



SUNDRUG

INTEGRATED REPORT 2024



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.



Editorial policy

The Integrated Report 2024 reports on the SUNDRUG 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 SUNDRUG Group and deepen dialogue.

Applicable period

Some contents for the fiscal year ended March 31, 2024 (April 2023–March 2024) include activities and forecasts before or after that period.

Notes concerning forward-looking statements

The Integrated Report 2024 contains projections and forward-looking statements regarding the SUNDRUG 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.

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

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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.

1957-
Founded and incorporated

Founded by the late Honorary Chairman Yukimasa Tada in 1957 Incorporated as a limited company and started chain operations in 1965

1980-
Established a joint-stock company and strengthened its foundation

Reorganized as a joint-stock company in 1980 Relocated headquarters to Fuchu City, while establishing a system for managing products and sales information as well as a foundation for logistics in 1987

1994-
Started over-the-counter trading and listed on the Second Section of the Tokyo Stock Exchange

Registered its shares over-the-counter with Japan Securities Dealers Association in 1994, and listed on the Second Section of Tokyo Stock Exchange in 1997 Expanded the number of stores steadily, reaching 100 in 1998

2002-
Stock reassigned to the First Section of the Tokyo Stock Exchange, and growth accelerated

Stock reassigned to the First Section of the Tokyo Stock Exchange in 2002 Opened distribution centers, expansion of new stores accelerated across the country until reaching 500 in 2008


2009-
Entered discount store business

Made DIREX CORPORATION a subsidiary and entered discount store business in 2009 Achieved further growth and expansion with these two pillars, one of which is the drugstore business, reaching 1,000 stores in 2016


2020-
Further progress after the COVID-19 pandemic

After three years of the COVID-19 pandemic that began in 2020, drugstores established themselves as an essential part of everyday life. We aim to further develop our stores and become part of each community we find ourselves in.

1957
Founded by the late Honorary Chairman Yukimasa Tada in Setagaya Ward, Tokyo



1965
Established Sundrug Y.K. Started chain operations



1980
Reorganized Sundrug Y.K. into a joint stock company and established SUNDRUG CO., LTD.

1980
Opened suburban drugstore in Hachioji City, Tokyo

1985
Started online sales and order information system

1986
Opened a distribution center utilizing a picking system in Kunitachi City, Tokyo

1987
Relocated headquarters to Fuchu City, Tokyo

1991
Installed POS registers in all stores

1994
Started over-the-counter trading


1996
Made Taisei Home Aid Co., Ltd. a subsidiary

1997
Listed on the Second Section of the Tokyo Stock Exchange

1998
Relocated headquarters to current location
Made Komine Co., Ltd. a subsidiary

1999
Opened an inventory center in Tokorozawa City, Saitama Prefecture, and changed the existing distribution center to a transit center

2002
Stock reassigned to the First Section of the Tokyo Stock Exchange



2007
Made Act Co., Ltd. a subsidiary

2008
Act Co., Ltd. merged

2009
Made Seikodo Pharmacy Corporation a subsidiary
Made DIREX CORPORATION a subsidiary

2011
Made Sundrug Tokai Co., Ltd. a subsidiary

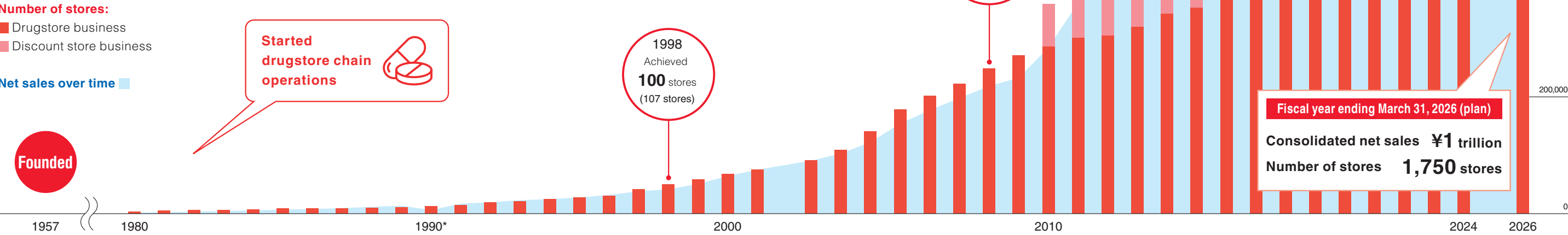
2013
Sundrug Tokai Co., Ltd. merged

2014
Made Sundrug Plus Co., Ltd. a subsidiary

2020
Sundrug Pharmacies Co., Ltd. merged

2022
Transition to Tokyo Stock Exchange's Prime market
Made Daiya Inc. into a subsidiary

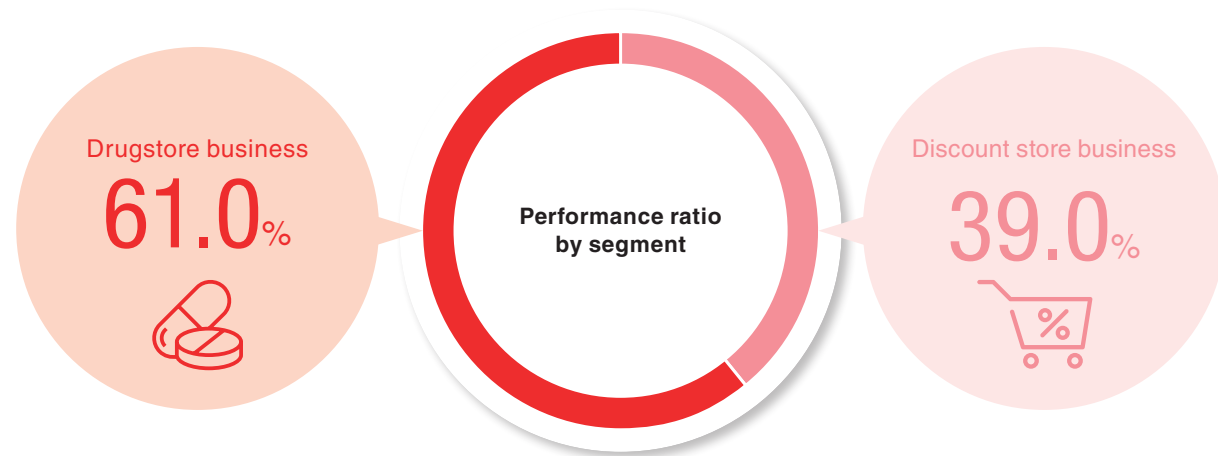
2023
Made Kirindo Holdings Co., Ltd. a company accounted for using the equity method



*The figures for 1990 are for the six months from October 1, 1989 to March 31, 1990 since the fiscal year end changed from September 30 to March 31.

Overview of SUNDRUG Group's business

SUNDRUG Group in Numbers



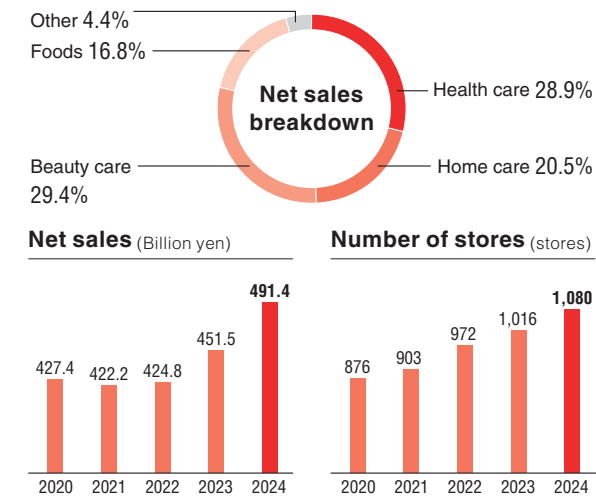
*Calculated with sales of merchandise to the discount store business excluded from the drugstore business



Dispensing pharmacy business

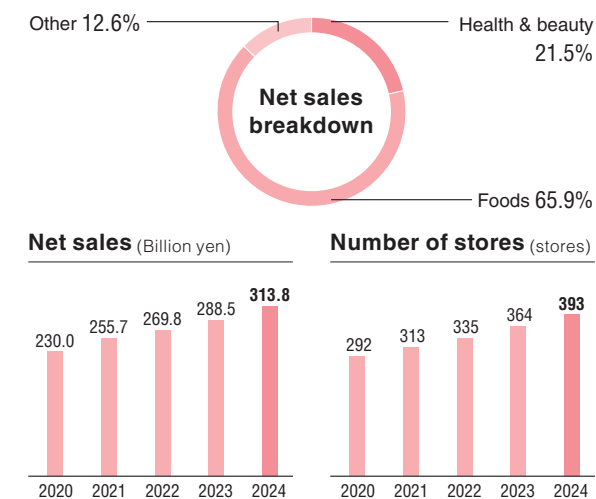
The dispensing pharmacy business consists of two types of dispensing pharmacies: "family care drugstore pharmacies" and "dispensing specialty pharmacies located near large hospitals," which are uniquely operated as educational institutions that provide services and train pharmacists. As aging of society advances and interest in health gradually increases, the SUNDRUG 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 business



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. 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



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."

- 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.

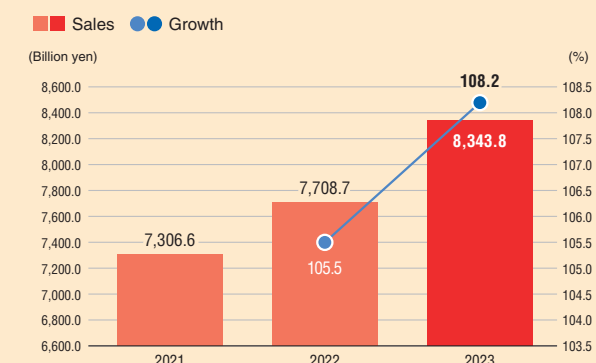
Drugstore market

Looking ahead to the drugstore market through 2030, we expect the progression of the aging society to have a major impact. Japan's aging rate is predicted to reach 33.3% in 2030, and demand for medicines and health-related products for the elderly is expected to grow significantly. To meet this demand, drugstores will likely need to provide an appropriate product lineup and employ highly specialized sales staff. Additionally, the government's promotion of self-medication is expected to lead to an expansion of the market for over-the-counter drugs (OTC drugs). Drugstores are also expected to play a role in supporting self-medication by proposing appropriate products and providing information to consumers. Furthermore, the move to lift the ban on online sales of pharmaceuticals, which has accelerated in response to the spread of COVID-19, could encourage the spread of online sales by 2030 and bring about changes in the business model of drugstores. We can also expect to see the merging of physical stores and online services, as well as the emergence of drugstores that specialize in online shopping.

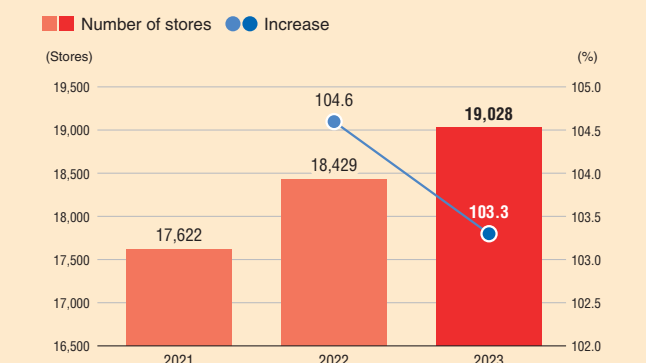
As consumers gain more knowledge about healthcare, they are likely to seek more specialized advice and services. We believe it will be important for drugstores to place even greater emphasis on the role of pharmacists and registered sales clerks, and to differentiate themselves by using their expertise as a strength. We also believe that growing awareness of preventive medicine and health management will cause drugstores to more actively expand into the health care field. We can provide health care services other than those related to pharmaceuticals, such as health consultation, nutritional guidance, and exercise instruction and thus secure new sources of profit and improve customer satisfaction. These factors are likely to bring to the drugstore market through 2030 fiercer competition based on specialization and healthcare services, in response to an aging population and growing health awareness. We believe that providing high added-value services while flexibly responding to new changes, for example, expanding online sales, is essential for the growth of drugstores.

Total sales in the drug market ¥8,343.8 billion (Up 8.7% YoY) | **Share in overall retail market:** 5.1% | **Share in overall commercial sales:** 1.4%

Market size and growth rate



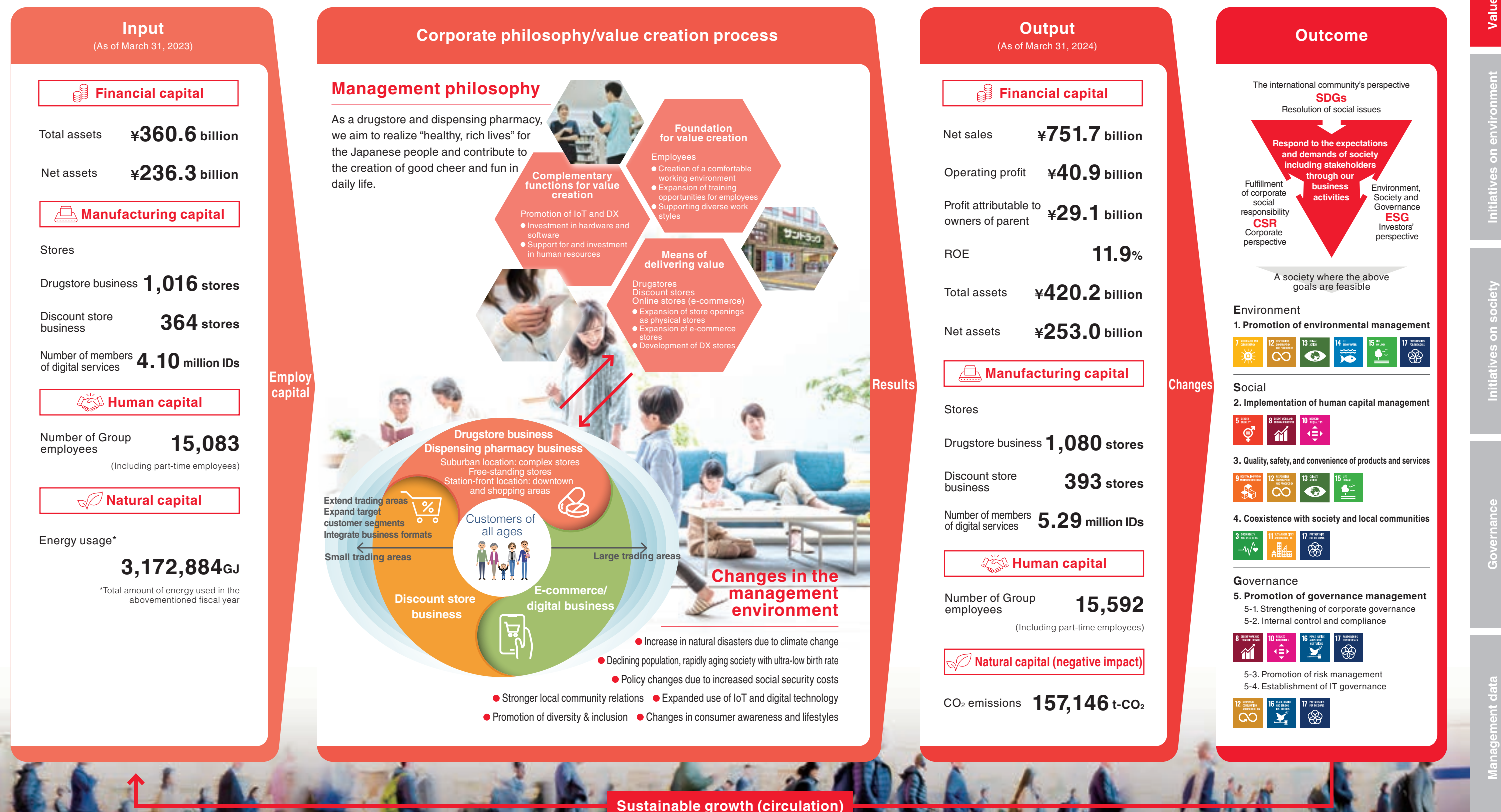
Number of stores and increase



Source: Ministry of Economy, Trade and Industry, "Current Survey of Commerce"

Value creation process

The SUNDRUG 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.

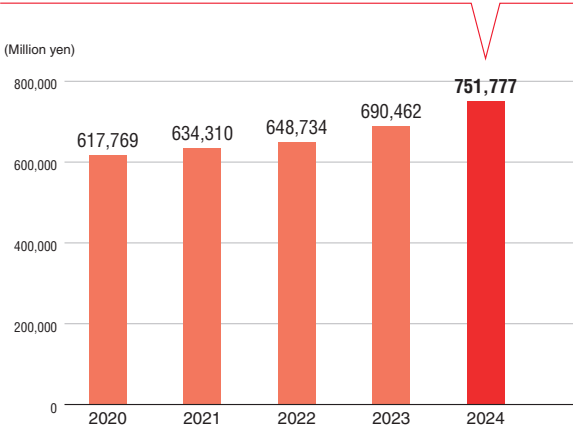


Sustainable growth (circulation)

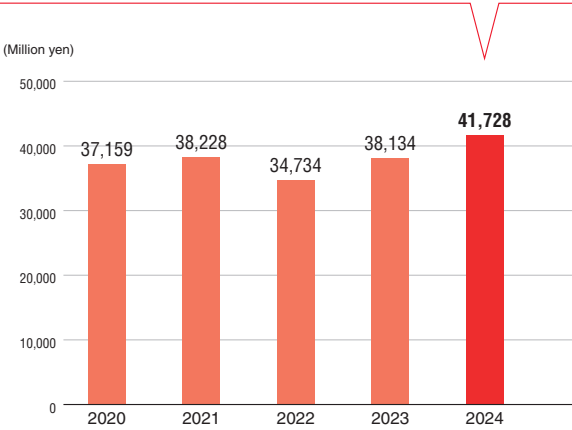
Financial and non-financial highlights

Financial performance

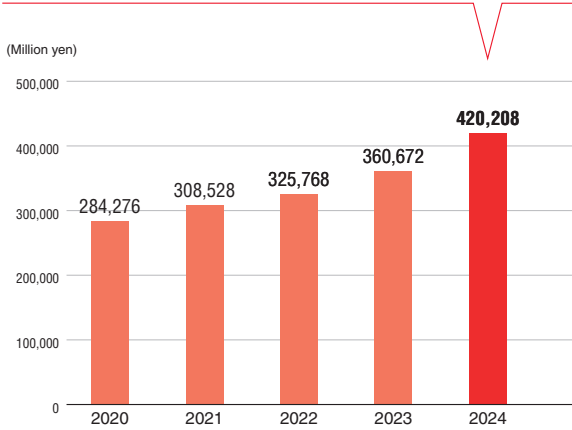
Net sales: **¥751,777 million**



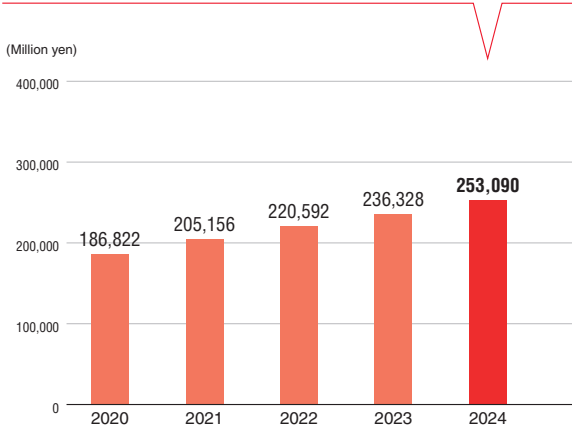
Ordinary profit: **¥41,728 million**



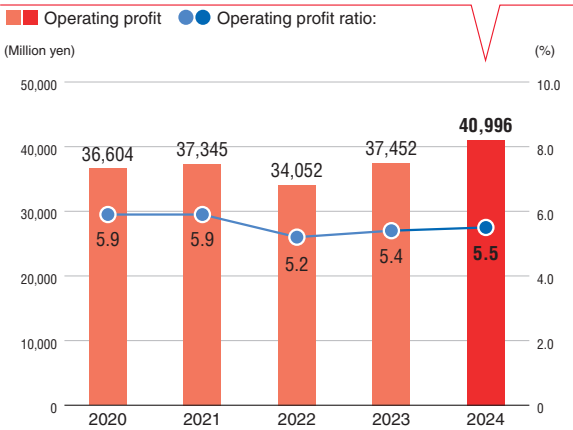
Total assets: **¥420,208 million**



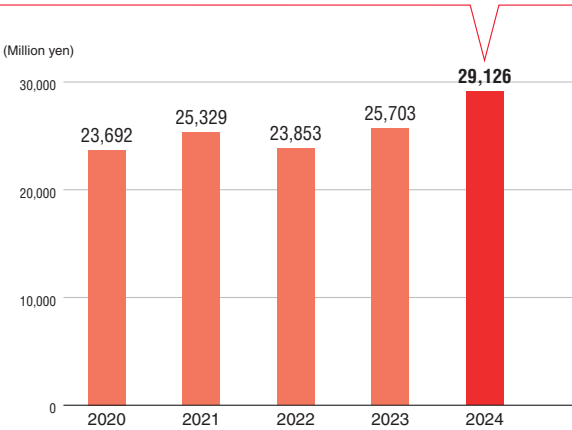
Net assets: **¥253,090 million**



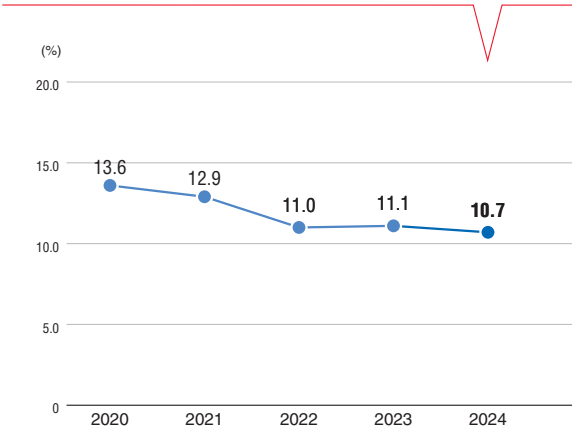
Operating profit: **¥40,996 million** Operating profit ratio: **5.5%**



