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Securities Code: 9627

July 9, 2024

Start date of measures for electronic provision: July 2, 2024

To Our Shareholders

Kiichi Otani  
President and Representative Director  
**AIN HOLDINGS INC.**  
5-2-4-30, Higashisapporo, Shiroishi-ku, Sapporo

## **Notice of Convocation of the 55th Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 55th Ordinary General Meeting of Shareholders of AIN HOLDINGS INC. (hereinafter the “Company”) to be held as described below.

In convening this General Meeting of Shareholders, the Company has taken measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters for which measures for providing information in electronic format are to be taken) in electronic format, and has posted the information on the Company’s website. Please access the website below to view the information.

### **The Company’s website:**

<https://www.ainj.co.jp/corporate/english/ir-library.html>

(Access the above website and view the documents listed under FY4/24)

In addition to the Company’s website, the matters subject to measures for electronic provision are also posted on each of the following websites.

### **Website for posted informational materials for the general meeting of shareholders:**

<https://d.sokai.jp/9627/teiji/> (in Japanese)

### **Tokyo Stock Exchange website (Listed Company Search):**

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

(Access the TSE website by using the internet address shown above, enter “AIN HOLDINGS” in “Issue name (company name)” or the Company’s securities code “9627” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting].”)

In the event that you do not attend the meeting, you may exercise your voting rights either via the Internet or in writing (by mail). Please review the Reference Documents for the General Meeting of Shareholders and refer to “Information on Exercise of Voting Rights” on pages 3 to 4 to exercise your voting rights.

**1. Date and Time:** 10:00 a.m., Tuesday, July 30, 2024 (Reception will open at 9:00 a.m.)

**2. Location:** **Sapporo Grand Hotel, “Grand Hall” (2nd Floor)**

Nishi 4, Kita 1, Chuo-ku, Sapporo

**3. Agenda for the Meeting**

**Matters to be Reported:**

- (1) The Business Report, the Consolidated Financial Statements, and the report on results of the audits by the Accounting Auditor and the Board of Corporate Auditors regarding the Consolidated Financial Statements for the 55th business term (from May 1, 2023 to April 30, 2024)
- (2) The Non-Consolidated Financial Statements for the 55th business term (from May 1, 2023 to April 30, 2024)

**Matters to be Resolved:**

(Company Proposals)

- Proposal No. 1:** Distribution of Surplus  
**Proposal No. 2:** Election of Eleven (11) Directors  
**Proposal No. 3:** Election of Three (3) Corporate Auditors  
**Proposal No. 4:** Partial Amendment to the Articles of Incorporation

(Shareholder Proposals)

- Proposal No. 5:** Dismissal of Two (2) Directors  
**Proposal No. 6:** Election of Four (4) Directors  
**Proposal No. 7:** Determination of the fixed remuneration amount paid to each Outside Director  
**Proposal No. 8:** Determination of Remuneration for Granting Restricted Shares to Outside Directors

**4. Information on Exercise of Voting Rights**

- If you exercise your voting rights more than once via the Internet, only the voting rights you exercise last will be valid.
  - If you exercise your voting rights both via the Internet and in writing (by mail), only the voting rights you exercise via the Internet will be valid regardless of the date and time the written form was received by the Company.
  - If you exercise your voting rights in writing (by mail) and do not indicate your approval or disapproval of the proposals on the Voting Rights Exercise Form, it will be treated as an indication of your approval for the Company proposals and disapproval of the shareholder proposals.
  - Please refer to “Information on Exercise of Voting Rights” below as well.
- If attending the meeting in person, please present the Voting Rights Exercise Form at the reception desk.
  - If you will be exercising your voting rights by proxy, you may appoint one other shareholder with voting rights as proxy to attend the General Meeting of Shareholders.
  - If revisions to the matters subject to measures for electronic provision arise, a notice of the revisions and the details of the items before and after the revisions will be posted on the Company’s aforementioned website, the website for posted informational materials for the general meeting of shareholders and the TSE website.
  - Paper-based documents stating matters subject to measures for electronic provision are sent to shareholders who have requested the delivery of paper-based documents, however those documents do not include the following matters in accordance with the provisions of laws and regulations and Article 16 of the Company’s Articles of Incorporation.
    - (i) “Main business activities,” “Main offices,” “Status of employees,” “Status of main lenders,” “Other material matters regarding the current status of the Company Group,” “Status of accounting auditor,” “System for ensuring the appropriateness of business and the status of operation of said system,” “Basic policy regarding control of the Company,” and “Policy regarding decision of dividends of surplus, etc.,” in the Business Report
    - (ii) “Consolidated statements of changes in shareholders’ equity” and “Notes to consolidated financial statements” in the Consolidated Financial Statements
    - (iii) “Balance sheet,” “Statement of income,” “Non-consolidated statements of changes in shareholders’ equity,” and “Notes to non-consolidated financial statements” in the Non-Consolidated Financial Statements
    - (iv) “Accounting audit report on the consolidated financial statements,” “Accounting audit report on the non-consolidated financial statements,” and “Audit Report by Board of Corporate Auditors” in the Audit ReportAccordingly, Business Report, and Consolidated Financial Statements included in these paper-based documents are part of the subject documents that were audited by the Accounting Auditor in preparing the Accounting Auditor’s Report and by the Corporate Auditors in preparing their Audit Report.
  - In order to further deepen communication with shareholders, the Company has introduced “Smart Convocation,” which enables shareholders to easily view key content and related information of Reference Documents for the General Meeting of Shareholders, etc., and exercise their voting rights via smartphones and other devices.

<https://p.sokai.jp/9627/> (in Japanese)

**Information on Exercise of Voting Rights**

Exercise of voting rights at the Company’s General Meeting of Shareholders is shareholders’ important right. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights.

Shareholders have submitted shareholder proposals for this General Meeting of Shareholders; however, the Board of Directors of the Company is opposed to Proposal No. 5 through to Proposal No. 8, which are proposals made by shareholders. We ask that all shareholders who support the opinion of the Board of Directors of the Company exercise their voting rights by voting “approval” for the Company proposals and “disapproval” for the shareholder proposals. Please note that more detailed information on the opinion of the Board of Directors of the Company can be found on pages 29 to 46 of the “Reference Documents for the General Meeting of Shareholders.”

You may exercise your voting rights by one of the following three methods.

<p style="text-align: center;"><b>If you are attending the meeting</b></p> <p>Please submit the Voting Rights Exercise Form at the reception.</p> <p style="text-align: center;">Date and Time:</p> <hr/> <p style="text-align: center;">10:00 a.m., Tuesday, July 30, 2024 (Reception will open at 9:00 a.m.)</p>	<p style="text-align: center;"><b>Exercise of voting rights via the Internet</b></p> <p>Please enter your approval or disapproval of the proposals by following the instructions on page 4.</p> <p style="text-align: center;">Deadline for exercise of voting rights via the Internet</p> <hr/> <p style="text-align: center;">All data entry to be completed no later than 6:00 p.m., Monday, July 29, 2024.</p>	<p style="text-align: center;"><b>Exercise of voting rights in writing (by mail)</b></p> <p>Please indicate your approval or disapproval of the proposals on the Voting Rights Exercise Form and return it to the Company.</p> <p style="text-align: center;">Deadline for exercise of voting rights by mail</p> <hr/> <p style="text-align: center;">To be received no later than 6:00 p.m., Monday, July 29, 2024.</p>
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**Guidance for the Filling in of the Voting Rights Exercise Form**

Resolutions will be passed on Company proposals and shareholder proposals at this General Meeting of Shareholders. Shareholders who agree with the opinions of the Company’s Board of Directors are requested to exercise their voting rights by voting “approval” for the Company proposals and “disapproval” for the shareholder proposals.

- If you exercise your voting rights both via the Internet and in writing (by mail), only the voting rights you exercise via the Internet will be valid, regardless of the date and time the written form was received by the Company. If you exercise your voting rights more than once via the Internet, only the voting rights you exercise last will be valid.
- If you exercise your voting rights in writing (by mail) and do not indicate your approval or disapproval of the proposals on the Voting Rights Exercise Form, it will be treated as an indication of your approval for the Company proposals and disapproval of the shareholder proposals.

## Guidance for the Exercise of Voting Rights via the Internet

### Scanning the login QR Code

#### “Smart Vote”

You can simply log in to the voting website without entering your voting rights exercise code and password.

- 1 Please scan the QR Code printed on the lower right-hand side of the Voting Rights Exercise Form.
- \* “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.
- 2 Indicate your approval or disapproval by following the instructions on the screen.

Please note that exercising voting rights by using “Smart Vote®” method is available only once.

If you need to make a correction to the content of your vote after you have exercised your voting rights, please access the website for personal computer and log in by entering your voting rights exercise code and password printed on the Voting Rights Exercise Form, and exercise your voting rights again.

\* You can access the website for personal computer by scanning the QR Code again.

### Entering voting rights exercise code and password

Voting website: <https://soukai.mizuho-tb.co.jp/> (in Japanese)

- 1 Please access the website for the exercise of voting rights.
- 2 Enter the voting rights exercise code printed on the Voting Rights Exercise Form.
- 3 Enter the password printed on the Voting Rights Exercise Form.
- 4 Indicate your approval or disapproval by following the instructions on the screen.

In case you need instructions for how to operate your personal computer, smartphone or mobile phone in order to exercise your voting rights via the Internet, please contact:

Mizuho Trust & Banking Co., Ltd. Stock Transfer Agency  
Internet Help Dial  
**0120-768-524 (toll free only from Japan)**  
(9:00 a.m. – 9:00 p.m. except New Year holidays)

Institutional investors may make use of the Electronic Voting Platform for institutional investors operated by ICJ, Inc.

## Reference Documents for the General Meeting of Shareholders

<Company Proposals (from Proposal No. 1 to Proposal No. 4)>

**Proposal No. 1:** Distribution of Surplus

As we consider returning profits to shareholders to be one of the most important management issues, and taking into consideration future business development while maintaining stable dividends, the Company proposes to pay a year-end dividend for the fiscal year as follows:

Type of dividend property

To be paid in cash.

Allotment of dividend property and their aggregate amount

¥80 per common share of the Company      Total payment: ¥2,826,249,680

Effective date of dividends of surplus

July 31, 2024

**Proposal No. 2:** Election of Eleven (11) Directors

At the conclusion of this General Meeting of Shareholders, the terms of office of all 11 Directors will expire. Therefore, taking into account the findings of the Nomination and Remuneration Committee, the Company proposes the election of 11 Directors as the Company's proposal for the number of internal Directors to be reduced by one and the number of outside Directors to be increased by one to further enhance the supervisory function.

The candidates for Director are as follows:


Candidate No.	Name	Gender	Current positions and responsibilities in the Company	Candidate attributes	Attendance at Board of Directors meetings for the fiscal year 2023
1	Kiichi Otani	Male	President and Representative Director	Reelection	12/12 (100%)
2	Shoichi Shudo	Male	Representative Senior Managing Director in charge of Store Development and Dispensing Pharmacy Operations Management	Reelection	12/12 (100%)
3	Toshihide Mizushima	Male	Representative Senior Managing Director in charge of Cosmetic and Drug Store Operations Management, Operational Support and Digital Promotion	Reelection	12/12 (100%)
4	Miya Oishi	Female	Representative Senior Managing Director in charge of External Affairs	Reelection	12/12 (100%)
5	Rieko Kimei	Female	Director Division Manager of Personnel	Reelection	12/12 (100%)
6	Nobuyuki Takakura	Male	Director in charge of Risk Management	Reelection	10/10 (100%)
7	Noriko Endo	Female	Outside Director	Reelection Outside Independent	11/12 (92%)
8	Hideki Kuriyama	Male	Outside Director	Reelection Outside Independent	10/12 (83%)
9	Mariko Watahiki	Female	–	New election Outside Independent	–
10	Nobumichi Hattori	Male	–	New election Outside Independent	–
11	Shigeki Kimura	Male	–	New election Outside Independent	–

Reelection Candidate for Director to be reelected

New election Candidate for Director to be newly elected


Outside Candidate for outside Director


Independent Independent officer as stipulated by the Tokyo Stock Exchange


Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	 <p data-bbox="363 568 512 656">Kiichi Otani (July 19, 1951) <u>Reelection</u></p> <p data-bbox="280 663 592 786">Number of years in office at the conclusion of this general meeting of shareholders: 44 years</p> <p data-bbox="309 792 563 880">Attendance at Board of Directors meetings: 12/12 (100%)</p>	<p data-bbox="612 264 1230 322">July 1980 President and Representative Director of Otani Corporation (now AIN HOLDINGS INC.)</p> <p data-bbox="612 329 1198 421">Nov. 1981 Founder and Director of Daiichi Medical Testing Laboratories Co., Ltd., (Asahikawa, now AIN HOLDINGS INC.)</p> <p data-bbox="612 427 1142 456">July 1983 President and Representative Director</p> <p data-bbox="612 463 1118 492">May 1985 Managing Director of the Company</p> <p data-bbox="612 499 1225 557">May 1988 President and Representative Director (current post)</p>	3,239,704 shares
<p data-bbox="277 891 528 920">[Reasons for nomination]</p> <p data-bbox="277 925 1433 1077">Mr. Otani has always demonstrated excellent leadership and decisiveness in leading the Company, and has grown the dispensing pharmacy business of the Group into one of the largest in Japan. His proactive approach to the expansion of the business has resulted in 24 consecutive years of growth as of the fiscal year ended April 30, 2024. As chairman of the Sustainability Committee he has also promoted sustainable management and made significant contributions to increases in corporate value.</p> <p data-bbox="277 1081 1433 1196">The Company proposes Mr. Otani as a candidate for Director because of his management experience and knowledge in financial affairs, sustainable management and both businesses, and because the Company believes that he is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			


Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	 <p data-bbox="331 701 544 790">Shoichi Shudo (November 16, 1959) <u>Reelection</u></p> <p data-bbox="280 795 592 1014">Number of years in office at the conclusion of this general meeting of shareholders: 24 years Attendance at Board of Directors meetings: 12/12 (100%)</p>	<p data-bbox="612 264 1238 353">Mar. 1982    Joined Daiichi Medical Testing Laboratories Co., Ltd. (Asahikawa, now AIN HOLDINGS INC.)</p> <p data-bbox="612 360 1238 421">May 1991    Division Manager of Corporate Planning of the Company</p> <p data-bbox="612 427 1238 517">June 1994    Director and Division Manager of Administration of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)</p> <p data-bbox="612 524 1238 584">Feb. 2000    Department Manager of Kansai Sales, Dispensing Pharmacy Business of the Company</p> <p data-bbox="612 591 855 620">July 2000    Director</p> <p data-bbox="612 627 959 656">May 2003    Managing Director</p> <p data-bbox="612 663 1193 723">May 2004    Division Manager of Dispensing Pharmacy Business</p> <p data-bbox="612 730 1031 759">May 2012    Senior Managing Director</p> <p data-bbox="612 766 1222 826">Nov. 2015    Representative Senior Managing Director (current post) in charge of Store Development</p> <p data-bbox="612 833 1198 893">May 2020    Chairman of Nippon Pharmacy Association (NPhA)</p> <p data-bbox="612 900 1214 960">Nov. 2023    President and Representative Director of AIN PHARMACIEZ INC. (current post)</p> <p data-bbox="612 967 1222 1050">Dec. 2023    In charge of Store Development and Division Manager of Dispensing Pharmacy Operations Management of the Company</p> <p data-bbox="612 1057 1238 1144">May 2024    In charge of Store Development and Dispensing Pharmacy Operations Management (current post)</p>	10,089 shares
<p data-bbox="277 1155 528 1184">[Reasons for nomination]</p> <p data-bbox="277 1191 1398 1308">Having previously served as the Division Manager of Corporate Planning of the Company, Mr. Shudo has taken responsibility for investment decisions as the head of the Dispensing Pharmacy Business and of store development, including M&amp;A, he has contributed significantly to the expansion of the Group's business through his wide-ranging personal connections and his high-level coordination abilities.</p> <p data-bbox="277 1314 1441 1431">The Company proposes Mr. Shudo as a candidate for Director because of his management experience and knowledge in financial affairs and the Dispensing Pharmacy Business, and because the Company believes that he is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			





Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	 <p>Toshihide Mizushima (March 10, 1960) <u>Reelection</u></p> <p>Number of years in office at the conclusion of this general meeting of shareholders: 24 years Attendance at Board of Directors meetings: 12/12 (100%)</p>	<p>Apr. 1986      Joined Otani Corporation (now AIN HOLDINGS INC.)</p> <p>May 2000      Department Manager of Drug Store, Cosmetic and Drug Store Business of the Company</p> <p>July 2000      Director</p> <p>Feb. 2001      Division Manager of Cosmetic and Drug Store Business</p> <p>May 2003      Managing Director</p> <p>May 2012      Senior Managing Director and Division Manager of Administration</p> <p>Nov. 2012      President and Representative Director of WHOLESAL STARS Co., Ltd. (current post)</p> <p>Nov. 2015      Representative Senior Managing Director of the Company (current post) in charge of Operating Management and Operational Support</p> <p>July 2018      In charge of Operating Management, Operational Support and Information Technology Management</p> <p>May 2020      In charge of Operating Management, Operational Support and Digital Promotion</p> <p>Dec. 2023      In charge of Cosmetic and Drug Store Operations Management, Operational Support and Digital Promotion (current post)</p>	28,089 shares
<p>[Reasons for nomination]</p> <p>Utilizing his strong leadership and decisiveness in charge of the management of the Dispensing Pharmacy Business, Cosmetic and Drug Store Business, and Operational Support of the Company, Mr. Mizushima has appropriately promoted business process improvement projects and the digital field, and contributed significantly to the improvement of productivity in both businesses. As deputy chairman of the Sustainability Committee he has also promoted sustainable management and made contributions to increases in corporate value.</p> <p>The Company proposes Mr. Mizushima as a candidate for Director because of his management experience and knowledge in financial affairs, sustainable management and both businesses, and because the Company believes that he is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			


Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	 <p data-bbox="352 602 520 663">Miya Oishi (August 7, 1960)</p> <p data-bbox="384 667 488 694"><u>Reelection</u></p> <p data-bbox="280 698 595 822">Number of years in office at the conclusion of this general meeting of shareholders: 12 years</p> <p data-bbox="309 826 564 920">Attendance at Board of Directors meetings: 12/12 (100%)</p>	<p data-bbox="611 264 1238 291">July 1993 Director of DAICHIKU Co., Ltd. (current post)</p> <p data-bbox="611 297 959 324">May 2007 Managing Director</p> <p data-bbox="611 331 1142 358">July 2008 President and Representative Director</p> <p data-bbox="611 365 1222 459">Apr. 2011 Vice President and Representative Director of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)</p> <p data-bbox="611 465 1142 492">Feb. 2012 President and Representative Director</p> <p data-bbox="611 499 1238 557">July 2012 Director and Deputy Department Manager of Dispensing Pharmacy Business of the Company</p> <p data-bbox="611 564 959 591">July 2014 Managing Director</p> <p data-bbox="611 598 1222 692">Nov. 2015 Division Manager of Operating Management President and Representative Director of AIN PHARMACIEZ INC.</p> <p data-bbox="611 698 1222 757">May 2019 In charge of Dispensing Pharmacy Operations Management of the Company</p> <p data-bbox="611 763 1190 822">July 2021 Division Manager of Dispensing Pharmacy Operations Management</p> <p data-bbox="611 828 1230 887">May 2023 Director of AIN PHARMACIEZ INC. (current post)</p> <p data-bbox="611 893 1206 981">July 2023 Representative Senior Managing Director, in charge of External Affairs of the Company (current post)</p>	7,456 shares
<p data-bbox="277 992 528 1019">[Reasons for nomination]</p> <p data-bbox="277 1025 1445 1267">As the President and Representative Director of a major subsidiary of the Company and the head of the Dispensing Pharmacy Business, Ms. Oishi has contributed significantly to the expansion of the Group's business scale through her excellent leadership skills and strong sense of responsibility from a practical and multilateral perspective. As the person in charge of materiality for the Dispensing Pharmacy Business, she has also contributed to increases in corporate value. The Company proposes Ms. Oishi as a candidate for Director because of her management experience and knowledge in sustainable management and both businesses, and because the Company believes that she is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			


Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
5	 <p>Rieko Kimei (February 26, 1962) <b>Reelection</b> Number of years in office at the conclusion of this general meeting of shareholders: 10 years Attendance at Board of Directors meetings: 12/12 (100%)</p>	<p>Dec. 1995      Joined Daiichi Medical Testing Laboratories Co., Ltd. (Sapporo, now AIN HOLDINGS INC.)</p> <p>May 2003      Department Manager of Merchandise, Cosmetic and Drug Store Business of the Company</p> <p>May 2004      Department Manager of Personnel, Administration Division</p> <p>May 2009      Division Manager of Cosmetic and Drug Store Business and Department Manager of Merchandise</p> <p>Aug. 2009      Executive Officer</p> <p>May 2013      In charge of Personnel</p> <p>July 2014      Director (current post)</p> <p>Sept. 2015      Vice President and Representative Director of AYURA LABORATORIES Inc.</p> <p>July 2016      President and Representative Director</p> <p>Feb. 2018      Director of AIN PHARMACIEZ INC. (current post)</p> <p>July 2018      In charge of Personnel of the Company</p> <p>May 2022      Division Manager of Personnel (current post)</p>	6,325 shares
<p>[Reasons for nomination]</p> <p>Having previously served as the person in charge of the Cosmetic and Drugstore Business, in her role as Division Manager of Personnel she has demonstrated outstanding planning abilities and leadership by building an organization for investing in human capital and improving employee engagement, and reforming the personnel system, making significant contributions to increases in corporate value. She has also worked to promote opportunities for women in the workplace, leading to a major subsidiary receiving Eruboshi certification and Platinum Kurumin certification.</p> <p>The Company proposes Ms. Kimei as a candidate for Director because of her management experience and knowledge in sustainable management and the Cosmetic and Drug Store Business, and because the Company believes that she is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
6	 <p data-bbox="339 927 536 1016">Nobuyuki Takakura (January 14, 1957) <u>Reelection</u></p> <p data-bbox="284 1023 592 1211">Number of years in office at the conclusion of this general meeting of shareholders: 1 year Attendance at Board of Directors meetings: 10/10 (100%)</p>	<p data-bbox="612 264 1225 322">Apr. 1981     Joined Ministry of Health and Welfare (now Ministry of Health, Labour and Welfare)</p> <p data-bbox="612 331 1225 421">Aug. 2002     Director, Economic Affairs Division of Health Policy Bureau, Ministry of Health, Labour and Welfare</p> <p data-bbox="612 430 1225 488">July 2004     Director, Pension Division of Pension Bureau, Ministry of Health, Labour and Welfare</p> <p data-bbox="612 497 1225 586">Aug. 2007     Director, General Affairs Division of Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare</p> <p data-bbox="612 595 1225 685">July 2009     Deputy Assistant Minister for International Affairs, Minister's Secretariat, Ministry of Health, Labour and Welfare</p> <p data-bbox="612 694 1225 815">July 2010     Deputy Director General, Minister's Secretariat, Ministry of Internal Affairs and Communications (In charge of Public Enterprise)</p> <p data-bbox="612 824 1225 913">July 2011     Assistant Commissioner of the Fire and Disaster Management Agency, Ministry of Internal Affairs and Communications</p> <p data-bbox="612 922 1225 1012">Sept. 2012     Councilor for Pension Service, Minister's Secretariat, Ministry of Health, Labour and Welfare</p> <p data-bbox="612 1021 1225 1079">July 2013     Retired from Ministry of Health, Labour and Welfare</p> <p data-bbox="612 1088 1225 1111">Oct. 2013     Senior Adviser of TEIJIN LIMITED</p> <p data-bbox="612 1120 1225 1178">Apr. 2014     Teijin Group Corporate Officer, Deputy Chief Social Responsibility Officer</p> <p data-bbox="612 1187 1225 1308">Apr. 2016     Teijin Group Corporate Officer, Chief Social Responsibility Officer, in charge of corporate auditing department, and in charge of utilization of factory sites</p> <p data-bbox="612 1317 1225 1406">Apr. 2017     Teijin Group Corporate Officer, Chief Social Responsibility Officer, and in charge of corporate auditing department</p> <p data-bbox="612 1415 1225 1438">Apr. 2019     Senior Adviser (part-time)</p> <p data-bbox="612 1447 1225 1469">Apr. 2020     Adviser of the Company</p> <p data-bbox="612 1478 1225 1536">July 2020     Senior Managing Director of AIN PHARMACIEZ INC. (current post)</p> <p data-bbox="612 1545 1225 1603">July 2023     Director in charge of Risk Management of the Company (current post)</p>	1,198 shares
<p data-bbox="276 1603 528 1626">[Reasons for nomination]</p> <p data-bbox="276 1635 1441 1852">Helped by his abundant knowledge of CSR issues, Mr. Takakura has played a central role in the systematization of sustainability management, including identifying material issues (materiality) for the Company. As the person in charge of Risk Management at the Company he has also promoted the strengthening of risk management and compliance, and made significant contributions to increases in corporate value. The Company proposes Mr. Takakura as a candidate for Director because of his knowledge in legal and compliance and sustainable management, and because the Company believes that he is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			


Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
7	 <p>Noriko Endo Name on family register: Noriko Tsujihiro (May 6, 1968) <b>Reelection</b> <b>Outside</b> <b>Independent</b></p> <p>Number of years in office at the conclusion of this general meeting of shareholders: 6 years Attendance at Board of Directors meetings: 11/12 (92%)</p>	<p>June 1994      Joined DIAMOND, Inc. Mar. 2006      Deputy Editor of Diamond Weekly, DIAMOND, Inc. Sept. 2013      Visiting Researcher at Policy Alternatives Research Institute, University of Tokyo Apr. 2015      Project Professor, Graduate School of Media and Governance, Keio University July 2018      Outside Director of the Company (current post) June 2019      Outside Director of Hankyu Hanshin Holdings, Inc. (current post) Apr. 2020      Specially Appointed Professor of Keio University Global Research Institute (current post) Mar. 2021      Outside Director of Techpoint, Inc. June 2021      Outside Director of Japan Elevator Service Holdings Co., Ltd. (current post) June 2022      Outside Members of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current post) Apr. 2024      Professor of Research Council, Waseda University (current post)</p>	200 shares
<p>[Reasons for nomination and overview of expected roles]</p> <p>Ms. Endo has a wealth knowledge through her journalistic activities as the editor of an economic magazine with responsibility for numerous sectors, including retail and distribution. She is also well-versed in energy and environmental problems as a result of her research into public policy as it pertains to energy, in which area she possesses a wide range of insights. In addition, through her experience as an outside Director of other listed companies she has developed a deep knowledge of corporate management in the IT, telecommunications, railroad, real estate, and other businesses. Since being appointed outside Director of the Company, at meetings of the Board of Directors and at other times she has offered advice mainly on business strategy and compliance.</p> <p>The Company proposes Ms. Endo as a candidate for outside Director because of her knowledge in financial affairs, legal and compliance, and sustainable management, and because the Company believes that she is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			
<p>Reason for concluding that the candidate is independent</p> <p>The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence. Until May 2018, Ms. Endo had an advisory contract with the Company, but the advisory fees in question were less than 10 million yen per annum, and she fulfills the above requirements.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
8	 <p data-bbox="352 568 520 629">Hideki Kuriyama (April 26, 1961)</p> <p data-bbox="379 631 493 723"> <input type="checkbox"/> Reelection  <input type="checkbox"/> Outside  <input type="checkbox"/> Independent </p> <p data-bbox="279 725 595 913"> Number of years in office at the conclusion of this general meeting of shareholders: 2 years  Attendance at Board of Directors meetings: 10/12 (83%) </p>	<p data-bbox="611 264 1238 591"> Apr. 2004 Assistant Professor of Hakuoh University  Apr. 2008 Professor (current post)  Nov. 2011 Manager of Hokkaido Nipponham Fighters  Nov. 2021 Manager of Japan National Baseball Team  Jan. 2022 Professor of Hokkaido Nipponham Fighters  Apr. 2022 Specially Appointed Professor of Hokkai-Gakuen University (current post)  July 2022 Outside Director of the Company (current post)  Jan. 2024 Chief Baseball Officer of Hokkaido Nipponham Fighters (current post) </p>	<p data-bbox="1358 577 1442 600">– shares</p>
<p data-bbox="272 920 834 949">[Reasons for nomination and overview of expected roles]</p> <p data-bbox="272 952 1450 1111">Mr. Kuriyama has a wide range of knowledge and experience regarding governance and human resource development in organizations, having served as a manager of a professional baseball team and of the Japan national baseball team, and as a professor of faculty of business administration at a university, among other roles. Since being appointed outside Director of the Company, at meetings of the Board of Directors and at other times he has offered advice mainly from the perspective of investing in human capital management.</p> <p data-bbox="272 1113 1450 1238">The Company proposes Mr. Kuriyama as a candidate for outside Director because of his knowledge in sustainable management such as organizational governance and human capital management, and because the Company believes that he is qualified for the position of Director to continue to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			
<p data-bbox="272 1240 823 1270">Reason for concluding that the candidate is independent</p> <p data-bbox="272 1272 1450 1397">The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
9	 <p>Mariko Watahiki (May 2, 1955) <u>New election</u> <u>Outside</u> <u>Independent</u></p> <p>Number of years in office at the conclusion of this general meeting of shareholders: - years Attendance at Board of Directors meetings: -/-</p>	<p>Apr. 1980 Assistant Judge of the Tokyo District Court Mar. 2009 Senior Judicial Research Official, the Supreme Court of Japan (civil affairs) Mar. 2012 Chief Judge of the Utsunomiya District Court July 2014 Chief Judge of the Yokohama Family Court June 2015 Judge of the Tokyo High Court (Presiding Judge) Apr. 2016 President of the Sapporo High Court Sept. 2018 President of the Nagoya High Court Aug. 2020 Registered as an attorney at law Aug. 2020 Joined Okamura Law Office (current post) June 2021 Outside Director of Toshiba Corporation June 2021 Outside Director, Member of Nomination Committee and Member of Governance Committee of LIXIL Corporation June 2022 Outside Director, Member of Nomination Committee, Member of Governance Committee and Member of Compensation Committee Oct. 2022 Chair of Expert Committee of Daiko Advertising Inc. June 2023 Outside Director, Chairperson of Compensation Committee, Member of Nomination Committee and Member of Governance Committee of LIXIL Corporation Aug. 2023 Chairperson of Third-party Investigation Committee of Nihon University June 2024 Outside Director, Chairperson of Nomination Committee, Member of Compensation Committee and Member of Governance Committee of LIXIL Corporation (current post) June 2024 President of Family Problems Information Center (current post)</p>	– shares
<p>[Reasons for nomination and overview of expected roles] Ms. Watahiki has many years of experience as a judge, and in addition to having resolved numerous civil cases, including some related to corporate legal and labor issues, she has served as the president of multiple high courts. She has a thorough understanding of compliance and governance, and a long track record of involvement in organizational management in such areas as personnel management, human resources development and crisis management. She has also experience as Chairperson of Third-party Investigation Committee. The Company proposes Ms. Watahiki as a candidate for outside Director because of her knowledge in legal affairs and compliance, and because the Company believes that she is qualified for the position of Director to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			
<p>Reason for concluding that the candidate is independent The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
10	 <p>Nobumichi Hattori (December 25, 1957)</p> <p>New election Outside Independent</p> <p>Number of years in office at the conclusion of this general meeting of shareholders: - years Attendance at Board of Directors meetings: -/-</p>	<p>Apr. 1981      Joined Nissan Motor Co., Ltd.</p> <p>June 1989      Joined New York Headquarters of Goldman Sachs &amp; Co.</p> <p>Nov. 1998      Managing Director of Goldman Sachs (Japan) Ltd. (now Goldman Sachs Japan Co., Ltd.)</p> <p>Oct. 2003      Visiting Associate Professor of School of International Corporate Strategy of Hitotsubashi University</p> <p>June 2005      Outside Director of Miraka Holdings, Inc. (now H.U. Group Holdings, Inc.)</p> <p>Nov. 2005      Outside Director of FAST RETAILING CO., LTD. (current post)</p> <p>Oct. 2006      Visiting Professor of School of International Corporate Strategy of Hitotsubashi University</p> <p>Apr. 2009      Visiting Professor of Graduate School of Finance, Accounting and Law (now Graduate School of Business and Finance) of Waseda University (current post)</p> <p>Mar. 2015      Outside Corporate Auditor of Frontier Management Inc.</p> <p>June 2015      Outside Director of Hakuhodo DY Holdings Inc. (current post)</p> <p>July 2016      Special Guest Professor of Graduate School of Business Administration of Keio University</p> <p>Apr. 2017      Guest Professor of Graduate School of Business Administration of Keio University (current post)</p>	– shares
<p>[Reasons for nomination and overview of expected roles]</p> <p>Having gained experience in the supervision of the M&amp;A advisory business at a major U.S. investment bank, Mr. Hattori is currently engaged in teaching M&amp;A, corporate valuation, and other concepts at a graduate institute of education, and is well-versed in corporate valuation in the capital markets. In addition, his experience as an outside Director at other listed companies has given him a deep knowledge of corporate management in the retail industry and other areas. The Company proposes Mr. Hattori as a candidate for outside Director because it believes that his knowledge in financial affairs makes him qualified for the position of a Director who performs the function of supervising the decision making of the Company's management policies and corporate strategies and the execution of business.</p>			
<p>Reason for concluding that the candidate is independent</p> <p>The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence.</p>			



Candidate No.	Name (Date of birth)	Career summary, positions and responsibilities in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
11	 <p>Shigeki Kimura (March 16, 1962) New election Outside Independent</p> <p>Number of years in office at the conclusion of this general meeting of shareholders: - years Attendance at Board of Directors meetings: -/-</p>	<p>Mar. 1986      Joined Seven-Eleven Japan Co., Ltd. May 2013      Division Manager of Financial Accounting and Division Manager of Corporate Behavior Promotion Office Mar. 2014      Executive Officer May 2016      Senior Officer of Secretary Office of Seven &amp; i Holdings Co., Ltd. Dec. 2016      Executive Officer and Senior Officer of Corporate Development Department July 2017      Outside Director of the Company Mar. 2019      Division Manager of the Corporate Personnel Planning of Seven &amp; i Holdings Co., Ltd. Director of Seven-Eleven Japan Co., Ltd. May 2019      Director of Seven &amp; i Holdings Co., Ltd. July 2019      Retired as outside Director of the Company Mar. 2020      In charge of Affiliates Governance of Seven &amp; i Holdings Co., Ltd. Director, Senior Managing Executive Officer and Division Manager of Management of Seven-Eleven Japan Co., Ltd. Apr. 2020      In charge of President Office and Group Liaison of Seven &amp; i Holdings Co., Ltd. May 2022      Retired as Director of Seven &amp; i Holdings Co., Ltd. Mar. 2024      Director, Executive Vice President and Division Manager of Management of Seven- Eleven Japan Co., Ltd. (current post)</p>	– shares
<p>[Reasons for nomination and overview of expected roles] As a Director of a major retailer, Mr. Kimura not only has abundant knowledge of management roles but also possesses wide-ranging insights and experience in such areas as management accounting, and risk management. Furthermore, he served as an outside Director of the Company between July 2017 and July 2019, and during this period offered advice mainly on finance, compliance and governance at meetings of the Board of Directors and at other times. The Company proposes Mr. Kimura as a candidate for outside Director because of his management experience, knowledge in financial affairs, legal and compliance, and the Cosmetic and Drug Store Business, and because the Company believes that he is qualified for the position of Director to make decisions on management policy and corporate strategy and to supervise the execution of business operations.</p>			
<p>Reason for concluding that the candidate is independent The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence. Seven-Eleven Japan Co., Ltd., where he is a Director, and subsidiaries of the Company, have transactions such as real estate leasing, however, the amount of such transactions is less than 1% of the annual consolidated net sales of both companies, and therefore meets the above criteria.</p>			

- (Notes) 1. Independent officer  
Ms. Noriko Endo, Mr. Hideki Kuriyama, Ms. Mariko Watahiki, Mr. Nobumichi Hattori and Mr. Shigeki Kimura are candidates for outside Director. The Company has submitted notification to the Tokyo Stock Exchange that Ms. Noriko Endo and Mr. Hideki Kuriyama have been designated as independent officers. If they are reelected, the Company plans for their designation as independent officers to continue. The Company also plans to register Ms. Mariko Watahiki, Mr. Nobumichi Hattori and Mr. Shigeki Kimura as independent officers with the Tokyo Stock Exchange.  
Ms. Noriko Endo, Mr. Hideki Kuriyama, Ms. Mariko Watahiki, Mr. Nobumichi Hattori and Mr. Shigeki Kimura fulfill the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights (see on page 24).
2. Liability limitation agreement  
Pursuant to Article 427, paragraph (1) of the Companies Act and the Company's Articles of Incorporation, the Company has entered into liability limitation agreements with Ms. Noriko Endo and Mr. Hideki Kuriyama between the Company that limits liability under Article 423, paragraph (1) of the same act for damages up to the amount stipulated by law, and if the reelection of both candidates is approved, the above liability limitation agreements will be continued. If the elections of Ms. Mariko Watahiki, Mr. Nobumichi Hattori and Mr. Shigeki Kimura are approved at this General Meeting of Shareholders, the Company plans to enter into the same liability limitation agreements with each one of them.
3. Indemnification Agreement  
The Company has no plans to enter into an Indemnification Agreement with each candidate for the expenses stipulated in Article 430-2, paragraph (1), item (i) of the Companies Act and any losses stipulated in item (ii) of the same paragraph.
4. Directors and officers liability insurance policy  
The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers losses such as amount of indemnification, settlement money and court costs incurred in cases where the insured receives claims for damages from unfair acts based on their position, during the period of insurance. If the election of each candidate is approved, each candidate will be included as an insured in the policy. Also, the Company plans to renew the insurance policy with the same contents at the next renewal date.
5. There is no special interest between any of the candidates for Director and the Company.
6. The main skills of Directors and Corporate Auditors after this general meeting of shareholders when Proposals No. 2 and No. 3 are approved as originally proposed are as described on pages 25 to 27.

**Proposal No. 3:** Election of Three (3) Corporate Auditors

At the conclusion of this General Meeting of Shareholders, the terms of office of all 3 Corporate Auditors will expire. Therefore, the Company proposes the election of three Corporate Auditors.

The consent of the Board of Corporate Auditors has been obtained for this proposal.

The candidates for Corporate Auditor are as follows:


Candidate No.	Name	Gender	Current positions in the Company	Candidate attributes	Attendance at Board of Directors meetings for the fiscal year 2023	Attendance at Board of Corporate Auditors meetings for the fiscal year 2023
1	Koichi Kawamura	Male	Standing Corporate Auditor	Reelection	12/12 (100%)	12/12 (100%)
2	Ayako Sano	Female	–	New election Outside Independent	–	–
3	Minako Mizutani	Female	–	New election Outside Independent	–	–


Reelection Candidate for Corporate Auditor to be reelected


New election Candidate for Corporate Auditor to be newly elected

Outside Candidate for outside Corporate Auditor

Independent Independent officer as stipulated by the Tokyo Stock Exchange

Candidate No.	Name (Date of birth)	Career summary and positions in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	 <p data-bbox="336 602 536 689">Koichi Kawamura (February 17, 1952) <u>Reelection</u></p> <p data-bbox="280 696 595 819">Number of years in office at the conclusion of this general meeting of shareholders: 12 years</p> <p data-bbox="309 826 564 916">Attendance at Board of Directors meetings: 12/12 (100%)</p> <p data-bbox="292 922 582 1010">Attendance at Board of Corporate Auditors meetings: 12/12 (100%)</p>	<p data-bbox="612 262 1209 351">Oct. 1985      Joined Daiichi Medical Testing Laboratories Co., Ltd. (Sapporo, now AIN HOLDINGS INC.)</p> <p data-bbox="612 360 1203 421">May 1995      Deputy Manager of Accounting Dept. of the Company</p> <p data-bbox="612 427 954 454">July 1997      Corporate Auditor</p> <p data-bbox="612 461 1238 551">Apr. 2000      Managing Director and Department Manager of Accounting of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)</p> <p data-bbox="612 557 1219 618">May 2003      Department Manager of Administration Dept. of the Company</p> <p data-bbox="612 624 1222 685">Apr. 2005      Corporate Auditor of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.)</p> <p data-bbox="612 692 1206 752">July 2012      Standing Corporate Auditor of the Company (current post)</p>	5,000 shares
<p data-bbox="276 1016 528 1043">[Reasons for nomination]</p> <p data-bbox="276 1050 1442 1332">As Department Manager of Accounting and also Corporate Auditor of a major subsidiary of the Company, Mr. Kawamura is involved in procedures for the settlement of accounts, the preparation of financial statements, audit procedures, and other matters, and has abundant knowledge of finance and accounting. Since being appointed Standing Corporate Auditor of the Company, he has utilized this extensive experience to make appropriate statements at meetings of the Board of Corporate Auditors and the Board of Directors, require necessary explanations from Directors, and audit properly the execution of duties by Directors. The Company proposes Mr. Kawamura as a candidate for Corporate Auditor because of his knowledge in financial affairs, legal and compliance, and because the Company believes that he is qualified for the position of Corporate Auditor to continue to audit the execution of duties by Directors of the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary and positions in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	 <p data-bbox="336 607 539 667">Ayako Sano (December 9, 1977)</p> <p data-bbox="371 667 504 696">New election</p> <p data-bbox="395 696 480 725">Outside</p> <p data-bbox="371 725 504 754">Independent</p> <p data-bbox="280 763 595 981">Number of years in office at the conclusion of this general meeting of shareholders: - years Attendance at Board of Directors meetings: -/- Attendance at Board of Corporate Auditors meetings: -/-</p>	<p data-bbox="612 264 1235 324">Apr. 2001      Joined Goldman Sachs (Japan) Ltd. (now Goldman Sachs Japan Co., Ltd.)</p> <p data-bbox="612 331 1235 360">Dec. 2008      Registered as an attorney at law</p> <p data-bbox="612 367 1235 427">Jan. 2009      Joined Tokyo Nishi Law Office (now TNLAW Legal Professional Corporation)</p> <p data-bbox="612 434 1235 463">Oct. 2018      Civil Conciliator of the Tokyo District Court</p> <p data-bbox="612 470 1235 530">Dec. 2018      Representative of Aya Law Office (current post)</p> <p data-bbox="612 537 1235 598">Mar. 2019      Outside Director of SKYLARK HOLDINGS CO., LTD. (current post)</p> <p data-bbox="612 604 1235 687">Mar. 2021      Outside Director (Audit &amp; Supervisory Committee Member) of Metaps Inc. (now Metaps Holdings, Inc.)</p> <p data-bbox="612 694 1235 754">Mar. 2024      Outside Director of Sodick Co., Ltd. (current post)</p> <p data-bbox="612 761 1235 822">May 2024      Outside Corporate Auditor of CLAS Inc. (current post)</p>	<p data-bbox="1362 607 1442 636">– shares</p>
<p data-bbox="276 987 528 1016">[Reasons for nomination]</p> <p data-bbox="276 1023 1442 1272">Ms. Sano has a practical background in a securities company and wide-ranging knowledge of corporate legal affairs as an attorney at law, in addition to which she has insights into taxation and experience in defending cases involving economic crimes. As outside Director of other companies she has also been involved in the operation of whistleblowing systems and in the management of a sustainability committee, as well as having experience as the chair of a special committee to investigate proposals for MBOs and delisting. The Company proposes Ms. Sano as a candidate for outside Corporate Auditor because of her knowledge in financial affairs, legal and compliance, and because the Company believes that she is qualified for the position of Corporate Auditor to audit the execution of duties by Directors of the Company.</p>			
<p data-bbox="276 1279 823 1308">Reason for concluding that the candidate is independent</p> <p data-bbox="276 1314 1442 1429">The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence.</p>			

Candidate No.	Name (Date of birth)	Career summary and positions in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
3	 Minako Mizutani (September 24, 1969) <input type="checkbox"/> New election <input type="checkbox"/> Outside <input type="checkbox"/> Independent Number of years in office at the conclusion of this general meeting of shareholders: - years Attendance at Board of Directors meetings: -/- Attendance at Board of Corporate Auditors meetings: -/-	Apr. 1995      Joined Masanori Otsubo Tax Accountant Office June 1998      Joined Ishiwata, Nishimura & Nakane Tax Office (now Moore Shisei Tax Corporation) Oct. 1998      Registered as a tax accountant Sept. 2011      Joined Tokyo Kyodo Accounting Office Apr. 2013      Joined Seishin Tax Accountant Office (now Moore Shisei Tax Corporation) Sept. 2016      Partner of Moore Shisei Tax Corporation June 2020      Outside Corporate Auditor of The Yamanashi Chuo Bank, Ltd. (current post) Sept. 2023      Representative Partner of Moore Shisei Tax Corporation (current post)	– shares
[Reasons for nomination] Due to her experience as a tax accountant, Ms. Mizutani has abundant specialist experience in finance and accounting. The Company proposes Ms. Mizutani as a candidate for outside Corporate Auditor because of her knowledge in financial affairs, and because the Company believes that she is qualified for the position of Corporate Auditor to audit the execution of duties by Directors of the Company.			
Reason for concluding that the candidate is independent The candidate fulfills the requirements for an independent officer as provided for by the Tokyo Stock Exchange., the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and also the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights, and is thus deemed to have a high degree of independence.			

