


KOTOBUKI SPIRITS
Integrated Report 2025

寿心

喜びを創り喜びを提供する

寿スピリッツ



Table of Contents, Editorial Policy

Editorial Policy

Kotobuki Spirits Group aims to introduce our corporate philosophy, management policies, and medium-to-long-term value creation to all stakeholders.
This report was created with a focus on communicating the strengths and sources of corporate value that drive the Kotobuki Spirits Group's value creation, such as "creating high brand value" and "management centered on the front lines through full employee participation." It also details our initiatives across the six materiality areas that form the foundation of our value creation.
We will utilize this report as a tool for dialogue with our stakeholders, including shareholders and investors, and continue striving to enhance corporate value.

Target Period

April 1, 2024 to March 31, 2025
(Some information outside this period is also included)

Scope

Kotobuki Spirits and Group Companies

Issuance Date

November 2025

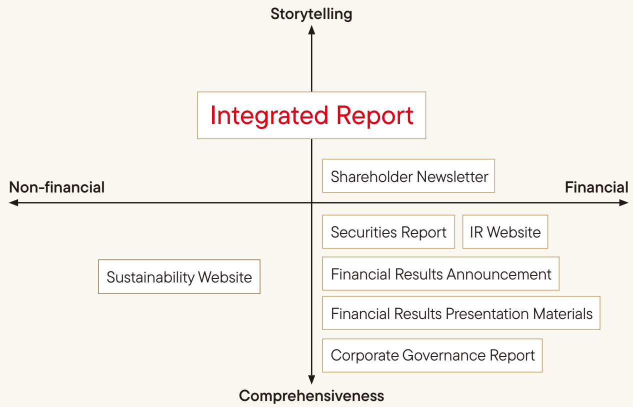
Guidelines Referenced

Ministry of Economy, Trade and Industry: "Integrated Disclosure and Dialogue Guidance 2.0 for Value Co-creation"
IFRS Foundation: "International Integrated Reporting Framework"

Statements Regarding Future Prospects

This report contains not only past and present facts concerning the Kotobuki Spirits Group, but also forward-looking statements regarding plans and outlooks as of the date of issuance.
These forward-looking statements are based on judgments made using information available at the time of writing. Future business results and events may differ from these forecasts due to various factors that may arise in the future.

Information Disclosure System






Management Philosophy, Company Policy, Management Creed

Management Philosophy

To Create Happiness, Provide Happiness

Company Policy

Gratitude, originality and ingenuity, sincerity and sincerity.

Management Creed

1. We take pleasure in pleasing our customers.
1. We talk about our dreams, aim to be number one, and take on challenges every day.
1. We bring professionalism, true courage, and inspiration.
1. We aim high, we are persistent, and we will break through.
1. We will realize material and spiritual wealth through the creation of even higher value.




01

What is Kotobuki Spirits?

Kotobuki Spirits Group is a corporate group that practices
“To Create Happiness, Provide Happiness”
through premium gift sweets.

Kotobuki Spirits by the Numbers

We Have Created a Premium Gift Sweets Brand Beloved by Many, and Established a Stable Foundation for Our Business

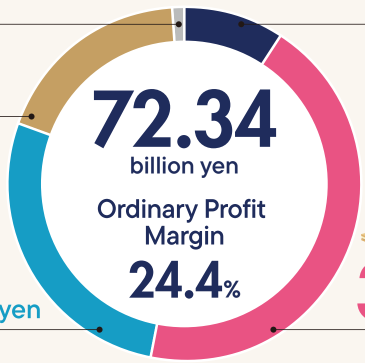
Group Management Structure*2

Kotobuki Spirits (Pure Holding Company)

- Sucrey Group
- KCC
- Kotobuki Seika Group
- Sales subsidiaries
- Others

Manufacture and sale of premium gift sweets

Net sales



72.34 billion yen

Ordinary Profit Margin 24.4%

Others 0.69 billion yen

Kotobuki Seika Group 14.54 billion yen

KCC 21.48 billion yen

Sales subsidiaries 7.22 billion yen

Sucrey Group 34.69 billion yen

(Note)
1. As of March 31, 2025 (All figures in the center of the graph are consolidated)
2. Total sales figures have been adjusted for inter-segment sales
3. "Sucrey" and "Kujukushima Group" were previously independent segments. Following the organizational restructuring effective April 1, 2025, they have been consolidated, and the segment classification has been changed to "Sucrey Group". Figures for the fiscal year ended March 2025 use the new classification method. Additionally, the segment name previously "Kotobuki Seika & Tajima Kotobuki" has been changed to "Kotobuki Seika Group".

Premium Gifts Number of sweets brands*1

Total 44

Number of store brand stores*1

Japan 135 stores

Overseas
Directly managed 6 stores
Franchise 31 stores

Number of production sites*2

Total 11 locations

Sucrey 5 locations

K.C.C. 2 locations

Kotobuki Seika 4 locations

San-in famous sweets Hare of Inaba*1

Loved for 57 years

Otaru Confectionery LeTAO*1

Loved for 27 years

Kujukushima rice cracker*1

Loved for 74 years

Number of employees*1

1,758 people

*1 As of March 31, 2025 *2 As of September 30, 2025

Value Provided

As a Comprehensive Confectionery Producer, We Create Premium Gift Sweets Brands Nationwide

Our group manufactures and sells premium gift sweets that highlight regional characteristics, operating original shop brands nationwide. We offer premium gift sweets packed with meticulous attention to detail, available only in their respective regions.

Kotobuki Seika Group

Flagship product

Inaba no Shiro Usagi

Sucrey Group (Kujukushima Group)

Flagship product

Kujukushima Senpei

KCC

Flagship product

Double Fromage

● Greater Tokyo Area

Sucrey Group (Sucrey)

Flagship product

Salt & Camembert Cookies

Maple Butter Cookies

Butter Financiers

Fruit Mille-Feuille

● Sales subsidiary

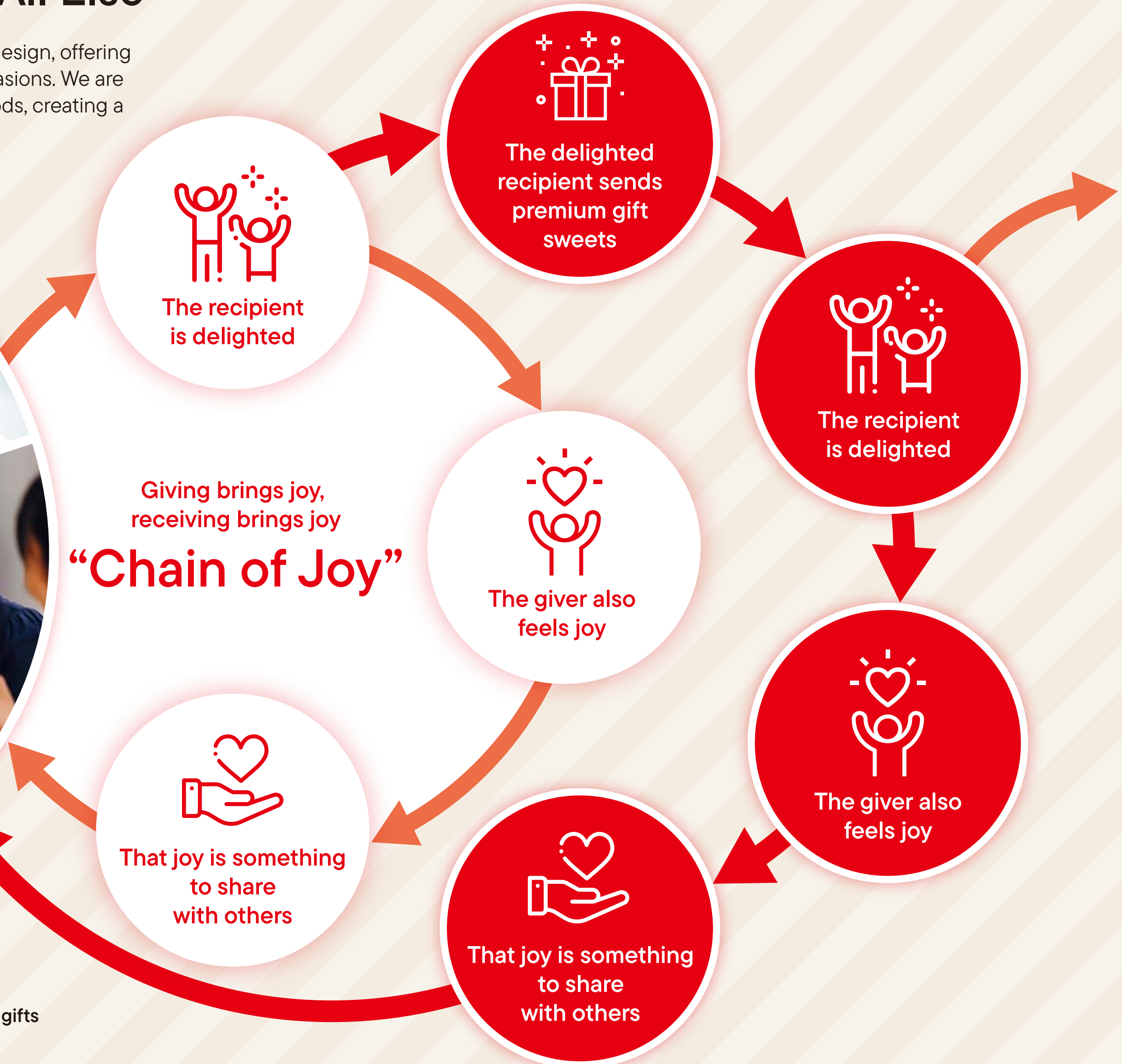
* For details on the sales subsidiary, please refer to P55 Company Overview.

Sales subsidiary

Value Provided

Pursuing Regional Character and Specialty Craftsmanship, We Create a Chain of Joy with Premium Gift Sweets that Prioritize Deliciousness Above All Else

Premium gifts that prioritize not only taste but also the brand's worldview and design, offering high quality and high added value. Our sweets are used for various gifting occasions. We are committed to carefully selected ingredients and meticulous production methods, creating a "chain of joy" where both the giver and the recipient feel delighted.



Premium gift sweets for various occasions

- As a travel souvenir
- As a homecoming gift
- For mid-year and year-end gifts
- For seasonal events like Christmas, Valentine's Day, and White Day
- For birthdays
- As a business gift
- As a treat for yourself

Japanese Gift Culture

The Business of Thoughtful Giving

Gift-giving is woven into daily life in Japan, from travel souvenirs to small tokens shared among friends. Each gesture turns everyday treats into symbols of appreciation and gratitude, strengthening bonds between people. For Kotobuki Spirits, this strong cultural foundation fuels sustainable demand and provides a stable base for long-term growth.

01 More Than a Souvenir

Omiyage aren't just souvenirs; they're real expressions of thoughtfulness, brought home from travels to share regional delights with family, friends, and colleagues. These treats bridge the gap between afar and at-home, reinforcing relationships through taste and heritage. Sweets take center stage in *omiyage* culture. They tell the story of a place, its ingredients, and the artisans who perfect them. Plus, they're quickly enjoyed, ideal for sharing, and don't come with the pressure to give a gift in return.

Celebrating Regional Heritage

Local history and specialties guide our creative process. We design products that showcase regional character, celebrating the unique ingredients and stories that make each area special. By keeping offerings exclusive to their place of origin, these treats become discoveries that travelers can't find anywhere else, creating authenticity for customers and premium value for our regional partners.

Japanese Gift Culture

02 Courtesy, Carefully Wrapped

Temiyage are the respectful, slightly more formal gifts you bring when visiting someone's home—much like a housewarming gift in the West— or when attending social gatherings or professional get-togethers. In both personal and business contexts, these gifts are a way to show gratitude for hospitality or kindness received. Sweets, often beautifully wrapped and individually packaged, are especially popular, making it easy for everyone to share while highlighting the giver's care and attention to detail.

Story to Shelf

Every Kotobuki Spirits product begins with a story. Drawing on decades of brand development expertise, we craft concepts that resonate and carry meaning beyond the item itself. Careful attention extends to every customer touchpoint, from product planning and packaging to store layout design. This comprehensive approach delivers a memorable experience for gift-givers and recipients, building brand loyalty and repeat purchase behavior.

03 Tokens of Thanks

Thank-you gifts—known as *okaeshi*—mark milestones from graduations and promotions to retirements and year-end appreciation. Summer's ochūgen and winter's oseibo deepen that sentiment as seasonal gifts offered to those who have supported us through the year. Luxury and seasonal items shine here, such as somen noodles or fruit jellies to refresh during hot summers, and premium seafood for hotpots to warm up winter gatherings. These are gifts people rarely buy for themselves, making them all the more special.

Diverse by Design

Japan's calendar of gifting is rich and varied, and our portfolio reflects this diversity. Today we operate 44 unique shop brands, each designed to meet different occasions. Seasonal limited editions and innovative launches keep our offerings fresh and engaging, encouraging customers to return throughout the year. This broad portfolio reduces risk while maximizing revenue, creating stability alongside growth.

04 Seasons of Sharing

Japan's seasonal gifting spans both traditional and modern occasions. Valentine's Day chocolates lead to White Day's sweet returns. Mother's Day, Father's Day, and Respect for the Aged Day invite heartfelt expressions of gratitude. Christmas and birthdays inspire limited-edition sweets, showing Japan's seasonal creativity and cultural fusion trends. These year-round celebrations offer steady opportunities to share and to grow, reinforcing the cultural rhythm and revenue streams that underpin our business.

Adapting to Every Occasion

Seasonal demand shapes how we design, launch, and display our products. Flexibility allows us to keep pace with the cultural calendar, while variety ensures that customers can always find the right gift—whether a finely crafted confection or a simple treat to share. This adaptability strengthens trust, positioning Kotobuki Spirits as the natural choice for life's many moments. By meeting each occasion with thought and creativity, we continue to grow with our customers.

The Journey of Value Creation

Transitioning to a Manufacturing-Retail Business Model and Expanding Sales Territories Through M&A to Sustain Growth

1950s

Establishment (of a business, etc.)

Growth in manufacturing, wholesale and OEM

In 1952, the founder, Shoichi Kawagoe, established Kotobuki Seika Co., Ltd. and started manufacturing and wholesaling tourist souvenirs, starting from the production of caramels and candy balls. The company faced some difficulties, such as the burning down of the head office factory and the voluntary recall of "Tsurushi persimmon," a souvenir for tourists, but all employees worked together under the management philosophy and overcame these difficulties. The company built on its current foundation by launching "Inaba no Shiro Usagi," a San-in specialty confectionary that is still loved to this day, and establishing sales subsidiaries mainly in western Japan.

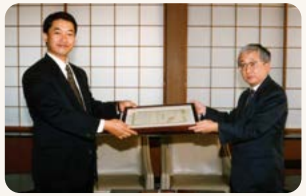
Founder Shoichi Kawagoe

A candy vending truck that was active at the time of the company's founding

OEM manufacturing of puff pastry

Release of Inaba no Shiro Usagi (1968)

Kotobuki-jo's famous red and white rice cakes



Over-the-counter stock registration (1994)

Kotobuki-jo (Kotobuki Castle of Sweets) at the time of its opening

1990s

The "Kotobuki Castle of Sweets" was built

Challenge from manufacturing wholesaler to retailer

In the late 1980s, as Japan entered the bubble era, a slowdown in growth began to appear as consumer demand for "quality" over "quantity" changed, and a change in the business model was urgently needed. With the goal of transforming itself from a manufacturing and wholesale company to a manufacturing and retail company, the company opened its first directly managed store, "Kotobuki Castle of Sweets" in Yonago City, Tottori Prefecture in 1993. This success led to a stock listing (over-the-counter stock registration) the following year upon Seigo Kawagoe's appointment as president (current position).

1952
Kotobuki Seika Co., Ltd. is established in **Kakuban-cho, Yonago City, Tottori Prefecture,** and begins manufacturing candy confections and other products.

1956
A fire destroys the factory in Kakuban-cho. The following year, the factory is relocated to Hatagasaki, Yonago City.

1959
Entered the tourist souvenir confectionery category.

1966
Incident involving a voluntary recall of persimmons. The company adopts the management philosophy of **"To Create Happiness, Provide Happiness".**

1968
Launched **"Inaba no Shiro Usagi,"** a famous San-in confectionery, to raise the quality of confectionery for sightseeing souvenirs.

1972
Kotobuki Co., Ltd. was established in Kaga City, Ishikawa Prefecture, followed by the establishment of a series of sales subsidiaries, mainly in western Japan, to **expand the sales network nationwide.**

1979
Newly built and relocated the head office and factory to the present location (Yonago City, Tottori Prefecture).

1987
Tajima Kotobuki Co., Ltd. is established in Shinonsen-cho, Mikata-gun, Hyogo Prefecture.

1988
Using locally grown fruits, we differentiate ourselves by creating 'fruit confections without the grass crown' sold exclusively in each region.【The Journey's Taste Director】

1993
Established **"Kotobuki Castle of Sweets"** in Yonago City, Tottori Prefecture, a large-scale sales facility where visitors can observe the manufacturing process. Full-scale launch of retail business.

1994
Registered as over-the-counter stock. President and Representative Director Seigo Kawagoe is replaced by Shoichi Kawagoe. Shoichi Kawagoe is appointed Chairman of the Board.

2000s

Expansion into Hokkaido and Kyushu

Creation and establishment of confectionery store brands

Since its listing on the stock exchange, the company has set its growth strategy to expand into the two major markets of Hokkaido and Tokyo, establishing the group company "KCC" in Hokkaido and opening the store brand "Otaru Confectionery Shop LeTAO" in Otaru City. In 2005, we expanded into Kyushu with the addition of the Kujukushima Group in the Fukuoka and Nagasaki areas.

The Kozuchi Management Philosophy Handbook: A Collection of Management Principles

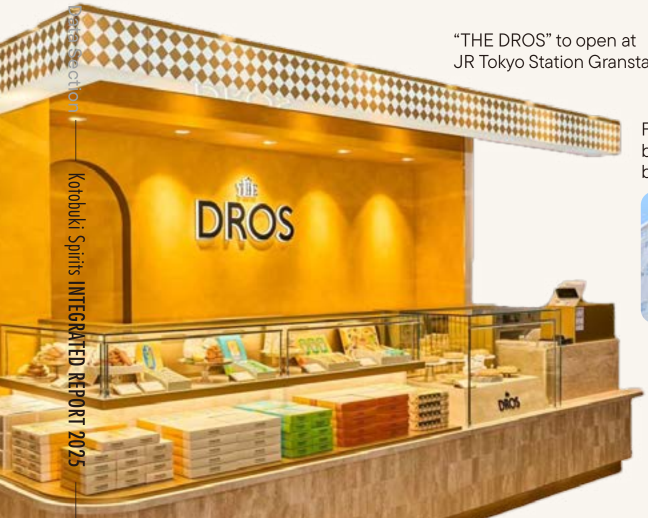
Kujukushima Senpei, a famous confectionery in Sasebo

LeTAO's representative product "Double Fromage"

LeTAO Main Store in Otaru

Tokyo Station's Top-Selling Brand "COCORIS"

Opened "The Maple Mania," a maple syrup-themed brand, at JR Tokyo Station Gransta Tokyo.



"THE DROS" to open at JR Tokyo Station Gransta Tokyo

Francais factory becomes manufacturing base for Sucrey

2010 s

Major breakthrough in the Tokyo metropolitan area

Major breakthrough in the Tokyo metropolitan area through a multi-brand strategy

In 1998, with an eye on expanding into Tokyo, we established Tsukiji Chitose, a Japanese confectionery manufacturing and retailing company. 2011 saw the re-launch of the company as Sucrey, and we began developing multiple brands, mainly Western confectionery. 2016 saw the acquisition of Francais, and the acquisition of its production plant, allowing us to develop products more flexibly. We expanded the number of stores at Tokyo Station and Haneda Airport, which contributed significantly to the V-shaped recovery of the Group's sales after the outbreak of the COVID-19 pandemic.

1996
In the city of Chitose in Hokkaido, established Kotobuki Chocolate Company Limited (now KCC Co., Ltd.) and **entered into Hokkaido in earnest. Added chocolate and langue de chat items to serve as a manufacturing base.**

1998
Acquired a 100-year-old long-established trademark and established Tsukiji Chitose Co., Ltd. in Chuo City, Tokyo. **Began developing the Tokyo Japanese confectionery brand.**
In the city of Otaru in Hokkaido, KCC Co., Ltd. **established "Otaru Western Confectionery LeTAO."** Launched a retail specialty store for Western confectionery.

