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Securities Code: 2664

(Shipping Date) May 21, 2026

(Date of Commencement of Measures for Providing Information in Electronic Format) May 20, 2026

To Our Shareholders:

1293 Soshima, Oyama-shi, Tochigi, Japan

**CAWACHI LIMITED**

Shinji Kawachi

President & Representative Director

## Notice of the 59th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 59th Ordinary General Meeting of Shareholders of CAWACHI LIMITED (the “Company”). The meeting will be held for the purposes described below.

In convening this General Meeting of Shareholders, the Company has taken measures for providing information in electronic format regarding the information contained in the Reference Documents for the General Meeting of Shareholders, etc. (Matters Subject to Measures for Providing Information in Electronic Format) and has posted them on the Company’s website on the Internet. Please access the Company’s website as follows and check them.

[The Company’s website (in Japanese)]  
<https://www.cawachi.co.jp/ir/ir-outline//>



In addition to the Company’s website above, the following websites are also available.

[Website for posting the materials for the General Meeting of Shareholders (in Japanese)]  
<https://d.sokai.jp/2664/teiji/>



[Tokyo Stock Exchange Website (TSE Listed Company Information Service) (in Japanese)]  
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>



(Please access the above TSE website, enter and search for “CAWACHI LIMITED” in the “Issue name (company name)” or the Company’s securities code “2664” in “Code,” select “Basic information” and “Documents for public inspection/PR information” in that order, and then check the “Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting” column under “Filed information available for public inspection.”)

Sincerely yours,

1. **Date:** 10:00 a.m. on June 11 (Thursday), 2026  
(Reception starts at 9:00 a.m.)
2. **Venue:** 2nd Floor, Oyama Grand Hotel  
202 Hitotonoya, Oyama-shi, Tochigi, Japan
3. **Objectives:**  
**Items to be reported:**
  1. The Business Report, the Consolidated Financial Statements and the report of the audit of the Consolidated Financial Statements by the Independent Auditor and the Audit & Supervisory Board for the 59th business period (March 16, 2025, to March 15, 2026)
  2. The Non-Consolidated Financial Statements for the 59th business period (March 16, 2025, to March 15, 2026)

**Items to be resolved:**

**<Company Proposals (Agenda No. 1 and Agenda No. 2)>**

**Agenda No. 1:** Appropriation of Retained Earnings

**Agenda No. 2:** Amendments to the Articles of Incorporation

**<Shareholder Proposals (Agenda No. 3 and Agenda No. 4)>**

**Agenda No. 3:** Dismissal of Two (2) Directors

**Agenda No. 4:** Amendments to the Articles of Incorporation  
(Change of Term of Office of Directors)

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- ◎ When you attend the meeting, we kindly request that you submit the enclosed voting form to the receptionist at the venue.
  - ◎ If any amendments are made to Matters Subject to Measures for Providing Information in Electronic Format, a notice to that effect, the matters before the amendments and the matters after the amendments will be posted on each of the above websites on the Internet.
  - ◎ To shareholders who have made a written delivery request, the Company will also send documents stating the Matters Subject to Measures for Providing Information in Electronic Format. However, pursuant to the provisions of laws and regulations and the Articles of Incorporation of the Company, the following matters are excluded from such documents.
    - (i) Notes to the Consolidated Financial Statements
    - (ii) Notes to the Non-Consolidated Financial StatementsAccordingly, the Consolidated Financial Statements and the Non-Consolidated Financial Statements stated in the said documents are part of the documents audited by the Independent Auditor in preparing the Independent Auditor's report and by the Audit & Supervisory Board Members in preparing the audit report.
  - ◎ Shareholders who wish to receive the materials for the General Meeting of Shareholders in writing at the next and subsequent General Meetings of Shareholders are kindly requested to contact the following contact address.