- (Notes) 1. Independent officer  
 Ms. Ayako Sano and Ms. Minako Mizutani are candidates for outside Corporate Auditor. Both candidates fulfill the requirements for an independent officer as provided for by the Tokyo Stock Exchange, the independence criteria for outside Directors and outside Corporate Auditors set out by the Company, and the immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights (see page 24), and the Company plans to register both candidates as independent auditors with the Tokyo Stock Exchange.
2. Liability Limitation Agreement  
 Pursuant to Article 427 of the Companies Act and the Company's Articles of Incorporation, Mr. Koichi Kawamura has entered into a liability limitation agreement with the Company to limit his liability for damages under Article 423, paragraph (1) of the same act up to the amount stipulated by law, and if he is reelected, the Company plans to continue said liability limitation agreement. If the election of Ms. Ayako Sano and Ms. Minako Mizutani is approved at this General Meeting of Shareholders, the Company plans to enter into similar liability limitation agreements with each of them.
3. Indemnification Agreement  
 The Company does not intend to enter into an indemnification agreement with each candidate regarding the expenses stipulated in Article 430-2, paragraph (1), item (i) of the Companies Act and the losses stipulated in item (ii) of the same paragraph.
4. Directors and Officers Liability Insurance Policy  
 The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company, and in the event that a claim for damages is made against the insured during the insurance period due to an unfair act performed by the insured based on his or her position, the insurance policy will cover damages and litigation costs incurred by the insured. If the election of each candidate is approved, each candidate will be included as an insured under the policy. In addition, the insurance policy is scheduled to be renewed with the same content at the next renewal date.

5. There is no special interest between any of the candidates for Corporate Auditor and the Company.
6. The main skills of Directors and Corporate Auditors after this general meeting of shareholders when Proposals No. 2 and No. 3 are approved as originally proposed are as described on pages 25 to 27.

**[Reference] Independence Criteria for Outside Directors and Outside Corporate Auditors**

An outside Director and/or an outside Corporate Auditor of the Company (hereinafter referred to as the “outside officer”) will be determined as sufficiently independent from the Company if the said outside officer satisfies the requirements set forth below:

1. Presently or at any time within the past ten years, the person has never been an executing person of the Company or a consolidated subsidiary (hereinafter referred to as the “the Group.”)
2. Presently or at any time within the past five years, the person has not fallen under any of the following items of (1) to (9):
  - (1) A person who directly or indirectly holds 10% or more of the total voting rights of the Company, or its executing person;
  - (2) A person of a company of which the Group holds directly or indirectly 10% or more of the total voting rights, or its executing person;
  - (3) A counterparty which has transactions principally with the Group (total amount of transactions with the Group exceeding 2% of annual consolidated sales of the party), or its executing person;
  - (4) A principal counterparty of the Group (total amount of transactions with the party exceeding 2% of annual consolidated sales of the Group), or its executing person;
  - (5) A consultant, accounting professional or legal professional who has been paid money exceeding the greater of 2% or 10 million yen of the annual consolidated sales (the annual consolidated revenue) of the person or other assets in addition to the remuneration for officers by the Group. (where the entity that acquired the relevant assets is an organization, such as a corporation or a union, etc., refers to individuals who belong to the relevant organization);
  - (6) A person/organization, or their business executors, who receives donations or subsidies from the Group exceeding the greater of 30% of the gross expense of the person/organization or 10 million yen;
  - (7) A person who is a major lender of the Group (the amount of borrowings from the person exceeding 2% of total consolidated assets of the Group), or its executing person;
  - (8) A person who belongs to auditing firm, which is an accounting auditor of the Group;
  - (9) An executing person in other company of which the executing person of the Company is an outside officer of the other company
3. If an executing person of the Company or a person listed Clause 2 of this criteria corresponds to an important person (director except outside director, corporate auditor except outside corporate auditor, executive officer, department manager and higher management grades), a person is not a spouse of, relative within the second degree of relationship with said person.

**[Reference] Immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder’s decision concerning the exercise of voting rights**

In the event that an outside director or an outside corporate auditor of the Company (hereinafter referred to as the “outside officer”) satisfies the requirements set forth below, the Company judges that the attribute information of the outside officer is unlikely to affect shareholder’s decision concerning the exercise of voting rights:

1. A counterparty with the total amount of transactions with the Group not exceeding 1% of the annual consolidated sales of the Group nor the sales of the party in the previous fiscal years, or its executing person.
2. A person that has received donations or subsidies not exceeding 10 million yen from the Group in the previous fiscal years, or its executing person.



**[Reference] The skill sets and main skills of Directors and Corporate Auditors after this general meeting of shareholders**

The Company has a business strategy of growth in both the Dispensing Pharmacy Business and the Cosmetic and Drugstore Business, and after deliberations by the Nomination and Remuneration Committee regarding skills for providing supervisory functions that contribute to increases in corporate value over the medium to long term, the Board of Directors has been reviewing the required skills. Recently, the Board has made a partial review of the skill sets, adding “experience in financial strategies such as investment decision-making, including M&A” to the skills content of “finance,” and changing “legal affairs and risk management” to “legal and compliance,” and has identified them as follows.

Required skill	Details of skill	Reason for selecting
Management experience	Has management experience in a listed company or core business company	Necessary for building appropriate management strategies for increasing corporate value over the medium to long term, and providing effective supervision of execution by management
Finance	Holds certified public accountant or tax accountant qualifications, or has operational experience in financial institutions or accounting departments, or has experience in financial strategy, such as investment decisions, including M&A	Necessary for achieving sound management and promoting financial strategy that is congruent with management strategy
Legal / Compliance	Holds attorney at law qualifications, or has experience as a corporate auditor, or has operational experience in legal affairs, risk management, internal audit, or compliance departments, or possesses specialist knowledge	Because a proper awareness and management of various risks associated with corporate activities and of compliance is necessary for appropriate execution by management
Sustainable management	Has operational or management experience of sustainable management, such as human capital or environmental conservation, or possesses specialist knowledge	Necessary for the promotion of appropriate management strategies to achieve sustainable growth of the business and increases in corporate value over the medium to long term
Dispensing Pharmacy Business	Knowledge and experience of the Dispensing Pharmacy Business, such as market development (store operation, development, implementation of new initiatives, etc.), or healthcare policy (formulation and execution of strategies aimed at revisions in laws and regulations, etc.)	Necessary for achieving a bird’s eye view of the business in general, including such issues as healthcare industry insurance systems, and legal regulations, and for effectively supervising execution of business
Cosmetic and Drug Store Business	Knowledge and experience of the Cosmetic and Drug Store Business, including market and product development, or brand development	Necessary for achieving a bird’s eye view of the business in general, including market trends in the retail industry, and for effectively supervising execution of business

The main skills of Directors and Corporate Auditors after this general meeting of shareholders when Proposals No. 2 and No. 3 are approved and adopted as originally proposed are as follows:

Name	Independence (for outside officers only)	Management experience	Finance	Legal / Compliance	Sustainable management	Dispensing Pharmacy Business	Cosmetic and Drug Store Business
President and Representative Director Kiichi Otani	—	●	●		●	●	●
Representative Senior Managing Director Shoichi Shudo	—	●	●			●	
Representative Senior Managing Director Toshihide Mizushima	—	●	●		●	●	●
Representative Senior Managing Director Miya Oishi	—	●			●	●	●
Director Rieko Kimei	—	●			●		●
Director Nobuyuki Takakura	—			●	●		
Outside Director Noriko Endo	●		●	●	●		
Outside Director Hideki Kuriyama	●				●		
Outside Director Mariko Watahiki	●			●			
Outside Director Nobumichi Hattori	●		●				
Outside Director Shigeki Kimura	●	●	●	●			●
Standing Corporate Auditor Koichi Kawamura	—		●	●			
Outside Corporate Auditor Ayako Sano	●		●	●			
Outside Corporate Auditor Minako Mizutani	●		●				

(Note) This is an indication of the skills expected by the Company and does not represent all the skills possessed.

Experience, etc. providing the basis for skills

Management experience: President and Representative Director of the Company / Finance: Promotes financial strategy as Representative Director / Sustainable management: Promotes sustainable management as chairman of the Sustainability Committee / Dispensing Pharmacy Business: Holds pharmacist qualifications, founded and has driven the expansion of the business / Cosmetic and Drug Store Business: Founded and has driven the expansion of the drugstore business

Management experience: Representative Director of the Company, President and Representative Director of AIN PHARMACIEZ INC. / Finance: In charge of Store Development for the Company / Dispensing Pharmacy Business: In charge of Dispensing Pharmacy Operations Management of the Company

Management experience: Representative Director of the Company / Finance: Promotes financial strategy as person in charge of Operational Support/ Sustainable management: Promotes sustainable management as the deputy chairman of the Sustainability Committee / Dispensing Pharmacy Business: In charge of Operating Management of the Company, President and Representative Director of WHOLESale STARS Co., Ltd. / Cosmetic and Drug Store Business: In charge of Cosmetic and Drug Store Operations Management of the Company

Management experience: Representative Director of the Company, President and Representative Director of AIN PHARMACIEZ INC. / Sustainable management: Promotes initiative as person responsible for the materialities of: contribute to local healthcare; safety, piece of mind and trust; ensure sound management base; cooperate with local communities and businesses / Dispensing Pharmacy Business: Holds pharmacist qualifications, Division Manager of Dispensing Pharmacy Operations Management of the Company / Cosmetic and Drug Store Business: President and Representative Director of AIN PHARMACIEZ INC.

Management experience: Director of the Company, President and Representative Director of AYURA LABORATORIES Inc. / Sustainable management: as Division Manager of Personnel of the Company, leads initiatives for diversity and opportunities for women in the workplace / Cosmetic and Drug Store Business: Division Manager of Cosmetic and Drug Store Business of the Company and President and Representative Director of AYURA LABORATORIES Inc.

Legal and compliance: Person in charge of Risk Management, Chief Social Responsibility Officer at Teijin Group and CSR Officer, experience having led responses of said group's compliance and risk management efforts from a CSR perspective / Sustainable management: Experience having played a central role in systematizing the Company's sustainable management, experience having led the promotion of CSR at Teijin Group as Chief Social Responsibility Officer and CSR Officer

Financial: Knowledge of international finance, fiscal policy, macro economy, and other areas as the editor of an economics magazine / Legal and compliance: Research at university into risk and security governance / Sustainable management: Knowledge of energy and environmental problems obtained through research into public policy as it pertains to energy

Sustainable management: Knowledge in organizational governance and human capital management, gained through efforts to develop human resources as a manager of a professional baseball team and of the Japan national baseball team

Legal and compliance: Holds attorney at law qualifications, experience as a judge

Financial: Managing Director of Goldman Sachs (Japan) Ltd. (now Goldman Sachs Japan Co., Ltd.), Visiting Professor of School of International Corporate Strategy of Hitotsubashi University, Visiting Professor of Graduate School of Business and Finance of Waseda University, Guest Professor of Graduate School of Business Administration of Keio University

Management experience: Director of Seven & i Holdings Co., Ltd., Director of Seven-Eleven Japan Co., Ltd. / Financial: Division Manager of Financial Accounting and Division Manager of Management of Seven-Eleven Japan Co., Ltd. / Legal and compliance: Division Manager of Management of Seven-Eleven Japan Co., Ltd. / Cosmetic and Drug Store Business: Director of Seven & i Holdings Co., Ltd., Director of Seven-Eleven Japan Co., Ltd.

Financial: Department Manager of Accounting Dept. and Corporate Auditor of AIN MEDICAL SYSTEMS Inc. (now AIN HOLDINGS INC.), Standing Corporate Auditor of the Company / Legal and compliance: Department Manager of Administration Dept. of the Company, Standing Corporate Auditor of the Company

Financial: Was employed by Goldman Sachs (Japan) Ltd. (now Goldman Sachs Japan Co., Ltd.), tax attorney procedures / Legal and compliance: Holds attorney at law qualifications, has experience as member of risk review team as outside director of another company, outside corporate auditor of another company

Financial: Holds tax accountant qualification

**Proposal No. 4:** Partial Amendment to the Articles of Incorporation

1. Reasons for proposal

In order to promote separation of the supervisory and business execution functions and to speed up decision-making and ensure effective discussions at Board of Directors meetings, Article 19 of the current Articles of Incorporation will be amended to reduce the maximum number of Directors from 20 to 15.

In addition, for the purpose of enabling flexible operation of the Board of Directors and to improve the independence, objectivity and transparency of the decision-making process, Article 24 of the current Articles of Incorporation, which currently limits the authority to convene and chair the Board of Directors Meetings to the Director and President, will be amended to allow other Directors, including Outside Directors, to serve as the convener and chairperson of the Board of Directors Meetings.

2. Details of amendments

The details of amendments are as follows. (Underlined portions indicate the proposed amendments.)

Current Articles of Incorporation	Proposed Amendments
(Number of Directors) Article 19. The maximum number of Directors of the Company shall be <u>20</u> .	(Number of Directors) Article 19. The maximum number of Directors of the Company shall be <u>15</u> .
(Convener and Chairperson of Board of Directors Meetings) Article 24. 1. Unless otherwise provided by laws or regulations, <u>the Director and President</u> shall convene and chair meetings of the Board of Directors of the Company.  2. In cases where the <u>Director and President</u> is unable to act due to an accident, one of the other Directors, selected in the order determined in advance by the Board of Directors, shall convene and chair the meeting.	(Convener and Chairperson of Board of Directors Meetings) Article 24. 1. Unless otherwise provided by laws or regulations, <u>a Director determined in advance by the Board of Directors</u> shall convene and chair meetings of the Board of Directors of the Company.  2. In cases where the <u>Director in the previous paragraph</u> is unable to act due to an accident, one of the other Directors, selected in the order determined in advance by the Board of Directors, shall convene and chair the meeting.

<Shareholder proposals>

Proposals No. 5 to No. 8 are proposals made by shareholders.

The main points of and reasons for the proposals submitted by the requesting shareholders, and career summaries of the candidates, have been presented in their original form in the appendix, to which shareholders are asked to refer.

Opinion of the Board of Directors of the Company on the Shareholder's Proposals

The Board of Directors of the Company opposes Proposals No. 5 to No. 8.

A summary of the opinions of the Company's Board of Directors is as follows. Details are described in Opinions of the Board of Directors on Proposals No. 5 to No. 8. Please also refer to the following materials disclosed by the Company.  
<https://www.ainj.co.jp/corporate/english/ir-library.html>

1. Introduction

As noted during the financial results briefing held on June 12, 2024, the group of the Company (the "Our Group" or the "Group") achieved the revised plan for the fiscal year ended April 30, 2024 and generated record-high results, with net sales and operating profit respectively increasing by 11.5% and 27.7% year on year on a consolidated basis. We would like to express our sincere gratitude to our customers, business partners, shareholders, and employees for their support. Our Group will continue to build on its dispensing pharmacy business, centered on the operation of dispensing pharmacies, and cosmetic and drug store business, centered on the development of high-value-added, distinctive stores, to become a company that makes people feel "glad to have AIN in this town," and to become the "No. 1" group, both in name and reality, for all stakeholders.

In the fiscal year ending April 30, 2025, We will continue to aggressively open new stores (increasing from 1,312 to 1,384 locations) as We strive to achieve steady growth in the future through investments, including M&As. We would appreciate your continued support.

It's against this backdrop of steady growth and development that the Proposing Shareholder has submitted agenda items and proposals to dismiss the Company's outside directors and nominate new outside director candidates.

However, the Board of Directors of the Company has thus far achieved a steady track record of success and has responded appropriately to various problems that have arisen from time to time. The Board of Directors of the Company wishes to continue to operate the Company with the management team it believes best suit to lead the Company and therefore opposes all proposals set forth in the Shareholder Proposal.

We respectfully request that you, our shareholders, have confidence in the Board of Directors of the Company and vote "FOR" the Company's proposals and "AGAINST" the Shareholder Proposals.

2. Summary of the Board of Directors' opinion on each agenda item and proposal

(1) In Proposal No. 5, the Proposing Shareholder argues that the Company's independent outside directors, Mr. Junro Ito ("Director Ito") and Mr. Shigeru Yamazoe ("Director Yamazoe") "lack independence" and should be "immediately dismissed" because these two directors keeping their positions as independent outside directors is "harmful to the Company."

However, as described below, both Director Ito and Director Yamazoe are independent and have, with their respective expertise, surely contributed to improving the Company's corporate value and securing the common interests of the shareholders, so there is no reason to dismiss both directors "immediately."

In particular, the Proposing Shareholder states, "In view of the fact that the scandal occurred while members from companies having capital and business alliances with the Company have long been "independent" outside directors, there is an urgent need to appoint individuals who are not from companies having capital and business alliances [original text] and who have no special interests with the Company, and who have relevant expertise and experience and will contribute to enhancing the Company's corporate values." However, the incident (the "Case") where officers (now retired) of the Group were arrested on suspicion of obstructing an auction related to a public contract and convicted in the first trial in connection with the proposal-based competitive bidding conducted by KKR Sapporo Medical Center in November 2020 for on-site pharmacies cannot be attributed to the fact that "members from companies having capital and business alliances with the Company [original text]" serve as outside directors or to the independence of outside directors.

Therefore, the Proposing Shareholder's claim cannot be grounds for dismissing both directors. It is also not clear why the Proposing Shareholder demands that, out of all outside directors, only Director Ito and Director Yamazoe be dismissed.

The occurrence of a compliance incident such as the Case is deeply regrettable to the Company, and we sincerely apologize for it again. We will continue to review and implement what we need to do in order to prevent any similar incident from ever occurring again. To this end, as described in 1. and 2. of Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 6, the Company has conducted a third-party investigation and made every effort to prevent a recurrence. Both directors have fulfilled their roles as board members in making decisions and supervising such actions.

For the above reasons, the Board of Directors of the Company opposes the proposal to dismiss Director Ito and Director Yamazoe (Proposal No. 5).

As described in 1. of Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 5, Director Ito and Director Yamazoe are scheduled to retire from the director of the Company upon expiration of their terms of office at the conclusion of the General Meeting of Shareholders. Therefore, the dismissal of both directors at the General Meeting of Shareholders will have no practical significance.

- (2) In Proposal No. 6, the Proposing Shareholder expresses doubts about the objectivity, neutrality, and professionalism of the investigation into the Case (the "Investigation") conducted by the investigation team (the "External Investigation Team") comprised of outside attorneys. They propose that four candidates of the Shareholder Proposal ("Shareholder-proposed Candidates") be appointed as outside directors of the Company, on the grounds that there is an urgent need to appoint individuals who have no special interest in the Company, have relevant expertise and experience, and will contribute to enhancing the Company's corporate value.

However, the Investigation was conducted by a team that was composed solely of experienced, expert outside attorneys at law and did not include any officers or employees of the Group. The team determined the scope of the investigation without any limits and conducted the investigation over a long period of time without any restrictions on their methods of investigation. Therefore, there is no room for doubt concerning objectivity, neutrality, and professionalism. We have fully cooperated with the investigation team, and there is no reason to doubt its objectivity, neutrality, and professionalism. The fact that the Proposing Shareholder presents an assessment of the case as if a problematic investigation had been conducted is nothing less than a manifestation of the intention to present a one-sided and misguided assessment.

As noted above, neither the facts the Proposing Shareholder uses as a basis for their assessment nor their assessment are true. In addition to that, the Company deems all four Shareholder-proposed Candidates unfit to serve as its outside directors in light of the one-on-one interviews conducted by the Nomination and Remuneration Committees of the Company with all of them. The Nomination and Remuneration Committees of the Company found that, although they should be highly evaluated for their knowledge, all of the candidates lacked experience as outside directors of listed companies and possessed little knowledge about the Company and the industry in which it operates. If the Shareholder-proposed Candidates become outside directors of the Company, there will be overlap in the candidates with the knowledge and experience that the Board of Directors of the Company deems necessary. This is why the Board of Directors of the Company deems that the outside director candidates it will propose at the General Meeting of Shareholders to be the best candidates. In light of the Case, the Company will also propose to enhance the Board of Corporate Auditors at the General Meeting of Shareholders.

For the above reasons, the Board of Directors of the Company opposes the proposal to appoint four outside directors (Proposal No. 6).