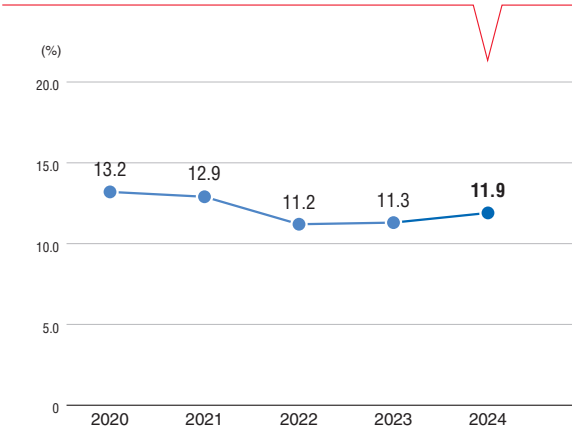
Profit attributable to owners of parent: **¥29,126 million**



ROA: **10.7%**

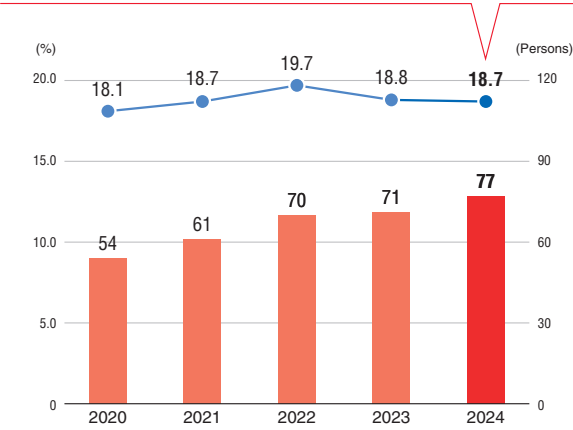


ROE: **11.9%**

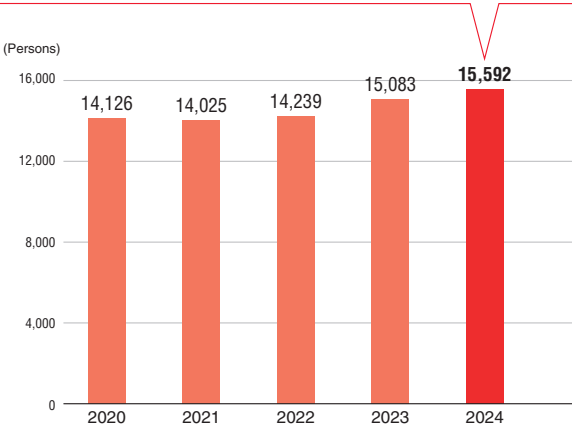


Non-financial performance

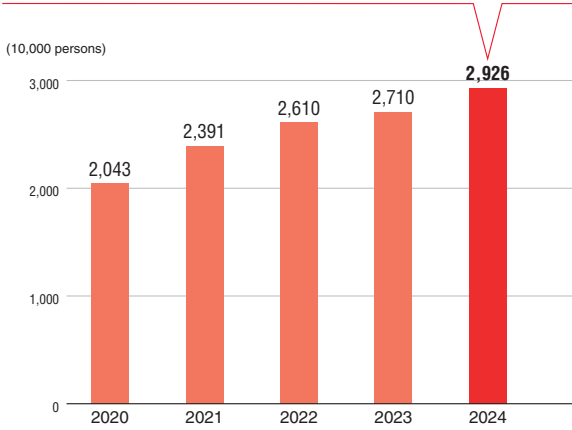
Ratio of female managers (SUNDRUG): **18.7%** Number of female managers: **77**



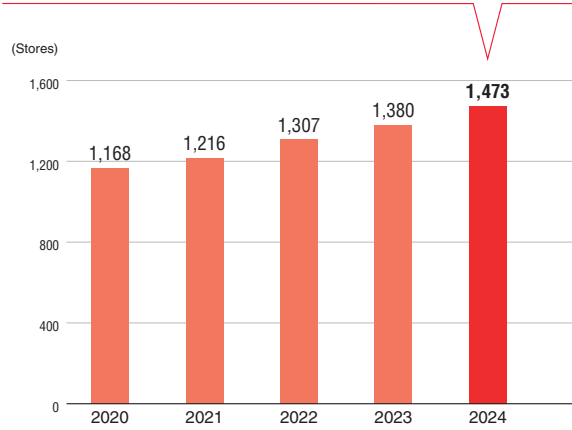
Number of employees: (Including part-time employees) **15,592**



Number of Group card members: **29.26 million IDs**



Number of stores: **1,473 stores**



*The above figures show the ratio and the number of female employees in managerial positions.

*The above figure includes the number of duplicate accounts.

Message from the CEO



Hiroshi Sadakata
CEO and Representative Director

The SUNDRUG Group will continue to evolve in order to grow together with local communities and society.

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

● Overview of the fiscal year ended March 31, 2024

Achieved increases in both sales and profits exceeding the revised plan, against the background of recovery in inbound demand

For the fiscal year ended March 31, 2024, amid a recovery in inbound demand to approximately 75% of pre-pandemic levels in the second half of the fiscal year, sales in the drugstore business were robust as demand for cosmetics recovered at stores in downtown areas. Although the percentage of tourists from China remains low, demand from visitors to Japan from both Western countries and Asia, including Korea and Taiwan, increased steadily, and demand for cold medicines has returned to pre-COVID levels.

Meanwhile, in the discount store business operated by DIREX, amid rising market prices associated with soaring costs of raw materials, capturing consumers' needs resulted in significant growth in sales in the food department. In addition, this business followed the example of the drugstore business in introducing electronic shelf labelling, thus improving its operations and curbing SG&A costs, including labor costs.

Due to the above, net sales for the fiscal year ended March 31, 2024, were ¥751.7 billion (up 8.9% YoY) and operating profit was ¥40.9 billion (up 9.5% YoY). These increases in sales and profits both exceeded the revised plan.

During the fiscal year, the Company opened a record-high 110 stores (76 drugstores and 34 discount stores), and the number of stores as of March 31, 2024 reached 1,473 (1,080 stores in the drugstore business and 393 stores in the discount store business).

One distinctive feature of the SUNDRUG Group is the good balance of new drugstore openings in station-front and suburban locations. Moreover, our station-front stores can be found in both shopping districts and downtown areas, while our suburban stores are divided into complex stores linked to supermarkets and standalone stores. We develop our stores with meticulous detail in response to the needs of customers in each area. For example, we are expanding our offerings of cosmetics at our downtown stores to target young female customers, while at complex stores in suburban areas, we are enhancing our HBC (health & beauty care) offerings. The Group has secured sufficient human resources to open more stores, including by training store development staff and pharmacists in a systematic manner. We will keep a careful watch on future trends in the recovery of inbound demand, with the intention of accelerating our store openings.

● Progress of the Medium-term Business Plan

Growth strategy: We are steadily executing strategic business investments with a net sales target of ¥1 trillion

At present, the SUNDRUG Group is working to promote business strategies and strengthen its management foundation based on the five-year Medium-term Business Plan, which aims for consolidated net sales of ¥1 trillion 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, alongside our systematic store opening strategy, we have engaged in strategic business investments. In recent years, we made Daiya Inc., an operator of drugstores and dispensing pharmacies based in Ehime Prefecture, a subsidiary in October 2022, and in February 2024, we made Kirindo Holdings Co., Ltd. (Kirindo HD) a company accounted for using the equity method.

Kirindo HD, which operates over 400 drugstores and insurance-covered dispensing pharmacies mainly in the Kansai area, has a business scale of approximately ¥140 billion in net sales. Its store opening area has little overlap with the SUNDRUG Group, which allows for mutually complementary and effective store operations. In addition, whereas the SUNDRUG Group enjoys capabilities in operations development, sales strengths in pharmaceuticals and health & beauty care products, and expertise in store creation tailored to customer needs, Kirindo HD's strengths lie in the high quality of its in-store service and its distinctive private-brand merchandise. By demonstrating synergies through collaborations, we are confident that we will enhance the competitiveness of each other's business, which will lead to further growth.

The SUNDRUG Group continues to work on capital and business alliance projects, and we are proceeding steadily with our roadmap toward the achievement of consolidated net sales of ¥1 trillion in the fiscal year ending March 31, 2026. On the other hand, the SUNDRUG Group is certainly not pursuing scale through M&As; our goal is to achieve the highest management efficiency and profitability in the industry. While restructuring among major chains in the sector has been ongoing in recent years, we have maintained our position toward the top of market capitalization rankings. We take pride in the fact that our stance has been relatively well received by the market.

Message from the CEO

Strengthening our e-commerce business with increasingly diverse sales channels in Japan and overseas

As one key measure for responding to customers' detailed needs, we are working to strengthen our e-commerce business for internet sales. In addition to the SUNDRUG Online Store website, we have set up domestic online stores on major shopping websites such as Rakuten, Yahoo!, and Amazon. Also, we sell our products on Lazada, one of the largest e-commerce sites in Southeast Asia.

Although the e-commerce business lagged slightly in China during the pandemic, the Group has continued to revamp our e-commerce platforms to improve customer satisfaction and productivity, and we are projecting a 30% increase in net sales in the fiscal year ending March 31, 2025. Recent reforms include the launch of same-day shipment and designated-date delivery services, and we have also increased the number of items stocked by 50%, including selling frozen foods in addition to cosmetics and pharmaceuticals. Further, in August 2023, we opened the Chukyo Ichinomiya Center as a logistics base with the aims of speeding up e-mail communications with pharmacists when selling pharmaceutical and improving the efficiency of delivery costs.

A key theme of the e-commerce business going forward will be further increasing the number of items available for same-day shipment. In Japan, a shortage of drivers has become a social problem. At the SUNDRUG Group, we were the first among our competitors to cooperate with logistics operators in setting up practical mechanisms to shorten unloading and stand-by times. Thanks to these and other efforts to achieve white logistics, we have not experienced any problems on the logistics front. Meanwhile, we will also further enhance our overseas channels. Our industry is seeing an increase in overseas expansion involving the opening of stores. On the other hand,



progress is not necessarily being made in deregulation in target countries where demand for pharmaceuticals is high. At this stage, therefore, the SUNDRUG Group intends to secure profits while expanding its overseas sales through our e-commerce business.

Expanding dispensing pharmacies into new areas to meet the needs of local communities

The Group's dispensing pharmacy business operates pharmacies attached to drugstores that sell non-prescription, over-the-counter (OTC) drugs and dispensing specialty pharmacies located near large hospitals. In the year ended March 31, 2024, this business had a total of 156 drugstore pharmacies and 31 standalone pharmacies. Opening 38 drugstore pharmacies and three standalone pharmacies during the fiscal year, it is accelerating its new store openings, primarily of drugstore pharmacies. The key to the opening of new stores is the training of supervising pharmacists, who are responsible for store operations. To become a supervising pharmacist at the SUNDRUG Group, one has to undergo an educational curriculum that lasts for at least 27 months. Nonetheless, SUNDRUG's many new university graduate recruits are attracted to our dispensing pharmacies that are attached to drugstores, because they can experience both OTC operations, where they serve customers, and dispensing pharmacy operations. As such, we are steadily increasing the number of supervising pharmacists. Until now, we have concentrated on the Kanto area in the opening of new pharmacies, but we intend to expand our new store opening areas to large cities in other regions and to further increase our recruitment of new graduates in each area.

The basis of the SUNDRUG Group's dispensing pharmacy business strategy is not to increase the number of pharmacies located close to medical institutions, but instead to aim for the creation of stores that offer customers the convenience of, for example, being able to return from a general hospital far away to a drugstore closer to home, where they can shop for other items while filling their prescription at the store's attached dispensing pharmacy. Meanwhile, we have also launched initiatives to further strengthen alliances with medical institutions in some regions.

The promotion of DX in the dispensing pharmacy business is an important theme for the improvement of dispensing pharmacy functions. We have already introduced in all stores an online drug administration guidance system and Rakuten Healthcare Yoyakusuri, an app that shortens waiting times by allowing prescriptions to be sent with a smartphone app. This has improved the efficiency of store operations at the same time as offering greater convenience to customers. In addition, we intend to engage firmly going forward in store operations and service expansions that will contribute to local communities

and society in an aging society. This includes holding health-related events, training family care pharmacists, and expanding in-home support services.

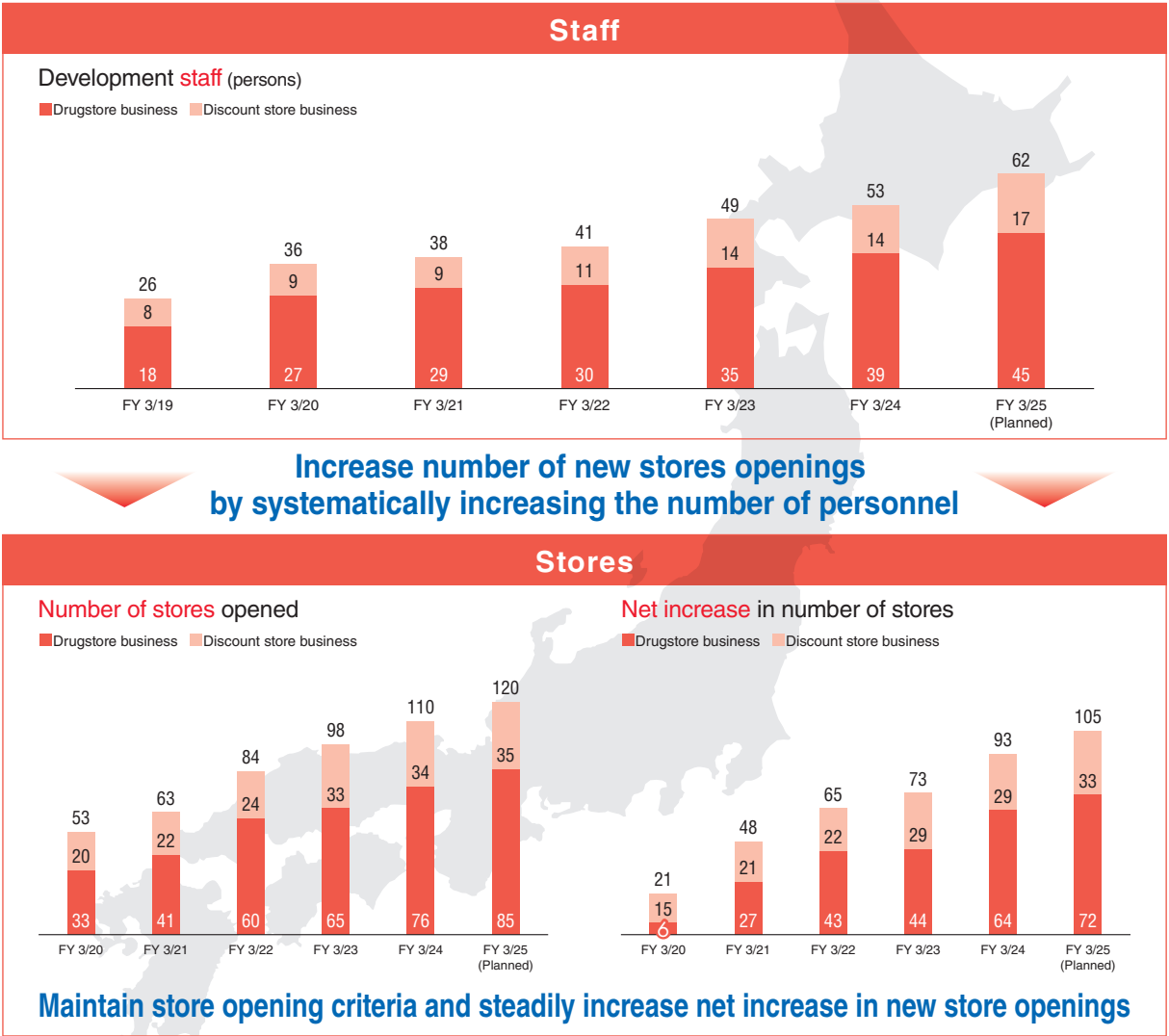
Leveraging DX to improve productivity for the strengthening of the management foundation

Alongside strategic store opening plans, diversification of sales channels, and advancement of human resources, we are actively engaging in DX in store operations across the board, for the further improvement of operations. Recent outcomes include

automatic ordering of merchandise and the introduction of electronic shelf labelling, which digitizes product explanations and price labelling in stores. These achievements have led to reductions in the number of hours spent on such tasks and increases in gross profit. Also, from the fiscal year ending March 31, 2025, we plan to verify the expiration date management system, which uses tablets and other means to manage expiration dates, and progressively introduce the system in all stores.

A characteristic of the SUNDRUG Group is that, when we trial a new system, we verify its effectiveness properly with concrete numbers. If we determine that the labor savings (reduction in labor costs) and contributions to gross profit are low compared with the capital expenditure, we will abandon the system's

Increase in staff numbers and expansion of the number of store openings



Message from the CEO

introduction at the trial stage. Instead of introducing such systems just because they are cutting-edge or they might generate a buzz, we verify with concrete numbers whether or not they will truly contribute to the improvement of management efficiency before making a final management decision as to whether or not to introduce them.

Regarding sustainable management

Promoting environmental management while emphasizing increased awareness among employees

The SUNDRUG Group has identified its material issues (materiality) from the perspectives of environment, society and governance (ESG), uses KPIs to manage the progress of concrete initiatives, and is working to enhance its disclosures of ESG data.

As a KPI for the promotion of environmental management, we have set a target of a 50% reduction in CO₂ emissions 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 from business activities, by 2050. As part of our efforts, we are introducing solar power panels, CFC-free refrigeration and freezing cases, and air conditioning equipment that controls ambient temperature in our stores. We are also working to reduce food waste by launching an initiative to recycle food waste generated by our stores into biofuels. Our target is a recycling rate of 47.2% in the fiscal year ending March 31, 2025 compared with the fiscal year ended March 31, 2023.

Meanwhile, I believe that the question of how each individual employee approaches environmental problems is even more important than our efforts as a company. In the fiscal year ended March 31, 2023, we added a self-declaration of individual efforts toward the SDGs to our employee evaluation system. I believe in the importance of raising employees' consciousness as much as possible, from even the smallest efforts, such as using drinking less from PET bottles and conserving water.

Creating an environment in which diverse human resources can thrive as the basis of human capital management

In the fiscal year ended March 31, 2024, to respond to society's demands for corporate social responsibility even further, we revised part of our material issues (materiality), designating "implementation of human capital management," "quality, safety, and convenience of products and services," and "coexistence with society and local communities" as society-themed initiatives.

Regarding human capital management, while there are separate important themes such as promoting the active participation of women and the employment of

persons with disabilities, as our basic approach, we will develop workplaces in which diverse human resources can be themselves and shine where they are. To achieve that, we will work to increase the Company's competitiveness through active investment in human resources, the provision of learning opportunities through organizational reform, and the enhancement of our personnel and evaluation systems. We also intend to work on enhancing our internal systems to allow all of our employees to spend more time with their precious families. As a specific initiative, one indicator that I feel we are making inroads on is in the high rate at which both women and men at the Company are taking childcare leave. I personally have been encouraging our male managers to actively take childcare leave. Also, in terms of human resources investment, in addition to the development of working environments, we are undertaking reviews as necessary of employee wages, while monitoring trends at other companies.

Aiming for the sustainable growth of the Group while working hand-in-hand with society

The sustainable growth of the SUNDRUG Group always goes hand-in-hand with the sustainability of society. It is only with the sustainable survival of society that the Group will be able to grow sustainably, and it is this very factor that makes sustainable management essential. As well as continuing to strengthen our governance as part of our ESG efforts, we are collecting various examples of cases for addressing diverse risks and bolstering our management systems to prevent problems. The social issues that the drugstore industry is involved in are many and varied. For example, regarding the problem of overdoses by young people, the Company introduced systems such as purchase limits from an early stage. Even so, it is also a fact that it is difficult to come up with all-encompassing solutions. Nevertheless, we recognize that it is the social responsibility of the Group to address these kinds of difficult social issues and to continue to respond to them.

