by considering needs of local customers and store formats.

Promotion of sustainability management

Systematic promotion of environmental management by balancing revenue and expenses

The Group is working to promote environmental management by identifying its material issues (materiality) from the perspectives of environment, society, and governance (ESG), using KPIs to manage the progress of concrete initiatives, and enhancing its disclosures of ESG data.

■ SUNDRUG Group's materiality (KPIs for each theme → P. 23)

Areas	Themes	Vision and KGIs
E Environment	Promotion of environmental management (Theme 1) 7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS	We aim to implement existing measures with certainty, utilize Carbon Offset, leverage new technologies, and thus achieve net zero Scope 1 and 2 CO ₂ emissions by 2050 and contribute to reduction of environmental impact.
	Promotion of human capital management (Theme 2) 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES	We aim to be a company that grows together with its employees by building a working environment where they can work with enthusiasm in good mental and physical health and with safety and security.
S Social	Quality, safety, and convenience of products and services (Theme 3) 9 INDUSTRY INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 15 LIFE ON LAND	We aim to realize "healthy, rich lives" for the Japanese people as health care stations and self-medication centers closely linked with local communities.
	Coexistence with society and local communities (Theme 4) 3 GOOD HEALTH AND WELL-BEING, 11 SUSTAINABLE CITIES AND COMMUNITIES, 17 PARTNERSHIPS FOR THE GOALS	
G Governance	Promotion of governance management 1. Strengthening of corporate governance (Theme 5) 2. Internal control and compliance (Theme 6) 3. Promotion of risk management (Theme 7) 4. Establishment of IT governance (Theme 8) 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS, 17 PARTNERSHIPS FOR THE GOALS	We will establish a system to enhance transparency and soundness of management, ensure thorough compliance with laws, regulations and other requirements, and thereby create sustainable corporate value and contribute to local communities.

Message from the CEO

As a KPI, we have set a target of a 50% reduction in CO₂ emissions (Scope 2) per square meter of floor area compared with fiscal 2013 levels by fiscal 2030, and we will aim to achieve carbon neutrality, that is, zero greenhouse gas emissions (Scopes 1 and 2) by 2050. As part of our efforts, we are introducing solar power generation equipment, CFC-free refrigeration and freezing cases, and air conditioning equipment with AI that optimizes ambient temperature in our stores. As of March 31, 2025, solar power generation equipment has been installed in 199 stores, with which we are reducing CO₂ emissions through use of renewable energy.

In addition, 70% of our private brand products handled at our stores are environmentally friendly products for which environmentally friendly ink and/or packages are used (result for the fiscal year ended March 31, 2025), and we are planning to increase the ratio to 75% during the current fiscal year.

Furthermore, we are working on reuse of food waste generated from stores, aiming at a food waste recycle rate of 100%. In the fiscal year ended March 31, 2025, we recycled waste generated from stores managed by the distribution centers mainly in the Kanto region as biofuel for renewable energy power generation facilities. The food waste recycle rate has reached 18% at SUNDRUG stores where the initiative was first implemented and 10% for the entire Group. For the fiscal year ending March 31, 2026, we are planning to increase the rate to 50% for SUNDRUG stores and 30% for the entire Group.

The very reason why the Group works on environmental management is that, as a major prerequisite, sustainable growth of the Group cannot be achieved without sustainable growth of local communities. On the other hand, if a company invests only in environmental initiatives, management efficiency will decrease due to a large amount of cost. The key is how to continue initiatives that contribute to the environment while ensuring improvement of revenue. We are controlling the balance between revenue and expenses related to environmental management by persistently implementing small actions, such as efficient collecting and recycling of cardboard boxes and other resources used by stores. At the same time, we believe that it is important to prioritize actions that will contribute to improvement of management efficiency. For example, solar power generation equipment is installed not uniformly at all stores but only at stores where investment recovery is expected, because the effectiveness of solar power generation equipment depends on size and location of stores.

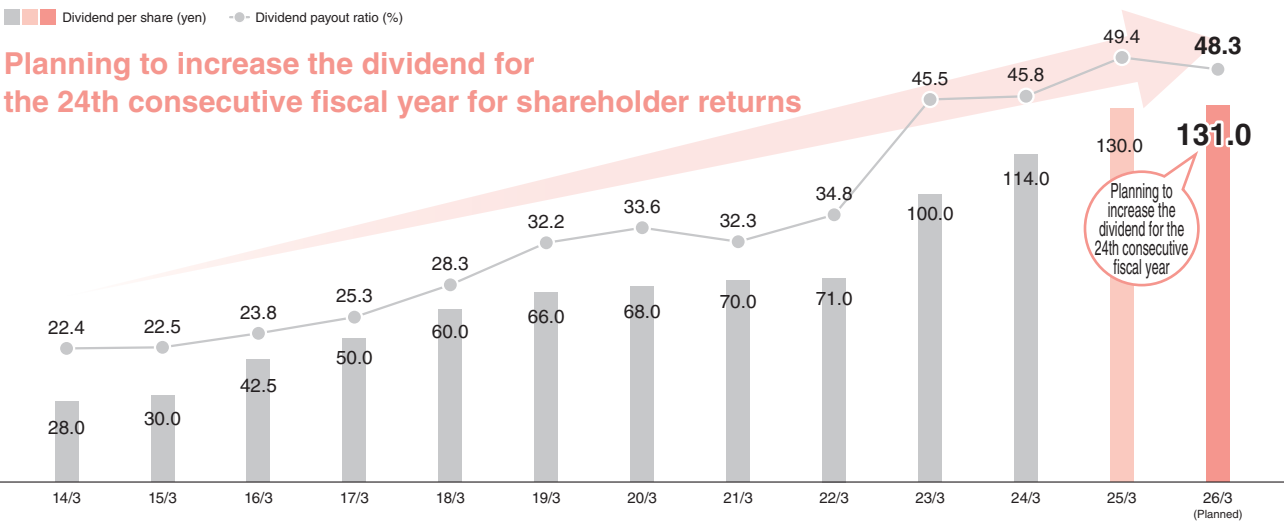
In parallel with these initiatives, the Group added a self-declaration of individual efforts toward the SDGs to our employee evaluation system. By appreciating efforts that are close to daily life, such as water saving at home, we are working on raising employees' environmental awareness.

Strengthening foundation for future growth and improving diversity and expertise of human resources

As an effort anticipating the future, we are currently working on implementation of human capital management. In addition to promoting active participation of women, we are working on initiatives to enhance the work-life balance of all employees, such as flexible workstyles that can accommodate diverse lifestyles and promotion of utilization of childcare leave by male employees. Furthermore, we are also working on health and productivity management and have been certified as a "Certified Health & Productivity Management Outstanding Organization 2025." As for the composition of our officers, we have ten officers including seven Directors and three Corporate Auditors. Two External Directors and two External Corporate Auditors are female, and the ratios of external officers and female officers are 40% for each. While many female employees are already actively participating in drugstores in general, we believe that further diversification of human resources will lead to future growth.

In addition, we have been working on securing talented human resources by, for example, headhunting executive-class human resources with expertise for strengthening financial structure, M&As, and development of the Medium-term Business Plan, as preparation for the future. While the Group already has a suite of talented human resources and managers, I acknowledge that it is my role as a president to further develop each division into a responsible and autonomous organization.

Furthermore, the Group also places importance on cooperative relationships with business partners. In 2023, the Company issued the Declaration of Partnership Building. This is a declaration made by a representative of a company at the ordering side, aiming for improvement of added value of the entire supply chain, coexistence and mutual prosperity of large companies and small and medium-sized enterprises, and virtuous cycle between growth and distribution. The Group has been engaged in activities, such as building of a white logistics system in cooperation with logistics operators in advance of our competitors, believing that coexistence and mutual prosperity with the supply chain will contribute to growth of the Group. In line with the announcement of the Declaration of Partnership Building, the Group started conducting a survey with business partners in 2024, based on which the Legal Division analyzes improvement points of the Company and reports them to the Board of Directors. These points are reflected in concrete improvement activities, such as continuous implementation of compliance tests and training.



Note: The Company conducted a 2-for-1 share split of ordinary shares on April 1, 2017. Dividend per share is calculated assuming the share split was conducted at the start of the fiscal year ended March 31, 2014.

Balancing between growth investments and stable shareholder returns toward sustainable corporate growth

As explained above, the Group targets a dividend payout ratio of 50% as the basic policy, while implementing growth investments such as those in new store openings, promotion of digitization, and M&As from a medium- to long-term perspective. For the fiscal year ended March 31, 2025, we issued annual dividends of 130 yen per share with a payout ratio of 49.4%, and increased the dividend for the 23rd consecutive fiscal year. The basis of our Group is "We do it for our customers." We promptly applied for the purchase of reserve rice when soaring rice prices became a social problem, because customers needed rice at affordable prices above everything else. Having said that we emphasize production efficiency, in fact, the Group's stores will not discontinue handling of products purchased by loyal customers even if they are not frequently purchased. In order to continue customer-friendly businesses, we must secure revenue by improving management efficiency. I believe that balancing both is important. I hope that SUNDRUG will be the first choice for customers when they buy a drug, and customers will come to our Group's stores when they need some help. Aiming to develop stores with a high degree of expertise trusted by customers, we will continue doing what we can do right at the moment in a single-minded way. I hope our shareholders, investors, employees, business partners, and all other stakeholders will look forward to the Group's future successes and I ask them to extend their continued understanding and support.



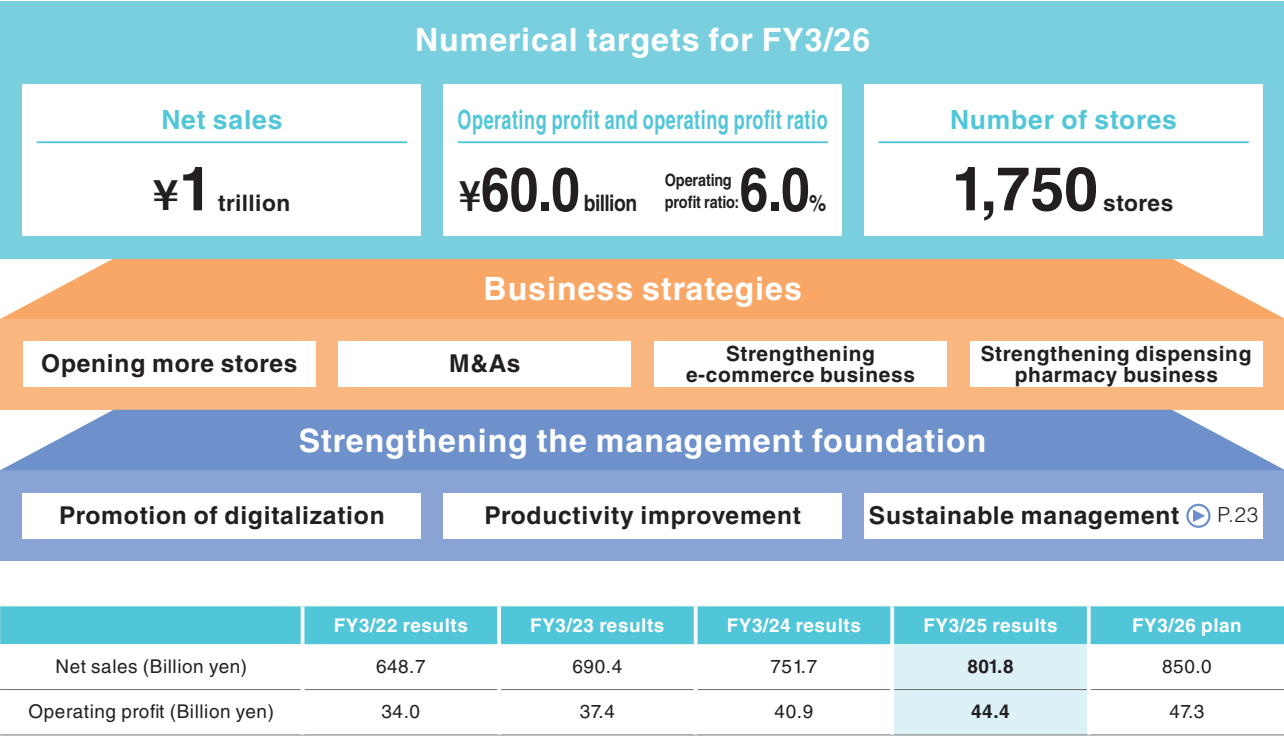
Please refer to the financial results presentation materials for details of the Medium-term Business Plan.

<https://www.sundrug.co.jp/en/ir/news>



Progress of the Medium-term Business Plan

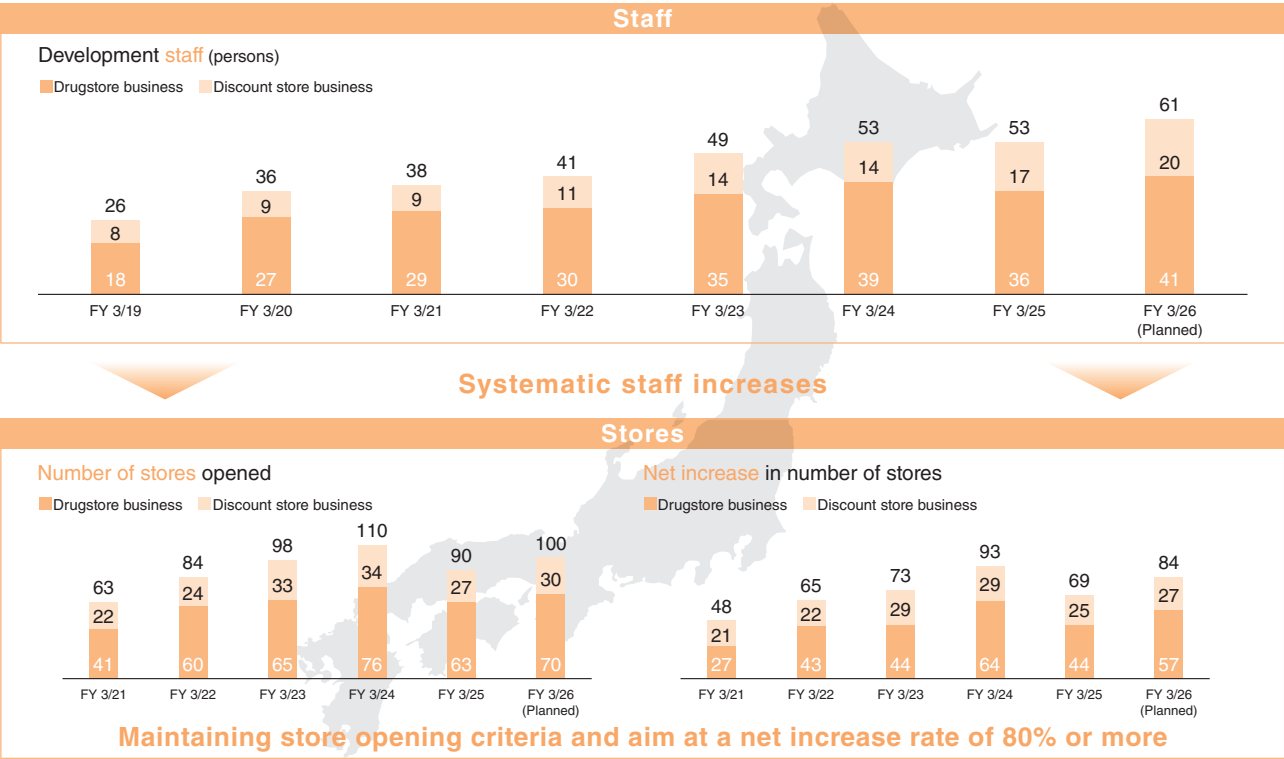
We are working on the Medium-term Business Plan, which aims for achieving numerical targets for the fiscal year ending March 31, 2026, including consolidated net sales of ¥1 trillion, and promoting business strategies and strengthening of the management foundation to achieve them.



Business strategy

Opening more stores

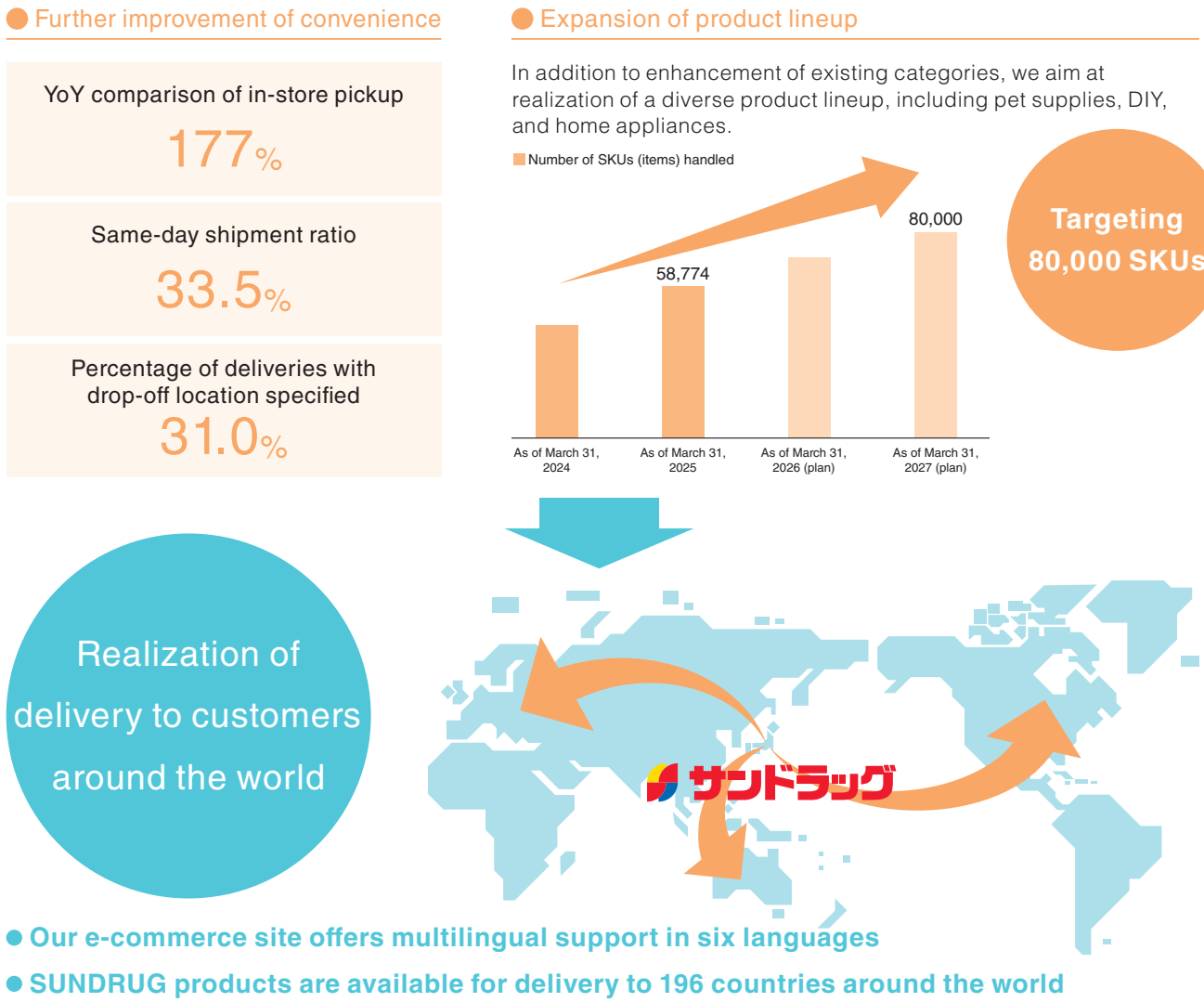
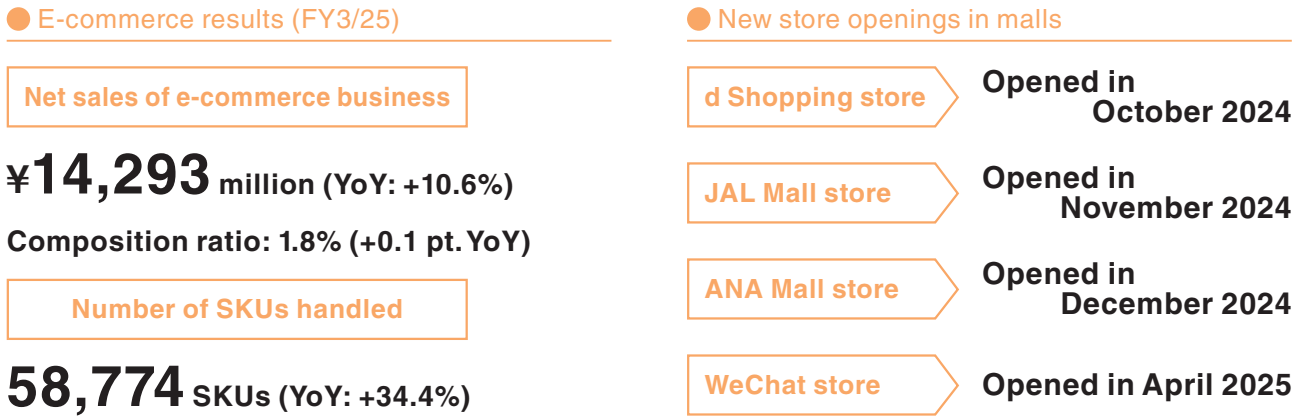
We are steadily increasing the number of store openings while increasing the number of staff systematically.



Business strategy

Strengthening e-commerce business

We will work to enhance customer experience/satisfaction and improve productivity through innovations resulting from renewal of e-commerce infrastructure.



Realization of delivery to customers around the world

Our e-commerce site offers multilingual support in six languages

SUNDRUG products are available for delivery to 196 countries around the world

Business strategy

Strengthening dispensing pharmacy business

As initiatives to capture dispensing demand in local communities, we are promoting scale expansion through strategies rooted in local communities and digital transformation (DX).

Dispensing business results: FY3/25

Sales of dispensing business	Number of prescriptions	Unit price of prescription
¥16,220 million	1,912,628	¥8,469
YoY: +13.5%	YoY: +15.3%	YoY: -1.5%

Pharmacy openings: FY3/25

2 standalone pharmacies and 26 drugstore pharmacies

Total number of pharmacies: As of March 31, 2025

33 standalone pharmacies and 177 drugstore pharmacies

Planned pharmacy openings: FY3/26

0 standalone pharmacy and 43 drugstore pharmacies

Initiatives to expand the scale of dispensing pharmacy business

- Acceleration of store openings, centering on drugstore pharmacies
- Strengthen collaboration with neighborhood medical institutions
- Expansion of home care services provided in residential facilities

DX initiatives for dispensing

Calculation of the surcharge for establishing a medical DX promotion system

- Equip stores to accept electronic prescriptions
 - Introduced to all SUNDRUG stores
- Promote the use of My Number health insurance cards
 - Usage rate: 30.9% (+25.9% YoY)
- Promote the use of prescription submission apps
 - Usage rate at drugstore pharmacies: 13.6% (+2.3% YoY)

Strengthening the management foundation

Productivity improvement

We are promoting initiatives to further increase efficiency of operations.

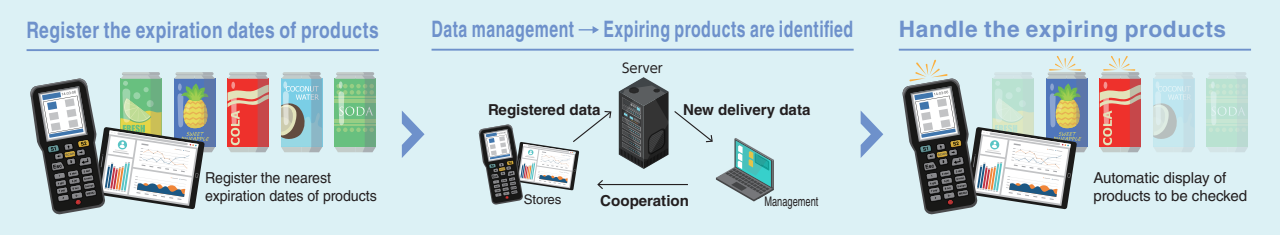
Introduced an expiration date management system

Labor costs down 0.3% (saving of ¥210 million/year)

- Change in paper-based expiration date management ▶ Handheld terminal-based management
 - Reduction in time needed for expiration date management and improvement in task accuracy
- Introduced to all SUNDRUG stores in the fiscal year ended March 2025, with a plan for gradual introduction to Group companies

Impacts of introduction

- Streamlining of operations by checking products that require expiration date checking only
- Improving task accuracy with image-reading



Exploring the possibility to introduce full self-checkout systems

Labor costs down 2.6% (saving of ¥1,560 million/year)

- Planning to adopt optimal checkout systems suited to store formats

Challenges in introduction

- Verifying customer identification (e.g., point cards) at checkout
- Installing high-cost AI-equipped security camera registers to prevent scanning errors and fraud

Impacts of introduction

- Customer self-scanning at checkout
- Reduction of employee checkout operation workload
- Response to population decline, hiring difficulties, and labor shortage

Strengthening the management foundation

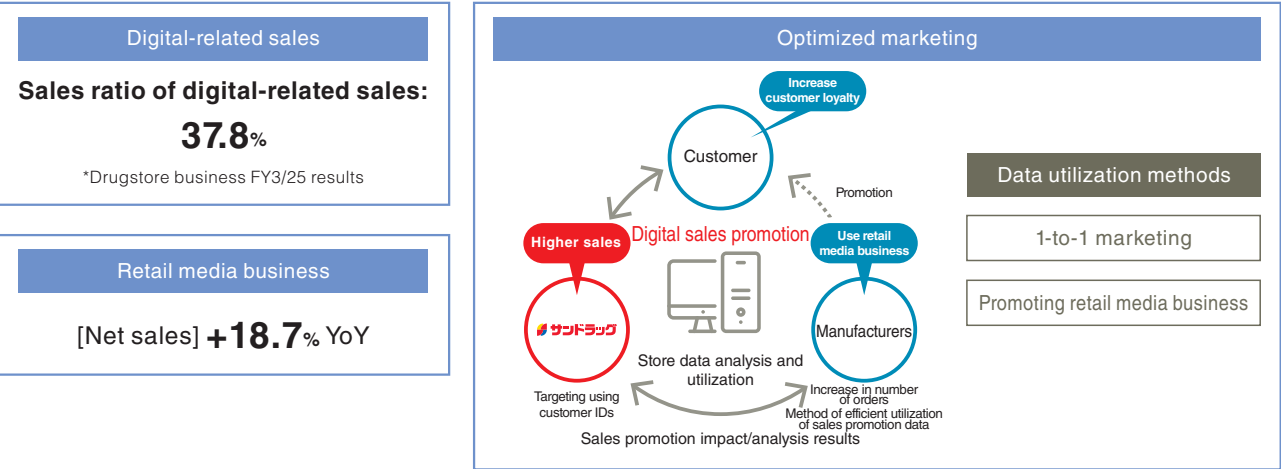
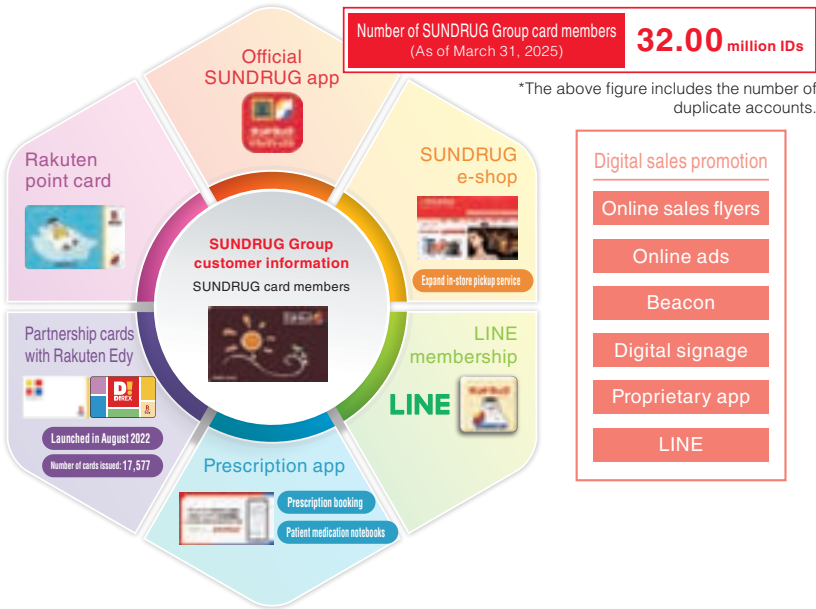
Strengthening the management foundation by utilizing and promoting DX

The rapid evolution of digital technology has brought about major changes in our business environment. For companies to maintain their success and realize new value creation amid such change, bold initiatives in business transformation are essential. DX is a comprehensive transformation process that affects the very core of a company. It goes beyond the mere utilization of IT to encompass the transformation of business models, reforms of organizational culture, and the transformation of employees' mindset. With a strong awareness of the importance of such transformations, we

seek to provide customers with wonderful experiences and to continue creating new value for society through the thorough utilization of digital technology. The Group is considering and introducing DX with a focus on the following five strategic viewpoints.