[Inquiries regarding the electronic provision system and requests for document delivery]  
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Department, Electronic Provision System Helpline  
Phone: 0120-782-031 (Office hours: 9:00–17:00 weekdays)
  - ◎ Any major changes in the operation of the General Meeting of Shareholders will be posted on the Company's website on the Internet (<https://www.cawachi.co.jp> (in Japanese)).

# Reference Document for the Ordinary General Meeting of Shareholders

## <Company Proposals (Agenda No. 1 and Agenda No. 2)>

### Agenda No. 1: Appropriation of Retained Earnings

The Company recognizes that returning profit to shareholders is a top-priority management issue. Our basic policy calls for continuing progressive dividends, taking into account the future business prospects as well as the enhancement of internal reserves to ensure the stable growth of the Company.

The Company proposes to pay a year-end dividend of 100 yen per share by adding a commemorative dividend of 20 yen per share (to celebrate the 65th anniversary of its founding) on top of an ordinary dividend of 80 yen per share for the current business period.

- 1) Type of dividend property  
Cash payment
- 2) Allocation of dividends and total amount of dividends  
The Company proposes to disburse 100 yen per common share of the Company.  
Total: 2,233,424,700 yen
- 3) Effective date on which dividends will be disbursed from retained earnings  
June 12, 2026

## Agenda No. 2: Amendments to the Articles of Incorporation

### 1. Reasons for the Proposal

For the purposes of clarifying the management responsibility of Directors, establishing a management structure capable of swiftly responding to changes in the business environment, and strengthening corporate governance, the Company proposes to shorten the term of office of Directors from two (2) years to one (1) year, and make necessary changes to Article 21 (Term of Office of Directors) of the current Articles of Incorporation. In addition, the Company will establish a supplementary provision to clarify that the previous provisions shall apply to the term of office of the Directors elected at the 58th Ordinary General Meeting of Shareholders held on June 11, 2025.

### 2. Details of Proposed Amendments

Details of the proposed amendments are shown below:

(The underlined part indicates the proposed amendment.)

The Current Articles of Incorporation	The Proposed Amendment
<p>Chapter 4. Directors and Board of Directors (Term of Office of Directors) Article 21.</p> <p>(1) The term of office of Directors of the Company shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within <u>two (2) years</u> after their election.</p> <p>(2) The term of office of a Director elected as a substitute for a Director who retired before the expiration of his/her term of office, or a Director elected to fill a newly created position, shall expire when the term of office of the predecessor or other currently serving Directors expires.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>Chapter 4. Directors and Board of Directors (Term of Office of Directors) Article 21.</p> <p>(1) The term of office of Directors of the Company shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within <u>one (1) year</u> after their election.</p> <p>(2) The term of office of a Director elected as a substitute for a Director who retired before the expiration of his/her term of office, or a Director elected to fill a newly created position, shall expire when the term of office of the predecessor or other currently serving Directors expires.</p> <p><u>Supplementary Provisions</u> <u>(Transitional Measures regarding Term of Office of Directors)</u> <u>Article 1.</u></p> <p>(1) <u>Notwithstanding the provisions of Article 21 of the Articles of Incorporation, the term of office of the Directors elected at the 58th Ordinary General Meeting of Shareholders held on June 11, 2025, shall expire at the conclusion of the 60th Ordinary General Meeting of Shareholders to be held in June 2027.</u></p> <p>(2) <u>This Article shall be deleted after the expiration of the date set forth in the preceding paragraph.</u></p>

## <Shareholder Proposals (Agenda No. 3 and Agenda No. 4)>

Agenda No. 3 and Agenda No. 4 have been submitted by one (1) shareholder. However, the Board of Directors of the Company opposes both Agenda No. 3 and Agenda No. 4.

The “Outline of the Agenda” and “Reasons for the Proposal” described below are presented exactly as stated in the documents submitted by the proposing shareholder.

### **Agenda No. 3: Dismissal of Two (2) Directors**

(a) Outline of the Agenda

To dismiss Director Shinji Kawachi and Director Rinji Watanabe from their positions as Directors of the Company.