2003
Published the first edition of "Kozuchi," a management philosophy notebook. Started the "Kozuchi morning meeting" at each workplace.

2005
By taking over the business, the company inherited the confectionery manufacturing and sales business from Kujukushima SK Farm Co., Ltd. and three other companies, and **started Kujukushima Group Co., Ltd.**

2006
Changed the company name to Kotobuki Spirits Co., Ltd.
Transitioned to a pure holding company structure through a corporate split.

2011
Tsukiji Chitose Co., Ltd. transfers part of its business to Sucrey Co.,Ltd. and dissolves.
Establishment of Taiwan Beijyushin Co.

2013
Listed on the Second Section of the Tokyo Stock Exchange.

2014
Listed on the First Section of the Tokyo Stock Exchange.
JunAi Inc, is established in Minato-ku, Tokyo.

2016
Acquired all shares of Francais Co., Ltd. and made it a subsidiary.

2017
Sucrey Co., Ltd. absorbed Francais Co., Ltd.

2024
Established KMF Co., Ltd. in Miyakojima City, Okinawa.

02

Growth Strategy

We introduce our vision for the future and the strategies to achieve it, incorporating messages from management, to outline the path toward sustainable growth.

President's Message

Pursuing More Sustainable Corporate Value Enhancement Through "Ultra-Field-Oriented Management" with Full Employee Participation

Seigo Kawagoe
President and Representative Director

President's Message

30 Years of Steadfast Progress Guided by Our Management Philosophy

Since its founding, the Kotobuki Spirits Group has strived to create premium gift confectionery brands nationwide and provide lasting value to each and every customer, aiming to realize our management philosophy: "To Create Happiness, Provide Happiness." We continue to refine our brands toward creating value that generates a "chain of joy" for both the giver and the recipient.

This November 2024 marks our 30th anniversary as a publicly listed company. Since achieving over-the-counter registration with the Japan Securities Dealers Association on November 9, 1994, we have reached our current position thanks to the warm support of our shareholders, business partners, and local communities who have sustained our journey. We express our heartfelt gratitude for your continued support.

The integrated report we began publishing in 2024 is an effort to clearly communicate how our group has achieved growth and what initiatives have enabled us to cultivate a brand loved by more customers. We published it this year as well, hoping it will help our stakeholders better understand our company.

Reflecting on the Fiscal Year Ending March 2025

The business environment surrounding our group during the fiscal year ended March 2025 showed a gradual recovery trend overall, supported by improving employment and income levels, as well as a rebound in inbound demand. However, it was also a challenging year marked by a challenging business environment. This included a cooling of consumer sentiment against the backdrop of the backlash from the "revenge spending" seen after the COVID-19 pandemic subsided in 2023, soaring raw material prices, and rising inflation. Furthermore, the situation remained uncertain, with factors such as the August 2024 announcement of the Nankai Trough Earthquake Temporary Information (warning of a major earthquake) and the impact of unfavorable weather conditions leading to reduced outings in some areas.

Amidst these conditions, our Group adopted "Super Mach Management!" as its 2024 management slogan, dedicating all efforts to creating and nurturing the "Premium Gift Sweets" brand, which pursues even greater deliciousness. We worked with speed to execute key initiatives: strengthening vital management resources like product appeal, sales capabilities, store presence, and human resources; enhancing inbound tourism strategies; and opening new stores under new brands.

Regarding production systems, we optimized operations by closing aging factories within the Kujukushima Group and transferring production lines between companies, leveraging the full-scale launch of Sucrey's Fujisan Shizuoka Factory in August 2024. We also advanced measures to enhance group-wide efficiency and unity, such as integrating support departments across both companies.

As a result, for the fiscal year ending March 2025, net sales reached ¥72.3 billion (up 13.0% year-on-year), operating profit reached ¥17.6 billion (up 11.6% year-on-year), ordinary profit of ¥17.6 billion (up 11.5% year-on-year), and net profit attributable to owners of parent of ¥12.1 billion (up 11.9% year-on-year). Both sales and profits reached record highs for the third consecutive fiscal year. We consider it a significant achievement that inbound sales (sales at the international terminal) exceeded ¥10 billion for the first time, allowing us to achieve the mid-term target set for the fiscal year ending March 2026 one year ahead of schedule. Regarding store openings and closures, we opened a total of 12 stores, including three simultaneous openings at EATo LUMINE inside JR Shinjuku Station's ticket gates in April 2024, and the LeTAO Canal Plaza store in October. Additionally, we implemented brand changes and closures for 10 stores.

Mach Management Driven by the Front Lines Supports Growth

A fundamental principle of our management is "all-hands-on-deck, hyper-field-oriented management." Many companies adopt a headquarters-centric approach where headquarters creates manuals and the field follows headquarters' instructions. In contrast, within our group, store managers at retail locations and line leaders at factories take the lead. Field staff themselves set goals, devise strategies to exceed those goals, and put them into practice.

For example, in manufacturing, even with identical ingredients and recipes, subtle on-site adjustments—such as baking time and temperature in ovens, mixing methods and duration in mixers, or ingredient timing—can drastically alter product flavor. The mindset of "Let's make it tastier today than yesterday, and even more so tomorrow than today" permeates our operations, driving continuous trial and error to achieve this.

For fiscal year 2025, we adopted the management slogan "Practice at Mach! Practice! Practice!" This embodies our determination to accelerate the JUBILATION Spirits-style PDCA cycle at an unprecedented pace across all sites. This speed means consciously aiming to complete the entire flow of "hypothesis formulation," "implementation," and "verification" within a single day. **(→ P24: Strengths in Creating Value)**

One Tokyo Station store reported that after closing on December 30th, following the year's busiest period, they reviewed this year's performance, identified challenges, set sales targets for the next year-end peak season, devised strategies to exceed those targets, and began preparations. This very sense of speed is "Mach Management." It is the source of our group's competitive advantage and the reason we can sustain growth even in a rapidly changing market.

> **Management Philosophy**
> **"To Create Happiness, Provide Happiness."**

Through the thorough implementation of "Ultra-Field-Oriented Management with Full Participation," we plan to achieve increased revenue and profits for the fiscal year ending March 2026: net sales of ¥79.67 billion (up 10.1% year-on-year), operating profit of ¥19.65 billion (up 11.6% year-on-year), and net income of ¥13.4 billion (up 10.6% year-on-year). As a return to shareholders, we plan to pay an annual dividend of ¥35 per share.

Our company has built brand trust through the creativity and ingenuity of each individual on the front lines. Moving forward, guided by our philosophy of "To Create Happiness, Provide Happiness" we will continue to believe in the power of our frontline teams and embrace new challenges. Furthermore, through this frontline-driven approach to manufacturing, we have cultivated brands that leverage the unique characteristics of regions across Japan. We express the charm of each locality through premium gift sweets, connecting people through our products, linking regions with the world, and delivering new value to society. We aspire to be that kind of presence.

Moving forward, we will continue to cultivate a memorable premium gift sweets brand step by step, together with all of you. We sincerely ask for the continued and even greater support of our stakeholders.

Mid-to-Long-Term Management Goals
Value Up Vision 2030

Key Initiatives

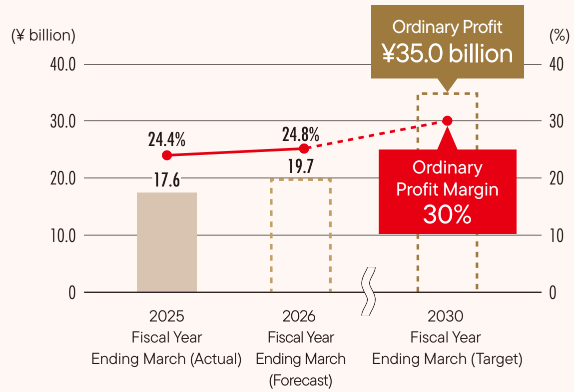
- Value Up in Product Appeal, Store Appeal, and Sales Appeal
- Value Up of Inbound Measures
- Value Up of Human Capital

Cash Allocation Policy for the Next Five Years

- Capital Efficiency: ROE of 30% or higher
- Shareholder Returns: Aiming for a total payout ratio of 50% or higher, implementing dividend increases in line with profit growth and flexible share buybacks

Target Metrics

- Ordinary Profit Margin: 30% (FY ending March 2030)
- Ordinary Profit: ¥35 billion (FY ending March 2030)
- Five-Year Average Sales Growth Rate: 10%



2025 Management Slogan
Practice at Mach! Practice! Practice!

(Note) For details on the Kotobuki Spirits PDCA Cycle, see → P24: Strengths in Creating Value

Achieving Value Up Vision 2030 and Enhancing Shareholder Value through High ROE Management and Unique Brand Strategy

Shinji Matsumoto
Managing Director

Responding to Market Changes: Creating High Value-Added Through Regional Focus and Expertise

The business environment surrounding our group is expected to see intensified sales competition across industries and business models, as domestic market growth potential remains limited due to the advancing aging population and declining birthrate. Furthermore, customer consumption patterns and values are diversifying, making their selection criteria for products and services increasingly stringent. Particularly in recent years, demand for high-quality, authentic brands has grown. We believe that our Group's sustainable growth hinges on our ability to accurately understand these changes and develop the planning and development capabilities for products and services that meet customer needs.

In this environment, our Group has defined its management vision (the direction we aim to pursue) as follows: As a "Comprehensive Confectionery Producer," we will pursue the theme of "Creating High Value." We will promote the creation and cultivation of "Premium Gift Sweets" that pursue deliciousness and regional character, aiming to contribute to, coexist with, and achieve mutual prosperity with local communities. We strive to become a corporate group trusted and needed by society. While maintaining an unwavering commitment to taste and quality, we will enhance our "regionality" through product development utilizing local specialties and store expansion tailored to each region's market characteristics. We will pursue "specialty store identity" by creating and nurturing brands with unique worldviews and stories. Based on a broad brand portfolio of premium gift sweets catering to diverse gift needs—including souvenirs, personal gifts, and household consumption—we will continue focusing on evolving our unique business model to respond flexibly to market changes.

The Next Growth Stage Pioneered Through Full Participation Toward 2030

To achieve our management vision and pursue sustainable growth, we have established "Value Up Vision 2030 (Mid-to-Long-Term Management Goals)" as our target management objectives for the next five years. Our target indicators include an ordinary profit margin of 30%, ordinary profit of ¥35 billion for the fiscal year ending March 2030, an average sales growth rate of 10% from the fiscal year ending March 2026 to the fiscal year ending March 2030, and ROE of 30% or higher every fiscal year.

To achieve these challenging goals, we have established three key initiatives: "Value Up in Product Appeal, Store Appeal, and Sales Appeal," "Value Up in Inbound Measures," and "Value Up in Human Capital." Enhancing brand value through product development focused on deliciousness and aggressive store openings in prime locations, along with expanding our inbound business to capture the rapidly growing demand from visitors to Japan, are both essential pillars for future growth.

Furthermore, recognizing that human capital is the foundation for sustainable growth, we are also focusing on promoting "Human Capital Management." Centered on our management philosophy, we will maximize the strength of the entire organization and enhance long-term corporate value by consistently implementing "Ultra-Field-Oriented

CFO Message

Management." This approach ensures all employees participate in management and act autonomously, driven by the field.

Strategic Cash Allocation Supporting High ROE Management

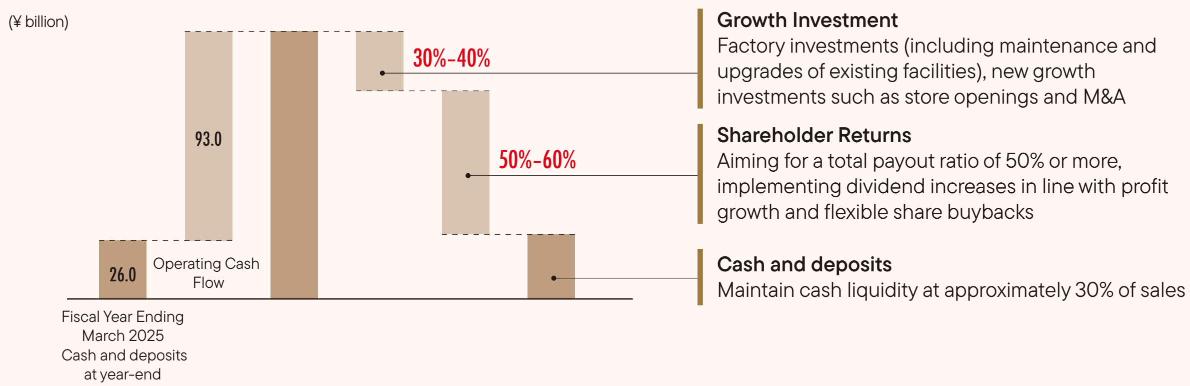
To achieve the targets of "Value Up Vision 2030," we have established a capital allocation policy based on the total amount comprising cash at the end of the fiscal year ending March 2025 plus the projected operating cash flow for the five-year period from the fiscal year ending March 2026 to the fiscal year ending March 2030. Growth investments, including factory establishment, maintenance, and renewal, new store openings, and M&A, will receive 30% to 40% of the total. Additionally, 50% to 60% will be allocated to shareholder returns, aiming for stable and flexible returns through dividend increases commensurate with profit growth and flexible share buybacks. The remaining funds will be maintained as cash reserves, targeting approximately 30% of annual sales, to ensure operational stability while enabling agile responses. In this way, we will pursue high ROE management alongside improved profitability, carefully balancing growth and shareholder returns.

Furthermore, while we estimate our cost of equity capital at approximately 9.5% based on the CAPM (Capital Asset Pricing Model), our ROE for the fiscal year ended March 2025 was 32.2%, and even the five-year average stands at 20.8%, significantly exceeding this level. Furthermore, our PBR (price-to-book ratio) at the end of the same period was 9.36 times*, indicating high market recognition. Given this situation, we currently have no specific measures or target values aimed at further improving the PBR. However, we will continue to enhance capital profitability and strive for the sustained growth of corporate value by creating high added value that exceeds the cost of equity.

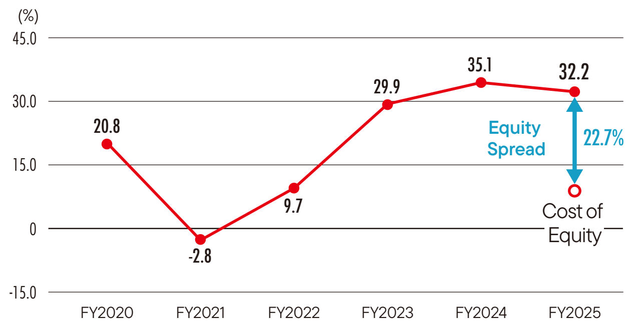
*Based on the closing price of the Company's stock at the end of March 2025

Cash Allocation Policy (Five-Year Period: Fiscal Years Ending March 2026 to March 2030)

We will invest generated cash into further growth investments and shareholder returns, and promote high ROE management through further profitability improvements. We aim to enhance corporate value over the medium to long term.



ROE



Cost of Equity Capital for FY 2025

Risk-Free Rate		Beta (β) Sensitivity		Risk Premium		Cost of Equity Capital*3
Risk-Free Interest Rate*1	×	Company-Specific Risk	×	Expected Excess Return on Equity Investment*2	=	9.51%

*1 Set based on 10-year government bond yield
*2 Set based on historical stock market returns
*3 Calculated using CAPM

Promoting Coexistence with Local Communities and the Environment Based on Materiality

Under our management philosophy of "To Create Happiness, Provide Happiness," we recognize that sustainability issues, including social and environmental challenges, are critical management priorities for enhancing our medium- to long-term corporate value as we advance our diverse business activities. We sincerely address various sustainability issues, such as climate change, resource constraints, and relationships with local communities, from a long-term perspective. This approach is explicitly stated in the "Kotobuki Spirits Group Code of Ethics," which includes provisions such as: "Striving for close collaboration and coordination with local communities to contribute to their development," and "Recognizing that our business activities receive various benefits, including essential resources, from the Earth, and that preserving the global environment in a better state is an essential requirement for our own existence and activities, thereby acting voluntarily and proactively."

Based on these principles and guidelines, we are committed to appropriately addressing sustainability-related challenges as a fundamental policy. In June 2024, we announced our materiality (key issues) covering all ESG areas. Furthermore, in November of the same year, we published our first integrated report, enhancing our disclosure of non-financial information. Moving forward, guided by our materiality, we will steadily implement concrete measures to appropriately address sustainability challenges.

Gratitude to Our Shareholders and Sustainable Return Policy

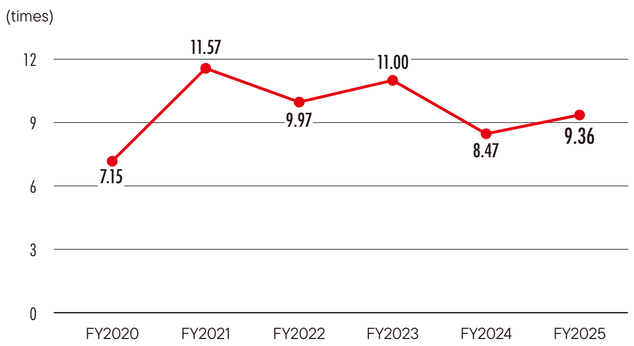
Our group's fundamental policy is to achieve stable profit distribution over the long term. We will strive for sustainable profit distribution by comprehensively considering internal reserves, performance levels, and the dividend payout ratio.

We will strive for sustainable profit distribution, comprehensively considering factors such as retained earnings, performance levels, and payout ratios. For the fiscal years from March 2026 to March 2030, we aim for a total payout ratio of 50% or more, with the projected dividend per share for the fiscal year ending March 2026 set at 35 yen.

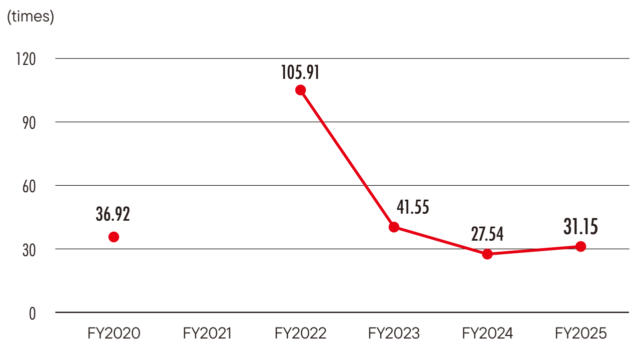
Additionally, we offer a shareholder benefits program to our shareholders, who are also our customers. We hope that by trying our group's products, they will deepen their understanding and appreciation of our company and become passionate fans. Every year, we deliver products worth approximately ¥3,000 from our group to shareholders who own 100 or more shares of our stock as of March 31.

We will continue to value our relationship of trust and sincerely strive to further enhance corporate value. We sincerely ask for your continued support.

PBR

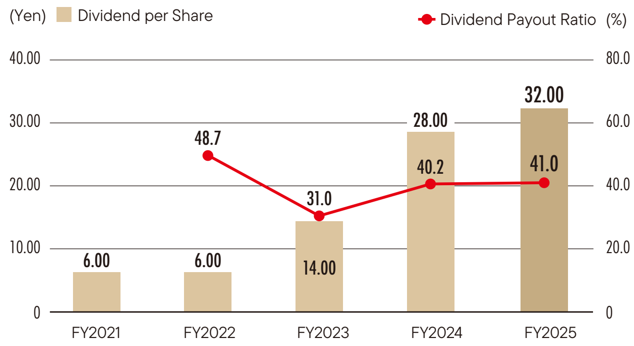


PER



(Note) PER for FY2021 is not shown due to a net loss for the period.