- (3) In Proposals No. 7 and No. 8, the Proposing Shareholder proposes that the amount of remuneration to be paid to each outside director be determined at a general meeting of shareholders and that allowances be made to grant stock compensation to outside directors. However, the Board of Directors of the Company and Nomination and Remuneration Committees, based on a resolution passed at a general meeting of shareholders, discuss and draft the range of monthly remuneration for each position, details of performance and other evaluations related to bonuses, and the amount of non-monetary compensation for each position, and the President and Representative Director, who is delegated by the Board of Directors of the Company, then decides the specific amounts to be paid. As a result of these considerations, the Company does not grant stock compensation to outside directors.

As noted in the guidelines published by the Ministry of Economy, Trade and Industry, the Company believes that the burdens and responsibilities of outside directors vary and that it is important that an appropriate level of remuneration be set accordingly. Therefore, the Company does not think it is appropriate to uniformly determine a specific payment amount at a general meeting of shareholders. In addition, the Company is aware that there is a lot of debate around the world over whether to provide stock compensation for outside directors, and presently the Company does not consider it appropriate to provide such compensation.

For the above reasons, the Board of Directors of the Company opposes both the proposal to determine the amount of individual fixed compensation for each outside director at a general meeting of shareholders (Proposal No. 7) and the proposal to determine remuneration for granting restricted shares to outside directors (Proposal No. 8).

For the reasons for the above objections, please see opinions of the Board of Directors of the Company on Proposals No. 5 to No. 8, which provide as well.

All of us in the Group will make every effort to meet the expectations of all stakeholders.

We hope that our shareholders will continue to place their confidence in our Board of Directors of the Company and look forward to the sound and sustainable enhancement of our corporate value.

**Proposal No. 5: Dismissal of Two (2) Directors**

(a) Main points of the proposal

Dismissal of Director Shigeru Yamazoe (Candidate No.1) and Director Junro Ito (Candidate No. 2).

(b) Reasons for proposal

As presented in the appendix.

< Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 5 >

The Board of Directors is opposed to Proposal No. 5.

1. Performance of the two directors and their contribution to improving the Company's corporate value as well as securing the common interests of shareholders

(1) Performance of Director Ito and his contribution to improving the Company's corporate value as well as securing the common interests of shareholders

Director Ito brings extensive management experience after directing the company's operations for many years as the representative director and chief sustainability officer of Seven & i Holdings Co., Ltd., one of Japan's leading global retailers. In particular, he has extensive knowledge about ESG, risk management, accounting and finance, social marketing, and more. In fact, he has provided substantial advice and oversight on management, such as measures to streamline the operation of each of the Group's stores, thereby contributing significantly to improving the Company's corporate value.

In addition, Director Ito actively expresses his opinions at the Company's board meetings and fully contributes to the function of supervising and checking the Board of Directors' performance of duties. To date, Director Ito, as a director of the Company, has never acted in such a way that would prioritize the interests of our capital and business alliance partner, Seven & i Holdings, over ours and has taken actions with due consideration to protecting the interests of general shareholders.

Director Ito is scheduled to retire from the director of the Company upon expiration of his terms of office at the conclusion of the General Meeting of Shareholders.

(2) Performance of Director Yamazoe and his contribution to improving of the Company's corporate value as well as securing the common interests of shareholders

Director Yamazoe has been engaged in the management of a major trading company for many years and has extensive knowledge of global economic activities. In particular, he has provided effective advice and supervision on the Company's management strategy as well as finance and accounting, significantly contributing to the improvement of the Company's corporate value. He has also fully served as the function of supervising and checking the execution of business operations by freely expressing his opinions on decisions at the Company's board meetings.

Director Yamazoe is scheduled to retire from the director of the Company upon expiration of his terms of office at the conclusion of the General Meeting of Shareholders.

2. Independence of the two directors

In appointing an independent outside director candidate, We place great importance on not only the externality requirements of the Companies Act, but also whether the candidate will bring a wealth of experience and deep insight into corporate management, etc. In addition, in order to objectively assess the independence of outside directors, the Company has established the "independence criteria for outside directors and outside corporate auditors" ("Independence Criteria") and "immaterial criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights" ("Immaterial Criteria").

The Company's Independence Criteria and Immaterial Criteria provide more specific standards than the independence criteria by Tokyo Stock Exchange ("TSE Criteria") described in "Practical Matters to Note on Securing Independent Directors/Auditors (Revised Version as of January 2024)." The Board of Directors of the Company believes that assessing the independence of outside directors based on these criteria warrants sufficient rationality and objectivity.

Director Ito and Director Yamazoe do not violate the TSE Criteria, the Company's Independence Criteria and Immaterial Criteria, and the Company has designated both directors as independent officers specified by the Tokyo Stock Exchange. In fact, as stated in **1** above, both directors fully perform the functions of supervising and checking the execution of the Company's business and act from a standpoint that is independent of management.

3. Unreasonableness of the reasons for dismissal asserted by the Proposing Shareholder

The Proposing Shareholder cites the occurrence of the Case as one of the reasons for requesting the dismissal of the two directors. However, Director Ito and Director Yamazoe fulfill their duties adequately in accordance with their respective knowledge and skills,

and it is not appropriate to make claims suggesting that the independence of both Directors was the cause of the Case. The Proposing Shareholder biasedly asserts that the independence of the Company's outside directors is questionable and links the independence issue with the occurrence of the Case. This is a leap of logic that goes beyond any reasonable grounds for dismissing the two directors, and these are not grounds for dismissing both directors.

#### 4. Conclusion

As noted above, both Director Ito and Director Yamazoe, as outside directors of the Company, are fully independent and exercise their functions of supervision and check over the execution of business from a fully objective standpoint based on their backgrounds and skills. Furthermore, both directors are scheduled to retire from the director of the Company upon the expiration of their terms of office at the conclusion of the General Meeting of Shareholders, and therefore, the dismissal of both directors will have no practical significance.

Therefore, the Board of Directors of the Company opposes this Shareholder Proposal.



Proposal No. 6: Election of Four (4) Directors

(a) Main points of the proposal

It is proposed that Mr. Hajime Yoshitake, Mr. Shogo Maeda, Mr. Alexander Dmitrenko, and Mr. Kenji Shinmori be elected as Directors.

(b) Reasons for proposal

As presented in the appendix.

(c) Biography and other information about the candidate

Candidate No.	Hajime Yoshitake	Birthday: July 1, 1956	
		Number of shares of the Company owned: 0 Shares	
1	<b>■ Biography, position, responsibilities, and status of important concurrent positions</b>		
	Apr. 1979	The Kyowa Bank Ltd. (currently Resona Bank, Limited.)	
	Apr. 1991	Manager, New York Branch, The Kyowa Saitama Bank, Limited,	
	Apr. 2002	Nihon Unisys, Ltd. (currently BIPROGY Inc.)	
	Oct. 2007	Part-time Lecturer, Professional Graduate School of Meiji University (current position)	
	June. 2008	Director, The Institute of Internal Auditors-Japan (current position)	
	June. 2009	Executive Officer and General Manager of Internal Audit Division, Resona Holdings, Inc.,	
	June. 2011	Full-time Company Auditor, Saitama Resona Bank Limited	
	Apr. 2013	Part-time Lecturer, College of Law of Nihon University	
	June. 2016	Full-time Outside, Independent Company Auditor, TAIYO YUDEN CO., LTD.	
	May 2021	Advisor, Specified Non-profit Corporation Japan Platform	
	July 2023	Special Advisor to International Internal Audit Standards Board, The Institute of Internal Auditors, Inc.	
	May 2024	Auditor, Specified Non-profit Corporation Japan Platform (current position)	
	July 2024	Institute Relations Committee Member (scheduled to assume the position in July 2024), The Institute of Internal Auditors, Inc.	
		< Status of important concurrent positions > Part-time Lecturer, Professional Graduate School of Meiji University Director, The Institute of Internal Auditors-Japan Auditor, Specified Non-profit Corporation Japan Platform The Institute of Internal Auditors, Inc. Institute Relations Committee Member	
	There is no special interest between the candidate and the Company.		
<b>■ Reasons for Nomination as a Director Candidate</b>			
Mr. Yoshitake has many years of experience as a company auditor in the private sector, as well as leading teaching positions at educational institutions as an internal audit professional and as director of the Institute of Internal Auditors-Japan. He is a leader in internal auditing and related fields in Japan. He also has experience working at major financial institutions and IT vendors, and a wealth of expertise in finance and IT and digital transformation.			
In the Investigation Report addressing the case in which the directors of the Company and its subsidiary were arrested, it is confirmed that the Internal Audit Section of the Company had not conducted the necessary audit and warning and, therefore, drastic improvement in the corporate governance system on a company-wide basis (including internal auditing) is now required. It is expected that Mr. Yoshitake will provide useful advice and supervisory functions to the management of the Company based on his expertise and experience in corporate governance including internal auditing cultivated over many years.			
For these reasons, Oasis proposes to appoint Mr. Yoshitake as a Director.			

Note: Mr. Hajime Yoshitake is a candidate for Outside Director.

Candidate No.	Shogo Maeda	Birthday: January 1, 1957
		Number of shares of the Company owned: 0 Shares
2	<b>■ Biography, position, responsibilities, and status of important concurrent positions</b>	
	July 1981	Japan Equity Analyst at Overseas Investment Advisor Office, Nomura Securities Co., Ltd.
	Oct. 1985	Investment Banking Group, New York Headquarters, Manufacturers Hanover Trust Company
	Nov. 1987	Nomura Investment Management Co., Ltd. (currently Nomura Asset Management Co., Ltd.)
	Sept. 1989	Senior Portfolio Manager, Nomura Investment Management Co., Ltd.
	Sept. 1994	Head of Japanese Equities, Goldman Sachs Asset Management Co., Ltd.
	Apr. 2002	Director, Asia-Pacific Equities CIO, and Head of Japan Equities, Goldman Sachs Asset Management Co., Ltd.
	Jan. 2006	Head of Japan Equities, Schroder Investment Management Limited
	Dec. 2012	Director and Head of Japan Equities, Schroder Investment Management (Japan) Limited
	Mar. 2018	Executive Director, The Grew Bancroft Foundation (current position)
		< Status of important concurrent positions > Executive Director, The Grew Bancroft Foundation
	There is no special interest between the candidate and the Company.	
<b>■ Reasons for Nomination as a Director Candidate</b> Mr. Maeda has held important positions, such as director, in various financial institutions, and has a deep expertise in finance in general and capital markets in particular. The Company's stock price has been stagnant for a long period of time, and its total shareholder return (TSR) has been significantly lower than TOPIX on a long-term basis. Although the Company is in an emergent situation as the directors of the Company and its subsidiary were arrested, the Company's communication with investors was insufficient such that appropriate disclosure to investors concerning the investigation into such scandal was delayed. Under these circumstances, as Mr. Maeda has a deep expertise in finance and capital markets, it can be expected that Mr. Maeda can provide useful advice and supervision to the management of the Company, not only for implementation of appropriate M&A and business investment, but also in considering actions for enhancing the corporate value and dialogue with shareholders given that one of the Company's important business challenges is to engage in and/or respond to the future restructuring of the industry. For these reasons, Oasis proposes to appoint Mr. Maeda as a Director.		

Note: Mr. Shogo Maeda is a candidate for Outside Director.

Candidate No.	Alexander Dmitrenko	Birthday: May 25, 1977																								
		Number of shares of the Company owned: 0 Shares																								
3	<p>■ Biography, position, responsibilities, and status of important concurrent positions</p> <table border="1"> <tr> <td>Mar. 2001</td> <td>Roy Elliott O'Connor LLP</td> </tr> <tr> <td>Oct. 2006</td> <td>Dewey &amp; LeBoeuf LLP</td> </tr> <tr> <td>Oct. 2009</td> <td>Sojitz Corporation</td> </tr> <tr> <td>July 2013</td> <td>Debevoise &amp; Plimpton LLP</td> </tr> <tr> <td>Sept. 2015</td> <td>Freshfields Bruckhaus Deringer LLP</td> </tr> <tr> <td>Oct. 2019</td> <td>Counsel and Head of Asia Sanctions, Freshfields Bruckhaus Deringer LLP</td> </tr> <tr> <td>Nov. 2019</td> <td>Chairperson, Japan Sub-Committee, Asia Advisory Committee, Temple Law School's Center for Compliance and Ethics (current position)</td> </tr> <tr> <td>Jan. 2020</td> <td>Adjunct Professor, Temple Law School Japan Campus (current position)</td> </tr> <tr> <td>May 2021</td> <td>Head of Sanctions, Freshfields Bruckhaus Deringer LLP</td> </tr> <tr> <td>Nov. 2021</td> <td>Partner elect, Ashurst LLP</td> </tr> <tr> <td>Jan. 2022</td> <td>Partner, Ashurst LLP (current position)</td> </tr> <tr> <td></td> <td>           &lt; Status of important concurrent positions &gt;            Adjunct Professor, Temple Law School Japan Campus            Chairperson, Japan Sub-Committee, Asia Advisory Committee, Temple Law School's Center for Compliance and Ethics            Partner, Ashurst         </td> </tr> </table>		Mar. 2001	Roy Elliott O'Connor LLP	Oct. 2006	Dewey & LeBoeuf LLP	Oct. 2009	Sojitz Corporation	July 2013	Debevoise & Plimpton LLP	Sept. 2015	Freshfields Bruckhaus Deringer LLP	Oct. 2019	Counsel and Head of Asia Sanctions, Freshfields Bruckhaus Deringer LLP	Nov. 2019	Chairperson, Japan Sub-Committee, Asia Advisory Committee, Temple Law School's Center for Compliance and Ethics (current position)	Jan. 2020	Adjunct Professor, Temple Law School Japan Campus (current position)	May 2021	Head of Sanctions, Freshfields Bruckhaus Deringer LLP	Nov. 2021	Partner elect, Ashurst LLP	Jan. 2022	Partner, Ashurst LLP (current position)		< Status of important concurrent positions > Adjunct Professor, Temple Law School Japan Campus Chairperson, Japan Sub-Committee, Asia Advisory Committee, Temple Law School's Center for Compliance and Ethics Partner, Ashurst
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	There is no special interest between the candidate and the Company.																									
<p>■ Reasons for Nomination as a Director Candidate</p> <p>During his more than 20 years practicing law both inside and outside Japan, Mr. Dmitrenko has provided advice to companies across Asia and, in particular, Japanese corporations, with respect to all aspects of cross-border transactions, compliance, and crisis management and also teaches at Temple Law School and has extensive expertise in this area. As the Company is in need of drastically improving its corporate governance system[original text], Mr. Dmitrenko is expected to provide useful advice and supervisory functions to the Company's management from both a legal and strategic standpoint.</p> <p>In addition, Mr. Dmitrenko undertakes the position of chairperson at a non-profit organization for sexual minorities (LLAN) and at the Tokyo English Life Line (TELL Japan) and, through these volunteer activities, has gained broad expertise on diversity and human rights issues, areas relevant to the Company's business, and is expected to provide useful advice and supervision to the Company in these areas.</p> <p>For these reasons, Oasis proposes to appoint Mr. Dmitrenko as a Director.</p>																										

Note: Mr. Dmitrenko is a candidate for Outside Director.

Candidate No.	Kenji Shinmori	Birthday: June 2, 1959
		Number of shares of the Company owned: 0 Shares
4	■ Biography, position, responsibilities, and status of important concurrent positions	
	Apr. 1982	Sumitomo Corporation
	Apr. 2006	Head of Human Resources, Sumitomo Corporation
	Apr. 2010	Deputy General Manager of Lifestyle & Retail Business, Sumitomo Corporation
	Apr. 2011	General Manager of Lifestyle & Retail Business Unit, Sumitomo Corporation
	Apr. 2014	General Manager of Public Relations Department, Sumitomo Corporation
	Apr. 2018	Executive Officer and General Manager of Public Relations Department, Sumitomo Corporation
	Apr. 2019	President & CEO, Jupiter Shop Channel Co., Ltd.
	Apr. 2020	Advisor, Sumitomo Corporation
	Apr. 2022	Special Advisor, Jupiter Shop Channel Co., Ltd.
	Nov. 2023	Executive Director, Smileseed Cooperative Association (current position)
		< Status of important concurrent positions > Executive Director, Smileseed Cooperative Association
	There is no special interest between the candidate and the Company.	
■ Reasons for Nomination as a Director Candidate Mr. Shinmori engaged in consumer business at a trading house and has substantive expertise and experience in various types of consumer business. In particular, Mr. Shinmori, as General Manager of the Lifestyle & Retail Business Unit at Sumitomo Corporation, supervised the drugstore business operated by Tomod's Inc. and, thus, has experience in the Company's business area. Mr. Shinmori also held key positions in the corporate division of Sumitomo Corporation. The scandal the Company is now facing may require strategic reconstruction of its in-hospital pharmacy business that is a strategic pillar of the Company's business. Additionally, the issue of insufficiency of dialogue with stakeholders concerning crisis management has been raised. Based on his expertise in consumer business and the pharmaceutical industry, and his experience as General Manager of Public Relations Department, among other positions at one of the top Japanese companies, Mr. Shinmori is expected to provide useful advice and supervision concerning the Company's management and disclosure. For the above reasons, Oasis proposes to appoint Mr. Shinmori as a Director.		

Note: Mr. Shinmori is a candidate for Outside Director.

< Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 6 >

The Board of Directors is opposed to Proposal No. 6.

With regard to the Investigation conducted by the External Investigation Team, the Proposing Shareholder claims that "there is no guarantee that objectivity, neutrality, and expertise were actually ensured during the process for preparation of the investigation report." The Proposing Shareholder then claims that "there is an urgent need to appoint individuals who are not from companies having capital and business alliances [original text] and who have no special interests with the Company, and who have relevant expertise and experience and will contribute to enhancing the Company's corporate values."

However, in the first place, the Investigation requested by the Company was carried out by the External Investigation Team. (i) This team consisting of professional experts did not include any officers or employees of the Group. (ii) The team was led by a highly specialized and disciplined attorney who had served as a former prosecutor for the Supreme Public Prosecutors Office and other relevant positions and had no interest in the Group (such as signing an advisory contract) and was composed of attorneys at law with extensive experience in multiple investigation committees. (iii) The External Investigation Team investigated matters it deemed necessary, without any limitation or restriction on the scope of the investigation imposed by the Company. (iv) The External Investigation Team conducted an in-depth investigation, including a digital forensic investigation, over a period of about seven months without any limitation of means. Therefore, it goes without saying that objectivity, neutrality, and professionalism were ensured. In the Investigation, the Company believes that the substance of the investigation is important, as described in 1 below, and that the label given to the investigation team, whether it be a "third-party committee" or "External Investigation Team," has no real positive significance.

As described above, the Company believes that the Investigation was conducted properly and rigorously while taking due consideration not to affect the progress of the investigation and trial related to the ongoing criminal proceedings of the Case. In fact, the External

Investigation Team has not pointed out any lack of cooperation during the Investigation by the Group, and as a matter of fact, no officers or employees of the Group were involved in the preparation of the contents of the investigation report on the Case (the “Investigation Report”).

On that basis, as described below, We believe that the candidates that the Board of Directors of the Company will propose at the General Meeting of Shareholders are the best and most likely to “contribute to enhancing the Company's corporate value” as outside directors. As noted in 3 below, the Board of Directors of the Company, after deliberation over the proposed candidates by the Nomination and Remuneration Committees of the Company and discussion at the board meeting of the Company based on the committees’ findings, concluded that the director candidates proposed by the Company should bring new knowledge to the Board of Directors of the Company and contribute to various measures to further improve the Company's performance, as well as bolster the compliance system and governance structure. The Board of Directors of the Company also believes that these director candidates possess diverse and sufficient skills, including legal and compliance skills relevant to the Case. In addition, each candidate not only has a solid track record in their respective fields of expertise, but also has experience as an outside officer at other listed companies and valuable international experience.

As described above, a board of directors composed of director candidates proposed by the Board of Directors of the Company will not only be well-balanced in light of the skills matrix, having members equipped with the right skills and experience required for the Board of Directors of the Company, but also appropriately sized to conduct substantive and active discussions.

On the other hand, although they might bring a wealth of knowledge to the table, the Board of Directors of the Company deems all four Shareholder-proposed Candidates unfit to serve as its outside directors since they have no experience as outside directors of listed companies and little knowledge about the Company and the industry in which it operates. These Shareholder-proposed Candidates also did not seem to have any strong desire to serve as outside directors of the Company. In addition to that, as detailed below, if these candidates become outside directors of the Company, there would be an overlap in the candidates with the knowledge and experience that the Board of Directors of the Company deems necessary. If the Shareholder-proposed Candidates were elected as outside directors, the size of the board of directors would deviate significantly from the size the Board of Directors of the Company considers to be appropriate. Considering all these factors as well as the individual circumstances of each candidate, the Company has determined that their election as outside directors would not be desirable for the Company.

Therefore, the Board of Directors of the Company opposes this Shareholder Proposal.

Below is additional information on the reason for this Shareholder Proposal.

1. Occurrence of the Case and investigation

(1) We announced the occurrence of the Case in its May 10, 2024 press release entitled “Notice Regarding the Establishment of Special Website for Recommendations on Measures to Prevent Recurrence and Voluntary Return of Officer Remuneration” and in the notice on the Company website released on the same date, entitled “Report on the investigation by the External Investigation Team comprised of external experts, and initiatives based on their recommendations on measures to prevent reoccurrence.”

First of all, the Board of Directors of the Company would like to once again apologize to all concerned that the Case occurred.

(2) Following the arrest of the officers on August 31, 2023, We commenced an external investigation on the same day. On October 5 of the same year, We as noted above, established the External Investigation Team, consisting of five outside attorneys at law with a high level of expertise and professional discipline with no interest in the Company, to investigate the facts, including the existence of similar cases, determine the cause, and formulate measures to prevent any recurrence. On May 9, 2024, We received the Investigation Report from the External Investigation Team.