(b) Reasons for the Proposal

As there are the following serious concerns regarding the Company’s corporate governance and business operations, we propose the dismissal of Mr. Shinji Kawachi (hereinafter “Mr. Kawachi”), President & Representative Director of the Company, and Mr. Rinji Watanabe (hereinafter “Mr. Watanabe”), Outside Director.

(i) Prolonged poor business performance and significantly sluggish stock price

Mr. Kawachi assumed the position of President in 2002 as the second generation of the founding family (son-in-law), but the Company’s business performance has been sluggish for a long time since then.

The Company’s PBR (Price-to-Book Ratio) has remained below 1 for 18 consecutive periods since the fiscal year ended March 2008, and the slump in the stock price is serious and chronic.

Despite the drugstore industry being a growth market where the market size has roughly doubled over the past 10 years, the Company has only been able to grow its net sales at a pace below that of its industry peers, and its market share continues to decline. Mr. Kawachi has aimlessly accumulated cash and deposits without taking appropriate risks in management, and the amount has reached approximately 42.4 billion yen (as of December 2025), which accounts for roughly 63% of the current market capitalization. As a result, the Company’s ROE (Return on Equity) has remained at less than one-third of the median of its industry peers (11.5%), and capital efficiency has been markedly low for a prolonged period.

Such long-standing poor performance and sluggish stock price have occurred throughout the tenure of Mr. Kawachi, who has been at the top of management for about 25 years, and his management responsibility is clear. There is virtually no reason other than nepotism, due to his being from the founding family, for Mr. Kawachi to continue in his post after causing such serious poor performance. Ordinarily, the Board of Directors should hold Mr. Kawachi accountable for his management responsibility, but the Company’s Board of Directors has fallen into dysfunction due to its deference to the founding family. Therefore, Mr. Kawachi needs to be held directly accountable for his management responsibility by minority shareholders at the General Meeting of Shareholders.

(ii) Excessive executive remuneration paid to Mr. Kawachi

The director remuneration for Mr. Kawachi has consistently exceeded 100 million yen annually since the fiscal year ended March 2017, and the total remuneration amount in the most recent fiscal year ended March 2025 reached 164 million yen. This level of remuneration exceeds the remuneration amount of the top management of industry peers larger in scale than the Company.

Mr. Kawachi claims that the reduction in the number of Directors of the Board of Directors from eight (8) to four (4) upon the request of the Nomination and Compensation Committee increased his own workload, serving as the basis for the remuneration increase. However, the reduction in the number of the Board of Directors has resulted in the substantial loss of the supervisory function over Mr. Kawachi, and using the weakening of supervision over himself as a basis for the remuneration increase is nothing but a self-serving explanation. Unlike employees, management should receive remuneration sourced from the enhancement of corporate value, not as consideration for labor. Mr. Kawachi's assertion can only be described as a lack of understanding of his own responsibilities.

Under the circumstances where the Company's performance and stock price have been sluggish for a long time and shareholder value continues to be impaired, Mr. Kawachi does not deserve high remuneration as a business manager, even if his workload has increased. Nevertheless, the continuous payment of remuneration to Mr. Kawachi at a level significantly higher than that of industry peers is an indication that Mr. Kawachi prioritizes his own interests over the interests of shareholders.

(iii) Doubts regarding the appropriateness of related party transactions

Between the Company and TokyoTocha Oroshiuri Inc. (hereinafter "TokyoTocha Oroshiuri"), represented by Mr. Kawachi's biological older brother, product purchasing transactions on a scale of around 300 million yen annually have been continuously conducted for about 16 years. Based on credit report, TokyoTocha Oroshiuri is a company with a non-consolidated sales scale of around 700 million yen, and sales to the Company account for more than approximately 40% of its sales.