Dividend per Share / Payout Ratio



(Note) Dividend payout ratio is not shown for the fiscal year ended March 2021 due to a loss dividend.
A 5-for-1 stock split was implemented on October 1, 2023
Figures for the fiscal years ending March 2021 through March 2023 are calculated and presented after the split

What is Kotobuki Spirits? Growth Strategy Value Creation Story Foundation Supporting Value Creation Data Section

Topics 01 Inbound

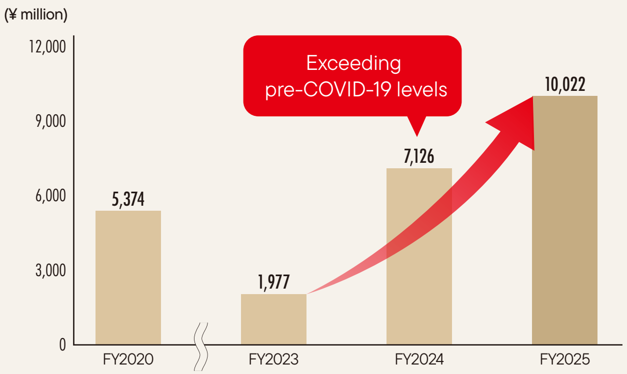
The “Kotobuki Style” Sales & Marketing Strategy Leading the Major Surge in Inbound Tourism

Mid-term goal of ¥10 billion in inbound sales achieved one year ahead of schedule

Despite a significant decline in the number of foreign tourists visiting Japan due to the COVID-19 pandemic, our inbound sales, which benefit from prime locations in international terminals, grew substantially, surpassing the previous peak achieved in the fiscal year ending March 2020. Amidst this, our group’s inbound sales* reached a new all-time high in the fiscal year ending March 2025. We achieved our mid-term target of “Exceeding ¥10 billion in inbound sales by the fiscal year ending March 2026!” one year ahead of schedule, originally set for the fiscal year ending March 2023.

*Sales at the International Terminal

Inbound Sales Revenue



Building a track record from zero brand recognition to secure prime locations in international terminals

Our group formally launched its inbound business in 2015. We started by renting small spaces at the back of gift shops in the international terminals at Narita and Haneda airports, installing just one display fixture. Even products with strong brand recognition domestically were completely unknown to foreign tourists, so raising awareness became our first goal.

We began by participating in limited-time events, implementing our signature ultra-tasting sales approach with multilingual sales staff. This unique sales style, unseen elsewhere at the time, instantly drew attention and dramatically boosted our recognition. Our sales performance and brand strength were recognized by airport building operators. We began receiving offers like, “Why not open a permanent store?” and “Let’s move to a better location!” This led to favorable conditions for opening new stores. Today, we operate permanent stores not only for our established flagship brands but also for new brands.

PISTA&TOKYO Narita International Terminal Limited-Time Event

Thoroughly Implementing the "Kotobuki Style" Sales Strategy to Create "Enthusiastic Fans"

One key factor enabling our move to prime locations is the "Kotobuki Style" sales strategy. Our employees focus on creating "passionate fans" through customer service. When introducing products, we strive to help customers vividly imagine the taste. Beyond highlighting ingredients and flavor profiles, we explain eating suggestions tailored to the customer's home country's culture and customs, using their native language. Furthermore, we have established a cooperative framework among group companies, such as introducing products from affiliated companies, striving to expand the group's overall inbound sales. In creating the sales floor, we pursue displays that convey deliciousness by paying meticulous attention to every detail of the decor and devising ways to ensure customers fully experience the brand's worldview. Successful initiatives that have been well-received by customers are shared and referenced by the entire team.

We also focus on making the entire airport gift shop a comfortable space for customers, proactively offering assistance to those who seem in need. For customers seeking products from other companies, our attentive service—such as guiding them to the relevant section—often sparks interest in our own products, sometimes leading to purchases.

Sales Staff Also Promote the "Kotobuki Style," Giving Their All for the Airport

The "Kotobuki Style" is also thoroughly implemented within the sales department. To cultivate "passionate fans" among airport building operators, we assign dedicated representatives to major international airports. We actively propose initiatives that benefit the entire airport, such as planning events based on customer trends, without being confined to our own product portfolio. This includes readily assisting with restocking at other companies' booths when needed. These activities deepen our trust-based relationship with airports, which in turn helps us secure prime locations.

Furthermore, to invigorate airports, it is crucial to create a comfortable and secure working environment for employees on the front lines of sales. Many employees are foreign nationals, and not a few are unfamiliar with life in Japan. Therefore, we strive to build a secure working environment by providing meticulous support not only for work-related matters but also for daily life. The Inbound Team is evolving through this integrated team effort combining sales and marketing.

International Terminal Shopping Area Sales Floor Expansion Flow

Alongside Improving the Sales Environment, We Are Also Focusing on Enhancing Our Domestic Brands

To continue expanding inbound sales, we will first increase current sales performance to secure more prime locations and aim for sales in better retail spaces. We will also increase the number of foreign employees and further strengthen our multilingual sales capabilities. Regarding merchandise, products sought by foreign tourists tend to be popular brands with high recognition in Japan. Therefore, we will continue to focus on strengthening domestic sales to enhance brand power, as we have done previously.

Topics 02 Growth Investment

New Factory at Sucrey Establishment of “Fujisan Shizuoka Factory”

Expanding Production Capacity to Meet Sales Growth

Securing production capacity has been a key challenge for our group in achieving further sales growth. Sucrey, a core group company, particularly required expanded production capacity, leading to consideration of a new factory following the Hamamatsu and Yokohama plants.

The Tokai region emerged as a candidate location for the new factory. Since the existing Hamamatsu Factory had successfully recruited personnel as planned, it was judged that stable workforce acquisition could also be expected for a new factory in the same region. Furthermore, the ability to enable immediate delivery to the Tokyo metropolitan area also supported the location selection.

Considering these conditions, while searching for a site in the Tokai region for an early opening, a plan emerged to renovate and utilize a frozen prepared food factory in Shizuoka City slated for closure. The appeal of this factory lay in its convenient location between the two existing factories and the fact that it already had the essential freezing equipment required for product manufacturing.

Renovating this facility enabled the new factory to commence operations in an exceptionally short timeframe of approximately one year from the start of construction—a process typically taking two to three years. The new “Fujisan Shizuoka Factory” began full-scale operations in August 2024. It currently operates four production lines for Langue de Chat, Bûche de Noël, roll cakes, and frozen cakes, significantly contributing to product supply for Sucrey and the entire group.

The Langue de Chat Line: Maximizing Efficiency Through Thorough Mechanization

The Langue de Chat production line, which accounts for approximately 30% of Sucrey sales, manufactures products for popular brands including the Tokyo Milk Cheese Factory. The introduction of multiple state-of-the-art machines has improved yield and enabled speedy packaging. Furthermore, consolidating the multiple Langue de Chat production lines at the Fujisan Shizuoka Factory eliminated the need for the significant labor and time previously required for collecting and transferring products when manufacturing assortments combining different items, greatly improving the production efficiency of mixed-assortment products.

Initiatives in the Baking Process


We've introduced state-of-the-art ovens to improve yield while enhancing flavor.
Daily operating hours have also been extended.


Improving taste, quality, and productivity through selective use of multiple oven types

Growth Strategy

First-Ever Production Line Introduced by Sucrey Contributing to Enhanced Brand Loyalty

The bûche, roll cake, and frozen cake lines were introduced for the first time by Sucrey, drawing on the implementation experience of group company KCC. The bûche line was newly established in response to increased sales of bûche products. Line production has increased daily output by approximately 20% compared to previous methods. The roll cake line produces items like “Matcha Chitose,” targeting inbound demand. The frozen cake line utilizes existing rapid-freezing equipment to manufacture high-quality frozen cakes. It also produces seasonal limited-edition items, birthday cakes, and other products meeting special needs.

By strengthening these production lines, we will enhance each brand's product lineup and contribute to improving brand loyalty, making them brands loved by more customers.

Initiatives for Quality & Production Efficiency Improvement

Installed a complete set of original packaging equipment to enable speedy packaging, achieving production of 250 pieces per minute.

A giant rapid freezer not only stabilizes quality but also dramatically enhances the deliciousness of sponge cakes and mousse.

Improving Quality and Productivity Simultaneously Through Creative Solutions Rooted in Ultra-Field-Oriented Management

We are also working on daily operational improvements to enhance production capacity. Underpinning this is the practice of our group-wide “ultra-field-oriented management.” We incorporate feedback from the manufacturing professionals on the front lines to improve quality and streamline production. For example, in the cream filling process for roll cakes, a frontline suggestion was made: “Enlarging the filling nozzle would allow cream to be applied evenly to the edges, reducing the number of filling passes and improving productivity.” The production engineering department responded immediately, implementing this change and achieving a significant boost in productivity.

This approach—leveraging frontline insights to create better products, with everyone engaging in “Kōdō” (Think for yourself and take action) and continuously innovating—is the Group’s greatest strength. We rigorously implement “ultra-field-oriented management” across all factories, sharing effective initiatives throughout the Group’s facilities.

On-site Improvement Examples

Roll Cake Line
Expanded cream filling stations for greater efficiency

Langue de Chat Line
Thoroughly managed chocolate plate temperature control, improving yield

Optimizing Production Systems to Expand Capacity and Enhance Productivity

We relocated the Langue de Chat production line from the Yokohama Factory to the Fujisan Shizuoka Factory. At the Yokohama Factory, we utilized the freed-up space to expand the sandwich cookie production line. These initiatives are part of a broader realignment of production lines between factories, implemented alongside the establishment of the new Fujisan Shizuoka Factory. They aim to improve productivity through expanded production capacity and optimized production lines. At the Yokohama Factory, enlarging the sandwich cookie production line achieved three times the previous output. Additionally, the Kujukushima Group has consolidated production lines previously dispersed across multiple factories into two factories in Sasebo, significantly increasing production capacity per line.

03

Value Creation Story

Kotobuki Spirits Group, as a comprehensive producer of confectionery, creates premium gift sweets brands loved by many.

Value Creation Process

Creating a Premium Gift Sweets Business by Leveraging Two Strengths

External environment
- Declining population
- Diversification of consumer behavior and values
- Rise in inbound demand
- Rising prices

Practice by 2025 Management Slogan Mach! Practice! Practice!

→P13

Strengths that Create Value

Management Philosophy
"To Create Happiness, Provide Happiness."
→P02

Creating High Brand Value
- Brand Producing Strengths
- Product Strengths
- Sales Space Strengths
- Sales and Marketing Capabilities
- Kotobuki Spirits Style PDCA Cycle

→P23-24

Ultra Field-Oriented Management with the Participation of All Employees
- Organizational Structure
- Penetration of Management Philosophy

→P25-26

Premium Gift Sweets Business
Creating original shop brands and product brands nationwide as a comprehensive producer of sweets

Value to be created and desired image

Brand experience that creates joy through premium gift sweets

Materiality
→P37-47

Social Issues
- Climate Change
- Low birthrate and aging population
- Inequality by gender and nationality
- Food loss
- Declining food self-sufficiency

Creating High Brand Value

To provide high-quality premium gift sweets that satisfy our customers, we are strengthening the five strengths that make up our brand value. By continually refining these strengths, we are creating products that many customers will love.

point 01 Brand Producing Capability

New brand planning and development

The planning department takes the lead in examining the concept and story that will form the basis of the brand. Product prototyping is the responsibility of the development staff.

Design development to convey the brand concept

Design development to convey the brand concept to the customer is incorporated into all points of contact with the customer, from the logo to packaging materials and stores.

point 02 Product Strength

Pursuit of quality and taste

In addition to operating a food safety management system to ensure food safety and security, we also emphasize the pursuit of deliciousness. We work with our products on a daily basis under the motto of "tastier than yesterday."

Development of new products

We take various ideas and hints for new products from not only the planning department, but also from customers and staff at the sales front lines.

point 03 Sales Floor Strength

Open stores in prime locations with high traffic volume

Rather than using an advertising-centered marketing strategy that tends to generate transient revenue, we aim to expand our fan base through locomotives by opening stores in high-traffic locations such as train stations and airports.

Sales floors and displays that express the brand's world view

We design our stores so that customers stop to look at the brand's world view, and we create POP and displays that bring out the brand's world view. Successful display examples are shared throughout the Group.

point 04 Sales and Marketing Capability

Super tasting sales to let customers know our commitment

We introduce the brand, our commitment to the ingredients, and our unique manufacturing process to customers by having them taste our products. If customers can taste the delicious taste, they are more likely to purchase the product.

"12 Matrix" to improve the quality of customer service

To improve the quality of customer service, which is directly related to sales ability, we have trained our sales staff using the "12 Matrix," which serves as a guideline for customer service so that they can provide the best customer service according to their own personalities.

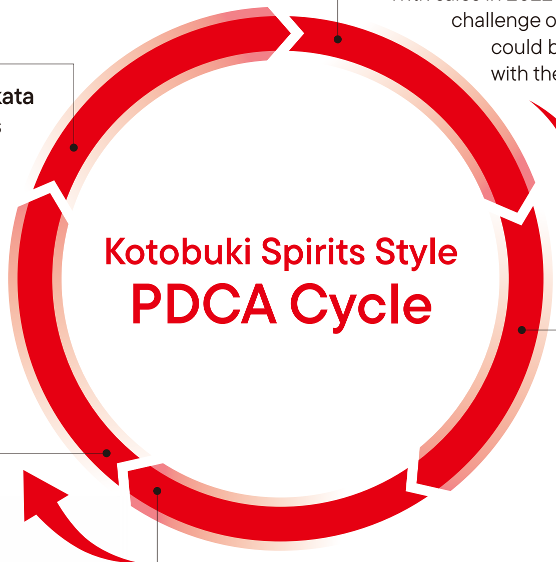
point 05 Kotobuki Spirits Style PDCA Cycle” to Improve the Four Capabilities

In order to improve “Brand Producing Power,” “Product Power,” “Sales Space Power,” and “Sales and Marketing Power,” which create high brand value, all employees are practicing the “Kotobuki Spirits Style PDCA Cycle” to improve the brand value.

Case study

Yoshiki Sakamoto
Hanafukudo

Yoshiki Sakamoto joined Kotobuki Seika in 2016. In 2020, he was transferred to Hanafukudo, where he was in charge of wholesale sales in the Fukuoka Airport area. He is currently in charge of wholesale sales and directly-managed stores in the Hakata Station area.



01 Make a Hypothesis

Could sales recover by renewing the package?

With sales in 2022 falling to 30% of those in 2020, we took on the challenge of our first package renewal so that the product could be reborn as a premium gift sweet that is in tune with the current era after the Covid-19 pandemic.

Putting the Hypothesis into Practice at Mach

02 Practice First

Planning a stylish package like our rivals’

All members of Team Hanafukudo discussed the design plan. We proposed a package design that would create a simple, modern, upscale feel, referencing other stores that had succeeded as strawberry sweets specialty stores.

03 Verification

On the contrary, the “character” disappeared... Pointed out by an employee

However, one employee pointed out that it would be better to go back to the product’s origins and retain the “Hakata Makka na Ichigo” character, making us realize that we must not lose the individuality that has been loved for many years.

04 Thorough Practice or Modified Practice

“Red” is the key color of the new packaging

While following the design of the pre-renewal, we paid close attention to details, such as making the red color of the strawberries brighter and more sizzling, and using a floating process to make them stand out, and modified the package to give it a special feel while retaining its familiarity.

05 Sharing Success Stories

Reconfirming that the appeal of “Hakata Makka na Ichigo no Langdosha” is its “strawberry” color

The pre-sales conducted after changing to the new package recorded a 250% in sales over the previous year. Confidence in the new package turned into confidence. The store was remodeled with the entire sales floor dyed in "Makka na ichigo Red" color, and we succeeded in further increasing sales.

Comment from a supervisor

Daiji Yamamoto
Sales subsidiary, West Japan Region General Manager

I think there was a lot of pressure to renew “Hakata Makka na Ichigo no Langdosha,” which is the soul of Hanafukudo and the pillar of our business. Mr. Sakamoto’s incredible mental strength and uncompromising commitment to every detail made for a truly outstanding renewal. The product power enhanced by the package renewal has been combined with the improvement of the sales floor and sales force, and has produced excellent results in the operation of the directly managed stores. I look forward to achieving growth in Fukuoka, a large market, in the next fiscal year as a united Hanafukudo team.

Ultra field-oriented management with the participation of all employees

In order for the entire group to create high brand value, it is necessary to improve the super local strength of each company and department. In order to maximize our super frontline capabilities, all employees of our group have a sense of participation in management, and each frontline, led by the head of the frontline, thinks and works* on its own.

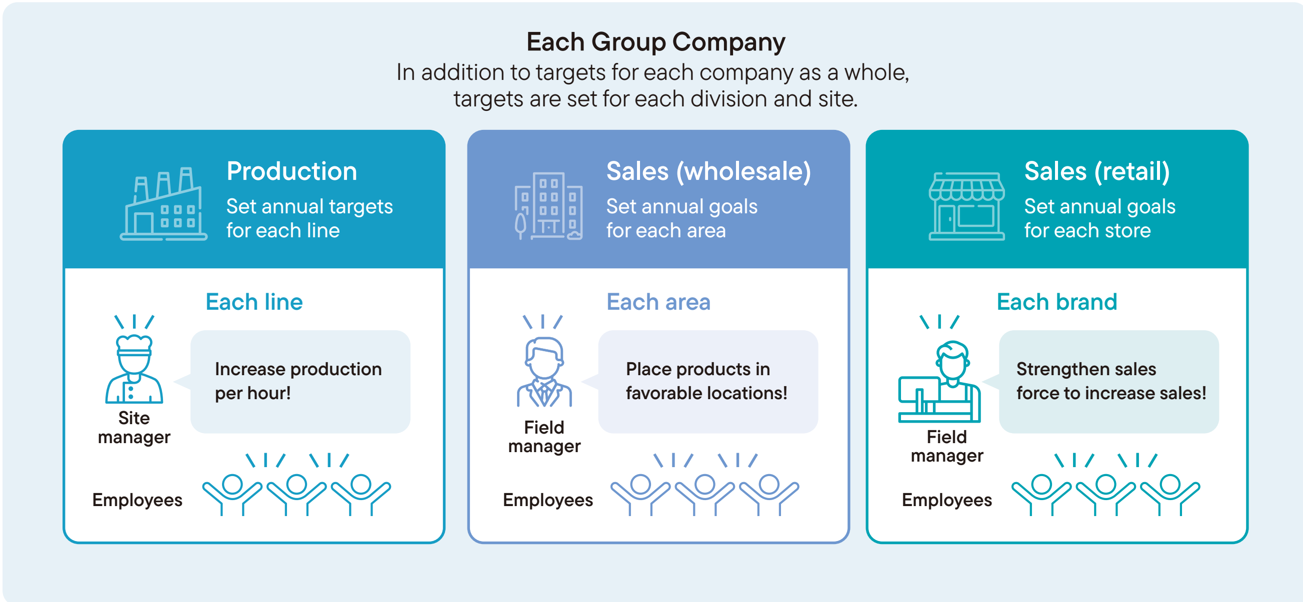
point 01 Organizational Structure

Each company implements a “super-site-oriented management” in which management decisions are made and goals are achieved centered on the on-site manager at each site.

In line with the major policy decided on by management, we practice “ultra field-oriented management,” in which each field manager takes the lead in setting his or her own targets, and concrete strategies and measures to achieve the targets are considered and worked out mainly by each field manager, such as store managers and factory line leaders. The business environment surrounding the frontlines, such as customer attributes and competition, varies by region and brand. If we follow the “headquarters-ism” of implementing manuals prepared by headquarters, we will not be able to respond to changes in the environment. In addition, we promptly share the best practices of each company and site with the entire group. Each company and site uses these best practices as a reference to come up with and implement new measures on their own, tailored to the characteristics of their respective sites. By continuing to repeat this cycle, we will strengthen our super field capabilities. Members and managers outside of the Profit Department support the field sites from the back end as a support department.

*Within the Kotobuki Spirits Group, “action” is referred to as “thinking and working” in the sense of thinking and working by oneself.

Super Site-Based Structure



point 02

Penetration of Management Philosophy

Fostering an organizational culture in which all employees participate in management by utilizing the "Kozuchi" management philosophy notebook

Management Philosophy "Kozuchi"

In order to put into practice the "super hands-on approach with all employees participating," it is necessary to foster an organizational culture in which all employees are constantly aware of the management philosophy and work hard in their daily duties with a sense of ownership comparable to that of a manager. The management philosophy handbook "Kozuchi" was created to summarize the management philosophy, led by the management team at that time and executives from each company in the group. The "Kozuchi" contains the ideas and guidelines for aspirations* that our predecessors have established, as well as guidelines to follow in times of trouble. For this reason, we ask our employees to carry the "Kozuchi" management philosophy notebook with them every day during their working hours, and use it in morning meetings, training sessions, study groups, and other events held at each workplace.

*Within the Kotobuki Spirit Group, "work" is defined as "Shigoto" in the sense of working with ambition.

