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MatsukiyoCococara & Co.

To:

President Kiyoo Matsumoto

CC:

Board of Directors

Happy new year for 2023! We are Hibiki Path Advisors, an institutional investor who holds your company's shares in our customer accounts for more than three years. We would like to thank Mr. Mori, Mr. Takahashi, and all the IR staff members for their kindness during our frequent IR meetings.

Today, in this letter, as a minority shareholder, we would like to make a few proposals regarding the direction and method of presenting strategies in IR, as well as the way of thinking about dividends, including quarterly dividends. We would be delighted to hear your thoughts after your internal discussion.

January 5, 2023

39 Temple Street #02-01, Singapore 058584

Hibiki Path Advisors Pte. Ltd.

Director/Chief Investment Officer

Yuya Shimizu

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MatsukiyoCococara & Co.
Proposals regarding Strategic Disclosure and Recommendations for Quarterly Dividends

January 5, 2023

Hibiki Path Advisors Pte. Ltd.

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1. Introduction

We are Hibiki Path Advisors, an institutional investor who holds your company's shares in an investment customer account. We would like to first thank Mr. Mori, Mr. Takahashi, and all the staff members of IR for their sincere and diligent interaction during our frequent IR meetings. Today, as a minority shareholder, we would like to express our expectations for your company's future, but to also discuss and propose some of the key strategies on how to develop business and IR disclosures that fully utilizes your company's potential future dominant position, which boasts the largest customer touchpoint in the Drug store sector, as well as our unique idea in terms of dividends, and have made recommendations based on that. This is one of the views of one shareholder, but I have seen your company for a long time, so please consider it with the management committee.

2. Thoughts on the Emergence of Synergies

It has been more than a year since the establishment of MatsukiyoCococara & Co. ("MCC"), which was essentially a merger between Matsumotokiyoshi group and Cococarafine group. We are grateful as a shareholder for the steady synergies achieved through the tireless efforts by the management and employees, which has been a long way since 2019 when the initial agreement by both parties were signed. Matsumotokiyoshi Group has its strength in its well acknowledged DX marketing wisdom, and Cococarafine Group was and still currently is a leading player in prescription station internalized drug store format. We view from hindsight that the merger made good sense to both to complement each other's strengths and weaknesses. On November 14th 2022, an upward revision was announced, and based on the forecast, MCC is currently on track to achieve a 6.1% operating margin in FY2022 which is a strong lead to expect MCC to achieve 7% operating margin in 2026 as initially planned. This shows that this unified body is evolving at an incredible speed. We believe that, as domestic demand will ultimately shrink due to aging and population decline, domestic businesses are entering into an era in which M&A of major companies is becoming more essential in terms of winning the dominant position. We are hopeful that this MCC's business integration case study will be useful not only for the drug store industry but also for various industries.

Let us first talk about numbers comparing to your past. The two-year average revenue of the two-group combined revenue in fiscal periods FY2018 and FY2019 (the two periods immediately before Covid-19) was 985.5 billion yen and Operating profit was 49.9 billion yen (∴ operating margin 5.1%). On the other hand, in your new FY2022 forecast, Revenue is 950 billion yen, which is 4% lower than FY19FY20 average, but Operating profit forecast is 57.8 billion yen which is 16% higher. This clearly shows the fundamental strength of the merged group is upgraded. In Figure 1, which is taken from your IR material announced in February 2022 it is stated that "Synergies in the first year will be about 20 billion yen". We understand that this synergy of 20 billion yen in the first fiscal year has been largely achieved due to the effects of the joint procurement, joint sales promotion, and

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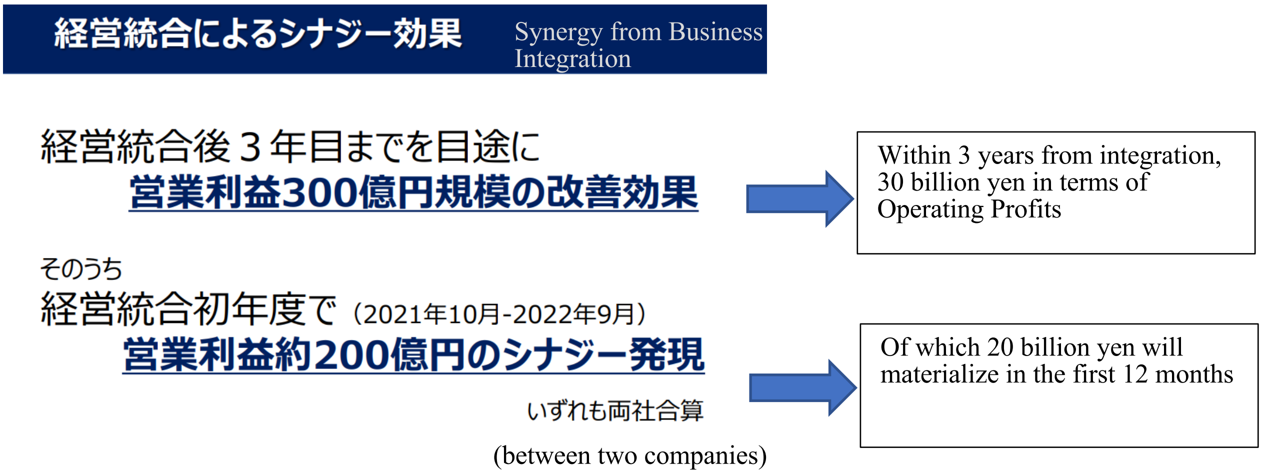
One to One Marketing, which has been materializing particularly on the Cocokarafine side since prior to the official merger date.