1. Effective use of human resources
2. Improvement of operational efficiency
3. Response to self-medication
4. Improvement in CX
5. Realization of strategic decision-making through the use of data

Acquisition of customers by utilizing customer information collected from digital sales promotions such as via apps and social media

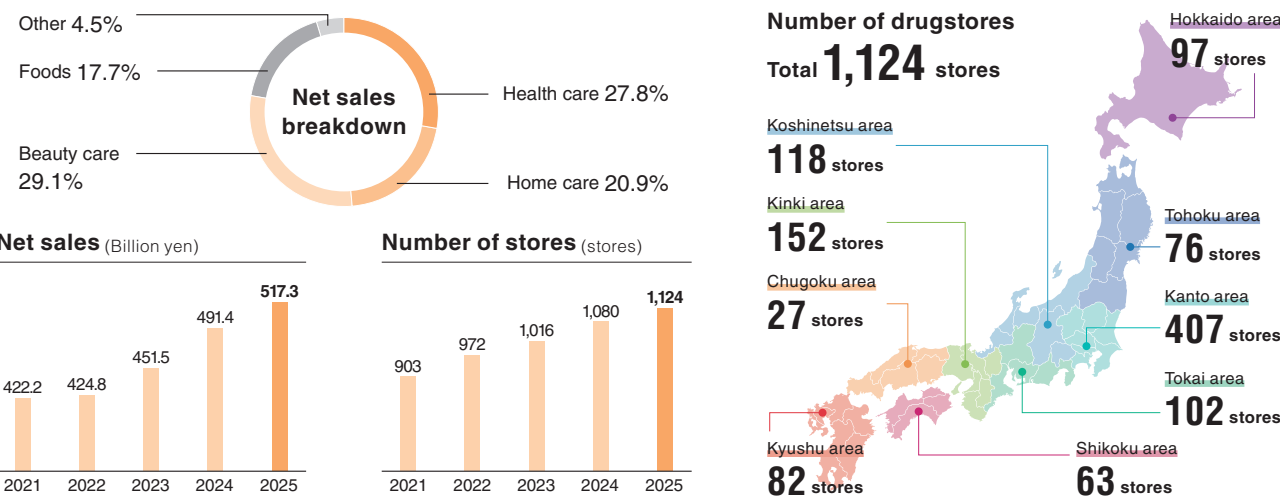


Introduction of businesses

Drugstore business

The feature is a well-balanced network of stores, which offers diverse options that meet needs of local customers in terms of store formats, such as suburban stores and station-front stores that are located at the center of shopping areas and near stations.

As a unique initiative in the industry, we have a “two lines per store system, with two roles” dividing store staff into two groups: counseling and sales staff and operational staff. By dividing specialized works, we provide greater safety, reliance, and convenience to our customers.

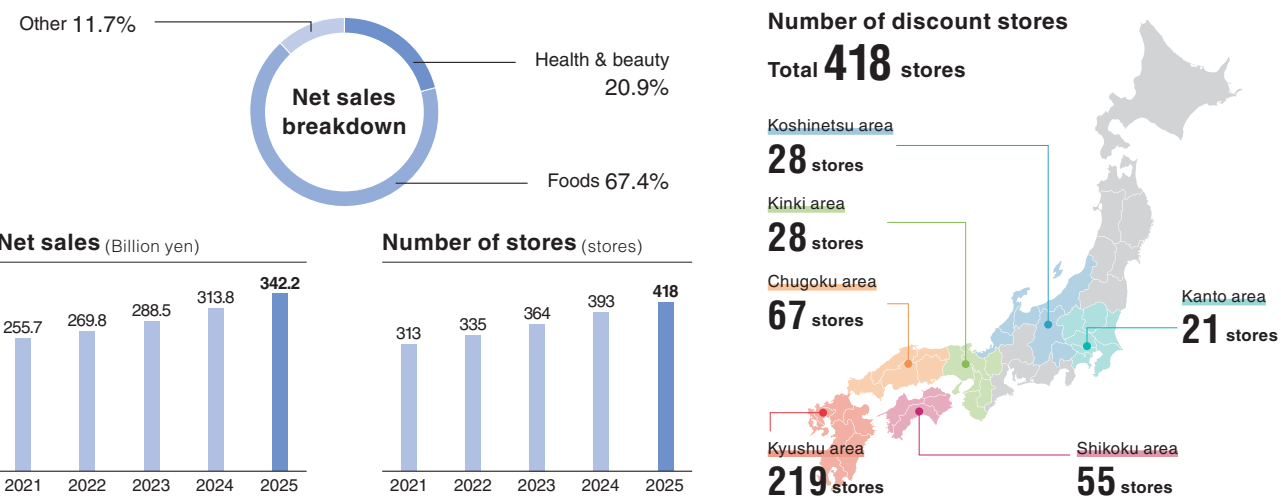


Discount store business

We are always thinking of the best and most convenient way we can provide our customers with our services. This is why our stores (with some exception) are open 365 days a year, from 9:00 a.m. through 10:00 p.m. such that everybody can enjoy shopping with us without worry and at a time that works for them.

Our discount store business handles a wide range of products, including 25,000 items of necessities such as food, daily necessities, clothing, cosmetics, home electric appliances, car accessories, sporting and leisure goods, and alcoholic beverages.

The basis of our pricing strategy is to offer products at lower prices at all times, and the key point is to maintain these low prices at all times (Everyday Low Prices) not just for “specific featured products” but for all products.



Operating companies (As of March 31, 2025)

Seikodo Pharmacy Corporation

ドラッグトップス

- Headquarters: Niigata City, Niigata Prefecture
- Representative: Takashi Watanabe, President and Representative Director
- Number of stores: 85
- Number of employees: 632

As the management philosophy, “the Company will propose healthy and conformable life and contribute to local communities.” As the company credo, we integrate the three concepts, integrity, execution, and cooperation into a single idea that forms Seikodo’s spirit.

Sundrug Plus Co., Ltd.

サンドラッグプラス

- Headquarters: Sapporo City, Hokkaido
- Representative: Hiroki Sato, President and Representative Director
- Number of stores: 76
- Number of employees: 546

As the corporate philosophy, we aim to realize “healthy, rich lives” for the Japanese people as a drugstore, dispensing pharmacy, cosmetics store and variety store, and contribute to the creation of “good cheer and fun in daily life”.

Daiya Inc.

大屋

- Headquarters: Saijo City, Ehime Prefecture
- Representative: Shintaro Ito, President and Representative Director
- Number of stores: 64
- Number of employees: 818

As the management philosophy, we will “create healthy and rich lives and realize the well-being of colleagues who work together.” The vision is to realize “the top company in Japan in terms of customer value.” We believe that the vision will be realized not by increasing sales or scale but by accumulating “new trust, safety, and convenience.”

Operating company (As of March 31, 2025)

DIREX CORPORATION

ダイレックス

D!REX

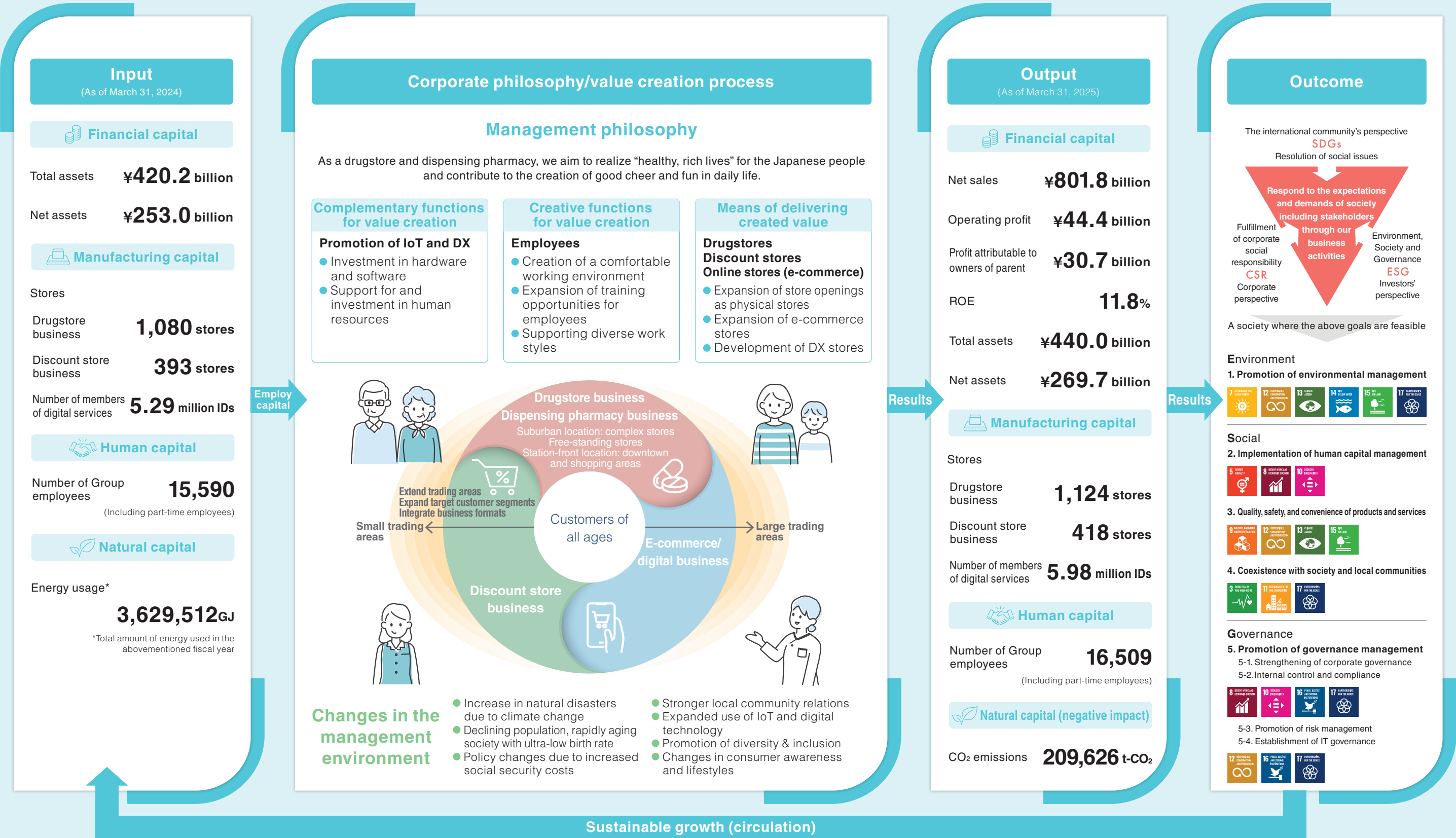
- Headquarters: Saga City, Saga Prefecture
- Representative: Hajime Gomi, President and Representative Director
- Number of stores: 418
- Number of employees: 6,434

Our company credo is “Let’s live rich lives with dreams.” We will provide services that will genuinely satisfy the customers by always asking the question, “What is truly necessary in the current era of frequent changes?” By believing that future changes will bring changes that customers desire, we aim to be a company that is needed by local communities.



Value creation process

The Group aims to be a valuable presence in the community by being a retailer that is in daily contact with customers, by having a mission as a drugstore that provides safety and security and a base for community health, and by operating stores in an environmentally friendly manner as a member of society that considers the future of the Earth.



Materiality

The SUNDRUG Group has identified material issues (materiality) to prioritize in order to fulfill its social role. The Group pursues initiatives under eight set themes.

Environment

Promotion of environmental management (Theme 1)



Vision and KGIs

We aim to implement existing measures, utilize Carbon Offset, leverage new technologies, and thus achieve net zero Scope 1 and 2 CO₂ emissions by 2050 and contribute to reduction of environmental impact.

KPIs (Fiscal year ending March 31, 2026)	Status as of March 31, 2025
CO ₂ emissions (Scope 2) per square meter of store floor area 50% reduction	35% reduction
Installation of solar power generation equipment	225 stores
Introduction of CFC-free refrigeration and freezing cases	300 stores
Installation of air conditioning equipment	360 stores
Ratio of stores with LED lighting installed *At the target stores	100%
Environmentally-friendly private brand products (ratio)	75%
Food waste recycling rate	30%



Social

Implementation of human capital management (Theme 2)



Vision and KGIs

We aim to be a company that grows together with its employees by building a working environment where they can work with enthusiasm in good mental and physical health and with safety and security.

KPIs (Fiscal year ending March 31, 2026)	Status as of March 31, 2025
Level of completion of job-specific training	100%
Level of completion of level-specific training (completion ratio)	80%
Number of pharmacist-generalists	370
Ratio of female managers	30%
Ratio of employees with disabilities	3.0%
Health & Productivity Management Outstanding Organization	Certified
Ratio of employees undergoing health examinations	100%
Rate of occurrence of labor accidents (annual accident rate per 1,000 persons)	4.6 or less



*The above items are for SUNDRUG CO., LTD. only
Training for employees of consolidated group companies is conducted in accordance with the educational programs of SUNDRUG CO., LTD.

Social

Vision and KGIs

We aim to realize “healthy, rich lives” for the Japanese people as healthcare stations and self-medication centers closely linked with local communities.

Quality, safety, and convenience of products and services (Theme 3)



KPIs (Fiscal year ending March 31, 2026)	Status as of March 31, 2025
Number of Group card members	32.00 million
Number of stores opened per year	100 stores
Number of dispensing pharmacies opened	43 stores
Ratio of drugstore pharmacies	18.6%
Number of stores with electronic shelf labelling introduced	700 stores

Coexistence with society and local communities (Theme 4)



KPIs (Fiscal year ending March 31, 2026)	Status as of March 31, 2025
Stores with AEDs installed (ratio)	60%
Number of health-related events and consultation sessions held	100 times
Conclusion of “Disaster Relief Supply” agreement	24 bases
Conclusion of “Disaster Cooperation Pharmacy” agreement	Hachioji City
Number of trees planted	4,875 trees

Governance

Promotion of governance management

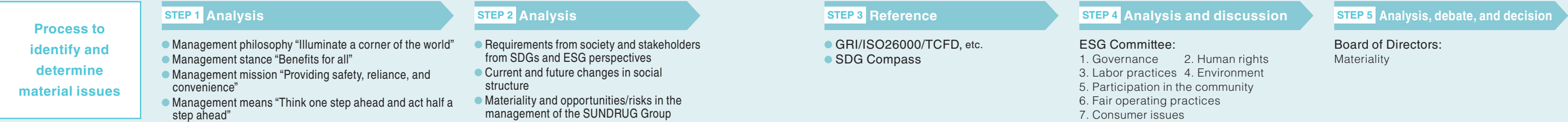
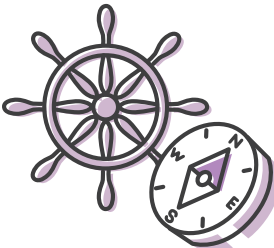
- Strengthening of corporate governance (Theme 5)
- Internal control and compliance (Theme 6)
- Promotion of risk management (Theme 7)
- Establishment of IT governance (Theme 8)



Vision and KGIs

We will establish a system to enhance transparency and soundness of management, ensure thorough compliance with laws, regulations and other requirements, and thereby create sustainable corporate value and contribute to local communities.

KPIs (Fiscal year ending March 31, 2026)	Status as of March 31, 2025
Ratio of independent external directors	42.9%
Ratio of female officers	40.0%
Compliance with the “Guidelines for Consignors and Logistics Providers on Initiatives for Optimization and Productivity Improvement in Logistics”	
Conducting business partners survey and survey with contracted producers of private brand products	



Theme 1

Promotion of environmental management



Environmental management

With the aim of providing products of value and serving to enrich people’s lives, the Group is committed to environmental management, including initiatives for a decarbonized society and the development of environmentally friendly products.



SUNDRUG Group Environmental Policy

Basic approach

Recognizing that preservation of the global environment and protection of biodiversity are the foundation of human life and the source of all business activities, we have set environmental management as a material issue (materiality) and are promoting environmental management strategically.

To put environmental management into practice, we have established an environmental policy and a voluntary environmental action plan to serve as the company-wide code of behavior, and we are working by taking responsibility in all of our business fields. In addition, we aim to contribute to solving environmental issues through our business activities by coordinating and collaborating with various stakeholders.

Strategy

Reducing environmental impact

By utilizing resources and energy effectively, we will minimize the environmental impact of the entire value chain. We will work on reduction of the environmental impact of our products and services throughout their life cycle.

Consideration in product development and sales

In cooperation with suppliers and business partners, we are planning and selling products with environmental consideration, such as utilization of recycled resources and energy-saving materials and reduction of excessive packaging. We are encouraging sustainable choices on store floors and through information provision.

Development of promotion system

We set environmental goals and implement continuous improvement based on a PDCA cycle. Under the company-wide system, each division takes responsibility in promoting effective environmental management.

Educating and awareness raising of employees and ensuring compliance

We disseminate the environmental policy and provide continuous education to raise awareness among all employees. We are ensuring thorough compliance with laws and regulations and internal regulations to strengthen the system.

Cooperation with local communities

Through environmental education and cooperation with local governments, we are promoting 3Rs and implementing other community-based activities. We will build relationships of trust with local communities to contribute to creating a sustainable society.

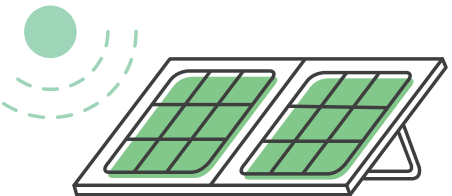
Information disclosure and promotion of communication

We are disseminating our environmental initiatives within and outside of the Company and promoting transparent and constructive dialog with stakeholders. We aim to achieve co-creation with society and work to build trust.

Measures to reduce CO₂ emissions

Utilization of renewable energy

We will install solar power generation equipment (solar panels) by ourselves for self-consumption. We are promoting the installation of solar power generation equipment based on the characteristics of individual stores in each region (hours of sunlight, roof area, roof load capacity, etc.).



Impact

Electricity generated for one year using solar power generation equipment
⇒ CO₂ absorption equivalent to approximately 200 cedar trees

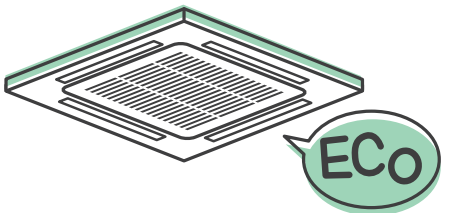
Introduction of CFC-free refrigeration and freezing equipment

Conventional refrigerants (fluorocarbons) are powerful greenhouse gasses (HFC, etc.) and cause a greater warming effect than CO₂ does when emitted into the atmosphere. Instead of these, CFC-free equipment uses refrigerants with a lower global warming potential (GWP) or natural refrigerants (such as CO₂ and ammonia) and contributes to reducing emissions of greenhouse gasses.



Introduction of air conditioning equipment

Air conditioning equipment, which can be operated in a controlled and highly efficient way in accordance with ambient temperature, humidity, and usage, reduces excessive operation of air conditioning equipment. This will significantly reduce the electricity consumption and contribute to reducing CO₂ emissions.



Reduction of peak power

Controlling and distributing air conditioning load to time zones with high demand will reduce peak power, and contribute to reduction of loads onto power companies and local energy infrastructure.

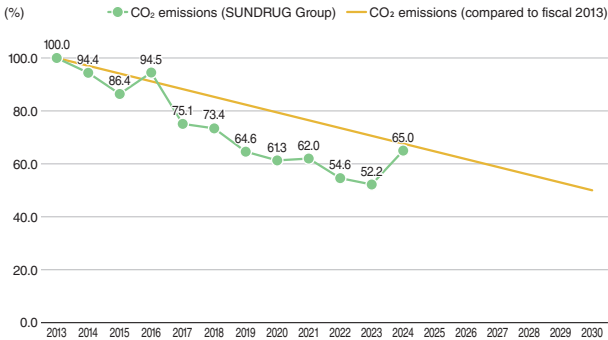
Contribution to decarbonizing management

Reduction of Scope 2 emissions (indirect emissions) related to power usage will serve as an important measure toward achieving the carbon neutrality goals.

Voluntary action plan

- 1. Medium-term numerical target** Fiscal 2030 target: 50% reduction of Group-wide Scope 2 CO₂ emissions from 2013 level
*Per basic unit (one square meter of store floor space)
- 2. Long-term numerical target** Fiscal 2050 target: Achieving carbon neutrality for Scopes 1 and 2 CO₂ emissions
*Scope 3 emissions are also to be continuously monitored and reduced by setting quantitative goals as much as possible.

CO₂ emissions trends and targets (compared to fiscal 2013)



- ### Introduction of environmental technologies
1. 2. Installation of solar panels
 1. 2. Introduction of air conditioning equipment
 1. 2. Introduction of CFC-free refrigeration and freezing equipment
 1. 2. Considering purchasing Carbon Offset (non-fossil fuel certificates, J-Credit, etc.)
 1. 2. Considering procuring electricity through off-site PPA
 2. Considering introduction of cutting-edge technologies such as storage cells and perovskite solar cells
- ### Education and awareness raising
1. 2. Strengthening control of temperature settings and other energy management practices
 1. 2. Improving employee awareness and knowledge of the environment and environmental management

Number of equipment installed *Group total

Number of installed stores/ planned	End of Fiscal 2021	End of Fiscal 2022	End of Fiscal 2023	End of Fiscal 2024	End of Fiscal 2025 (plan)
Solar panel equipment	0	32	92	199	230
CFC-free refrigeration and freezing equipment	19	97	174	237	300
Air conditioning equipment	0	4	109	303	360

Theme 1

Promotion of environmental management

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS

Reduction of food waste

We are working on initiatives to control and reduce food waste.

- Reduction of unsold products**
We are working to optimize product lineups, shelving allotment, volume of orders, and inventory levels based on the sales trend of each store.
 - Reduction of expired products**
We are working to sell out products by promoting “temaedori”* activities and by reducing prices at the right timing through sell-by date management based on our internal criteria.
 - Improved accuracy through utilization of IT systems**
We are improving the effectiveness of the measures above through continuous improvement of IT logics for the automated ordering system and other systems.
- **“Temaedori” is a purchasing behavior in which the customer chooses products that are close to their sell-by date, which are placed up front on the shelves, for immediate consumption after purchase.

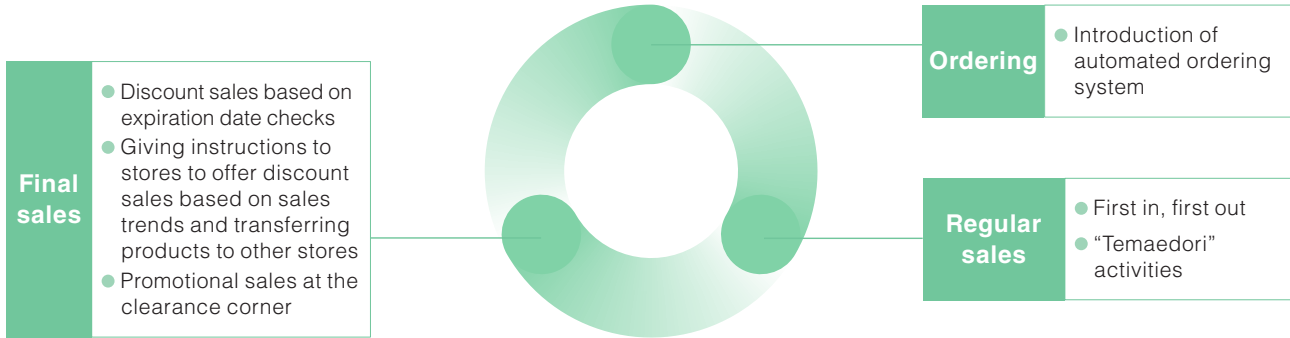


Food waste trends on weight basis

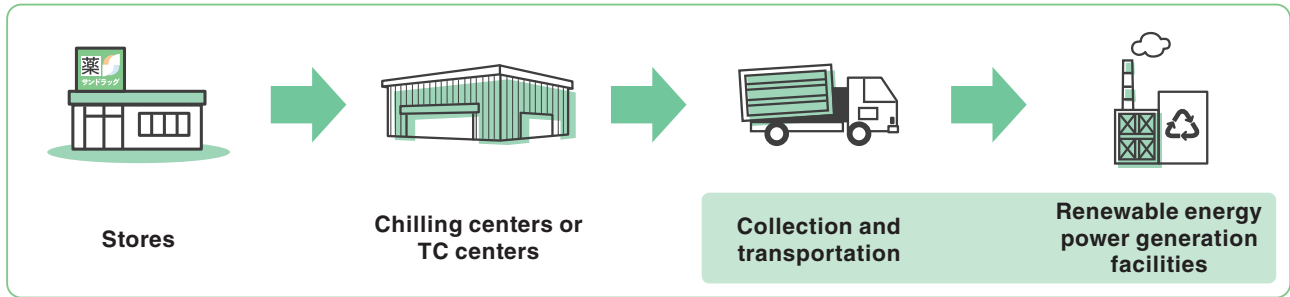
(Stores: All directly-managed stores/Unit: t)	Total Fiscal 2019	Total Fiscal 2020	Total Fiscal 2021	Total Fiscal 2022	Total Fiscal 2023	Total Fiscal 2024
Total weight deficit (t)	361	419	310	338	354	382
kg/net sales (million yen)	1.15	1.41	1.02	1.08	1.06	1.09
Compared to fiscal 2018	72.0%	88.2%	64.0%	67.5%	66.2%	68.3%

*The above figures are for SUNDRUG Co., Ltd. only

Image [Major initiatives]



In addition to the initiatives above, some distribution centers have started recycling waste that has been unavoidably generated by collecting and using it as energy. Going forward, we will gradually expand this initiative to other distribution centers to further improve our recycling rate.

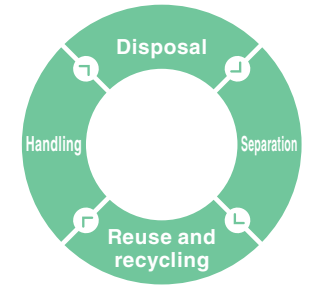


Initiatives to reduce non-food waste

Due to the nature of the products handled by drugstores, a large amount of cardboard boxes and plastic waste such as cushioning materials are generated. The current and future responses to such waste are as follows.

- Cardboard box waste**
Most cardboard boxes are recycled.
 - Plastic waste**
Some plastic waste is disposed of as industrial waste. Further reduction of plastic waste is an issue.
 - Paper waste**
Documents and other paper waste are recycled at the headquarters and some stores. We plan to gradually expand the number of target stores.
 - PET bottles**
PET bottles are separated into caps and bottles, and recycled in some stores. We plan to gradually expand the number of target stores.
 - Focused initiatives in future**
 - Reduction of the use of plastics
 - Reduction of disposed products through optimization in purchasing stock quantities
 - Promotion of reuse and recycling (including cooperation with business partners)
- Toward realization of a sustainable society, we will strengthen our initiatives to reduce waste in environmentally friendly manners.

Initiatives to reduce plastic waste



Use of environmentally friendly materials for PB products

- Adoption of materials with low environmental impact (environmentally friendly ink, reused raw materials, recyclable materials, etc.)
- Implementation of environmentally-conscious sales promotions (emphasizing environmental consciousness)
- Provision of information relating to environment credentials (marking signifying compliance with environmental initiatives and certification labels)

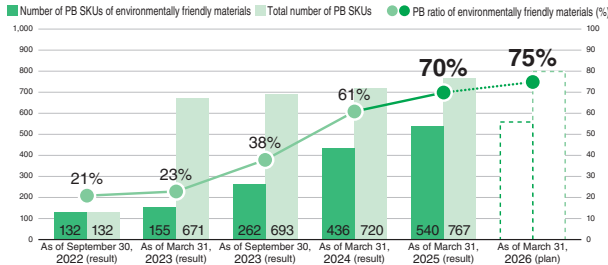
Although these initiatives are still under development, we will continue to provide compelling products with added value that meet the expectation of our society in this era in which environmental management is demanded.