Meanwhile, as the leader of the management team, for the sake of the Group's sustainable growth, I will adopt tried-and-true approaches to the execution of our business, while remaining conscious of the cost of capital and stock price, and not focusing excessively on financial techniques. Specifically, this means steadily increasing sales and lowering costs in our main business and properly returning the profits gained to our stakeholders—in the fiscal year ended March 31, 2024, we issued annual dividends of 114 yen per share, and we plan to increase the dividend for the 23rd consecutive fiscal year in the fiscal year ending March 31, 2025. Continuing this kind of virtuous cycle without strain is fundamental to the execution of our business. To achieve that, we will need to create mechanisms for earning profits naturally. As I mentioned at the beginning, it is all about gaining a proper grasp of store needs in each business format

Partial revision of the material issues (materiality) for the promotion of sustainable management (Details → P.22)

Material issues (Materiality)	
E	Promotion of environmental management
	7, 12, 13, 14, 15, 17
S	Implementation of human capital management
	5, 8, 10
	Quality, safety, and convenience of products and services
	9, 12, 13, 15
	Coexistence with society and local communities
	3, 11, 17
G	Promotion of governance management
	8, 10, 12, 16, 17

and creating a profitable product mix, while identifying merchandise with high profit margins and merchandise that may be popular but has low margins. On the cost front, meanwhile, we will need to actively invest in systems to improve efficiency of store operations and continue with measures that are truly effective. I feel that thoroughly following these kinds of obvious approaches will be the shortest route to achieving stable, sustainable growth of management. Even while the pandemic situation has subsided, there are still uncertainties in the future business environment. These include the continued skyrocketing of raw materials costs against the background of geopolitical risks and other factors. We recognize that how we steer the Group's management in the fiscal year ending March 31, 2025 will be extremely important for the future growth of the Group. 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>



Management issues and Medium-term Business Plan

For the fiscal year ending March 31, 2026, we are aiming to achieve net sales of ¥1 trillion and an operating profit of ¥60.0 billion. To achieve these targets, we shall implement the following initiatives related to our business strategies and the strengthening of our management foundation.

	FY3/23 results	FY3/24 plan	FY3/24 results	FY3/25 plan	FY3/26 numerical targets
Net sales	¥690.4 billion	¥747.0 billion	¥751.7 billion	¥803.0 billion	¥1 trillion
Operating profit	¥37.4 billion	¥40.3 billion	¥40.9 billion	¥46.2 billion	¥60.0 billion

Business format strategy Covering various purchasing channels, trading areas, and customer segments through the integration of business formats

By integrating our drugstore, dispensing pharmacy, discount store, e-commerce, and digital businesses, we will be able to cover various purchasing channels, trading areas, and customer segments, enabling the achievement of further scale expansion in the future.



Business strategy Expansion of the number of store openings

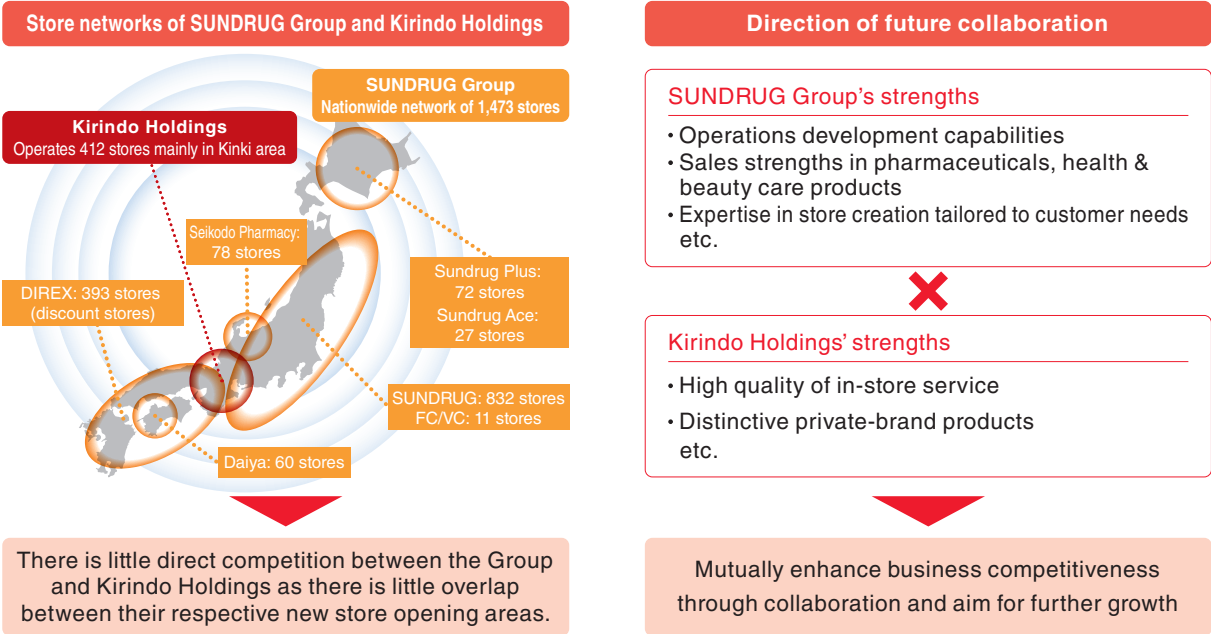
Steady increase in number of store opening through systematic staff increases
→ Definite increase in net number of stores while maintaining store opening criteria

	As of March 31, 2023	As of March 31, 2024	As of March 31, 2025 (plan)
Number of development staff	49 (■35/■14)	53 (■39/■14)	62 (■45/■17)
Number of stores opened	98 (■65/■33)	110 (■76/■34)	120 (■85/■35)
Number of stores (net increase)	73 (■44/■29)	93 (■64/■29)	105 (■72/■33)

■ Drugstore business ■ Discount store business

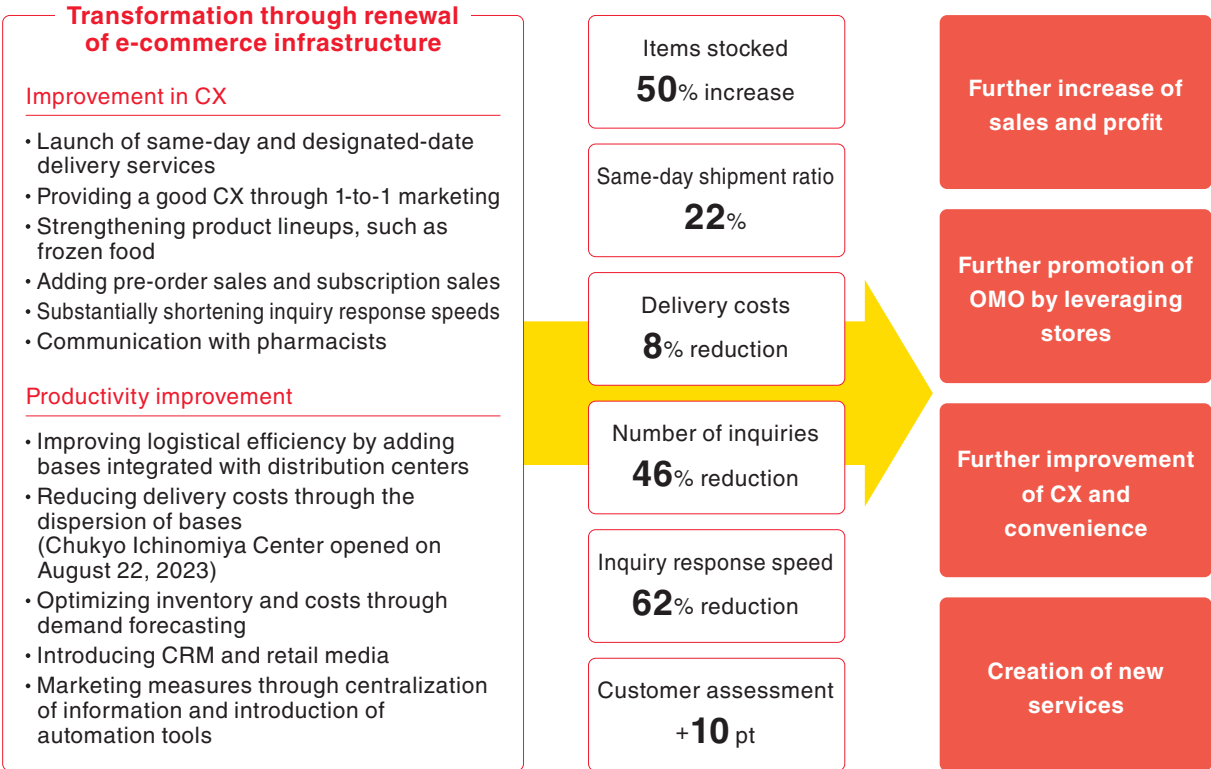
Business strategy Capital and business alliance with Kirindo Holdings Co., Ltd.

Business performance of Kirindo Holdings Co., Ltd. and potential for future collaboration
Kirindo Holdings has a business scale of approximately ¥140.0 billion in net sales. Leveraging the strengths of both companies, we will aim for further growth through collaboration.



Business strategy E-commerce business strategy

Increase customer experience/satisfaction and improve productivity through renewal of e-commerce infrastructure



Business strategy Strengthening dispensing pharmacy business

Promote initiatives to capture dispensing demand in Japan's local communities

As of March 31, 2024 ▶ Number of standalone pharmacies: **31** /
Number of drugstore pharmacies: **156**

Dispensing business results Full-year results for FY 3/2024		
Sales of dispensing business	Number of prescriptions	Unit price of prescriptions
¥14,260 million	1,658,604	¥8,598
YoY: +20.5%	YoY: +19.6%	YoY: +0.8%

Pharmacy openings: Full-year results for FY 3/2024	
3 standalone pharmacies and 38 drugstore pharmacies opened	

FY 3/2025

2 standalone pharmacies/
43 drugstore pharmacies
openings planned

Initiatives to open more dispensing pharmacies

- **Acceleration of store openings, centering on drugstore pharmacies**
Drugstore pharmacies ratio: 14.4% → 24.7% (FY2026 target)
- **Store openings in new areas**
- **Strengthen collaboration with neighborhood medical institutions**
- Response to revision of dispensing fees (improve pharmacy function)
- **Promotion of dispensing pharmacy DX**
Introduce Rakuten Healthcare Yoyakusuri at all stores
Introduce online drug administration guidance at all stores
Online insurance verification (promotion of use of Myna (My Number) health insurance card)
Introduction of electronic prescriptions system
- **Contributing to local communities and society**
Hold health-related events
Develop family care pharmacists
Expand at-home dispensing

Strengthening the management foundation Productivity improvement

Initiatives to further increase efficiency of operations

Began full-fledged introduction of electronic shelf labelling

Gross profit up 1.0% Labor costs down 3.5%

- As of March 31, 2024: Introduced at 150 stores in FY3/24 (Cumulative total: 270 stores)
- **FY3/25: Planned to be introduced at 300 stores**
- Capital investment: Estimated total of roughly ¥25.0 billion

Impacts of introduction

- Reduce in-store work of placing special sale sign cards, etc.
- Streamlining of store operations through timely changes of displays and price reflection
- Streamlining of sales promotion displays, etc.



Introduced an expiration date management system

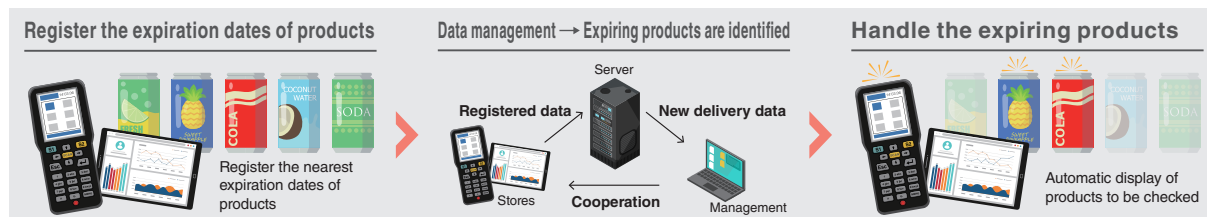
Labor costs down 0.5% (saving of ¥200 million/year)

- **Changing expiration date management on paper → Management on tablets or handheld terminals**
→ Reduction in time needed for expiration date management and improvement in task accuracy

■ **FY3/25 Q1: Verification Q2: Plan to introduce at all stores**

Impacts of introduction

- Streamlining of operations by checking products with expiration dates only
- Improving task accuracy with image-reading



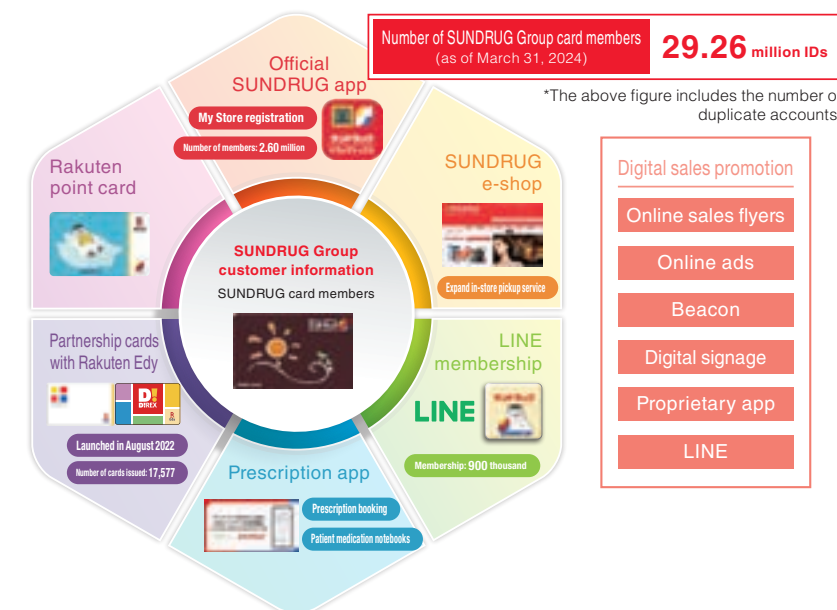
Strengthening the management foundation by utilizing and promoting DX

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 SUNDRUG 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



Digital-related sales

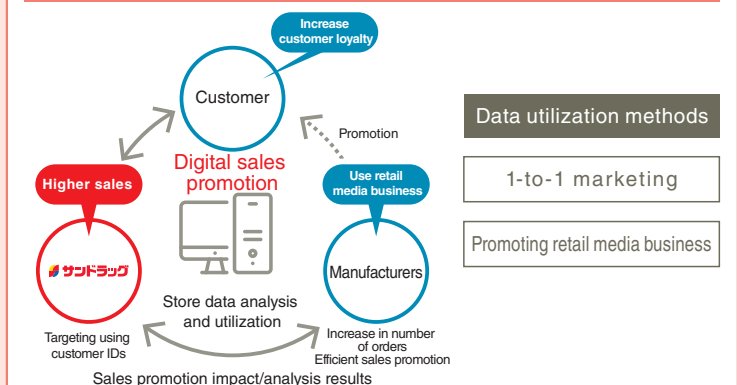
Sales ratio of digital-related sales: **32.1%**

*Drugstore business FY3/24 results

Retail media business

[Net sales] **+30%** YoY

Optimized marketing



Materiality

The SUNDRUG Group has identified material issues (materiality) to prioritize in order to fulfill its social role.

Process to identify and determine material issues

STEP 1 Identification of ESG themes based on management philosophy	<ul style="list-style-type: none">● Management philosophy: "Illuminate a corner of the world"● Management stance "Benefits for all"● Management mission "Providing safety, reliance, and convenience"● Management means "Think one step ahead and act half a step ahead"
STEP 2 Analysis	<ul style="list-style-type: none">● Requirements from society and stakeholders from SDGs and ESG perspectives● Current and future changes in social structure● Materiality and opportunities/risks in the management of the SUNDRUG Group
STEP 3 Reference	<ul style="list-style-type: none">● GRI/ISO26000/TCFD, etc.● SDG Compass
STEP 4 Analysis and discussion	<div>ESG Committee</div> <div>① Governance ② Human rights ③ Labor practices ④ Environment ⑤ Participation in the community ⑥ Fair operating practices ⑦ Consumer issues</div>
STEP 5 Analysis, debate, and decision	<div>Board of Directors</div> <div>Materiality</div>

Change and restructuring of material issues (materiality)

Based on an evaluation of rapid social change and of the new values and requirements for and actions toward laws and guidance in response to such change, we considered our mission as a drugstore anew and redefined our initiatives (materiality).

Information disclosure documents

- Mandatory disclosure of sustainability information in annual securities report (S1, S2, human capital)
- Reference to final draft of ISSB Standards and direction of SSBJ's domestic disclosure standards

Individual themes

1. Ongoing response to climate change, including approach to information disclosure
2. Heightened importance of specific themes, such as human capital management
3. Response to product and service quality, safety and convenience, which are fundamental to drugstores
4. Coexistence with society and local communities that is considerate of conducting business in small trading areas
5. Growing debate over various issues such as corporate governance, human rights, business customs and rules with business partners, and security

Restructured materiality and eight themes

Areas	Themes	Activities (future plans)	Relevant SDGs
E Environment	1. Promotion of environmental management → Theme 1 (P.23)	<ul style="list-style-type: none">● Reduction of greenhouse gas emissions in business activities<ul style="list-style-type: none">- Installation of solar power generation equipment- Introduction of CFC-free refrigeration and freezing cases- Installation of air conditioning equipment- Installation of LED lighting- Promoting development of environmentally-friendly private brand products● Implementation of appropriate information disclosure<ul style="list-style-type: none">- Scope 1, 2, 3 disclosures● Contribution to environmental activities, environmental awareness, and educational activities<ul style="list-style-type: none">- Collection of waste plastic bottles at stores- Giving off-site environmental lessons at elementary schools <p>[Future plans] Information disclosure through CDP Carbon neutral by 2050</p>	<div>7 Affordable and clean energy</div> <div>12 Responsible consumption and production</div> <div>13 Climate action</div> <div>14 Life below water</div> <div>15 Life on land</div> <div>17 Partnerships for the goals</div>
	2. Implementation of human capital management → Theme 2 (P.32)	<ul style="list-style-type: none">● Promoting the active participation of women● Promoting the employment of persons with disabilities● Initiatives to enhance work-life balance● Promotion of health and productivity management <p>[Future plans] Implement 3P/5F model-based activities according to the Guidelines for Human Capital Visualization, including engagement surveys</p>	<div>5 Gender equality</div> <div>8 Decent work and economic growth</div> <div>10 Reduced inequalities</div>
	3. Quality, safety, and convenience of products and services → Theme 3 (P.39)	<ul style="list-style-type: none">● Medication safety/Strengthening of adherence by dispensing pharmacies● Implementation of appropriate information disclosure● Participation in drone delivery experiments that can help people who have difficulty shopping	<div>9 Industry, innovation and infrastructure</div> <div>12 Responsible consumption and production</div> <div>13 Climate action</div> <div>15 Life on land</div>
	4. Coexistence with society and local communities → Theme 4 (P.43)	<ul style="list-style-type: none">● Training supporters for people who suffer from dementia● Working closely with local governments/comprehensive community support centers● Participation in drone delivery experiments that can help people who have difficulty shopping● Giving off-site environmental lessons at elementary schools	<div>3 Good health and well-being</div> <div>11 Sustainable cities and communities</div> <div>17 Partnerships for the goals</div>
G Governance	5. Promotion of governance management	<ul style="list-style-type: none">● Appointment of Independent External Directors so they account for at least one-third of the Board of Directors (three of seven Directors to be External Directors)● Establishment of Nomination and Compensation Advisory Committee on a voluntary basis● Establishment of whistle-blowing system● White Logistics - Representation of support for the declaration of voluntary actions/Declaration of Partnership Building● Disclosure of the Code of Conduct for Business Partners/ Implementation of transaction survey	<div>8 Decent work and economic growth</div> <div>10 Reduced inequalities</div> <div>16 Peace, justice and strong institutions</div> <div>17 Partnerships for the goals</div>
	5-1. Strengthening of corporate governance → Theme 5 (P.45)		
	5-2. Internal control and compliance → Theme 6 (P.54)		
	5-3. Promotion of risk management → Theme 7 (P.56)	<ul style="list-style-type: none">● Establishment and operation of BCP with logistics business operators and other business partners● Awareness, selection, and appropriate evaluation of risks to overall business, including IT, development of countermeasures against such risks, and implementation of such countermeasures with PDCA	<div>12 Responsible consumption and production</div> <div>16 Peace, justice and strong institutions</div> <div>17 Partnerships for the goals</div>
	5-4. Establishment of IT governance → Theme 8 (P.62)		



Theme 1 Promotion of environmental management

Environmental management

With the aim of providing products of value and serving to enrich people’s lives, the SUNDRUG 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 our business activities, we have set environmental management as one of our material issues (materiality) and are promoting it strategically by integrating it into our management.

