

April 18, 2024

AIN HOLDINGS INC.

President and Representative Director, Kiichi Otani

(Stock code 9627: Tokyo Prime Market, Sapporo Securities Exchange)

Notice Regarding the Judgment against Former Directors of the Company and its Subsidiary

In connection with the arrest and indictment of two former Directors (hereinafter, the "Two Persons") of AIN HOLDINGS INC. (the "Company") and its subsidiary (the "Subsidiary") on charges of "Obstruction of Auctions Related to Public Contracts" (hereinafter, this "Case"), which we announced in the Company's press release titled "Notice Regarding the Arrest of an Officer of the company and an Officer of Subsidiary of the Company" dated August 31, 2023, we hereby notify you as follows since the Sapporo District Court convicted the Two Persons with a suspended sentence today, April 18, 2024.

1. The court that rendered the judgment, the date of rendition of the judgment, and the case number
Court: Sapporo District Court, Third Criminal Division
Date of rendition of the judgment: April 18, 2024
Case number: reiwa 5 nen (wa) No. 668 Obstruction of Auctions Related to Public Contracts Case

2. Outline of the facts charged and the background to date

In this Case, three defendants, including the Two Persons, were indicted by the Sapporo District Public Prosecutors Office on charges of obstruction of bidding in an auction related to a public contract based on the facts charged, namely, that, in connection with the fact that KKR Sapporo Medical Center intended to determine the preferential negotiation right holder for an agreement regarding an on-site national health insurance scheme dispensing pharmacies development and operation project by a medical institution (hereinafter, the Agreement) by means of proposal competition, they intended to cause the Company to have the best proposal in the proposal competition for the Agreement and to obtain the preferential negotiation right for the Agreement, conspired with each other, and resubmitted a project proposal, which had already been submitted, after the submission deadline had passed.

During the court proceeding, the court examined the illegality of the resubmission of the proposal (change of the proposed rent) in the proposal competition (public offering) for the on-site insurance pharmacy development project and the involvement of the Two Persons therein. The defense made arguments, such as that there were doubts about the legal theory concerning the structure of the cause of action that the same crime applies to proposal competition (public offering).

It has been separately confirmed that no money was given or received in this Case and that no such

fact was included in the facts charged.

The background of this Case to date is as follows:

November 11, 2020	KKR Sapporo Medical Center announces "KKR Sapporo Medical Center on-site national health insurance scheme dispensing pharmacies development and operation project"
December 28, 2020	As a result of the proposal competition (public offering), the Company is selected as the preferred negotiation right holder
December 1, 2021	A national health insurance scheme dispensing pharmacy is opened on the premises of KKR Sapporo Medical Center (currently in operation)
August 31, 2023	Directors (at that time) of the Company and Subsidiary of the Company (AIN PHARMACIEZ INC.) were arrested by Hokkaido Prefectural Police on suspicion of obstruction of bidding in an auction related to a public contract (Article 96-6, Paragraph 1, Article 60 of the Penal Code)
September 21, 2023	The Sapporo District Public Prosecutors Office institutes prosecution
October 5, 2023	The Company sets up an investigation team consisting of five outside lawyers
November 1, 2023	Masato Sakai resigns as Director of the Company and AIN PHARMACIEZ INC. Noriyoshi Niiyama resigns as Director of AIN PHARMACIEZ INC.
November 13, 2023	First hearing at the Sapporo District Court
December 14, 2023	Second hearing at the Sapporo District Court
January 22, 2024	Third hearing at the Sapporo District Court
April 18, 2024	The Sapporo District Court convicts the Two Persons with a suspended sentence

3. Summary of the judgment

Today, April 18, 2024, the Sapporo District Court convicted the Two Persons with a suspended sentence, and a summary of the judgment is as follows.

Masato Sakai	: Imprisonment with work of six (6) months, two (2) years suspension of execution (prosecuted to imprisonment with work of ten (10) months)
Noriyoshi Niiyama	: Imprisonment with work of six (6) months, two (2) years suspension of execution (prosecuted to imprisonment with work of ten (10) months)

4. Company's initiatives and policies

We sincerely apologize to all stakeholders concerned for any inconvenience and concern caused due to the fact that former Directors of the Company and Subsidiary were arrested and prosecuted while they were in office and subsequently convicted, and we are reviewing our internal policies, including strengthening governance and ensuring compliance, to prevent such a situation from occurring again.

Following their arrest on August 31, 2023, we immediately started considering an external

investigation, set up an investigation team consisting of five outside lawyers on October 5 of the same year, and worked to investigate the fact situation, including the existence of similar cases, ascertain the cause, and establish recurrence prevention measures. The investigation report by the investigation team is expected to be submitted in mid-May 2024. At the same time, we are also examining the establishment of systems to prevent recurrence internally and introducing measures that can be implemented without waiting to receive the investigation report.

Based on the result of today's judgement and the content of the investigation report by the investigation team, we plan to conduct a strict and appropriate review, determine the treatment and formulate recurrence prevention measures as soon as possible, and announce the details thereof. We will strive to regain the trust of our stakeholders at an early stage by working together as a whole company to implement measures to prevent recurrence in the future.

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