(3) The Investigation Report points out that the cause of the Case lies in a lack of awareness on the part of the executives and managers about the risks involved in the sales activities for opening new pharmacies in the On-site Pharmacy business (awareness-related cause), as well as deficiencies in the internal control and risk management system for the risks involved in the sales activities for opening new pharmacies in the On-site Pharmacy business (system-related cause). At the same time, the Investigation Report points out that the Group's internal control and internal audit functions are concentrated on risk management, efficiency, compliance, etc. related to operations at each store and audits of those operations, but does not indicate any deficiencies in the supervision of the establishment and operation of the Group's overall internal control system. It rather recognizes a high level of awareness about the importance of compliance with anti-bribery and anti-corruption measures as well as self-control imposed by the Group whose business involves frequent contact with doctors and other personnel of national hospitals and the like, public officials, etc.

(4) The Proposing Shareholder claims that, with regard to the investigation of the Case by the External Investigation Team, “the Company did not disclose this fact for more than six months” and that “governance by the outside directors ... has been inadequate” on the grounds that the External Investigation Team is not a “third-party committee” and that “there is no guarantee that objectivity, neutrality, and expertise were actually ensured during the process for preparation of the investigation report.” However, according to the following facts, all these arguments are used to set up the issue in an external and abstract manner and are clearly misdirective.

- The reason why We refrained from disclosing information on the Case was that We were concerned that the content of the

Investigation and its report could affect the trials of individuals in criminal cases and was following the advice of its general counsel. In fact, on April 18, 2024, the day the first ruling on the criminal case was issued, We disclosed the background of the Case, the fact that We had established the External Investigation Team to investigate the facts of the Case, including the existence of similar cases, the investigation of the cause, the formulation of measures to prevent any recurrence, and future policies. Upon receiving the Investigation Report from the External Investigation Team on May 9 of the same year, We disclosed the said report and published its recommendations for measures to prevent a recurrence on the following day. In this way, We have disclosed information in accordance with laws and regulations every time there has been an event that should be made known to the public, with due consideration not to disclose erroneous or inaccurate information.

- The Japan Federation of Bar Associations' guidelines for third-party committees in corporate misconduct cases ("Third-party Committee Guidelines") require a corporation that has established an external investigation team to disclose information, such as the scheduled date of publishing investigation results with respect to the investigation by the external investigation team. In the case of the Investigation conducted by the External Investigation Team, however, since We were unable to schedule such date in consideration of the possibility that the content of its investigation report might affect individual criminal trials, We simply did not adopt the "formality" of following the Third-party Committee Guidelines, but otherwise, the Company's investigation team complied with the Third-party Committee Guidelines, and the Investigation and the contents of Investigation Report are sufficiently objective, neutral, and professional.

## 2. Our approach to the Case

- (1) Our Group is dedicated to improving the health and happiness of our customers by supporting their health and beauty through its business activities. To attain this goal, which is enshrined in the Group Statement, Our Group is primarily engaged in the dispensing pharmacy business (business related to the operation of dispensing pharmacies and consulting related to the establishment of dispensing pharmacies) and the cosmetic and drug store business (business related to the management of cosmetics and drug stores). As each of these businesses is responsible for the health of people, Our Group recognizes that it is essential to continue sound and transparent business activities that place the utmost importance on compliance. The Internal Audit Office, which is under the direct control of the President and is independent from business management, conducts on-the-spot audits to ensure thorough compliance with relevant laws and regulations as well as internal rules and regulations. In addition, Our Group has established the Compliance Committee consisting of all Directors and Corporate Auditors to widely spread and establish corporate ethics and legal compliance systems not only among the management but also all employees, and the Sustainability Committee (chairperson: President and Representative Director) to further strengthen CSR and ESG activities, and We have been working to enhance corporate governance.
- (2) Under such circumstances, the occurrence of a compliance incident such as the Case is deeply regrettable to the Company, and we sincerely apologize for it. We will continue to review and implement what Our Group needs to do in order not to cause a similar situation again. Specifically, We disclosed that it would steadily implement the measures to prevent recurrence, which was formulated on May 10, 2024, based on the findings of the External Investigation Team and recommendations for measures to prevent recurrence. As measures to prevent recurrence, the following measures have been implemented up to June 26, 2024 (For details of other measures to prevent recurrence, please visit our website "Report on the investigation by the external investigation team comprised of external experts, and initiatives based on their recommendations on measures to prevent reoccurrence."):
  - Under the direction of President and Representative Director, Kiichi Otani, We strictly and concretely implemented improvements for the executives and employees involved in the on-site pharmacy business to prevent similar events from occurring again (review of the flow and establishment of prohibitions when making a proposal under the public solicitation proposal method).
  - Revision of regulations and development of audit systems necessary to fulfill the roles and responsibilities of the Compliance Committee more appropriately for the purpose of developing, disseminating, and establishing a compliance promotion system (in particular, establishment of direct reporting lines from the Internal Audit Division to the Board of Corporate Auditors, etc.).
  - Development of risk management rules necessary for strengthening risk management
  - Preparation and distribution of practical manuals for sales representatives (pocket manuals describing responses to public medical institutions in sales activities)
  - Conducting internal study sessions including legal considerations in sales activities for executives and employees of the Group
- (3) The Board of Directors of the Company recognizes that promptly identifying and evaluating situations such as the Case, and formulating, implementing and verifying measures to prevent recurrence are required responses to scenes where compliance issues and corporate governance issues intersect. And We believe that it is a scene where We should show that its corporate governance is fully functioning while ensuring that all stakeholders, including our shareholders as well as customers, business partners and employees, are aware of the status of the Group through fair and transparent disclosure.

From this perspective, the Board of Directors of the Company has already begun to further strengthen the compliance promotion system promptly with the advice of experts. In addition, the Board of Directors of the Company is implementing measures such as

the analysis of the cause of the Case in order to establish a further effective governance system. However, there is no goal in the process of seeking better governance, and it is necessary to continuously examine and improve the system, and, once again recognizing these facts, we will continue to work to strengthen the system. As part of this, We have decided to submit a proposal for the election of candidates for outside corporate auditors, including Ms. Ayako Sano, who is attorney at law and has expertise and experience in legal affairs and compliance, such as experience in the risk case review team as an outside director of another company, to this General Meeting of Shareholders as a company proposal (For details, please refer to Proposal No. 3), thus We also plan to renew the outside corporate auditors whose terms of office expire at the conclusion of this General Meeting of Shareholders, and to expand the corporate auditors' audit to implement measures to prevent the recurrence of the Case, which is a compliance case.

(4) The Proposing Shareholder has also claimed that the Case has already had a material adverse effect on the Company's business, but please note that this is a factual error or speculation. As of June 26, 2024, there has been no substantial adverse effect on the Company's business. In fact, as of December 1, 2023, We were suspended from bidding for 55 cases by government agencies and local governments following the Case and were unable to participate in public solicitation conducted by such organizations for a certain period of time. However, 54 cases of nomination suspension have ended by June 26, 2024, and no auctions were conducted during this period, so, there was no substantial impact on the Company's business. In addition, even after the Case was reported, no particular change has occurred in customers or business partners who use Our Group. We will continue to strive to repay our customers and business partners.

3. From the viewpoint of improving the Company's corporate value, the Board of Directors of the Company that is composed of candidates proposed by the Company is appropriate and best

(1) In light of the Case, etc., the Board of Directors of the Company discussed candidates for director after the Nomination and Remuneration Committees of the Company deliberated on the candidate proposals, and took into consideration the findings from the Nomination and Remuneration Committees of the Company, in order to further strengthen the compliance promotion system and governance system, and in turn, improve the corporate value of the Company.

As a result, at this General Meeting of Shareholders, the Board of Directors of the Company decided to make a proposal relating to the election of director candidates who are listed in Proposal No. 2 (the "Company Proposal"), as these candidates are expected to bring new expertise to the Board of Directors of the Company and contribute to various measures for further improvement of business performance and strengthening of the compliance promotion and governance systems.

If the director candidates related to the Company Proposal are approved as proposed at the General Meeting of Shareholders, the skill matrix of the Board of Directors of the Company will be as described in pages 25 to 27.

(2) The policy and process of the Board of Directors of the Company for selecting candidates for director at the General Meeting of Shareholders are as follows.

- Appointments, dismissals and nominations of senior management and director candidates are comprehensively judged on the basis that they are capable of making accurate and prompt decisions while taking into consideration the balance of expertise, experience and abilities of the management and the Board of Directors of the Company as a whole, and that each individual is popular and has insight into compliance with laws and regulations and corporate ethics. In addition, the Board of Directors of the Company will comprehensively consider the balance that can cover each function and division of the Company, the perspective of the right person for accurate and prompt decision-making, and other factors in the election of Directors, and will also endeavor to give consideration of diversity.
- As mentioned in 1. and 2. of Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 5, in selecting candidates for independent outside directors, the Company selects candidates who are independent and are specifically expected to contribute to the enhancement of the corporate value of the Company. In accordance with this policy, We have gone through a careful decision process from the viewpoint of improving the corporate value of the Company and securing common interest of shareholders regarding the director candidates related to the Company Proposal to be submitted to the General Meeting of Shareholders: after deliberation by the Nomination and Remuneration Committees of the Company, with conducting the necessary research including interviews with the candidates for director over a period of approximately 10 months from September 2023 to June 2024, and reviewing the composition of the Board of Directors of the Company and the necessary talent.
- The Nomination and Remuneration Committees of the Company were established as advisory committees chaired by President and Representative Director Kiichi Otani and composed of independent outside director Ms. Noriko Endo and Director Yamazoe for the purpose of enhancing the fairness, transparency, and objectivity of the procedures pertaining to appointments, dismissals and nominations of directors. The Nomination and Remuneration Committees of the Company have a system in which a majority of their members are independent outside directors to ensure their independence and to enable them to provide accurate advice and recommendations.

- In the process of considering the Company's proposals, the Nomination and Remuneration Committees of the Company interviewed each of the candidates proposed by the Proposing Shareholder and conducted a face-to-face interview regarding their expertise, understanding of the Company and the Company's business and industry, relationship with the Proposing Shareholder, and views on being elected as a director of the Company, etc. Based on the interview results, the Nomination and Remuneration Committees of the Company evaluated each candidate.
- (3) Based on the above basic policy and process as well as the findings from the Nomination and Remuneration Committees of the Company, the Board of Directors of the Company has carefully discussed the proposal and determined that the candidates listed in Proposal No. 2 are the best candidates for Director of the Company.
- At the Board of Directors of the Company composed of the director candidates related to the Company Proposal, five(5) out of the total number of 11 Directors are independent outside directors (the ratio of independent outside directors rose from 36% to 45%); the supervisory functions are further strengthened compared to the past; and the Board of Directors of the Company have an appropriate size and sufficient supervisory functions for fulfilling discussions at the Board of Directors of the Company. In addition, four(4) of the 11 directors will be female. In such a case, not only will the ratio of female directors on the Board of Directors of the Company be 36%, which is much higher than the average of companies listed on the Prime Market of the Tokyo Stock Exchange as of the end of July 2023 (approximately 13.6%), but also the ratio of female directors will be 43% of the total number of executives of the Company (14) including corporate auditors, which will enable the Company's executives to get closer to being a management team where many women are active and fulfill their talents.
  - The Board of Directors of the Company that will be composed of the director candidates related to the Company Proposal continues to have management experience in listed companies, broad expertise in finance, governance and human resource development in organizations, and abundant skills and experience in the pharmacy and retail businesses. As described in the reasons for the election of the director candidates related to the Company Proposal, the Board of Directors of the Company will continue to have the necessary and sufficient skills and experience to exercise the supervisory function for the improvement of the Company's corporate value over the medium to long term.
  - Moreover, in order to strengthen the Company's management structure, the following competencies are required with high priority: (i) further enhancement of legal function and compliance in light of this Case, etc., (ii) strengthening of skills in financial strategies such as investment decision-making, including M&As, which has important significance for improving medium- to long-term corporate value of the Company, which places the dispensing pharmacy business and cosmetic and drug store business as its core business, and (iii) strengthening of skills in providing substantial advice and supervision in store opening strategies and building sales floors for further growth and expansion of the steadily growing cosmetic and drug store business, which is growing steadily, with a focus on AINZ & TULPE, which is expanding its business by making its product mixes and building sales floors unique from other stores. In accordance with these requirements, the Company proposes the following three candidates for new independent outside directors: (i) Ms. Mariko Watahiki ("Ms. Watahiki"), who has served as a judge for long years and been involved in a large number of civil cases including corporate legal affairs and labor issues. Through her experience in judicial administration, she also has a record of accomplishment in organizational management such as thorough establishment of compliance/governance, human resource management/human resource development, and crisis management; (ii) Mr. Nobumichi Hattori ("Mr. Hattori"), who, after experiencing supervising M&A advisory services, is currently teaching at a graduate school on M&As and corporate value assessment, etc. He has substantive expertise in corporate value assessment in capital markets and, from his experience as an outside director of another listed company, possesses a great insight into corporate management such as retail; and (iii) Mr. Shigeki Kimura ("Mr. Kimura"), who has extensive management experience as a director of a major retail business and possesses expertise related to the Company's cosmetic and drug store business, as well as broad expertise and experience in accounting management, legal affairs and compliance, risk management, etc.
  - In order to improve the corporate value of the Company over the medium to long term, in the dispensing pharmacy business and the cosmetic and drug store business, the Company will expand the scale through the use of organic store openings and M&As, promote its pharmacy and store management strategies such as improving its specialization and expanding product selection, and strengthen its management foundation through human capital strategies, DX and capital finance strategies, and sustainability management. In addition, in consideration of the interests of shareholders, the Company has set a medium-term target of 13% ROE and a long-term target of 15% ROE. In order to achieve these targets, it is necessary to improve profits through higher business efficiency, implement measures to reduce SG&A expense ratios through scale expansion, pursue further shareholder returns and capital efficiency through acquisition of own shares and other measures, and grow business through strategic investments. The Board of Directors of the Company believes that the Board of Directors of the Company that is composed of the director candidates related to the Company Proposal has sufficient skills and experience necessary for the realization of these measures and is the best structure from the viewpoint of achieving sound and sustainable growth, improving corporate value over the medium to long term, and ultimately improving common interests of shareholders.
- (4) On the other hand, as outlined below, there are concerns regarding the election of the candidates proposed by the Proposing



Shareholder for outside director of the Company.

- None of the candidates proposed by the Proposing Shareholder has experience as an outside director of a listed company. In addition, it must be said that they do not have an active awareness of the characteristics of the Company's cosmetic and drug store business as well as the dispensing pharmacy business, which is the core business of the Group.

The Board of Directors of the Company does not necessarily consider executive experience at other listed companies or expertise of the Company and the industry to be a necessary condition for a new candidate for outside director. However, in light of the current status of the Company, which operates stores nationwide and has the largest dispensing pharmacy business in the industry, and where AINZ & TULPE business is rapidly expanding and is positioned as one of the Company's future focus areas, candidates without such experience and expertise should have clear and specific reasons and grounds for the Company to believe that, without such experience and expertise, they will be able to conduct substantial and sufficient activities during their one-year term. However, the Company was not able to find such reasons and grounds for each candidate and had to conclude that they do not meet preconditions to act as outside director of the Company.

If the candidates proposed by the Proposing Shareholder become outside directors of the Company, there will be overlap with the candidates for Director with expertise and experience deemed necessary by the Board of Directors of the Company. In addition, if the candidates proposed by the Proposing Shareholder become outside directors of the Company, the skills matrix would be less balanced compared to that obtained when only candidates proposed by the Board of Directors of the Company become outside directors. There is also a concern that the size of the Board of Directors of the Company would be deviated from that considered to be appropriate by the Board of Directors of the Company.

- In fact, as a result of interviews conducted by the Nomination and Compensation Committees of the Company with each candidate proposed in the Shareholder Proposal, we could not confirm that they are capable of demonstrating their abilities to enhance the corporate value of the Company, as described below.

① Mr. Hajime Yoshitake

Mr. Hajime Yoshitake is described as having expertise in compliance and internal audit. In fact, the content of the explanation in the interview indicates his expertise, which are highly respectful. However, for the roles when the Board of Directors of the Company wants to get advice only on his field of expertise such as consulting on internal audits and related matters from a specialized perspective, he cannot be considered to be the most suitable candidate for outside director, which is expected to provide a wide range of advice including management. And as described in (1) and (2) above, the Board of the Company is already implementing various measures in light of the Case to enhance compliance promotion system and build more effective governance system. As described in (3) above, among the director candidates related to the Company Proposal, there are the most suitable candidates from the viewpoint of strengthening compliance and internal audit of the Company, including Ms. Watahiki and Mr. Kimura. In addition, if Mr. Hajime Yoshitake becomes an outside director of the Company, there could be duplication of candidates for director with expertise and experience deemed necessary by the Board of Directors of the Company.

② Mr. Shogo Maeda

The Shareholder Proposal indicates that Mr. Shogo Maeda has expertise in finance in general. However, according to his background and responses to interviews, his experience is mainly related to asset management within the financial industry, and he did not provide specific explanations that he has abundant specific experience and expertise in finance in general such as M&As.

We believe that an urgent priority for the Company, whose core business is the pharmacy business centered on dispensaries and the cosmetic and drug store business centered on store development characterized by high added value, is to enhance skills in specific financial strategies, such as investment decision-making including M&As, which are important measures to improve the medium- to long-term corporate value of the Company. Based on this view, the Board of Director of the Company proposes to newly appoint Mr. Hattori, who clearly possesses such skills and has a solid record of accomplishment in M&As, as a candidate proposed by the Company. Mr. Hattori is evaluated as possessing sufficient knowledge of capital markets as well as expertise in investments such as M&As, and has extensive experience as an outside director of a listed company. Therefore, he is considered to be a candidate who can contribute to the improvement of the Company's corporate value. In addition, if Mr. Shogo Maeda becomes an outside director of the Company, there could be duplication of candidates for director with expertise and experience deemed necessary by the Board of Directors of the Company.

③ Mr. Alexander Dmitrenko

Mr. Alexander Dmitrenko is considered to be a legal expert and not in a position to directly engage in business experience or corporate business execution. If We want to acquire a legal expert related to compliance as an outside director rather than as a legal advisor, etc. (for global expansion of the business), it should, with the Case in mind, seek an individual with expertise and experience based on Japanese law. Therefore, as an outside director candidate, the Board of Directors

of the Company has proposed Ms. Watahiki. The Board of Directors of the Company believes that it is optimal to utilize her skills in legal affairs and compliance from an independent standpoint. In addition, if Mr. Alexander Dmitrenko becomes an outside director of the Company, there could be duplication of candidates for director with expertise and experience deemed necessary by the Board of Directors of the Company.

④ Mr. Kenji Shinmori

Mr. Kenji Shinmori is described as having experience and expertise in various types of consumer business both in Japan and overseas. However, the drugstore business he was in charge of and the dispensing pharmacy business and cosmetic and drug store business that the Company operates are two completely different business types in terms of their strategic positioning from the perspective of their brand image, product mixes, and building store floors. Individuals who can fully demonstrate their roles as supervisors and checkers on the back of their familiarity with the business are required to have experience and expertise different from those in the drugstore business. In addition, his experience and expertise do not relate to a business that operates stores throughout Japan as the Group does. The Board of Directors of the Company has proposed Mr. Kimura as a candidate with expertise of the business conducted by the Company. He not only has extensive management experience as a director of a listed company engaged in a major retail business operating nationwide, but also has deep understanding in the Company's cosmetic and drug store business, which is characterized by its unique product mixes and building sales floors. Mr. Kimura is considered to be a candidate who can more contribute to the enhancement of the corporate value of the Company. In addition, if Mr. Kenji Shinmori becomes an outside director of the Company, there could be duplication of candidates for director with expertise and experience deemed necessary by the Board of Directors of the Company.

#### 4. Conclusion

Based on the above basic policy and process, the Board of Directors of the Company has carefully discussed each candidate. As a result, the Board of Directors of the Company has determined that the Board of Directors of the Company that is composed of the director candidates related to the Company Proposal is appropriate and best for the Company to realize sound and sustainable growth, and to achieve improvement in corporate value over the medium to long term, as well as improvement in common interests of shareholders. Therefore, the Board of Directors of the Company opposes this Shareholder Proposal.

Proposal No. 7: Determination of the fixed remuneration amount paid to each Outside Director

(a) Main points of the proposal

We hereby propose to set 10,000,000 JPY as the fixed compensation amount paid to each outside Director for each business year.

(b) Reasons for proposal

As presented in the appendix.

< Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 7 >

The Board of Directors is opposed to Proposal No. 7.

1. Reason for opposition

- (1) After discussion by the Nomination and Remuneration Committees of the Company and the Board of Directors of the Company, the Company adopted a system in which the remuneration of the Company's directors consists of three combinations: (i) monthly remuneration, which is fixed remuneration in accordance with the roles and responsibilities of the directors; (ii) bonuses, which are performance-linked remuneration that enhance the transparency and objectivity of the remuneration determination process and serve as performance incentives; and (iii) non-monetary remuneration, which aims to raise awareness of sustainable growth from the same perspective as shareholders. However, the remuneration for outside directors shall be based on a remuneration structure appropriate to the roles and responsibilities of supervising the management of the Company from an independent and objective standpoint. Specifically, only (i) monthly remuneration shall be paid.
- (2) With respect to the amount of remuneration for each individual director, the Nomination and Remuneration Committees of the Company prepare drafts on the range of monthly remuneration for each position, the content of evaluation of performance, etc. related to bonuses, and the amount of non-monetary remuneration for each position within the range of the maximum amount of remuneration determined by the General Meeting of Shareholders in advance. After resolution by the Board of Directors of the Company on the drafts, the President and Representative Director is delegated to make decisions on specific content within the scope of the resolution. As described above, the amount of remuneration for each individual outside director is also determined with the involvement of the Nomination and Remuneration Advisory Committees of the Company, whose independence is ensured, and by a process that ensures independence from the Board of Directors of the Company, which is the decision-making body for business execution.
- (3) On the other hand, if the amount payable to each outside director is decided in advance at a shareholders meeting, as the Shareholder Proposal argues, it will be difficult to design flexible remuneration in light of changes in the external environment and the market environment, which, in turn, will hinder flexibility in accordance with the role and responsibility required of outside directors, disable the Company from determining the appropriate amount of remuneration, and make it difficult to acquire excellent individuals. For example, the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) released by the Ministry of Economy, Trade and Industry on July 19, 2022 also point out the importance of an appropriate level of remuneration for outside directors in accordance with their burdens and responsibilities. We believe that, in principle, remuneration for outside directors should also be determined for each individual outside director in light of the fact that each of them is responsible for a different role.
- (4) The Proposing Shareholder claims that the current remuneration for outside directors "cannot secure competent individuals," but there is no doubt that the outside directors of the Company at present are extremely capable individuals. The candidates for outside directors proposed by the Company are also competent individuals. The Company has nominated them with the expectation that they will contribute to the improvement of the Company's corporate value based on their backgrounds and skills if they are elected as outside directors at the General Meeting of Shareholders. Thus, the assumption that the Company cannot secure competent individuals as outside director is incorrect.
- (5) Note that there are some cases where the Proposing Shareholder submits a shareholder proposal related to the determination of the amount of remuneration to each outside director (although the specific amount differs from the amount of the Shareholder Proposal) when the Proposing Shareholder submits to other companies a shareholder proposal for the election of outside directors. It cannot be ruled out that this is one of the manifestations of a case where the Proposing Shareholder, while aiming at the election of the outside directors it proposes, offers certain conditions and assurances, at the stage of sounding out candidates, regarding remuneration to be paid to its candidates if they are successfully elected as outside directors, with an aim to motivate them to conform to the wishes of the Proposing Shareholder.