To put environmental management into practice, we have established an environmental policy and a voluntary environmental action plan to serve as the code of behavior for our various efforts. We take responsibility in all of our business fields and are working to solve environmental issues through our business activities while working together with various stakeholders.

Environmental Policy

- Reducing environmental impact
We will use resources and energy efficiently and engage in business activities that have a low environmental impact at every stage of the supply chain.
- Consideration in product development and sales
We will promote planning and sales of products and services that take the environment into consideration

- not only in-house but also through collaboration and co-creation with our suppliers.
- Development of promotion system
Recognizing the impact of our business activities on the environment, we will establish environmental objectives and targets and work on making continuous improvements.
 - Educating and edifying employees, ensuring compliance
In addition to familiarizing all employees with the Environmental Policy, we will raise the environmental awareness of each employee to ensure compliance*.
*Aggregation and proper disposal of waste, chemical substances contained in products, Energy Saving Act (Act on Rationalizing Energy Use), Warming Countermeasures Act (Act on Promotion of Global Warming Countermeasures), etc.
 - Cooperation with local communities
We will actively cooperate in environmental education through off-site lessons and promote the 3Rs in collaboration with local governments.
 - Information disclosure and promotion of communication
We will provide regular internal and external reports on our environmental conservation activities to build good relationships with our stakeholders.

Achieve “Carbon Half” by 2030

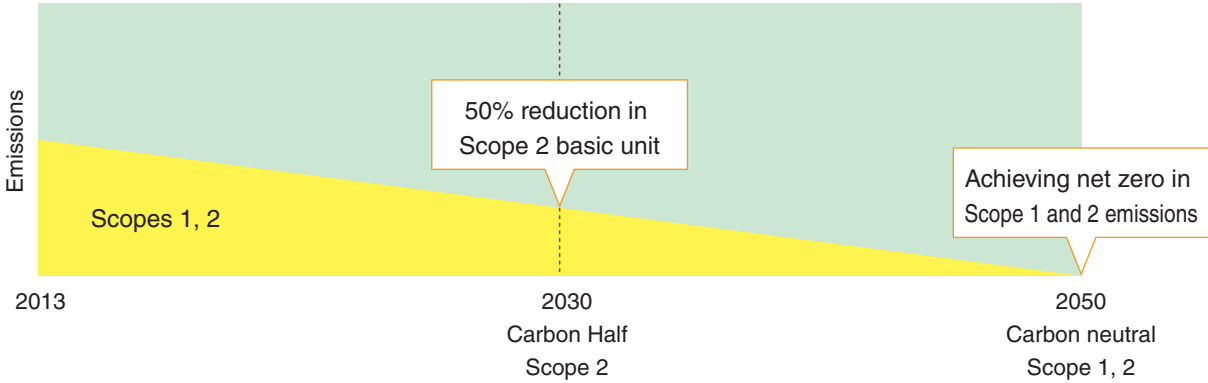
Numerical targets

Reduce CO₂ emissions per basic unit* by 50% from FY2013 levels by the end of FY2030
*Per one square meter of store floor space

Strategy

- a. Introduction of environmental technologies
 - Installation of solar panels
 - Introduction of air conditioning equipment
 - Introduction of CFC-free refrigeration and freezing equipment
 - Carbon Offset (consider purchasing non-fossil fuel certificates, J-Credit, etc.)
 - Considering procuring electricity through off-site PPA
- b. Education and edification
 - Strengthening control of temperature settings and other energy management practices
 - Improving employee awareness and knowledge of the environment and environmental management

Image of CO₂ reduction by 2050



Achieving carbon neutral by 2050

We aim to implement existing measures, utilize Carbon Offset, leverage new technologies, and thus achieve carbon neutrality for Scope 1 and 2 emissions by 2050.

Numerical targets Carbon neutral by 2050

Implementation plan

- Promotion of energy conservation measures
 - Implementation of Carbon Offset
 - Utilization of renewable energy
 - Management of CO₂ emissions in the supply chain
 - Reduction of waste and promotion of recycling
 - Communication with customers*
 - Active use of new technological bases
- *Active promotion of carbon neutral initiatives in stores and on websites, and implementation of campaigns to raise customers’ environmental awareness

New technological bases	Description	Possibilities
Carbon dioxide Capture, Utilization and Storage (CCUS)	Absorbing carbon dioxide from the atmosphere or exhaust gases, storing it underground or on the ocean floor, and using it as fuel or raw material	
Hydrogen production and utilization technology	Realizing “green hydrogen” through water splitting using renewable energy	
Innovative solar cells	Highly efficient, low-cost next-generation solar cells, such as perovskite solar cells and tandem solar cells	○
Next-generation energy storage technology	Solid-state batteries	○
Artificial photosynthesis	Technology to synthesize organic matter from water and carbon dioxide using sunlight	
Smart grid/VPP	Smart grid technology that utilizes IoT to optimize power supply and demand	○
Zero-emission architecture and urban design	The use of highly insulating building materials and highly efficient equipment to significantly reduce energy consumption of buildings	○

Measures to reduce CO₂ emissions

We are promoting the installation of solar power generation systems based on the characteristics of individual stores in each region (hours of sunlight, roof area, roof load capacity, etc.). We plan to reduce CO₂ emissions by 21,000 tons by fiscal 2030. We have also introduced CFC-free refrigeration and freezing cases in all our stores.

Contributing to a decarbonized society

Equivalent to 34 years' worth of CO₂ absorbed annually by 100 hectares of planted Japanese cedar trees aged 36–40 years

Solar panels

Impact

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



CFC-free refrigeration and freezing cases

Impact

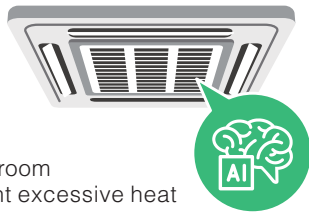
Reduction of CFC leakage



Air conditioning equipment

Impact

Maintain a comfortable room temperature and prevent excessive heat buildup or cooldown



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
Solar panel equipment	0	32	92	232
Air conditioning equipment	19	94	168	266
CFC-free refrigeration and freezing cases	0	4	113	219

Theme 1 Promotion of environmental management

Initiatives to prevent food loss

The Group is working to optimize product lineups, shelving allotment (what products to put out on which part of the shelves and in what quantities), orders, and inventory levels at each store as it is important to eliminate dead stock in order to control and reduce food waste. In addition, we are working to reduce waste by reducing the amount of expired products through “temaedori”* activities and by selling products near their sell-by dates based on internal criteria by marking them down with the optimal discount at the right timing. To improve the accuracy of these efforts, we work continuously to improve the operational logic of our IT systems, including automatic ordering systems.

*“Temaedori” = A purchasing behavior in which the customer actively chooses products that are close to their sell-by date, such as those products placed up front on the shelves for immediate consumption after purchase.

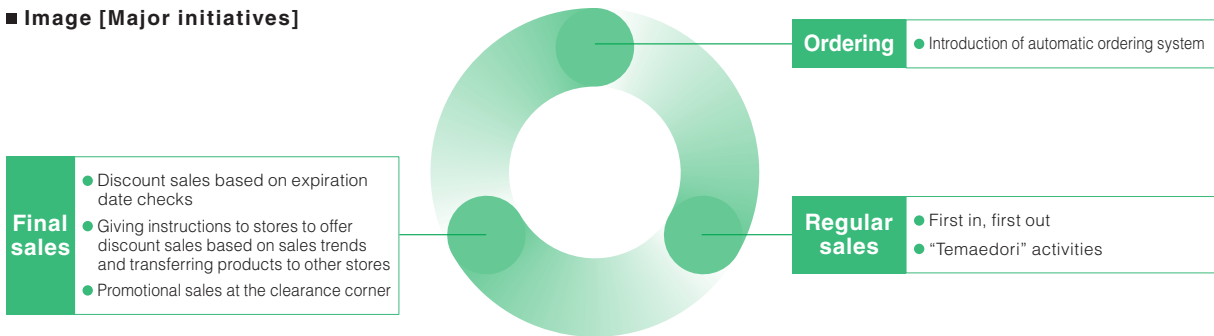


Food waste trends on weight basis

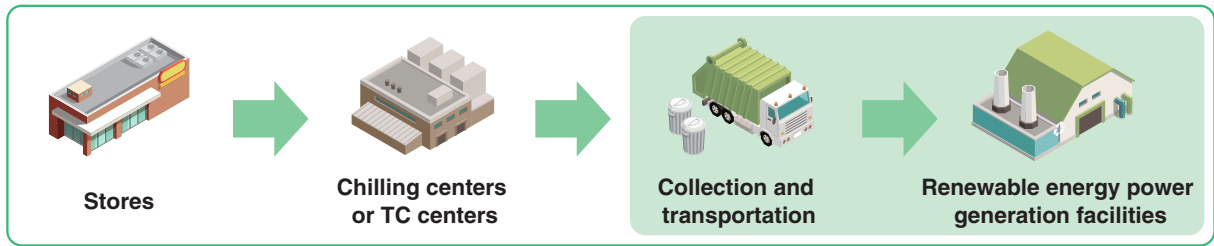
(Stores: All directly-managed stores/Unit: t)	Total Fiscal 2018	Total Fiscal 2019	Total Fiscal 2020	Total Fiscal 2021	Total Fiscal 2022	Total Fiscal 2023
Total weight deficit (t)	492	361	419	310	338	354
kg/net sales (million yen)	1.60	1.15	1.41	1.02	1.08	1.06
Compared to fiscal 2018	100.0%	72.0%	88.2%	64.0%	67.5%	66.2%

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

Image [Major initiatives]



Despite the above measures, waste will still inevitably be generated. Therefore, we have begun an initiative in some of our logistics operations to collect waste for recycling purposes and reuse it as energy. We will also expand this initiative to other logistics areas to improve our recycling rate.



Reduction of waste from stores

Drugstores generate a large amount of cardboard boxes and plastic waste including cushioning materials, due to the nature of the products they handle.

At present, most of the cardboard boxes are recycled, but some of the plastics are disposed of as industrial waste. PET bottles are separated into caps and bottles, and recycled in some stores. We plan to expand the number of target stores in the future. We will continue to work with our business partners to reduce the use of plastics and promote optimization in purchasing quantities as well as reuse and recycling, thus promoting environmentally friendly management.

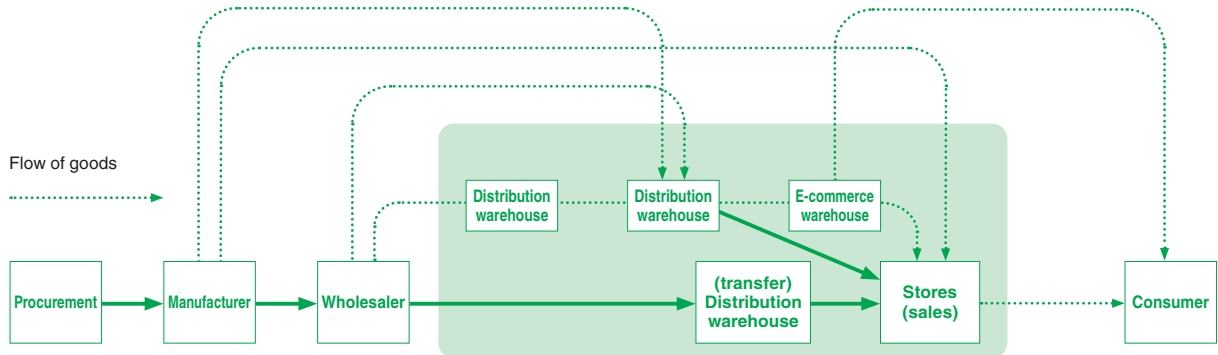
- Dissemination and education about everything from environmental issues to the Company's initiatives using the in-house training system
- Repeat consultation with recycling companies, and conduct store-specific test operations
- Compile requests to manufacturers and submit regular written requests

Basic approach to waste reduction (initiatives throughout the supply chain)

Drugstores and discount stores, which handle a large number of purchased products, were a little behind in their efforts to reduce waste. There are a wide range of issues to be solved, including “waste product packaging materials, etc.” and “unsold food products.” Fortunately, the popularization of IT and DX has made it easier to visualize the amount of goods purchased, sales volumes, volumes of unsold goods,

and CO₂ emissions (Scope 3 Category 1), and, with that, our approach to tackling waste is becoming clearer. In accordance with national policies and guidelines and in cooperation with its business partners, the SUNDRUG Group promotes the 3 “Rs” throughout its entire supply chain and is making every effort to address waste issues.

SUNDRUG Group supply chain



Private brand (PB) products

Recognition of the importance

Packaging materials and containers used for products sold by drugstores are often disposed of as waste after use, thereby placing a burden on the environment. The SUNDRUG Group's private brand products are commercialized based on the main themes of “products with low environmental impact” and “capable of contributing to the environment through products.” Specifically, these include: 1) selection of environmentally friendly materials and manufacturing processes; 2) use of materials with low environmental impact (environmentally friendly ink and reusable and recyclable materials); 3) implementation of environmentally-conscious sales promotions (emphasizing environmental consciousness); and 4) provision of information relating to environment credentials (marking signifying compliance with environmental initiatives and certification labels).

Although these initiatives have only just begun, we will continue to provide compelling products to customers that meet the demands of our society in this era in which environmental management is demanded.

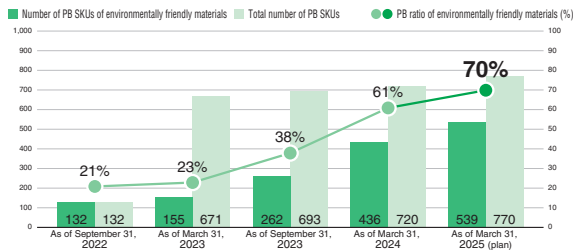
Current activities

Goals for period: 720 SKUs
Achieved (achieved ratio): 436 SKUs (60.6%)

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

Introducing baskets and promotional materials that are environmentally friendly

At SUNDRUG, we have introduced environmentally friendly baskets made from 30% recycled PET bottle caps. We also use environmentally friendly LIMEX, a material made primarily from limestone, for promotional materials displayed in stores, thus contributing to reducing CO₂ emissions.



*Limestone uses far less water and wood than paper, which requires them in large quantities.

Utilization of store facilities

The Group refurbishes the showcases, furniture, and refrigerators from stores that are relocated, rebuilt, or closed and reuses them at other stores to reduce waste and effectively utilize resources. By properly managing and reusing the resources from stores and offices, we are contributing to the realization of a circular economy.



Theme 1 Promotion of environmental management

Initiatives based on TCFD recommendations

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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">Drugstore business (including dispensing pharmacy business)
Scope of analysis	<ul style="list-style-type: none">SUNDRUG Group (headquarters and stores)
Considerations	<ul style="list-style-type: none">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/ratingPhysical 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, rises in sea level, extreme heat, and air pollution (chronic risk), which may affect the financial position of a companyOpportunity: Increased sales of products that are generally correlated with rising temperatures
Scenario period	<ul style="list-style-type: none">"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

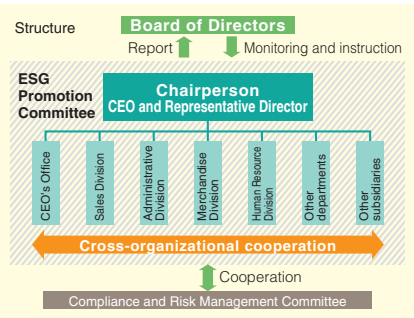
The committee oversees sustainability activities aimed at sustainable growth of the SUNDRUG Group, and is responsible for considering its direction, approving implementation plans, and managing progress. The Sustainability Promotion Division serves as the secretariat for the ESG Committee, coordinating 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.



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)."

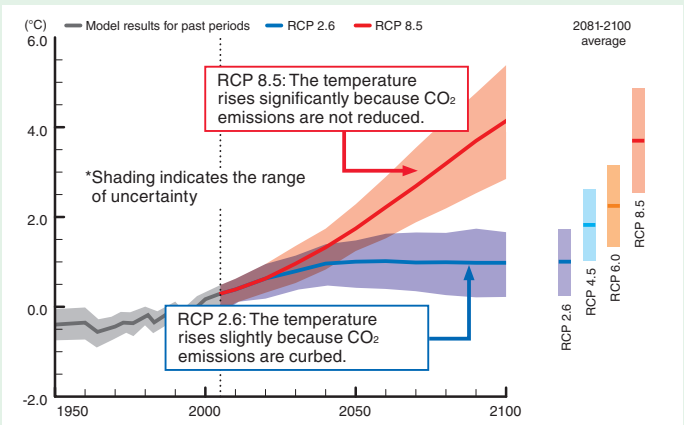
We will prioritize reducing direct emissions (S1), which can be reduced to a certain extent through our own efforts alone, indirect emissions from energy sources (S2), and waste generated by business operations (S3C5). We aim to obtain verifiable, accurate data in cooperation with our partner delivery 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.

- Achieving Carbon Half by 2030
- Achieving carbon neutral by 2050

Analysis based on a scenario

Change in global mean surface temperature relative to the 1986-2005 average

CMIP5 multi-model simulated time series (1950 to 2100)



The range of increases in global mean surface temperatures from 2081 to 2100 relative to the 1986 to 2005 average is likely to be in the ranges of 0.3 to 1.7°C for the RCP 2.6 scenario, 1.1 to 2.6°C for RCP 4.5, 1.4 to 3.1°C for RCP 6.0, and 2.6 to 4.8°C for RCP 8.5, based on the ranges derived from concentration-driven CMIP5 model simulations.

Source: Figure, IPCC AR5 WGI SPM, Fig. SPM.7(a)



Theme 1 Promotion of environmental management

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. Insufficient implementation of adaptation measures may result in increased damage	● 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
		● Physical risks materialize	● Regulatory (transition) risks materialize
Policy		● Carbon tax is not introduced	● Carbon tax is introduced
		● Current energy conservation and renewable energy promotion measures are maintained	● Energy conservation and renewable energy measures are further promoted
Procurement and logistics		● 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
		● Increased demand for disaster prevention and stockpiling products	● Increased demand for sustainable products
Lifestyles	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

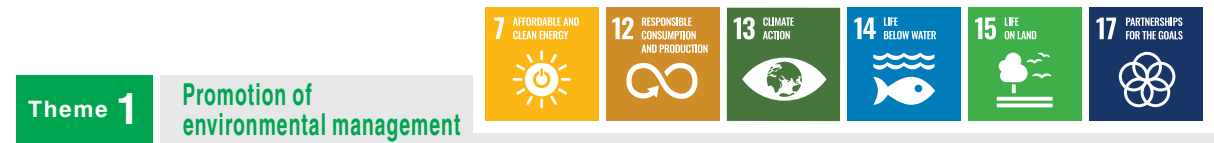
Parameters

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 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	84.6USD/barrel (WTI)	85b/US\$	50b/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 35°C or higher) Extremely hot day (maximum temperature over 40°C)	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"

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
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