Current activities

Achievement as of March 31, 2025 (achieved ratio): 540 SKUs (70.4%)
Goal for March 31, 2026: 75%

Future activities
New products: 100% compliant with sustainable and environmentally friendly materials
Existing products: Gradually shift to use of sustainable and environmentally friendly materials

PB ratio of environmentally friendly materials, target (annual)



Other environmental initiatives

- Initiative on use of own bottles**
We have installed water servers at the headquarters and each training center to provide employees with an opportunity to use their own bottles, and thereby to reduce use of disposable PET bottles. This effort contributes not only to reduction of plastic waste but also reduction of CO₂ emissions related to production, transportation, and disposal.
Toward realization of a decarbonized society, we will continue promoting initiatives that are based on our daily operations.
- Thorough waste sorting**
By thoroughly sorting waste, we are improving the ratio of reusable resources collected and reducing the volume of incinerated waste. By doing so, we are contributing to reduction of CO₂ emissions resulting from incineration disposal, and aiming at reducing environmental impact through effective use of resources.
We will maintain awareness of the environmental impact of our business activities and continue working on initiatives toward realization of a circular society.



Initiatives based on TCFD recommendations

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD is a framework for disclosing critical information related to the risks and opportunities presented by climate change and we recognize it as a common yardstick for investors. We respond appropriately to the TCFD recommendations in accordance with the requests set out in securities reports and the Japanese Corporate Governance Code with a focus on the completeness, accuracy and consistency of information.

Response to TCFD recommendations based on the requirements of the Corporate Governance Code	
Objectives	Identify high-impact risks using a scenario analysis approach that assumes what kind of society the world will be like in 2030 to 2050, and study, formulate, and implement the necessary countermeasures in advance to maintain business continuity and corporate growth.
Scenarios	2°C scenario: A scenario in which the temperature rise from pre-industrial revolution levels is limited to 2°C at the end of the 21st century. As we move toward a decarbonized society, there will be risks in terms of policy regulations, technology costs, market trends, reputation, etc. For the calculations, we used information from the IEA (International Energy Agency), the IPCC (Intergovernmental Panel on Climate Change), and other sources and adopted the IEA NZE, which aims to achieve net zero by 2050. 4°C scenario: A scenario in which no progress is made in combating climate change and the rise in temperature from pre-industrial revolution levels reaches 4°C at the end of the 21st century. There will be higher physical risks due to climate change, such as increased severity of natural disasters and rising sea levels. For the calculations, we used information from the IEA, the IPCC, and other sources and adopted the "IPCC RCP 8.5" scenario, which assumes a temperature rise of 2.6 to 4.8°C, and the "IEA STEPS," which assumes the implementation of policies that have been announced by different countries.
Target businesses	Drugstore business (including dispensing pharmacy business)
Scope of analysis	SUNDRUG Group (headquarters and stores)
Considerations	- Transition risk: Changes in policies, laws, technologies, and markets as we transition to a low-carbon society aimed at mitigating climate change, which may affect the financial position of a company or its reputation/rating - Physical risk: Short-term weather-related disasters such as typhoons, floods, and forest fires (acute risk), and long-term ongoing weather-related disasters such as water shortages, rise in sea level, extreme heat, and air pollution (chronic risk), which may affect the financial position of a company. - Opportunity: Increased sales of products that are generally correlated with rising temperatures
Scenario period	"Present to 2050" is recommended, but "up to 2030" will be used

Contents of disclosure

Governance

Board of Directors

Its main role is to decide on matters that are legally determined to be the sole responsibility of the Board of Directors, such as the basic policy for progress management, and to supervise the performance of duties by directors. The Board of Directors has final oversight of sustainability management based on reports from the ESG Committee and deliberates on the matter from the perspective of responding to sustainability-related risks and opportunities.

ESG Committee

The committee oversees sustainability activities aimed at sustainable growth of the Group, and is responsible for considering its direction, approving implementation plans, and managing progress. The Sustainability Management Promotion Division serves as the secretariat for the ESG Committee, coordinating specific measures with relevant departments in accordance with guidance and other requirements.

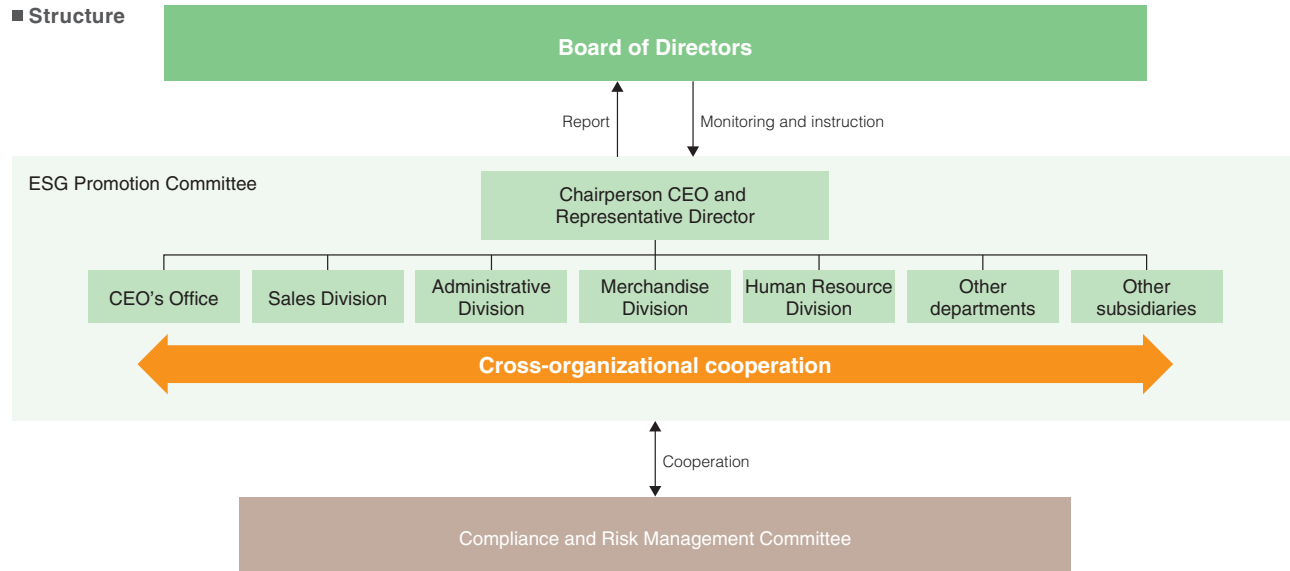
Compliance and Risk Management Committee

The Committee works with the ESG Promotion Committee, assesses the impact of sustainability-related laws and regulations, and implement specific deliberations and responses to prevent risks from occurring or materializing.

Representative Director's roles

The CEO and Representative Director makes the final decisions regarding the allocation of management resources, establishment of systems, and promotion of initiatives, while ensuring that sustainability initiatives are aligned with business activities.

Structure



Strategy

Short-term risks, opportunities, and business impact

- We recognize that continuous new store openings are a pillar of our growth strategy and that the risk of flooding increases as the number of stores increases. The flood depth for each store can be checked on the Hazard Map Portal Site operated by the Ministry of Land, Infrastructure, Transport and Tourism.
- It is the responsibility of the members of the ESG Committee to collect and understand scientific and academic knowledge regarding climate change.
- We reduce the risks related to electrical equipment (e.g. outlets) by installing it on a higher level than where it is likely to be exposed to severe damage in the event of flooding. We have also raised the bottom part of the merchandise shelves to prevent the merchandise from getting soaked in the water.
- We will also prepare a manual for measures to be taken in the unlikely event of flooding.
- We will create a BCP together with our business partners and respond accordingly. We believe that there is no significant risk of severe impact in the period up to 2030.
- We have identified opportunities in products for which demand is expected to increase based on a survey conducted by the Japan Meteorological Agency in 2015*.

*See the "Research on Climate Risk Management in the Drug Store Industry" commissioned by the Japan Meteorological Agency in 2015

Risk management

Risk identification and assessment process

- We incorporate scientific data and academic knowledge on climate change into our business activities, utilizing databases of national, university, and private think tanks.
- We also proactively grasp the status of government advisory councils regarding regulatory requirements related to climate change and report this to the ESG Committee.
- The Compliance and Risk Management Committee evaluates the impact of climate change-related laws and regulations to ensure that risks do not arise.

Indicators and targets

The Company engages mainly in the drugstore and discount store businesses and is promoting the reduction of GHG emissions by referring to the "Industry-specific Commentary on the Basic Guidelines for Calculating Greenhouse Gas Emissions Throughout the Supply Chain (Retail Industry) (Draft)."

We will prioritize reducing direct emissions (S1), which can be reduced to a certain extent through our own efforts alone, indirect emissions from energy sources (S2), and waste generated by business operations (S3C5). We aim to obtain verifiable, accurate data in cooperation with our partner delivery companies for transportation and delivery (upstream = S3C5, downstream = S3C9). We will also obtain verifiable, accurate data for procurement data (S3C1), which indicates an overwhelmingly large amount of emissions.

- Achieve 50% reduction of GHG emissions by 2030
- Achieve carbon neutrality by 2050

Theme 1

Promotion of environmental management

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

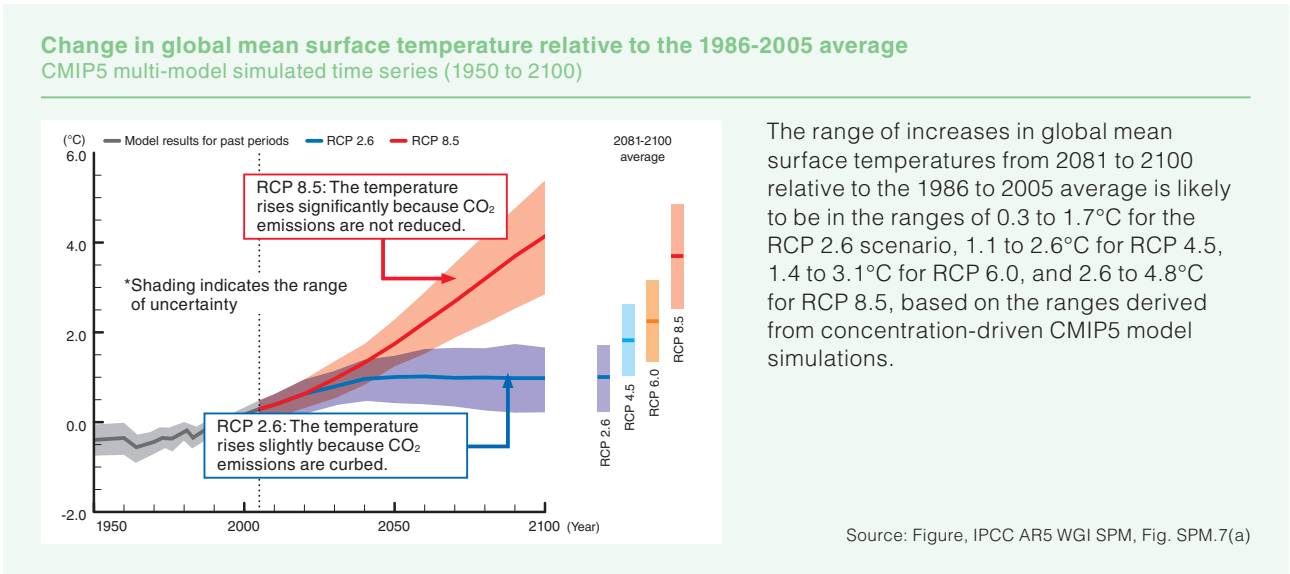
13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS

Analysis based on a scenario



Parameters

Important items	Assumed parameters	Now	4.0°C (RCP 8.5)	2.0°C (RCP 2.6)	Remarks
Carbon prices	Carbon tax	Not introduced	1 t-CO ₂ (minimum) 10,000 yen to (maximum) 30,000 yen		Carbon price forecast based on the Ministry of the Environment's "Plan for Global Warming Countermeasures" for fiscal 2030
GHG emissions	CO ₂ emissions	Approx. 59 [Gt-CO ₂]	Estimated to be approx. 20% higher than in 2010, equivalent to approx. 70 to 80 Gt-CO ₂	Approx. 45% reduction compared to 2010, equivalent to approx. 25 to 30 Gt-CO ₂	IPCC6
Energy prices over time	Oil prices	84.6 USD/barrel (WTI)	85 b/US\$	50 b/US\$	IEA WEO 2023
	Electricity bills	¥27,000	60 to 100/USD	80 to 120/USD	IEA WEO 2022
The spread of EVs (electric vehicles)	Penetration rate	1.66%	5.00%	39.50%	Global Calculator
Rising average temperatures	Rising temperatures	—	1.2°C	1.1°C	WB Climate Change Knowledge Portal
Midsummer Day (maximum temperature of 30°C or higher) Severely hot day (maximum temperature of 35°C or higher) Extremely hot day (maximum temperature of 40°C or higher)	Days	—	Midsummer days: 75.1 days Severely hot days: 20.5 days Extremely hot days: 0.8 days	Midsummer days: 68.5 days Severely hot days: 14.2 days Extremely hot days: 0.2 days	"Assessment Report on Climate Change Impacts in Japan" (Ministry of the Environment, 2020) https://www.env.go.jp/earth/ondanka/rep/r02/index.html
Increasing severity of extreme weather (frequent flooding)	Probability	—	Quadruple	Double	"Proposal for flood control planning based on climate change"

Worldview and business environment

		4.0°C (RCP 8.5)	2.0°C (RCP 2.6)
Climate		● A world in which the global average temperature by 2100 increases 4°C above pre-industrial levels	● A world in which the global average temperature by 2100 increases 2°C above pre-industrial levels (as agreed in the Paris Agreement)
Rising sea levels and extreme weather events		● Increases in sea level rise and extreme weather events become more noticeable	● Increases in sea level rise and extreme weather events are relatively limited
Risks to ecosystems and human society		● Increases risks to ecosystems and human society	● Moderate risks to ecosystems and human society
Sudden heavy rains, river flooding, large typhoons		● The risk of sudden heavy rains, river flooding, and large typhoons increases significantly. Possibility of increased damage in the case of insufficient implementation of adaptation measures	● The risk of sudden heavy rains, river flooding, and large typhoons increases slightly. Relatively limited damage due to implementation of adaptation measures
Worldview		● Increasingly severe and frequent extreme weather events due to climate change increasing the risk of natural disasters, infectious diseases, etc.	● Policies are introduced and development of technologies that will facilitate the transition to a decarbonized society, such as the shift to renewable energy and adoption of a carbon tax, are promoted
		● Society where changes in the business environment and consumer behavior due to climate change are highly likely to affect business	● Society where changes in the business environment associated with the transition to a decarbonized society are highly likely to affect business
Policy		● Physical risks materialize	● Regulatory (transition) risks materialize
		● Carbon tax is not introduced	● Carbon tax is introduced
Procurement and logistics		● Current energy conservation and renewable energy promotion measures are maintained	● Energy conservation and renewable energy measures are further promoted
		● Increasing for agricultural, livestock, and fishery products (yield decrease, quality decline, etc., due to disasters in production areas, climate change, etc.)	● Increasing due to cost of environmental measures (forest protection, plastic regulations, introduction of carbon tax, etc.)
Changes in consumer goods and consumers		● The proliferation of disposable products and increased resource consumption	● Promoting long-life products and sharing
		● Establishment of lifestyles to cope with extreme heat	● Establishment of environmentally friendly lifestyles
Lifestyles		● Increased demand for disaster prevention and stockpiling products	● Increased demand for sustainable products
	Food	● Increased meat consumption and high food waste	● Increased plant-based food consumption and reduced food waste
	Housing	● Slow improvements in energy efficiency and increased energy consumption	● Promotion of energy-saving housing and introduction of high-efficiency equipment
	Transportation	● Gasoline vehicles are mainstream, and public transport use is limited	● Increased use of electric vehicles and public transportation
	Leisure	● Mass consumption tourism continues, and nature experience activities are limited	● Increase in environmentally friendly tourism and popularization of nature experience activities
	Services	● Continuation of fossil fuel-dependent services and insufficient energy efficiency improvements	● Expansion of low-carbon services and improvement of energy efficiency

Risks and opportunities

Risk/ opportunity categories	Assessment items	Indicators		Types of risks and opportunities	2030 financial impact	
					4.0°C (RCP 8.5)	2.0°C (RCP 2.6)
Transition risks	Carbon tax	Policies and regulations	Revenue Balance	The introduction of a carbon tax increases the operating costs of stores, offices and vehicles.	Large	Large
	Mandatory GHG reduction	Policies and regulations	Revenue balance	GHG reduction obligations are tightened, and the costs of improving the environmental performance of stores, offices, logistics facilities, delivery vehicles, etc. increase.	Small	Medium
		Policies and regulations		The use of some fluorocarbons is banned or restricted, and costs for updating equipment, etc. increase.	Small	Small
	Energy prices over time	Geopolitical risks and international supply and demand trends	Revenue balance	Rising prices of fossil fuels and electricity increase the operating costs of stores and offices.	Small	Medium
		Trends in policies and regulations as well as supply and demand		The trading prices of renewable energy go up.	Small	Medium
	Changes in consumer lifestyles and preferences	Products and services	Revenue balance	Decreased sales due to delayed introduction of environmentally friendly products and services	Small	Medium
	Changes in consumer opinion	Brand image	Revenue balance	Failure to respond appropriately to growing public concern about climate change increases reputational risks.	Small	Medium
	Changes in reputation among students	Brand image	Revenue balance	Failure to respond appropriately to growing public concern about climate change degrades the brand image, leading to a decrease in applications and hiring. Thus, recruitment costs increase.	Small	Medium
	Changes in valuations by investors and rating agencies	Market	Capital	Investors' view of the Company as being reluctant to take environmental measures makes it more difficult to raise capital, and capital procurement costs increase.	Small	Small

Theme 1

Promotion of environmental management



Risks and opportunities

Risk/ opportunity categories	Assessment items	Indicators		Types of risks and opportunities	2030 financial impact	
					4.0°C (RCP 8.5)	2.0°C (RCP 2.6)
Physical risks	Increasing severity of extreme weather	Acute	Revenue balance and capital	Increased flooding and strong winds cause stores to be flooded or destroyed, resulting in costs for recovery. The asset value of stores at high risk of flooding decreases and insurance premiums increase, resulting in lost opportunities during the period required to restore damaged stores.	Large	Large
	Changes in precipitation and weather patterns	Chronic	Revenues and expenses	More frequent torrential rains and large typhoons increase delivery delays and accidents, leading to higher delivery and labor costs.	Medium	Medium
	Rise in sea level	Chronic	Revenue balance and capital	Increased insurance costs and relocation costs for stores due to increased risk of flooding from high tides and tidal waves	Small	Small
	Rising average temperatures	Chronic	Revenue balance and capital	Increases in energy costs for cooling and refrigeration for stores and offices, company cars, and personally owned vehicles used for company purposes	Small	Small
Opportunities	Changes in consumer lifestyles and preferences	Products and services	Revenue balance	Demand for a range of environmentally friendly products can increase.	Medium	Medium
	Changes in consumer opinion	Brand image	Revenue balance	Responding appropriately to growing public concern about climate change increases reputational opportunities.	Small	Medium
	Changes in reputation among students	Brand image	Revenue balance	Responding appropriately to growing public concern about climate change improves the brand image, leading to an increase in applications and hiring. Thus, recruitment costs decrease.	Small	Medium
	Changes in valuations by investors and rating agencies	Brand image	Capital	Shift to a low-carbon, environmentally friendly business and dissemination of more information improve evaluations by investors, making it easier to raise capital and decreasing the cost of raising capital.	Small	Small

Indicators and targets

Fiscal 2030 target	50% reduction* of Group-wide Scope 2 emissions from fiscal 2013 level *Per basic unit (one square meter of store floor space)
Fiscal 2050 target	Achieving carbon neutrality for Scopes 1 and 2 emissions *Scope 3 emissions are also to be continuously monitored and reduced by setting quantitative goals as much as possible.

GHG emissions over time

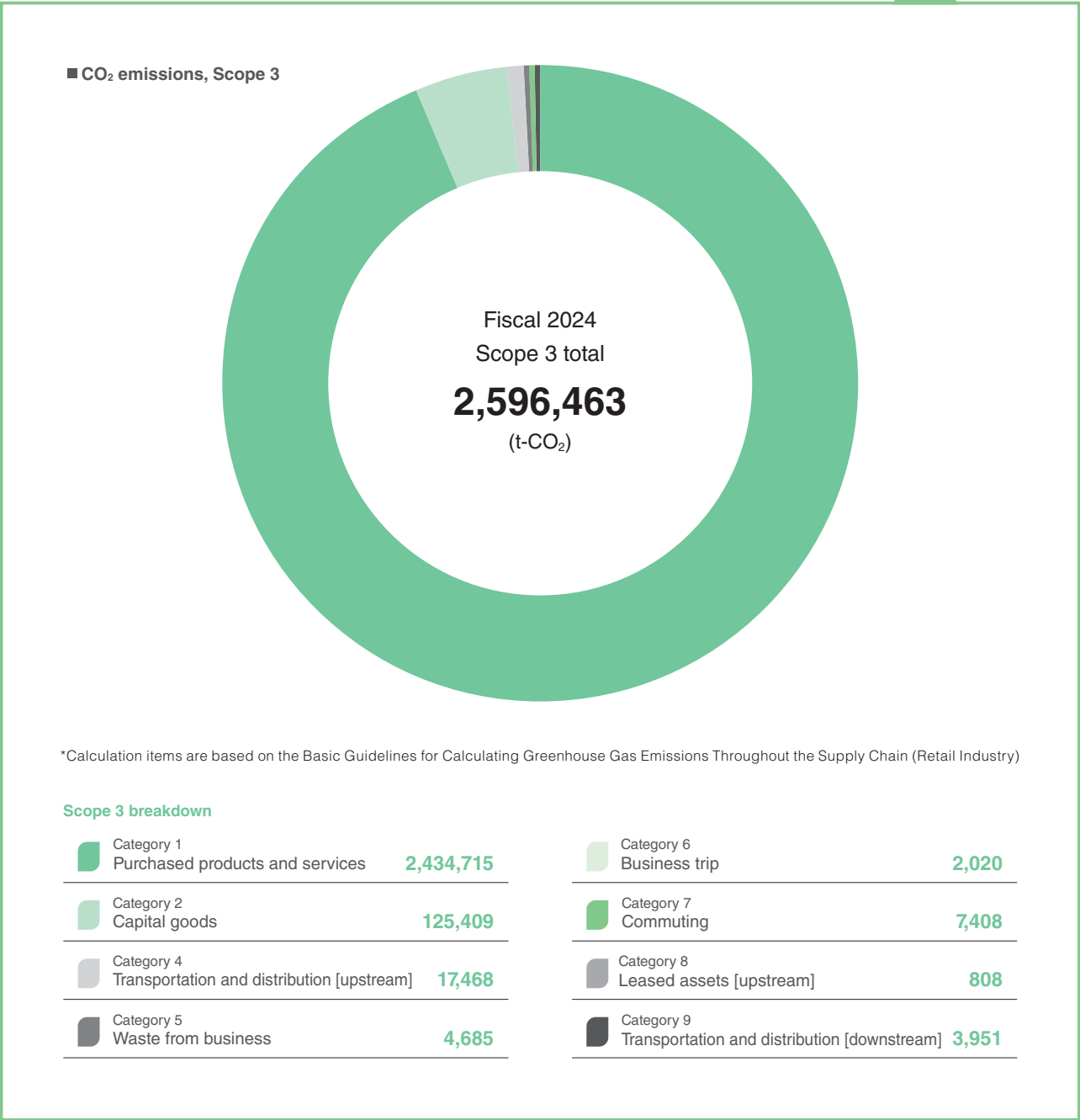
Item	Fiscal 2013	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2030
CO ₂ emissions* ¹ (t-CO ₂)	125,787	161,432	149,472	149,880	163,968	154,230	162,921	209,626	237,100
CO ₂ emissions (per gross floor area)* ² (t-CO ₂ /m ²)	0.200	0.145	0.129	0.123	0.124	0.109	0.108	0.130	0.100

*1 CO₂ emissions include emissions associated with the use of fuels and use of electricity and heat supplied. The method and scope used for calculation are the same as those stated in the regular report under the Act on the Rationalization, etc. of Energy Use.

*2 Gross floor area is as of March 31 of each fiscal year.

CO₂ emissions status (Scopes 1, 2, 3)

Scope 1	Scope 2	Scope 3
22,197 (t-CO ₂)	209,626 (t-CO ₂)	2,596,463 (t-CO ₂)
Scopes 1, 2, 3 total		2,828,286 (t-CO ₂)



Theme 2

Implementation of human capital management

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

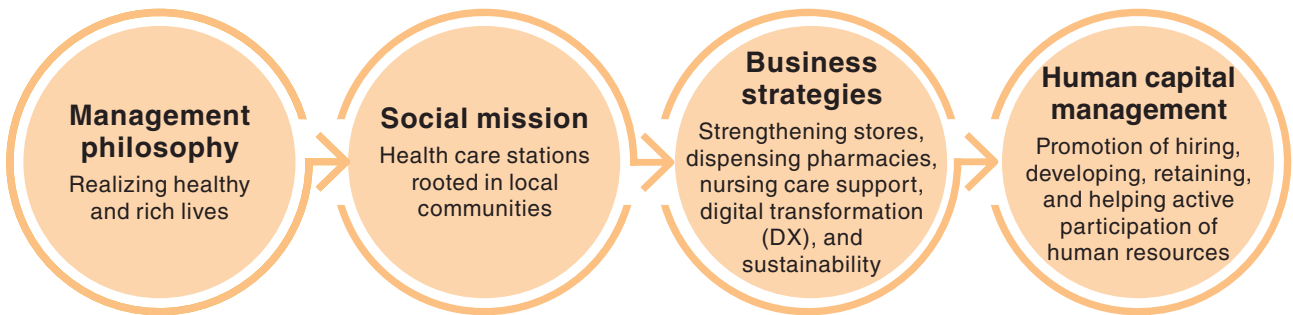
Human capital management

The Group aims to enhance its human resources as an important foundation for realizing its corporate philosophy and contributing to society through its business, and is committed to human capital management.

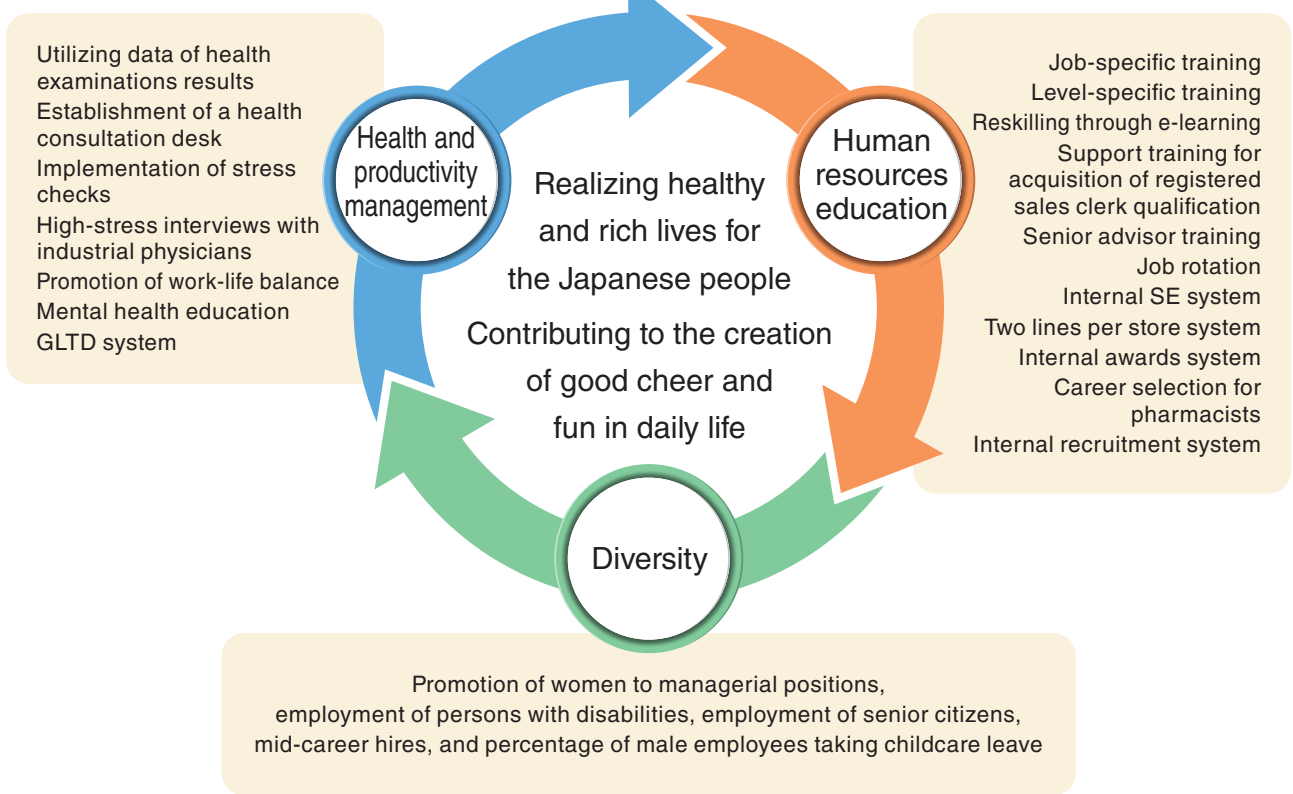
Basic policy

The Group is working toward contributing to society through its drugstores, dispensing pharmacies and other businesses, with the corporate philosophy of “realizing healthy and rich lives.” Under this philosophy, the Group is strengthening its functions rooted in local communities spanning from provision of daily necessities to at-home medication dispensing, nursing care support, and delivery of pharmaceuticals to remote locations as regional health stations. Human resources are essential to realize this future vision, and thus the Company is promoting human capital management. The Group is hiring and developing personnel who will contribute to promotion of digitalization, sustainability, and productivity improvement, as well as personnel who will handle opening of more stores, M&As, and strengthening of e-commerce/dispensing pharmacy businesses. At the same time, the Group is working to create an environment in which all employees can demonstrate their capabilities to the maximum extent.