Figure 1: Expected Synergy Impact (February 2021)



Source: February 26, 2021 Summary of Business Integration (MastukiyoCocokara)

In addition, we expect to see further strategic synergies in the next two to three years, such as improving the accuracy of KPIs, integrating customer bases, improving sales marketing, customer touchpoints, and impressions. In particular, Matsumotokiyoshi Group has been the absolute leader in digital marketing in the drug store industry since its launch of LINE membership in 2012, and also by launching an official smartphone app in 2014, accumulating a huge database of customer purchase patterns. As Japan's society as a whole is aging, we believe that you have the potential to become an omnichannel platform leader for health and medical services since your touchpoint with each consumer is direct with both digital and F2F basis. We are looking forward to seeing you become the No.1 drug store in Asia that caters to the beauty and health of the people.

In order to further take advantage of your already strong positioning in the industry, we would like to suggest you consider two points regarding future growth strategies and the direction of IR disclosure of those strategies. These are (1) the manifestation of the vertical axis added to the current horizontal strategy, and (2) introducing a better presentation of the digital strategy response to the transforming health and aesthetic mindset of the aging Japanese. We will elaborate on the details in the next section.

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3. Suggestions on Strategic Presentation and Investor Communication

Figure 2: Total Shareholder Return, Comparison among 6 major Drug store Companies

(2022/12/23　TSR、%)	Past1Yr	Past3Yr	Past5Yr	Past10Yr
MatsukiyoCocokara	**50.2**	**51.9**	**44.8**	**631.0**
Major6 Drug-store Avg	7.0	9.4	12.6	376.0
Topix	-2.1	17.9	16.8	183.9

※TSR = Total Shareholder Return

※Major 6＝MCC、Welcia、Tsuruha、Cosmos、Sugi、Sundrug

Source: Bloomberg, Hibiki

Since the merger, not only do we see synergies developing, but we also see better refined IR materials and pro-active IR activities being carried out. Based on all of those factors, your stock price has done phenomenally well (Figure 2). PER ratio is 23.2x (on December 23, 2022), slightly above the 22.1x average of the six major Drug store companies. This is a major transformation from the past when both Matsumotokiyoshi and Cocokarafine used to trade lower than the average for many years. However, we would like you not to sit back and relax but to aim further and higher! In this section, we would like to propose (1) the manifestation of the vertical axis added to the current horizontal strategy, and (2) introducing a better presentation of the digital strategy response to the transforming health and beauty mindset of the aging Japanese.

First of all, what we mean by vertical versus horizontal is mapped out in Figure 3[1]. This vertical axis of higher medical care service will likely become an important factor for your future. As we made presentation to your IR team recently, we view it as essential to observe and analyze the strategies of drug stores in the United States, as drugstore sector has gone through a major industry consolidation in the past 20 years. In the United States, over 70% of prescription drugs are covered by 7 large businesses which are CVS, Walgreen Boots Alliance, Cigna, UnitedHealth, Walmart, Kroger, and RiteAid. Among them, the strategic difference between Walgreen Boots Alliance (WBA) and CVS, the top two with more than 9,000 stores each, would be interesting.

[1] Ichiyoshi Research Institute Report 7/19/2019

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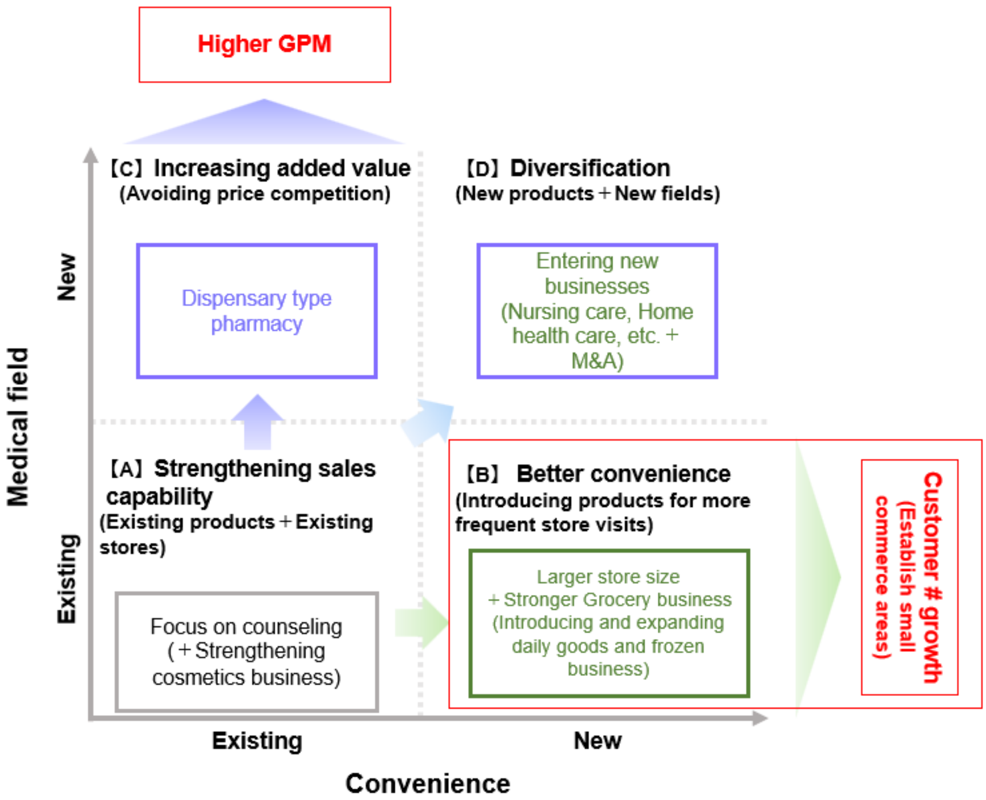
Figure 3: Strategic Paths Image of Drug store Business