Initiatives on environment



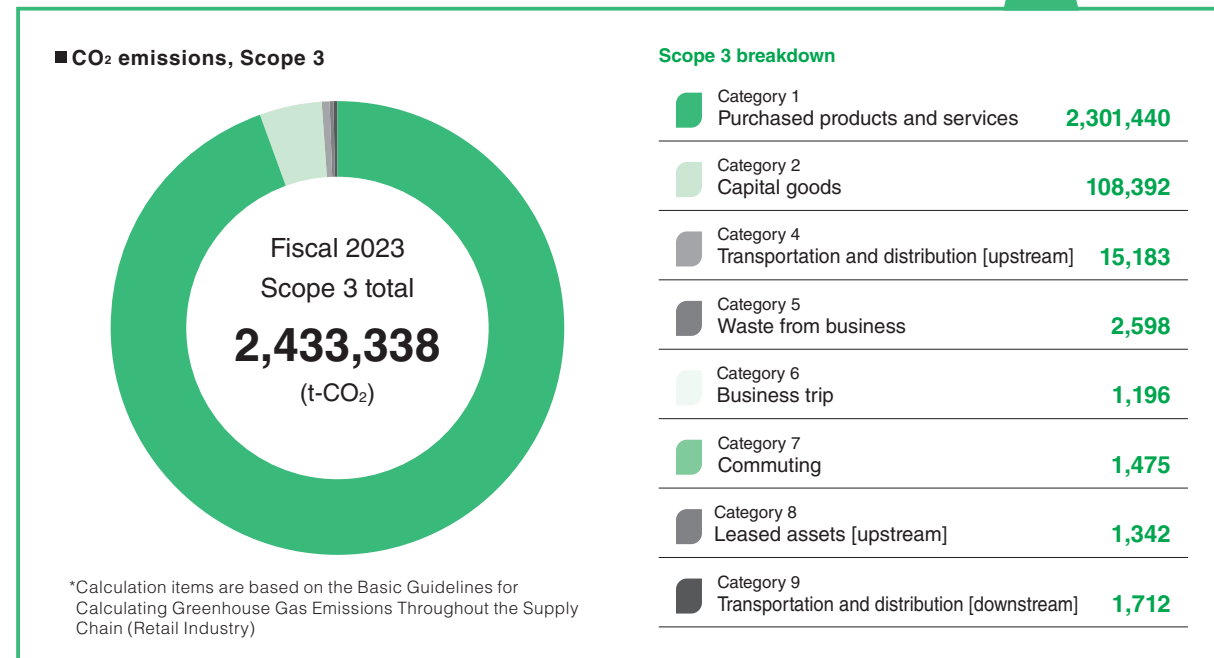
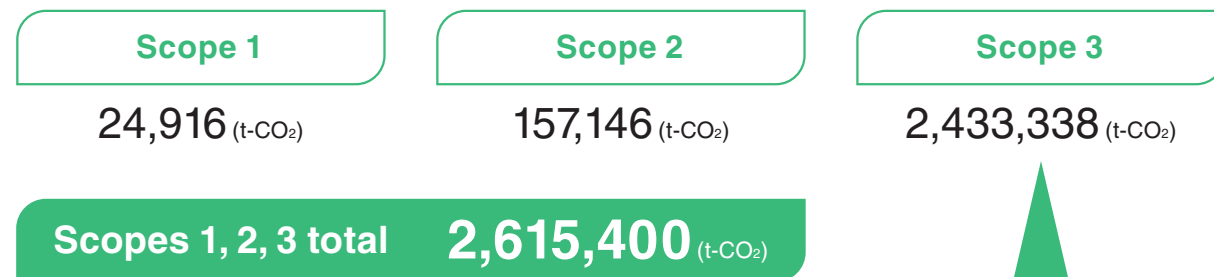
GHG emissions over time

Item	Unit	Fiscal 2013	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2030
CO ₂ emissions* ¹	t-CO ₂	125,787	161,432	149,472	149,880	163,968	154,230	157,146	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	0.104	0.100

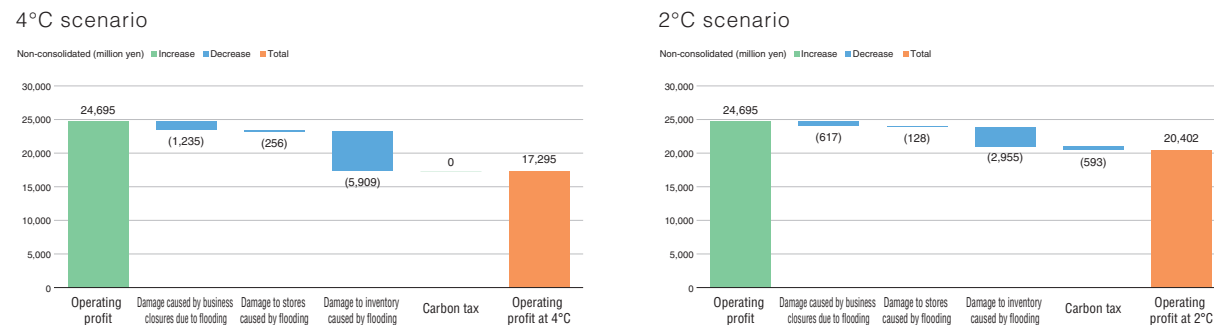
*¹ CO₂ emissions include emissions associated with the use of fuels and use of electricity and heat supplied. The method and scope used for calculation are the same as those stated in the regular report under the Act on the Rationalization, etc. of Energy Use.

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

CO₂ emissions status (Scopes 1, 2, 3)



Impact of physical damage (acute) and carbon tax introduction (transition) on operating profits



*The figures for operating profit and damage caused by flooding (closures, stores, inventory) are based on the financial results for the fiscal year ended March 2024.

*Flood damage calculations are only for SUNDRUG stores.

*The damage amount was calculated using the expected value from six probability years: once in 200 years, once in 100 years, once in 50 years, once in 30 years, once in 10 years, and once in 5 years.

*Carbon tax: Calculated by multiplying Scope 1 and Scope 2 emissions of 59,284 t-CO₂eq for the fiscal year ended March 2024 by 10,000 yen/t (*general carbon price at 2°C)

Initiatives on society



Human capital management

The SUNDRUG 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

[Management philosophy]

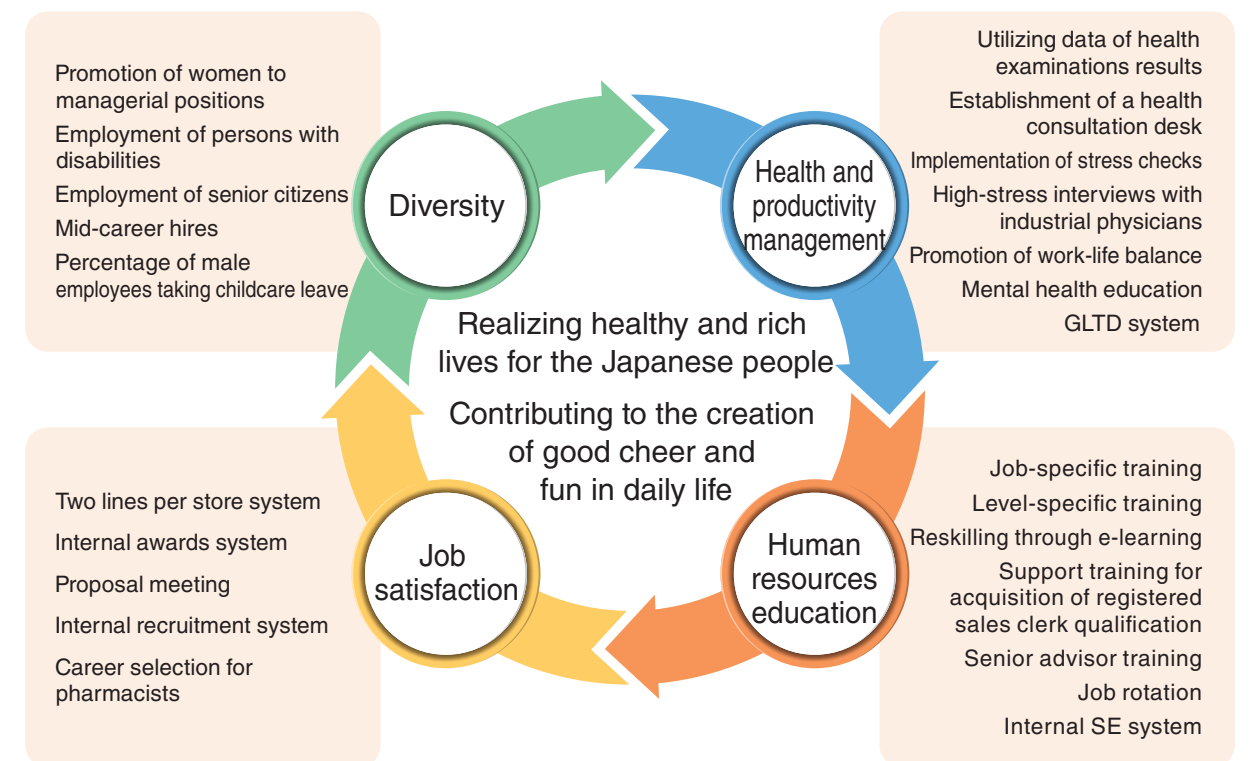
As a drugstore, dispensing pharmacy, cosmetics store and variety store, we aim to realize “healthy, rich lives” for the Japanese people and contribute to the creation of good cheer and fun in daily life.

Our Group upholds the above corporate philosophy, and aims to realize “healthy, rich lives” for the Japanese people by providing peace of mind, reliability, and convenience. Our primary mission is to contribute to the creation of good cheer and fun in daily life, and we believe that responding to market needs will ultimately lead to maximizing profits. This kind of public interest and social contribution is part of the major features of our Group’s business and is the source of its competitiveness in recruiting and employee engagement. We also place importance on candidates who share our corporate philosophy in our recruitment activities.

Based on this corporate philosophy, and anticipating a society with an extremely low birthrate and an extremely aging population in the future, our long-term vision is to “function in close-tandem as regional healthcare stations and self-medication centers.”

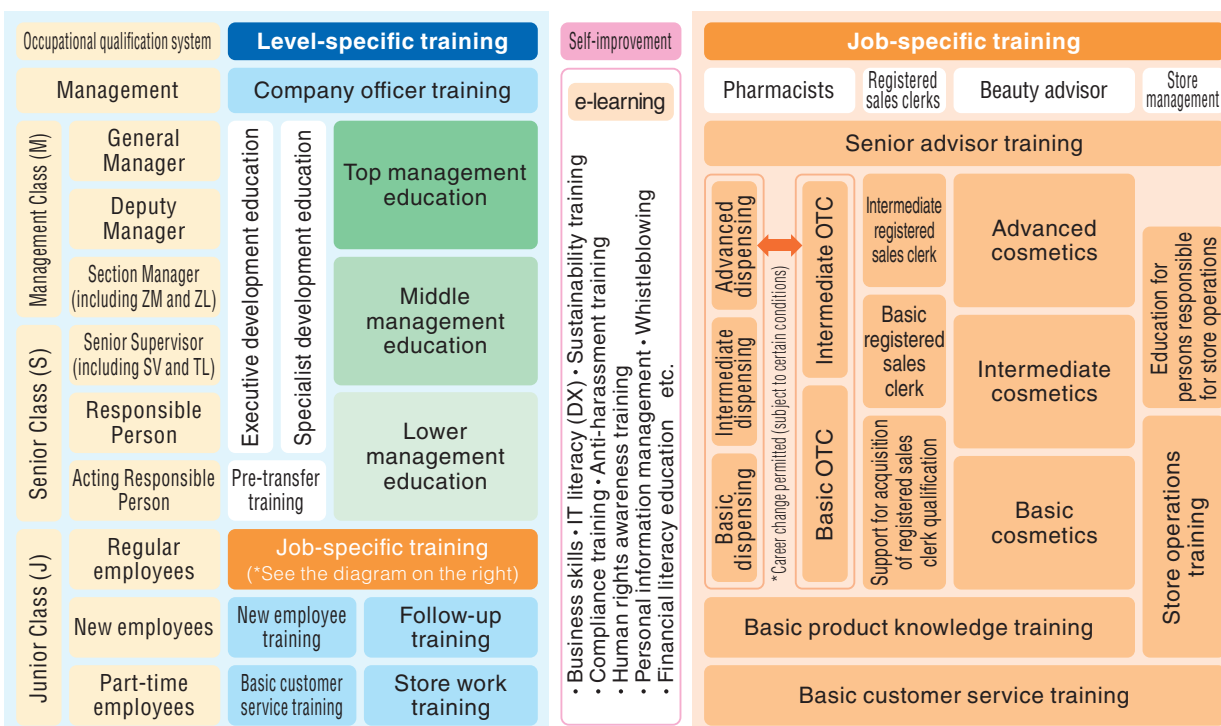
In the Medium-term Business Plan, which is the first stage in realizing this long-term vision, we will expand the development of “the drugstores, which sell a range of daily necessities and may offer dispensing functions,” and we believe that they will serve as key bases for shopping refugees by offering at-home medication dispensing, providing information related to nursing care, and delivering pharmaceuticals to remote locations.

To realize this medium- to long-term future vision, the basic idea of our human resources strategy is to hire and develop personnel who will “strengthen our management foundation through promotion of digitalization, productivity improvement, and sustainable management,” as well as personnel who will “advance our business strategies by opening more stores, M&As, strengthening e-commerce business, and strengthening dispensing pharmacy business,” and to create an environment in which all personnel can demonstrate their capabilities.



Human resources education

We believe that the development of human resources with diverse values and ideas and the creation of an environment in which those people are able to play an active role are both important elements when it comes to corporate growth. Toward this end, the Group is committed to the development of a workplace environment and an educational system in which employees can demonstrate their abilities.



Recruitment policy

Our Group's basic hiring policy is to fairly and objectively evaluate applicants' aptitude, abilities, and motivation, regardless of gender, nationality, or age. For new graduate recruitment, we are hiring pharmacists, store operators, and beauty advisors, who are essential personnel for operating stores and pharmacies. For mid-career recruitment, we are primarily hiring people with work experience and expertise, such as pharmacists and registered sales clerks with pharmaceutical sales qualifications,

beauty consultants for cosmetics manufacturers, and people versed in store development, e-commerce business, and digital transformation promotion.

We also recognize that attracting diverse human resources is important for sustained improvement of our corporate value, and we have made it our basic policy to actively hire people with diverse perspectives, sensibilities, abilities, and experiences.

Policy for human resources education

As a policy for post-employment human resource development (career path), our Group believes that human resource development through job rotation is important for strengthening the functions of the entire Group, including the drugstore business, discount store business, and e-commerce/digital business, for the following reasons.

- Appropriate allocation of personnel according to individual capabilities in a variety of store formats
- Acquisition of the ability to listen carefully to the requests of customers and patients and provide suggestions and advice accordingly
- Acquisition of the ability to adapt to circumstances to ensure business continuity when unforeseen circumstances occur

Employees undergo job-specific training during the first half of their careers 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 discover employees' aptitudes, and provide them with opportunities for diverse work experiences, helping them develop their capabilities and discover their aptitudes. We are thus cultivating human resources who have both a holistic perspective and strong areas of expertise.

Job satisfaction

Employees are an important foundation for creating value for the SUNDRUG Group, and we are committed to creating a comfortable working environment so that each employee can continue to play an active role for the long term.

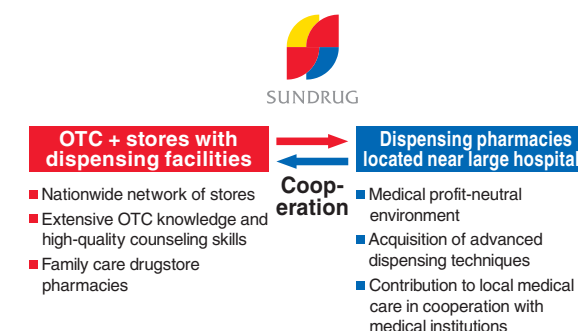
Two lines per store system

The pharmaceutical specialty business, cosmetics specialty business, and store operations business require highly specialized personnel, and each requires a different set of skills. SUNDRUG has adopted a two lines per store system in which store staff are divided into specialized duties: "dispensing

and OTC counseling staff," "cosmetics counseling staff," and "store operations staff." This system provides an environment that enables our staff to focus on their specific duties and demonstrate their capabilities.

Pharmacist training (Career Select System)

In parallel with our job-specific and level-specific trainings, we have also divided our pharmacist training into two courses: the "dispensing course" and the "OTC course" as part of our curricula for helping train "family care pharmacists." The dispensing course is held at training type dispensing pharmacies that specialize in dispensing training and teaches advanced dispensing techniques and how to analyze prescriptions. The OTC course provides education to develop counseling skills based on a two lines per store system at drugstores. Upon completion of either of the specialized training courses, we allow employees to take the other course, creating an environment in which employees are able to receive a deep level of knowledge and develop a strong skillset in terms of both dispensing and OTC.



Proposal meeting

In order to make store operations and headquarters operations more efficient, SUNDRUG regularly holds Operational Improvement Proposal Meetings. A distinguished feature of the meeting is that employees who actually work at the Company participate, and share areas for improvement related to issues that employees experience on a daily basis and propose ideas for improvement. Some of these ideas are reflected in the manuals and systems for the entire company, meaning the opinions of each employee are linked directly to the actions of the Company as a whole. This initiative reflects our commitment to valuing the opinions raised by each and every employee.



Internal awards system

To improve employee engagement, SUNDRUG 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 proactively provide customers with information that is useful for their health.



Diversity (diversity & inclusion)

The ultimate aim of diversity & inclusion* is to actively incorporate human resources with diverse values into our business operations free from restrictions of gender, age, or nationality, so as to allow the building of an organization that is able to respond flexibly and with speed to a variety of management issues.

We believe that this is an important theme for the SUNDRUG Group as well, with the Group as a whole working toward the promotion of diversity and inclusion. We are also developing systems to promote flexible work styles, such as a Monthly Flexible Working Hours System, and workplace environments that enable a diverse range of individuals to engage in their work with a sense of motivation.

*Diversity & inclusion: Respecting and recognizing each individual, and making the most of their positive qualities, regardless of gender, age, disability, nationality, and other external attributes, as well as internal attributes such as lifestyle, work history, and values.

Promotion of women's active engagement in the workplace and helping achieve a balance in terms of childcare

As awareness of self-medication increases, more and more women are choosing drugstores as places of employment. As a result, the ratio of full-time female employees at the Company 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.

In order that our employees can work together as one to deliver on the vision of "realizing healthy, rich lives" for our customers, it is important that we build an environment in which employees are able to get to know the unique characteristics and gender differences of each other, and demonstrate their individual abilities to the maximum extent, regardless of gender.

We have built an environment that makes it easier for female employees who are pregnant or who have given birth or taken childcare leave to continue working after the fact, including a childcare leave system and childcare shorter working hours system that allow employees to extend for a period longer than that required by law, a system for distributing maternity marks that have incorporated the views of employees working during their pregnancy, a returnee follow-up system in which their supervisors provide support to help women in roles of responsibility to return to work after taking childcare leave, an environment that makes it easier to take paid leave, reductions in overtime work, allowing the hiring of employees with fixed working hours and employees working only at one specific store, and a system in which employees are able to choose locations and regions in which they want to work.

At meetings of the Compliance and Risk Management Committee, management meetings and meetings of the Board of Directors, opportunities are provided to report on the utilization rate for childcare leave, the average length of service, trends in terms of

the number of persons in roles of responsibility and trends in terms of the number of employees, all with respect to both genders. At these meetings, issues are also identified and proposals are put forward as necessary on how to tackle these issues.

In August 2018, SUNDRUG was recognized for its good corporate practices in promotion of work-life balance for women with the award of three stars (the highest rating) under the Ministry of Health, Labour and Welfare's Eruboshi system, established pursuant to the Act on the Promotion of Female Participation and Career Advancement in the Workplace. We have also been awarded the Platinum Kurumin certification by the Ministry of Health, Labour and Welfare, which is only awarded to companies whose support for parenting under the Next-Generation Act has already been recognized with Kurumin certification and who satisfy more rigorous standards in terms of good practice in formulation and implementation of measures toward balancing work and home life, including male employees taking childcare leave, continuation of work after taking childcare leave, reduction of overtime work, and provision of diverse working conditions.



Promotion of work-life balance

As mentioned above, diverse values and diverse human resources are necessary for the growth of a company.

However, lifestyles can vary significantly depending on factors such as changes in a person's life stage, life events, gender, age, and the presence or absence of disabilities. Therefore, in order for diverse human resources to be able to work together, it is necessary to create a workplace environment that allows for flexible working styles that can accommodate a wide variety of lifestyles.

The current manuals and mechanisms in place are inadequate when it comes to working styles for accommodating a wide variety of lifestyles. It is therefore

necessary that we remain committed to updating such manuals and mechanisms as and when necessary.

The establishment of mechanisms such as manuals and systems built to address various issues, as well as working hours and work locations, are important conditions for employees to work in a diverse range of lifestyles. "Reduction of overtime work," "Initiatives to promote the use of paid leave," "Securing adequate intervals between work shifts to optimize working hours," "Introduction of employees with fixed working hours and employees working only at one specific store," and a "System for allowing employees to choose locations and regions in which they work" are just some of the initiatives that we are focusing on.

Employment of persons with disabilities

We believe that SUNDRUG's vision of "realizing healthy, rich lives" should apply not just to our customers and business partners, but also to our employees.

All employees, regardless of disability status, should be given the opportunity to fully demonstrate their abilities in their professional lives. If we can ensure that all employees are able to work lively, only then can we achieve the goal of "realizing healthy, rich lives."

There may be many situations where a person's disability serves as an obstacle in his or her working life. However, by implementing a system in which those without disabilities are able to follow-up with those with disabilities, it should be possible for us as a company to grow together toward the same goals.

The Company is committed to the employment of persons with disabilities and to helping them settle into the Company such that they can be employed across a range of business divisions, including the Store Support Division and the Support Center Operations Division, and make full use of their abilities.

Headed by SUNDRUG Dream Works, a special-purpose subsidiary under the Act to Facilitate the Employment of Persons with Disabilities, the Group is engaged in initiatives to employ persons with disabilities in a variety of locations, including stores, support centers, and logistics centers. In the past, the Company has promoted the employment of persons with disabilities to work in fixed locations, such as the Group headquarters; however, the Company is now proactively engaged in the employment of persons with disabilities to work primarily in stores.

The reason for this is that our stores are located across Japan, which thereby greatly expands employment opportunities for persons with disabilities.