The Origin of "Kozuchi" Management Philosophy

Step 1

Knowledge and ideas obtained in the field

II

Management Philosophy

Step 2

2003
Systematized in the Management Philosophy Penetration Project
(Revised in 2011)

Kozuchi Pocketbook

A total of 120 management philosophies organized into 6 chapters

1. Philosophy of management
2. Attitude toward aspirations
3. Criteria for decision making
4. Attitude toward customers
5. Commitment to products
6. Necessary thinking as president of an affiliated company

Utilization of Management Philosophy

Kozuchi Morning Meeting

Our Group holds a "Kozuchi Morning Meeting" every morning at each site to deepen understanding of the management philosophy by sharing examples of the philosophy in action. During the morning meeting, employees share their own experiences, thoughts, and future goals for one of the items in the Kozuchi Handbook. When other employees respond positively to their presentations, each employee becomes more positive and motivated. Through the daily accumulation of such efforts, employees can set their own goals and grow into individuals who proactively put the management philosophy into practice.

National Kozuchi Presentation Convention

We believe that providing an opportunity for employees to present the results of putting our management philosophy into practice and for the entire group to evaluate and praise them will lead to their rapid growth, so we hold the "Kozuchi Presentation National Convention" once a year. The presenters, who are particularly outstanding and have won the preliminary contests among the group companies, participate in the conference and present the results of putting their management principles into practice and their future resolutions, thereby motivating all group companies.

Sucrey Roundtable Discussion

Sucrey President × On-site Employees

Unique Brand Strategy and Frontline Dynamism to Win in the Fierce Competition in the Tokyo Metropolitan Area

Sucrey is driving the growth of the Kotobuki Spirits Group. The company's distinctive feature is that it is responsible for the production and sale of premium gift sweets in the Tokyo metropolitan area, including Tokyo Station, and continues to record strong business results. The four key players in Sucrey's growth look back at the past and discuss the factors behind this breakthrough, as well as their goals for the future.

Ryoichi Sakamoto

President and Representative Director

Joined Tajima Kotobuki in 1987 and was appointed Managing Director of the company in 2007. He then served as Managing Director of KCC Corporation, and then as Director and Sales Manager-Senior Managing Director of Sucrey Corporation, before assuming his current position in May 2019. He has also served as Director of Kotobuki Spirits since June 2020, and President and Representative Director of Kujukushima Group since March 2023.

Misaki Matsumoto

General Manager, Sales Department 2, Sales Division

Joined Tsukiji Chitose in 2003. In 2014, moved to the same brand and served as store manager, etc. In 2017, became Sucrey's first female manager, and assumed her current position in April 2022.

Kouji Yamaguchi

Planning and Development Department

Joined Francais in April 1994. Experienced in setting up various departments such as production, sales, quality assurance, planning, and palatology. In January 2016, when the company became part of Kotobuki Spirits, he was appointed as General Manager of the Planning and Development Department.

Yoshi Mogi

General Manager, Sales Department, Sales Division

Joined Sucrey in 2013 as a sales representative, became manager of the Special Sales Section in 2016, and in 2018 became manager of the permanent store at Tokyo Station, focusing on acquiring new stores, and assumed his current position in April 2023.

Expanding into Tokyo by taking over the trademark of a long-established Japanese confectionery store

Sakamoto To trace our history back to the beginning, Sucrey was born in 1998 when we took over the trademark of Chitose, a long-established Japanese confectionery store in Tokyo established in 1912, and established Tsukiji Chitose Co. Taking this opportunity, we started to develop the Tokyo wagashi brand and began offering creative wagashi, as well as inheriting such traditions as making confections for the Imperial Household Agency. However, under the fierce competition in Tokyo, we were not able to achieve the desired results. Therefore, we decided to expand our business from Japanese confectionery to Western-style confectionery. In 2011, the company was reborn as "Sucrey" specializing in the planning and sales of Western-style confectioneries.

Matsumoto I understand that when you started the company, you held monthly meetings to discuss the new brand strategy.

Mogi You sought to create unprecedented tastes in both Japanese and Western confectionery, and you promoted initiatives that focused on ingredients, right?

Sakamoto We worked on the development of the new brand with management, those in charge of planning and development, as well as creators from outside the company. At the time, there were few examples of sweets that combined milk and cheese to create a delicious taste. We therefore focused on the ingredients and developed a cookie with chocolate Camembert cheese sandwiched between dough made with Hokkaido milk and salt from Guerande, France. That was the birth of the first brand, "Tokyo Milk Cheese Factory." The result is a sweet that is appreciated as "delicious" by people of all ages.

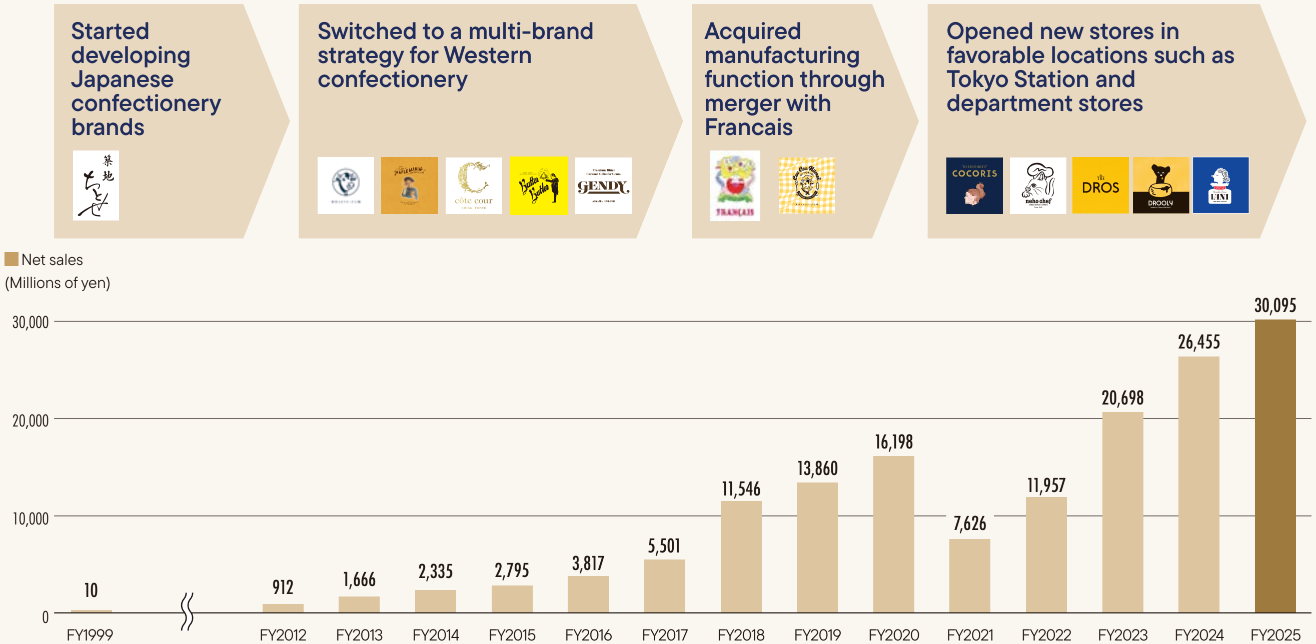
Matsumoto What I felt when I was involved in the sales of Tokyo Milk Cheese Factory was the wide range of applications for which customers purchase the product, such as Christmas and Valentine's Day. Kotobuki Spirits Group has a theme of "creation of premium gift sweets" that can be used for various purposes such as souvenirs, birthdays, and gifts for people close to you, and at this time, we recognized the effectiveness of this very business model.

Accelerate growth with a sales strategy that creates enthusiastic fans

Sakamoto Sales were strengthened at the same time as brand development. What were you aware of in terms of sales strategy, Mr. Matsumoto?

Matsumoto First of all, we opened new stores with a focus on the sales floor. We focused on opening stores in locations and sales areas where we could steadily increase the value of the brand and express the quality of the brand. Another

Sucrey's Sales Trend



Sucrey's History

1998 Establishment of TSUKIJI CHITOSE Co., Ltd. by taking over the 100th anniversary of the company's founding as a long-established trademark.
Started developing a Japanese confectionery brand in Tokyo.

2011 Established Sucrey to specialize in the planning and sales of western-style confectionery.
Tokyo Milk Cheese Factory opens its first store in LUMINE SHINJUKU

2012 The Maplemania opens its first store in Tokyo Station.

2016 Butter Butler opens its first store in NEWoMan Shinjuku

2017 Merged with Francais Corporation and acquired manufacturing plants in Yokohama and Hamamatsu
Converted to a manufacturing and retail business model

2017 Opened Tokyo Milk Cheese Factory Cow Cow Kitchen to enjoy freshly made products

2020 Took advantage of renewal of commercial facilities in the Tokyo Station area to open new stores

2020 COCORIS store in Tokyo Station becomes No. 1 in sales at Tokyo Station

2023 VANI store opened in Hanshin Umeda Flagship Store.
Expansion of Osaka business

2024 Started cooperation with Kujukushima Group and expanded Shizuoka Factory major focus was on customer service to create enthusiastic fans. We made every effort to convey the deliciousness and quality of our products to our customers to make them fans and repeat customers. This is how we built up our track record, and the full-fledged implementation of our multi-brand strategy led to the birth of our second brand, The Maple Mania.

Yamaguchi Since then, we have continued to develop new brands and now have 20* brands. New Brand Strategy Meetings are still held every month, and we are promoting "new product development" and "new brand development" that will further develop the good qualities of each brand and please our customers.

Mogi When Sucrey started its multi-brand strategy in earnest and began developing its sales floor by brand, I had not yet joined the company, so I was able to observe the trends from an objective perspective. At that time, the mainstream sales floor was mainly using the company name or product name, but Sucrey was the first company to successfully develop a brand, creating a new trend in the industry. The impact was very strong.

*As of September 30, 2024

Merging with Francais to create an integrated system from planning to direct manufacturing and sales.

Sakamoto One thing that cannot be overlooked when discussing the growth of Sucrey is the merger of Francais. Francais, which has been consistently involved in the planning, development, manufacturing, and sales of wonderful products, joined the Kotobuki Spirits Group in 2016, and was merged into Sucrey in 2017. Thus, the new Sucrey was launched as an integrated company from planning to direct manufacturing and sales.

Yamaguchi I experienced this move from the Francais side, and things changed quite a bit before and after the merger. One thing in particular that has changed is the sales force. Before the merger, Francais had the idea that "as long as the sweets were good, any salesperson would do," and customer

service was mainly passive. After the merger, however, we shifted to a more proactive approach to customer service, thanks to the involvement of Sucrey members in training and in the management of Francais stores.

Sakamoto I have the impression that in the beginning, Francais did not even "sell" anything. Since the original parent company was a distributor, I think they had a low awareness of retail initiatives. I remember many of the sales staff at that time working on slips with their backs to the customers.

Yamaguchi In the beginning, there was a lot of opposition on the part of Francais, and things did not change immediately. But as more and more stores switched to proactive customer service and succeeded, and we saw such stores receive internal awards, other stores began to take up the challenge. Thus, after about a year, Francais' overall sales force increased significantly. At the same time, we rebranded Francais. In order to convey what we wanted to convey under the theme of "going back to the basics," we reduced the number of products from many varieties to three and changed the packaging to a cute design that was easy for the younger generation to buy.

Matsumoto The merger has allowed Sucrey to have its own manufacturing plant in Francais, which has enabled the company to accurately convey its intentions for new product development to the manufacturing site and speedily commercialize new products as desired. A further benefit of the merger was the opening of Cow Cow Kitchen, a new format of Tokyo Milk Cheese Factory that offers milk pies made with Hokkaido milk cream and baked in-store in individual portions.

Sakamoto At that time, we were approached by a business partner about opening a store with a spacious kitchen, but since Sucrey was manufacturing on an OEM basis at the time, we did not have the know-how to utilize the kitchen in-house at all. Since the merger was decided at that time, Mr. Yamaguchi, who played an important role at Francais, took the lead and we were able to open a store that integrated manufacturing and sales.

Yamaguchi I think that becoming a member of Sucrey was a major factor in making Cow Cow Kitchen a reality. The biggest factor was the corporate culture of Sucrey. Whenever I express my "I want to do this," everyone cooperates with me to make it a reality. I am convinced that the success of the project was due to this environment, which encouraged the members of Francais to actively voice their thoughts and fully demonstrate their abilities.

Evaluation of comprehensive store management capabilities continues to be a factor in opening new stores in favorable locations

Sakamoto In terms of growth potential, I feel that the breakthrough at Tokyo Station, where Mr. Mogi is in charge, is significant. The number of stores continues to increase, and in the "New Product Tokyo Station Limited Souvenir Sweets Sales Ranking" for 2023, Sucrey swept 1~3 places, didn't it?

Mogi I believe that our achievements at Tokyo Station are the result of the collective strength of our past achievements. We were given the opportunity to open a store in 2011, and after that we were chosen every time we had the opportunity to open a new store, because our multi-brand strategy has been successful, and our overall strength, including not only sales but also customer service and store operations, has contributed to improving the value of Tokyo Station's gift

zone, which is the goal of Tokyo Station. The reason why we have been selected for every new store opportunity since then is that our multi-brand strategy has been successful, and we have earned a good reputation and the trust of our customers by continuing to exceed their expectations by contributing to value enhancement.

Matsumoto One of the most important factors that contributed to our overall strength was our ability to establish a "no-quit" work environment.

Mogi That's right. What is necessary to maintain high performance is the success of human resources who have grown through the cultivation of customer service skills. Therefore, we strive to make them want to continue working for us by raising their sense of belonging to the sales floor and team, and by providing an environment where they can actively participate in store operations and work on the things they want to do.

Each and every person onsite is a protagonist in the growth of the company

Sakamoto From what you have said so far, I have been able to reconfirm that Sucrey's strength is born from its thorough implementation of "ultra field-oriented management with the participation of all employees."

Mogi Sucrey's corporate culture is to have conversations centered on "What do you want to do?" We also have an established culture of recognizing and praising others.

Matsumoto I firmly tell everyone to take on challenges proactively without fear of failure. Our achievements to date have proven that we have created a culture of helping each other as a team so that our colleagues who take on challenges can succeed.

Yamaguchi When we take on a challenge and run into a problem, we are the first to know about a corporate culture that thinks positively and says, "I'm lucky! I was really surprised when I first learned about the positive corporate culture."

Mogi Whenever we stumble, Sucrey sees it as a chance to improve, to recover, and to become stronger.

Matsumoto One time, I was asked by the owner of a location where we opened a restaurant, "Why do all the people at Sucrey seem to enjoy working there?" I told him the reason. I told him the reason was our corporate culture. Everyone is recognized by the members they work with and praised for their good points, which motivates them and allows them to challenge what they think without fear of failure. As a result, we have established a culture in which people can grow quickly and continue to enjoy their work.

Sakamoto No matter what moment you pick up a person working at Sucrey, this mindset is ingrained in them. This is a major feature and strength that can never be replicated and is unique to Sucrey.

Toward surpassing the sales target for the fiscal year ending March 31, 2026

Sakamoto Finally, what are your goals and aspirations for the future?

Matsumoto The basis of our sales performance is customer service that creates enthusiastic fans. We will continue to increase the number of stores in step with the growth of the brand, so I would like to focus on "co-education," in which all people involved in sales are nurtured together, and to continue to develop human resources involved in creating enthusiastic fans.

Yamaguchi Our goal is to create opportunities for people who are not yet familiar with Sucrey's confections to try them. To this end, the Planning and Development Department would like to take the lead in building and promoting strategies to increase awareness. In addition, as more and more companies and brands of the Kotobuki Spirits Group are entering the Tokyo metropolitan area, I would like to strengthen our organization so that the Planning and Development Department can play a role in supporting store openings and guiding them toward growth.

Mogi To help Sucrey achieve its sales target for the fiscal year ending March 2026, I aim to further increase sales at the Tokyo Station location I oversee. To achieve this goal, I believe it is necessary to increase inbound sales, and I am currently working to develop human resources who can lead us to achieve this goal with new ideas and developments.

Sakamoto I have no doubt that your efforts will help us achieve our sales targets for the fiscal year ending March 31, 2026. In addition, with respect to Japan, expansion of performance at existing stores will be an important factor, and we will promote the enhancement of brand value, including the development of new products and new brands. We will also focus on creating an environment in which we can continue to open new stores in favorable locations by improving the accuracy of supply-demand, sales, and logistics planning to maximize performance and enhance the reputation of the owners of the stores where we open. Furthermore, we will continue to work on strengthening inbound sales, increasing recognition through overseas promotions and other means, as well as strengthening overseas store openings and e-commerce development, and premiumizing our brand and products.

In order to realize these initiatives, it is necessary to practice "ultra front-line management with the participation of all employees." By thoroughly implementing this, we will be able to provide premium gift sweets that meet our customers' expectations, and we will all work together to enhance our corporate value.

01 Special Feature COCORIS

To be known as "COCORIS, the 1st choice for gifts from Tokyo," we are committed to enhancing our super on-site capabilities and being No. 1 at Tokyo Station

After receiving a request from Tokyo Station to open a store under a new brand, we launched and opened COCORIS in August 2020. And since the first year, COCORIS has continued to record the No. 1 sales at Tokyo Station. Honma, the store manager, talks about the on-site efforts to maintain the top sales position.

Interview

Sucrey

Mizuho Honma

COCORIS
Gransta Tokyo Store Star Store Manager

After working at an apparel store, she joined the company in 2017 after being impressed by the contents of the "Kozuchi," a management philosophy notebook that spells out the company's management philosophy. After experiencing event operations in the sales department, she served as store manager of Caramel Ghost House and Butter Butler before assuming her current position in November 2021.

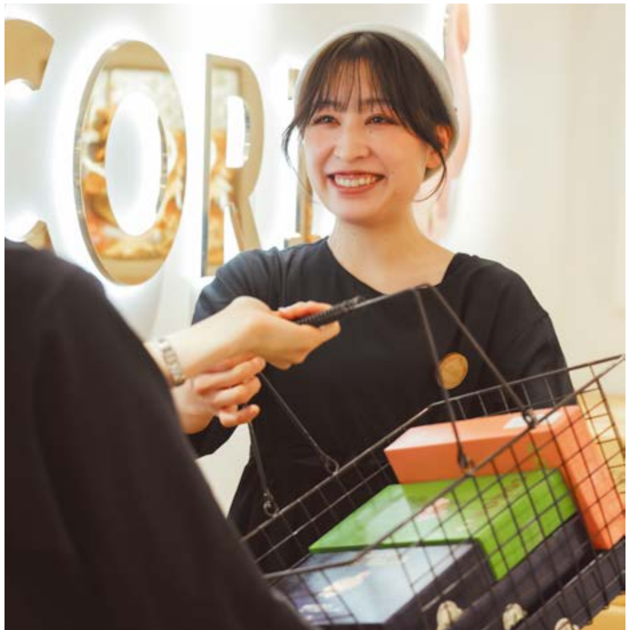
*At the time of the interview in 2024

Special Feature 01 **COCORIS**

To continue to be No.1 at Tokyo Station

COCORIS is a brand packed with the original deliciousness of ingredients, using plenty of tree nuts. Six months after opening the first store, Cocoris achieved “No.1 sales at Tokyo Station” during the time of the first store manager. I became the second manager to maintain this achievement. Although I started with a lot of pressure, we have maintained the top sales position ever since I took over.

The biggest reason for this is the strength of my 19 employees, who are aware and confident that they are making the store No. 1, and are working to create enthusiastic fans by thinking about how to make customers happy. Everyone is practicing “ultra-field-oriented management with the participation of all employees.” Furthermore, what we all thoroughly practice is conversation and appreciation. By actively talking with customers, we not only convey the goodness and deliciousness of Cocoris, but also encourage them to enjoy their time on the sales floor. We also encourage our customers to become repeat customers by providing polite and courteous service that expresses our gratitude for their visit and purchase. As a result of thorough implementation of these daily activities, the number of employees who have achieved the stamp card to accumulate points for purchases in 2023 has doubled from the previous year.



Employee growth is rewarding and something to look forward to every day

What impresses me when I see the efforts of our employees is that they are not satisfied with a single achievement, but are always striving to improve their super field skills. We hold a lunch meeting every day at the store and share new best practices as soon as they emerge. For example, we notice things every day such as, "When talking with customers, we found that expressing the fruity deliciousness of sand cookies with a sizzling sensation led to more purchases," or “We sensed a change in the customer base coming and going in the station,” so we changed the display, which led to an increase in the number of visits to the store. When they learn of these success stories, they actively challenge others to incorporate them into their own work styles. We stimulate each other, creating a good synergy effect.

To further accelerate growth, as a store manager, I try to praise even the smallest achievements. Praising employees builds their confidence and encourages them to take on new challenges. By taking the first step without fear of failure, there are more opportunities for growth. Even if they fail, new possibilities will emerge by exploring the causes of their failure. For me, the most rewarding aspect of my job is the growth of my employees, and I look forward to that growth every day.