Source: Ichiyoshi Institute of Economic Research, Hibiki

As you know, the U.S. has seen a dynamic battle for control since the 1990s, with pharmacies and Drug stores merging or forming alliances, and in the 2000s CVS acquired a chain of medical clinics. Looking back over the past 10 years, Walgreen has pursued horizontal expansion including international expansion, such as the acquisition of Alliance Boots in Europe, and CVS has been pushing for diversification and sophistication to enter the medical field.

Firstly, WBA has a history of pursuing horizontal development in a simple and straightforward manner. In 2010, it acquired New York's largest urban drug store chain; Duane Reade for $1 billion. In 2012, it acquired 45% of Alliance Boots in the UK and consolidated 100% in 2014. In 2015, they announced the acquisition of RiteAid, a leading company in the industry, but the regulatory authorities questioned market share in some regions and the acquisition was limited to certain assets.

CVS has also been actively engaged in M&A in the 1990s, but since 2000s, M&A in vertical (medical) axis has been added. MinuteClinic, a small clinical chain of nurses and pharmacists which was acquired in 2006, was a turning point. In 2014, they acquired Coram, which specializes in specialty dispensing and home prescriptions,

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and Omnicare, which specializes in nursing homes and long-term care services. In 2018, they acquired Aetna, a major healthcare insurance provider, for $69 billion, providing medical access to Aetna's 22 million members. In September 2022, they acquired Signify Health, a home care provider, for $8 billion, and increased the area of first contact primary care.

There was a clear difference in the strategy between the two companies, but the result is positive for CVS at this stage. In Figure 4, CVS is a clear leader in terms of consolidated sales growth, operating income growth, and EPS growth over the past three and five years. In Figure 5, CVS is also receiving relatively high valuations from stock market in terms of P/E and P/B, and is also currently valued with "premium" to the past five year average – WBA is currently at a discount to the past average.

Figure 4: CVS vs WBA Key Indicators Comparison of Past 3 and 5 Years

Past 3Yr CAGR	CVS	WBA
Revenue	14.5%	3.4%
Operating Income	11.7%	-14.0%
Adj EPS	7.4%	0.6%
Ad. BPS	8.1%	3.6%

Past 5Yr CAGR	CVS	WBA
Revenue	10.5%	2.3%
Operating Income	7.2%	-12.2%
Adj EPS	13.5%	2.2%
Ad. BPS	10.3%	1.7%

(note) fiscal-year basis calculation

Source: Bloomberg, Hibiki

Figure 5: CVS vs WBA Valuation Comparison

	PER		PBR	
	LTM P/E ratio	Past 5 year Avg P/E	P/B ratio	Past 5 year Avg P/B ratio
CVS	**12.5x**	12.1x	**1.8x**	1.6x
WBA	**9.6x**	12.2x	**1.3x**	2.0x

Source: Bloomberg (As of December 19, 2022 Stock Price)

However, it seems that 2022 was a major change for WBA. Ms. Rosalind Brewer[2], who was appointed as the new CEO in 2021, has changed the direction of WBA completely and is now promoting vertical M&A. Shields, the U.S. leader in specialty prescription, and CareCentrix, a home healthcare platform, went from partially to wholly owned subsidiaries in 2021. In 2020, they increased their stake in VillageMD – a leading primary care physician company from 30% to 63% for an additional $5.1 billion after initially investing $1 billion for 30% stake in the company. VillageMD subsequently acquired Summit Health, which provides initial medical and

[2] https://www.linkedin.com/in/roz-brewer/

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emergency care for patients for $8.9 billion, adding further value and depth of services to its portfolio. Through these lightning-quick M&As, the full value chain covering the health life cycle of people in Figure 6 was constructed in just two years. The stock market is still puzzled by this sharp change and is taking a "wait and see" approach, but we are looking forward to such an exciting environment and the future synergies being created.