Strategy



Tactics

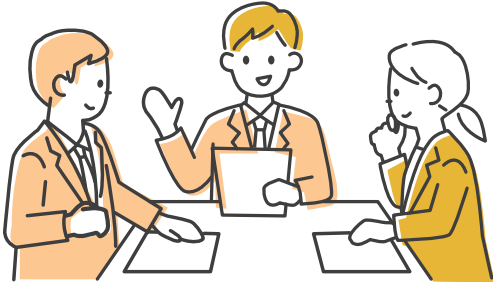


Recruitment policy and initiatives on securing human resources

The Group is promoting hiring of diverse human resources who will support our sustainable growth by fairly and objectively evaluating applicants’ aptitude, abilities, and motivation, regardless of gender, nationality, or age. New graduate recruitment and mid-career hire is conducted systematically and on a nationwide basis in accordance with a five-year plan. The Group is working on securing talented human resources through continuous follow-up, offering of diverse work styles, and retention support.

Hiring categories and applicable human resources

- New graduate recruitment**
Hiring personnel for pharmacist positions, store operation positions, beauty advisor positions, and other positions indispensable for operation of stores and pharmacies.
- Mid-career hires**
Hiring mainly qualified personnel such as pharmacists and registered sales clerks and personnel with work experience in the cosmetics and beauty care area to secure immediate work force.
- Professional hires**
Hiring personnel with expertise who will handle initiatives to diversify and advance our businesses, such as store development, e-commerce business, and DX promotion.



Diversified hiring methods

- Referral hiring**
Some applicants are introduced by our own employees who understand our corporate culture and required skills. This improves retention rate and avoids mismatches after hiring.
- System to appoint non-regular employees as full-time employees**
The Group provides non-regular employees who can work full time with career advancement opportunities in accordance with their motivation and abilities. The system allows employees to work with their existing operational understanding without additional training, resulting in smooth transition and high retention rates.

Introduction of flexible employment categories

We have three patterns of employment for store employees.

- Local employees**
(No job transfer that requires home relocation)
- Regional employees**
(With job transfer that requires home relocation within a specified region)
- National employees**
(With job transfer nationwide)
- Offering flexible work styles that accommodate lifestyles and career preferences of individuals

Follow-up system after joining the Company

- Join the Company**
- Two months later: Conduct follow-up survey after joining the Company**
 - Identify any reality shock
 - Troubles, concerns and other issues at the assigned workplace
- Three months later: Follow-up seminar (1)**
 - Group discussion
 - Feedback from senior employees
- Eight months later: Follow-up seminar (2)**
 - Comprehensive feedback on overall trends
 - Individual care as necessary
- Impact and results**
 - Improved working environment
 - Improved work-life balance
 - Strengthened employee engagement
 - Contribution to sustainable corporate growth



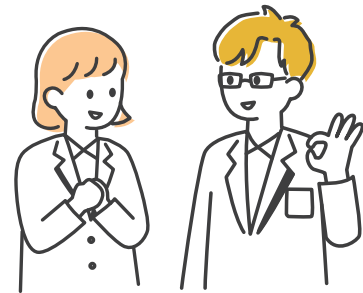
Theme 2

Implementation of human capital management



Human resources education

We believe that the development of human resources with diverse values and ideas, and the creation of an environment in which employees are able to fully demonstrate their abilities are essential for sustainable corporate growth. Therefore, we are working on the creation of a working environment that takes advantage of diversity and the enhancement of staged education and training systems that are effective, respecting the individuality and strengths of each employee.



Policy for human resources education (career path and job rotation)

Anticipating strengthening of the overall functions of the drugstore, discount store, e-commerce/digital, and other businesses, our Group emphasizes career development and job rotation after hiring.

At the initial stage of their career, employees undergo job-specific training to improve their knowledge and skills and increase customer delight under our Group's unique "two lines per store system." After that, we implement cross-departmental rotations to provide employees with opportunities for diverse work experiences, and thus develop human resources who have both a holistic perspective and expertise.

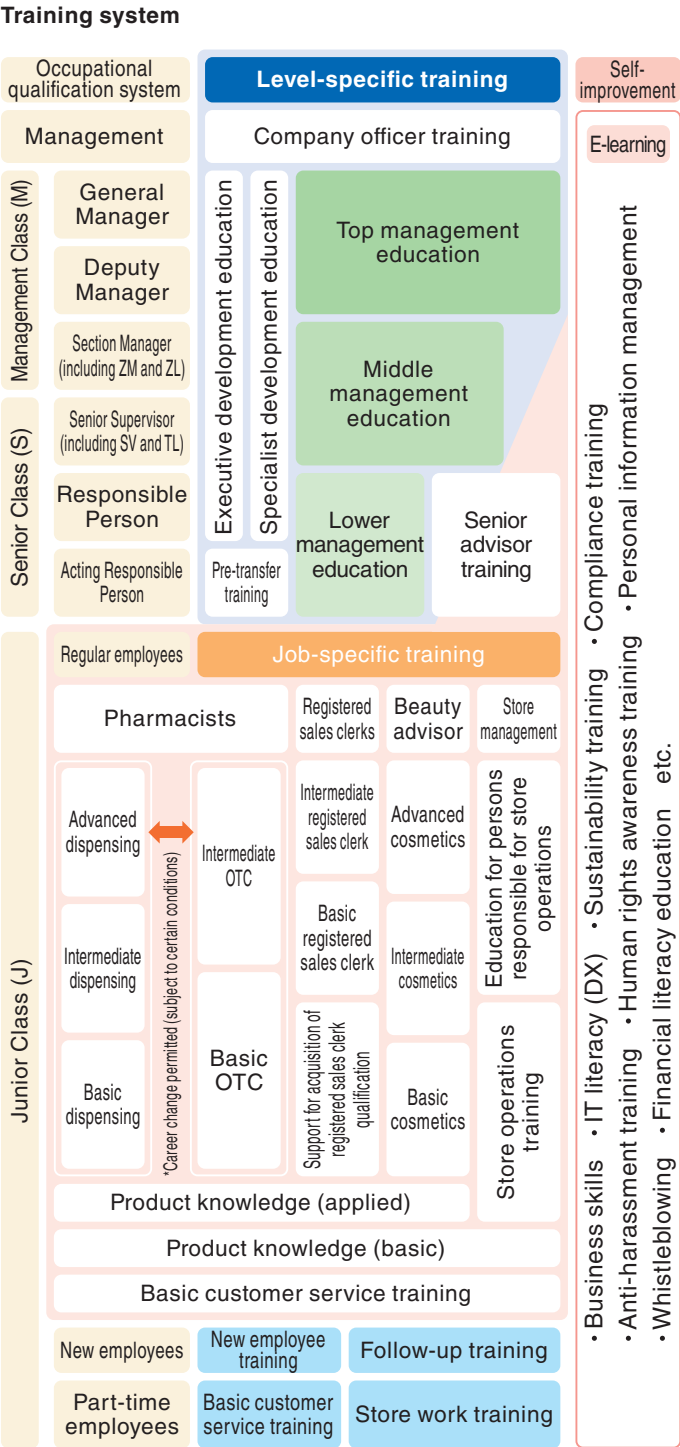
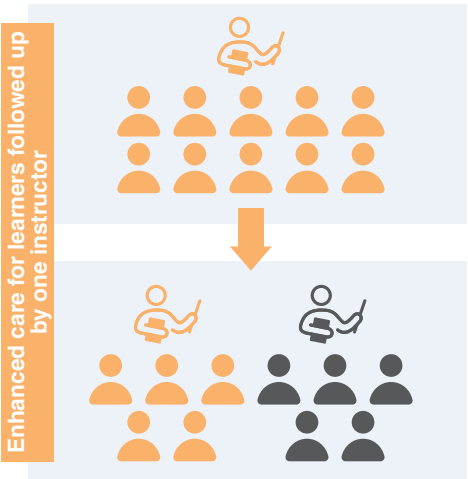
Objectives of job rotation

- Appropriate allocation of personnel in accordance with abilities of individual employees
- Development of the ability to make proposals that respond to feedback from customers and patients
- Acquisition of the ability to make flexible judgment and adapt to circumstances even in emergency situations

Enhancement of education system

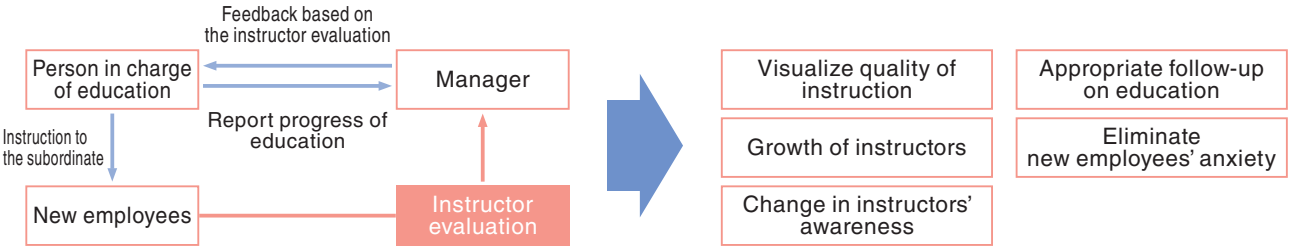
We have established a system where a supervisor follows up education, in addition to a person in charge of off-the-job training (Off-JT). The number of learners one instructor is responsible for has been optimized to improve the quality of education.

Furthermore, we are strengthening the linkage between Off-JT and on-the-job training (OJT), to promote practical education that integrates learning in a classroom setting and learning on the job. We are working on this initiative as a continuous investment in human resource education.



Utilization of instructor evaluation to visualize instructors' abilities and improve the quality of education

Instructors' abilities and progress of education are visualized based on feedback from employees who receive education. This helps deepen mutual understanding between the supervisor and the subordinate and realize education in accordance with learners' understanding. This also helps optimization of job assignment and early discovery of issues, promoting creation of an environment where all employees can demonstrate their abilities. Going forward, we will strengthen analysis of evaluation gaps and feedback to instructors to further improve instructors' abilities and the quality of education.



Demonstrate expertise under the two lines per store system

Since high level of expertise is required in each of the pharmaceuticals, cosmetics, and store operations businesses, the Company has adopted the "two lines per store system," in which staff are divided into the three job functions, namely dispensing and OTC counseling, cosmetics counseling, and store operations, and can focus on their specific duties.

The system enables individual staff to fully demonstrate their abilities in their areas of expertise, leading to improvement in the quality of services and customer satisfaction at stores as a whole.

Education system for pharmacists and development of generalists

In addition to the job-specific training^{*1} and the level-specific training^{*2}, the Group provides specialized curricula that aims to develop family care pharmacists. Our education for pharmacists is divided into dispensing course and OTC course, which have the following contents aiming to strengthen the expertise of pharmacists.

- Dispensing course**
Acquisition of advanced dispensing techniques and skills to analyze prescriptions at training type dispensing pharmacies
- OTC course**
Develop counseling skills based on a two lines per store system at drugstores

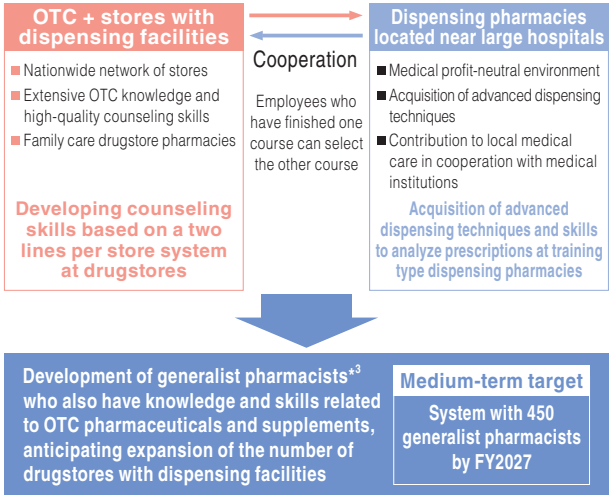
Employees who have finished one course can choose to select the other, to help them acquire skills to handle both dispensary and OTC operations.

In addition, we are promoting development of generalist pharmacists^{*3} who also have knowledge and skills related to OTC pharmaceuticals and supplements, anticipating expansion of the number of drugstore pharmacies. Currently we have 183 generalist pharmacists and aim to increase the number to 450 by fiscal 2027.

Improving motivation through internal awards systems

To improve employee engagement and foster corporate culture, the Company has instituted various internal awards systems, such as the "Outstanding Customer Service Award" given to employees who provide pleasant customer service and the "Outstanding Salesperson Award" given to employees who provide proposals to customers that are useful for their health. The Company has established these systems to recognize actions of employees who are highly customer-oriented and willing to contribute.

These are motivating employees to grow and resulting in further improvement of the quality of services.



^{*1} Employees who are assigned to OTC stores, pharmacies, or cosmetic stores and have finished their specialized curriculum for pharmacists (OTC/dispensing), registered sales clerks, or cosmetics staff

^{*2} Employees who have acquired general knowledge and knowledge on management skills for their job levels

^{*3} Pharmacists who have acquired knowledge, skills, and experience necessary for counseling on OTC pharmaceuticals and supplements, in addition to those for dispensing prescription pharmaceuticals

Theme 2

Implementation of human capital management



Respect for diversity, equity, and inclusion

(Creating an environment in which diverse human resources can thrive)

Considering the characteristics of drugstores where diverse customers and employees interact with each other, we position respect for diversity, equity, and inclusion (DE&I) as the core of our management. We will contribute to the sustainable development of local communities through creating an environment where every employee can work and every customer can use our services without any worries.



Flexible work styles

Lifestyles of employees are diversifying depending on their life stage and life events, as well as their age, gender, and whether they have disabilities or not. To respond to such diversity, it is essential to establish a working environment that accommodates flexible work styles.

To enable all employees to work in accordance with their lifestyles, the Group is proactively promoting work style reforms that aim to improve work-life balance.

Major initiatives

Reduction of overtime working hours
Promotion of utilization of paid leave
Optimization of working hours
Securing adequate intervals between work shifts
Introduction of the system for employees with fixed working hours and employees working only at one specific store
Introduction of a system for allowing employees to choose locations and regions in which they work

Results

	Fiscal 2022	Fiscal 2023	Fiscal 2024
Average overtime hours	10.7 hours	12.7 hours	11.6 hours
Paid leave utilization rate	73.1%	67.7%	68.5%
Intervals between work shifts	—	13.4 hours	13.1 hours

*Average overtime hours are for SUNDRUG Co., Ltd. only

Through developing these systems, we are aiming to create an environment where every employee can continue working on a flexible basis.

Active participation of women and creation of comfortable working environment

Against the backdrop of the spread of self-medication, the drugstore industry is attracting increasing attention among women. At the Company, the ratio of full-time female employees has increased by nearly 20 percentage points over the past five to six years, with female employees now accounting for approximately 40% of our full-time staff.

We are promoting the creation of a culture where female employees can continue working even after changes in their life stages such as marriage, pregnancy, childbirth, and parenting.

Major initiatives

- Childcare support
Childcare leave and shorter working hours systems exceeding statutory requirements, returnee follow-up system, distribution of maternity marks (introduced incorporating employee feedback), etc.
- Development of responsible persons and managers
Acting responsible person follow-up training, pre-transfer education for responsible persons, and executive development education

	Fiscal 2022	Fiscal 2023	Fiscal 2024
Ratio of female employees as responsible persons	34.5%	41.0%	40.3%
Ratio of female employees in management positions	18.7%	18.7%	20.4%
Ratio of female employees taking childcare leave	100.0%	100.0%	100.0%
Ratio of male employees taking childcare leave	90.2%	84.8%	85.6%

*The above figures are for SUNDRUG Co., Ltd. only

Certifications (Ministry of Health, Labour and Welfare)

The Company has been awarded “Eruboshi (three stars)” under the certification system for companies with good corporate practice in promotion of women’s participation, and “Platinum Kurumin” under the certification system for companies working proactively on parenting support.

The Company will continue to promote the creation of a workplace where all employees can work flexibly in accordance with their life stages, and thereby maintain sustainable growth as a company.



Platinum Kurumin



Eruboshi three stars

Employment of persons with disabilities

The Company proactively promotes employment of persons with disabilities and working on realization of a workplace that can make full use of their abilities. The Company is employing persons with disabilities in accordance with job descriptions and helping them settle into the Company at a range of business divisions, including the Store Support Division and the Support Center Operations Division. Among these, SUNDRUG Dream Works, a special-purpose subsidiary under the Act to Facilitate the Employment of Persons with Disabilities, leads our activities to promote employment of persons with disabilities in a variety of areas, including stores, headquarters, and logistics centers. While we used to employ persons with disabilities mainly at the headquarters and other specific locations, we are currently focusing on their employment at the stores we have nationwide, significantly increasing employment opportunities rooted in local communities.

Major initiatives on employment of persons with disabilities

Item	Description
Employment promotion system	Employment of persons with disabilities at stores, headquarters, and logistics centers is promoted mainly by SUNDRUG Dream Works, a special-purpose subsidiary
Promotion of employment at stores	Employment opportunities significantly increased due to employment at stores located nationwide. Mismatches between employees and workplaces are prevented through in-store training in advance
Follow-up system	13 employees appointed as Working Life Counselors for Persons with Disabilities follow up employees with disabilities. Smartphones are provided to all employees with disabilities to make daily reports and share their working status. A system is established to respond quickly to any changes
Retention support	The employment promotion meeting is held on a monthly basis to share the employment status and issues and discuss improvement measures

Results

Item	Description
Ratio of employees with disabilities	3.19%
Awards	Received “Excellent Company Awards for Employment of Persons with Disabilities (Bureau of Industrial and Labor Affairs Chief’s Award)” from the Tokyo Metropolitan Government in 2019



Promotion of mid-career hires and employment of senior citizens

We provide employees with training opportunities and career advancement supports that are impartial and not dependent on how they were hired, and systems of evaluation and employment conditions aligned with individual abilities and performance. Moreover, we actively re-employ former employees who resigned owing to childbirth, parenting, nursing care, and other life events after certain years of service, and the re-hiring of returnees who pursued careers elsewhere.

Furthermore, we are also working on promotion of employment of senior citizens. We are developing a comfortable workplace for them by performing reviews of work details and assigning them to limited work such as stocking shelves early in the morning.

Mid-career recruitment ratio

Company name	Fiscal 2022	Fiscal 2023	Fiscal 2024
SUNDRUG CO., LTD.	27.5%	36.0%	34.6%
DIREX CORPORATION	46.2%	55.9%	69.6%
Sundrug Plus Co., Ltd.	66.6%	41.7%	53.2%
Seikodo Pharmacy Corporation	28.6%	21.4%	25.6%
Daiya Inc.	54.0%	65.5%	41.9%

Theme 2

Implementation of human capital management

5 GENDER EQUALITY

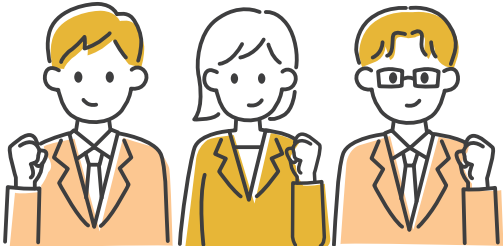
8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

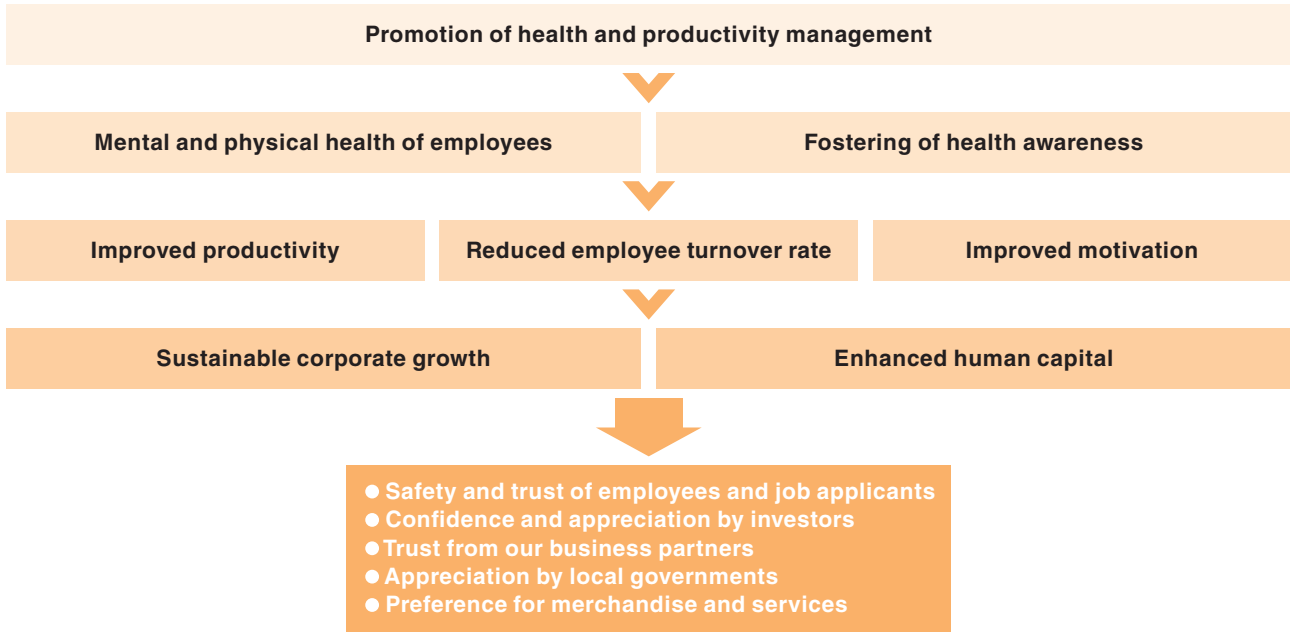
Health and productivity management

The most important driving force for sustainable growth of our Company is our employees, and the foundation is their health. We believe that the mental and physical health of our employees will lead to improved health and quality of life for not only themselves but also their family members and our customers.

Considering our employee composition which includes many young employees, we are focusing on supporting improvement of lifestyle habits anticipating the future. We will work on the creation of a workplace where individual employees can take a proactive approach to their own health by improving their health awareness from an early stage. Going forward, we will continue to actively promote health and productivity management .



Health and productivity management framework



Initiatives on health and productivity management

Promotion of safety and health activities

Activities to prevent labor accidents and occupational disease are conducted under the lead of the Safety and Health Committee which meets every month. We are working on continuous improvement of the working environment and better health of our employees.

Raising awareness of safety and health through continuous education

As part of health and productivity management, we are providing education on lifestyle habits and mental health. Through continuous education based on the manuals and rules that reflect past cases of accidents, we are raising employees' awareness of safety and health.

Compliance with laws and regulations related to safety and health

By complying with labor-related laws and regulations, as well as the regulations and rules determined by the Safety and Health Committee, we are working on improvement of the level of safety and health on a Group-wide basis.

Prevention of labor accidents

Cases of labor accidents are analyzed, and manuals and rules are reviewed to prevent recurrence of accidents. We are promoting improvement by understanding the working environment and any dangerous spots through safety and health check ups.

Health initiatives for employees

Workplace management to safeguard the personal health of diverse workers is an increasingly important priority in corporate management. We believe that rather than leaving the maintenance and promotion of health solely up to individual employees, their families, and health insurance associations, pursuing proactive involvement at the company level can help invigorate our organization and raise the competitiveness of our employees.

Based on the Declaration on Health, the Group positions health and productivity management as part of the corporate growth strategy and is promoting the four initiatives below on a company-wide basis.

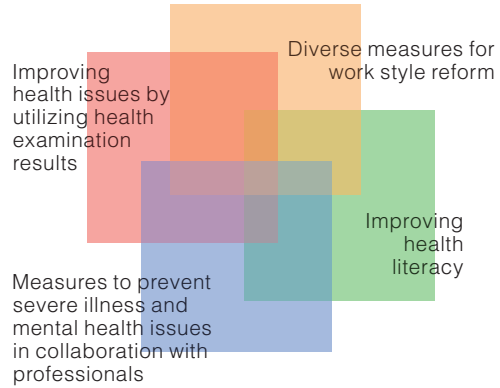
Building on these four focused initiatives, the Group aims to create a vibrant company where individual employees can continue working with enthusiasm in good mental and physical health.

We were recognized for these initiatives and certified as a Certified Health & Productivity Management Outstanding Organization 2025 (large enterprise category).



Detailed initiatives

- Measures to prevent severe illness and mental health issues in collaboration with professionals; ensuring all personnel take health examinations; recommending re-examinations & detailed examinations for those who require them; preventing industrial accidents; reviewing trends in employees on leave and measures therefor; and utilizing external consultation services, etc.
- Improving health issues by utilizing health examination results
Numerical analysis to prevent severe illness in collaboration with health insurance associations; and improving lifestyle habits based on health examination results
- Improving health literacy
Importance of health examinations; mental health measures; and preventing lifestyle-related diseases, etc.
- Diverse measures for work style reform
Improving work-life balance; and promoting utilization of childcare leave, etc.



Results

	Fiscal 2022	Fiscal 2023	Fiscal 2024
Ratio of employees undergoing health examinations	99.6%	99.9%	100.0%
Rate of occurrence of labor accidents (annual rate per 1,000 persons)	4.87	4.65	4.55
Rate of employees who used external counseling services (annual rate per 1,000 persons)	1.95	1.36	1.83

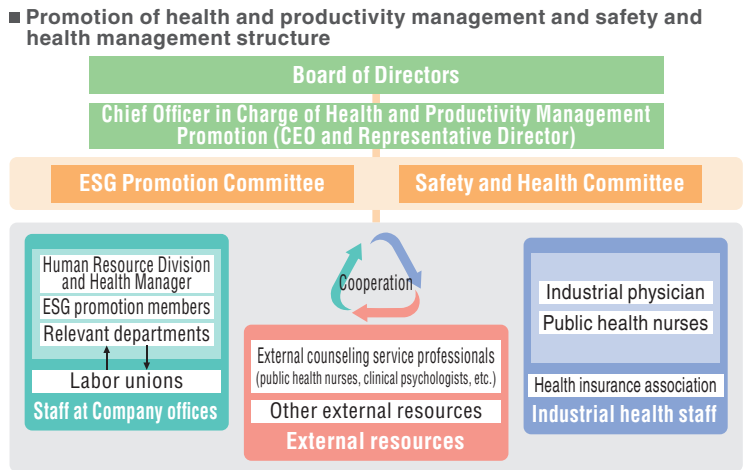
*The above figures are for SUNDRUG Co., Ltd. only *Labor accidents = Workplace injuries only, annual rate per 1,000 persons

Execution systems

The Company has established a system to promote health and productivity management on a company-wide basis, which is supervised by the Board of Directors, led by the Chief Officer in Charge of Health and Productivity Management Promotion (CEO), and executed by the ESG Promotion Committee and the Safety and Health Committee.