2. Conclusion

Based on the above, the Board of Directors of the Company opposes this Shareholder Proposal.



## Proposal No. 8: Determination of Remuneration for Granting Restricted Shares to Outside Directors

### (a) Main points of the proposal

While the Company adopted, as a separate stock compensation additional to cash-based remuneration, a remuneration for granting shares with restriction on transfer, targeting Directors (other than Outside Directors) with the upper limit of 50 million JPY and 50,000 shares per annum (the “Current Stock Compensation Plan”) at the 53rd Annual General Meeting of Shareholders held on July 28, 2022, the Company should newly introduce a separate stock compensation plan (the “Plan”), targeting Outside Directors, which is based on the Current Stock Compensation Plan, but making the following changes. The Plan is another compensation arrangement, which is separate from “Proposal No. 4: Revision of Remuneration Amount for Directors” and “Proposal No. 5: Determination of Remuneration for Granting Restricted Shares to Directors (Excluding outside Directors)”, which were approved at the 53rd Annual General Meeting of Shareholders held on July 28, 2022.

#### (1) The content of the Plan

The remuneration to be paid to Outside Directors (the “Eligible Directors”) for the purpose of granting restricted shares under the Plan shall be monetary claims, and the total amount of such claims shall be within 50 million JPY per year. Moreover, the Board of Directors will decide the specific timing and allocation of payments to each Eligible Director. The Eligible Directors shall contribute all of the monetary claims provided by this Plan as contributions-in-kind based on resolution by the Board of Directors of the Company, and then they shall receive the common stock of the Company issued or disposed of by the Company. The total number of shares of common stock of the Company to be thereby issued or disposed of shall be 50,000 shares or less per year (provided, however, in the event where the common stock of the Company undergoes a split (including the gratis allotment of the common stock of the Company) or reverse split or other event which requires adjustment of the total number of shares of common stock of the Company to be issued or disposed of by the Company as restricted shares after the date of the Plan being approved and adopted, the total number of the common stock issued or disposed of shall be adjusted within the appropriate range).

The amount to be paid per share will be decided by the Board of Directors within the range not constituting an especially favorable price to the Eligible Director who receives the common stock, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before each resolution of the Board of Directors (if the trading is not conducted on that day, the latest trading day prior to that). The issuance or disposal of the Company's common stock and the contribution of monetary claims as contributions-in-kind shall be subject to execution of an agreement for allotment of shares with transfer restrictions (the “Allotment Agreement”) entered into by and between the Company and the Eligible Director, which includes the following terms:

#### (2) Summary of the Terms of the Allotment Agreement

##### (i) Transfer Restriction Period

An Eligible Director shall not transfer, render as collateral, or otherwise dispose of the Company's common stock allotted under this Allotment Agreement (the “Allotted Shares”) from the date of receiving the allotment until retirement from the position of Outside Director of the Company (the “Transfer Restriction Period”) (the “Transfer Restriction”).

##### (ii) Handling upon retirement

If an Eligible Director resigns from Outside Director of the Company before expiration of the term determined by the Board of Directors of the Company in advance (the “Term of Service”), the Company will, as a matter of course, acquire the Allotted Shares free of charge except for the cases of resignation due to expiration of his/her term of office or death, or any other justifiable reason.

##### (iii) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction for all Allotted Shares when the Transfer Restriction Period expires subject to the condition that the Eligible Director has been in the position of Outside Director of the Company throughout his/her Term of Service. Provided, however, (i) if the Eligible Director resigns from the position of Outside Director of the Company due to justifiable reasons before expiration of the Term of Service, or (ii) if the Eligible Director resigns from a position determined by the Board of Directors of the Company in advance after expiration of the Term of Service but before expiration of the Transfer Restriction Period for any reasons other than justifiable reasons, the number of Allotted Shares subject to lifting of Transfer Restriction and the timing for lifting the Transfer Restriction shall be reasonably adjusted as necessary. Immediately after the Transfer Restrictions have been lifted in accordance with the above mentioned, the Company will acquire, as a matter of course and free of charge, the Allotted Shares for which the Transfer Restrictions have not been lifted.

##### (iv) Handling in case of group reorganization, etc.

Notwithstanding item (i) above, if (a) a merger agreement in which the Company becomes an extinguished company, (b) a share exchange agreement or a share transfer plan, in which the Company becomes a wholly owned subsidiary, or (c) other items related to the Company's reorganization is approved by the General Meeting of Shareholders of the Company (or by the Board of Directors of the Company, if approval by the General Meeting of Shareholders of the Company is not required for the organizational restructuring, etc.) during the Transfer Restriction Period, the Company shall, prior to the effective date of the subject organizational restructuring and by resolution of the Board of Directors of the Company, lift the Transfer Restrictions for the number of Allotted Shares reasonably determined based on the period from the start date of the Transfer Restriction Period to the date of approval of the relevant reorganization. Immediately after the Transfer Restriction has been lifted in accordance with the above mentioned, the Company will acquire, as a matter of course and free of charge, the Allotted Shares for which the Transfer Restrictions have not been lifted.

##### (v) Other matters

Other matters concerning this Allotment Agreement shall be determined by the Board of Directors of the Company.

### (b) Reason for the proposal

As presented in the appendix.

<Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 8 >

The Board of Directors is opposed to Proposal No. 8.

1. Reason for opposition

- (1) At the 53rd Ordinary General Meeting of Shareholders held on July 28, 2022, the Company passed a resolution to introduce a restricted stock compensation plan for directors excluding outside directors, with the aim of providing incentives for continuously improving the Company's corporate value and promoting further value sharing with shareholders. This plan (the restricted stock compensation plan) excludes outside directors from the scope of eligibility. As described in 1. of Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 7, the Company presently uses a compensation system for outside directors consisting of only a basic remuneration paid in a fixed amount.
- (2) We are aware that there is a lot of debate going on across the globe on the pros and cons of providing restricted stock compensation to outside directors, as stated in the Shareholder Proposal, and believe that due consideration should be given to whether such compensation is appropriate in the first place. In fact, voting against such a proposal to introduce a stock compensation plan is currently the general practice of many institutional investors in Japan.
- (3) Note that there are some cases, similar to 1. (5) of Opinion of the Board of Directors of the Company on the Shareholder's Proposal No. 7, where the Proposing Shareholder has submitted a shareholder proposal concerning the determination of the amount of remuneration to each outside directors in order to grant them restricted shares (although the specific amount differs from the amount stated in the Shareholder Proposal) when the Proposing Shareholder submits to other companies a shareholder proposal for the election of outside directors. It cannot be ruled out that this is one of the manifestations of a case where the Proposing Shareholder, while aiming at the election of the outside directors it proposes, offers certain conditions and assurances, at the stage of sounding out candidates, regarding remuneration to be paid to its candidates if they are successfully elected as outside directors, with an aim to motivate them to conform to the wishes of the Proposing Shareholder.
- (4) Based on the above, at least at the present stage, a consensus has not been formed to actively introduce restricted stock compensation for outside directors, and it is appropriate for the Company to closely monitor future discussions on compensation design, mainly by the Nomination and Remuneration Committees, and the Company does not see any need to implement it.
- (5) The Company has confirmed with the outside director candidates proposed by the Company that they do not intend to accept restricted stock compensation if the proposal to elect them as well as this Shareholder Proposal is approved. Therefore, if this Shareholder Proposal is passed, restricted stock compensation will be granted only to outside director candidates proposed by the Proposing Shareholder.

2. Conclusion

Based on the above, the Board of Directors of the Company opposes this Shareholder Proposal.

(Appendix) Note: The main points, reason for the proposal and other content of the shareholder proposals have been presented as stated in the respective original documents.

## I. Proposed Agenda Items

Agenda 1: Dismissal of two (2) Directors

Agenda 2: Appointment of four (4) Directors

Agenda 3: Determination of the fixed remuneration amount paid to each Outside Director

Agenda 4: Determination of Remuneration for Granting Restricted Shares to Outside Directors

## II. Outline of the proposals and reasons for the proposals

### 1. Agenda 1: Dismissal of two (2) Directors

The general reasons applicable to each of the proposals falling within Agenda 1 and Agenda 2 above are as follows:

Taking into account that there is a possibility that the Company's Stock Handling Rules require that reasons provided for each proposal must not exceed 400 letters in Japanese, we have drafted the reasons for Agenda 1 and Agenda 2 combined using less than 2400 letters in Japanese.

As publicized in the Company's press release dated April 18, 2024, former directors of the Company and its subsidiary (the "Defendants") were arrested and charged with obstruction of public contract-related auctions, and subsequently convicted (although the Defendants have since appealed). The Company explained that an investigation team was set up on October 5, 2023, but the Company did not disclose this fact for more than six months - until the press release dated on April 18, 2024, which was publicized in response to the guilty verdict against the Defendants. The "investigation team" cannot be said to be a "third-party committee" following the "Third-Party Committee Guidelines" and the "Scandal Response Principles", which means there is no guarantee that objectivity, neutrality, and expertise were actually ensured during the process for preparation of the investigation report (the "Investigation Report") by the investigation team.

From the perspective of corporate governance, the above scandal reveals the existence of serious problems in the Company. In this regard, the Investigation Report clearly points out that the sales approach adopted by the Company and its subsidiary, "can be viewed as illegal activities or, even if not so, as improper or wrong conduct, not only from the view point of competitor companies, but also from the viewpoint of common sense, which may evoke substantial reputational risk". Furthermore, it was revealed that such sales approach (i.e., proposal replacement) had been used for other cases than the Case, such as Case X and Case Y, as well.

Additionally, the Investigation Report confirmed the fact that the Company's board has never, in substance, reviewed "the legal and compliance risk with respect to the business activities for development of in-hospital pharmacies" nor controlled nor supervised such business activities, which means that the Board of Directors of the Company failed to develop effective corporate governance. The Investigation Report indicates the enhancement of governance by outside officers as a preventative measure against recurrence of incidents like the Case. The fact that enhancement of governance by outside officers should act as a preventative measure against such scandals shows such governance by the outside directors to date has been inadequate. In this regard, individuals who lack substantive independence have assumed the position of the Company's "independent directors" for such a long time and therefore, it cannot be said that the Company's governance has been working effectively, and this led to the scandal. Therefore, it is necessary to invite competent outside directors who can truly exercise their governance functions and rebuild the Company's corporate governance structure as soon as possible.

For example, Mr. Yamazoe had been working for years and held the position of Senior Executive Vice President and Vice Chairman in Marubeni Corporation ("Marubeni") which has a close relationship with the Company since Marubeni's investment in Ain in 1999. The Company has continuously accepted more than seven (7) directors from among individuals who are working for (or had worked for) Marubeni from 1999 to date. Mr. Yamazoe holds a position of director thanks to his long career at Marubeni and, thus, has a conflict in that he could prioritize interests of Marubeni, a company has a business relationship with the Company, rather than the common interests of the Company's shareholders.

Furthermore, Mr. Yamazoe once held an independent outside director position in FUJITEC CO., LTD. ("Fujitec"), when Fujitec was

accused of corporate governance issues regarding related-party transactions with Fujitec's founding family. Mr. Yamazoe, as an independent outside director, held a lead position in the investigation and eventually concluded, as chairman of the board, that there were no issues with the board of directors' resolution from either a legal or corporate governance viewpoint. However, there were later claims that the investigation was inadequate, so an additional investigation by a third-party committee was required. That ended with the abnormal situation that the third-party committee abandoned the investigation saying they could not build a trust relationship with Fujitec management. Furthermore, Fujitec itself acknowledged a part of the suspicion of defamation and intimidation or other influence against candidates for director proposed through shareholder's proposals arose. Each of these events occurred when Mr. Yamazoe was required to show his supervisory responsibility and explicitly reveals his inadequacy as independent outside director.

Mr. Ito is a Representative Director of Seven & i Holdings Co., Ltd. ("Seven & i") which has been in a capital and business alliance with the Company since 2008. Members from Seven & i, as well as Marubeni, have held director positions for generations even before Mr. Ito became an outside director. Thus, Mr. Ito, like Mr. Yamazoe, has a conflict with the Company and the Company's general shareholders in that he could prioritize Seven & i's interests. Outside directors are required to represent the common interests of all shareholders including minority shareholders, independent from the management, but these two individuals lack substantive independence.

The Company has faced a critical event where the Defendants were arrested and charged with obstruction of public contract-related auctions, and subsequently convicted in the first trial in relation to the Company's business and drastic corporate governance structure reform is an urgent issue. In this situation, not only the fact that Mr. Yamazoe and Mr. Ito lack substantive independence (a fundamental requirement for proper function of outside directors), but also past incidents show Mr. Yamazoe's inability to perform his supervisory responsibilities. It is necessary to dismiss Mr. Yamazoe and Mr. Ito immediately since the two directors keeping their positions as "independent" outside directors is harmful to the Company.

In view of the fact that the scandal occurred while members from companies having capital and business alliances with the Company have long been "independent" outside directors, there is an urgent need to appoint individuals who are not from companies having capital and business alliances and who have no special interests with the Company, and who have relevant expertise and experience and will contribute to enhancing the Company's corporate values. In order to achieve this purpose, Oasis proposes to appoint Mr. Hajime Yoshitake, Mr. Shogo Maeda, Mr. Alexander Dmitrenko, and Mr. Kenji Shinmori, and as candidates for the Board of Directors.

(1) Proposal 1

(A) Summary

Dismissal of Director Mr. Shigeru Yamazoe Shigeru

(B) Reasoning

As given above

(2) Proposal 2

(A) Summary

Dismissal of Director Mr. Junro Ito

(8) Reasoning

As given above

2. Agenda 2: Appointment of four (4) Directors

The common reasoning for Agenda 2 is as given above. Each of the candidates is proposed to be approved to be a director of the Company. Agenda 2 of this shareholder's proposal requires separate appointment of each candidate.

(1) Proposal I

(A) Summary

Appointment of Mr. Hajime Yoshitake as Director

(B) Reasoning



As given above

(C) Biography and other information about the candidate

Hajime Yoshitake	Birthday: July 1, 1956 Number of shares of the Company owned: 0 Shares
<b>■Biography, position, responsibilities, and status of important concurrent positions</b>	
Apr, 1979	The Kyowa Bank Ltd. (currently Resona Bank, Limited.)
Apr, 1991	Manager, New York Branch, The Kyowa Saitama Bank, Limited,
Apr, 2002	Nihon Unisys, Ltd. (currentlyBIPROGY Inc.)
Oct, 2007	Part-time Lecturer, Professional Graduate School of Meiji University (current position)
Jun, 2008	Director, The Institute of Internal Auditors-Japan (current position)
Jun, 2009	Executive Officer and General Manager of Internal Audit Division, Resona Holdings, Inc.,
Jun, 2011	Full-time CompanyAuditor, Saitama Resona Bank Limited
Apr, 2013	Part-time Lecturer, College of Law of Nihon University
Jun, 2016	Full-time Outside, Independent CompanyAuditor, TAIYO YUDEN CO., LTD.
May, 2021	Advisor, Specified Non-profit Corporation Japan Platform
July, 2023	Special Advisor to International Internal Audit Standards Board, The Institute of Internal Auditors, Inc.
May, 2024	Auditor, Specified Non-profit Corporation Japan Platform (current position)
July, 2024	The Institute of Internal Auditors, Inc. Institute Relations Committee Member (scheduled to assume the position in July 2024)
	<Status of important concurrent positions> Part-time Lecturer, Professional Graduate School of Meiji University Director, The Institute of Internal Auditors-Japan Specified Non-profit Corporation Japan Platform, Auditor The Institute of Internal Auditors, Inc. Institute Relations Committee Member
There is no special interest between the candidate and the Company.	
<b>■ Reasons for Nomination as a Director Candidate</b> Yoshitake has many years of experience as a company auditor in the private sector, as well as leading teaching positions at educational institutions as an internal audit professional and as director of the Institute of Internal Auditors-Japan. He is a leader in internal auditing and related fields in Japan. He also has experience working at major financial institutions and IT vendors, and a wealth of expertise in finance and IT and digital transformation. In the Investigation Report addressing the case in which the directors of the Company and its subsidiary were arrested, it is confirmed that the Internal Audit Section of the Company had not conducted the necessary audit and warning and, therefore, drastic improvement in the corporate governance system on a company-wide basis (including internal auditing) is now required. It is expected that Mr. Yoshitake will provide useful advice and supervisory functions to the management of the Company based on his expertise and experience in corporate governance including internal auditing cultivated over many years. For these reasons, Oasis proposes to appoint Mr. Yoshitake as a Director.	

Note: Mr. Hajime Yoshitake is a candidate for Outside Director.

(2) Proposal 2

(A) Summary

Appointment of Mr. Shogo Maeda as Director.

(B) Reasoning

As given above

(C) Biography and other information about the candidate

Shogo Maeda		Birthday: January 1, 1957 Number of shares of the Company owned: 0 Shares
<b>■Biography, position, responsibilities, and status of important concurrent positions</b>		
Jul, 1981	Japan Equity Analyst at Overseas Investment Advisor Office, Nomura Securities Co., Ltd.	
Oct, 1985	Investment Banking Group, New York Headquarter, Manufacturers Hanover Trust Company	
Nov, 1987	Nomura Investment Management Co., Ltd. (currently Nomura Asset Management Co., Ltd.)	
Sep, 1989	Senior Portfolio Manager, Nomura Investment Management Co., Ltd.	
Sep, 1994	Head of Japanese Equities, Goldman Sachs Asset Management Co., Ltd.	
Apr, 2002	Director, Asia-Pacific Equities CTO, and Head of Japan Equities, Goldman Sachs Asset Management Co., Ltd.	
Jan, 2006	Head of Japan Equities, Schroder Investment Management Limited	
Dec, 2012	Director and Head of Japan Equities, Schroder Investment Management (Japan) Limited	
Mar, 2018	Executive Director, The Grew Bancroft Foundation (current position)	
	< Status of important concurrent positions > Executive Director, The Grew Bancroft Foundation	
There is no special interest between the candidate and the Company.		
<b>■Reasons for Nomination as a Director Candidate</b> Mr. Maeda has held important positions, such as director, in various financial institutions, and has a deep expertise in finance in general and capital markets in particular. The Company's stock price has been stagnant for a long period of time, and its total shareholder return (TSR) has been significantly lower than TOPIX on a long-term basis. Although the Company is in an emergent situation as the directors of the Company and its subsidiary were arrested, the Company's communication with investors was insufficient such that appropriate disclosure to investors concerning the investigation into such scandal was delayed. Under these circumstances, as Mr. Maeda has a deep expertise in finance and capital markets, it can be expected that Mr. Maeda can provide useful advice and supervision to the management of the Company, not only for implementation of appropriate M&A and business investment, but also in considering actions for enhancing the corporate value and dialogue with shareholders given that one of the Company's important business challenges is to engage in and/or respond to the future restructuring of the industry. For these reasons, Oasis proposes to appoint Mr. Maeda as a Director.		

Note: Mr. Shogo Maeda is a candidate for Outside Director.

(3) Proposal 3

(A) Summary

Appointment of Mr. Alexander Dmitrenko as Director

(B) Reasoning

As given above

(C) Biography and other information about the candidate

Alexander Dmitrenko		Birthday: May 25, 1977 Number of shares of the Company owned: 0 Shares
<b>■Biography, position, responsibilities, and status of important concurrent positions</b>		
Mar 2001	Roy Elliott O' Connor LLP	
Oct 2006	Dewey & LeBoeuf LLP	
Oct 2009	Sojitz Corporation	
Jul 2013	Debevoise & Plimpton LLP	
Sep 2015	Freshfields Bruckhaus Deringer LLP	
October 2019	Counsel and Head of Asia Sanctions, Freshfields Bruckhaus Deringer LLP	
Nov 2019	Chairperson, Japan Sub-Committee, Asia Advisory Committee, Temple Law School's Center for Compliance and Ethics (current position)	
Jan 2020	Adjunct Professor, Temple Law School Japan Campus (current position)	
May2021	Counsel and Head of Sanctions, Freshfields Bruckhaus Deringer LLP	
Nov 2021	Partner elect, Ashurst LLP	
Jan 2022	Partner, Ashurst LLP (current position)	
	< Status of important concurrent positions > Adjunct Professor, Temple Law School Japan Campus Chairperson, Japan Sub-Committee, Asia Advisory Committee, Temple Law School's Center for Compliance and Ethics Partner, Ashurst	
There is no special interest between the candidate and the Company.		
<b>■Reasons for Nomination as a Director Candidate</b> During his more than 20 years practicing law both inside and outside Japan, Mr. Dmitrenko has provided advice to companies across Asia and, in particular, Japanese corporations, with respect to all aspects of cross-border transactions, compliance, and crisis management and also teaches at Temple Law School and has extensive expertise in this area. As the Company is in need of drastically improving its corporate governance system, Mr. Dmitrenko is expected to provide useful advice and supervisory functions to the Company's management from both a legal and strategic standpoint. In addition, Mr. Dmitrenko undertakes the position of chairperson at a non-profit organization for sexual minorities (LLAN) and at the Tokyo English Life Line (TELL Japan) and, through these volunteer activities, has gained broad expertise on diversity and human rights issues, areas relevant to the Company's business, and is expected to provide useful advice and supervision to the Company in these areas. For these reasons, Oasis proposes to appoint Mr. Dmitrenko as a Director.		