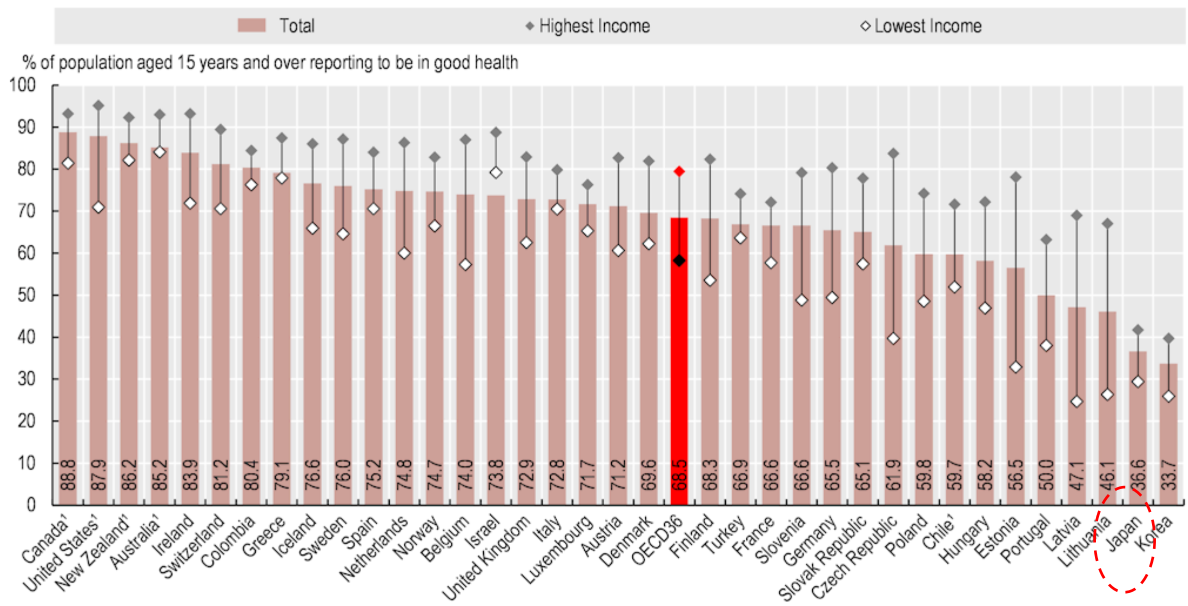
Figure 6: Health Value Chain Advocated by WBA

Source: WBA FY 2022 Results Presentation

We understand that the situation in Japan is unlike the U.S. and there are many obstacles to overcome to be able to develop such a dynamic cross-boundary healthcare service due in part to the conservative Japanese healthcare regulation. However, in Japan, the financial problems associated with the National Healthcare Insurance System have sparked a trend of hospital-based treatment towards out-of-hospital care which involves pre-symptomatic disease care. In addition, people's awareness of health, anti-aging, healthy life expectancy and beauty have increased significantly compared to a few years ago. We feel that the business opportunities for drug stores with multiple touchpoints with consumers are expanding. However, investors and shareholders at large, including us, do not fully understand what these opportunities actually are. At the very least, we feel that, in general, there is a strong preconception from the past that drug stores are generally retail businesses. Therefore, if you could gradually increase the disclosure of what you are thinking for your company, such as business opportunities in the health and medical field, and your strategic approach, we think that the market will start to appreciate and recognize the position of your company as a healthcare platform provider, which until now, has not been well recognized.

In addition (2), We would like to see your digital strategy addressing the health and beauty needs of the ageing Japanese population. We feel that this is exactly the kind of market that, with your company's strengths in terms of customer touch points, can engage in, and we would like you to proactively present (disclose) your initiatives to investors. Figure 7 shows an international comparison of subjective health assessment by OECD member countries from OECD Health Statistics 2021. As you may know, Japan is always hovering at the bottom of the list and is ranked 35th out of 36 countries in 2019 survey results.

Figure 7: OECD Health Assessment Survey 2019 - Subjective Health Assessment



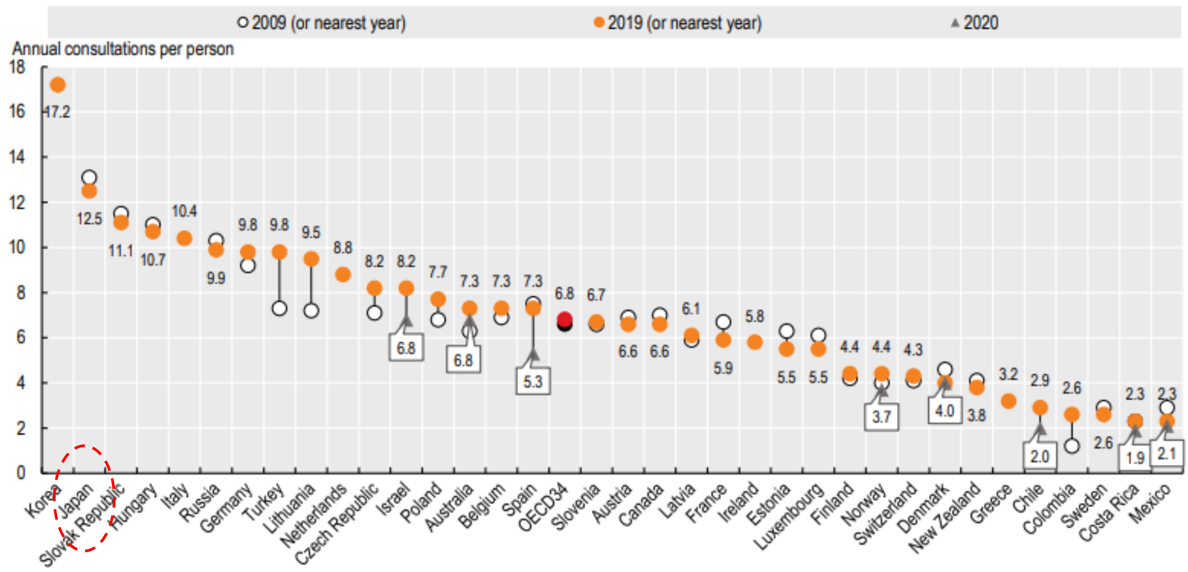
Source:www.oecd-ilibrary.org

Although Japan has one of the longest life expectancies in the world, there are few people in Japan who feel healthy. There are various factors behind this mismatched thinking of personal health. One of the reasons is that the awareness of self-medication has not evolved as much as in other countries due to the universal healthcare system that started in 1961. The national system which exempts patients from a large proportion of medical expenses has a great effect on the safety and well-being of the entire population. In addition, the efficiency of the system is considered superior in preventing adverse selection that "only people with worries about getting ill would join".