Measures to prevent severe illness and mental health issues are implemented by the staff at Company offices, including the Human Resource Division, the ESG promotion members, and the labor unions. In addition, the support system is enhanced in collaboration with industrial physicians, public health nurses, the health insurance associations, and other professionals, as well as with external counselling services and other external resources.

Progress and issues of the measures are shared in the Committees' meetings and continuous evaluation and improvement are implemented by management and employee representatives by utilizing health-related management data.



Life Stage Options Training

In collaboration with Sumitomo Mitsui Banking Corporation, the Company introduced and implemented the “Life Stage Options Training” and the “Life Design Training Program,” in order to support diverse life plans and career development of individual employees. These measures are positioned as the “Project for Demonstration, etc. of Introduction of Life Stage Support Services” promoted by the Ministry of Economy, Trade and Industry (METI). From the perspective of human capital management, these are advanced initiatives toward social implementation.

The objective of the demonstration is to provide employees with career development support anticipating the era of the 100-year lifespan, and to tackle social issues such as declining birth rate, rural depopulation, and labor shortage. Through enhancing employees’ ability for self-determination and realizing their well-being, we will contribute to the development of a sustainable organization and society.

Implementation of the Life Stage Options Training

The training provided information on life events such as marriage hunting, marriage, childbirth, parenting, housing, housing reform, and nursing care, to help employees select their own lifestyle and work style. Especially for the themes that are closely linked to career, the training promoted psychological safety and behavior changes of employees through the use of practical perspectives and internal networks.

Life Design Training: Support consisting of four steps

To develop the ability to consider career and life comprehensively, we provided a program consisting of the following four steps.

1. Life Design Training: experiential game
(Learning of career and life in an experiential way)
2. Life Stage Options Training
(AcquiringAcquiring knowledge on life events)
3. Life plan reconsideration
(Life planning by simulation)
4. Support for utilization of employee welfare services
(Asset building and life supports)

Among the above, the experiential “Life Design Game,” in which employees learn the importance of decision-making and the uncertainty of plans, is designed to help individual employees to gain awareness of independently designing their own life and career.

Future outlook

The initiative, which is more than mere knowledge provision, functions as a mechanism to encourage employees to act independently. We will continue improving the contents based on the demonstration data, to strengthen our human capital management and fulfil our social responsibility as a company.

Outline and impact of the measures

Item	Description
Objectives	● Realization of well-being of employees through support for career and life design in accordance with their life stages
Implemented measures	● Training consisting of four steps (experiential game, video-based training, simulation, and utilization of employee welfare services)
Training contents	● Provision of information on marriage hunting, marriage, childbirth, parenting, housing, housing reform, and nursing care ● Experiencing decision-making in the form of a game
Support system	● Provision of web contents ● Guidance on/support for utilization of employee welfare services ● Financial education (NISA, iDeCo, etc.)
Measurement	● Survey conducted immediately before/after and a few months after the training ● Any change in behavior (use of employee welfare services/consultation on asset building)
Achieved impact	● Change in awareness (promotion of autonomous decision-making) ● Change in behavior (more concrete life plans) ● Improved engagement
Contribution to corporate value	● Investment in human capital ● Reduced employee turnover rate and improved sense of belonging ● Contribution to addressing social issues such as declining birth rate and nursing care

METI/Project for Demonstration, etc. of Introduction of Life Stage Support Services

Re-acknowledging how important and effective it is that each individual considers his/her own life design and to act upon it, and aiming at social implementation of life design services, METI has started the “Project for Demonstration, etc. of Introduction of Life Stage Support Services” (demonstration of development of an environment for introducing services that contribute to career development).

Outline of METI/Project for Demonstration, etc. of Introduction of Life Stage Support Services

Each of the life stages surrounding individuals involves diverse options. Therefore, it is important to disseminate services that enable each individual to learn objective knowledge on each life stage and raise awareness of self-determination in areas such as career development. Under the project, demonstrations will be made as an initiative toward the establishment and social implementation of business models that will be better accepted in society.



Source: Prepared based on the application guidelines and the application guidelines summary of the “Project for Demonstration, etc. of Introduction of Life Stage Support Services” (demonstration of development of an environment for introducing services that contribute to career development) under fiscal 2023 supplementary budget of the Ministry of Economy, Trade and Industry

Theme 3

Quality, safety, and convenience of products and services



Merchandise management and health management

We pursue the path of creating stores that provide customers with satisfaction and comfort as a drugstore and dispensing pharmacy that supports “healthy, rich lives.” By positioning the quality and safety of a wide variety of products, including pharmaceuticals, health foods, cosmetics, daily necessities, and foods, as the most prioritized issues, the Group has established strict management systems at each of the stages from purchasing to sales.

In addition, we conduct regular hygiene inspections and continuous employee education at all stores to maintain clean and secure store environments.

Furthermore, we emphasize appropriate display of products and provision of easy-to-understand information to create an environment where customers can safely choose products they need. Embracing the mission to protect health and safety of customers, we will continue improving the quality of our merchandise management and health management and contributing to better health of local communities.



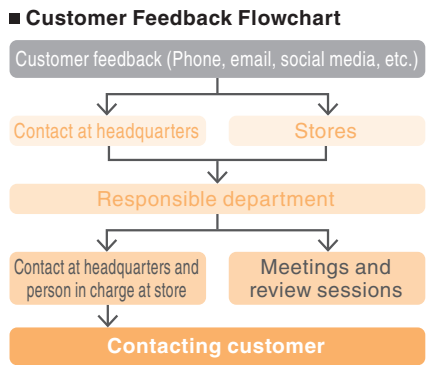
Merchandise, prices and lineups



- Capturing changes in the world and reflecting them on the sales floor
- Pursuing a product lineup that customers will perceive as plentiful
- Creating prices and sales areas that make it easy for customers to choose and purchase
- Utilizing customer feedback (store information sheets) to investigate the necessity and promptly implement the system
- Deciding the number of products to send to stores to reduce double waste

Utilization of customer feedback

The Company has established a Customer Service Office to offer safety, reliance, and convenience for customers. In addition, we collect customer feedback through inquiries made to stores and through social media, including X (formerly Twitter) and Instagram, and are striving to improve store operations and systems to ensure customer satisfaction.



Introduction of electronic shelf labelling

- We expect the following impact from the introduction of electronic shelf labelling.
- Streamlining of store operations through timely changes of displays and price reflection
 - Labor cost reduction effects from prevention of price labelling errors and streamlined operations
 - Streamlining of sales promotion displays, etc.
 - Reduce in-store work of placing special sale sign cards, etc.

Introduction results and plan	FY3/25: Introduced at 282 stores (Cumulative total: 553 stores)
	FY3/26: Planned to be introduced at 145 stores (Cumulative total: 700 stores)

Cleanliness

Basic policy

The Company puts emphasis on keeping the stores clean so that customers can have a pleasant shopping experience.

To ensure that all store staff can respond in a consistent manner, we have prepared manuals for the following items and check them regularly.

Specific measures

- Regular cleaning of the store
- Health management of merchandise
- Health education for employees
- Maintaining and managing facilities



Private brand (PB) products

The Group offers private brand products which are managed in an integrated manner throughout planning, manufacturing, and distribution, and is working on development and sales of products in which sustainability considerations, such as environmental impact and quality management, are incorporated.

Development and sales of environmentally friendly products

The Company is engaged in development and sales of a range of private brand products, including OTC pharmaceuticals (non-prescription pharmaceuticals), cosmetics, and processed foods. In developing these private brand products, we are working to incorporate elements of sustainability and environmental consciousness in all products. Toward this, we take various approaches, such as use of recycled resources for containers and packaging materials, saving of containers and packaging materials, use of recyclable containers and packaging materials, use of natural materials with lower environmental impact, and extending periods before expiry dates and use-by dates.



While environmental considerations are incorporated into new products from the planning stage, we are gradually replacing existing products currently on sale, taking the volume of stocked materials, product inventory levels, and related contracts into consideration. We are proactively working to have the ratio of environmentally friendly products at 100% by March 31, 2031.

Utilization of upcycled materials

We are utilizing materials that are otherwise disposed of. Some of these materials are used as raw materials for cosmetics products.

Sustainability considerations in products

Product name	Olive & Argan Cleansing Oil	Hair Care Treatment Shaving Gel Baby Lotion Body Milk Deep Moisture Body Milk White Clay Gel Massage Facial Wash Charcoal Clay Gel Massage Facial Wash
Ingredients and materials	Extracts derived from olive leaves	Potassium Cocoyl Hydrolyzed Collagen
Remarks	Upcycled materials made from pruned and disposed olive leaves	Upcycled materials effectively utilizing collagen included in fish scales that are otherwise disposed of



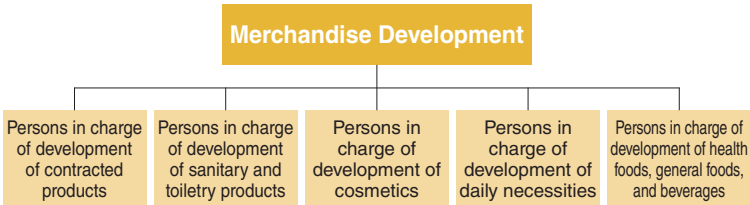
Implementation of quality management inspection

The Company conducts audits of factories of contracted producers for the production environment and operating status. We have our persons in charge of merchandise development to visit the sites in person, check the production lines of the products they have developed, identify issues, and request improvement by themselves. By doing so, we are thoroughly managing, maintaining, and improving the quality of our products so that customers can use them safely.

Major confirmation items

- Quality management
- Health management
- Prevention of foreign material contamination and insect and rodent control
- Production process management
- Material management
- Document management, etc.

Quality management organizations (image)



Theme 3

Quality, safety, and convenience of products and services

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

Response to medication safety

The Company is working to improve the quality of its service to each customer by putting in place systems, education, and frameworks that will enable us to provide products that stakeholders can trust and use safely.

Basic policy

Under our management philosophy of realizing “healthy, rich lives,” in order to contribute to the creation of “good cheer and fun in daily life,” we believe that it is important to always listen to our customers and to operate stores rooted in local communities. Accordingly, the Company is working to develop systems, to provide education and training, and to enhance support systems.

As a retailer, we provide clean and organized store environment in which it is easy for customers to find and purchase products. Our aim is to continually enrich the content of our stores in line with the expectations of our customers.

Improvement of customer service quality at stores

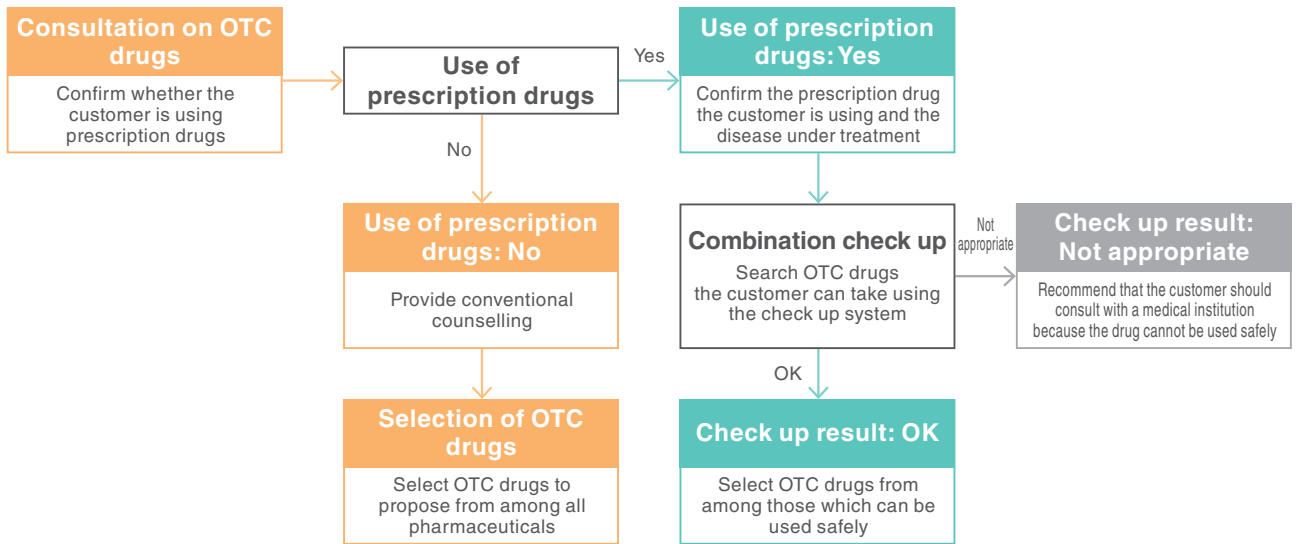


Education and systems for the safe use of pharmaceuticals

Education/System	Item	Objectives
Education system	Basic and Intermediate Seminar Curricula	Acquisition of knowledge and counseling skills relating to pathology and the selecting of therapeutic drugs
	Professional Development Seminar	Development of experts in the fields of Kampo medicine, nutrition, nursing care, and beauty care
	Basic Customer Service Training	Acquisition of basic behavior (greetings, manners) and knowledge of customer service
	Customer Service Training	Learning how to talk with customers and take appropriate action (referrals, recommendations to consult with a doctor, giving advice)
	Qualified Personnel Training	Learning how to respond to customers who need information; how to respond in accordance with laws and regulations; and how to prevent customers from purchasing excessive amounts of specific components of medications
	Pharmaceutical Response Confirmation Test	Retaining and reviewing knowledge base, and sharing case studies
	Administrative Operations Manual	Understanding and implementing procedures relating to the sales system in accordance with laws and regulations
Support system	Medication Consultation Hotline	Responding to consultations and inquiries that are difficult for store staff to answer. Pharmacists at the Company headquarters respond to inquiries from stores across Japan
	Customer Service Support Tools	Tools, information, and search tools to be used when answering customer inquiries are stored on dedicated tablets so that responses can be made in a timely fashion.
	Combination Check Up System	Evaluating whether an OTC drug can be taken in combination with a prescription drug Proposing OTC drugs that customers can take safely
	Sales Promotion and New Product Information	Share the latest health information, medical knowledge, and product knowledge
	Health-related TV Program Information	Collecting information related to programs provided on TV (regarding health, law or products) in a timely manner and then utilizing that knowledge when deciding what products to put on the shelves and when in conversations with customers at the store
Reliable support system	Pharmaceutical register alert system	Identifying customers who need information, assisting in counseling, and preventing purchase of excessive amounts of specific components of medications
	Pharmaceutical sales control system	Control of pharmaceutical sales in the absence of qualified personnel
	Response to prevent abuse of OTC drugs by young people	Preventing overdose of OTC drugs among young people, which is recognized as a social problem
Search system	Medication Consultation System (CSS)	A system to enable the customer to choose the most appropriate medicine by themselves Used for consultations in which the customer desires some privacy
	Kampo-based body constitution checks; by symptoms	Checking body constitution based on Kampo theory and proposing medications in accordance with the symptoms. Also providing advice relating to daily life
	Back-order	Customers choose products by themselves. Ordering items that are not in stock at the store.

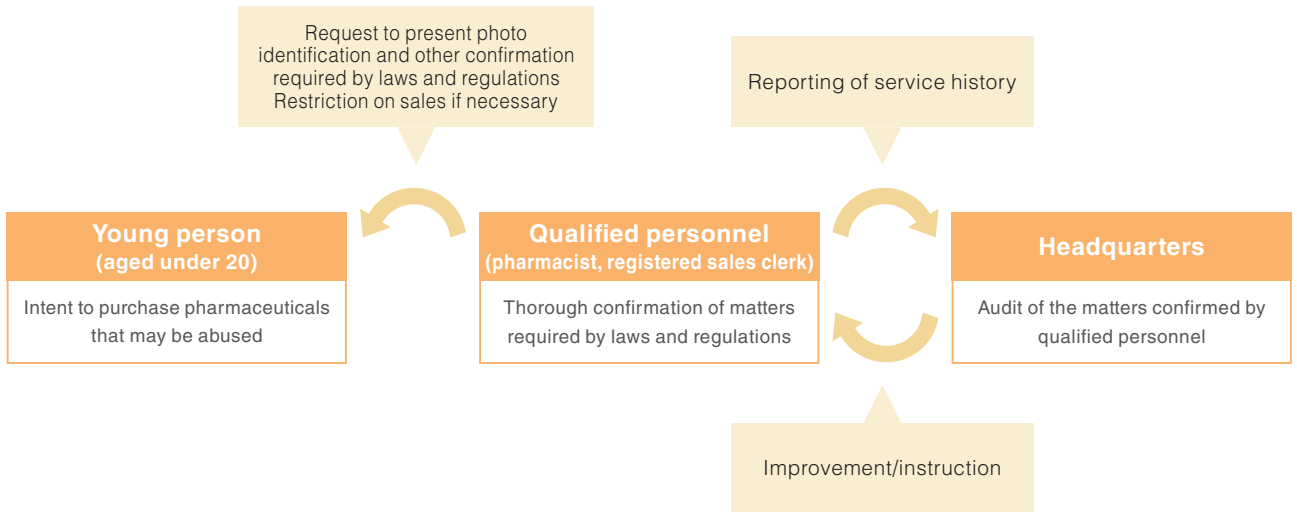
Medicine Combination Check Up System

In order to help customers to use pharmaceuticals safely, the Group has introduced the Medicine Combination Check Up System. The dedicated system, which works on customer service tablets, comprehensively evaluates interactions between a prescription drug and an OTC drug, compatibility between a disease under treatment and an OTC drug, and risk caused by use of multiple OTC drugs in combination. Pharmacists and registered sales clerks who completed specialized training help customers, including those who are receiving treatment as outpatients, to choose safe pharmaceuticals based on scientific grounds. If the combined use is inappropriate or the symptoms tell that the customer should consult with a medical institution, our pharmacists and registered sales clerks will make the appropriate recommendation to the customer. In this way, we ensure services where customers' health is most prioritized rather than sales of pharmaceuticals.



Response to prevent abuse of OTC drugs by young people

The Group has implemented comprehensive safety measures to prevent inappropriate or excessive use of pharmaceuticals by young people. The Group has introduced a pharmaceutical sales control system, which requires face-to-face confirmation with the customer by qualified personnel (pharmacist or registered sales clerk) for all purchases of OTC drugs, even when the customer is purchasing only one item. Especially for customers aged under 20, the system requires presentation of photo identification as required by laws and regulations, to thoroughly implement age verification and management of appropriate sales quantity. These initiatives aim to contribute to prevention of overdose among young people, which is recognized as a social problem. In addition, the Group conducts regular audits by the dedicated persons in charge at the headquarters to ensure that all stores provide the same quality of services and comply with laws and regulations.



Theme 3

Quality, safety, and convenience of products and services



Prevention of dispensing errors

We are working to prevent dispensing errors based on the fact that such errors have a serious impact on patients' health and the premise that they are caused by inadequate explanations by pharmacists and errors in terms of guidance.

As part of initiatives to prevent dispensing errors, we have introduced a unique Barcode Dispensing Error Prevention System, and a Camera Monitoring Guidance System, the only one of its kind in the industry, to prevent dispensing errors caused by false assumptions. The Dispensing Division is working to create these systems to prevent dispensing errors.

Barcode Dispensing Error Prevention System

When prescription details are entered into a computer terminal, it outputs a barcode, which is then checked against the same barcode-controlled medication to prevent human error, such as mistakenly taking the wrong medication due to false assumptions. We have also made our own customizations to further increase safety when providing patients with their medication.



Camera Monitoring Guidance System

From prescription checks to dispensing monitoring and advice on medication instruction, senior supervisors of pharmacists dedicated to dispensing and headquarters dispensing managers provide in-depth guidance to on-site pharmacists via high-performance television cameras installed in the dispensing facilities. Normally, other pharmacists perform checks in stores, but with the development and introduction of this system, we have established a system in which multiple pharmacists perform checks in any given situation.



Camera monitoring (at the store)



Camera monitoring (at the headquarters)

Introduction of electronic prescriptions system

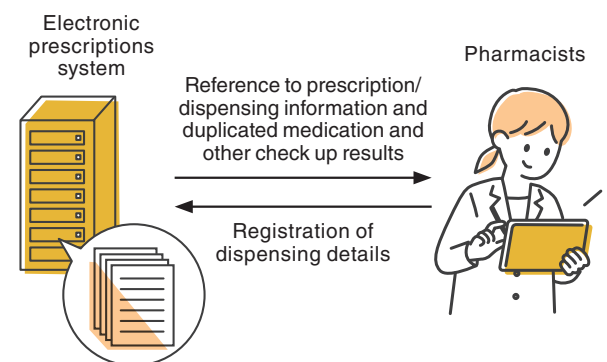
The Group has realized real time information sharing between medical institutions and pharmacies by actively introducing the electronic prescription system and registering dispensing results to the electronic prescription management service. This mechanism has enabled us to electronically check possible duplicated medication and interaction of pharmaceuticals from the prescription information available across multiple medical institutions and pharmacies.

By combining information gathered from the face-to-face interview at the pharmacy with electronic confirmation, the mechanism provides pharmaceutical management that is safer and of higher quality.

Another benefit of this mechanism is that continuity of medical care is secured at the time of disaster or other emergency situations. By saving dispensing results recorded in paper prescriptions also in the electronic prescription management service, we will aim to be a dispensing pharmacy that gives the top priority to safety and peace of mind of patients.

Education

After joining the Company, pharmacists undergo monthly basic training through classroom-based lectures. They will further deepen the knowledge and skills they have learned in the classroom at stores and acquire basic dispensing skills. Pharmacists build up their skills in stages as they acquire ever more advanced dispensing skills.



Toward improved adherence

At the Group's dispensing pharmacies, pharmacists not only manage prescription medications, but also provide a wide range of support tailored to patients' conditions. In particular, we recognize that among the important roles they have are medication management and support for prescriptions for infants and young children, working with primary care pharmacists, and collaborating with multiple professions in home medical care.

We will continue to fulfill our role as the local family care drugstore pharmacies.

- Follow-up after prescription medication is dispensed (checking side effects, etc.)
- Checking vital signs, effects and side effects before and after using medication
- Changing dosage forms and implementing measures against polypharmacy
- Centralized management and one dose package of medications prescribed by multiple medical institutions
- Instructions on how to use inhaled medications
- Multidisciplinary collaboration at home, medication management during visits, medication distribution according to medication calendar, and bed sore checks
- Confirmation of insulin injection and other procedures
- Medication management and support for anticancer drugs, etc.
- Support as family care pharmacists
- Medication management and support for infants and young children



Dispensing training curriculum

Through our dispensing training curriculum, we develop generalist pharmacists who are equipped with the know-how to dispense and sell over-the-counter drugs.

Dispensing training curriculum

Year	Training Focus
Year 1	Dispensing Grade 7 to Dispensing Grade 2
Year 2	Dispensing Grade 1
Year 3	Advanced dispensing
Year 4	Person Responsible for Dispensing (Trainee)
	Basic sales, Generalist education, On-site training, Intermediate sales, Dispensing specialist education



Dispensing training program

- Seminar on vital signs at home**
 - Learning how to use a stethoscope to manage blood pressure and pulse, and how to check the effectiveness and side effects of medications by measuring electrocardiograms
 - Early detection of side effects through vital signs and suggestion of appropriate drug selection
- Dispensing Kampo medicine seminar**
 - Learning about the concept of Japanese Kampo medicine, therapeutics in Kampo medicine treatment, and pharmacognosy
 - Contributing to improved adherence by providing easy-to-understand explanations to patients
- Dementia care training seminar**
 - Understanding dementia care theory
 - Contributing to local medical care by learning approaches that suit the patient
- Cancer seminar**
 - Acquiring basic knowledge about cancer treatment, cancer screening, various types of support, and various types of cancer
 - Learning the basics of palliative care, social resources, and how to provide information
 - Creating an environment where patients can feel at ease and concentrate on their treatment
- Clinical seminar**
 - Prescription analysis using test values, dosage design based on renal function calculations, prediction of liver dysfunction, and learning about pharmacokinetics
 - Providing more advanced medical care tailored to each individual patient through prescription design with doctors from a pharmaceutical perspective

These seminars enable pharmacists to enhance their expertise and provide more comprehensive support for patients' health. They will also be able to communicate smoothly with doctors and other medical professionals and play a role as part of a medical team.

Theme 4

Coexistence with society and local communities

3 GOOD HEALTH AND WELL-BEING

11 SUSTAINABLE CITIES AND COMMUNITIES

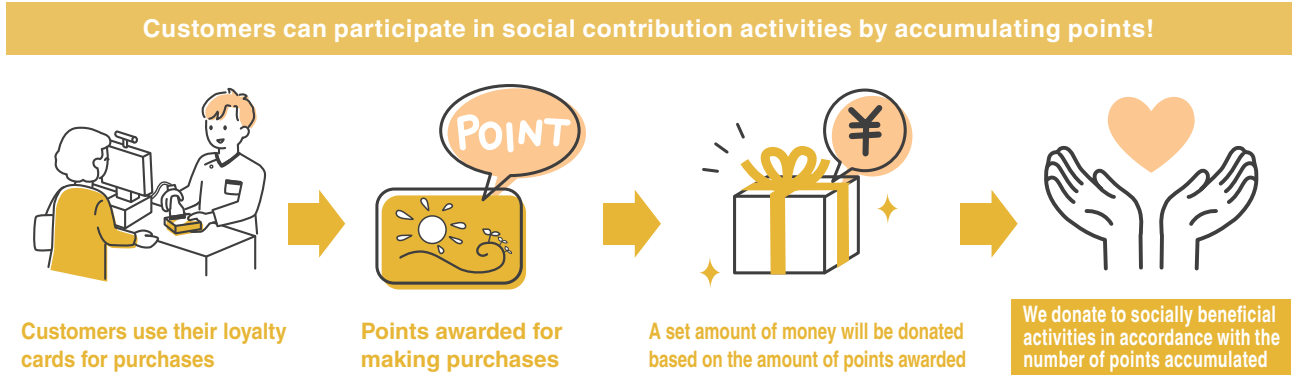
17 PARTNERSHIPS FOR THE GOALS

Contributing to society

In order to help create a better society, the Group is working together with its stakeholders on a variety of initiatives, including providing support to disaster-affected areas and contributing to local communities.

Basic approach

We issue points based on the value of customers' purchases and make donations to socially beneficial activities in accordance with the number of points accumulated. This enables customers to contribute to the community simply by shopping.



Contribution to society through the SUNDRUG Foundation

The Group has established the SUNDRUG Foundation as its social engagement arm to pursue activities such as support for victims of disasters and contribution to local communities.

Recent initiatives

- Disaster relief fund raising for Noto Peninsula Earthquake
- Disaster relief fund raising for Akita and Yamagata Heavy Rain Disaster
- Disaster relief fund raising for Noto Heavy Rain Disaster

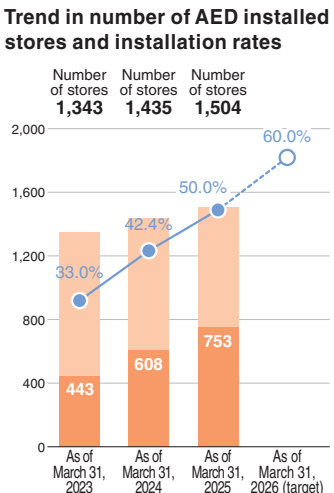
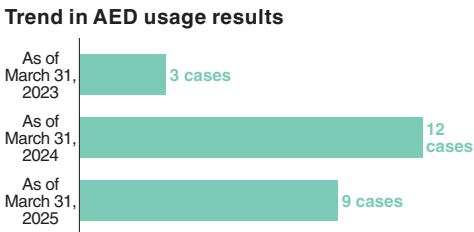
- Donation for Eastern Taiwan Offshore Earthquake
- Support for children's vaccinations

With the help of Shineikasei corporation, we sold PET bottle caps and disused collapsible containers used by the Group for use as recyclable materials, and donated the proceeds to the Japan Committee, Vaccines for the World's Children, an approved specified nonprofit corporation.

We are also engaged in cooperative efforts to help deliver vaccines to children in developing countries.