Utilizing our super field skills to develop new products that enhance our brand

What I envision for the future is to grow Cocoris into a brand that people say, "When it comes to Tokyo souvenirs, it’s Cocoris!” To achieve this, I believe it is necessary to further advance the level of customer service provided by our employees, increase the number of repeat customers, and continue to be No. 1.

In addition, I feel that the development of new products and sales promotion materials that enhance the quality of the brand is also important for its future growth. Therefore, before brand meetings are held to discuss the development of new products, etc., all employees who are on the front lines of customer service discuss their opinions, and I, as a representative of the front line, present them at the meeting. I believe that my major role is to carefully convey the requests of customers, which I have experienced firsthand, to other departments.

Special Feature 02 LeTAO

A premium gift sweets brand unique to Hokkaido From Otaru to a Brand Loved Around the World

Aiming for even greater deliciousness, Otaru Confectionary Shop LeTAO continues to produce premium gift sweets. At the core of this effort are the three divisions of the Planning and Development Department: product development, product planning, and sales promotion planning. In the words of the two people who have been leading the development and product planning, we will look into the production of premium gift sweets that create the unique appeal of LeTAO's signature product, the "Double Fromage".

Interview

KCC

Naoko Ikeda

LeTAO Planning and Development Department Senior Manager

Naoko Ikeda joined the company in April 2005 as a café staff member at the Otaru Main Store. In addition to floor work, she was in charge of menu development. In 2014, she was transferred to the Planning and Development Department, where she has been in her current position since July 2023.

Mamoru Tomita

LeTAO Product Development Manager

After engaging in research related to food production at university, he joined the company in April 2009 and worked in a variety of areas including development, production, and supply chain in order to acquire the knowledge necessary for confectionery production.
He is currently in charge of developing 200 to 300 new products per year.

Special Feature 02 LeTAO

Responding to customer feedback

Ikeda Double Fromage is a two-layer cheesecake, rare and baked, made with fresh cream and two types of cheese made from raw Hokkaido milk. Originally sold as a fresh cake at the Otaru Main Store, we received many requests from tourists who wanted to take the cake back to Honshu because of its delicious taste, so we developed a distribution freezing technology that allows us to deliver fresh cake to Honshu. This enabled us to sell the cakes nationwide, and the delicious taste of the cakes became a hot topic and was featured on TV, causing the Otaru head office phone lines to be flooded with calls. However, with the production volume at that time, we could not meet the demands of all our customers. We therefore built production facilities to deliver this delicious taste to even more people, and once we were able to meet the demand, it gradually became established as one of LeTAO's signature products. At this time, we were again featured on TV and experienced a second great response. In order to respond to the nationwide response, we set out to convert the Double Fromage into a frozen cake by adapting it to meet frozen food standards. This enabled us to establish a mail-order style of delivering frozen cakes to customers, and we are now able to deliver nationwide.

Pursuing deliciousness on a daily basis

Tomita What we focused on when we started producing frozen cakes was the pursuit of taste, which is rooted in LeTAO's desire to "create delicious confections." If we simply wanted to extend the shelf life of frozen cakes, we could have used preservatives or other methods to do so. However, we developed freezing technology with the aim of preserving freshly made flavor, texture, and hygiene for a long period of time, so that customers can enjoy the same delicious taste when they defrost the product when they want to eat it. Since then, we have continued to advance our freezing technology to extend the shelf life of our products and now export them overseas. The pursuit of deliciousness is being pursued in all LeTAO's products. Are there any ingredients that can be made more delicious? Can we be more creative in manufacturing? We are constantly researching and developing to make tomorrow tastier than today.

Ikeda Most of LeTAO's products, centering on premium gift sweets, are enjoyed with a smile by everyone gathered for a special occasion. For this reason, we aim to ensure that our products are delicious for all people, young and old. We are particular about using only Hokkaido ingredients, keep additives to a minimum, and develop recipes that do not rely too heavily on alcohol in our standard products. We believe that our products are loved by many people, including those overseas, because we place such importance on making them delicious.

To please both locally and internationally

Ikeda Everyone at LeTAO is a big fan of LeTAO. They are confident in what they produce and enjoy working with joy and responsibility. We want to be a representative of confectionery that is a source of pride for the people of Hokkaido, so that local people can confidently recommend our products to people outside of Hokkaido, saying, "No matter which one you buy, it is absolutely delicious" or "This deliciousness is only available in Hokkaido." Our goal is to continue to be a brand that is always present at the happy moments of special occasions.

Tomita The role of product development is to enable all employees to work with confidence in our products. We want to communicate the delicious taste and commitment we have made to our products within the company, so that all employees can work together with confidence in our products and send them out into the world, not only locally but also internationally. To this end, we will continue to do our utmost in our pursuit of deliciousness.

Special Feature 03 Inaba no Shiro Usagi

Through Shinka, a famous confectionery representing the San-in region, "Inaba no Shiro Usagi," Continuing to convey our gratitude to the local community

Celebrating its 57th anniversary in 2025, Kotobuki Seika's baked manju "Inaba no Shiro Usagi" will be on sale. We look at the reasons for its popularity as a famous local confectionery and their manufacturing and sales strategies to continue to be loved by the local people.

Interview

Kotobuki Seika

Masayuki Adachi

Kotobuki Seika
General Manager,
San-in Sales Dept.

Masayuki Adachi joined Kotobuki Seika in 1994. After working for sales companies in Okayama and Fukuoka, he was in charge of distributor sales mainly in the Nagano area. After experiencing sales at Kotobuki Seika's directly-managed store "Kotobuki Castle of Sweets" and sales at the Matsue Branch, he was transferred to his current department. He is engaged in expanding transactions in the San-in Region.

Naoaki Saeki

Kotobuki Seika Production Department 1, Head Office Plant Section 1 Momoyama Line Leader

Naoaki Saeki joined Kotobuki Seika in 2012, sharing the company's management philosophy. After working on the production line for gaufrettes and cakes, he became the leader of the line producing "Inaba no Shiro Usagi" and other products. He strives to improve the taste, safety and quality of products, and production efficiency.

*At the time of the interview in 2024

03 Special Feature Inaba no Shiro Usagi

The birth of a famous San-in confectionary and the pursuit of taste

Saeki Kotobuki Seika was first established, it manufactured and wholesale confections sold at souvenir stores nationwide. Later, the company planned to develop its own products as well and created the "Inaba no Shiro Usagi," which is based on the motif of the White Rabbit in Izumo mythology. The strength of the "Inaba no Shiro Usagi" is the delicious flavor of the local Daisen butter, which highlights the flavor of the ingredients. Furthermore, in order to improve the brand value, we hold monthly "Usagi meetings" where sales, product planning, and production exchange opinions, striving to evolve and improve quality to meet the tastes of the times. For example, several years ago, when sales of "Inaba no Shiro Usagi Matcha An" were sluggish, the opinions of the production and sales departments were combined and a suggestion was made to make the matcha thicker. The R&D department worked out a formula that would bring out the flavor of matcha, and when the finished product was placed on store shelves, many customers were pleased and sales increased 1.7 times. We are constantly striving to improve the quality of our manufacturing process, and our yield rate has improved to the 99% level.

Adachi We have also changed the packaging method in order to make our products more delicious. At first, products were sold in trays that were sealed together, but this had the drawback that once opened, the products had to be consumed as soon as possible. We have therefore evolved a new packaging method, including the use of film, to maintain freshness and extend the shelf life of the product, making it easier to eat.

Appreciating the local community and repaying a debt of gratitude

Adachi Along with the evolution of our products, we are also promoting initiatives to express our gratitude and delight the local people who love our Inaba no Shiro Usagi. Factory tours are an ongoing annual event, and in the fical year ended March 2024, 21 groups and 795 people, including elementary school students, were able to see the Shiro Usagi production process. In fact, the red eyes that have become the symbol of the Shiro Usagi reflect the comments of elementary school students who visited the factory and said, "It would be cuter if it had eyes." This made the white rabbit more adorable and contributed to sales, which led us to deeply appreciate the local community. In addition, for many years, employees have been visiting kindergartens and nursery schools in the San-in Region as the "Shiro Usagi Troupe" to introduce the Izumo myth of the "Inaba no Shiro Usagi" through a picture-story show, followed by the experience of having the eyeless rabbits produced at the factory put on their eyes. The company's commitment to the local community is also reflected in its sales policy: the Inaba no Shiro Usagi is not sold at its directly managed store, "Kotobuki-jo" (Kotobuki Castle of Sweets). This is to thank the local train stations and inns that have nurtured us through their sales, and to contribute to the sales of those who have long handled our products. This desire to repay the long-standing gratitude of the local people is the driving force behind Kotobuki Seika.

We want to make the "Inaba no Shiro Usagi" more deeply rooted.

Saeki The Inaba no Shiro Usagi is taking a new step forward into the future for the next 60 to 100 years. As a person involved in production, I would like to embody my pride in being a part of this long history and my gratitude to the local people who support us in the form of improved productivity and quality. We are steadily installing the necessary machinery and equipment to achieve this goal.

Adachi What made me happy when we celebrated the 55th anniversary of the launch of our product was that many local people said, "It tastes good again." We intend to continue to evolve not only the taste, but also our sales methods and sales areas to keep up with the times. We also hope to make people love Shiro Usagi even more than they do now, and make it a brand that people can confidently choose as a souvenir when visiting acquaintances who live outside the San-in region, saying, "This is a local specialty."

04

Foundation Supporting Value Creation

Kotobuki Spirits Group aims to be a company that can continuously deliver joy to all stakeholders by putting our approach to materiality into practice.

Tackling Important Issues as a Group of Companies Contributing to Local Communities

Basic Sustainability Policy

Kotobuki Spirits Group has adopted the management philosophy "To Create Happiness, Provide Happiness" as its basic management policy, and is engaged in sustainability activities through its business as a corporate group that contributes to the local community. We aim for sustainable growth by setting themes, specific measures, and performance indicators so that each and every employee can specifically address materiality (important issues).

Materiality Identification Process

In recent years, a variety of social issues have arisen, including environmental problems such as climate change and resource depletion, as well as labor load issues and human rights issues in the supply chain. In this context, we need to recognize and evaluate the impact of these issues on our business activities and clarify the management issues to be addressed in order to continue our economic activities into the future. In June 2024, Kotobuki Spirits Group identified priority materialities to be addressed based on the views of our stakeholders, including customers, shareholders, investors, and employees.

Specific process

Step 1 Identification of issues

We analyzed the business environment surrounding our group and examined issues that have a significant impact on our business activities and sustainable growth from various perspectives, including macro trends, international frameworks, and various guidelines. Based on this analysis, we identified key issues that could be anticipated from the standpoints and perspectives of frontline employees, management, and board members. In addition, the Sustainability Committee, which promotes the mid-term plan on sustainability, interviewed each department to identify issues such as interests and concerns that stakeholders who come into contact with the Company in their daily work may have.

Various guidelines, initiatives, and other references

- IFRS Foundation, "International Integrated Reporting Framework"
- GRI Standards
- SASB Standard
- ISO26000
- Sustainable Development Goals (SDGs: Sustainable Development Goals)
- Ten Principles of the United Nations Global Compact
- OECD Guidelines for Multinational Enterprises
- World Economic Forum (WEF) "Global Risks Report"
- Climate-related Financial Disclosure Task Force (TCFD: Task Force on Climate-related Financial Disclosures)
- Discussions at each meeting
- Risks and opportunities raised in the company-wide risk management process

Step 2 Organizing and prioritizing issues

The issues extracted from the list of items were categorized by ESG and sustainability themes, and evaluated and prioritized according to two axes: "importance to stakeholders" and "importance to the Group."

Step 3 Validation and board approval

The materialities identified in Step 2 were deliberated on by the Sustainability Committee and then approved and resolved by the Board of Directors to be identified as the six materialities. The Sustainability Committee will continue to play a role in verifying and confirming the appropriateness of the materiality evaluation and identification process.

Step 4 Establishment of management structure

Under the Sustainability Committee, the responsible managers of each company took the lead in discussions and formulated a roadmap that includes targets and action plans for each of the six materialities identified. Going forward, the Sustainability Committee will deliberate on the roadmap and evaluate progress while implementing the PDCA cycle based on evaluation indicators (KPIs). In addition, the materiality will be reviewed as necessary as the management policy is discussed.

Materiality

Specific initiatives, targets and KPIs

Materiality	Themes to be addressed	Goals and KPIs
Contribution to a sustainable environmentally-based society	Reduction of greenhouse gas emissions	CO_2 emissions from Group manufacturing sites in Japan (Scope 1+2): 30% reduction by 2030 compared to FY2020, virtually zero by 2050
	Reduction of food loss	Food waste generation: Improvement of generation rate through yield improvement, etc. Amount of food residue recycled: Recycling rate of 95% or more
Providing safe and reliable products	Operational compliance with food safety management systems	Set claim incidence rate (PPM) targets for each group company
Hiring and developing human resources that respect diversity	Supporting the activities of diverse human resources	Ratio of female managers: 30% or more
	Reforming work styles to achieve health management	
	Promoting unique human resource development through “co-education”	
	Practicing philosophy-sympathetic recruitment	

Materiality	Themes to be addressed
Building a sustainable supply chain	Stable raw material procurement and streamlined logistics
Coexistence and co-prosperity with local communities	Providing opportunities for children to learn
	Regional development through social contribution activities
Strengthening Corporate Governance	Building transparent governance
	Risk management

Message from the Director of Sustainability

We aim to sustainably increase corporate value through the promotion of sustainability activities.

In recent years, awareness of the need to realize a sustainable society has increased dramatically, and “sustainability” has become one of the criteria for judging corporate value, attracting the attention of all stakeholders. The “Kotobuki Spirits Ethics Outline” stipulates that the Kotobuki Group is aware that it receives various benefits from the global environment, including the resources necessary for its business activities, and that preserving the global environment in a better state is an essential requirement for its existence and activities, and that the Group will actively promote sustainability activities. The company is aware of the fact that sustainability is an essential requirement for its existence and activities.

Additionally, in April 2023, we established a Sustainability Committee and announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In June 2024, we disclosed our materiality (key issues) covering all ESG areas and published our targets. The objectives for which KPIs are set are: (1) Reducing greenhouse gas emissions (2) Reducing food waste (3) Promoting diversity (4) Promoting health management.

In response to the expectations and demands of society, each and every employee will continue to actively engage in sustainability activities to resolve materiality and achieve long-term goals, aiming for sustainable growth.

Shinji Matsumoto
Managing Director
General Manager, Group Business Management Division

Materiality

Contribution to a sustainable, environment-based society

Reduction of greenhouse gas emissions

● Energy conservation initiatives

The Group is promoting the replacement of fluorescent and mercury lamps in factories, warehouses, and offices with LED lighting, which reduces electricity consumption while maintaining illumination levels that take occupational safety into consideration.

In addition, we are working to save energy and reduce CO_2 emissions by adopting electric forklifts for moving cargo in warehouses and other locations and promoting the use of hybrid cars and other eco-friendly vehicles in our sales fleet.

Kotobuki Seika has installed a charging station in the parking lot of its Kotobuki Castle of Confectionery, a direct sales store and factory, to promote the use of electric vehicles that do not emit carbon dioxide when running, which is expected to help combat global warming. KCC has successfully reduced electricity consumption by approximately 5% per year by introducing a system to operate refrigerators at reduced intervals.

● Resource conservation initiatives

In order to make effective use of limited resources and realize a low-impact society, the Group is promoting the use of recycled paper for product packaging. In addition to using FSC- and PEFC-certified copy paper at our business sites, we are also reviewing our business systems, such as approval and settlement flows, to promote paperless operations and DX throughout the supply chain.

Boxes made of recycled paper

Climate Change Initiatives

Our group established a Sustainability Committee in April 2023 to advance sustainability initiatives and announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in June of the same year. Taking this opportunity, we will further strengthen our analysis and response to the risks and opportunities posed by climate change to our business, expand the disclosure of related information, and contribute to the realization of a decarbonized society by 2050.

● Governance

The Sustainability Committee of Directors chaired by the President and consists of the director in charge of management, the head of the Group's administrative division, and members appointed from each Group company. The committee regularly submits proposals and reports to the Board of Directors, and the Board of Directors supervises the progress of the committee's activities.

● Strategy

To identify risks and opportunities from climate change, we analyzed the impacts of our business operations in 2030 and 2050 under the 1.5°C scenario and the 4°C scenario, based on information published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA).

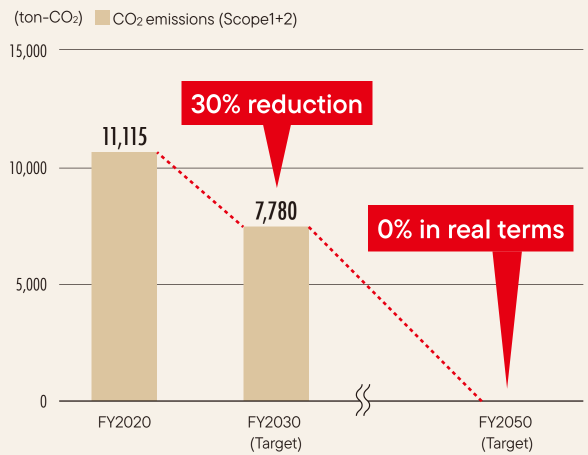
● Risk management

The Group Business Management Division, which oversees business-related risks, identifies company-wide risks and determines the policies for dealing with them, and promotes appropriate management and response to risks. Climate change-related risks are discussed by the Sustainability Committee, to which the Group Corporate Administration Division belongs, to enable integration with company-wide risk management. The Sustainability Committee also deliberates on the materiality assessment of risks related to climate change using scenario analysis in line with TCFD recommendations, and reports the results to the Board of Directors, which oversees them.

● Indicators and targets

To mitigate climate change, our Group aims to reduce CO_2 emissions (Scope 1+2) at Group manufacturing sites in Japan by 30% by 2030 compared to the fiscal year ended March 31, 2020 (11,115 tons) and to achieve virtually zero emissions of CO_2 and other greenhouse gases by 2050.