Note: Mr. Dmitrenko is a candidate for Outside Director.

(4) Proposal 4

(A) Summary

Appointment of Mr. Kenji Shinmori as Director

(B) Reasoning

As given above

(C) Biography and other information about the candidate

Kenji Shinmori	Birthday: June 2, 1959 Number of shares of the Company owned: 0 Shares
<b>■ Biography, position, responsibilities, and status of important concurrent positions</b>	
Apr, 1982	Sumitomo Corporation
Apr, 2006	Head of Human Resources, Sumitomo Corporation
Apr, 2010	Deputy General Manager of Lifestyle & Retail Business, Sumitomo Corporation
Apr, 2011	General Manager of Lifestyle & Retail Business Unit, Sumitomo Corporation
Apr, 2014	General Manager of Public Relations Department, Sumitomo Corporation
Apr, 2018	Executive Officer and General Manager of Public Relations Department, Sumitomo Corporation
Apr, 2019	President & CEO, Jupiter Shop Channel Co., Ltd.
Apr, 2020	Advisor, Sumitomo Corporation
Apr, 2022	Special Advisor, Jupiter Shop Channel Co., Ltd.
Nov, 2023	Executive Director, Smileseed Cooperative Association (current position)
	< Status of important concurrent positions > Executive Director, Smileseed Cooperative Association
There is no special interest between the candidate and the Company.	
<b>■ Reasons for Nomination as a Director Candidate</b> Mr. Shinmori engaged in consumer business at a trading house and has substantive expertise and experience in various types of consumer business. In particular, Mr. Shinmori, as General Manager of the Lifestyle & Retail Business Unit at Sumitomo Corporation, supervised the drugstore business operated by Tomod's Inc. and, thus, has experience in the Company's business area. Mr. Shinmori also held key positions in the corporate division of Sumitomo Corporation. The scandal the Company is now facing may require strategic reconstruction of its in hospital pharmacy business that is a strategic pillar of the Company's business. Additionally, the issue of insufficiency of dialogue with stakeholders concerning crisis management has been raised. Based on his expertise in consumer business and the pharmaceutical industry, and his experience as General Manager of Public Relations Department, among other positions at one of the top Japanese companies, Mr. Shinmori is expected to provide useful advice and supervision concerning the Company's management and disclosure. For the above reasons, Oasis proposes to appoint Mr. Shinmori as a Director.	

Note: Mr. Shinmori is a candidate for Outside Director.

### 3. Agenda 3: Determination of the fixed remuneration amount paid to each Outside Director

#### (A) Summary

We hereby propose to set 10,000,000 JPY as the fixed compensation amount paid to each outside Director for each business year.

#### (B) Reason

In order to properly supervise the operation of the board of directors which operates under the strong influence of the Company's founder, Mr. Otani, and to enhance corporate value, the Company must appoint individuals who are significantly experienced, highly competent, and truly independent as outside directors. To that end, the Company should pay outside directors fair compensation corresponding to their role and responsibility. However, the Company's compensation for outside directors has been around 5,000,000 JPY per annum on average for the past many years. This low compensation cannot secure competent individuals. It is also necessary to increase the predictability of compensation in order to make the outside director position attractive to people with truly high qualifications. Furthermore, by deciding the amount payable to each Director at the shareholders' meeting, it may ensure transparency in the decision-making process and may also improve the independence of the outside directors. Therefore, Oasis proposes to set a fixed remuneration in the amount of 10,000,000 JPY per annum for each outside director.

### 4. Agenda 4: Determination of Remuneration for Granting Restricted Shares to Outside Directors

#### (A) Summary

While the Company adopted, as a separate stock compensation additional to cash-based remuneration, a remuneration for granting shares with restriction on transfer, targeting Directors (other than Outside Directors) with the upper limit of 50 million JPY and 50,000 shares per annum (the "Current Stock Compensation Plan") at the 53rd Annual General Meeting of Shareholders held on July 28, 2022, the Company should newly introduce a separate stock compensation plan (the "Plan"),

targeting Outside Directors, which is based on the Current Stock Compensation Plan, but making the following changes. The Plan is another compensation arrangement, which is separate from “Proposal No. 4: Revision of Remuneration Amount for Directors” and “Proposal No. 5: Determination of Remuneration for Granting Restricted Shares to Directors (Excluding outside Directors)”, which were approved at the 53rd Annual General Meeting of Shareholders held on July 28, 2022.

(1) The content of the Plan

The remuneration to be paid to Outside Directors (the “Eligible Directors”) for the purpose of granting restricted shares under the Plan shall be monetary claims, and the total amount of such claims shall be within 50 million JPY per year. Moreover, the Board of Directors will decide the specific timing and allocation of payments to each Eligible Director.

The Eligible Directors shall contribute all of the monetary claims provided by this Plan as contributions-in-kind based on resolution by the Board of Directors of the Company, and then they shall receive the common stock of the Company issued or disposed of by the Company. The total number of shares of common stock of the Company to be thereby issued or disposed of shall be 50,000 shares or less per year(provided, however, in the event where the common stock of the Company undergoes a split(including the gratis allotment of the common stock of the Company) or reverse split or other event which requires adjustment of the total number of shares of common stock of the Company to be issued or disposed of by the Company as restricted shares after the date of the Plan being approved and adopted, the total number of the common stock issued or disposed of shall be adjusted within the appropriate range).

The amount to be paid per share will be decided by the Board of Directors within the range not constituting an especially favorable price to the Eligible Director who receives the common stock, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately before each resolution of the Board of Directors(if the trading is not conducted on that day, the latest trading day prior to that).The issuance or disposal of the Company's common stock and the contribution of monetary claims as contributions-in-kind shall be subject to execution of an agreement for allotment of shares with transfer restrictions (the “Allotment Agreement”) entered into by and between the Company and the Eligible Director, which includes the following terms:

(2) Summary of the Terms of the Allotment Agreement

(i) Transfer Restriction Period

An Eligible Director shall not transfer, render as collateral, or otherwise dispose of the Company's common stock allotted under this Allotment Agreement (the “Allotted Shares”) from the date of receiving the allotment until retirement from the position of Outside Director of the Company (the “Transfer Restriction Period”) (the “Transfer Restriction”).

(ii) Handling upon retirement

If an Eligible Director resigns from Outside Director of the Company before expiration of the term determined by the Board of Directors of the Company in advance (the “Term of Service”), the Company will, as a matter of course, acquire the Allotted Shares free of charge except for the cases of resignation due to expiration of his/her term of office or death, or any other justifiable reason.

(iii) Lifting of the Transfer Restriction

The Company shall lift the Transfer Restriction for all Allotted Shares when the Transfer Restriction Period expires subject to the condition that the Eligible Director has been in the position of Outside Director of the Company throughout his/her Term of Service. Provided, however, (i) if the Eligible Director resigns from the position of Outside Director of the Company due to justifiable reasons before expiration of the Term of Service, or (ii) if the Eligible Director resigns from a position determined by the Board of Directors of the Company in advance after expiration of the Term of Service but before expiration of the Transfer Restriction Period for any reasons other than justifiable reasons, the number of Allotted Shares subject to lifting of Transfer Restriction and the timing for lifting the Transfer Restriction shall be reasonably adjusted as necessary. Immediately after the Transfer Restrictions have been lifted in accordance with the above mentioned, the Company will acquire, as a matter of course and free of charge, the Allotted Shares for which the Transfer Restrictions have not been lifted.

(iv) Handling in case of group reorganization, etc.

Notwithstanding item (i) above, if (a) a merger agreement in which the Company becomes an extinguished company,(b) a share exchange agreement or a share transfer plan, in which the Company becomes a wholly owned subsidiary, or (c) other items related to the Company's reorganization is approved by the General Meeting of Shareholders of the Company (or by

the Board of Directors of the Company, if approval by the General Meeting of Shareholders of the Company is not required for the organizational restructuring, etc.) during the Transfer Restriction Period, the Company shall, prior to the effective date of the subject organizational restructuring and by resolution of the Board of Directors of the Company, lift the Transfer Restrictions for the number of Allotted Shares reasonably determined based on the period from the start date of the Transfer Restriction Period to the date of approval of the relevant reorganization.

Immediately after the Transfer Restriction has been lifted in accordance with the above mentioned, the Company will acquire, as a matter of course and free of charge, the Allotted Shares for which the Transfer Restrictions have not been lifted.

(v) Other matters

Other matters concerning this Allotment Agreement shall be determined by the Board of Directors of the Company.

(B) Reason for the proposal

The Company has already adopted an arrangement of the Remuneration for Granting Restricted Shares as non-cash-based remuneration. However, such arrangement is available only to Directors other than Outside Directors. The guidelines of the Ministry of Economy, Trade and Industry<sup>1</sup> mention granting stock compensation of which the number of shares is not affected by performance as a key option for enhancing Outside Directors' sense of ownership as members of the board and aligning their interests with those of the shareholders. Taking into account the case that, last year, the Director of the Company was arrested, prosecuted, and convicted in the first trial, the Company is now facing a situation that requires improvement of governance, and, for the Company's mid- and long-term growth, it is indispensable for the Board of Directors of the Company to work as one team including Outside Directors to aggressively undertake the necessary actions aimed at enhancing the Company's corporate value. To that end, the Company needs to adopt the Plan in order to retain exceptional candidates with rich diversity and have a sense of ownership as Outside Directors.

1 Page 65 of the Ministry of Economic, Trade and industry's "Practical Guide for Corporate Governance System (COS Guidelines)" ([https://www.meti.go.jp/policy/economy/keiei\\_innovation/keizaihousei/pdf/cgs/guideline2022.pdf](https://www.meti.go.jp/policy/economy/keiei_innovation/keizaihousei/pdf/cgs/guideline2022.pdf))

# Business Report

(From May 1, 2023 to April 30, 2024)

## 1. Current Status of Company Group

### (1) Status of businesses in fiscal year under review

#### (i) Progress and results of businesses

In the consolidated fiscal year under review (May 1, 2023 to April 30, 2024), the Japanese economy showed signs of a gradual recovery, including the restoration of the flow of people after the COVID-19 virus was changed to a Class 5 infectious disease as well as the easing of restrictions on activities. On the other hand, the situation continues to remain uncertain due to rising prices, fluctuations in the financial and capital markets, etc.

In the 2024 Noto Peninsula Earthquake that occurred in January 2024, none of our employees were injured; however, 29 stores in the three Hokuriku prefectures and Niigata Prefecture suffered damage such as fallen medicine and merchandise, as well as damage or destruction to buildings. This forced us to temporarily close two of our pharmacies; however, we made great efforts toward resuming the provision of healthcare in the disaster-affected areas as quickly as possible, and in addition to resuming operations, we provided monetary support for the early recovery and reconstruction of the disaster affected areas. It should be noted that the impact of this earthquake on our performance is minor.

Our Group works to provide medical and retail services in line with our mission to “Contribute to local healthcare” and “Provide beauty and happiness,” which are two of our materiality areas. In addition, we regard diversity and inclusion as one of the important initiatives in the materiality area of “ensure sound management base,” and the AIN Group is actively promoting diversity by creating working environments and organizations that are welcoming and motivating for all employees. We have been recognized as a “parenting support company” that supports a balance between work and childcare, and in July 2023 our core operating company, AIN PHARMACIEZ INC., was awarded “Platinum Kurumin Certification” by the Minister of Health, Labour and Welfare.

In November 2022, we formulated the “CSR Procurement Policy and Guidelines”; in July 2023, we held a briefing session for trading partners with the objective of implementing CSR procurement across the entire supply chain; and we conducted a CSR survey in order to ascertain the current situation in August, the following month. Through these efforts, we are evaluating and analyzing our supply chain risk, communicating in a manner that ensures compliance with the CSR, and through this, we are strengthening the CSR collaboration system with our trading partners.

In February 2024, we were graded “B” in the evaluation of efforts and disclosure of information on “climate change” by “CDP,” an international environmental NGO that has the world’s largest database for the disclosure of environmental information.

In addition, we have been certified as an “Outstanding Organizations Recognition Program” by the Nippon Kenko Kaigi for the four consecutive years since 2021, and in March 2024, we were awarded an “Outstanding Health and Productivity Management Organization 2024 (Large Corporation Section [White 500])” for the first time, placing us in the top 500 companies.

As we continued to engage with our active efforts for various materialities described above, in April 2024, our Group’s ESG efforts were well received, and we were awarded grade “A” in the MSCI ESG Ratings.

Looking to the future as well, our Group will continue to strive to make all stakeholders “people welcome to their communities” by contributing to the resolution of various social issues through our business.

As of the end of the consolidated fiscal year under review, our Group had a total of 1,312 stores.

	54th business term (from May 1, 2022 to April 30, 2023)	55th business term (from May 1, 2023 to April 30, 2024)	Change	
	Amount (Million yen)	Amount (Million yen)	Amount (Million yen)	Change (%)
Net sales	358,742	399,824	41,081	11.5%
Operating profit	16,004	20,432	4,428	27.7%
Ordinary profit	17,064	21,377	4,312	25.3%
Profit attributable to owners of parent	9,234	11,401	2,167	23.5%
ROE	7.5%	8.7%		

The status of sales per business segment of the Company Group is as follows.

### Dispensing Pharmacy Business

We are striving to provide the functions of primary care pharmacists and pharmacies by coordinating with medical

institutions, using patient medication notebooks and the like to centrally and continuously manage prescription information, and providing home-based healthcare. Through these efforts, we are enabling patients to receive medical care in their familiar local community with peace of mind.

In addition, we are actively working on the promotion of digital transformation in order to improve convenience for patients; in addition to the official AIN Pharmacy app that was launched in 2022, we opened the official AIN Pharmacy LINE account in October 2023, making our prescription sending service even more convenient to use.

During the consolidated fiscal year under review, prescription costs have increased backed by the increasing trend to prescribe higher-cost medicines, including drugs to combat COVID-19. The number of prescriptions has also increased due to the easing of restrictions on hospital outpatient visits as a result of the classification of COVID-19 as a Class 5 infectious disease, as well as the strengthening of our function as primary care pharmacists and pharmacies, and improvements to patient services, such as shortened wait times.

As for the status of open stores during the consolidated fiscal year under review, including M&A, a total of 40 stores were opened across the group, 13 stores were closed, and five stores were transferred, resulting in the Group having a total of 1,231 pharmacies.

### **Cosmetic and Drug Store Business**

As the flow of people inside and outside Japan recovers, our number of customers has remained steady, customer purchase trends have shifted from infection control products to beauty products, etc., which are our strength, and this has led to increased unit prices. Sales of Asian cosmetics in particular, which we have been focusing on through measures such as exclusives and pre-sales, have been growing. In addition, our opening and moving of stores to more favorable locations has also been a success, leading to steady net sales as well as an improvement in earnings capabilities due to the increased operational efficiency, etc. We will continue to monitor purchasing trends and will work toward strengthening our product lineup and creating attractive sales area layouts.

As for the status of open stores during the consolidated fiscal year under review, with the opening of six stores and the closing of three stores, we had a total of 81 stores.

Please note that as announced on August 31, 2023, two former Directors of the Company and our Group companies were arrested on suspicion of obstruction of bidding in an auction related to a public contract during their tenure, and were subsequently indicted and convicted. We have received an investigation report concerning this case from an investigative team comprising solely external experts, and on May 10, 2024, we announced specific measures to prevent recurrence as well as future efforts, based on the recommendations on measures to prevent recurrence provided in the investigation report. In addition, four Representative Directors of the Company and Group companies have made a partial return of their remuneration. Our company will strive to regain the trust of all of our stakeholders as soon as we can by further promoting compliance and strengthening our risk management promotion system, and engaging in group-wide efforts on the measures to prevent recurrence.

#### **(ii) Status of capital expenditure and financing**

The total amount of capital expenditure in the fiscal year under review is ¥11,650 million, and mainly consists of the following.

A. Property, plant and equipment (Store facilities, etc.)	¥9,168 million
B. Leasehold and guarantee deposits	¥2,482 million

Note that there is no significant financing that should be stated.

#### **(iii) Status of the acquisition of shares, etc. of other companies or other corporate realignment**

The Company's consolidated subsidiary AIN PHARMACIEZ INC. acquired the shares of eight dispensing pharmacy business companies to make them into subsidiaries during the fiscal year in question.



**(2) Status of property, profit and loss for last three fiscal years**

Category		52nd business term (from May 1, 2020 to April 30, 2021)	53rd business term (from May 1, 2021 to April 30, 2022)	54th business term (from May 1, 2022 to April 30, 2023)	55th business term (Fiscal year under review) (from May 1, 2023 to April 30, 2024)
Net sales	(Million yen)	297,305	316,247	358,742	399,824
Ordinary profit	(Million yen)	12,649	16,041	17,064	21,377
Profit attributable to owners of parent	(Million yen)	6,697	7,092	9,234	11,401
Earnings per share	(Yen)	189.04	201.47	262.87	324.64
Total assets	(Million yen)	203,662	212,461	231,750	249,409
Net assets	(Million yen)	115,837	119,010	126,546	135,411

Note: Earnings per share has been calculated with the number of the Company's shares owned by the Custody Bank of Japan, Ltd. (Trust Account E) being included in treasury shares, with these being deducted from the average number of shares (52nd business term: — shares, 53rd business term: — shares, 54th business term: — shares, 55th business term: 27,000 shares)

**(3) Status of material subsidiaries**

(i) Status of material subsidiaries

Company name	Share capital (Million yen)	Ratio of Company's voting rights (%)	Main business activities
AIN PHARMACIEZ INC.	100	100.0	Management of dispensing pharmacies and cosmetics and drug stores
DAICHIKU Co., Ltd.	10	100.0	Management of dispensing pharmacies
Asahi Pharmacy Co., Ltd.	10	100.0	Management of dispensing pharmacies
Kom Medical Co., Ltd.	3	100.0	Management of dispensing pharmacies
AIN SHINSHU Co., Ltd.	10	100.0	Management of dispensing pharmacies
PHARMACY Co., Ltd.	50	100.0	Management of dispensing pharmacies
WHOLESALE STARS Co., Ltd.	50	100.0	Sales of drugs, etc.
MEDIWEL Corp.	208	91.3	Healthcare consulting

Notes: 1. The voting rights ratio of the Company is the direct ownership ratio.  
2. On November 1, 2023, the dispensing pharmacy business of Nishinohon Pharmacy Co., Ltd., a wholly owned subsidiary of the Company, was transferred to AIN PHARMACIEZ INC. through an absorption-type company split.  
3. The consolidated subsidiaries of the Company number 28 in total, including the above eight material subsidiaries.

(ii) Status of specified wholly-owned subsidiaries upon the final day of the fiscal year under review

Company name	Address	Total carrying amount	Total assets of the company
AIN PHARMACIEZ INC.	5-2-4-30, Higashisapporo, Shiroishi-ku, Sapporo	Million yen 37,502	Million yen 146,171

(iii) Other

Status of material business partnerships

Other party	Description of agreement
Seven & i Holdings Co., Ltd.	Partnership agreement for stores, sales and product development under dispensing pharmacy and cosmetics and drug store businesses

#### (4) Issues that should be addressed

- About each business

In the Dispensing Pharmacy Business, the environment surrounding dispensing pharmacies has been changing, with the introduction of the certified pharmacy system in August 2021, in which prefectural governors certify pharmacies as having specified functions, the relaxation of requirements for repeat prescriptions, the online pharmaceutical guidance in April 2022, and responding to the introduction of digital prescriptions in January 2023. These events have resulted in a diversification of patient needs, a growing demand for contributing to local healthcare through the provision of higher-quality patient services and as “primary care pharmacists and pharmacies,” and in addition, the roles and responsibilities of dispensing pharmacies have become even greater.

Our Group has further strengthened the expertise of our pharmacists, has actively participated in home medical care, and in addition, we are continuing to provide an environment where patients can continue their prescription medication in their familiar local community with peace of mind, through the “Anytime AIN Pharmacy” app, the official AIN Pharmacy app.

In addition, we are continuing with our business strategy of increasing the scale of our business through the opening of new stores, M&A, etc., and maximizing economies of scale.

In the Cosmetic and Drug Store Business, the COVID-19 pandemic has resulted in changes to the areas in which customers move and their purchasing trends.

We will continue to promote investments in order to improve the brand power of “AINZ & TULPE” by opening new stores in favorable locations that will reliably attract customers, strengthening products that meet customer needs, etc., while at the same time also working on cost optimization.

It should be noted that during the recent spread of the COVID-19 infection, we made thorough infection prevention measures our top priority and have taken action in line with our Business Continuity Plan (BCP) in order to fulfill our social responsibilities as a Group, such as continuing our dispensing operations, and in the case of any emergencies occurring in the future, we will take prompt and appropriate action based on the BCP.

- Toward the realization of a sustainable society

The Group is dedicated to improving the health and happiness of our customers by supporting their health and beauty through its business activities. The Group has consistently strived to attain this goal, which is enshrined in the Group Statement, by taking a sound and ethical approach in all its corporate activities. Going forward, we will seek to grow in a sustainable way by adjusting and responding to the needs of our customers and all our other stakeholders, while also practicing sustainability management that creates social, environmental and economic value.

In December 2020, the Company identified the materiality (important issues) that it should address. In May 2021, it established primary initiatives for those materiality areas as well as KPI and fiscal 2025 targets and commenced specific initiatives.

\* Please see here for details on sustainability.

<https://www.ainj.co.jp/corporate/english/sustainability/>

\* Please see here for details on efforts to reinforce the promotion of employee health (Health and productivity management at the AIN Group).