On the other hand, due to a sense of security where people start to feel they can get by with little to no personal health maintenance, it seems to be leading to a situation where people care less about their own health than they actually should. People are less conscious of managing their own health, and there is a suspicion that people visit medical institutions more than necessary[3]. In fact, according to OECD data in Figure 8, the number of visits to medical institutions per capita per year is 12.5, which is the second highest after Korea.

[3] According to the ISSP International Comparative Survey (2011), 50% of people feel they "use more medical care than necessary" including "probably". This is well over "do not think so" at 25%

Figure 8: OECD Health Assessment Survey 2019 – # of Visits to Medical Institution per Year



Source: www.oecd-ilibrary.org

With that said, in Japan, there is a serious future funding problem in the national healthcare system, especially with the decline in the youth population and the growing aging population. As we all know, from October 2022, the proportion of co-payments for the elderly aged 75 and above just increased from 10% to 20%. In the future, it can be reasonably assumed that people will be forced to shift to self-medication from just fully relying on the system. The importance of drug stores, which are deeply involved in people's lives not only through real face-to-face stores, but also with various digital touchpoints, will inevitably increase. Companies such as MCC with substantial digital touchpoints with each individual customer should be able to develop essential OMOs strategies and add value and services that lead to improved health, anti-aging and beauty awareness of the Japanese citizens.

However, as we mentioned in (1), this is a new field that investors can only vaguely imagine, and it is quite ambiguous. Therefore, we would like to see a more detailed strategic image of your company's future path as a healthcare platformer in addition to your existing materials i.e. Fig 9. Understandably, there may be tactical and strategic aspects that require secrecy, but we think that as the market becomes more aware of your efforts in relation to vertical axis, it will have a positive impact on your corporate value. In particular, we feel that the affinity between the increasingly important ESG perspective and this "OMO approach to health awareness" is extremely high from a social perspective and directly affects the evaluation of your company in the capital market.

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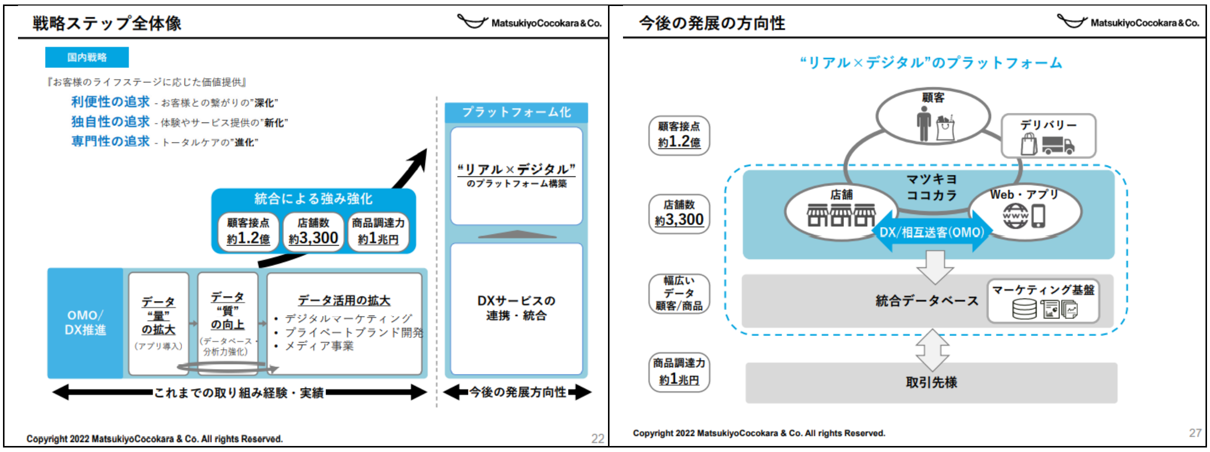
Figure 9: DX and Omnichannel Platform Strategy - MatsukiyoCocokara



Source: Presentation Materials for MCC's 2Q 3/2023 p.22 and p.27

However, as you know, corporate value enhancement efforts should not be limited to business strategies, and it is also extremely important to properly control cost of capital via capital policies (i.e. maintain equity valuations at appropriate levels). We feel that, in general in Japan, corporate management teams do not spend enough time considering capital structure and policy. However, if we assume, due to declining population, that various domestic industries will consolidate further, people will realize for sure that it is "stock prices" that ultimately determine superiority, as was the case when Matsumotokiyoshi and Cocokarafine was integrated.

We feel that you have a better understanding of the importance in winning the capital market over others, having gone through the merger yourself. Therefore, we would like to recommend measures that may further increase your reputation in the market. **What we would like you to consider and implement ahead of your peers is a simple quarterly dividend policy.** First of all, we would like to summarize the current dividend policy of each major drug store companies.

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4. Dividend Policy Comparison of Major Drug store Companies

Figure 10 summarizes the dividend levels and policies of major drug store companies, and Figure 11 summarizes the trend of each companies' dividends over the past 6 years (plus this year forecast). Companies have generally increased dividends over the past five to six years, although each company has its own circumstance regarding the dividend propensity and the method of expressing its policy.