It is unnatural in light of normal business practices that the Company, which operates a large-scale drugstore chain, has continued transactions of considerable amounts with TokyoTocha Oroshiuri, a relatively small-scale vendor, over a long period. Mr. Kawachi insists that "we purchase the tea because it is high quality." If it is high-quality tea, the transaction amount should naturally increase in line with the sales growth of the entire CAWACHI LIMITED. However, the transaction amount has remained flat at 300 million yen annually for about 16 years, which is extremely incomprehensible. In light of the above, there is a suspicion that Mr. Kawachi has been continuing transactions that provide benefits to his relatives without business rationality.

(iv) Negligence of supervisory responsibility by Mr. Watanabe

Mr. Watanabe is perceived to have abundant knowledge of capital markets as a former institutional investor, and asserts that he has an understanding of corporate governance through his numerous lecturing and writing activities. However, despite having served on the Board of Directors for about 10 years since assuming the position of Outside Director in June 2016, he has not been able to rectify the chronic state of the Company's PBR falling below 1 and the absence of capital policies.

Furthermore, despite being in the position of Chairperson of the Nomination and Compensation Committee, Mr. Watanabe has overlooked for a long time the approval of the excessive executive remuneration for Mr. Kawachi described in (ii) above, and the continuation of the related party transactions involving suspected conflicts of interest described in (iii) above. From the above, it is clear that Mr. Watanabe's background is in name only, and in reality, he is merely deferring to President Kawachi. The fact that he has neglected matters that should naturally be raised as issues by an Outside Director shows that Mr. Watanabe is not fulfilling the supervisory function expected of an Outside Director.

◆ Opinion of the Company's Board of Directors on Agenda No. 3  
The Company's Board of Directors opposes this proposal.

◆ Reasons for opposition

1. Mr. Shinji Kawachi

Mr. Shinji Kawachi has engaged in large-store development and gained wide-ranging experience in various areas mainly at the Sales Department, Administration Department, and Corporate Planning Department, and built a strong track record. Since becoming President & Representative Director of the Company in June 2002, he has consistently led the Group under his strong leadership and has striven for stable business operations rooted in the local community and further business growth.

The Group's management principles are "Aiming to innovate and improve every day toward becoming the world's leading drugstore," and "Contributing to society by providing a Base for Daily Life that utilizes outstanding expertise to help customers achieve healthy and affluent lives." Guided by these principles, the Group operates mega-drugstores primarily located on major local roads. These highly convenient, life-oriented stores offer a wide range of products essential for good health and daily life at low prices, while enabling quick shopping. The Group develops stores that serve as local infrastructure—distinct from ordinary drugstores—and promotes its development as a contributor to local communities through its own strategies.

Additionally, the drugstore industry is expected to face a continued harsh environment due to intensifying competition of opening new stores from peers and new entrants from other sectors. Sustainable growth under these conditions requires the collective commitment of all Officers and employees. To achieve this, maintaining stable and continuous business operations is vital. We also believe that management stability and the maintenance of corporate culture are essential factors.

We consider Mr. Shinji Kawachi to be an indispensable individual to the Group. Given his deep familiarity with the Group's business and corporate culture, along with his extensive expertise and a proven track record of driving the Group's growth over many years, Mr. Kawachi is expected to continue playing a leading role in enhancing corporate and shareholder value in a sustainable and mid- to long-term manner, while contributing to stable and continuous business operations by leveraging the Group's differentiated strengths. We believe that this Proposal to dismiss such an indispensable individual could cause significant disruption to the Group's business operations and may have a material adverse effect on the Company's performance.

Regarding the fact that the Company's price-to-book ratio (PBR) has remained below 1 and other related issues, the Company recognizes these as management priorities and intends to continue addressing them with the utmost sincerity. However, we believe that Mr. Shinji Kawachi's leadership—rooted in his long-standing experience and deep insight into the Group's business, corporate culture, and unique strengths—is essential for the sustainable enhancement of the Group's corporate value and will best serve the interests of shareholders.