Installation of AEDs

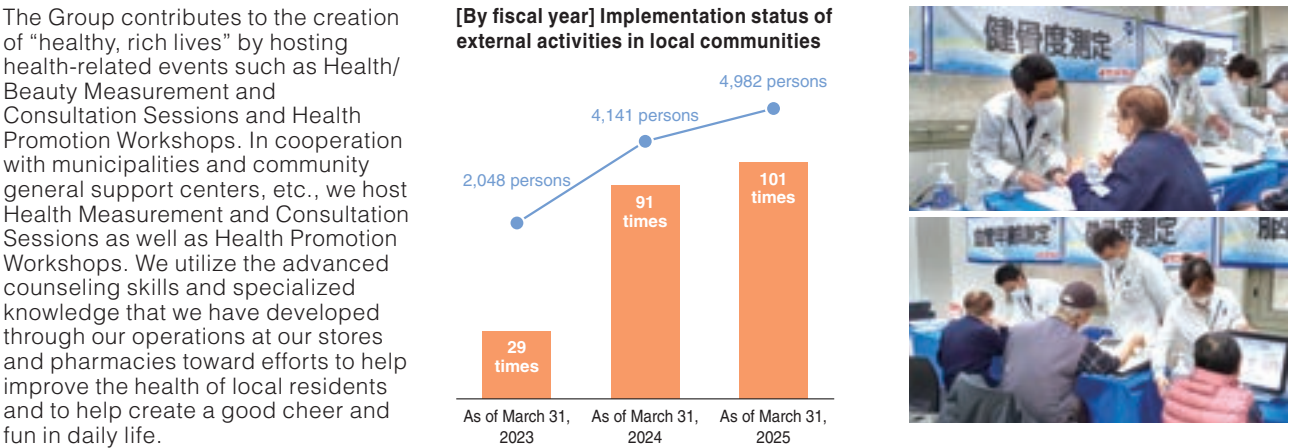
Giving the top priority to safety of customers and employees, the Group is promoting installation of automated external defibrillators (AEDs) at all stores. The chance of resuscitation from cardiac arrest drastically declines as time passes, we recognize it as our social responsibility to develop an environment where patients can promptly receive treatment. An AED is a medical device that can be used without expert knowledge and serves the role of safety infrastructure for local communities. In addition, we hold life-saving training regularly for employees, to establish a system for employees to be able to appropriately respond to emergency situations. Under the philosophy of "saving human lives," we will continue enhancing our life-saving environment.



Coexistence with local communities

Based on a desire to prioritize the health of local residents, the Group regularly runs health-related events and other such events. We are also committed to communicating with our stakeholders through initiatives closely tied to local communities.

Health-related events (results of external activities in local communities during fiscal 2024)



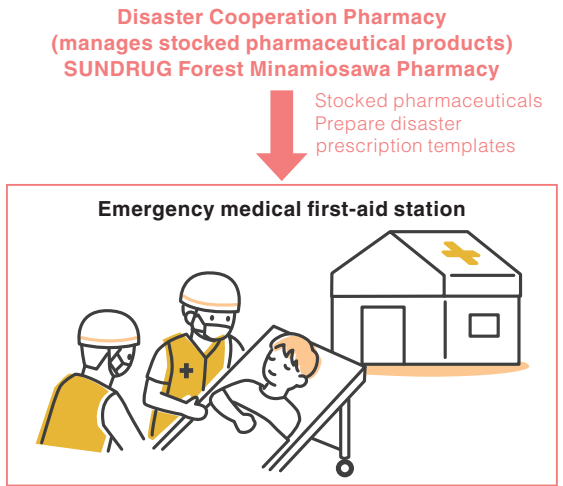
Cooperation as a Disaster Cooperation Pharmacy (Conclusion of "Disaster Cooperation Pharmacy" agreement with Hachioji City)

Aiming at contributing to the local communities and strengthening the medical care provision system at the time of disaster, we concluded an agreement to be a "Disaster Cooperation Pharmacy" with Hachioji City.

The pharmacy under the agreement will stock and manage 15 items of pharmaceuticals. If any disaster equivalent to or more severe than a lower 6-intensity earthquake occurs during the daytime on a weekday, the pharmacy will provide prompt and appropriate medical support through supplying pharmaceuticals and dispatching pharmacists to emergency medical first-aid stations. This initiative establishes a pharmaceutical supply system that can immediately respond to the occurrence of disasters.

An emergency medical first-aid station is a type of makeshift first-aid station to be installed at 15 locations in Hachioji City. For the Minamiosawa area, the station will be installed at the Emergency Life Saving Technician Academy Of Tokyo. The pharmacies under the agreement will contribute to strengthening the medical support system by taking responsibility to supply pharmaceutical products and, if necessary, dispatch pharmacists to first-aid stations.

We will maintain the system and continue promoting proactive support activities to support the health and safety of local communities.



Creation of SUNDRUG Forest (planting trees)

As part of environmental conservation activities with local communities, we are working on the creation of SUNDRUG Forest. The activity, which was started to contribute to the realization of a sustainable society, and promote the development of green spaces in local communities mainly through tree planting activities participated in by our employees.

Till today, we have been working on forest management in cooperation with local governments and people in the local communities, by selecting types of trees to plant in accordance with the characteristics of each region. For example, we planted maple trees and mountain cherry trees in Yamanashi Prefecture and camellia trees in Goto, Nagasaki Prefecture. The initiative has provided a valuable opportunity for each employee to raise their environmental awareness and deepen their linkage with local communities.

Going forward, we will continue working on the "creation of rich local communities cultivated by people and nature" as an environmentally friendly corporate citizen.



Theme 5

Strengthening of corporate governance



List of officers

Hiroshi
Sadakata

CEO and
Representative
Director



March 1989 Joined the Company
 April 2001 Section Manager, Corporate Planning Office
 January 2003 Deputy Manager, the Second Sales Division
 April 2004 Manager, the Second Sales Division
 April 2005 Executive Officer and Manager of the Second Sales Division
 June 2008 Director and Manager of the Second Sales Division
 December 2009 Director
 December 2009 Vice President and Representative Director, DIREX CORPORATION
 June 2014 President and Representative Director, DIREX CORPORATION
 May 2019 President and Representative Director, the Company
 May 2019 Director, DIREX CORPORATION
 June 2020 Chairman and Representative Director, DIREX CORPORATION (to present)
 April 2022 CEO and Representative Director, the Company (to present)
 February 2024 Director, Kirindo Holdings Co., Ltd. (to present)
 February 2024 Director, BCJ-47 Co., Ltd. (to present)

Naoki
Tada

Chairman and
Director



May 1990 Joined the Company
 April 1995 Section Manager, Corporate Planning Office
 September 2000 President and Representative Director, IRYUSHOJI CO., LTD.
 March 2001 Retired from the Company
 June 2001 Director (Non-Executive Director), the Company
 June 2007 President and Representative Director, Forest Co., Ltd. (currently Forest Mall Co., Ltd.)
 June 2009 Chairman and Representative Director, Forest Co., Ltd.
 April 2015 President and Representative Director, Forest Co., Ltd.
 March 2019 Chairman and Representative Director, IRYUSHOJI CO., LTD.
 March 2019 Chairman and Representative Director, Forest Mall Co., Ltd. (to present)
 April 2019 Director and General Manager, Administrative Division, the Company
 April 2022 Chairman and Director (to present)
 July 2024 President and Representative Director, IRYUSHOJI CO., LTD. (to present)

Masato
Matsumoto

External Director



April 1979 Joined The Nomura Securities Investment Trust Sales Co., Ltd.
 September 2002 Executive Officer, Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Securities Holdings Co., Ltd.)
 May 2010 Managing Executive Officer, General Manager of Osaka Branch, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 June 2012 Senior Managing Director, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 June 2013 Executive Vice President, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 June 2015 Executive Vice President, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.
 June 2016 Chairman and Representative Director, MUS Business Service Co., Ltd.
 July 2017 Advisor, SBS Holdings, Inc.
 June 2018 External Director, the Company (to present)
 March 2019 Outside Audit & Supervisory Board Member, SBS Holdings, Inc.
 March 2021 Outside Director (Audit Committee Member), SBS Holdings, Inc.

Tomoko
Tsuji

External Director



April 1979 Joined Ajinomoto Co., Inc.
 February 1987 Received a doctorate in Agriculture (former Laboratory of Applied Microbial Chemistry, the University of Tokyo)
 March 1988 Postdoctoral Fellow at The Rockefeller University
 November 1988 Postdoctoral Fellow at the Pennsylvania State University
 December 1989 Joined Sagami Chemical Research Institute
 May 1999 Joined FANCL CORPORATION
 April 2004 Executive Officer, Director of Central Research Institute, FANCL CORPORATION
 June 2007 Executive Director, General Manager of FANCL Research Institute, FANCL CORPORATION
 May 2008 Advisor, Nippon Suisan Kaisha, Ltd. (currently Nissui Corporation)
 April 2009 General Manager of Human Life Science R&D Center, Nippon Suisan Kaisha, Ltd.
 May 2015 Executive Officer; General Manager of Ingredients Development Department, Group Merchandising Division, YOSHINOYA HOLDINGS CO., LTD.
 June 2020 External Director, the Company (to present)
 June 2022 External Member of the Board, FUJI OIL HOLDINGS INC. (currently FUJI OIL CO., LTD.) (to present)
 March 2025 Executive Officer, YOSHINOYA HOLDINGS CO., LTD.
 March 2025 Chief Technology Officer, SPEEDIA Co., Ltd. (to present)
 June 2025 R&D Executive Fellow, YOSHINOYA HOLDINGS CO., LTD. (to present)

Yoshimitsu
Sakai

Director



November 1983 Joined the Company
 April 1998 Section Manager, Sales Division
 April 2001 Deputy Manager, Store Development Division
 April 2005 Executive Officer and Manager, Store Development Division
 June 2010 Director and Manager, Store Development Division
 March 2019 Executive Officer and Manager, Store Development Division
 June 2022 Director and Manager, Store Development Division
 July 2022 Director and General Manager, Store Development Division (to present)

Takashi
Tada

Director



April 1992 Joined Ito-Yokado Co., Ltd.
 October 1996 Joined the Company
 March 2001 Director (Non-Executive Director), IRYUSHOJI CO., LTD. (to present)
 April 2001 Section Manager, Information Section, Merchandise Division, the Company
 January 2003 Section Manager, Supplier Section, Merchandise Division
 May 2005 Section Manager, Corporate Planning Office
 December 2006 Retired from the Company
 January 2007 Senior Managing Director, Yamaki SC Kaihatsu Co., Ltd. (currently Forest Mall Co., Ltd.)
 June 2009 President and Representative Director, Forest Co., Ltd. (currently Forest Mall Co., Ltd.)
 April 2014 President and Representative Director, C'sRetail Co., Ltd. (currently C's One Co., Ltd.)
 June 2017 Retired from the position of C'sRetail Co., Ltd.
 June 2017 Director, the Company (to present)
 June 2017 Vice President and Representative Director, DIREX CORPORATION
 May 2019 President and Representative Director, DIREX CORPORATION
 February 2024 Director, Kirindo Holdings Co., Ltd. (to present)
 February 2024 Director, BCJ-47 Co., Ltd. (to present)

Ritsuko
Saito

External Director



April 1988 Joined Recruit Cosmos Co., Ltd. (currently Cosmos Initia Co., Ltd.)
 January 2010 Joined A.D. Works Co., Ltd. (currently A.D. Works Group Co., Ltd.)
 April 2020 General Manager of FSA & SE Department, Corporate Planning Office, A.D. Works Co., Ltd.
 April 2021 Secretary General of Specified Joint Real Estate Enterprise Council
 June 2021 General Manager of Promotion Office of the Council of Act on Specified Joint Real Estate Ventures, A.D. Works Group Co., Ltd.
 July 2021 General Manager of Disclosure Office, A.D. Works Group Co., Ltd.
 January 2023 Director, Angel Torch Co., Ltd.
 November 2023 Outside Director of Chiiki Newspaper Company
 June 2024 External Director, the Company (to present)
 November 2024 Director of Chiiki Newspaper Company (to present)

Kazutoshi
Yamashita

External Full-time
Corporate Auditor



April 1983 Joined KOKUSAI Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
 April 1997 General Manager of Hachioji Branch, KOKUSAI Securities Co., Ltd.
 September 2002 General Manager of Hiroshima Branch, Mitsubishi Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
 October 2005 Deputy General Manager of Institutional Marketing Second Division, Nagoya Branch, Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)
 April 2010 General Manager of Kochi Branch, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 June 2014 Director and General Manager of Kobe Branch, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
 June 2017 Full-time Corporate Auditor, MUS Business Service Co., Ltd.
 June 2019 External Full-time Corporate Auditor, the Company (to present)

Kishiko
Wada

External Corporate
Auditor



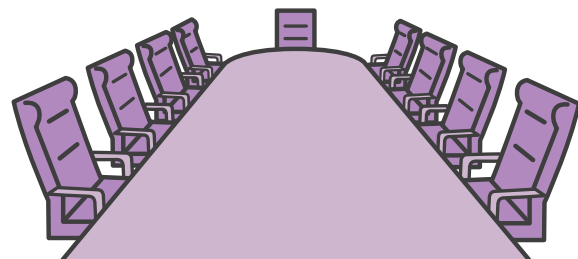
April 1996 Joined Fuji Godo Law Office (to present)
 July 2015 Outside Director, Toshiba Plant Systems & Services Corporation
 April 2016 Practicing Attorney Professor for Civil Advocacy at the Legal Training and Research Institute of the Supreme Court
 February 2020 Examiner for the Preliminary Bar Examination (Code of Civil Procedure)
 March 2021 External Corporate Auditor, L is B Corp. (to present)
 April 2021 Vice-President, the Dai-ichi Tokyo Bar Association Executive
 April 2021 Director, Kanto Federation of Bar Associations
 June 2022 External Corporate Auditor, the Company (to present)
 June 2022 Outside Director (Audit and Supervisory Committee Member), TAKAOKA TOKO CO., LTD. (to present)

Kayoko
Kamijo

External Corporate
Auditor



February 1989 Joined Asahi Shinwa Accounting Co., Ltd. (currently KPMG AZSA LLC)
 August 1993 Registered as Certified Public Accountant
 September 2000 Joined Tokyo Hokuto Audit Corporation (currently GYOSEI & CO.)
 October 2019 Joined SHINSHO Audit & Co as a Partner (to present)
 June 2024 External Corporate Auditor, the Company (to present)
 June 2024 Outside Audit and Supervisory Board Member, Nuturen Co., Ltd. (to present)



Theme 5

Strengthening of corporate governance

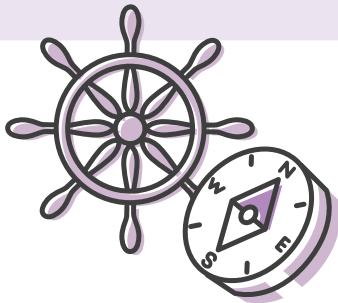
8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Corporate governance



The Group aims to improve its corporate value by striving to facilitate prompt decision-making and more efficient management operations, while also making efforts to strengthen and enrich corporate governance, which serves as the foundation for sustainable growth.

Basic approach

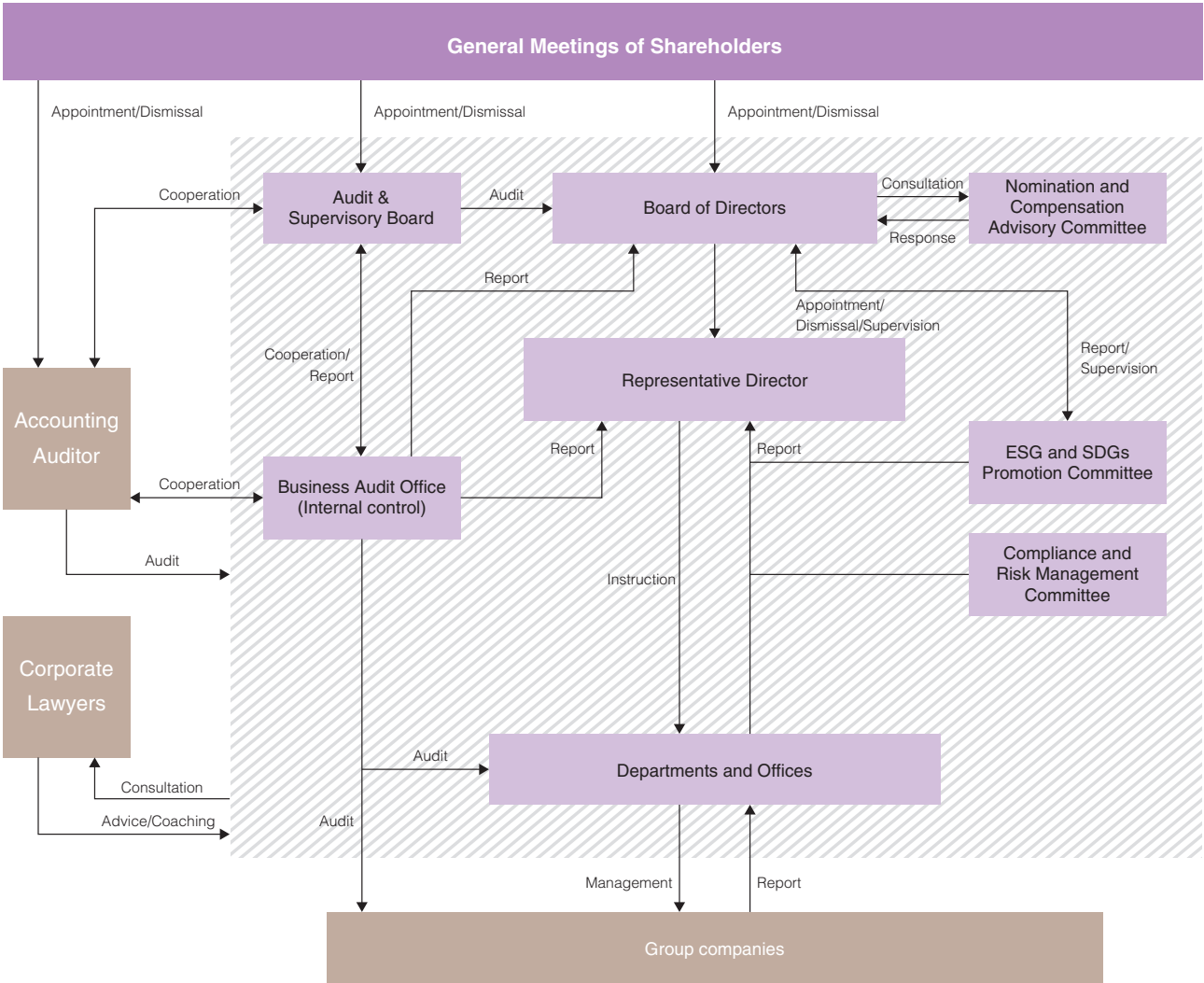
The Group aims to realize “healthy, rich lives” for the Japanese people. It is also committed to “providing safety, reliance and convenience” to contribute to “the creation of good cheer and fun in daily life.”

In addition, it will “start immediately from what we can do right at the moment, try to illuminate even just one corner of the world, make best decisions for all customers, employees, shareholders, business partners, communities, society, and the global environment, and always act with thoughtfulness” as its corporate philosophy.

We are aware of our responsibilities for all stakeholders, including shareholders, position corporate governance, compliance, risk management, etc. as important management issues, establish a management system to make fair, transparent, and conscientious decisions from a medium- to long-term perspective, and disclose management strategies and plans in a timely and appropriate manner.

Furthermore, we adapt to changes in the environment, continuously enhance the significance of the Group's existence, and strive for long-term, stable, and sustainable growth and higher corporate value of the Group.

Corporate governance system



Board of Directors

The Board of Directors makes decisions on management strategies, management plans, and other important management matters related to management in accordance with laws, regulations, the Articles of Incorporation, and the Regulations of the Board of Directors, with the aim of achieving sustainable growth of the Company and improving corporate value over the medium to long term. In addition, the Board of Directors supervises the overall management of the Company and its subsidiaries and affiliates mainly by ascertaining the status of the execution of duties by each Director, the status of important operations at subsidiaries and affiliates, and the operation status of internal control systems such as compliance and risk management at the Company and its subsidiaries and affiliates.

The Regulations for Approval Authority stipulated by the Board of Directors clearly defines the authority of the Board of Directors, the CEO, each General Manager, each Department Manager, etc., and such information is disclosed to all employees. The respective decision-making bodies and decision-makers make decisions after deliberation with the relevant Department Managers, etc., and execute their operations.

Audit & Supervisory Board

The Audit & Supervisory Board consists of three Corporate Auditors, including one Full-time External Corporate Auditor and two External Corporate Auditors. The Full-time External Corporate Auditor attends the Board of Directors meetings, as well as the Management Committee, Compliance and Risk Management Committee, and other major meetings, cooperates with the Accounting Auditor and the Business Audit Office to audit the status of the execution of duties by Directors and others from an objective and neutral standpoint, and also works to enhance the audit function through monthly meetings of the Audit & Supervisory Board, as well as through the sharing of information and exchange of opinions with other Corporate Auditors as necessary.

Nomination and Compensation Advisory Committee

The Company is a company with an Audit & Supervisory Board. The Board of Directors consists of seven Directors, three of whom are Independent External Directors.

With respect to the nomination and compensation of Directors, the Company has established a voluntary Nomination and Compensation Advisory Committee to obtain appropriate involvement and advice, especially in light of the need to strengthen independence, objectivity, and accountability. The Nomination and Compensation Advisory Committee consists of three External Directors and two Internal Directors. The majority of the committee consists of External Directors, which enhances independence, objectivity, and transparency (including gender and other diversity and skill perspectives).

The members of the Nomination and Compensation Advisory Committee shall be appointed by a resolution of the Board of Directors.

The Nomination and Compensation Advisory Committee shall, in consultation with the Board of Directors, deliberate and report to the Board of Directors.

Diversity and structure of the Board of Directors

The Company's Board of Directors consists of Directors and Corporate Auditors (the number of Directors is limited to ten and Corporate Auditors to four as stipulated in the Articles of Incorporation). It is composed of a small number of elite members to ensure prompt and accurate information grasping and full discussion and decision-making with the participation of all Directors.

When appointing candidates for Directors, we select Internal Directors who are familiar with the Company's business and have a high level of professional knowledge, abundant experience, and insight, and External Directors who have abundant outside experience and a high level of professional knowledge, such as management experience at other companies, and who can be expected to perform supervisory and advisory functions. The Board of Directors determines the candidates after receiving the report of the Nomination and Compensation Advisory Committee, taking into consideration diversity and overall balance to ensure the sustainable growth of the Company.

Evaluations of the effectiveness of the Board of Directors

Aiming to improve functions of the Board of Directors as a whole, the Company conducts an evaluation questionnaire on the effectiveness of the Board of Directors each fiscal year.

Evaluation method

All Directors and Corporate Auditors, including those from outside the Company, were asked to complete an evaluation with their names on the effectiveness of the Board of Directors, based on the evaluation questionnaire on the effectiveness of the Board of Directors, and to provide a self-assessment as well a comment section to propose any issues.

Summary of the results of the analysis and evaluation of the effectiveness of the Board of Directors

Meetings of the Board of Directors were deemed to include free, vigorous, and constructive discussion and exchanges of opinion, and the effectiveness was deemed to be improved compared to the previous fiscal year, with the overall effectiveness of the Board of Directors generally evaluated as satisfactory.

On the other hand, it was recognized that the Board of Directors needed to conduct deeper discussions on development of the new Medium-term Business Plan for the period starting from the fiscal year ending March 31, 2026.

Based on the issues raised through this current evaluation of the Board's effectiveness and recommendations, we will continue to make efforts for further enhancement of the effectiveness of the Board of Directors and its invigoration.

Theme 5

Strengthening of corporate governance



About the skills matrix

The Group has established items that it deems important for the Board of Directors to demonstrate appropriate supervisory functions toward the Group's aim of realizing “healthy, rich lives” for the people of Japan. (corporate management, industrial experience, global, ESG, finance/accounting/M&As, risk management/legal affairs). Also, the Group appoints personnel who are able to utilize their capabilities for the management policies in the Group's medium-term management strategy and the reforms that the Group is implementing toward this, based on the expertise, knowledge, experience, and diversity that the Directors have developed in their respective fields. The basic approach on nominations and the composition of the Board of Directors are discussed in relation to the external environment and the status of the Group.

Skills matrix

	Name	Current positions at the Company	Corporate management	Industrial experience	Global	ESG	Finance/Accounting/M&As	Risk management/Legal affairs
Director	Hiroshi Sadakata	CEO and Representative Director	●	●		●		●
	Naoki Tada	Chairman and Director	●	●	●	●	●	
	Yoshimitsu Sakai	Director		●		●		
	Takashi Tada	Director	●	●		●		
	Masato Matsumoto	External Director	●			●	●	
	Tomoko Tsuji	External Director	●	●	●	●		
	Ritsuko Saito	External Director	●			●		●
Corporate Auditor	Kazutoshi Yamashita	External Corporate Auditor				●	●	
	Kishiko Wada	External Corporate Auditor				●		●
	Kayoko Kamijo	External Corporate Auditor				●	●	

Reasons for appointment of External Directors and External Corporate Auditors

No.	Name	Reasons for appointment	Attendance at Board Meetings
1	Masato Matsumoto	Mr. Masato Matsumoto has extensive experience in the management of financial and other institutions, and possesses a high level of insight and supervisory capability with respect to management. We have appointed him as we have determined that he is capable of supervising the Company's management from an objective and neutral standpoint and that there is no risk of a conflict of interest between him and general shareholders.	100% (13/13)
2	Tomoko Tsuji	As a Doctor of Agriculture, Ms. Tomoko Tsuji has experience and knowledge in strategic promotion management from multiple perspectives in the retail industry, including R&D companies. We have appointed her as we have determined that she is capable of supervising the Company's management from an objective and neutral standpoint and that there is no risk of a conflict of interest between her and general shareholders.	100% (13/13)
3	Ritsuko Saito	Ms. Ritsuko Saito has experience in disclosure, finance, etc. and involvement in management at various companies, and has knowledge of management in general. We have appointed her as we have determined that she is capable of supervising the Company's management from an objective and neutral standpoint and that there is no risk of a conflict of interest between her and general shareholders.	100% (10/10)
4	Kazutoshi Yamashita	Mr. Kazutoshi Yamashita has considerable knowledge of and extensive insight into finance and accounting, having held various positions at financial institutions, and he has served as a full-time corporate auditor and is well versed in corporate governance and auditing. We have appointed him as we have determined that he has monitoring and auditing functions independent of the Company's management, that he is capable of auditing from an objective and neutral standpoint, and that there is no risk of a conflict of interest between him and general shareholders.	100% (13/13)
5	Kishiko Wada	As a Lawyer, Ms. Kishiko Wada has expertise and extensive experience in legal matters. We have appointed her as we have determined that she has monitoring and auditing functions independent of the Company's management, that she is capable of auditing from an objective and neutral standpoint, and that there is no risk of a conflict of interest between her and general shareholders.	100% (13/13)
6	Kayoko Kamijo	Ms. Kayoko Kamijo has a wealth of business experience and specialized knowledge in accounting as a certified public accountant. We have appointed her as we have determined that she has monitoring and auditing functions independent of the Company's management, that she is capable of auditing from an objective and neutral standpoint, and that there is no risk of a conflict of interest between her and general shareholders.	100% (10/10)

Officer compensation system

Matters concerning policy for determining total amount of compensation for Directors and Corporate Auditors and compensation, etc. for individual Directors and Corporate Auditors

The compensation system for Internal Directors consists of fixed compensation based on their position in the Company, and variable compensation in the form of bonuses as an incentive linked to business performance and achievement rates of individual goals as well as restrictive stock compensation aimed toward improvement of business performance over the medium to long term. In addition, External Directors and Corporate Auditors receive only fixed compensation.

Regarding compensation for officers, etc., the compensation for Directors is determined by the Board of Directors and that for Corporate Auditors is determined by the Audit & Supervisory Board within the limit of compensation approved by resolution of the General Meeting of Shareholders in accordance with internal regulations, after gaining advice and reports based on the results of deliberations by the voluntary Nomination and Compensation Advisory Committee consisting of all External Directors (three persons), the CEO and Representative Director, and the Chairman and Director.

The Nomination and Compensation Advisory Committee met two times during the fiscal year under review, and its theme was a proposal for officer compensation (including bonuses for Internal Directors), and the committee reported the results of its review to the Board of Directors.

Because the total amount of compensation for Directors and the amount of compensation for each individual Director were determined through the above procedures, the Board of Directors believes that the content of these decisions is in line with the decision-making policy.

Matters related to fixed compensation and performance-linked compensation, etc.