Greenhouse Gas Emissions Targets



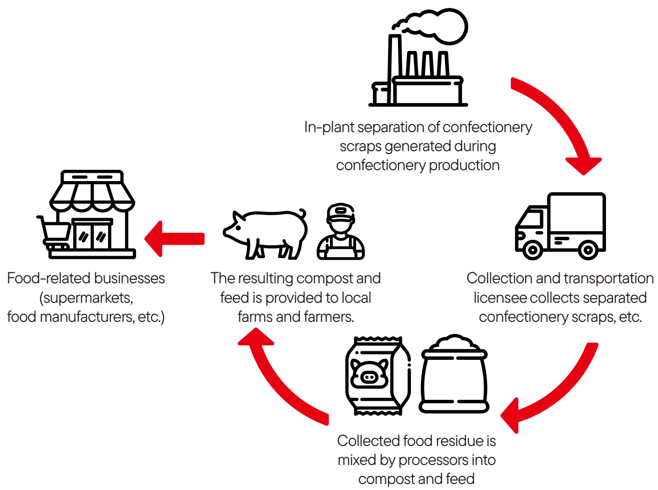
For details on our climate change initiatives, please visit our website.
https://www.kotobukispirits.co.jp/en/sustainability/environment.html

Materiality

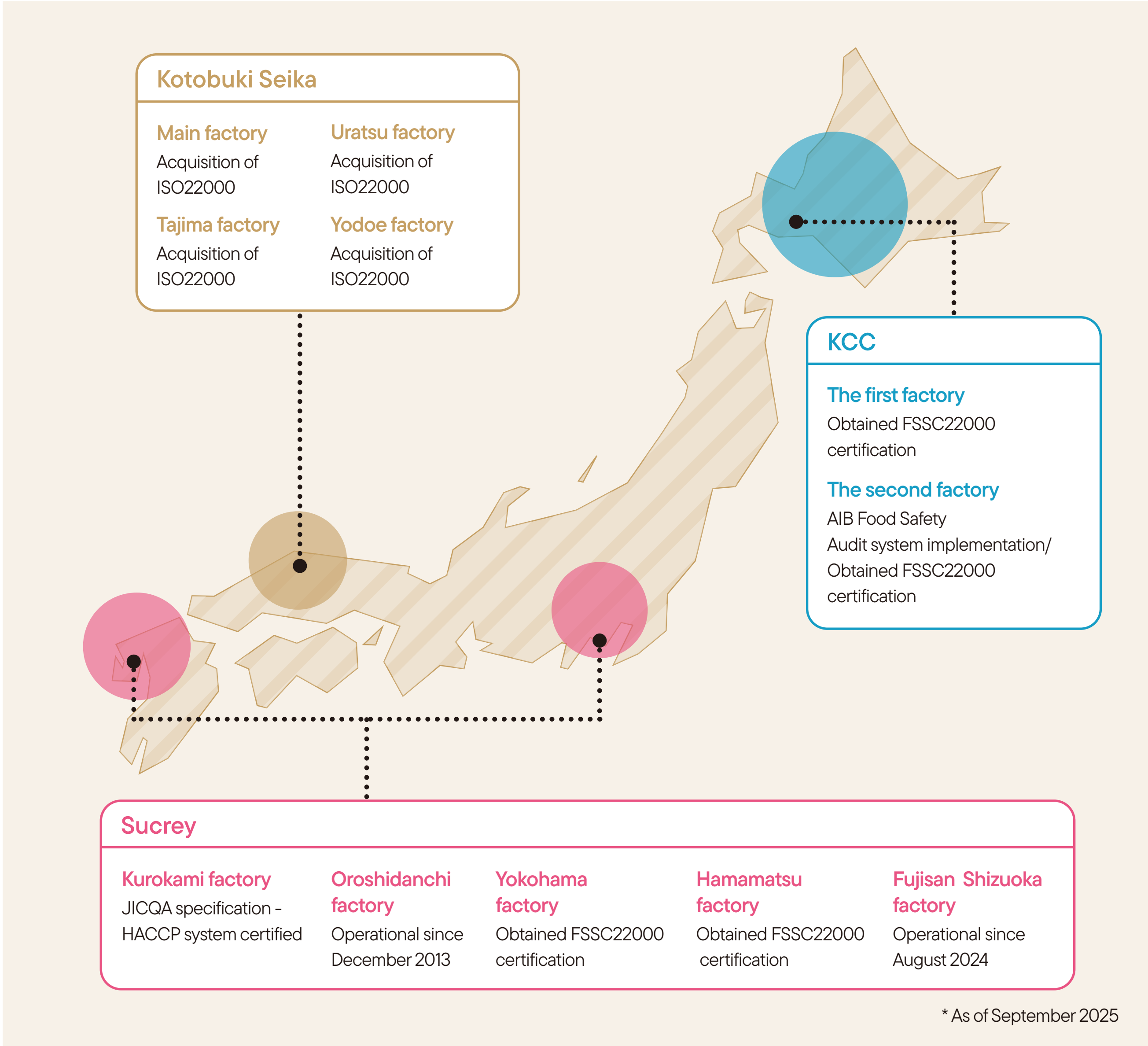
Reduction of food loss

Kotobuki Seika collects confectionery scraps and other food residue discharged from its factories through a licensed collection and transportation company. The food residue is then crushed and mixed by a recycling company registered under Article 11 of the Food Recycling Law, and after fermentation in a completely enclosed fermentation tank, it is recycled as compost. This compost is supplied to local farms and farmers, contributing to the cultivation of superior vegetables and creating a recycling cycle that uses food residue as a resource. Similarly, KCC recycles the compost into feed for pigs.

Food Resource Recycling Cycle



Group Production System and List of Certifications



Materiality

Sucrey generates renewable energy by generating biogas from food waste through the action of microorganisms (methane fermentation).

In addition, the Kujukushima Group supplies food waste to incineration facilities that practice thermal recycling*, thereby reducing CO_2 emissions compared to conventional incineration.

* Recycling method that recovers and utilizes "heat energy" generated from waste incineration process.

Providing safe and reliable products

Operational compliance with food safety management systems

● Quality Control System

As a food manufacturer, our group takes pride and responsibility in being a member of society contributing to its development, and we strive to provide joy to our customers through our products. We understand relevant laws and regulations, strive to maintain and improve compliance, and continue quality improvement activities.

We have established a food safety policy for all of our manufacturing plants, and we promote the advancement of our production plants by informing employees of the policy and striving for continual improvement. In addition, we have obtained appropriate quality management system certifications for each of our plants to ensure thorough quality control.

● Inspection system

The Group only ships products that meet the Group's quality standards, including microbiological and physicochemical standards. To ensure that our customers can enjoy our products with peace of mind, we conduct inspections and wipe-down inspections in the manufacturing process, as well as spot checks of production products to ensure product safety. In addition, once a month, the manufacturing department and the Quality Control Office work together to conduct audits of the manufacturing process and provide guidance for improvement as necessary.

Hiring and developing human resources that respect diversity

Supporting the activities of diverse human resources

● Revitalization of organization and human resources

We recognize that promoting diversity in work styles and employment is one of the most important issues indispensable for improving our corporate value over the medium to long term. We will continue to strengthen our measures to secure human resources with diverse perspectives and create an environment in which they can play an active role.

● Promotion of women to managerial positions to promote women's activities

As of March 31, 2025, only 10.7% of management positions are held by women, but we are working toward our goal of 30% women in management positions in order to promote our business from diverse perspectives. We will continue to actively promote capable women to management positions, including mid-career hires.

● Recruitment and promotion of professional human resources and non-Japanese to management positions through mid-career hiring

In line with our group's business expansion, we are actively recruiting and promoting experienced professionals with expertise in specialized fields such as product development, production technology, web marketing, IT, and overseas operations. As of the end of March 2025, mid-career hires accounted for 63.6% of our managerial positions. Furthermore, to support overseas operations and domestic inbound tourism initiatives, we are also working to recruit and promote foreign nationals into management roles. Going forward, we will place even greater emphasis on promoting new graduates to management positions.

Materiality

Reforming work styles to achieve health Management

As part of our efforts to promote diversity, we encourage male employees to take childcare leave to create an environment in which it is easy to work while raising children. In addition, through a review of our post-retirement continuous employment system, we will create an environment in which senior human resources aged 60 and above can play an even more active role. We are also promoting investment in the health of our employees, and Kotobuki Seika and KCC have been certified as Health Management Corporations 2022 (Small and Medium Enterprises Division), and KCC has been certified as a Health Management Corporation 2023 (Small and Medium Enterprises Division).

Promoting unique human resource development through "co-cultivation"

Our Group offers a variety of training programs for different types of jobs and job levels. Particular emphasis is placed on training to instill our management philosophy. In addition, we have a "sibling system" in which a senior employee is assigned as a full-time mentor for the first six months after joining the company. The program aims not only to provide detailed support to newly hired employees, but also to enable senior employees to experience growth through mentoring junior employees.

Practicing philosophy-sympathetic recruitment

Our group believes that individuals who find joy in creating happiness and smiles for others can work with great fulfillment and pride. We actively recruit those who resonate with our management philosophy: "To Create Happiness, Provide Happiness." We provide opportunities for job seekers to understand and experience this philosophy firsthand, such as through multiple group discussions with senior employees and on-site internships. In April 2025, 127 new graduates joined our company.

Building a sustainable supply chain

Stable raw material procurement and streamlined logistics

● Sustainable sourcing, including cocoa

The Group promotes the procurement of cacao produced in a sustainable manner, taking into consideration social issues such as child labor, poverty among farmers, and deforestation in the cacao-producing regions where the raw materials are sourced. The Group is also considering indirect support for cacao producers through its suppliers.

● Introduction of environmentally friendly packaging materials

Our group is a company that produces and delivers products to our customers using the bounty of nature nurtured by the earth. We believe that we have a social responsibility to promote environmental initiatives to realize sustainable growth and future.

For the printing of packaging materials, we promote the use of ethanol ink and plant-derived biomass ink, which have extremely low impact on the environment and human health.

For plastic bags, we also recommend the use of plastic bags that contain bio-polyethylene, which is plant-derived and environmentally friendly. For plastic trays, we promote the use of PET containers, which are environmentally friendly and have excellent safety and hygiene characteristics.

When the Kujukushima Group renewed the packaging of its mainstay product, Kujukushima Senpei 8-piece packs, it changed the packaging material from vinyl to paper in consideration of the environment, and also adopted biomass ink for the printing.

● Improved logistics efficiency

The Kujukushima Group is consolidating its distribution bases and reducing the number of delivery operations themselves to avoid wasteful deliveries due to horizontal transportation* for each work process in the warehouse. In addition, for deliveries from Kyushu to the Tokyo metropolitan area, we have adopted ferry transportation to reduce overland transportation by truck.

*Transportation of goods between company locations such as factories and stores.

Materiality

Coexistence and co-prosperity with local communities

Providing opportunities for children to learn

● Factory tour

Kotobuki Seika's main factory accepts factory tours every year, mainly from third-year elementary school students, and about 1,000 children visit the factory each year. The tour includes a tour of the Inaba no Shiro Usagi production line, a hands-on experience of putting red eyes on buns shaped like rabbits, and a quiz corner unique to a production plant.

● Nursery school and kindergarten visits by the White Rabbit Troupe

To commemorate the 50th anniversary of the release of "Inaba no Shiro Usagi (White Rabbit of Inaba)," a famous San-in confectionery, we established the "White Rabbit Troupe" within the company in 2010 and have been visiting nursery schools and kindergartens within Tottori Prefecture. At the places visited, the troupe performs a picture-story show for children that recreates the Japanese myth of the "White Rabbit of Inaba," holds "Rabbit Exercise," in which children and employees work together to move their bodies, and offers hands-on experience in putting eyes on rabbit manju (buns). Meeting local residents and seeing their smiling faces through our visits not only encourages our staff, but also promotes harmony with society.

●Longevity Foundation (Inc.)

Seigo Kawagoe, President and CEO, established Kotobuki Foundation in February 2019 to contribute to building a better society through the provision of scholarships. By providing non-repayable scholarships to students attending universities in the Tokyo metropolitan area who, despite their academic excellence, have difficulty paying their tuition fees for financial reasons, the foundation encourages academic achievement and contributes to the development of promising and outstanding human resources.

For detailed information about scholarships, please visit the website of the Jyuzai Foundation, a public interest incorporated foundation.
https://kotobukizaidan.org/

Regional development through social contribution activities

● Development of local sports

Kotobuki Seika has been supporting Gainare Tottori, a professional soccer team in Tottori, since 2010 for the development of local sports.

Since 2016, we have also signed a sponsorship agreement with the Shimane Susanoo Magic, a member of the B-1 League, a professional basketball league. At "title sponsor games" held at home arenas, Kotobuki Seika employees hand out Kotobuki products directly to boosters. Kotobuki Seika's festival troop, "Kotobuki Manto-tai," has also performed at halftime.

● YOSAKOI Sasebo Festival

The Kujukushima Group participates in the YOSAKOI Sasebo Festival, a major event in Sasebo City, where our headquarters are located, as "Kujukushima Dance Company KAGAKU" in order to liven up the festival and give back to the community. We not only participate in the festival, but also contribute to the operation of the YOSAKOI Sasebo Festival in many other ways, such as participating in the monthly cleanup activities organized by the YOSAKOI Sasebo Festival Executive Committee, participating in pre-festival PR events, and attending monthly management meetings.

Strengthening Corporate Governance

Corporate Governance Structure

● Board of directors

The Board of Directors is chaired by Seigo Kawagoe, President and Representative Director, and consists of nine members: Shinji Matsumoto, Managing Director; Masayuki Shirouchi, Director; Ryoichi Sakamoto, Director; Matsuo Iwata, Outside Director; Megumi Yoshimoto, Outside Director; Masamichi Yamane, Director (Audit Committee member); Yasuhiro Tanaka, Outside Director (Audit Committee member); and Keiko Ueda, Outside Director (Audit Committee member) (including four Outside Directors). The Board of Directors makes decisions on important matters related to business execution and supervises the execution of duties by directors in accordance with the "Regulations of the Board of Directors," which stipulates matters to be resolved at the Board of Directors meetings, in addition to those stipulated in the Articles of Incorporation and laws and regulations.

In order to ensure that directors execute their duties efficiently, meetings of the Board of Directors are held once a month in principle, and extraordinary meetings are held as necessary.

● Audit and Supervisory Committee

The Audit Committee, which is responsible for auditing the directors' execution of duties, consists of three members (including two outside directors): Director (full-time Audit Committee member), Masamichi Yamane; Outside Director (Audit Committee member), Yasuhiro Tanaka; and Outside Director (Audit Committee member), Keiko Ueda. In principle, the Audit Committee meets once a month to decide on audit plans and report on the implementation of audits, and as needed. In addition to the Board of Directors meetings, the Audit Committee members attend important meetings such as the Group Management Committee meetings in order to understand the process of important decision-making and the status of business execution.

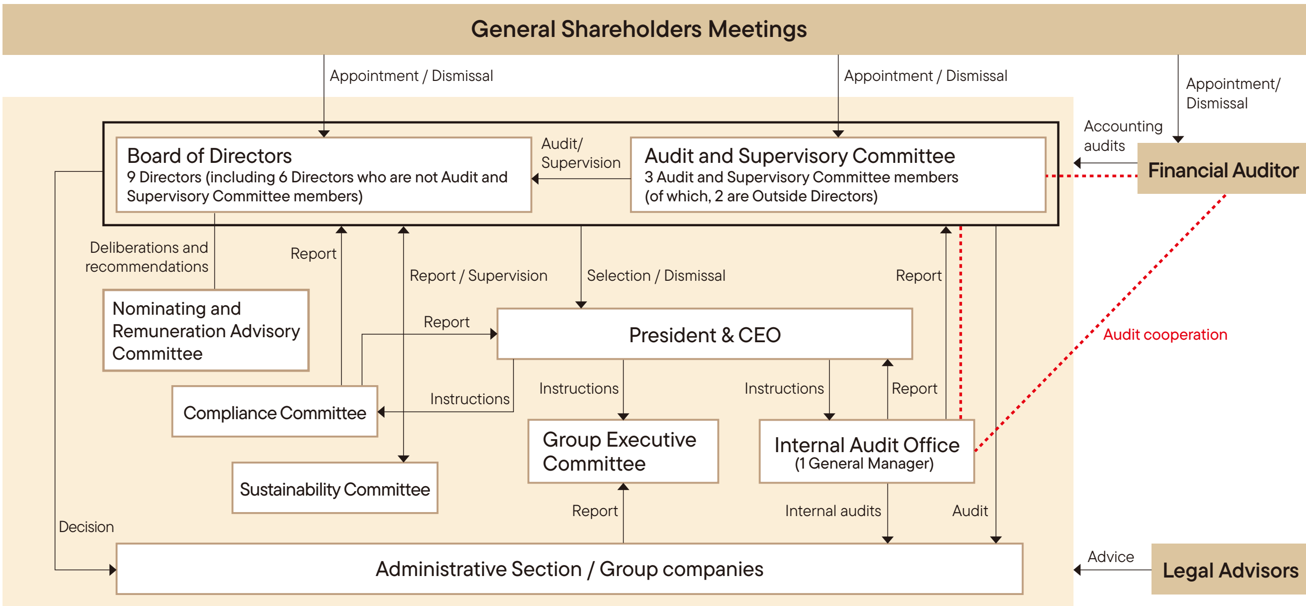
● Nominating and Compensation Advisory Committee

On June 22, 2021, the Company established a voluntary Nomination and Compensation Advisory Committee, consisting of a majority of independent outside directors, as an advisory body to the Board of Directors. The committee is chaired by outside director Matsuo Iwata and consists of six directors: two inside directors (Shinji Matsumoto and Masamichi Yamane) and three outside directors (Megumi Yoshimoto, Yasuhiro Tanaka, and Keiko Ueda). The Nomination and Compensation Advisory Committee receives requests for advice from the Board of Directors on matters related to the nomination and compensation of directors (including those of group companies), deliberates on such matters, and reports the results of its deliberations to the Board of Directors. In principle, the committee meets at least once a year, and may meet as needed.

● Sustainability Committee

On April 15, 2023, we established the Sustainability Committee. The committee is chaired by Seigo Kawagoe, President and Representative Director of the Company, and overseen by Shinji Matsumoto, Managing Director in charge of Administration of the Company, and consists of the managers of the administrative divisions of each Group company and members appointed from each Group company. In principle, the committee meets at least twice a year, and as needed. The basic policy of the Committee is to appropriately address issues related to sustainability, and the Committee deliberates on the identification of materiality and responses to the identified themes.

Corporate Governance Structure Chart (As of June 23, 2025)



Materiality

● Internal Audit Office

The Internal Audit Office of the Company consists of one person, General Manager of the Internal Audit Office. The Internal Audit Office conducts internal audits of the Company and its group companies in accordance with the "Internal Audit Regulations" that stipulate basic matters concerning internal audits of the Company to ensure that business operations are properly and effectively managed under internal control in accordance with relevant laws, the Articles of Incorporation, and internal regulations. The Internal Audit Office is directly appointed by the President and Representative Director of the Company as an organization under the direct control of the President and Representative Director. The internal auditors have the authority to submit documents, request explanations and necessary information on the contents of the audits, and, if necessary, request confirmation from external parties.

● Compliance Committee

The Compliance Committee is chaired by Seigo Kawagoe, President and Representative Director, with Shinji Matsumoto, Managing Director in charge of administration, as the chief compliance officer, and consists of compliance committee members appointed from each Group company. Based on the "Compliance Regulations," which stipulate compliance initiatives, the Compliance Committee meets once every three months in principle to exclusively discuss compliance and corporate ethics training and education, responses based on the results of investigations of whistle-blowing and other reports through the whistle-blowing system, and measures to deal with the occurrence of risks in risk management. In addition, meetings are held as needed.

The Compliance Committee is attended and monitored by Director (Audit Committee member) Masamichi Yamane and General Manager of the Internal Audit Department.

● Group Management Meeting

The Group Management Committee is chaired by Seigo Kawagoe, President and Representative Director of the Company, and consists of Shinji Matsumoto, Managing Director, Masayuki Shirouchi, Director, Ryoichi Sakamoto, Director, and directors and managers of related divisions of each Group company. In principle, the meeting is held once a month to communicate group management policies, report on the business activities of group companies, and supervise the execution of business operations in accordance with the "Regulations for Affiliated Companies," which were established to promote the guidance and development of affiliated companies and improve management efficiency as a corporate group. We are working to ensure the efficiency, soundness, and transparency of management and to accelerate decision-making.

The Group Management Committee meetings are attended and monitored as necessary by Director (full-time Audit Committee member) Masamichi Yamane, Outside Director (Audit Committee member) Yasuhiro Tanaka, Outside Director (Audit Committee member) Keiko Ueda, and General Manager of the Internal Audit Office.

Assessing the effectiveness of the Board of Directors

We analyzed and evaluated the results of the "Questionnaire on the Effectiveness of the Board of Directors" conducted in May 2025 on all directors (including directors who are members of the Audit Committee) and based on discussions at the Board of Directors meetings. As a result, we evaluated that the Company's Board of Directors as a whole is generally effective at this time, as it has a good balance of knowledge, experience, and abilities to fulfill its roles and responsibilities, maintains an appropriate size, and makes decisions based on high quality and active discussions. As a result, the Company has evaluated that the effectiveness of the Board of Directors as a whole is generally secured at this point.

The Company will conduct an evaluation of the effectiveness of the Board of Directors about once a year, disclose a summary of the evaluation, and continue to make efforts to improve the effectiveness of the Board of Directors .

Officer's compensation or remuneration

● Basic policy

The Company's basic policy for determining the remuneration of individual directors is to set the remuneration at an appropriate level based on the duties and responsibilities of each director. The remuneration for Directors consists of basic remuneration (monetary remuneration) as fixed remuneration and restricted stock remuneration as a medium- to long-term incentive.

● Policy on the amount of compensation and other items by individual for basic remuneration

The basic remuneration of the Company's directors (excluding outside directors) is a monthly fixed remuneration, which is determined by taking into consideration the degree of contribution to the Company's performance according to position and responsibility, the level of other companies' performance according to years in office, the Company's performance, and the level of employees' salaries, as well as by comprehensively considering these factors.

Basic remuneration for outside directors is fixed monthly and is determined by taking into consideration their duties and responsibilities as well as the level of other companies.

Materiality

● Description and amount or number of non-monetary and other compensation Policies for determining the method

Non-monetary compensation, such as restricted stock compensation, shall be paid to directors to provide them with incentives to continuously improve the corporate value of the Company and to further promote value sharing with shareholders.

The specific number of shares of restricted stock compensation to be granted shall be determined based on the position and responsibilities of each director, and the number of shares to be allotted to each individual director shall be resolved by the Board of Directors and granted at a certain time each year.