As part of this hiring process, we make sure to conduct in-store training in advance for several days and take measures to minimize mismatches between persons with disabilities and the stores as much as possible. In addition, as one of the measures to help strengthen our follow-up system, we have provided all employees with disabilities who work at our stores with smartphones that allow us to keep track of their working status and to make daily reports, thereby helping ensure that changes to their working status are more easily noticed.

Our efforts to develop an environment that empowers persons with disabilities to participate actively in the workplace were recognized in September 2019 when we received a Bureau of Industrial and Labor Affairs Chief's Award in the Tokyo Metropolitan Government's Excellent Company Awards for Employment of Persons with Disabilities.

We will continue to create a comfortable working environment to promote the employment of persons with disabilities and the creation of opportunities for their vocational autonomy and social participation.

At monthly meetings, the persons in charge of promoting the employment of persons with disabilities at SUNDRUG and SUNDRUG Dream Works gather to report on changes in the employment rate and the status of new hires, as well as to share issues and consider measures to support the retention in the workplace of persons with disabilities.

As a result of the above activities to promote the employment of persons with disabilities, the employment rate for persons with disabilities stands at 2.96% for the Group as a whole, far exceeding the statutory employment rate.

Promotion of mid-career hires and employment of senior citizens

If everyone is from the same backgrounds and holds the same values, the ideas that will emerge from that will inevitably lack diversity, and companies will reach a hard limit in how they can adapt and change.

When a company employs a diverse range of human resources with diverse values, and each employee respects and recognizes each other's individuality and makes the most of each other's strong points, they are able to grow, and the company is better able to adapt and develop. We employ diverse human resources so that employees of a variety of backgrounds can fully demonstrate their capabilities regardless of skills or age.

With the aim of reliably implementing business strategies and realizing management objectives, the Group promotes the employment of individuals with skills and knowledge that are currently lacking in-house, and those capable of undertaking specialized work that cannot be performed by members of our existing workforce. For this purpose, we provide employees with training and career advancement opportunities 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 promote the re-employment of former employees who resigned owing to childbirth, parenting, nursing care, and other life events, and the re-hiring of returnees who

previously worked in the Group and subsequently pursued careers elsewhere.

In addition, in order to promote the employment of senior citizens, the Company performs reviews of store work assignments to hire senior citizens primarily in roles such as stocking shelves early in the morning before store openings.

Mid-career recruitment ratio

Company name	Fiscal 2021	Fiscal 2022	Fiscal 2023
SUNDRUG CO., LTD.	16.7%	27.5%	36.0%
Seikodo Pharmacy Corporation	15.6%	28.6%	31.2%
Sundrug Plus Co., Ltd.	15.4%	66.6%	41.7%
DIREX CORPORATION	61.3%	46.2%	55.9%
Daiya Inc.	52.9%	54.0%	65.5%

*In accordance with the Act on Comprehensively Advancing Labor Measures, and Stabilizing the Employment of Workers, and Enriching Workers' Vocational Lives

Health and productivity management

The Company promotes health management activities to help maintain a workplace environment in which employees can work in good physical and mental health.

Declaration on Health

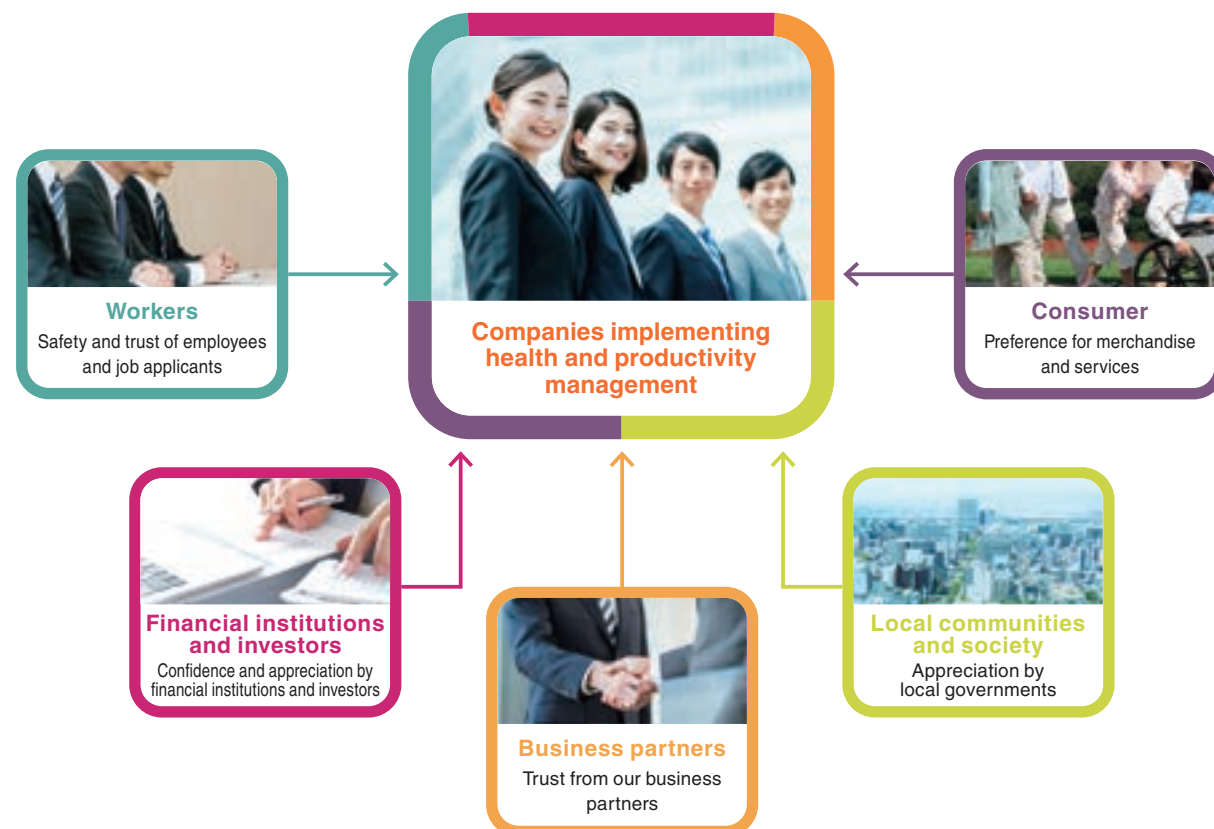
- Naturally, our employees are a precious asset and key driving force for our Company.
- “Good health” is the foundation for employees both while at work and in order to lead long lives after retirement.

One of the most important ingredients for a rich life is “good health.”

By maintaining good mental and physical health as individuals, employees also contribute to better health and greater fulfillment for their families and customers.

We believe that our ongoing health promotion activities will steadily make a positive impact on the wellbeing of numerous people right across the globe. Lifestyle habits developed in one's 20s and 30s are said to affect mental and physical health outcomes in one's 40s and beyond. Because the average age of employees of our Company is relatively low, we believe that the first step is to raise our own awareness of health-related matters.

We are raising health consciousness and vigorously advancing health management initiatives in order to promote better mental and physical health among our employees.



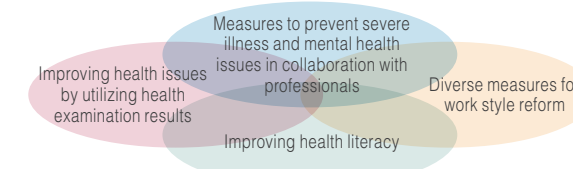
Health initiatives for employees

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 thereby raise the competitiveness of SUNDRUG Group employees, ultimately contributing to the achievement of sustainable growth.

At SUNDRUG, we believe, as stated in our Declaration on Health, that promotion of health and productivity management requires:

1. Measures to prevent severe illness and mental health issues in collaboration with professionals
2. Improving health issues by utilizing health examinations results
3. Improving health literacy
4. Diverse measures for work style reform

and we will implement these measures in a planned and strategic manner.



Execution systems

The Company promotes health and productivity management mainly through collaboration between staff at Company offices, industrial health staff, and external resources.

The staff at Company offices are led mainly by the Human Resource Division and ESG promotion members, work with relevant departments for each measure, and implement measures to prevent severe illness, mental health measures, work style reforms, and measures to improve health literacy.

The industrial health staff, including those employed by health insurance associations and public health nurses, develop an industrial healthcare system to obtain a better understanding of current healthcare issues, to consider measures for improvement, to verify the effects of measures, and to improve existing measures.

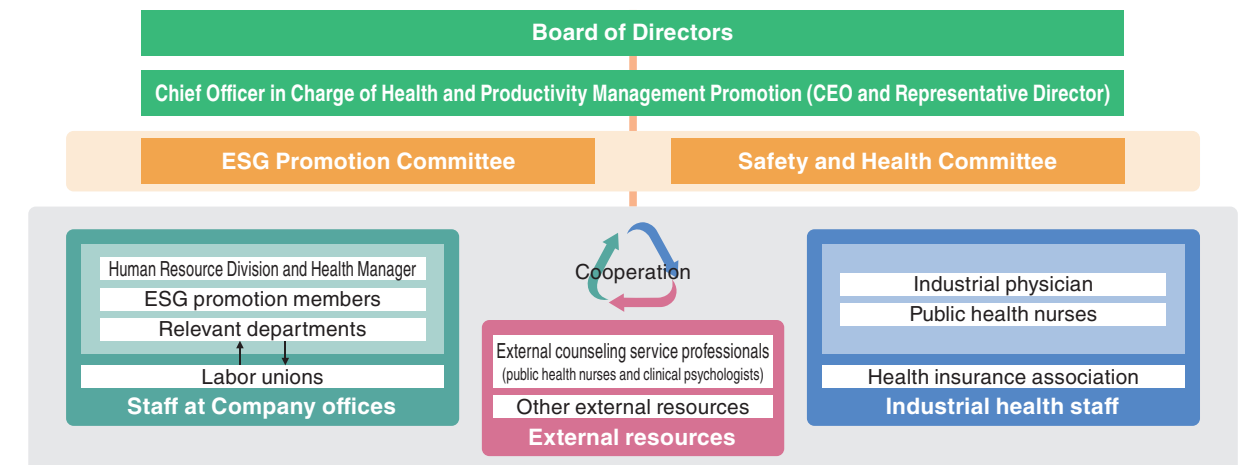
Based on these four measures, we are aiming to be a vibrant company where employees can work in good health over the long-term by ensuring that they are physically and mentally healthy. Recently, we participated in the Certified Health & Productivity Management Outstanding Organizations Recognition Program, and were recognized as a Certified Health & Productivity Management Outstanding Organization 2024 (large enterprise category)."



Detailed initiatives

1. 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.
2. Improving health issues by utilizing health examination results
Numerical analysis to prevent serious illness in collaboration with health insurance associations; and improving lifestyle habits based on health examination results
3. Improving health literacy
Importance of health examinations; mental health measures; and preventing lifestyle-related diseases, etc.
4. Diverse measures for work style reform
Improving work-life balance; and promoting utilization of childcare leave, etc.

Promotion of health and productivity management and safety and health management structure



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.”

Merchandise, prices and lineups



- Capturing changes in the world and reflecting them on the sales floor
 - Creating a 52-week merchandising calendar
 - Changes in development are implemented in response to changes in society, lifestyles, and demand
 - Creating sales areas that meet customer needs
- Pursuing a product lineup that customers will perceive as plentiful
 - Actively gathering information from market data, competitors, exhibitions, the internet, television, newspapers, and other sources in daily life for introducing products that are not handled by the Company
 - Researching the needs of drugstore shoppers to pursue the ideal product lineup
 - Determining the product lineup by checking the products that many people continue to purchase and the products that have no substitutes
- Creating prices and sales areas that make it easy for customers to choose and purchase
 - Implementing the basics of display: vertical division and classification by purpose
 - Setting shelf heights for easy access
 - Display areas for products aimed at children
 - Creating a sales floor that is always mindful of the order in which products (uses) are used and the proximity of related products
 - Regularly conducting price surveys in each region to provide products at affordable prices
- Utilizing customer feedback (store information sheets) to investigate the necessity and promptly implement the system
- Providing added value when purchasing products through various campaigns
 - Launching campaigns according to seasons and events
 - Increasing excitement and customer satisfaction
- Deciding the number of products to send to stores to reduce double waste
 - Planning distribution by checking the number of items consumed and the number of items in stock at the store to reduce lost purchase opportunities for customers and minimize returns and losses due to excess

Cleanliness

[Basic policy]

At SUNDRUG, we put emphasis on keeping our 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
 - Regularly cleaning and disinfecting floors, shelves, cash registers, etc.
- Health management of merchandise
 - Properly storing and managing the products
 - Ensuring to check expiry dates and use-by dates
 - Removing products with degraded quality promptly
- Health education for employees
 - Regularly providing employees with health education
 - Encouraging thorough hand washing and hand sanitization
 - Taking proper care of one's health and refrain from coming to work when not feeling well
- Maintaining and managing facilities
 - Keep sanitary facilities such as toilets and washrooms clean
 - Regularly changing and cleaning air conditioning filters



Quality of customer service

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.

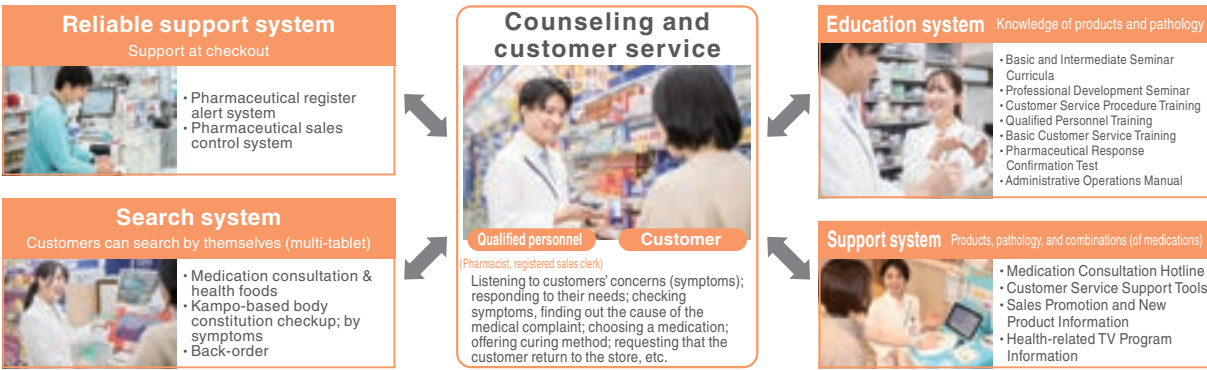
Basic policy

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 be listening 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, focusing on the following three important themes:

1. Improvement of customer service quality at stores 2. Utilization of customer feedback 3. Safety of medication

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



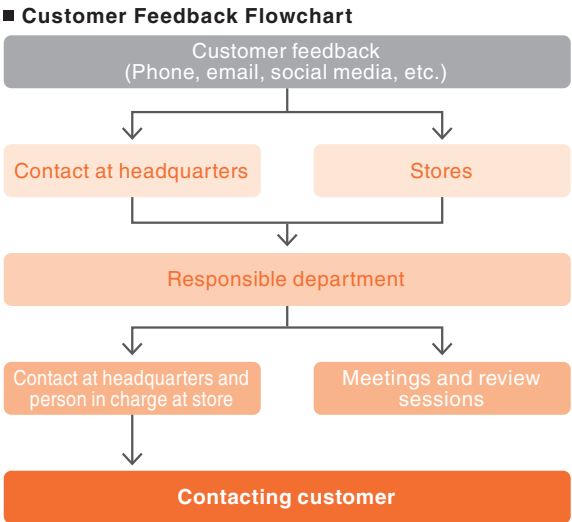
Education and systems for the safe use of pharmaceuticals

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.
	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
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 checkup	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.

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

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.



Medication safety

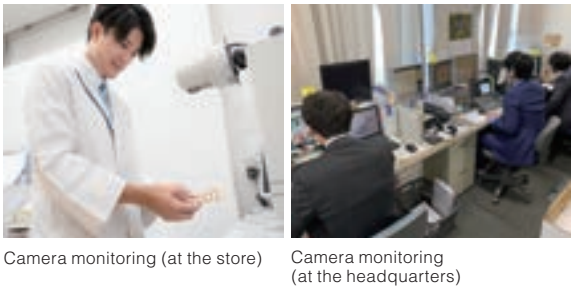
We are working to prevent dispensing errors based on the fact that such errors have a serious impact on patients' health and the premise that they are caused by inadequate explanations by pharmacists and errors in terms of guidance.

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.



Education
After joining the Company, pharmacists undergo monthly basic training through classroom-based lectures whereby they can then 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.



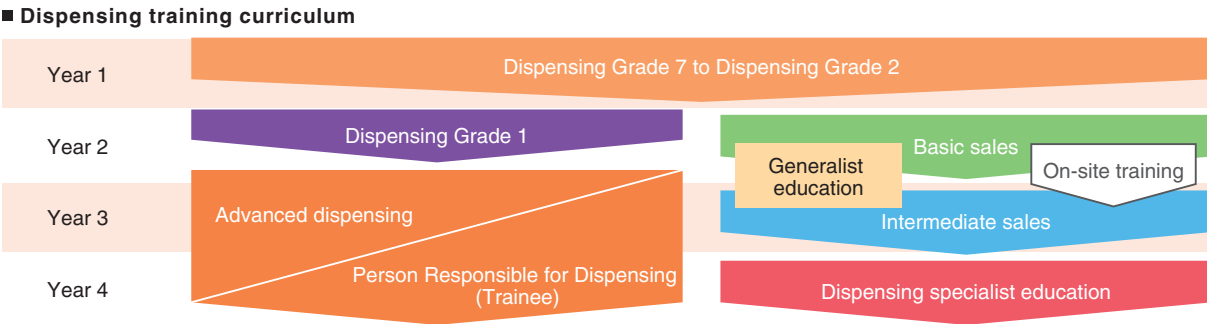
Toward improved adherence

At the SUNDRUG 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.

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

1. 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
2. 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
3. Dementia care training seminar
 - Understanding dementia care theory
 - Contributing to local medical care by learning approaches that suit the patient
4. 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
5. 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 4Coexistence with society and local communities

Contributing to society

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

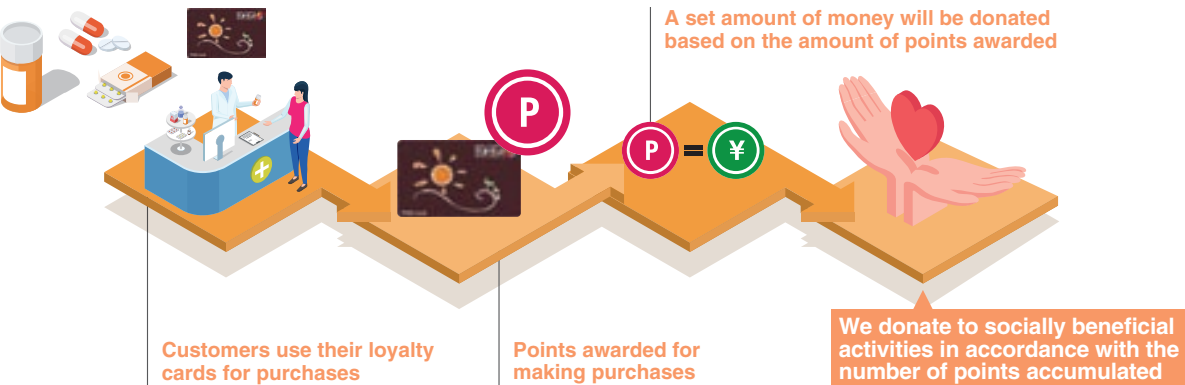
Basic policy

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.

Customers can participate in social contribution activities by accumulating points!



Recent initiatives

Emergency funding for the Turkey-Syria Earthquake

The Group has made a donation to the Embassy of Turkey in Japan to provide emergency funding in response to the earthquake in Turkey and Syria.

Heavy rain disaster in northern Kyushu

We donated the funds raised in response to the 2023 Heavy Rain in Northern Kyushu to Fukuoka Prefecture.

Noto Peninsula Earthquake

We donated funds raised for the 2024 Noto Peninsula Earthquake Disaster Relief efforts to Ishikawa and Niigata Prefectures.

Support for children's vaccinations

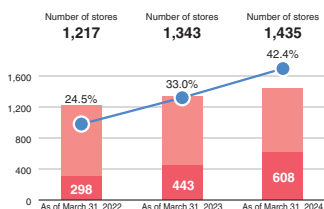
With the help of Shineikasei corporation, we sold PET bottle caps and disused collapsible containers used by the Group for use as recyclable materials, and donated the proceeds to the Japan Committee, Vaccines for the World's Children, an approved specified nonprofit corporation. We are also engaged in cooperative efforts to help deliver vaccines to children in developing countries.

Increase in stores with AEDs installed

We are gradually increasing the number of stores where AEDs are installed, primarily in new and renovated stores. As of March 2024, we had installed them in 608 stores (approximately 42% of all stores), and we plan to install them in approximately 50% of all stores by the end of March 2025. We will continue to aim for 100% of our stores with AEDs installed.

*One AED will be installed for every two adjacent stores.