The fixed compensation for Internal Directors is determined in accordance with the Officer Compensation Regulations and is commensurate with each position as compensation for management delegation.

Bonuses are paid to Directors as performance-linked compensation, etc. in order to further enhance motivation and morale of Directors to improve business performance, thereby ensuring a sustained improvement in corporate value. The basic amount is determined each fiscal year based on the growth and the degree of budget achievement of performance of the Group (consolidated). This is paid with consideration of a qualitative evaluation of ESG efforts for the Representative Director, and an evaluation of execution of assigned duties for Directors who concurrently serve as employees. The growth and the degree of budget achievement are selected as the indicators used to determine the amount of the performance-linked compensation because improvement of the revenue amount and the revenue ratio is deemed to be important.

Details of non-monetary compensation

The Company has introduced a restricted stock compensation plan to Directors in order to enhance their value sharing with shareholders through shareholdings, thereby continuously improving the Company's corporate value.

The maximum amount of annual compensation under this plan shall be no more than 100 million yen and no more than 25,000 shares.

The allocation to each eligible Director shall be determined upon a resolution of the Board of Directors within the scope approved at the General Meeting of Shareholders.

References

Officer category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible officers (persons)
		Fixed compensation	Variable compensation		
		Basic compensation	Bonuses	Stock options	
Internal Director	228	34	124	69	4
External Director	18	18	—	—	3
External Corporate Auditor	20	20	—	—	4

Policy on strategic shareholdings

The Company makes a distinction between investment shares held for pure investment purposes and investment shares held for purposes other than pure investment (strategic shareholdings), and acquires and holds such shares as strategic shareholdings when the Company judges that such shares will contribute to medium- to long-term enhancement of corporate value, such as building, maintaining, and strengthening relationships with business partners and business alliances.

The Company's policy is to reduce its current strategic shareholdings, which are not cross-shareholdings, as appropriate, taking into consideration stock prices and market trends.

With regard to strategic shareholdings, the Board of Directors regularly reviews the rationality and necessity

of continued holdings from a medium to long-term perspective for each individual issue, in comparison with the cost of capital, every year to determine whether or not to retain the shares. The rationale for holding the shares is examined with respect to the acquisition process, the nature of the business relationship, the current and future strategic significance and risk of the holding, the comparison with the cost of capital, and other items.

Number of issues and balance sheet amount

	Number of issues	Total amount on the balance sheet (million yen)
Unlisted stocks	2	1
Stocks other than unlisted stocks	1	37

Compliance



The Group believes that compliance acts as a support for the foundations underlying its corporate activities and that it is essential in order to help avoid certain risks. Therefore, the Group is strengthening its legal compliance system and implementing various measures relating to such.

Basic policy on compliance

In accordance with the Group Code of Conduct, the Group positions it as the core of its corporate activities to conscientiously comply with laws and regulations, social ethics, and internal regulations.

By having all officers and employees engage in fair and sound corporate operation with a high level of ethics and responsibility, the Group aims to realize the corporate philosophy and create sustainable corporate value.

In addition, in order to establish compliance with laws and regulations not as sheer obligation but as corporate culture, the Group is working to foster compliance awareness through continuous education and awareness raising activities.

Compliance promotion system

Establishment and operation of the Compliance and Risk Management Committee

In order to identify issues related to compliance and risks and respond to them appropriately, the Group has established the Compliance and Risk Management Committee, which is chaired by the CEO and consists of Directors and Department Managers. The Committee is responsible for reporting compliance cases related to business operations, formulating and instructing

Establishment and operation of an internal reporting desk

The Group has established a whistle-blowing system that allows all officers, employees, and all people working in the Group to directly report and ask for resolution of compliance issues. The hotlines are located not only inside the Company but also outside the Company (lawyers). Regarding the whistle-blowing system, internal regulations of the Group strictly stipulate that confidentiality of whistleblowers be protected and disadvantageous treatment of whistleblowers be prohibited. In addition, the Group has strengthened activities to make the above hotlines broadly known in order to raise awareness and understanding of them.

response policies, and establishing the foundation of the compliance system (promotion and education systems, promotion and audit plan formulation, etc.). External Full-time Corporate Auditors and the General Manager of the Business Audit Office also participate in the Committee to share information promptly and work in cooperation. Of the contents of deliberations of the Compliance Committee, important matters are reported at Board of Directors' meetings.

Compliance structure



Education

Compliance education

The Group has created a Compliance Guidebook so that employees can always refer to it for the latest laws and regulations that are essential for those engaged in a pharmacy and drugstore business or a retail business, such as the Act on Pharmaceuticals and Medical Devices, the Food Recycling Act, and the Antimonopoly Act. In addition to laws

and regulations, the guidebook presents issues, including the prohibition of harassment, insider trading, and discrimination. The Group thus works to raise awareness of compliance widely among employees (including part-time employees). Furthermore, the Group gives a compliance exam once every six months to confirm and establish knowledge in line with constant revisions to laws and regulations.

Bribery

Basic policy on bribery

In order to comply with laws and regulations for the prevention of bribery, the Group has established regulations applicable to the Group companies and enforces them strictly.

Prohibition of acts deemed to be bribes to public officers, etc.

The Group shall not provide or receive any money, goods, or any other unfair advantage, or promise, demand, or propose the same, or approve the same to a public officer or any other person equivalent thereto (hereinafter referred to as a “Public Officer”) for the purpose of influencing the execution or determination of matters related to public affairs in order to obtain an undue advantage.

Prohibition of bribery to persons other than Public Officers

The Group shall not provide or receive any money, goods, or any other unfair advantage, or promise, demand, or propose the same, or approve the same for the purpose of influencing the execution or determination of matters related to the recipient's duties in order to obtain an undue advantage.

Prevention of bribery

The Group shall not provide or receive any money, goods, or any other unfair advantage, or promise, demand, or propose the same, or approve the same for the purpose of improperly influencing the management and business decisions, or the carrying out of duties of the Group.

Definition of terms

“Bribery” refers to the provision or receipt of money, goods, or any other unfair advantage, or the promise, demand, or proposal thereof, or the approval thereof, for the purpose of influencing the execution or determination of recipient's duties in order to obtain an undue advantage, or for eliciting any other unjust actions.

“Public Officer” refers to any Japan-based public officer, foreign public officer, international public organization, political party, or employee thereof, a candidate for public office, or any other person who may be deemed to be a public officer. This shall also include their family members (spouses, children, dependents, etc.)

Tax affairs

Basic policy on tax affairs

The Group has formulated a policy on tax affairs that applies to the Company and its Group companies.

In accordance with the “Group Code of Conduct,” which has been established to ensure compliance management based on a high level of corporate ethics, the Group shall comply with all related laws and regulations, etc., regarding tax affairs. It is the Group's social responsibility to ensure the proper payment of all taxes due, which the Group recognizes will result in earning the support and trust of all its stakeholders. In accordance with this policy, we shall ensure the development and management of business processes and procedures related to the tax affairs and realize proper governance relating to taxation laws.

Compliance with laws and regulations

Through the filing of tax returns and paying of taxes in an appropriate and timely manner in accordance with international tax rules and tax-related laws and regulations, the Group fulfills its corporate social responsibility. The Group's basic policy is to contribute to the development of local communities through the appropriate payment of taxes. The Group does not conduct tax planning for the purpose of tax avoidance.

Ensuring governance for tax affairs

The Group is working to improve its employees' knowledge regarding tax affairs through training and

education. Through appropriate and lawful tax processing based on internal rules, we strive to raise employees' awareness of matters pertaining to tax compliance and to maintain our governance system for tax affairs.

Management of taxation risk

The Group views taxation risk as an important risk and is working to minimize its taxation risk on an ongoing basis by taking appropriate measures in response to tax reforms, etc. In accordance with the Group's basic policies and guidelines, each Group company properly executes its tax-related practices, including the filing, payment and investigation of its taxes. The Group fully examines taxation risks in its business activities in advance, and works to mitigate any such risks by, if necessary, obtaining prior confirmation from the administrative authorities and by seeking advice and guidance from experts.

Building a relationship of trust with tax authorities

The Group strives to maintain a fair relationship with tax authorities, to provide timely and appropriate information in response to inquiries from them, and to cooperate with them in good faith as part of efforts to ensure transparency regarding tax affairs and to build a relationship of trust. In the event that a difference of opinion arises between the Group and the tax authorities, the Group works in cooperation with the tax authorities to come to an agreement and resolution.

Stakeholder engagement

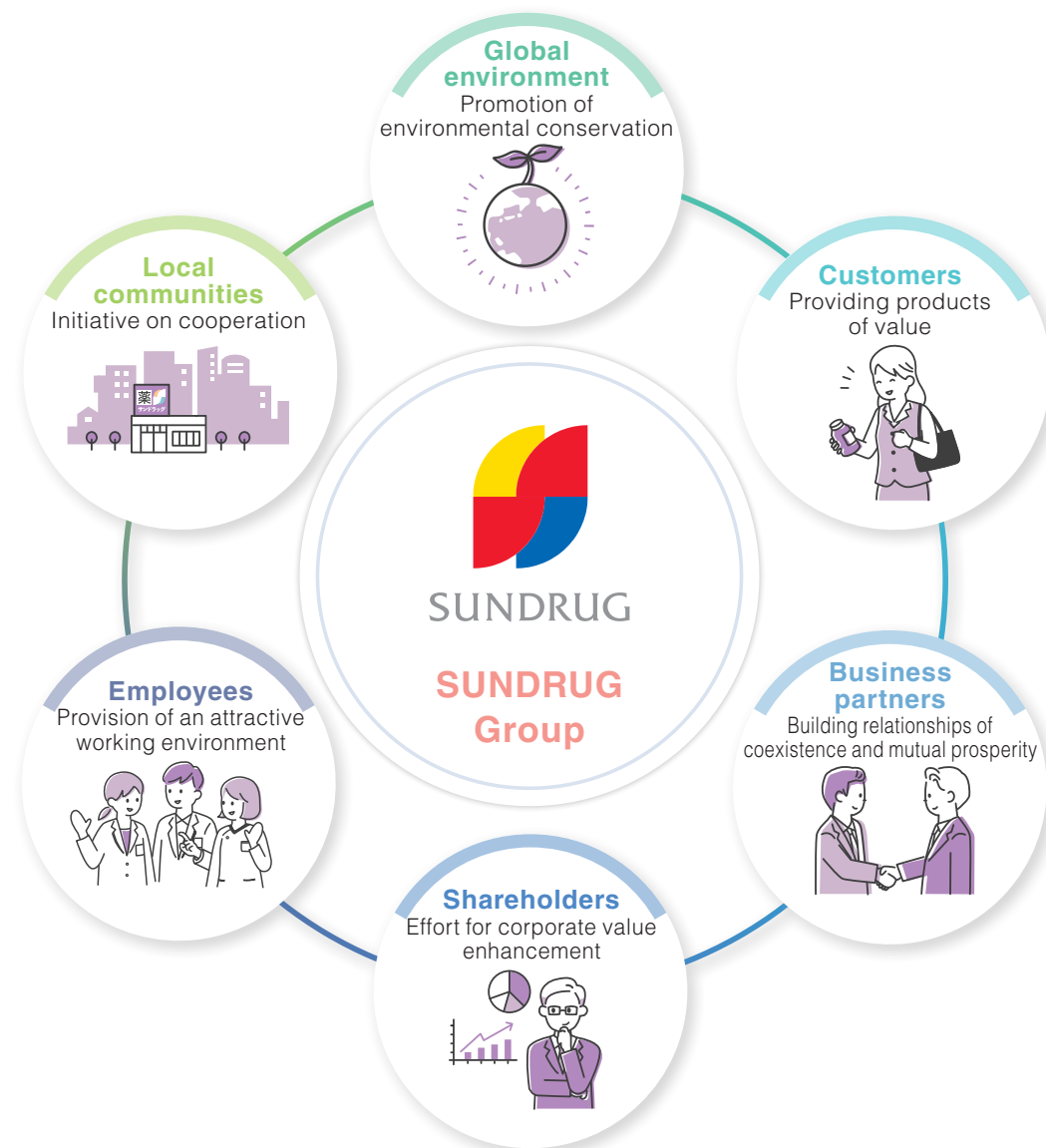
The Group aims to sustainably enhance corporate value by working on the co-creation of value through appropriate communication and cooperation with various stakeholders.

Basic approach

As a retailer, the Company has stakeholders including customers, shareholders, employees, suppliers, distributors, financial institutions, local communities, and administrative bodies. We believe that creating a forum for communication with our stakeholders will lead to the development of appropriate solutions to the various issues that we currently face, thereby enhancing our social credibility and corporate value. Also, the

Company recognizes that engaging with stakeholders helps to generate suggestions in many fields, including the promotion of ESG activities, strengthening of sustainability, development of community activities, formulation of ethical initiatives and norms, and strengthening of information disclosure. Therefore, we will continue to strengthen initiatives in stakeholder engagement.

Stakeholders of the SUNDRUG Group



Stakeholder engagement

Declaration on protecting the global environment	The Company recognizes that the global environment is the foundation of all its activities. Therefore, the Company will strive to protect the environment by complying with laws and regulations and cooperating with its stakeholders.
Commitment to customers	We will always strive to provide products of value in order to gain the trust and satisfaction of our customers, and serve to realize safe, secure, healthy and rich lives.
Commitment to business partners	It is our responsibility to our business partners to ensure “fair trade.” In order to earn the trust of our business partners, we will comply with good business practices and strive to build relationships of coexistence and mutual prosperity.
Commitment to shareholders	We will actively engage in dialogue with our shareholders and aim to become a sustainable and resilient company that can respond to social changes and risks. We will endeavor to enhance corporate value through both financial and non-financial measures.
Commitment to employees	By actively engaging in dialogue with our employees, we pledge to create a healthy and comfortable working environment, and to provide an environment that enables sustainable change and continuous growth.
Commitment to local communities	Our goal of realizing safe, secure, healthy and rich lives also represents our commitment to local communities. In addition to providing services at our stores, we will promote events related to medicine and health, as well as tree-planting and fundraising activities in cooperation with local communities.

Current activities

- Meetings with institutional investors and analysts
- Site visits for investors
- Collection of customer feedback via email and telephone

Future activities

- We will continue to consider how to implement and enhance measures for engagement and collaborations with stakeholders.
- Consider conducting employee satisfaction surveys and customer surveys

Multiple Stakeholder Policy

In light of the importance to corporate management of value co-creation with many diverse stakeholders, the Company will strive for appropriate cooperation with our stakeholders, as well as for appropriate distribution to

these stakeholders of profits and outcomes generated, based on the Multiple Stakeholder Policy disclosed in May 2023.

For details, please refer to the “Multiple Stakeholder Policy.”

www.sundrug.co.jp/wp-content/uploads/multiple_Stakeholder_policy_en.pdf



Theme 7

Promotion of risk management

Risk management

In order to address the various risks facing the Group in a timely and appropriate manner, we have formulated a range of risk management systems and have put them into operation.



Preparing for and responding to risks

Concept of risk management

The Group positions risk management as an important management issue, and works to identify risks hidden in business activities, such as large-scale disasters and customer information leaks, and strengthen our system to manage them. The Group has established a system, in which, at normal times, each department identifies risks it has and works to mitigate them, and at an emergency, a “task force” is formed as stipulated in the “Risk Management Regulations,” and the Group as a whole responds to the emergency. As for Corporate Lawyers, the Group has concluded advisory contracts with four law firms, and whenever we have a legal issue related to management or operations, we consult with and get advice from them. The Group thus strives to avoid and mitigate unforeseeable risks as much as possible.

Major matters that are deemed to be business risks of the Group are as follows. (For details, please refer to the Annual Securities Report.)

1. Risks related to businesses of managing pharmacies and selling pharmaceuticals, cosmetics, daily sundries, etc.
2. Risks related to the financial position and operating results
3. Risks related to legal regulations
4. Risks related to litigation, etc.
5. Risks related to the business structure

For details, please refer to the Annual Securities Report.

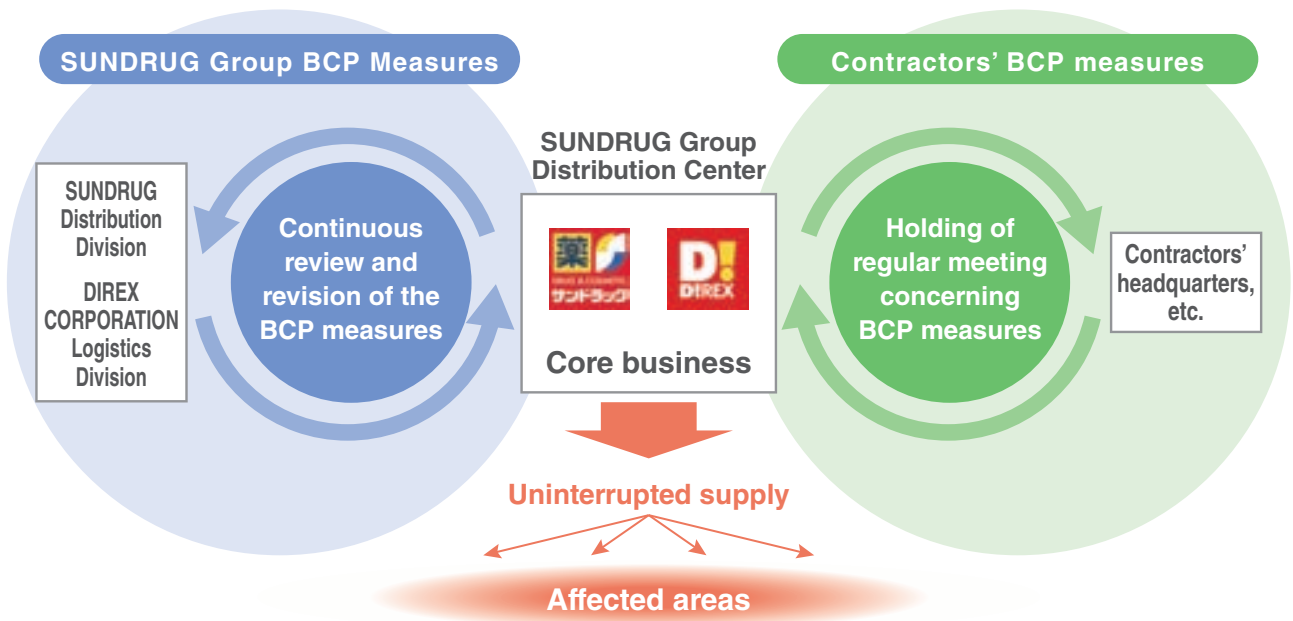


<https://www.sundrug.co.jp/ir/irdata/securities>

Business Continuity Plan (BCP)

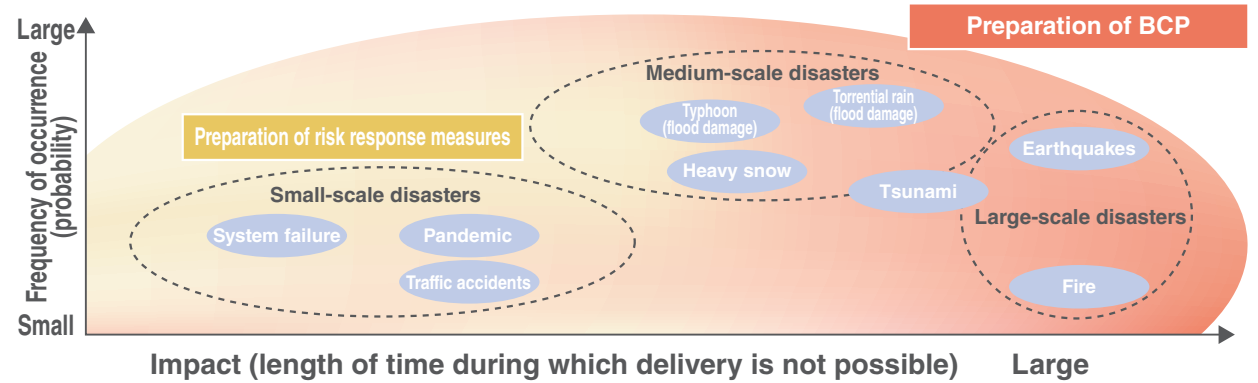
After its experience of the Great East Japan Earthquake—a disaster unexpected in its scale—the Group recognized the necessity of establishing a Business Continuity Plan, an important plan that must be prepared during normal times in order to prepare for times of emergency, which can often occur without warning. The Kumamoto Earthquake refreshed in our mind the seriousness of these issues, and we have continued to review and revise the content of our

BCP measures ever since. In order to fulfill its role as part of the social infrastructure, the Group makes maximum efforts to predict and prepare for disaster risk, thereby minimizing damage. In addition, given that the content of the Group’s BCP may differ from that in the BCPs of our logistics contractors, the Group regularly holds meetings concerning BCP measures in order to formulate effective BCPs based around a common understanding.



Formulation and updating of BCPs

The Company formulates and updates its BCP with the aim of establishing a framework that will prevent a disruption of its logistics operations throughout the supply chain as we move into a world in which climate change increases the frequency of natural disasters.



Objectives of formulation

To formulate emergency response plans and actions during normal times such that Group operations may be restored and resumed within the necessary time.

Approach

- Identify the types of disaster that may be predictable and look back on past cases of such (examples of responses).
- Consider methods of prevention, countermeasure, and response for different scales of disaster.
- Identify what needs to be done before, during, and after a disaster.

Formulation and updating

- Confirm whether prevention and countermeasures have been implemented at each Group site.
- After a disaster has ended, a disaster response meeting must be held to share information across all Group sites.

Implementing and reporting

- Implement regular drills in line with the Disaster Response Manual.
- Hold regular meetings concerning disaster response with the participation of management and managers.

Planning for initiatives

Hold disaster response meetings six times per year.

Concept of initiatives

To prepare for increasingly severe weather-related disasters, the Company is promoting advancement of the logistics BCP system based on the records of disaster response and learning from them. The Company is working to maintain stable logistics networks and ensure safety of operators on-site by developing reproducible countermeasures in advance based on past experience of response, especially for small- to medium-scale weather-related disasters.

[System (framework for operating BCPs)]

● System for real time information sharing when disaster occurrence is expected

Hold an online response meeting participated in by all Group sites in Japan at a stage when a disaster risk increases based on information from the Japan Meteorological Agency and other sources.

*Group sites with no risk of disaster damage also participate to promptly understand the overall situation and develop a support system.

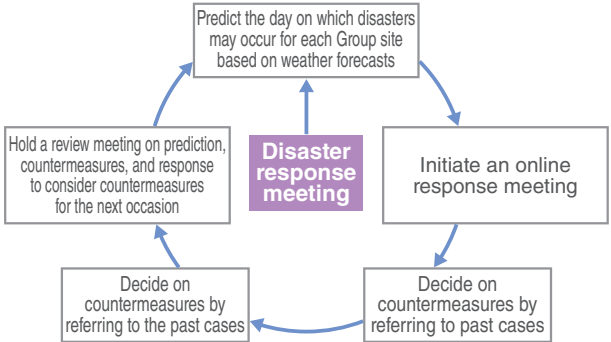
● Prior simulation and coordination of delivery plans in advance

Based on the data of stores that experienced difficulty in delivery at the time of past disasters, implement early delivery, distributed shipping, and other measures for high-risk regions in advance.

Example: Reduce risk of supply interruption by shipping ahead of schedule when torrential rain is expected.

● From memories to records: Systematic accumulation of response history and cycle of improvement

Record all processes of prediction → countermeasures → response → verification as quantitative and qualitative data. Verify whether the response taken at the time of disaster was the best option and establish a cycle of improvement aiming to achieve both safety of drivers on site and business continuity.



Business partners

The Group is working to realize a sustainable society through the strengthening of fair, transparent, and appropriate transactions and partnerships with business partners that work in cooperation with the Group’s businesses.

Basic policy

At the Company, where “Benefits for all” forms a key part of our management stance, we recognize those parties we do business with as important business partners of the Group.

In this era of rapid change, there are a variety of issues facing our society that no one company can resolve on their own. For this reason, the Group recognizes the importance of fair transactions with its business partners and in

response has, in conjunction with its business partners, established the “Code of Conduct for Business Partners” and issued the “Declaration of Partnership Building.”

In order to contribute to the realization of a sustainable society across the entire supply chain, we are committed to building relationships based on co-existence and co-prosperity.

Declaration of Partnership Building

The Group has endorsed the aims of the “Declaration of Partnership Building.”

The “Declaration of Partnership Building” aims to strengthen partnerships with business partners who share the supply chain and declares to build, in the name of the company representative, new relationships of co-existence and co-prosperity with the aim of achieving a “virtuous cycle between growth and distribution.”

Through the “Declaration of Partnership Building,” we aim to respect each other’s values, resolve common issues, and realize a better society.

The Company’s declaration specifies the following items:

For details, please refer to the Declaration of Partnership Building Portal Site.



<https://www.biz-partnership.jp/>

Conducting transaction survey

In line with the announcement of the Declaration of Partnership Building, the SUNDRUG Group conducts transaction surveys of our business partners and our employees once a year.

We collect feedback from respondents through questions about compliance promotion criteria and the status of their adherence to compliance regulations. Based on that feedback, we will improve matters considered to be issues in our efforts to build better relationships of trust with our business partners.

Code of Conduct for Business Partners

The Group aims to create good cheer and fun in daily life to realize healthy, rich lives for the Japanese people, which is our corporate philosophy, through drugstore, dispensing pharmacy, cosmetics store, and variety store operations. To pursue this philosophy, we believe it is essential to practice responsible conduct and maintain the trust of all stakeholders for being a corporate group that is well equipped to discharge its responsibilities to society. The Group has established a Group Code of Conduct to be observed in the course of work, as a set of norms for an organization that regulates itself in relation to society. Based on this approach, we have also established a Code of Conduct for Business Partners, in order to contribute to the realization of a sustainable society across the entire supply chain.

Application of the Code of Conduct for Business Partners

- We ask our business partners to understand the Code of Conduct for Business Partners (hereinafter referred to as “the Code”) and pursue their activities in accordance with it.
- We ask our business partners to take steps to put the Code into practice not only within their own companies but also encompassing the suppliers that they deal with.
- We ask our business partners to cooperate with sharing information on adherence to the Code with the Group as necessary.
- We ask our business partners to report to the Group operating company with which they deal in the event that they detect conduct in contravention of the Code. In addition, we will take corrective action promptly, and institute countermeasures to prevent recurrence.

Reporting Desk for Business Partners

With the establishment of the Reporting Desk for Business Partners, the SUNDRUG Group deals with issues such as violation of compliance regulations, coercion of money, goods, wining and dining, etc., abuse of dominant bargaining position, violation of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, harassment, and violation of human rights.



[E-mail: helpline@sundrug.co.jp](mailto:helpline@sundrug.co.jp)

Basic approach to logistics

The issue of the working environment (long working hours) has been highlighted as a contributing cause to the situation of the aging population of truck drivers and the decrease in new drivers. The time required for performing tasks other than driving, such as unloading cargo and long standby periods on site, have been cited as factors in this.

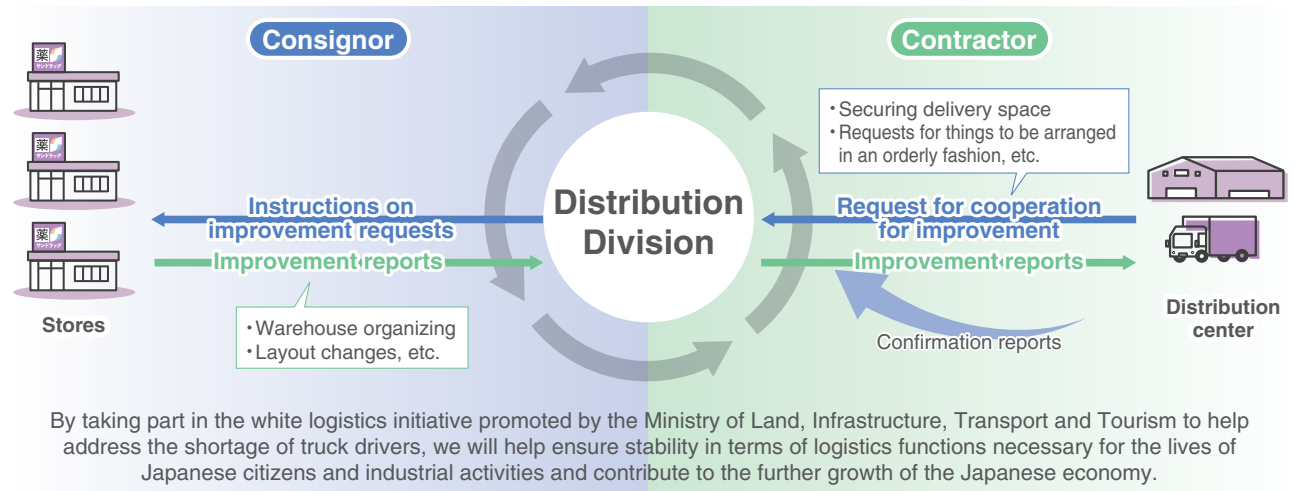
If progress is not made in improving the working environment for truck drivers, the shortage of drivers will further accelerate, and we may be forced into a situation in which goods do not arrive and stores cannot be opened.