● Method of determining the details of remuneration, etc., of individual directors

The amount of remuneration for each individual director is determined by the Board of Directors after deliberation and reporting by the Nomination and Remuneration Advisory Committee and prior discussion by the Board of Directors attended by the Outside Directors, based on a remuneration proposal prepared by the Representative Director within the maximum amount of remuneration for directors approved at the Ordinary General Meeting of Shareholders and based on the above policy and comprehensive consideration of the amount and ratio of base and non-monetary remuneration for each director. The Board of Directors, after receiving a report from the the Nomination and Compensation Advisory Committee and opinions from the Audit Committee, deliberates and decides the compensation plan at a meeting of the Board of Directors attended by outside directors.

With regard to the amount of remuneration for directors, at the Ordinary General Meeting of Shareholders held on June 28, 2016, the maximum amount of remuneration for directors (excluding directors who are members of the Audit Committee) was limited to 300 million yen per year (including 25 million yen per year for outside directors) and the maximum amount of remuneration for directors who are members of the Audit Committee was limited to 50 million yen per year.

In addition, at the Ordinary General Meeting of Shareholders held on June 25, 2024, a resolution was passed to newly limit the amount of compensation to directors (directors excluding outside directors and directors who are members of the Audit and Supervisory Committee, hereinafter referred to as "subject directors") for the grant of restricted transferable shares to 60 million yen or less per year (excluding employee salaries for directors who also serve as employees), in addition to the above compensation limits. As of the end of the said General Meeting of Shareholders, the number of directors (excluding directors who are members of the Audit Committee) is six and the number of directors who are members of the Audit Committee is three.

Total compensation and other amounts for the current fiscal year

Officer Classification	Total Compensation (Millions of Yen)	Total Amount by Type of Compensation (Millions of Yen)			Number of officers subject to this provision (persons)
		Fixed remuneration	Performance-based compensation	Restricted Stock Awards	
Directors (excluding directors who are audit committee members) (including outside directors)	168 (12)	144 (12)	— (—)	24 (—)	6 (2)
Director serving as an Audit and Supervisory Committee member (including outside directors)	33 (12)	33 (12)	— (—)	— (—)	4 (3)
Total (including outside directors)	202 (24)	177 (24)	— (—)	24 (—)	10 (5)

((Note) 1. The above table includes one outside director who served as an audit committee member and retired during the current fiscal year.
2. Regarding directors' compensation, the 64th Ordinary General Meeting of Shareholders held on June 28, 2016, resolved to set the annual compensation limit for directors (excluding directors who are Audit and Supervisory Committee members) at up to ¥300 million (excluding salary components for directors who are concurrently employees), and the annual compensation limit for directors who are Audit and Supervisory Committee members at up to ¥50 million. At the conclusion of that shareholders' meeting, the number of directors (excluding directors who are members of the Audit and Supervisory Committee) was six, and the number of directors who are members of the Audit and Supervisory Committee was three. Furthermore, at the 72nd Ordinary General Meeting of Shareholders held on June 25, 2024, a resolution was passed establishing a separate compensation limit of up to ¥60 million per year (excluding the salary portion for directors who are also employees) for the grant of restricted stock to directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee; hereinafter referred to as "Target Directors"). The number of Target Directors at the conclusion of the aforementioned shareholders' meeting was four.

Training Policy for Directors

When welcoming outside directors, we provide them with opportunities to learn and understand information about the business environment in which we operate, such as our history, business overview, and plant tours of our group companies. In addition, in order to acquire the knowledge and information necessary to fulfill their roles and responsibilities, directors attend seminars held by outside professional organizations and participate in training sessions held by outside organizations. Audit committee members belong to the Japan Corporate Auditors Association, and participate in various training sessions held by the association to acquire the necessary knowledge and information to improve their auditing skills.

Policy stock

Our policy is to hold stocks that are judged to contribute to the enhancement of corporate value from the perspectives of maintaining and developing good business relationships and maintaining stable financial relationships, and to periodically review the medium- to long-term economic rationale and status of transactions at Board of Directors meetings with respect to highly important stocks. Based on this policy, the Company will seek to reduce the size of its holdings if they are not deemed appropriate. With regard to the exercise of voting rights, the Company exercises its voting rights appropriately, taking into consideration such factors as whether the voting rights contribute to the sound management of the issuing company and the enhancement of its corporate value over the medium to long term.

Materiality

Skills Matrix

Identity	Gender	Post	Reason for Appointment	Skill					
				Business Management Business Strategy	Financial Accounting Management	Legal & Risk	Human Resources and Labor Human Resource Development	One's life as a consumer	ESG
Seigo Kawagoe	male	In-house (full-time) President and Representative Director	He has directed the Company's management as President and Representative Director for many years since June 1994, and his strong leadership based on his extensive experience and broad knowledge will continue to be indispensable for the Company's group management in the future.	○				○	○
Shinji Matsumoto	male	In-house (full-time) Director	Since joining the company, he has gained a wealth of business experience, including working in accounting and finance and as the general manager of the Corporate Planning Department. Since assuming the position of director in June 2012, he has fulfilled his responsibilities as a director, including working to strengthen group management control. We believe that the wealth of experience and broad knowledge he has gained through his career will be indispensable to the management of the Company's group.	○	○	○	○		○
Masayuki Shirouchi	male	In-house (full-time) Director	Since September 2006, he has served as director of several of our group companies, and since 2015, he has also served as representative director of Kotobuki Seika Corporation, one of our major group companies.	○				○	
Ryoichi Sakamoto	male	In-house (full-time) Director	The Company believes that the extensive experience and broad knowledge he has gained throughout his career, including serving as director of several of the Company's group companies since May 2007 and as representative director of Sucrey Corporation, a major group company, since May 2019, will be indispensable to the Company's group management.	○				○	
Matsuo Iwata (Outside)	male	Outside (non-executive) Director (non-executive)	Based on his extensive experience and broad knowledge as a business leader cultivated through his long-standing involvement in corporate management, we believe he can contribute to our company's management from a neutral and objective standpoint. Furthermore, as of March 2025, he is appropriately fulfilling his duties as an outside director of our company.	○			○	○	○
Megumi Yoshimoto (Outside)	female	Outside (non-executive) Director (non-executive)	We believe that she will be able to reflect on the Company's management from a neutral and objective standpoint, based on her extensive experience and broad knowledge she has accumulated over the years as an announcer and as a lecturer and professor at several universities, as well as from her unique perspective as a woman.				○	○	○
Masamichi Yamane	male	In-house (full-time) Audit & Supervisory Board Member	Since joining the company, he has been involved in labor and human resources, general manager of the General Affairs Division, and has abundant business experience. He became a director in June 2010, and has fulfilled his responsibilities as a director by working to strengthen the compliance and group management divisions.	○		○	○		○
Yasuhiro Tanaka (Outside)	male	Outside (part-time) Audit & Supervisory Board Member	As a certified tax accountant, he has professional knowledge and extensive experience in finance and accounting, which we believe will be reflected in the Company's management from a neutral and objective standpoint, and he is currently fulfilling his responsibilities as an outside director of the Company who is a member of the Audit and Supervisory Committee of the Company.		○				
Keiko Ueda (Outside)	female	Outside (part-time) Audit & Supervisory Board Member	In addition to her legal expertise and wealth of experience as an attorney, she will be able to reflect on the Company's management from a neutral and objective standpoint, based on her unique perspective as a woman.			○			

Risk Management

Responding to Significant Risks

In order to maintain fair and sound corporate activities, the Group establishes and operates various regulations, maintains appropriate systems for various organizations, and conducts accurate audits.

The Group's risk management is based on the audit work of the Audit Committee, regular accounting audits by the accounting auditor, internal audits by the Internal Audit Office, and regular meetings of the Compliance Committee, etc., to audit and supervise the status of business execution from an impartial perspective both inside and outside the company, evaluate the appropriateness and rationality of business activities, and make recommendations for improvement. The committee evaluates the appropriateness and rationality of business activities and makes recommendations for improvement.

The Group has established and is operating an internal reporting system that directly contacts the departments in charge of compliance, the administrative departments of each Group company, and our legal counsel for the purpose of preventing violations of laws and regulations and taking appropriate corrective measures upon early detection and measures to prevent recurrence.

Type of risk	Risks	Counter-measure
Abnormal weather conditions, large-scale disasters, etc. Rapid fluctuations in consumption trends	The Group's core business deals in confectionery and other luxury goods, which, due to the nature of their uses and other factors, are subject to seasonal fluctuations and tend to be affected by weather fluctuations.	・Weather forecasts are being closely monitored.
Natural disaster	In the event of a major natural disaster that causes extensive damage to our business sites, resulting in long-term inoperability or other major disruptions to production or sales activities, or in the event that we are unable to sell products because we basically have a one-product, one-plant production system, with the exception of certain products, our group's business results may be affected. Therefore, the occurrence of being unable to sell products may have an impact on the Group's operating results.	・Regular equipment inspections, fire insurance coverage ・Avoid concentration of production and sales dependence on specific regions by decentralizing production bases
Food safety	Consumers are becoming extremely concerned about food safety. In addition, the confectionery and food industry is experiencing problems related to food quality and safety, such as mislabeling of food products and management of expiration dates and best-before dates for raw materials and products.	・Compliance with laws and regulations and maintenance of response manuals ・Ensure proper labeling ・Establishment of a system to respond to abnormalities
Legal Regulations	If the Food Sanitation Law, JAS Law, Food Labeling Law, Act against Unjustifiable Premiums and Misleading Representations, Unfair Competition Prevention Law, Product Liability Law, etc. were to be revoked or if we were ordered to suspend operations due to violations of laws and regulations, this could have a significant impact on the continuation of our group's operations and business performance. In addition, the Group's business continuity and operating results may also be affected in the event that business activities are restricted and operations are delayed due to the strengthening of regulations or the introduction of new regulations in the future.	・Compliance with the conditions and laws and regulations for obtaining permits and licenses
Procurement of raw materials and price hikes	Confectionery ingredients consist mainly of many agricultural products such as flour, azuki beans, sugar, and oils and fats, which may be subject to price hikes and difficulties in stable procurement due to unseasonable weather in producing regions, the effects of natural disasters, or changes in global supply and demand conditions, and in the case of imported ingredients, purchase prices may also fluctuate due to exchange fluctuations. In addition, soaring crude oil prices may increase the prices of fuels such as heavy oil and petroleum products such as packaging materials and containers.	・Diversification of information gathering and procurement sources ・Advance price negotiations
Information Security	Our group possesses customer information, personal information, and confidential business and technical information in its business activities. We also utilize various information systems to provide services and perform our operations. Regarding internal management systems, we have established various regulations, including the "Information Management Regulations," "Personal Information Management Regulations," and "Information Security Regulations." We are working to further strengthen security, including hardware aspects, by establishing an information security promotion framework and providing employee training. Particularly in mail-order sales, where we hold the personal information of many customers, we comply with the Act on the Protection of Personal Information (hereinafter referred to as the "Personal Information Protection Act") and strive for strict management. However, should an information security incident occur, such as the suspension of information systems due to disasters, accidents, or cyberattacks, or the loss or leakage of information due to unauthorized access, or should an event occur that violates the Personal Information Protection Act, it could lead not only to a decrease in sales, the occurrence of damages, and the incurrence of response costs, but also to a loss of social credibility and damage to the brand value of our Group, potentially impacting our Group's business performance.	・Establishment of regulations such as the "Information Management Regulations" and "Personal Information Management Regulations," and development of internal systems ・Compliance with and management of the Personal Information Protection Act in the mail-order business
Overseas Business Development	Our group is engaged in business activities, mainly in Asia, by exporting products and through local subsidiaries and franchise partners. Unexpected adverse economic or political factors, legal restrictions, or other events in the regions where we operate, such as earthquakes and other natural disasters, terrorist conflicts, or epidemics of infectious diseases, could impede our overseas business activities and affect our group's operating results.	
Impairment of fixed assets	Our group owns various assets related to factories and stores used in our business activities. If impairment losses were to be recorded against subject assets due to a decline in profitability caused by significant changes in the business environment or business activities, future cash flows, or other factors, the Group's operating results could be affected.	

Risk Management

Compliance

As of June 22, 2021, the Company established a voluntary "Nomination and Compensation Advisory Committee" consisting of a majority of independent outside directors as an advisory body to the Board of Directors to strengthen the supervisory function of the Board of Directors and enhance the corporate governance system. Based on its management philosophy, the Kotobuki Group has clearly stated its management philosophy as the basis for all decisions (issued on January 1, 2003), and has also established the Kotobuki Spirit Group Code of Ethics and Compliance Regulations to clarify its basic stance on corporate ethics and legal compliance. We have also established the "Kotobuki Spirits Group Code of Ethics" and "Compliance Regulations" to clarify our basic stance on corporate ethics and legal compliance, and have ensured that all directors, officers, and employees are fully aware of them. In addition, we have established the "Compliance Committee," a cross-functional group-wide organization, to develop, maintain, and improve our compliance system.

Communication with Stakeholders

Our Group emphasizes stakeholder engagement through communication with various stakeholders to provide feedback to management on their opinions and expectations, and to apply them to management and corporate activities. We are committed to contributing to the realization of a sustainable society through ongoing proactive communication.

Dialogue with Shareholders and Investors

The policy regarding the development of systems and initiatives to promote constructive dialogue with shareholders is as follows.

(i) IR activities of the Company are led by the President and Representative Director and the Director and General Manager of the Corporate Management Division.
(ii) Information on investor relations is handled by the Corporate Planning Department, the department in charge of investor relations, in cooperation with the relevant departments of the operating companies.
(iii) Our main IR activities include biannual financial results briefings, quarterly individual meetings with institutional investors and analysts, and the planning and operation of an IR site on our own website, which we strive to enhance by posting materials and videos of financial results briefings and general shareholders meetings on our IR site.
(iv) Opinions and other information obtained through IR activities are reported to the Board of Directors and the Management Committee as appropriate to share information.
(v) The Company appropriately and prudently manages insider information in the course of dialogue in accordance with the "Information Disclosure Rules" and the "Rules for Prevention of Insider Trading."

Relationship with each stakeholder

	Stakeholder Relations	Means of Correspondence
Customers	We believe it is our responsibility to deliver safe, secure, and high-quality premium gift sweets to our customers, and we pursue customer satisfaction.	·Contact for inquiries on the corporate website ·Corporate and brand websites of group companies ·SNS, etc.
Employees	We will work on the penetration of our management philosophy, work-life balance, diversity, etc., so that we can demonstrate the "ultra field-oriented management," which is one of the strengths of our group.	·Daily business activities ·In-house magazine ·Group consultation
Shareholders and Investors	To build a relationship of trust with our shareholders and investors, we place importance on communication and reflect the opinions and requests we receive in our corporate activities.	·Shareholders' meetings ·Meetings with institutional and individual investors ·Financial results briefings ·IR website
Business Partners	In our procurement activities, we will build relationships of trust with our suppliers and cooperate with them on the basis of coexistence and co-prosperity.	·Daily business activities
Local Communities	As members of local communities, our group will actively communicate with local communities to contribute to their sustainable development, and we will think about what our group can do and what is required of us, and walk together with them.	·Participation in community events and donations ·Volunteer activities in the community ·Plant tours

List of Officers

Director

Seigo Kawagoe
President & CEO

April 1987 Joined the Company; Senior Managing Director
March 1989 Representative Director and Vice President
June 1994 Representative Director and President (Current Position)

Shinji Matsumoto
Managing Director
General Manager, Group Business Management Division

March 1990 Joined the Company
June 2010 General Manager, Corporate Planning Department
June 2012 Director, General Manager, Corporate Planning Department
June 2022 Managing Director, Group Head of Corporate Management Division (Current Position)

Masayuki Shirouchi
Inside Director

March 1991 Joined the Company
February 2005 Head of Sales Division, Kujukushima Group Co., Ltd.
September 2012 Head of Sales Department, Kotobuki Seika Co., Ltd.
May 2015 President and Representative Director, Kotobuki Seika Co., Ltd. (Current Position)
June 2020 Director, the Company (Current Position)

Ryoichi Sakamoto
Inside Director

November 1987 Joined Tajima Kotobuki Co., Ltd.
May 2007 Managing Director, Tajima Kotobuki Co., Ltd.
July 2014 Director and Sales Department Manager, Sucrey Co., Ltd.
May 2019 President and Representative Director, Sucrey Co., Ltd. (current position)
June 2020 Director, the Company (current position)

Matsuo Iwata
Outside Director

April 1982 Joined Nissan Motor Co., Ltd.
July 1999 Managing Executive Officer, Coca-Cola Beverage Service Co., Ltd.
June 2009 Representative Director and Chief Executive Officer (CEO), Starbucks Coffee Japan Co., Ltd.
June 2012 Outside Director, Ootoya Holdings Co., Ltd.
June 2015 Director, the Company (Current Position)

Megumi Yoshimoto
Outside Director

April 1976 Joined Nippon Hoso Kyokai (NHK)
June 1981 Freelance Announcer (Current Position)
April 2020 Professor, Department of Literary Arts and Culture, Faculty of Education and Humanities, Jumonji Gakuen Women's University
June 2021 Director of the Company (Current Position)
April 2024 Professor Emeritus, Jumonji Gakuen Women's University (Current Position)

Director (Audit Committee Member)

Masamichi Yamane
Inside Director

September 1990 Joined the Company
October 2006 General Manager, General Affairs Division, Kotobuki Seika Co., Ltd.
June 2010 Director, Head of Group Management Division, the Company
June 2012 Director, Head of Administration Division
June 2022 Director (Audit Committee Member, Full-time) (Current Position)

Yasuhiro Tanaka
Outside Director

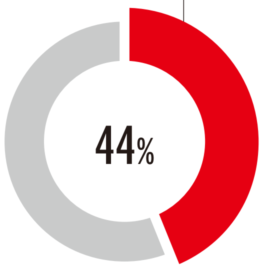
April 1990 Joined Tanaka Yasuharu Tax Accountant Office (now Tanaka Tax Accountant Corporation)
June 2003 Representative Partner, Tanaka Tax Accountant Corporation (current position)
June 2016 Director (Audit Committee Member), The Company (current position)

Keiko Ueda
Outside Director

November 2008 Supreme Court Judicial Training
January 2010 Joined Nakamura Sogo Law Office
January 2013 Partner at Umemoto, Kurihara & Ueda Law Office (now Kyobashi Muromachi Law Office) (current position)
March 2024 Outside Auditor, Nippon Techno Co., Ltd. (current position)
June 2024 Director (Audit and Supervisory Committee Member), the Company (Current Position)

Ratio of Outside Directors

Four of the nine directors are outside directors.



Outside Director Message

To strengthen philosophical management, I will support this effort by leveraging my past experience.

Matsuo Iwata
Outside Director

I have served as an outside director of the company since 2015. Having served as president of three companies myself as a business leader, I strive daily to fulfill my responsibilities by contributing the diverse experience and knowledge I have gained to the board's discussions.

Furthermore, to cultivate the next generation of management talent, I sometimes pose challenging questions and offer critical opinions during board meetings. For instance, if a proposal lacks sufficient research or information, I may request it be resubmitted at the next board meeting. On occasion, I have also expressed disagreement with certain proposals. In response, the President and all employees have consistently responded with great sincerity.

Our company traces its origins to Kotobuki Seika, established in 1952 to manufacture candies and sweets. Through subsequent mergers with various companies, we evolved into our current form. Yet, the DNA of valuing customers, ingrained since our founding, remains deeply rooted across all group companies. President Kawagoe, who succeeded as the second-generation leader, demonstrates bright and strong leadership. He approaches management with sincerity, placing great importance on our corporate philosophy: "Creating Joy and Delivering Joy." Visiting factories, I am always impressed and moved to see employees loudly reciting passages from the management philosophy handbook "Kozuchi" during morning assemblies. It truly underscores how such steadfast, grassroots efforts are essential for philosophy-driven management to take root.

Regarding business strategy, during the COVID-19 pandemic, the company prepared for the worst by securing cash through institutional loans and having all employees strive for cost reduction. The president himself took the lead in reducing his own salary, implementing internal cost-cutting measures such as streamlining through manufacturing equipment investments to boost productivity and eliminating wasteful expenses. At the same time, he left labor costs completely untouched and instead actively opened new stores in prime locations like Tokyo Station concourse—places that were difficult to secure during boom times. This was truly flexible management, balancing defense and offense.

I firmly believe this management strategy was achievable solely because our management philosophy and strategy were thoroughly ingrained in every single employee. At our company, we believe the depth of management philosophy permeation is reflected in everyday language, so we place great importance on our choice of words. For example, emails start with "How are you doing?" instead of "Good work," to foster a positive mindset. This has evolved annually; currently, to accelerate management speed, it's "Hi Mach speed!" Furthermore, terms like referring to all employees as "comrades" are thoroughly implemented in daily speech.