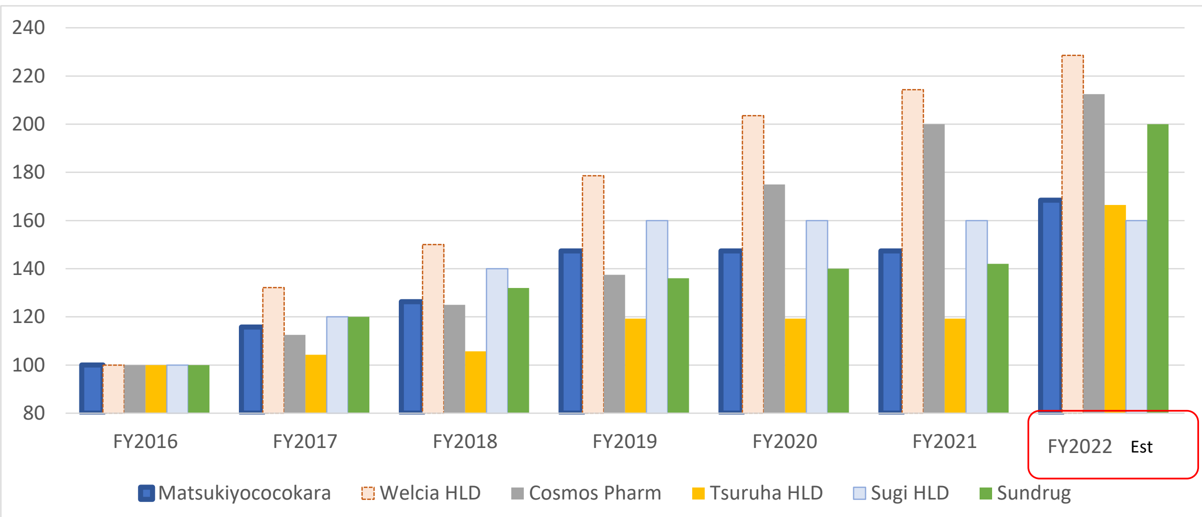
Figure 10: Dividend Policy etc. of Major Drug store Companies

Code	Name	Dividend (FY22 Est)	Div Payout Ratio (FY22 Est)	DOE※1 (FY22 Est)	Dividend Yield (12/23/2022)	Comment on Dividends (as of Nov 2022)
3088	Matsukiyo Cocokara	80yen	30%	2.5%	1.3%	Stable dividends are core philosophy but shareholder should also participate on growth of the company. We are being conscious on DOE and it is around 3% now. This year is 90 years anniversary of Matsukiyo and also 1 year anniversary of joint group so raising the dividend by 10 yen (14%).
3141	Welcia HLD	32yen	24%	3.3%	1.0%	Stable dividends will be the base philosophy but also minimum 20% payout ratio. Will raise dividends by 2 yen (6%) this year.
3349	Cosmos Pharm	85yen	15%	1.8%	0.6%	Stable and sustainale dividends. This year will rise by 5yen (6%)
3391	Tsuruha HLD	233yen	50%	4.4%	2.4%	We value shareholder return and apply stable dividends. We have a payout-ratio based policy. We aim 50% –70% payout ratio dring current mid-term -plan period (2023/5 – 2025/5) and so for this year we raise by 66yen (40%).
7649	Sugi HLD	80yen	27%	2.3%	1.3%	Our dividend is determined with consideration to Consolidated earnings, total payout ratio and free cashflow etc and our philosophy is stable and sustainable dividends. Dividend is flat this year.
9989	Sundrug	100円	48%	5.3%	2.6%	Our priority is sustainable growth of corporate value and thus make stable and sustainable dividends. Especially we aim 50% payout ratio. This year dividend is raised by 29yen (41%).

※1 Dividend on Equity – FY22 Est Div divided by FY21 SHE

Source: Bloomberg, materials of each company

Figure 11: Dividend Trends of Major Drug store Companies (2016 = 100)



Source: Bloomberg, respective companies' financial material

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Interestingly, Tsuruha HLD, in its new mid-term management plan announced in June 2022, committed to a dividend payout ratio of around 50% to 70% within the May 2023 to May 2025 period of the mid-term plan, raising it from the previous 30% level. Also, Sundrug, who announced a dividend payout ratio of 30% at the Briefing in May 2022, raised the dividend payout ratio to “more than 50%” in the latest integrated report released in November 2022. The two companies that have raised their dividend payout ratio aggressively have a strong, overcapitalized and significant net cash, balance sheet with little concern on funding, so they have likely shifted their stance to gain more popularity from equity investors in order to position themselves at a better place if and when potential large scale M&A happens. This is essentially, in our view, “an investment into its own future” in the form of higher payout to shareholders and we praise their stance.

For MCC, currently expected 80 yen dividends is 10 yen (14%) higher than last year which you explained as a special gift celebrating 90 years of business for Matsumotokiyoshi as well as the 1 year anniversary of your merger. In fact, even in comparison to your competitor, you also have a strong financial soundness with a high equity ratio and a high net cash ratio which is more than sufficient to plan for either cash-based M&A or Equity Swap M&A. With that said, we believe that you should also make it clear to your shareholders to grow through capital markets, like what Tsuruha and Sundrug did.