In order to accelerate response to the Logistics 2024 Problems, the Ministry of Economy, Trade and Industry,

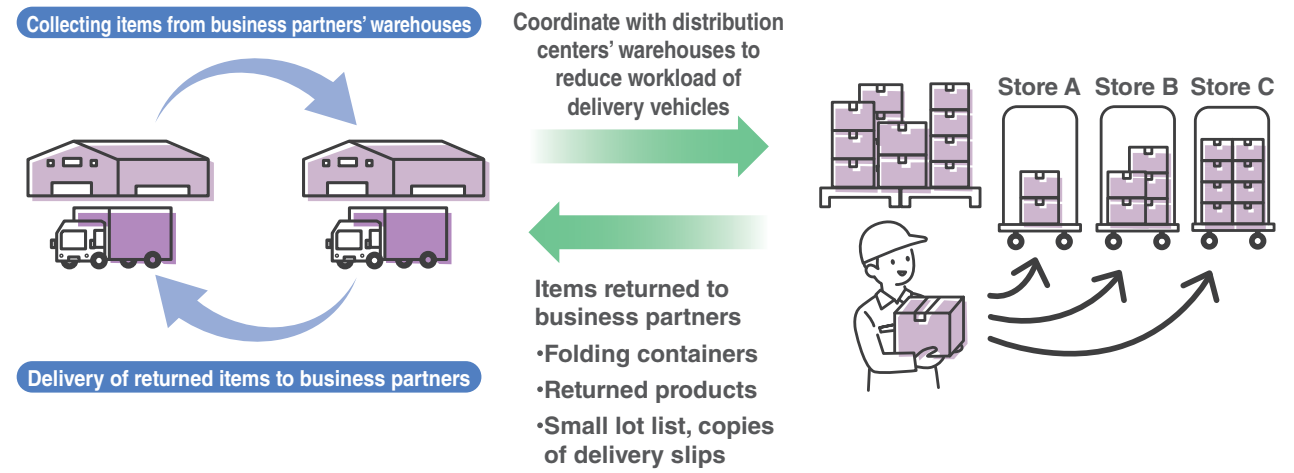
the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport and Tourism jointly issued the “Guidelines for Consignors and Logistics Providers on Initiatives for Optimization and Productivity Improvement in Logistics,” which summarizes the issues that should be promptly addressed by consignors, consignees, and logistics providers in June 2024.

The Group will promote further improvement and reform of logistics by following the guidelines issued, while continuously working for the initiatives on white logistics.

SUNDRUG Group’s logistics initiatives



Initiatives on pickup services



Human rights

The Group is working to strengthen and promote initiatives relating to, among other things, education on respecting the human rights of all stakeholders, including employees.



Basic policy on human rights

The Group aims to create good cheer and fun in daily life, envisaging a future in which all people can lead healthy, rich lives. We believe that respect for human rights is a precondition for business activity, and that contributing to the creation of a society that respects human rights is a key element in our future vision of healthy, rich lives through our business activities. The SUNDRUG Group has established this SUNDRUG Group

Human Rights Policy (hereinafter referred to as “this Policy”) consistent with the United Nations’ Guiding Principles on Business and Human Rights, and will advance our activities toward respect for human rights in accordance with this Policy. This Policy complements the SUNDRUG Group Code of Conduct, and under this Policy, the Group will make concerted and united efforts to promote respect for human rights.

SUNDRUG Group Human Rights Policy

Basic approach

The Group understands that all business activities have the potential to impact human rights, either directly or indirectly. We believe that one of our key responsibilities as a business operator is to uphold international norms of human rights such as the UN Guiding Principles on Business and Human Rights, cultivate deeper understanding of human rights problems, and conduct ourselves appropriately.

Scope of application

The Group applies this Policy to all officers and employees of the Group, including part-time, contract, and temporary hire employees. Moreover, the Group requires its suppliers to understand and comply with this Policy and expects business partners to support it.

Human rights due diligence

The Group builds human rights due diligence systems, identifies negative impacts on human rights related to the Group’s business, and pursues initiatives for the prevention and alleviation of these impacts.

Relief

In the event that the Group’s activities are found to have caused or exacerbated any negative impact on human rights, we endeavor to institute appropriate and effective

relief measures. Moreover, in the event that the Group is connected with any negative impact on human rights as a result of its business relationships, we take steps toward correction or mitigation.

Education and training

The Group conducts appropriate education and training programs for all its officers and employees, including part-time, contract, and temporary hire employees, to ensure that this Policy is incorporated and implemented effectively in all business activities.

Dialogue and consultation

In the course of implementing this Policy, we make use of the expert knowledge of independent external organizations and engage in sincere dialogue and consultation with stakeholders.

Information disclosure

The Group discloses the status of progress on its own initiatives toward respect for human rights via its website and other channels appropriately.

Important themes

The Group ensures the prevention of discrimination and harassment, a friendly working environment, achievement of work-life balance, respect for and assurance of privacy.

Human rights management system

Human rights are inherent rights to live one’s life as a human should, and their scope and content is broad-ranging. There are various types of human rights problems that can occur in business activities, ranging from sexual harassment, abuse of power, and other forms of harassment in the workplace, to discrimination and bias against persons with disabilities, and labor accidents resulting from long working hours, just to name a few. In addition, as the Group handles pharmaceutical products, we potentially face specific human rights problems stemming from the risk of mistakenly selling products that have an impact on the health and lives of our customers. We see human rights management as integral to corporate

risk management, and believe it is crucial to develop systems for respecting human rights. At the Company, issues involving human rights such as feedback and complaints arising from inadequate consideration for customers, in-house harassment, and labor accidents are addressed by sharing information at monthly meetings of the Compliance and Risk Management Committee and Safety and Health Committee with the involvement of all departments, and instituting necessary countermeasures through the responsible departments. In the event of a serious incident, we notify related departments and individuals via the company intranet, and report to the Board of Directors.

Education on respect for human rights

The Group is working continually to ensure respect for diversity, elimination of all kinds of discrimination on the basis of race, nationality, sex, age, disability, and other attributes, prevention of harassment (including abuse of power, sexual harassment, harassment on the basis of maternity or caregiver duties, and other forms of victimization), promotion of gender equality, and enhancement of working environments and systems. We are taking pre-emptive steps to avert the occurrence of problems, through awareness-raising activities for employees including dissemination of the Compliance Guidebook and Harassment Prevention Guidelines, display of harassment prevention posters, internal email alerts, human rights training for different seniority levels, and e-learning programs.

Moreover, for staff in charge of employee recruitment and appointment in the Human Resource Division and store managers responsible for recruiting part-time workers, we have introduced an employment manual to ensure that appointments are made fairly and without reference to attributes such as race, sex, age, and gender identity. In marketing and promotional activities, we take care not to cause misunderstandings or misperceptions through the use of expressions that may exacerbate discrimination or human rights infringements, or those that may defame or denigrate other people.

Respecting customers’ human rights

As the Group is involved in the sale of pharmaceutical and cosmetic products, there is a risk of mistakenly selling products that have an impact on the health and lives of our customers. We recognize this as one of the Group’s major risks in the areas of sustainability and human rights. Our number one focus in order to mitigate this risk is human resource development: training employees involved in dispensing prescription pharmaceuticals and selling over-the-counter (OTC) pharmaceuticals and cosmetics to become professionals within their respective fields of work. They need to use their pharmaceutical and product knowledge, communication skills, and other attributes to the full when consulting with patients and customers and determining the appropriate use of pharmaceutical and cosmetic products. We have designed education and training curricula that are finely tuned to the career outlooks and proficiencies of each individual employee.

At the same time, on the basis that humans inevitably make mistakes now and then, we have adopted systematic, automated risk mitigation strategies in the form of a Barcode Dispensing Error Prevention System and Camera Monitoring Guidance System for dispensary staff, and a Quantity Limit System* in the sale of OTC pharmaceuticals and cosmetics. Employee education is an investment that protects the health and lives of customers and reduces

human rights risks, at the same time as lessening sustainability risks and raising the Group’s capacity for continued growth. We will work to make further enhancements to the educational curricula into the future. *Quantity Limit System: A system that triggers an alert at the checkout if the volume of OTC pharmaceuticals purchased exceeds a specified level

In our drugstore business, we handle sensitive information such as customers’ medication history and pharmaceutical purchase history. We situate proper administration and protection of personal information as a key issue in management and business, and an obligation to be discharged by officers and all employees as part of our social responsibility. With a view to safeguarding customers’ privacy and the security of personal information, the Group has established a Basic Policy on the Protection of Personal Information, along with measures such as access restrictions and access logs to ensure that personal information stored in our systems can only be obtained by those who require it in order to perform their work duties. Through measures such as these, we aim to manage our organization so that every employee upholds the Act on the Protection of Personal Information and other related statutory provisions and internal rules, and performs their work appropriately while protecting personal information.

Respecting employees’ human rights

We are pursuing human rights awareness-raising activities and developing internal regulations and guidelines in areas such as respect for diversity, prohibition of all forms of discrimination on the basis of attributes such as race, nationality, sex, age, and disability, and prevention of harassments. In addition, we have established dedicated in-house contact points in accordance with the Whistleblower Protection Act, and are working to ensure proper receipt of reports relating not only to sexual harassment but also all other forms of workplace harassment, early detection of problems, and their swift resolution. We also engage in ongoing and periodical consultations with labor unions, in order to tackle a broad range of issues through collaboration between labor and management.

As we are in distribution business, where operating hours are long, we have a responsibility to manage employees’ work hours properly and appropriately. We use mechanisms such as attendance systems, PC logs, security records of store entry and exit, and POS transaction records to monitor working hours and avoid having employees working long hours, thereby protecting workplace safety and health. We have also been able to reduce monthly average overtime hours using the Monthly Flexible Working Hours System, which was introduced with the aim of helping employees achieve a better balance between work and home life.

Respecting human rights in the supply chain

The Group does not manufacture any of the products it sells in-house: even those products that are sold as SUNDRUG original brands are manufactured for us by business partners. For this reason, we consider it important to work together with our business partners to prevent human rights infringements in the supply chain. We discharge our social responsibility by strengthening structures for collaboration with business partners and a range of other stakeholders and putting respect for human rights into practice, guided by the Human Rights Policy and the Group Code of Conduct.

Theme 8

Establishment of IT governance

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Information security and privacy

We are strengthening measures to ensure appropriate management of information and are promoting initiatives such as education for all employees involved in business operations.

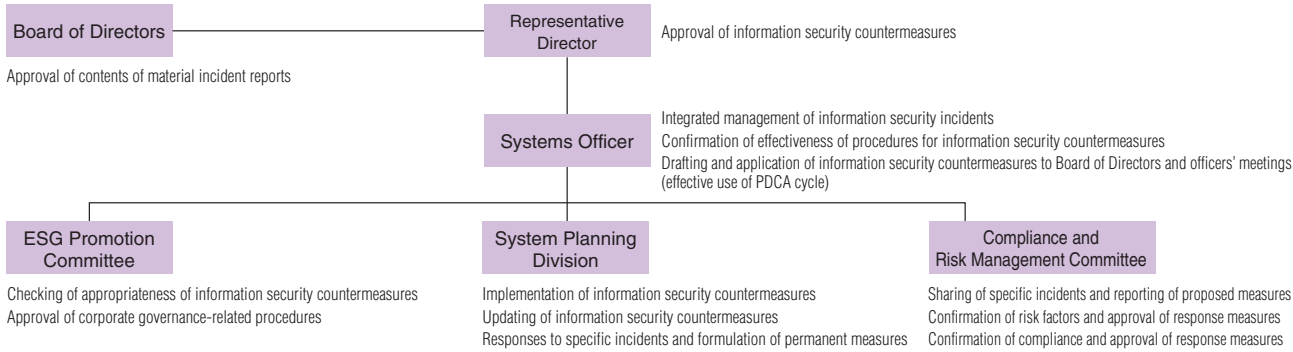


Recognition of the importance

Information systems for helping realize more efficient management operations have become indispensable. However, the risks related to information security, such as loss due to the suspension of information systems, leakage of customer information, and ransomware, may have an impact not only on the Group but also on our customers, business partners, and shareholders.

Risk management relating to information security is one of the important management issues for the Group. In particular, we believe that it is the social responsibility of the Group to protect the information assets held by the Group, including important information such as customers' personal data, from various threats, such as unauthorized access and cyberattacks.

Governance structure

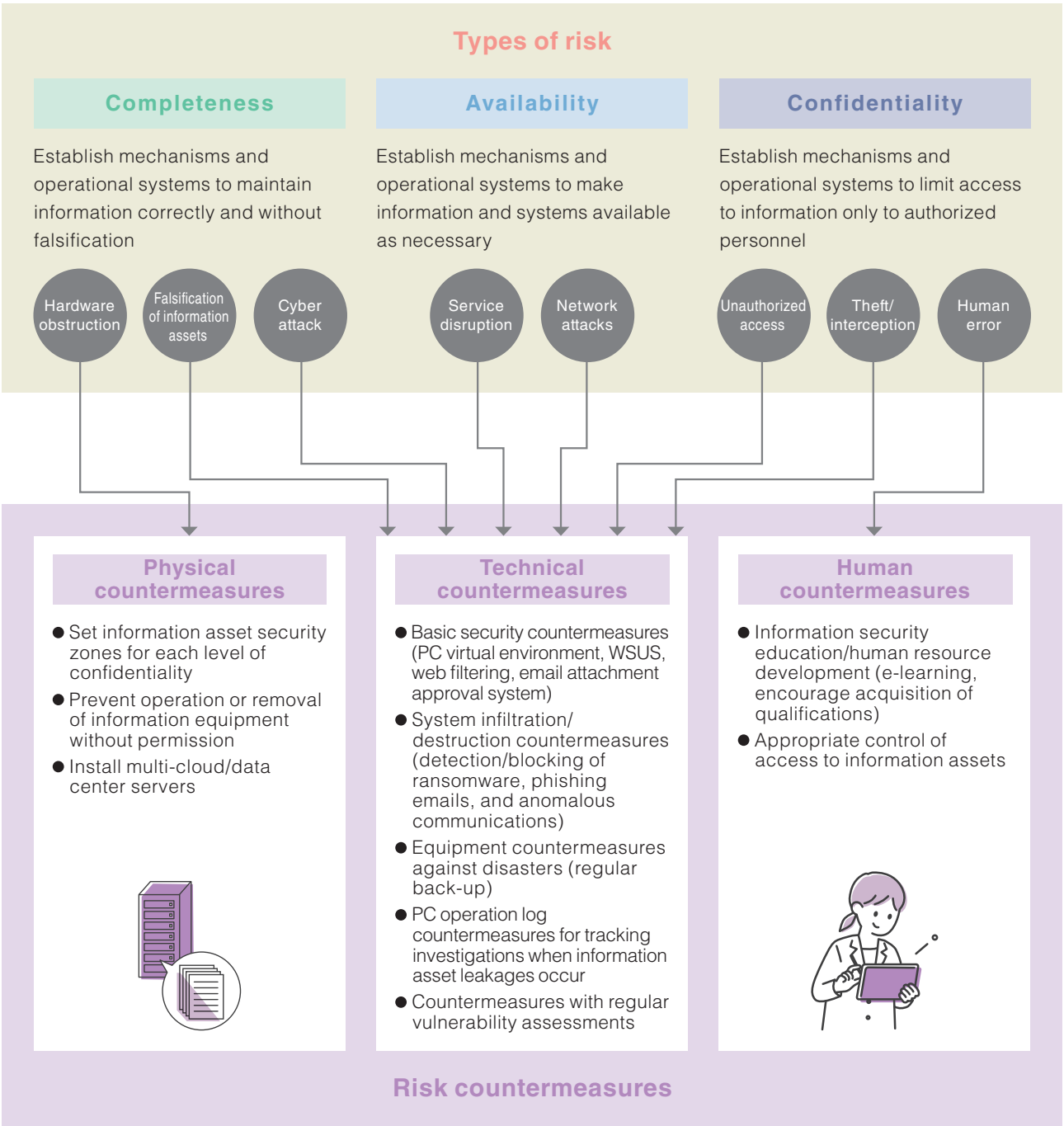


Approach to basic policy on information security

1. Responsibility for execution of operations	By establishing systems and measures for the establishment and operation of information security management systems, protect the information assets of customers and the Group from all threats. To that end, strive to improve and enhance information security in an organized and continuous manner.
2. Development of internal systems	Establish organizations for the maintenance and improvement of information security and set forth information security countermeasures as formal internal company rules.
3. Employee initiatives	Employees are to acquire the knowledge and skills required for information security to give certainty to information security initiatives.
4. Compliance with laws and regulations and contractual requirements	Comply with laws and regulations, codes, and contractual obligations concerning information security and protect important information, including customers' personal information, etc.
5. Response to information security incidents	To prepare for the manifestation of information security risks, develop reporting structures and initial response manuals and thoroughly disseminate them to all relevant parties. In the event of a serious security incident, report to the Compliance and Risk Management Committee and notify government agencies and other relevant parties.

Information security countermeasures for each type of risk

The following describes the Company's measures for the types of risk in terms of the three elements of information security (completeness, availability, and confidentiality).



Consolidated financial statement

Consolidated Balance Sheets

(Million yen)

	For the fiscal year As of March 31, 2024	For the fiscal year As of March 31, 2025		For the fiscal year As of March 31, 2024	For the fiscal year As of March 31, 2025
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	69,698	64,956	Accounts payable - trade	77,371	79,731
Accounts receivable - trade	26,740	29,994	Short-term borrowings	35,000	1,000
Merchandise	90,970	98,413	Current portion of long-term borrowings	—	3,800
Supplies	322	261	Income taxes payable	7,547	8,180
Accounts receivable - other	15,900	18,390	Contract liabilities	5,982	6,993
Other	4,610	4,762	Other	29,565	28,801
Total current assets	208,243	216,777	Total current liabilities	155,466	128,507
Non-current assets			Non-current liabilities		
Property, plant and equipment			Long-term borrowings	—	33,866
Buildings and structures	136,203	154,450	Provision for retirement benefits for directors (and other officers)	315	281
Accumulated depreciation	(51,182)	(57,344)	Retirement benefit liability	2,158	2,102
Buildings and structures, net	85,020	97,106	Asset retirement obligations	6,644	7,029
Land	8,514	8,616	Other	2,533	2,505
Other	74,117	85,734	Total non-current liabilities	11,651	45,785
Accumulated depreciation	(47,116)	(54,751)	Total liabilities	167,118	174,293
Other, net	27,000	30,983	Net assets		
Total property, plant and equipment	120,536	136,706	Shareholders' equity		
Intangible assets			Capital	3,931	3,931
Goodwill	1,556	1,440	Capital surplus	7,496	7,533
Other	7,587	7,228	Retained earnings	247,272	263,754
Total intangible assets	9,143	8,669	Treasury shares	(3,894)	(3,868)
Investments and other assets			Total shareholders' equity	254,806	271,350
Investment securities	35,808	34,013	Accumulated other comprehensive income		
Long-term loans receivable	7,645	7,364	Valuation difference on available-for-sale securities	139	17
Deferred tax assets	8,155	9,016	Revaluation reserve for land	(1,805)	(1,782)
Deferred tax assets for land revaluation	796	820	Remeasurements of defined benefit plans	(50)	128
Leasehold and guarantee deposits	27,828	28,411	Total accumulated other comprehensive income	(1,716)	(1,636)
Other	2,149	2,231	Total net assets	253,090	269,713
Allowance for doubtful accounts	(98)	(4)	Total liabilities and net assets	420,208	444,007
Total investments and other assets	82,284	81,853			
Total non-current assets	211,964	227,229			
Total assets	420,208	444,007			

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net sales	751,777	801,811
Cost of sales	562,457	597,723
Gross profit	189,319	204,087
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	17	0
Provision for retirement benefits for directors (and other officers)	11	10
Salaries, allowances and bonuses	54,195	58,216
Retirement benefit expenses	638	711
Rent expenses	31,383	33,337
Other	62,075	67,313
Total selling, general and administrative expenses	148,323	159,591
Operating profit	40,996	44,496
Non-operating income		
Interest income	120	151
Dividend income	7	9
Commission income	91	99
Guarantee commission income	—	329
Gain on receipt of donated non-current assets	350	266
Other	220	220
Total non-operating income	791	1,078
Non-operating expenses		
Interest expenses	32	164
Share of loss of entities accounted for using equity method	—	1,567
Other	26	6
Total non-operating expenses	59	1,738
Ordinary profit	41,728	43,835
Extraordinary income		
Gain on sale of non-current assets	21	0
Gain on sale of investment securities	—	198
Compensation income	4	—
State subsidy	429	537
Other	154	60
Total extraordinary income	610	796
Extraordinary losses		
Loss on sale of non-current assets	—	6
Loss on retirement of non-current assets	133	165
Loss on cancellation of rental contracts	9	33
Impairment losses	481	426
Loss on tax purpose reduction entry of non-current assets	242	407
Other	211	23
Total extraordinary losses	1,078	1,062
Profit before income taxes	41,261	43,569
Income taxes - current	13,130	13,728
Income taxes - deferred	(995)	(909)
Total income taxes	12,134	12,818
Profit	29,126	30,750
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	29,126	30,750

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Profit	29,126	30,750
Other comprehensive income		
Valuation difference on available-for-sale securities	56	(116)
Revaluation reserve for land	—	23
Remeasurements of defined benefit plans, net of tax	8	178
Share of other comprehensive income of entities accounted for using equity method	—	(4)
Total other comprehensive income	65	80
Comprehensive income	29,191	30,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	29,191	30,831
Comprehensive income attributable to non-controlling interests	—	—

Consolidated Statements of Cash Flows

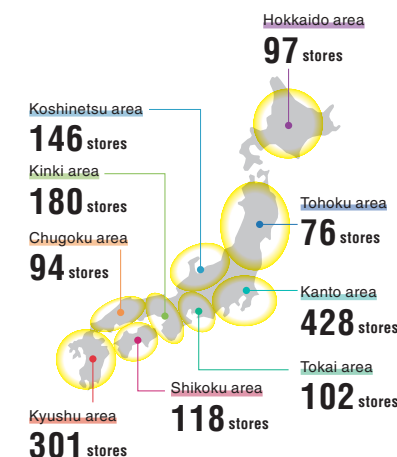
(Million yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	41,261	43,569
Depreciation	15,127	17,282
Impairment losses	481	426
Loss on tax purpose reduction entry of non-current assets	242	407
Increase (decrease) in retirement benefit liability	164	(69)
Increase (decrease) in allowance for doubtful accounts	17	0
Increase (decrease) in contract liability	957	1,011
Interest and dividend income	(128)	(161)
Interest expenses	32	164
State subsidy	(429)	(537)
Penalty income	(133)	(0)
Loss on retirement of non-current assets	133	165
Share of loss (profit) of entities accounted for using equity method	—	1,567
Decrease (increase) in trade receivables	(4,515)	(3,238)
Decrease (increase) in inventories	(8,427)	(7,330)
Decrease (increase) in accounts receivable - other	(616)	(2,561)
Increase (decrease) in trade payables	3,364	2,359
Increase (decrease) in accrued expenses	296	336
Increase (decrease) in long-term deposits received	29	63
Increase (decrease) in accrued consumption taxes	(206)	503
Other, net	6,880	(35)
Subtotal	54,531	53,924
Interest and dividends received	12	49
Interest paid	(4)	(163)
Income taxes paid	(13,911)	(13,183)
Subsidies received	429	537
Other, net	131	0
Cash flows from operating activities	41,188	41,164
Cash flows from investing activities		
Purchase of property, plant and equipment	(36,426)	(33,451)
Purchase of intangible assets	(1,799)	(815)
Loan advances	(312)	(888)
Proceeds from collection of loans receivable	107	102
Purchase of investment securities	(35,377)	—
Payments of leasehold and guarantee deposits	(1,631)	(1,214)
Proceeds from refund of leasehold and guarantee deposits	503	529
Other, net	87	364
Cash flows from investing activities	(74,850)	(35,373)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term borrowings	35,000	(34,000)
Proceeds from long-term borrowings	—	40,000
Repayments of long-term borrowings	—	(2,333)
Dividends paid	(12,511)	(14,266)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	22,487	(10,600)
Net increase (decrease) in cash and cash equivalents	(11,173)	(4,809)
Cash and cash equivalents at beginning of period	80,872	69,698
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	66
Cash and cash equivalents at end of period	69,698	64,956

Company information (as of March 31, 2025)

Company name	SUNDRUG CO., LTD.
Headquarters	1-38-1 Wakamatsucho, Fuchu, Tokyo 183-0005, Japan
Established	April 1965
Capital	¥3,931.20 million
Representative	Hiroshi Sadakata, CEO and Representative Director
Number of employees	Non-consolidated: 7,989 persons/Consolidated: 16,509 persons (including part-time employees, as of March 31, 2025)
Business sites	861 directly-managed stores/263 subsidiary stores/38 franchise and other stores/56 distribution centers nationwide
Number of Group stores	Total 1,542 stores
Major Subsidiaries	Seikodo Pharmacy Corporation Sundrug Plus Co., Ltd. DIREX CORPORATION Daiya Inc. SUNDRUG Dream Works Co., Ltd.
Description of business	Management of chain stores and selling and wholesale of pharmaceuticals, cosmetics, daily necessities, food, etc.

Major business sites (as of March 31, 2025)

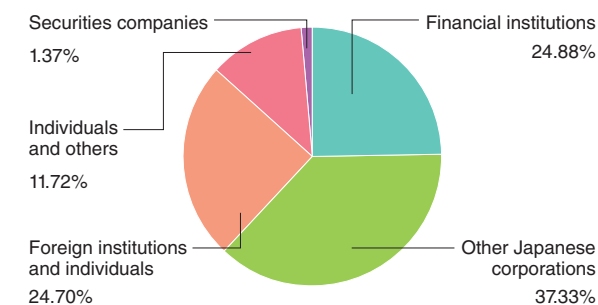


Stock information (as of March 31, 2025)

Status of stock (as of March 31, 2025)

Number of shares authorized	536,000,000 shares
Number of shares issued	119,331,184 shares (including treasury shares)
Number of shareholders	33,330

Ownership and distribution of shares

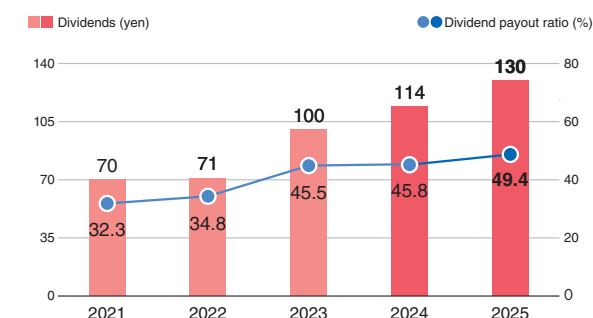


Major shareholders (top 10)

Name of shareholders	Number of shares held (thousands)	Shareholding ratio (%)
IRYUSHOJI CO., LTD.	43,776	37.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,705	12.57
Custody Bank of Japan, Ltd. (Trust Account)	9,203	7.87
CEP LUX-ORBIS SICAV	5,019	4.29
Naoki Tada	3,113	2.66
Takashi Tada	2,205	1.89
National Mutual Insurance Federation of Agricultural Cooperatives	2,069	1.77
JPMorgan Chase Bank 385047	1,679	1.44
Custody Bank of Japan, Ltd. (Trust Account 4)	1,279	1.09
State Street Bank and Trust Company 505001	1,051	0.90

Notes: Although the Company holds treasury shares (2,363 thousand shares), it is excluded from the above major shareholders.
The shareholding ratio is calculated excluding treasury shares.

Annual dividend per share



Information on the website

Website

<https://www.sundrug.co.jp/en>

IR site

<https://www.sundrug.co.jp/ir>



SUNDRUG