Numbers of stores with AEDs installed and installation rates over time



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 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 2023)

The Group contributes to the creation of "healthy, rich lives" by hosting health-related events such as Health/Beauty Measurement and Consultation Sessions and Health Promotion Workshops. In cooperation with municipalities and community general support centers, etc., we host Health Measurement and Consultation Sessions as well as Health Promotion Workshops. We utilize the advanced counseling skills and specialized knowledge that we have developed through our operations at our stores and pharmacies toward efforts to help improve the health of local residents and to help create a good cheer and fun in daily life.



Public lecture on healthy habits for women



Measurement venue



AGEs and body composition measurement



Blood vessel age and muscle hardness measurement

Events (from April 2023 to March 2024) Number of participants

Health measurement sessions	3,507 persons
Health-related lectures (with some health measurements)	619 persons
Number of sessions: 91 times	Total 4,126 persons

Creation of SUNDRUG Forest (planting trees)

We plant seedlings of mountain cherry trees, mountain maple trees, and chestnut trees in Kofu City, Yamanashi Prefecture, for the purpose of conserving forests in Japan, promoting CO₂ reduction, and raising social contribution and environmental awareness of employees through participation in volunteer activities.



Giving off-site environmental lessons at elementary schools

We held an off-site lesson with Unilever Japan Customer Marketing K.K., with whom we collaborated on collecting and recycling used bottles at stores in Chofu City.

In the off-site lessons, SUNDRUG's employees acted as instructors, introduced the company's efforts to reduce CO₂ emissions and other sustainable activities, and gave lessons on environmental issues.

SUNDRUG is actively involved not only in environmental activities using its stores but also in educational support activities for children, who will lead the future.



Off-site lesson at Koka Gakuen Elementary School



Installation of collection boxes

Installation of EV charging stations

We are currently installing rapid chargers that allow our customers to charge their electric vehicle while shopping in an effort to meet the needs of our customers. They can make the most of their time and enjoy a pleasant shopping experience. This initiative not only increases convenience for customers, but also contributes to creating an environmentally friendly society. We promote the use of environmentally friendly electric vehicles to reduce carbon dioxide emissions and contribute to reducing environmental impact. We are actively working toward the realization of a sustainable society.



Dialogue between officers



Kazutoshi Yamashita

External Full-time Corporate Auditor

Naoki Tada

Chairman and Director

We will enhance governance functions and accelerate growth while actively taking in severe perspectives from outside the Group.

The SUNDRUG Group is working to strengthen corporate governance as part of its efforts to promote sustainability management. Chairman and Director Naoki Tada and External Full-time Corporate Auditor Kazutoshi Yamashita will discuss past and present initiatives and future issues.

Recommendations from outside that led to advances in risk management

Tada The SUNDRUG Group has declared the promotion of governance management as one of its material issues (materiality) and is working to strengthen corporate governance as truly the top priority of management. In recent years, we have been working on the promotion of "white logistics," conducting surveys of our business partners, and formulating BCP. In May 2023, we endorsed the intent of the Declaration of Partnership Building to strengthen the partnership with business partners who share our supply chain, and we have been working to raise awareness among employees by reflecting the Declaration's contents in our in-house compliance tests.

We take pride in our extremely substantive line-up of external officers, led by yourself, Mr. Yamashita, with your background in financial institutions. We receive advice from them that takes advantage of their diverse specializations as attorneys, CPAs, and

university professors. We are also actively appointing women to external officer positions. Since June 2024, four of our ten external officers, including Directors and Corporate Auditors, are women.

Recently, I heard a quote from a famous person to the effect that organizations that are shut off from the outside light are more prone to scandals and less likely to be sustainable, and I thought that this was absolutely true. Organizations that are hardened to the severe external gaze are better able to respond flexibly to changes in the environment. With its aim to be a free and open organization where voices from both within and outside the Group are able to reach easily, the SUNDRUG Group is constantly taking care to ensure that its whistle-blowing system, which is part of those efforts, is functioning appropriately.

Yamashita When I was first appointed in June 2019, my knowledge of the drug industry was inadequate, and I did not understand the industry terminology. To remedy this, I asked if I could attend not only the management meetings but also the operational reporting meetings of the individual departments. Those meetings were very educational for me. In August 2019, not long after my appointment, the Audit & Supervisory Board received a request to examine SUNDRUG's internal controls and submit a report. One proposal that we made in that process was to redefine the positioning of the Risk Management Committee.

At that time, risk management at SUNDRUG focused on crisis management at times of disaster such as earthquakes, and the development of risk management for the individual business divisions was inadequate. Luckily for me, in April-May 2019, the current CEO, Mr. Sadakata, and you were appointed, and I was able to share with you both my ambition for reform and my recognition of SUNDRUG's issues. You immediately responded to the Audit &

Supervisory Board's recommendations, changing the Risk Management Committee to a monthly meeting, formulating risk matrices for each department, and building separate risk management systems. Risk management is a never-ending task, but I believe that SUNDRUG's risk management has definitely become more sophisticated. One other recommendation of the Audit & Supervisory Board was to set up a department for company-wide oversight of risk. Based on a similar recommendation by the External Directors, the Legal Division was established in 2022.

Tada Actually, SUNDRUG had been laying the groundwork for the incorporation of advice of external officers for some time, having appointed a full-time external corporate auditor since the Company was first listed on the Tokyo Stock Exchange in 1994. The CEO, Mr. Sadakata, was also involved in the acquisition of the DIREX discount store chain, and from his experience as president of that company, he fully understood the importance of Group governance. I believe that these circumstances contributed to the swift response to the Audit & Supervisory Board's recommendations, and the repositioning of the Risk Management Committee has actually led to a significant change in risk awareness within the Company.

Securing the human resources that are essential for further growth from within and outside the Group

Yamashita The fundamental job of the Cooperate Auditors is to cooperate with the relevant departments within the company. In addition to the Legal Division, we hold monthly discussions with other departments, including the Business Audit Office, which is in charge of internal audits of the Group as a whole, and there is a system for prompt reporting to the Audit & Supervisory Board in the event of problems at headquarters or at any of the Group companies. We also strive to share information regularly with the external audit firm, and we receive briefings on Group companies' audit plans and audit reports, which are extremely useful for our audit work.

One thing that impresses me whenever I come into contact with people in the Company is the large number of extremely talented people it has. In the legal and internal audit departments as well, instead of appointing specialist talent with specializations who have been joined the Company as mid-career hires, the Company is training its own long-term talent through lively job rotations. There appears to be many examples of outstanding talent from the sales department being transferred to the legal and internal audit departments. My sense is that these staff movements are being made precisely because the management team understands fully the extreme importance of compliance and risk management in operating the business.

Tada In recent years, we have been engaging in proactive business investment, and we have concluded a succession of acquisitions and large-scale capital and business alliances. The corporate departments need to look at things from even broader perspectives. At the same time, the enhancement of management resources and human resources in the corporate planning department, which requires a great deal of effort and labor, is an ongoing theme. We recognize that it is important to grow the company while maintaining a balance between the training of long-term employees, who have a deep knowledge of the Group's business, and the recruitment of expert talent from outside.



Yamashita The increased activity in business investment has made Group governance even more important. SUNDRUG has long continued a stance of management without borrowing, but in its capital and business alliances of recent years, it has become more positive toward financing. Financial leveraging at an appropriate level is a natural management measure for further corporate growth. My sense is that SUNDRUG is in the midst of changing its financial strategy in its second stage of growth, and as a Corporate Auditor, I intend to watch these developments closely.

Tada The procurement of finance for our capital and business alliance agreements has involved many new experiences for SUNDRUG, and the Board of Directors has had multiple discussions. You mentioned that we are in the process of transitioning to our second stage of growth. In addition to the external recruitment of personnel with experience in finance, in June, we appointed an Outside Director who specialized in finance in graduate school. In these and other ways, we are making efforts to secure human resources from both within and outside the Group to quickly bring in the knowledge needed for the future growth of the Group.

The Company has also revised the society-themed initiatives in its material issues (materiality), adopting "implementation of human capital management," "quality, safety, and convenience of products and services," and "coexistence with society and local communities," which are themes that are more in line with the Group's businesses. Over 50% of the Group's new employees are women, which makes the question of how to promote women's active participation a key challenge, alongside the question of how to reduce food waste in stores. As well as being a social requirement, addressing this challenge will also lead to the growth of the Group. We look forward to receiving more advice from our external officers about further strengthening the functions of the Board of Directors, internal control and risk management, corporate ethics and code of conduct, and diverse themes related to ESG.

Yamashita SUNDRUG is proud to be listed on the Prime Market, but I believe that there are some areas that remain undeveloped in the corporate department in response to the sudden expansion of its business. Corporate Auditors are unable to be involved in the execution of business, but I hope that I can be of assistance in SUNDRUG's growth by recounting my own experiences, including my failures, in the financial institutions that I have worked for in the past.

Tada It is precisely because you are not involved in regular operations that you are in a position to speak your mind freely. I hope that the external officers, including yourself, Mr. Yamashita, will leverage your specialized knowledge to actively give your advice, even on topics that may be uncomfortable for the management team to hear.



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)



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. (to present)
- 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)



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. (to present)



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. (to present)
- June 2020 External Director, the Company (to present)
- June 2022 External Member of the Board, FUJI OIL HOLDINGS INC. (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 (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 (to present)
- June 2024 External Director, the 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 Director, Kanto Federation of Bar Associations
- June 2022 External Corporate Auditor, the Company (to present)
- 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 SHINSOH Audit & Co as a Partner (to present)
- June 2024 External Corporate Auditor, the Company (to present)

Corporate governance

The SUNDRUG 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

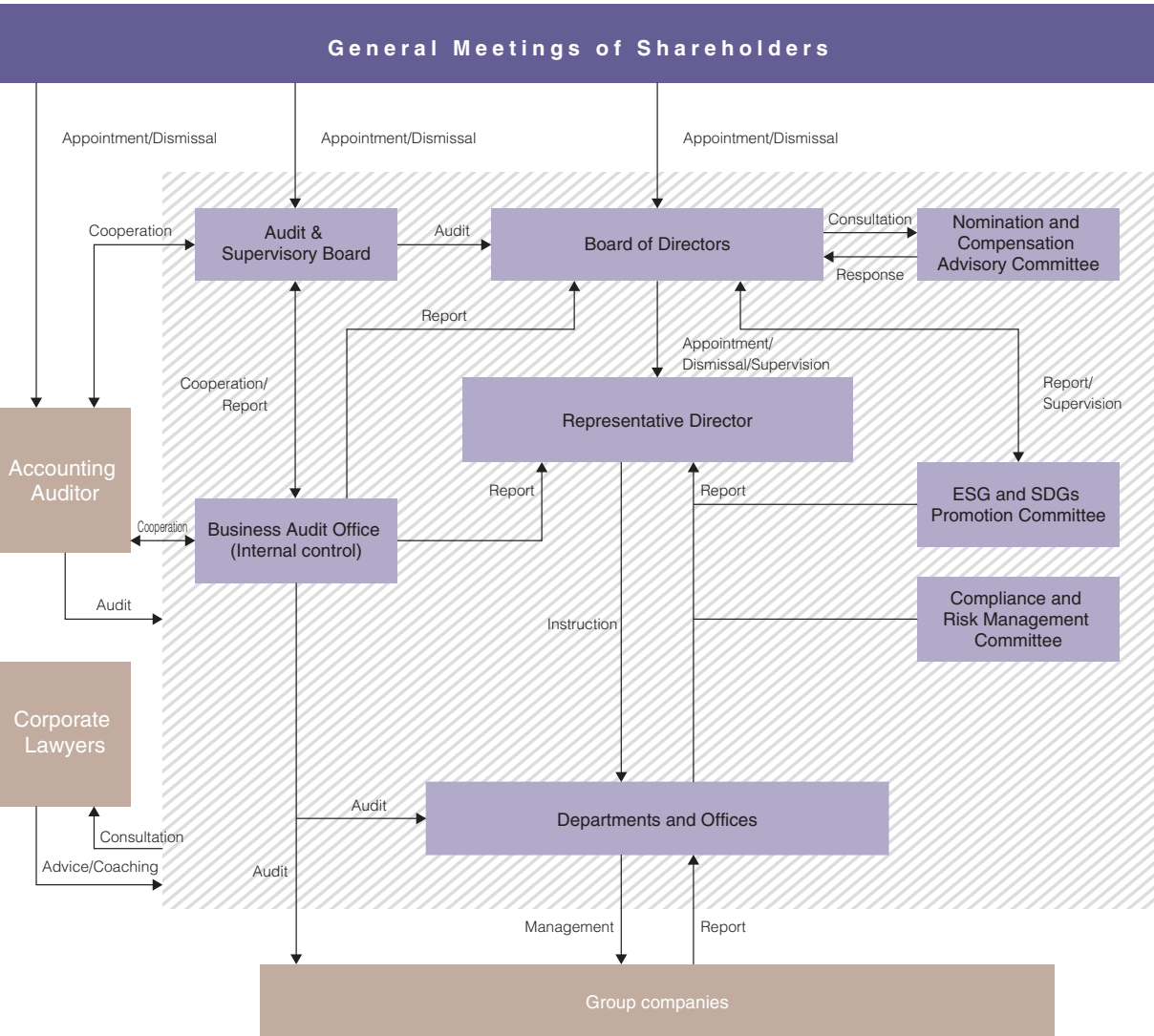
The SUNDRUG Group has a corporate philosophy, such as “Provide safety, reliance and convenience,” and “Start immediately from what we can do right at the moment, try to illuminate even just one corner of the world, make best decisions for all customers, employees, shareholders, business partners, communities, society, and the global environment, and always act with thoughtfulness,” aiming to realize “healthy, rich lives” for the Japanese people and contribute to “the creation of good cheer and fun in daily life.”

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 SUNDRUG 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 graduate school professors (Doctor of Jurisprudence), 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

The Company conducts an evaluation questionnaire on the effectiveness of the Board of Directors for all Directors and Corporate Auditors who attend the meetings, based on their self-evaluations. Based on the results of the questionnaire, the Board of Directors exchanges opinions on the effectiveness and works to make further improvements.

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 questionnaire on the effectiveness of the Board of Directors prepared by the secretariat, and to provide a self-assessment as well to propose issues in a free column. Based on the results of the questionnaire, we exchanged opinions and deliberated on future measures to share recognition of issues and improve the effectiveness and functionality of the Board of Directors, and evaluated the results.

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, with the overall effectiveness of the Board of Directors generally evaluated as satisfactory.

However, with regard to the following points, we recognized that there are issues and a room for improvement.

Future response

- We will further enhance materials for meetings of the Board of Directors and promote the sharing of corporate information.
 - The Board of Directors will conduct deeper discussions on management issues and strategies that will contribute to the improvement of the Group’s corporate value over the medium- to long-term.
- 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.



About the skills matrix

The SUNDRUG 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&A,” “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&A	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 Corporate Auditors/Attendance at Board Meetings

No.	Name	Reasons for appointment	Attendance
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% (16/16)
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% (16/16)
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.	—
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% (16/16)
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% (16/16)
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.	—

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 (3 persons), the CEO and Representative Director, and the Chairman and Director.

The Nomination and Compensation Advisory Committee met four times during the fiscal year under review, and its themes included a proposal for officer compensation (including bonuses for Internal Directors) and a proposal for the selection of candidates for Directors and Corporate Auditors, 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.

The ratio of fixed compensation, variable bonuses, and stock options is in the range of (73.6–21.2) : (21.0–68.6) : (3.7–28.2), although the ratio of each type varies depending on performance and achievement of evaluation items.

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 Directors	228	34	124	69	4
External Director	18	18	—	—	3
Internal Corporate Auditors	—	—	—	—	—
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

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 method is to determine the total amount of base Director bonuses based on the payment standards stipulated in the Officer Compensation Regulations in accordance with the ratio of the increase in consolidated ordinary profit to consolidated net sales for each fiscal year, etc., and then to proportionally distribute the total amount to each Director according to their position. The amount is increased or decreased according to the performance evaluation and qualitative evaluation of each individual Director, and the payment amount is determined based on the advice and report of the voluntary Nomination and Compensation Advisory Committee consisting of all External Directors (3 persons), the CEO and Representative Director, and the Chairman and Director.

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.

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	5	197

Theme 5 Strengthening of corporate governance



Bribery

Basic policy on bribery

In order to comply with laws and regulations for the prevention of bribery, the SUNDRUG 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 SUNDRUG 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 therefor, or the approval therefor, 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG 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.

Theme 6 Internal control and compliance



Compliance

The SUNDRUG 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 approach

In accordance with the SUNDRUG Group Code of Conduct, the Group takes action toward realizing its corporate philosophy, with compliance with laws and regulations, social ethics, and internal regulations serving as the basis of all corporate activities.

Establishment and operation of an internal reporting desk

The SUNDRUG 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.

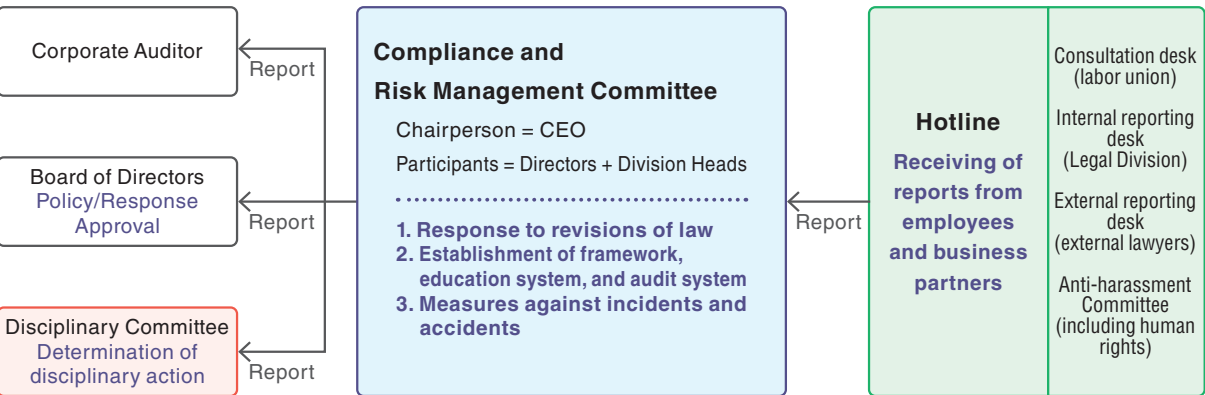
Compliance promotion system

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

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 (quantitative data on initiatives, employees and officers, frequency, number of participants, etc.)

Compliance education

The Group creates 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.

Theme 6 Internal control and compliance



Stakeholder engagement

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

Basic policy

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.

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 valuable products 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 investor surveys and dialogue meetings
- Consider conducting employee satisfaction surveys and customer surveys

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 SUNDRUG 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 SUNDRUG 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>

Recognition of the importance of BCPs

After its experience of the Great East Japan Earthquake—a disaster unexpected in its scale—the SUNDRUG 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 SUNDRUG Group makes maximum efforts to predict and prepare for disaster risk, thereby minimizing damage. In addition, given that the content of the SUNDRUG 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 of BCPs

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 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.