You have already reported that Dividend-on-Equity (DOE) based policy is "consciously" monitored in your recent 2022 Integrated Report (p.60). The figure "around 3%" is also mentioned as the bottom-line of your "conscience". We fully agree with the direction of this, but we would like to ask you to change from being conscious to a stronger commitment. As you may expect, by implementing the DOE dividend policy, dividends will automatically increase at a sustainable pace of "ROE minus DOE". For example, if ROE is 10% and DOE is 3% constantly, theoretically, dividend per share will increase by 7% each year (10-3%). The necessary conditions largely being believed in equity market for the stock prices to have downside protection is, one, that dividends are highly predictable, and, two, dividends themselves are rock solid. Introduction of DOE policy will make it clear to investors that "we will make stable and continuously growing dividends" rather than just mentioning so in words. DOE is essentially a commitment that "dividends will increase year by year unless there is a deficit (unless shareholders' capital decreases in some way) and the market will most likely welcome such commitment.

In addition to such dividend policy change, we would like you to also consider a “quarterly dividend cycle”, which, with its frequency, will constantly remind shareholders of your commitment to dividends. We would elaborate on this in the next section.

5. Analysis of Seven Companies Implementing Quarterly Dividend Payments

We have talked about quarterly dividends several times in our presentations to your IR team in the past. Although the number of samples is not statistically significant with only 9[4] companies in the market who currently pay dividends on a quarterly basis. We have done some analysis and the results are very interesting. 7 of the companies' stock who changed from semi-annual to quarterly, on average, outperformed the Topix Index substantially in the following three years. We will share our analysis in this section. First, the list of these seven companies and the timing of the introduction of quarterly dividends are shown in Figure 12 below.

Figure 12: Seven Quarterly Dividend Companies

Code	Name	Start Date (Ex-dividend)
3593	Hogy Medical Co. Ltd.	2006/6/27
3844	Comture Corp	2016/6/28
4714	Riso Kyoiku Co. Ltd.	2017/5/29
4748	Kozo Keikaku Engineering Inc.	2016/9/28
8304	Aozora Bank Ltd.	2013/6/26
9435	Hikaristushin Inc.	2012/6/28
9449	GMO Internet Group Inc.	2011/3/29

Source: Hibiki research

Figure 13 on the next page compares the relative stock price trends of the said seven companies against Topix for three years pre and post the starting (ex-dividend) date of quarterly dividends. The method we used is to normalize the Topix relative stock prices of each company to 100 for the ex-date, and tracked the average of the seven companies' normalized relative stock prices for the three years pre and post the ex-date. As you can see, the relative stock prices are hovering around 65 – 75 prior to the introduction of quarterly dividends, but it rises gradually just before the ex-date most likely due to official announcements/press release of the transition being made. **Then, after the introduction of quarterly dividends, 50% relative outperformance has been observed during the next three years.**

[4] Riyo Kyoiku stopped quarterly dividends in 2020 due to difficult business condition

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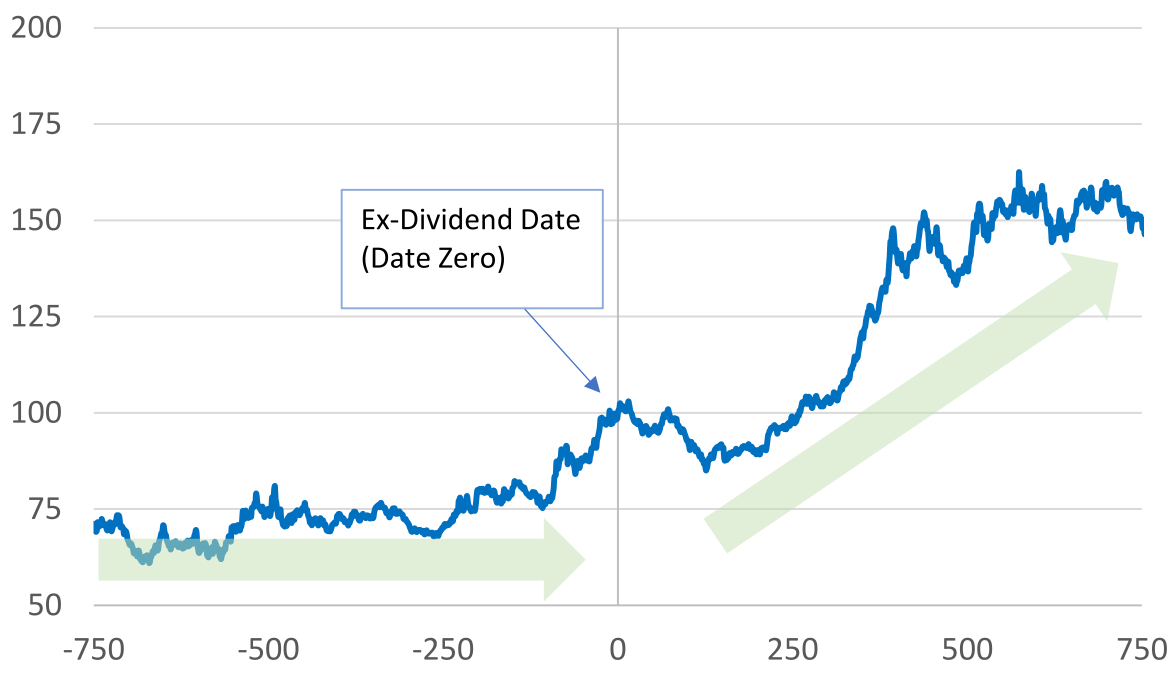
Figure 13: Quarterly Dividend Companies – Average Relative Stock Price to TOPIX



Note: The first dividend payout date for the quarterly dividend is set to 0 days, the relative stock price to the TOPIX is 100, and the relative stock price to the TOPIX normalized for 760 business days (approximately 3 years) is averaged by 7 companies

Source: Bloomberg, Hibiki

While it shows a robust outcome, it is also important to note that there were a few companies that are outperforming the index hugely and some companies not. For example, Aozora Bank, which had the lowest relative stock return amongst the group (100.76 after three years, almost similar to Topix), actually outperformed the Topix Bank Index by 35% over the same period, which means it has done well comparatively to its own peers.