As for the Reasons for the Proposal, the Proposing Shareholder alleges that the Board of Directors has fallen into dysfunction due to deference to the founding family, while raising questions regarding excessive executive remuneration to Mr. Shinji Kawachi and the appropriateness of related party transactions. However, none of these assertions constitute valid grounds for the dismissal of Mr. Shinji Kawachi.

(i) Robust Governance Structure Based on Highly Independent Board Composition of Officers

From the perspective of enhancing corporate governance, the Company is committed to establishing a sound governance system. The Company's Officers consist of four (4) Directors (of whom two (2), or half, are Independent Outside Directors) and four (4) Audit & Supervisory Board Members

(of whom three (3), or a majority, are Independent Outside Audit & Supervisory Board Members). This composition ensures a highly independent structure where Independent Outside Officers constitute a majority of Officers. In Board of Directors meetings, active discussions are held from the perspectives of enhancing the Group's corporate value and shareholder interests, incorporating proactive opinions from Independent Outside Officers. There is absolutely no truth to the assertion that the Board has fallen into dysfunction due to deference to the founding family.

In addition, the Company has established a Nomination Committee and a Compensation Committee as voluntary advisory bodies to the Board of Directors. Each committee is chaired by an Independent Outside Director, ensuring an appropriate system to maintain transparency and objectivity in the appointment and dismissal of Directors and the determination of their remuneration. In the Nomination Committee, committee members—primarily Independent Outside Directors—engage in active discussions on matters such as the drafting of proposals for the election of Directors and succession planning. Similarly, the Compensation Committee actively deliberates on Officer remuneration proposals, including performance-linked compensation. The current composition of both committees, in which Independent Outside Directors constitute a majority, further enhances their overall effectiveness.

(ii) Rigorous Review Process for Director Remuneration

Regarding remuneration for Directors including Mr. Shinji Kawachi, the Compensation Committee—led by its Independent Outside Director members—appropriately reviews the validity of such remuneration each fiscal year. This process involves verifying performance, target achievement, and governance implementation, while also incorporating deliberations on performance-linked compensation. Based on these reviews, the Compensation Committee drafts proposals for Director remuneration, which are finalized by the Board of Directors.

As described above, the remuneration for Mr. Shinji Kawachi is determined through an appropriate process that includes rigorous verification by the Compensation Committee, which primarily consists of Independent Outside Directors. The Company, therefore, considers Director remuneration to be appropriate. Furthermore, the Company reviews its remuneration structure as needed to effectively incentivize contributions to increasing corporate and shareholder value, with such evaluations being conducted in a timely and appropriate manner.

(iii) Rationality of Related Party Transactions and Proper Review Processes

To prevent any actions that could harm corporate value or the common interests of shareholders, we confirm the existence and materiality of related party transactions with all Group Directors and Officers every six months. Any material facts are reported to the Board of Directors, and transactions subject to disclosure are reported appropriately. Additionally, when entering into transactions, we conduct appropriate investigations commensurate with their materiality and make decisions after thorough deliberation involving Independent Outside Directors. We continuously monitor these transactions through periodic audits based on confirmation letters to verify their existence and procedural effectiveness, supplemented by regular investigations into actual transaction status. Regarding the purchase of goods from TokyoTocha Oroshiuri Inc., we apply the same verification, review, and monitoring processes to ensure that the rationality of these transactions is properly evaluated. Consequently, transactions with the company are conducted based on reasonable business rationale. The company is not treated preferentially compared with other business partners in any way, nor do these transactions provide benefits to the relatives of Mr. Shinji Kawachi without legitimate business justification.

## 2. Mr. Rinji Watanabe

Mr. Rinji Watanabe is a Ph.D. holder (Commerce) and a practicing business manager with extensive experience as an institutional investor, as well as expertise in retail management in particular. In addition, since assuming office as an Outside Director of the Company, Mr. Rinji Watanabe has appropriately overseen the Company's management from an expert and objective viewpoint and provided advice from the shareholders' perspective. His advice has covered a wide range of matters, including the Company's business performance, financial status, and management strategies (such as store opening strategies, investment policies, management with an awareness of the cost of equity, human capital management, and policies on shareholder returns). He has been striving to improve the medium- to long-term corporate value and shareholder value of the Company.