At our annual "Kozuchi Presentation National Convention," where we share how our management philosophy is being put into practice, hearing the employees' presentations often brings tears to my eyes. Seeing each person practicing ultra-field-oriented management for our customers and employees evaluating and praising each other is a moment when every participant truly feels glad to work for the Kotobuki Spirits Group.

Furthermore, our company fosters an atmosphere where opinions can be freely expressed. I feel the younger generation is steadily growing in strength, which greatly heightens my expectations. On the other hand, I recognize that challenges remain in cultivating the next generation of management talent and promoting women's advancement, areas we must continue to address. Currently, compensation levels are gradually improving, making it easier to recruit external talent possessing expertise and skills not found within the company.

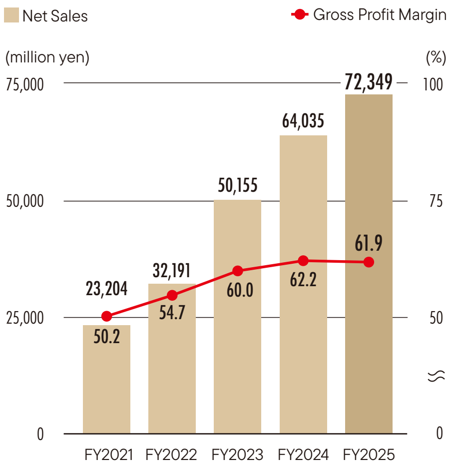
I hope that more and more of our customers will experience "To create happiness, provide happiness," and I will do my utmost to support them in this endeavor.

I firmly believe we are a company capable of fully meeting the expectations of our shareholders and investors. We sincerely appreciate your continued support.

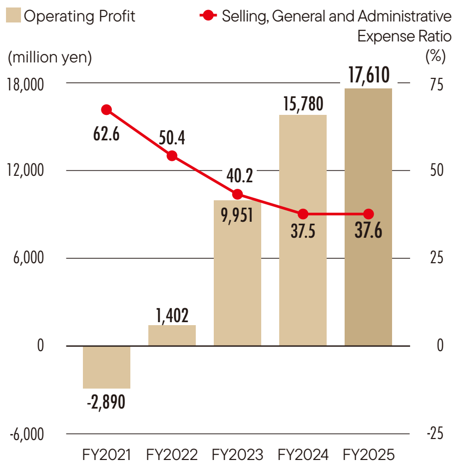
Financial / Non-Financial Highlights

Financial Highlights

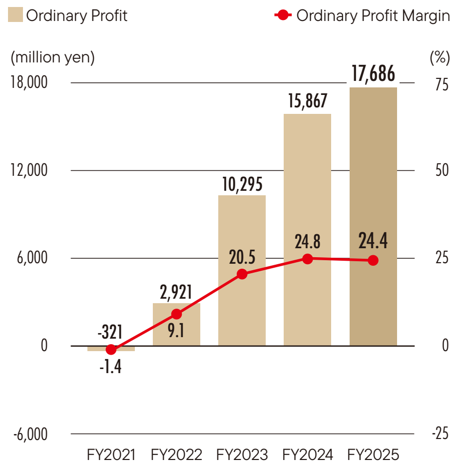
Net Sales / Gross Profit Margin



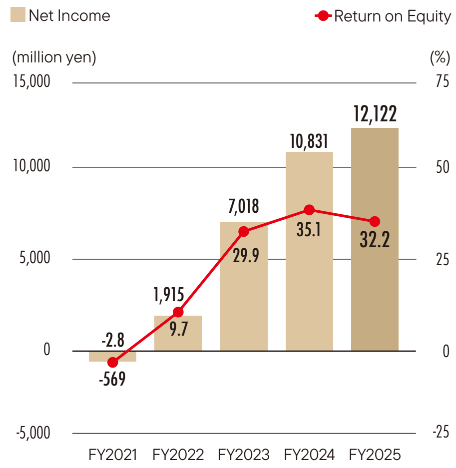
Operating Profit / Selling, General and Administrative Expense Ratio



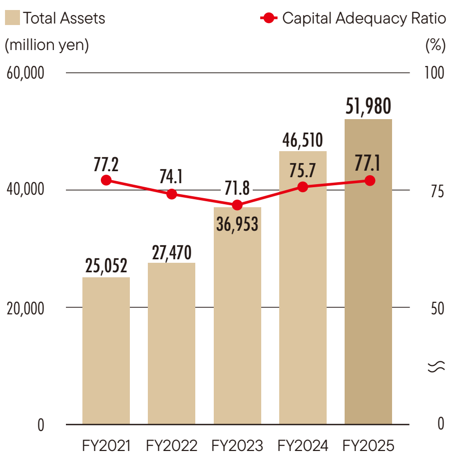
Ordinary Profit / Ordinary Profit Margin



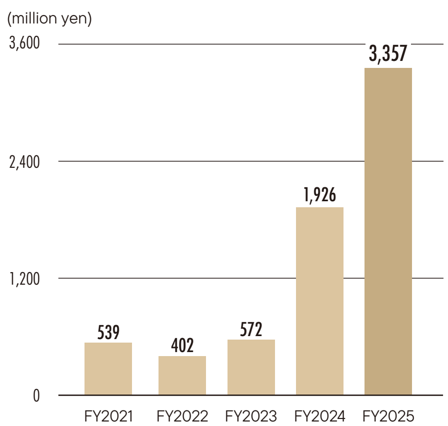
Net Income / ROE (Return on Equity)



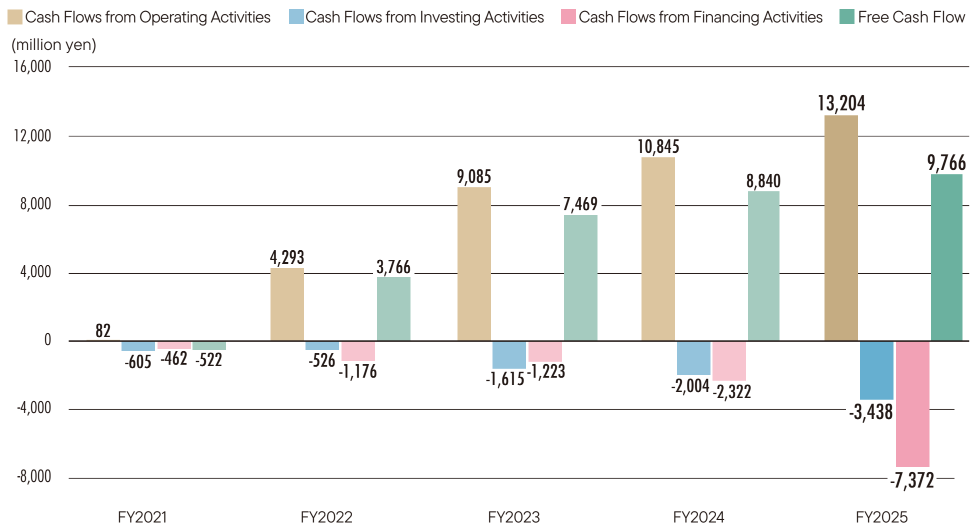
Total Assets/ Capital Adequacy Ratio



Capital Expenditure



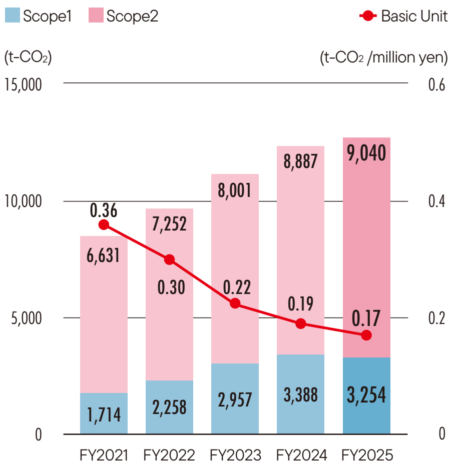
Sales, Investment, Finance, Free Cash Flow



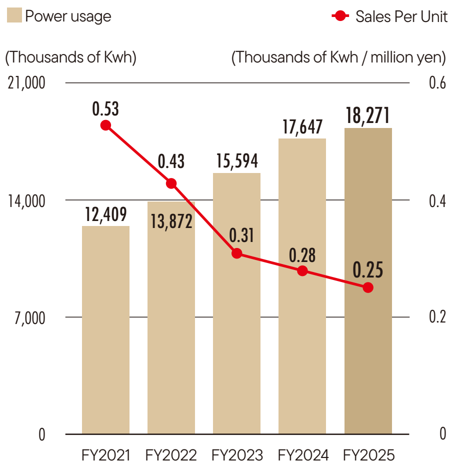
Financial / Non-Financial Highlights

Non-Financial Highlights

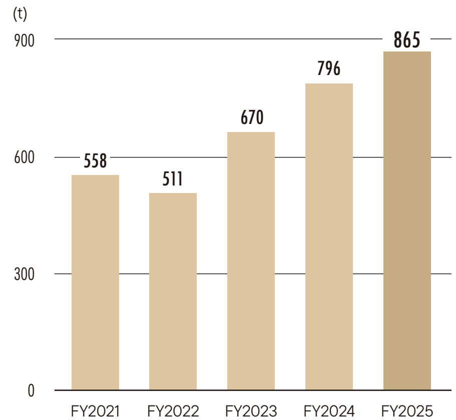
CO_2 Emissions / Sales Per Unit



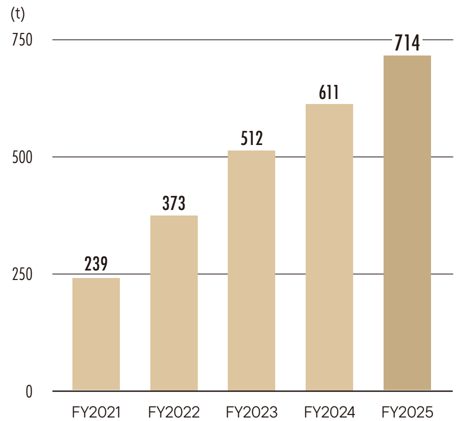
Power Usage / Sales Per Unit



Food Waste Volume

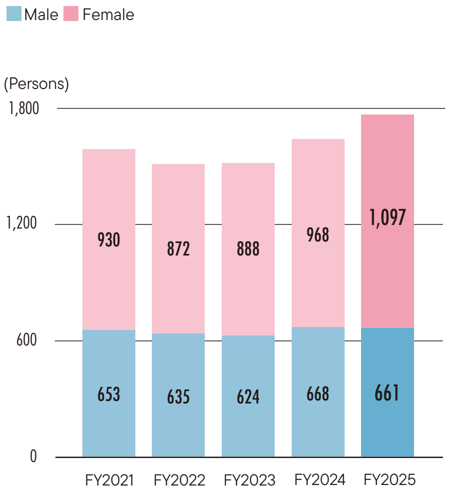


Recycling volume of food residue (Composting・Feeding・Thermal recycling)

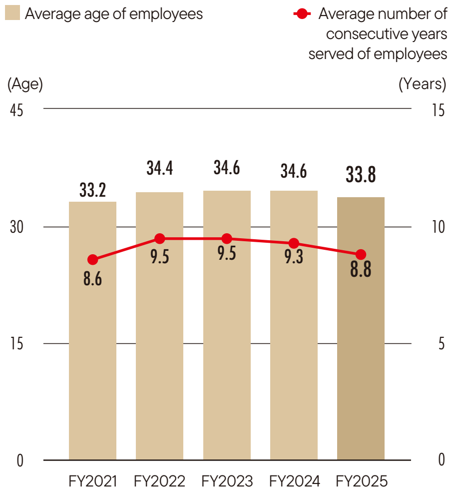


(Note) Starting from the fiscal year ending March 2024, this includes thermal recycling.

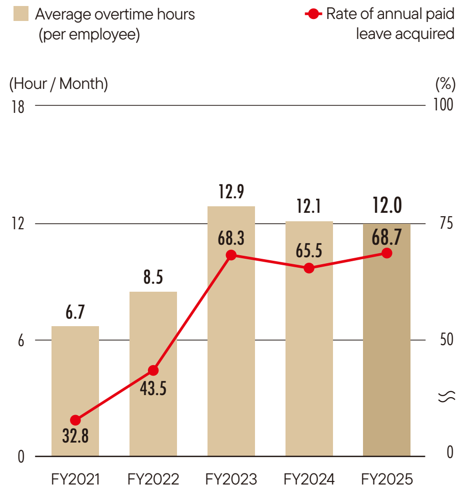
Number of employees



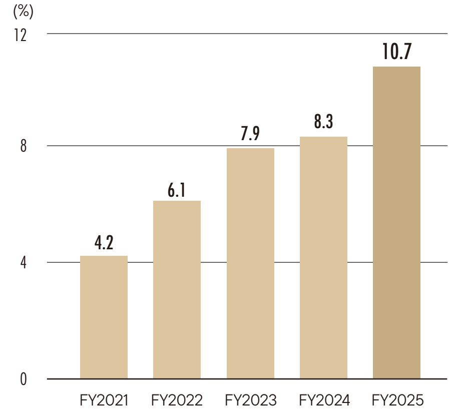
Average age of employees / Average number of consecutive years served of employees



Average overtime hours (per employee) / Rate of annual paid leave acquired



Female management rate



About Us/ Stock Information

As of March 31, 2025

About Us

Trade name	Kotobuki Spirits Co.,Ltd
Head office	2028 Hatagasaki, Yonago City, Tottori Prefecture
Tokyo Office	1-2-7 Kita-Aoyama, Minato-ku, Tokyo Kouzuki Capital East 4F
Establishment	April 25, 1952
Employees	Group Total 1,758 people
Corporate Website	https://www.kotobukispirits.co.jp/en/
Group Companies	
KCC Co.,Ltd	Setouchi Kotobuki Co.,Ltd
Sucrey Co.,Ltd	Tokai Kotobuki Co.,Ltd
Kotobuki Seika Co.,Ltd	Kotobukian Co.,Ltd
Tajima Kotobuki Co.,Ltd	Hanafukudo Co.,Ltd
Kotobukido Co.,Ltd	Kujukushima Group Co.,Ltd
Minami Kotobukiseika Co.,Ltd	KSK Co.,Ltd
Kotobukikoujyuan Co.,Ltd	JunAi Inc,
Hida Kotobukikan Co.,Ltd	KCC international Taiwan Co.,Ltd
Mie Kotobukian Co.,Ltd	KMF Co.,Ltd

Stock Status

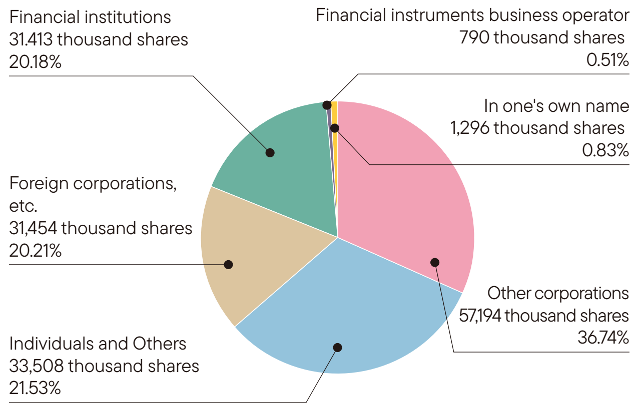
Total number of shares authorized to be issued	456,000,000 shares
Total number of shares issued	155,658,402 shares
Number of shares per unit	100 shares
Number of shareholders	57,301 persons
Listed Stock Exchange	Tokyo Stock Exchange Prime Market
Stock Code	2222
Annual General Meeting of Shareholders	Every year
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders

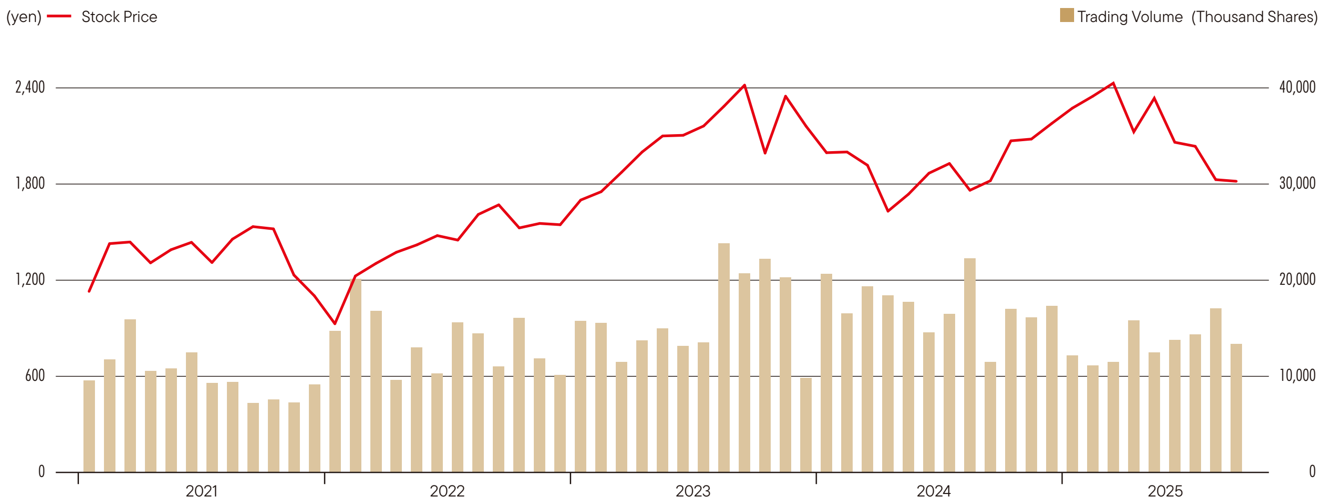
Shareholder Name	Number of shares held (shares)	Shareholding ratio (%)
S Kawagoe Co., Ltd	45,500,000	29.48
The Master Trust Bank of Japan, Ltd.	17,828,900	11.55
STATE STREET BANK AND TRUST COMPANY 505001	12,470,493	8.08
The Custody Bank of Japan, Ltd.	4,462,900	2.89
San-in Godo Bank, Ltd.	3,657,300	2.37

(note) Ownership ratio excludes 1,295,797 shares of treasury stock

Distribution of Shares by Shareholder



Stock Price and Trading Volume Trends



(Note) On October 1, 2023, a 5-for-1 stock split was conducted. The stock price shown is adjusted accordingly.

New Brand Information

In the fiscal year ending March 2025, five new brands opened: "Fruit and Butter canarina," "Woofie," "KOKUNEKO," "Ramely," and "HARE MASU OKAYAMA."

Fruit and Butter canarina

"Fruit and Butter canarina" is a butter sweets specialty store that opened on April 17, 2024, at the JR Shinjuku Station station-based commercial facility "EATo LUMINE." It offers sweets that let customers rediscover the rich, familiar deliciousness of butter combined with various fruits. Customers can enjoy the appeal of colorful fruits and beautifully smooth butter through diverse flavors, textures, and aromas.

Popular Items

Fruit and Butter Sablé

Hazelnut Lemon Butter & Pistachio Cranberry

A trio of assorted cookies: Lemon Butter, Chocolate, and Rum Raisin Butter. These are canarina's signature sablés, made by combining wheat with fruit and butter, baked to a crisp texture, allowing you to savor the texture, aroma, and ingredients.

JR East
Souvenir Grand Prix 2024
Grand Prix Winner

KOKUNEKO

KOKUNEKO is a specialty sweets shop themed around brown sugar and butter, opening on December 14, 2024, at the Hakata Deitos Souvenir Market. It offers "rich and savory sweets" created by combining the deep, sweetness of brown sugar with the richness of butter. Each bite delivers a deep, layered flavor from the dual richness of brown sugar and butter, creating an exquisite harmony that offers moments of pure bliss.

Popular Items

KOKU-UMA Financier

The gentle sweetness of brown sugar and the rich, savory flavor of butter are kneaded into the dough, creating a perfect fusion of their deep richness. With every bite, a profound depth of flavor unfolds. KOKUNEKO's signature moist, paw-shaped financier.

Woofie

Offering sweets featuring caramel and nuts

Ramely

Offering sweets that capture the bittersweet taste caramel and the elegant aroma of black tea

HARE MASU OKAYAMA

Offers sweets made with Okayama's Shine Muscat grapes




寿心

喜びを創り喜びを提供する

寿スピリッツ

Our company name embodies our aspiration to forge ahead with passion and dedication into the future, creating ever greater joy. Our symbol mark represents the hearts of each employee coming together to form a circle.