Figure 14: Dividend History – Normalized (Year Zero = 100)

	9435 Hikari Tsushin	8304 Aozora Bk	9449 GMO Internet	3593 Hogy Medical	3844 Comture	4714 Riso Kyoiku	4748 Kozo Keikaku	Average
Year -3	63.8	13.8	58.3	30.0	53.3	0.0	58.3	39.7
Year -2	63.8	62.1	50.0	45.0	63.0	36.2	66.7	55.3
Year -1	74.5	95.9	58.3	60.0	91.3	90.2	91.7	80.3
Year Zero	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Year 1	148.9	102.8	108.3	100.0	131.0	119.6	133.3	120.6
Year 2	170.2	124.1	125.0	115.0	193.9	130.4	150.0	144.1
Year 3	197.9	128.3	141.7	115.0	234.2	103.3	200.0	160.0

Source: Respective companies' material, Hibiki

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There are two key takeaways here. Firstly, as shown in Figure 14, the average dividend increase three years after the introduction of quarterly dividends by the seven firms was 60% (shown in). Average dividend increase by seven firms during the three years **prior to** this ex-date of quarterly dividends was 152%. This is pretty significant with the dividend growth slowing down after the ex-date. The background is that Aozora Bank and Hogy Medical have increased dividends by 3-7 times in the three years prior to the introduction. It seems that as both companies' business have stabilized, they transitioned into quarterly dividends.

Secondly, we also compared with Topix overall dividend growth during the period. Due to limitation of data (only annual dividend data for Topix), we took the average of Three year growth starting from 2013, 2014, 2015, and 2016 respectively for Topix and compared it to the 60% growth rate of these 7 companies. Average dividend growth during 2013-2016 for Topix was 35%, which means 7 companies were 19% (1.60/1.35 = 1.19) higher although not entirely apple to apple comparison.

These two points suggest that both in comparison to the past and also in comparison to Topix, the dividend increase of these 7 companies are **not so significant**. BUT average stock price has outperformed meaningfully. This outperformance cannot be reasonably explained from a fundamental standpoint (EPS growth comparison to Topix also showed similar outcome with Dividends) thus we view that changing the cycle to quarterly had some impact.

6. Quarterly Dividends – Synergy to Your Business

Quarterly dividends have long been common for decades in the US, but in Japan, the number of companies employing this method is still extremely limited. This may be due to the simple issues of past practices, or the complexity of costs and procedures to do quarterly dividends. However, as you might expect, retail investors are particularly inclined towards dividends (or distribution). For example, the Monthly Distributive Investment Trust was established in Japan in 1997. In the 2000s, there was a phenomenal cash inflow into such monthly distributive products – for example, Mitsubishi UFJ Kokusai Investment Trust Co. Ltd. established "Global Sovereign Open" and became a whale with over 5 trillion in assets. The key selling point was frequent (monthly) distribution.

We understand that the elderly, especially the active seniors, account for a large portion of your customer base and the active seniors back then were the core drivers of this monthly distribution craze in the 2000. It is clear that you have a wide customer reach through digital applications and real stores so why not take advantage of that to make them become your shareholders using this quarterly dividend strategy?

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We think it's a very simple concept. In a sense, B2C companies that are closely connected with customers and society are ideal for an ecosystem in which customers become shareholders. When customers are satisfied with your service and spend money at your stores, it becomes your profit and capital. And then, if customers are shareholders, they are able to get back some of their spending (or even more) through capital gains and dividends. You do not need to think that the Capital markets are something completely “off” from your business because it is not. You can actually take advantage of the Capital markets to boost your customer satisfaction, or even the branding of the whole company. When you have more fans (i.e. customers and/or shareholders) it will likely solidify your position in the Capital markets and you can take advantage if and when the next level of industry consolidation occurs in the drug store sector.

7. Final Note

In this letter, as a minority shareholder, we have made recommendations on measures that we believe will further improve the value of your company, mainly in terms of strategic expression and dividends thinking. We are an investor who are not shy in making shareholder proposals to companies if we feel that all shareholders should have the chance to express their views on certain issues, but we also have a policy not to create unnecessary disruption in the AGM scene, the center stage of corporate capitalism. We value the relationship of trust with you as we are able to exchange opinions freely in the IR interview. Here, we deepened the analysis that was discussed in the past meetings, with analysis of backgrounds etc. and developed it as a proposal to management in the form of a formal letter. We hope you take our sincere approach with constructive thoughts and discuss thoroughly our proposals in the coming board meetings and management meetings, and make a fair disclosure to all shareholders once you decide on things.

Sincerely,

EOD

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Appendix: Relative stock prices of 7 Individual Companies