In particular, as the Chairperson of the Company's Nomination Committee and Compensation Committee since January 2021, he has played an important role by facilitating vigorous discussions to ensure transparency and objectivity in the appointment, dismissal, and remuneration of Directors and other Officers.

The Company believes that Mr. Rinji Watanabe is an indispensable individual for the sustainable enhancement of corporate value and shareholder value over the medium to long term, and that his continued contribution by leveraging his abilities and professional expertise will serve the interests of all shareholders.

**Agenda No. 4: Amendments to the Articles of Incorporation  
(Change of Term of Office of Directors)**

(a) Outline of the Agenda

Article 21 (Term of Office of Directors) of the Articles of Incorporation shall be amended as follows. If formal adjustments (including but not limited to the correction of numbering discrepancies) are required to the provisions stated in this agenda due to the approval of any other agenda (including any agenda related to Company proposals) at this Ordinary General Meeting of Shareholders, the provisions pertaining to this agenda shall be read as the provisions after the necessary adjustments are made.

Before Amendment	After Amendment
<p>(Term of Office of Directors) Article 21.</p> <p>(1) The term of office of Directors of the Company shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending <u>within two (2) years after their election.</u></p> <p>(2) The term of office of a Director elected as a substitute for a Director who retired before the expiration of his/her term of office, or a Director elected to fill a newly created position, shall expire when the term of office of the predecessor or other currently serving Directors expires.</p>	<p>(Term of Office of Directors) Article 21.</p> <p>(1) The term of office of Directors of the Company shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending <u>within one (1) year after their election.</u></p> <p>(2) The term of office of a Director elected as a substitute for a Director who retired before the expiration of his/her term of office, or a Director elected to fill a newly created position, shall expire when the term of office of the predecessor or other currently serving Directors expires.</p>

(The underlined part indicates the proposed amendment)

(b) Reasons for the Proposal

We propose this amendment to the Articles of Incorporation in order to shorten the term of office of the Company's Directors from the current two (2) years to one (1) year, and to establish a structure in which shareholders can evaluate the suitability of Directors every year.

A one-year term of office for directors is already standard among domestic listed companies, and the Company's current system of a two-year term is lagging behind the trend of corporate governance. This is regarded as being due to Mr. Kawachi's self-protection in not wanting to be exposed to the evaluation of the General Meeting of Shareholders. If the term of office remains at two (2) years, opportunities for shareholders to evaluate the suitability of Directors in a timely manner will be limited even when business performance slumps or the business environment changes rapidly. Ensuring a sense of accountability among the management team and to shareholders through the annual election of Directors is essential for strengthening the Company's governance.

- ◆ Opinion of the Company's Board of Directors on Agenda No. 4  
The Company's Board of Directors opposes this proposal.

- ◆ Reasons for opposition

The Company expects its Directors to engage in various initiatives from a medium- to long-term perspective. Accordingly, the Company has set the term of office for Directors at two (2) years. The Company believes this is a reasonable option for its management structure. Meanwhile, in response to recent trends toward strengthening corporate governance, the Company proposes Agenda No. 2: "Amendments to the Articles of Incorporation" to shorten the term of office for Directors from two (2) years to one (1) year. This proposal is intended to clarify the management responsibility of Directors, build a management structure capable of responding quickly to changes in the business environment, and further strengthen corporate governance. In the Company's proposal under Agenda No. 2, the Company has clarified that the previous provisions will apply to the term of office for Directors who were elected at the 58th Ordinary General Meeting of Shareholders held on June 11, 2025.

While this Shareholder Proposal shares the Company's intention to shorten the term of office for Directors to one (1) year, it does not include supplementary provisions for transitional measures. As a result, it is inconsistent with the intended operation of the new management structure, and the Company therefore considers it inappropriate.