<https://www.ainj.co.jp/corporate/sustainability/social/employees/health-management.html> (Japanese only)

## 2. Current Status of Company

### (1) Status of shares (As of April 30, 2024)

- |  |                   |
|--|-------------------|
| (i) Total number of authorized shares          | 44,000,000 shares |
| (ii) Total number of issued shares             | 35,428,212 shares |
| (iii) Number of shareholders                   | 16,145            |
| (iv) Major shareholders (Top ten shareholders) |                   |

Shareholder name	Number of shares held (Thousand shares)	Holding ratio (%)
Kiichi Otani	3,239	9.17
The Master Trust Bank of Japan, Ltd. (Trust account)	3,116	8.82
Seven & i Holdings Co., Ltd.	2,750	7.78
OASIS JAPAN STRATEGIC FUND LTD.	2,633	7.45
OASIS INVESTMENTS II MASTER FUND LTD.	1,911	5.41
North Pacific Bank, Ltd.	1,743	4.94
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account)	1,594	4.51
The Hokkaido Bank, Ltd.	1,472	4.17
Custody Bank of Japan, Ltd. (Trust account)	953	2.70
Oasis Japan Strategic Fund Ltd.	729	2.07

- Notes:
- Holding ratios have been calculated after deducting 100,091 treasury shares.
  - Shares held in the Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account) are shares contributed by Marubeni Corporation for a retirement benefit trust.
  - According to the Large Shareholding Report (change in holding report) provided for public inspection on June 16, 2023, Sprucegrove Investment Management Ltd. held 4,451 thousand shares as of June 12, 2023 (shareholding ratio of 12.57%). However, as the Company was not able to confirm the actual number of shares held as of the end of the fiscal year under review, the above list of major shareholders is based on the number of shares held recorded in the Register of Shareholders.
  - According to the Large Shareholding Report (change in holding report) provided for public inspection on May 1, 2024, Oasis Management Company Limited held 5,274 thousand shares as of April 23, 2024 (shareholding ratio of 14.89%). However, as the Company was not able to confirm the actual number of shares held as of the end of the fiscal year under review, the above list of major shareholders is based on the number of shares held recorded in the Register of Shareholders.

- (v) Status of shares granted to Company officers as consideration for the execution of duties during the fiscal year under review

	Number of shares	Number of persons eligible for granting of shares
Directors (Excluding outside Directors)	2,462 shares	8

- Notes:
- Details on share remuneration at the Company are stated under (2) Status of Company officers, (iv) Remuneration of Directors and Corporate Auditors, (a) Decision policy regarding the content of individual remuneration for Directors, c. Policy on determining the content of performance indicators for performance-linked remuneration and calculation methods for the number or amount thereof as well as policy on determining the content of non-monetary remuneration and calculation methods for the number or amount thereof.
  - The above also includes the shares delivered to Directors that have retired.

## (2) Status of Company officers

### (i) Status of Directors and Corporate Auditors (As of April 30, 2024)

Position	Name	Responsibilities in the Company, and significant concurrent positions outside the Company
President and Representative Director	Kiichi Otani	
Representative Senior Managing Director	Shoichi Shudo	In charge of Store Development and Division Manager of Dispensing Pharmacy Operations Management President and Representative Director of AIN PHARMACIEZ INC.
Representative Senior Managing Director	Toshihide Mizushima	In charge of Cosmetic and Drug Store Operations Management, Operational Support and Digital Promotion
Representative Senior Managing Director	Miya Oishi	In charge of External Affairs Director of AIN PHARMACIEZ INC.
Director	Rieko Kimei	Division Manager of Personnel Director of AIN PHARMACIEZ INC.
Director	Nobuyuki Takakura	In charge of Risk Management Senior Managing Director of AIN PHARMACIEZ INC.
Director	Kaori Ishikawa	Division Manager of Cosmetic and Drug Store Operations Management Director of AYURA LABORATORIES Inc.
Director	Noriko Endo	Outside Director of Hankyu Hanshin Holdings, Inc. Outside Director of Techpoint, Inc. Outside Director of Japan Elevator Service Holdings Co., Ltd. Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION Professor of Research Council, Waseda University
Director	Junro Ito	Seven & i Holdings Co., Ltd. Senior Managing Executive Officer, Representative Director, Chief Sustainability Officer, Division Manager of ESG Development and Supervising Officer of Superstore operation
Director	Shigeru Yamazoe	Outside Director (Audit and Supervisory Committee Member) of Bewith, Inc.
Director	Hideki Kuriyama	Professor of Hakuoh University Specially Appointed Professor of Hokkai-Gakuen University Chief Baseball Officer of Hokkaido Nipponham Fighters
Standing Corporate Auditor	Koichi Kawamura	
Corporate Auditor	Akira Ibayashi	
Corporate Auditor	Osamu Muramatsu	Chairman of Executive Partners, Inc. Corporate Auditor of Asahi Pharmacy Co., Ltd.

- Notes:
1. Directors Noriko Endo, Junro Ito, Shigeru Yamazoe and Hideki Kuriyama are outside Directors.
  2. Corporate Auditors Akira Ibayashi and Osamu Muramatsu are outside Corporate Auditors.
  3. Standing Corporate Auditor Koichi Kawamura served as the Department Manager of Administration for the Company from May 2003 to May 2012, as the Department Manager of Accounting for AIN MEDICAL SYSTEMS INC. from April 2000 to April 2003, and as the Corporate Auditor for that company from April 2005 to July 2012. In that capacity, he engaged in procedures for the settlement of accounts, the preparation of financial statements or audit duties, etc., and as such has considerable knowledge of finance and accounting.
  4. The Company has submitted notification to the Tokyo Stock Exchange that Directors Noriko Endo, Junro Ito, Shigeru Yamazoe, Hideki Kuriyama, and Corporate Auditors Akira Ibayashi and Osamu Muramatsu have been designated as independent officers as provided for by the aforementioned exchange.
  5. Managing Director Masato Sakai retired left the Company due to dismissal on November 13, 2023. It should be noted that at the time of his retirement, he was Division Manager of Dispensing Pharmacy Operations Management, and held the significant concurrent position of being Representative Director and President of AIN PHARMACIEZ INC., a position from which he was resigned on November 1, 2023.

### (ii) Summary of content of liability limitation contracts

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act and the Articles of Incorporation, the Company has concluded contracts with outside Directors and with Corporate Auditors to limit their liability for damages under Article 423, paragraph (1) of the same act.

The maximum amount of liability for damages based on the contracts is the amount stipulated by laws and regulations.

(iii) Summary of content of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy covers losses, including damage compensation and court costs, that may be incurred by the insured.

The insured under said insurance policy include the Directors, Corporate Auditors, employees in management or supervisory positions, and their inheritors, of the Company and its subsidiaries (including second-tier subsidiaries). The Company covers insurance premiums for all insured in full.

(iv) Remuneration of Directors and Corporate Auditors

A. Decision policy regarding the content of individual remuneration for Directors

The Company resolved its decision policy pertaining to the content of individual remuneration for Directors at the meeting of the Board of Directors that was held on June 29, 2022.

Additionally, with respect to individual remuneration for Directors for the fiscal year under review, the Board of Directors has verified that the decision method pertaining to the content of remuneration and the content of the remuneration decided upon is consistent with the decision policy resolved by the Board of Directors and that the report made by the voluntary Nomination and Remuneration Committee is respected, and has determined that they are in line with said decision policy.

The content of the decision policy regarding the content of individual remuneration for Directors is as follows.

a. Basic policy

Directors of the Company are required to work towards improved business performance and sustainable growth while sharing values with our stakeholders so that the Group can fulfill its social role and responsibility by contributing to local healthcare and providing beauty and happiness. The remuneration for Directors of the Company consists of a system comprising monthly fixed remuneration according to roles and responsibilities, bonuses which are performance-linked remuneration that enhance the transparency and objectivity of the remuneration decision process and provide performance incentives, and non-monetary remuneration for recognizing the same perspectives on sustainable growth as shareholders.

However, the remuneration of outside Directors shall consist of a system suitable for the roles and responsibilities of supervising the management of the Company from an independent and objective standpoint.

b. Policy regarding determination of amount of monetary remuneration and the calculation method thereof

Monetary remuneration (that which is neither performance-linked remuneration nor non-monetary remuneration) shall be "basic remuneration" as a fixed monthly amount and shall be decided upon following comprehensive consideration of position, responsibilities, years in office, balance with employee wages, trends of other companies in the same industry and past payment history.

c. Policy on determining the content of performance indicators for performance-linked remuneration and calculation methods for the number or amount thereof as well as policy on determining the content of non-monetary remuneration and calculation methods for the number or amount thereof

Bonuses are determined after comprehensive consideration of consolidated operating profit and ROE for each period and value not directly manifested by financial value including contribution to environmental and social issues in each period, as well as dividends, balance with employee bonuses, trends of other companies in the same industry and past payment history.

Non-monetary remuneration shall be paid by restricted stock (RS), and a standard amount of monetary remuneration claim determined by position and responsibility shall be granted each year up to a total of ¥50 million, with allocation of common stock through in-kind contribution of the monetary remuneration claims. The number of shares of the Company's common stock to be allocated as restricted stock remuneration shall be no more than 50,000 shares per year.

In the future, the Company will continue to keep a close eye on requests from its shareholders and other stakeholders, trends at competitors, etc. and have the Nomination and Remuneration Committee appropriately examine the ideal form of incentives linked with short-term to medium/long-term performance.

d. Policy regarding decision of composition ratio for each type of remuneration

Taking into consideration the characteristics of the business, business environment, and trends of other companies, the composition ratio of remuneration for Directors other than outside Directors is designed so that the composition ratio of monthly remuneration, bonuses, and non-monetary remuneration is approximately 70:20:10. Only monthly remuneration will be paid to outside Directors.

e. Decision method regarding the content of individual remuneration for Directors

The specific details for amounts of remuneration for each individual shall be commissioned to the President and Representative Director within the scope of determined parameters by resolution of the Board of Directors after the Nomination and Remuneration Committee prepares a draft of the range of monthly remuneration amount for each position, the content of evaluation of performance related to bonuses and the amount of non-monetary

remuneration for each position.

The Nomination and Remuneration Committee is comprised of a majority of independent outside Directors for the purpose of enhancing the fairness, transparency and objectivity of the procedures for determining remuneration for Directors with matters pertaining to remuneration of Directors determined based on the above policy.

f. Matters relating to delegation of decision-making on content of individual remuneration for Directors

The Board of Directors has determined that the President and Representative Director is in the best position to evaluate each Director while taking into consideration the performance of the Company as a whole and other factors, and has delegated to President and Representative Director Kiichi Otani, the decision-making on the specific individual remuneration amounts for basic remuneration, performance-linked remuneration, and non-monetary remuneration for each Director. The President and Representative Director makes decisions on the details delegated to him within the range of amounts resolved by the Board of Directors following the report of the Nomination and Remuneration Committee.

B. Total amount of remuneration for the fiscal year under review

Officer category	Total amount of remuneration (Million yen)	Total amount of remuneration by type (Million yen)			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors	239	187	39	12	12
(Of whom, outside Directors)	(22)	(22)	(—)	(—)	(3)
Corporate Auditors	21	20	0	—	3
(Of whom, outside Corporate Auditors)	(13)	(13)	(—)	(—)	(2)
Total	260	208	39	12	15
(Of whom, outside officers)	(36)	(36)	(—)	(—)	(5)

- Notes:
- Salary amounts paid to Directors who also serve as employees for their duties as employees are not included in the amounts paid to Directors.
  - The amount of remuneration for Directors was resolved at the 53rd Ordinary General Meeting of Shareholders held on July 28, 2022 as ¥500 million or less per year (of which ¥50 million or less per year was for outside Directors. Salaries for Directors who also serve as employees for their duties as employees were not included). The number of Directors as of the conclusion of the Ordinary General Meeting of Shareholders in question was 12 (four of whom were outside Directors).  
Furthermore, in addition to monetary remuneration, stock remuneration of ¥50 million or less per year and a maximum number of 50,000 shares per year (not granted to outside Directors) were resolved at the 53rd Ordinary General Meeting of Shareholders held on July 28, 2022. The number of Directors as of the conclusion of the Ordinary General Meeting of Shareholders in question (excluding outside Directors) was eight.
  - The amount of remuneration for Corporate Auditors was resolved at the 22nd Ordinary General Meeting of Shareholders held on July 30, 1991 as ¥30 million or less per year. The number of Corporate Auditors as of the conclusion of the Ordinary General Meeting of Shareholders in question was two.
  - The total amount of performance-linked remuneration above includes an allowance for bonuses to directors of ¥16 million for the fiscal year under review (¥16 million for seven Directors; does not apply to outside Directors or to Corporate Auditors). Regarding bonuses, results are stated under “1. (1) Status of businesses in fiscal year under review” based on the policy indicated in (iv) Remuneration of Directors and Corporate Auditors. Additionally, payments were made within the range of amounts reported by the Nomination and Remuneration Committee.
  - The number of Directors as of the final day of the fiscal year under review was 11 (four of whom were outside Directors). The reason for the disparity with the above number of Directors is due to the inclusion of two Directors (who were not outside Directors) who resigned following the expiration of their term of service as of the conclusion of the 54th Ordinary General Meeting of Shareholders held on July 28, 2023, one Director (who was not an outside Director) who retired as a result of resignation on November 13, 2023, and to the presence of two sitting Directors (one of whom was an outside Director) who were not compensated.

(v) Matters relating to outside officers

A. Status of significant concurrent positions in other corporations, etc. and the relationship between the Company and said other corporations, etc.

- Director Noriko Endo concurrently serves as Professor of Research Council, Waseda University, Outside Director of Hankyu Hanshin Holdings, Inc., Outside Director of Techpoint, Inc., Outside Director of Japan Elevator Service Holdings Co., Ltd. and Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION.

There is no special relationship between the Company and said corporation or various companies.

- Director Junro Ito concurrently serves as Senior Managing Executive Officer, Representative Director, Chief Sustainability Officer, Divisional Manager of ESG Development and Supervising Officer of Superstore Operation of Seven & i Holdings Co., Ltd.

Seven & i Holdings Co., Ltd. is a major shareholder of the Company. Ito-Yokado Co., Ltd., a subsidiary of said company, and a Company subsidiary have real estate lease transactions, but the amount of such transactions is less than 1% of the annual consolidated net sales of both companies.

- Director Shigeru Yamazoe concurrently serves as Outside Director (Audit and Supervisory Committee Member) of Bewith, Inc.

There is no special relationship between the Company and said company.

- Director Hideki Kuriyama concurrently serves as Professor of Hakuoh University, Chief Baseball Officer of Hokkaido Nipponham Fighters and Specially Appointed Professor of Hokkai-Gakuen University. Note that he retired from the post of Manager of Japan National Baseball Team on May 31, 2023.

There is no special relationship between the Company and said corporations or organizations, etc.

- Corporate Auditor Osamu Muramatsu concurrently serves as Chairman of Executive Partners, Inc. and Corporate Auditor of Asahi Pharmacy Co., Ltd.

There is no special relationship between the Company and Executive Partners, Inc. Asahi Pharmacy Co., Ltd. is a subsidiary of the Company.

- B. Total amount of officer remuneration received by outside offers from Company subsidiaries, etc.

No applicable matters are present.

- C. Status of main activities of outside officers in the fiscal year under review

Category	Name	Status of main activities and overview of duties performed with respect to expected roles
Director	Noriko Endo	Ms. Noriko Endo attended 11 out of the 12 meetings of the Board of Directors held during the fiscal year under review. She has worked as an editor of an economic magazine, covering a diverse range of fields, including the retail and distribution businesses, and has gained a wealth of knowledge through her reporting activities. In addition, she has gained extensive knowledge of energy and environmental issues through experiences such as conducting public policy research on energy policy. Furthermore, based on her experience as an Outside Director of other listed companies, she has deep knowledge of corporate management in the IT, communications, railway, and real estate businesses, etc., and has given advice at meetings of the Board of Directors of the Company with a focus on business strategy and compliance. Additionally, at the two meetings of the Nomination and Remuneration Committee that were held in the fiscal year under review, she was involved in discussions regarding the succession plan, the skill set of the Board of Directors, and the scope of executive remuneration, and provided appropriate supervision of the Company's corporate governance.
Director	Junro Ito	Mr. Junro Ito attended all 12 meetings of the Board of Directors held during the fiscal year under review. Based on his wide range of insight about ESG (environment, society, and governance) in a major retailer and experience of managing Group subsidiaries and associates in a corporate entity, he has made appropriate remarks from multilateral perspectives regarding the Company's management strategies and other agenda deliberations. As a Representative Director of a major retailer, he has gained extensive experience as a manager, as well as deep insight into ESG (environment, society, and governance) and sustainability, including the promotion of sustainability across the entire value chain, as the Chief Sustainability Officer of said retailer. In addition, he also has extensive knowledge in risk management, accounting and finance, social marketing, etc., and has provided advice at meetings of the Company's Board of Directors with a focus on business strategy and governance.

Category	Name	Status of main activities and overview of duties performed with respect to expected roles
Director	Shigeru Yamazoe	<p>Mr. Shigeru Yamazoe attended all 12 Board of Directors meetings that were held during the fiscal year under review. Based on his wide range of knowledge and experience in corporate management as a manager of a major trading company, he gave appropriate advice from multilateral perspectives regarding the Company's management strategies and other agenda deliberations.</p> <p>Additionally, at the two meetings of the Nomination and Remuneration Committee that were held in the fiscal year under review, he was involved in discussions regarding the succession plan, the skill set of the Board of Directors, and the scope of executive remuneration, and provided appropriate supervision of the Company's corporate governance.</p>
Director	Hideki Kuriyama	<p>Mr. Hideki Kuriyama attended 10 out of the 12 meetings of the Board of Directors held during the fiscal year under review. He has extensive knowledge of governance and human resource development at organizations from experiences such as managing a professional baseball team as well as the Japan national baseball team, and worked as a professor at the Faculty of Business Administration of a university; he has provided advice at meetings of the Board of Directors mainly from a human capital investment perspective.</p>
Corporate Auditor	Akira Ibayashi	<p>Mr. Akira Ibayashi attended all 12 meetings of the Board of Directors and all 12 meetings of the Board of Corporate Auditors, which were held in the fiscal year under review.</p> <p>In the meetings of the Board of Directors and the Board of Corporate Auditors, he made necessary remarks based on his specialist knowledge and experience in financial affairs gained during his tenure at a financial institution.</p>
Corporate Auditor	Osamu Muramatsu	<p>Mr. Osamu Muramatsu attended all 12 meetings of the Board of Directors and all 12 meetings of the Board of Corporate Auditors, which were held in the fiscal year under review.</p> <p>In the meetings of the Board of Directors and the Board of Corporate Auditors, he made necessary remarks based on his specialist knowledge and experience in financial affairs gained during his tenure at a major securities firm.</p>



## Consolidated Financial Statements

### Consolidated Balance Sheet

(As of April 30, 2024)

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>110,743</b>	<b>Current liabilities</b>	<b>103,232</b>
Cash and deposits	48,611	Accounts payable - trade	65,506
Accounts receivable - trade	15,852	Short-term borrowings	3,467
Merchandise	24,299	Income taxes payable	4,532
Supplies	345	Deposits received	19,063
Short-term loans receivable	144	Provision for bonuses	3,394
Accounts receivable - other	16,000	Provision for bonuses for directors (and other officers)	19
Other current assets	5,490	Contract liabilities	465
Allowance for doubtful accounts	(1)	Other current liabilities	6,784
<b>Non-current assets</b>	<b>138,666</b>	<b>Non-current liabilities</b>	<b>10,765</b>
<b>Property, plant and equipment</b>	<b>43,450</b>	Long-term borrowings	3,227
Buildings and structures	27,122	Lease liabilities	38
Land	10,207	Retirement benefit liability	4,662
Construction in progress	1,896	Other noncurrent liabilities	2,837
Other tangible fixed assets	4,224		
<b>Intangible assets</b>	<b>51,242</b>	<b>Total liabilities</b>	<b>113,998</b>
Goodwill	44,066	<b>Net assets</b>	
Other intangible assets	7,176	<b>Shareholders' equity</b>	<b>134,847</b>
<b>Investments and other assets</b>	<b>43,973</b>	Share capital	21,894
Investment securities	3,345	Capital surplus	20,131
Long-term loans receivable	671	Retained earnings	95,257
Deferred tax assets	6,403	Treasury shares	(2,436)
Retirement benefit asset	34	<b>Accumulated other comprehensive income</b>	<b>459</b>
Leasehold and guarantee deposits	25,186	Valuation difference on available-for-sale securities	234
Other investments and other assets	8,608	Remeasurements of defined benefit plans	225
Allowance for doubtful accounts	(276)	<b>Non-controlling interests</b>	<b>104</b>
		<b>Total net assets</b>	<b>135,411</b>
<b>Total assets</b>	<b>249,409</b>	<b>Total liabilities and net assets</b>	<b>249,409</b>

**Consolidated statement of income**  
(From May 1, 2023 to April 30, 2024)

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>399,824</b>
<b>Cost of sales</b>	<b>340,301</b>
<b>Gross profit</b>	<b>59,522</b>
<b>Selling, general and administrative expenses</b>	<b>39,090</b>
<b>Operating profit</b>	<b>20,432</b>
<b>Non-operating income</b>	<b>1,373</b>
Interest income	52
Dividend income	40
Commission income	9
Other	1,270
<b>Non-operating expenses</b>	<b>428</b>
Interest expenses	39
Other	389
<b>Ordinary profit</b>	<b>21,377</b>
<b>Extraordinary income</b>	<b>441</b>
Gain on sale of non-current assets	417
Other	23
<b>Extraordinary losses</b>	<b>2,738</b>
Loss on sale and retirement of non-current assets	331
Impairment losses	1,737
Other	668
<b>Profit before income taxes</b>	<b>19,080</b>
Income taxes - current	7,980
Income taxes - deferred	(309)
<b>Profit</b>	<b>11,409</b>
Profit attributable to non-controlling interests	7
<b>Profit attributable to owners of parent</b>	<b>11,401</b>