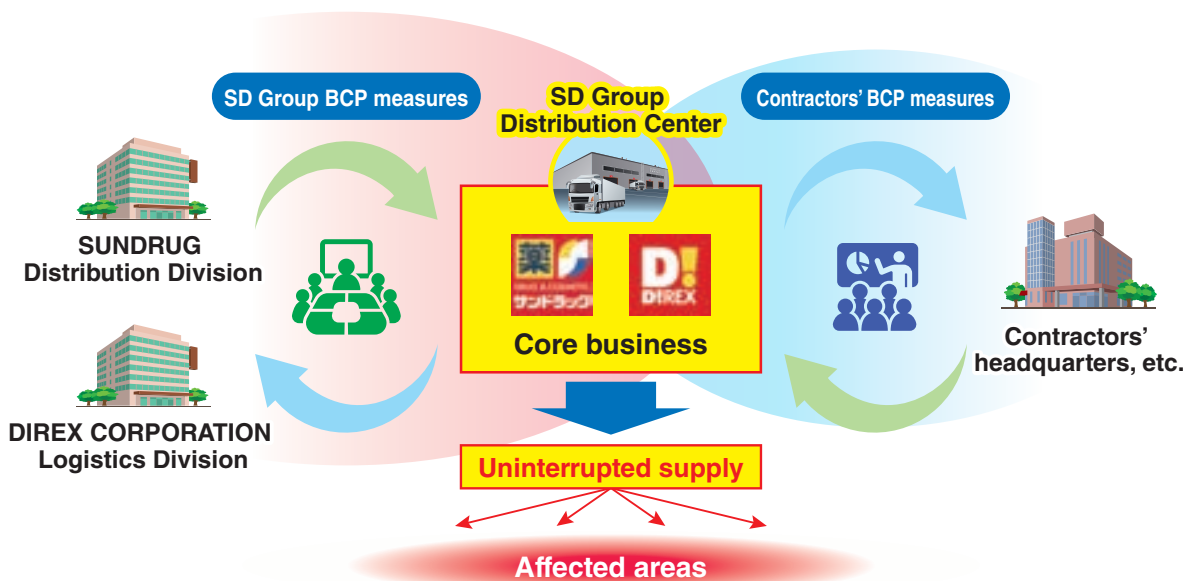
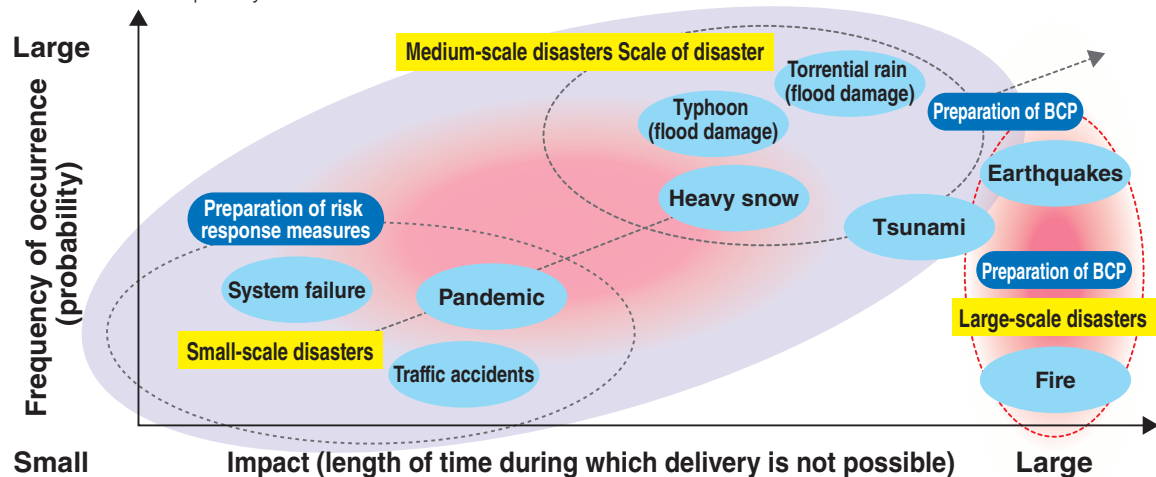
Improvements

- Complete revision of the disaster response manual following the Kumamoto Earthquake in 2016
- Recognized the necessity of measures to respond to medium-scale disasters during the torrential rains that hit western Japan in 2018, and reformulated measures in response
- Verified the effectiveness of measures to respond to medium-scale disasters in response to the torrential rains that hit southern Kyushu in 2020
- Benefits of measures seen in response to the torrential rains that hit northern Kyushu in 2021
- Recognized the inadequacies of measures and necessity of categorizing measures by type when the heavy snow hit all over Japan in 2022

In this way, the SUNDRUG Group continuously reviews its Business Continuity Plan and seeks to strengthen its resilience and ability to adapt to climate-related disasters and natural disasters. In addition, as part of our corporate philosophy, we aim for corporate management that can contribute to the realization of "healthy, rich lives" and activities that meet the expectations of local communities.

BCP-measure based initiatives

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.



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 SUNDRUG Group's businesses.

Basic policy

At SUNDRUG, 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG 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 SUNDRUG Group as necessary.
 - We ask our business partners to report to the SUNDRUG 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, winning 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



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.

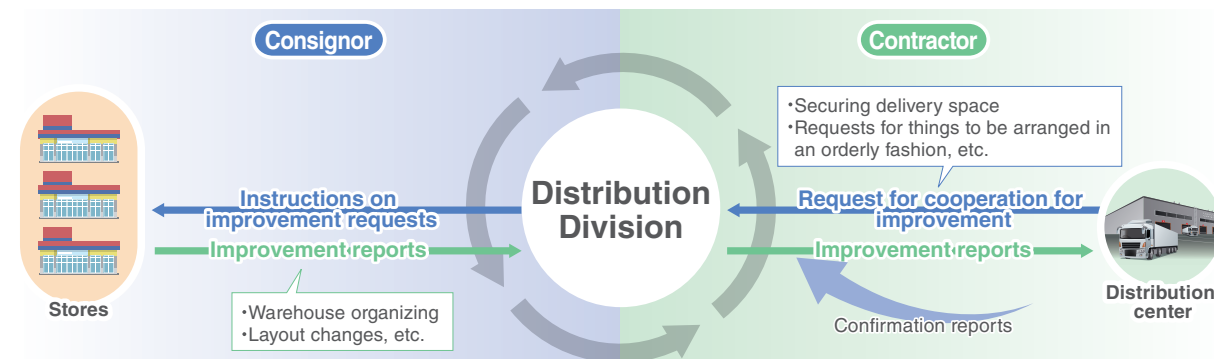
As part of efforts to improve this situation, a revision of the laws related to overtime work is scheduled to be implemented in 2024, with white logistics being one of the initiatives to improve overtime work.

The Group does not consider these initiatives for white logistics to end with the revision of the laws in 2024, and our policy is to continue to promote a range of improvements toward improving the efficiency of logistics throughout the entire supply chain going forward.

SUNDRUG Group's white logistics initiatives

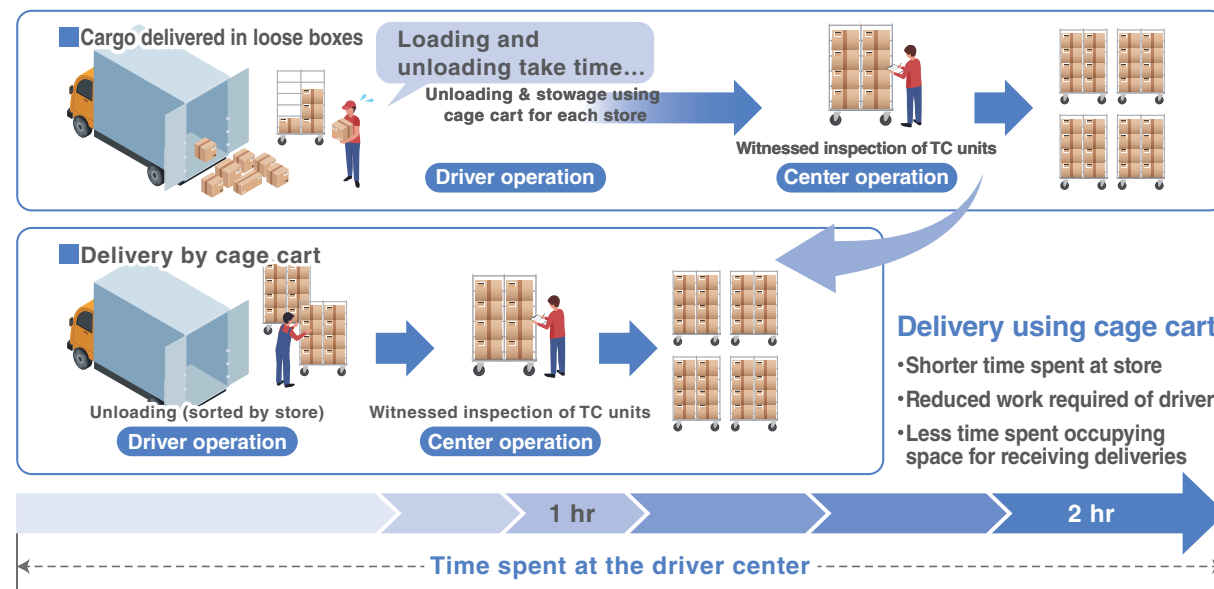
We will implement initiatives in 16 areas recommended by the Ministry of Land, Infrastructure, Transport and Tourism.

We will continue to implement these initiatives in the areas in which the goals have already been achieved, and plan to pursue further improvements on our own.



By taking part in the white logistics initiative promoted by the Ministry of Land, Infrastructure, Transport and Tourism to help address the shortage of truck drivers, we will help ensure stability in terms of logistics functions necessary for the lives of Japanese citizens and industrial activities and contribute to the further growth of the Japanese economy.

Progress in store delivery warehouse improvement Improvement achievement rate: **100%** Goals achieved in 81 out of 81 as of July 2022



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.

Initiatives toward respect for human rights

The Group appreciates that respecting human rights is an extremely important social responsibility in business activities. We are working to ensure that all customers, business partners, employees, and all others involved in SUNDRUG Group's business activities conduct themselves responsibly to avoid causing any negative impact on human rights or being indirectly associated with such impact. To do so, we pursue awareness-raising and educational activities under the Human Rights Policy, Group Code of Conduct, and Code of Conduct for Business Partners.

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 SUNDRUG 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. In the Group, 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 SUNDRUG 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 SUNDRUG 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.



Information security and privacy

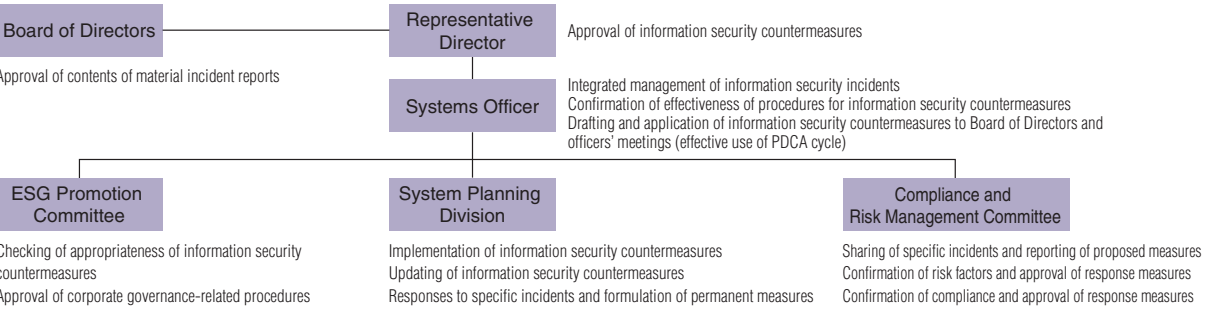
We are strengthening measures to ensure appropriate management of information and are promoting initiatives such as education for all employees involved in business operations.

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 SUNDRUG 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 SUNDRUG Group. In particular, we believe that it is the social responsibility of the SUNDRUG 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 cyber attacks.

Governance structure



Approach to basic policy on information security

	Approach to basic policy
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 SUNDRUG Group from all threat. 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 Risk Compliance 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).

Types of risk	Risk countermeasures
Completeness 1.1 Hardware obstruction 1.2 Falsification of information assets 1.3 Cyber attack	Physical countermeasures • Set information asset security zones for each level of confidentiality • Prevent operation or removal of information equipment without permission • Install multi-cloud/data center servers
Availability 2.1 Service disruption 2.2 Network attacks	Technical countermeasures • Basic security countermeasures (PC virtual environment, WSUS, web filtering, email attachment approval system) • System infiltration/destruction countermeasures (detection/blocking of ransomware, phishing emails, and anomalous communications) • Equipment countermeasures against disasters (regular back-up) • PC operation log countermeasures for tracking investigations when information asset leakages occur • Countermeasures with regular vulnerability assessments
Confidentiality 3.1 Unauthorized access 3.2 Theft/interception 3.3 Human error	Human countermeasures • Information security education/human resources development (e-learning, encourage acquisition of qualifications) • Appropriate control of access to information assets

Consolidated financial statement

Consolidated Balance Sheets

	For the fiscal year As of March 31, 2023	For the fiscal year As of March 31, 2024		For the fiscal year As of March 31, 2023	For the fiscal year As of March 31, 2024
(Million yen)					
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	80,872	69,698	Accounts payable - trade	74,006	77,371
Accounts receivable - trade	22,224	26,740	Short-term borrowings	—	35,000
Merchandise	82,700	90,970	Income taxes payable	8,249	7,547
Supplies	327	322	Contract liabilities	5,024	5,982
Accounts receivable - other	15,284	15,900	Other	25,968	29,565
Other	4,503	4,610	Total current liabilities	113,249	155,466
Allowance for doubtful accounts	(5)	—	Non-current liabilities		
Total current assets	205,907	208,243	Provision for retirement benefits for directors (and other officers)	303	315
Non-current assets			Retirement benefit liability	1,993	2,158
Property, plant and equipment			Asset retirement obligations	6,156	6,644
Buildings and structures	117,370	136,203	Other	2,641	2,533
Accumulated depreciation	(46,028)	(51,182)	Total non-current liabilities	11,095	11,651
Buildings and structures, net	71,341	85,020	Total liabilities	124,344	167,118
Land	7,757	8,514	Net assets		
Other	62,235	74,117	Shareholders' equity		
Accumulated depreciation	(41,085)	(47,116)	Capital	3,931	3,931
Other, net	21,149	27,000	Capital surplus	7,430	7,496
Total property, plant and equipment	100,248	120,536	Retained earnings	230,658	247,272
Intangible assets			Treasury shares	(3,940)	(3,894)
Goodwill	1,671	1,556	Total shareholders' equity	238,080	254,806
Other	7,433	7,587	Accumulated other comprehensive income		
Total intangible assets	9,104	9,143	Valuation difference on available-for-sale securities	82	139
Investments and other assets			Revaluation reserve for land	(1,805)	(1,805)
Investment securities	334	35,808	Remeasurements of defined benefit plans	(58)	(50)
Long-term loans receivable	8,005	7,645	Total accumulated other comprehensive income	(1,781)	(1,716)
Deferred tax assets	7,182	8,155	Share acquisition rights	29	—
Deferred tax assets for land revaluation	796	796	Total net assets	236,328	253,090
Leasehold and guarantee deposits	26,825	27,828	Total liabilities and net assets	360,672	420,208
Other	2,342	2,149			
Allowance for doubtful accounts	(75)	(98)			
Total investments and other assets	45,411	82,284			
Total non-current assets	154,764	211,964			
Total assets	360,672	420,208			

Consolidated Statements of Income

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
(Million yen)		
Net sales	690,462	751,777
Cost of sales	518,516	562,457
Gross profit	171,946	189,319
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	1	17
Provision for retirement benefits for directors (and other officers)	7	11
Salaries, allowances and bonuses	49,681	54,195
Retirement benefit expenses	638	638
Rent expenses	29,590	31,383
Other	54,574	62,075
Total selling, general and administrative expenses	134,493	148,323
Operating profit	37,452	40,996
Non-operating income		
Interest income	119	120
Dividend income	6	7
Commission income	74	91
Gain on receipt of donated non-current assets	254	350
Other	270	220
Total non-operating income	725	791
Non-operating expenses		
Interest expenses	36	32
Provision of allowance for doubtful accounts	2	—
Other	4	26
Total non-operating expenses	43	59
Ordinary profit	38,134	41,728
Extraordinary income		
Gain on sale of non-current assets	157	21
Compensation income	25	4
State subsidy	451	429
Other	26	154
Total extraordinary income	660	610
Extraordinary losses		
Cancellation penalty	123	—
Loss on sale of non-current assets	13	—
Loss on retirement of non-current assets	108	133
Loss on cancellation of rental contracts	47	9
Impairment losses	542	481
Loss on tax purpose reduction entry of non-current assets	214	242
Other	35	211
Total extraordinary losses	1,084	1,078
Profit before income taxes	37,710	41,261
Income taxes - current	12,988	13,130
Income taxes - deferred	(980)	(995)
Total income taxes	12,007	12,134
Profit	25,703	29,126
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	25,703	29,126

Consolidated Statements of Comprehensive Income

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	25,703	29,126
Other comprehensive income		
Valuation difference on available-for-sale securities	25	56
Revaluation reserve for land	134	—
Remeasurements of defined benefit plans, net of tax	61	8
Total other comprehensive income	221	65
Comprehensive income	25,924	29,191
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,924	29,191
Comprehensive income attributable to non-controlling interests	—	—

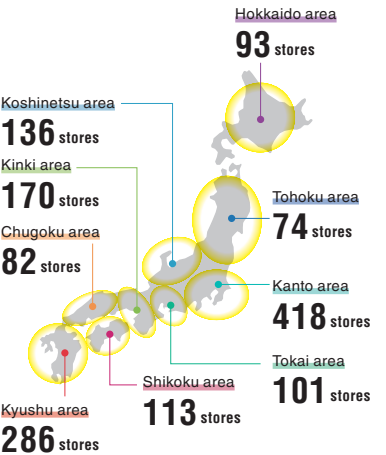
Consolidated Statements of Cash Flows

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	37,710	41,261
Depreciation	12,068	15,127
Impairment losses	542	481
Loss on tax purpose reduction entry of non-current assets	214	242
Increase (decrease) in retirement benefit liability	173	164
Increase (decrease) in allowance for doubtful accounts	3	17
Increase (decrease) in contract liability	722	957
Interest and dividend income	(126)	(128)
Interest expenses	36	32
State subsidy	(451)	(429)
Penalty income	(5)	(133)
Loss on retirement of non-current assets	121	133
Decrease (increase) in trade receivables	(2,679)	(4,515)
Decrease (increase) in inventories	(7,199)	(8,427)
Decrease (increase) in accounts receivable - other	(541)	(616)
Increase (decrease) in trade payables	3,860	3,364
Increase (decrease) in accrued expenses	697	296
Increase (decrease) in long-term deposits received	66	29
Increase (decrease) in accrued consumption taxes	95	(206)
Other, net	1,732	6,880
Subtotal	47,042	54,531
Interest and dividends received	10	12
Interest paid	(6)	(4)
Income taxes paid	(10,123)	(13,911)
Subsidies received	451	429
Other, net	5	131
Net cash provided by (used in) operating activities	37,380	41,188
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,789)	(36,426)
Purchase of intangible assets	(1,324)	(1,799)
Loan advances	(920)	(312)
Proceeds from collection of loans receivable	93	107
Purchase of investment securities	—	(35,377)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,004)	—
Payments of leasehold and guarantee deposits	(1,765)	(1,631)
Proceeds from refund of leasehold and guarantee deposits	859	503
Other, net	338	87
Net cash provided by (used in) investing activities	(28,512)	(74,850)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(80)	35,000
Repayments of long-term borrowings	(7,191)	—
Dividends paid	(10,053)	(12,511)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(17,326)	22,487
Net increase (decrease) in cash and cash equivalents	(8,458)	(11,173)
Cash and cash equivalents at beginning of period	89,330	80,872
Cash and cash equivalents at end of period	80,872	69,698

Company information (as of March 31, 2024)

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: 7,568 persons/Consolidated: 15,592 persons (including part-timers, as of March 31, 2024)
Business sites	832 directly-managed stores/210 subsidiary stores/ 38 franchise and other stores/52 distribution centers nationwide
Number of Group stores	Total 1,473 stores
Major Subsidiaries	Seikodo Pharmacy Corporation Sundrug Plus Co., Ltd. DIREX CORPORATION Daiya Inc. SUNDRUG Dream Works Co., Ltd.
Description of business	Drugstore chain operation Dispensing pharmacy operation Product provision and business guidance to franchise and voluntary chain stores, etc.

Major business sites (as of March 31, 2024)

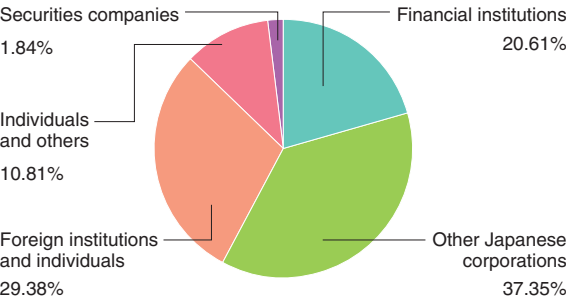


Stock information (as of March 31, 2024)

Status of stock (as of March 31, 2024)

Number of shares authorized	536,000,000 shares
Number of shares issued	119,331,184 shares (including treasury shares)
Number of shareholders	21,159

Ownership and distribution of shares

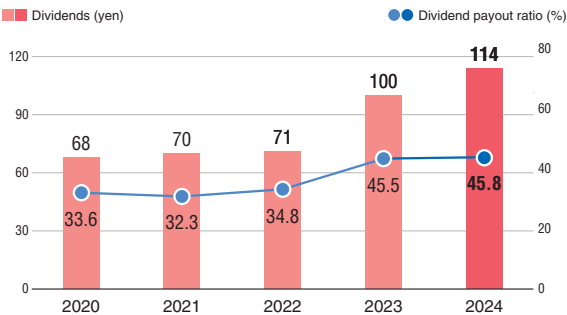


Major shareholders (top 10)

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)	13,173	11.26
Custody Bank of Japan, Ltd. (Trust Account)	6,165	5.27
CEP LUX-ORBIS SICAV	3,885	3.32
Naoki Tada	3,113	2.66
Takashi Tada	2,203	1.88
National Mutual Insurance Federation of Agricultural Cooperatives	2,069	1.77
JPMorgan Chase Bank 385047	1,677	1.43
OM02 State Street 808424 Client Omni	1,425	1.22
JPMorgan Chase Bank 385632	1,275	1.09

Notes: 1. Although the Company holds treasury shares (2,379 thousand shares), it is excluded from the above major shareholders.
2. 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>

