

Last Modified: October 30, 2024

AIN HOLDINGS INC.

Kiichi Otani, President and Representative Director

Contact: Corporate Planning Division (Public and Investor Relations)

TEL: +81-3-5333-1812

Securities Code: 9627

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

The state of corporate governance of AIN Holdings, Inc. (the “Company”) is described below.

## *I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information*

### 1. Basic Views

Dispensing pharmacy and cosmetic and drug store are the key business areas being developed by the AIN Group (the Group). As this business is characterized by responsibilities for people’s health, we recognize it is indispensable to continue the sound and transparent business activities that prioritize compliance.

To achieve this goal, we have adopted the Company with Corporate Auditors to oversee not only important decision-making in the management and the business execution, but also general corporate management.

The Internal Audit Office which is independent from business management conducts internal audits covering all management activities related to governance processes, risk management and control, and the Group serves to ensure thorough compliance with relevant laws, internal rules and regulations.

In addition to the above, as part of our efforts to enhance corporate governance, we have formed a Compliance Committee for the purpose of establishing, promoting, and embedding compliance system, a Risk Management Committee for realizing comprehensive risk management from a group-wide perspective, and a Sustainability Committee for the purpose of establishing, promoting, and embedding the Group's sustainability management system.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all principles of the Corporate Governance Code.

### [Disclosure Based on the Principles of the Corporate Governance Code] Updated

#### [Principle 1.4 Cross-shareholdings]

The Company holds shares that are expected to have synergistic effects on business alliances related to our business and maintenance and enhancement of business transactions, and shares that are necessary for maintaining relationships with local communities.

According to its policy, the Company in principle holds and maintains the cross-shareholdings which account for 5% or less of the net assets recorded on the consolidated balance sheet, and if the total amount of shares exceeds such percentage, the Company will promptly consider selling the shares.

In addition, the Company will examine at the Board of Directors whether the purpose of cross-shareholding is appropriate, whether the benefits and risks from each holding cover the Company’s cost of capital, and whether there is any other effective use of funds, and decide whether to continue holding shares or reducing shares by selling them.

The Company shall exercise voting rights associated with cross-shareholdings in accordance with the following criteria: “While fully respecting the management policies of the investee company, the Company shall consider and vote on each proposal after comprehensively assessing whether the proposal will contribute to improving the corporate value of the investee company and the Company’s medium- to long-term corporate value. In the event of serious corporate governance concerns, such as operating losses in continuous fiscal years, significant damage to shareholder value due to corporate reorganization or other decisions, or corporate scandal and other concerns, the Company shall vote on each proposal after examining the details with particular scrutiny.”

#### [Principle 1.7 Related party transactions]

The Rules of the Board of Directors provide that the approval of the Board of Directors is required for conducting transactions with any of the directors. In addition, in order to confirm conflicts of interest transactions by officers of the Group, the Company regularly confirms with each officer whether the existence or nonexistence and the content of transactions between officers of the Group and their related parties and the Group.

#### [Supplementary Principle 2.4.1 Ensuring diversity in promotion of mid-career hires, etc.]

The Company is actively putting in place various measures and systems such as performance evaluation systems and frameworks to support the development of different career paths, regardless of gender, age, nationality, background

and other attributes.

The Company will continue to improve systems and working environments and support career development by selecting managerial candidates from a wider pool of employees and by providing them with opportunities in new roles and divisions.

With respect to promoting female employees to managerial positions, the Company is accelerating efforts to overhaul the Group's corporate culture. By fiscal 2026, ending April 2026, the Company aims to increase ratio of female directors to at least one-third and managerial positions to 40%. As of April 2024, women accounted for 36.4% of the Company's directors and 36.8% of managerial positions.

With respect to promoting non-Japanese employees, the Company has not set measurable targets, as almost all the Group's business operations are conducted in Japan.

The Company has also not set measurable targets for mid-career hires in managerial roles, as the Group's requirements for new technologies and skills vary due to changes in the external environment and other factors.

Information about the Company's diversity initiatives is disclosed on the website.

Diversity and inclusion: <https://www.ainj.co.jp/corporate/sustainability/social/employees/diversity.html> (Japanese only)

[Principle 2.6 Roles of corporate pension funds as asset owners]

The Personnel Department and Finance Department of the Company, which coordinate with each other regarding management of corporate pension funds, ensure the appropriateness of the management of corporate pension funds and check the soundness of pension funds management in general. In addition, persons in charge of pension funds management participate in various seminars related to pension funds to improve their skills.

[Principle 3.1 Full disclosure]

(1) Company objectives (e.g., business principles), business strategies and business plans

The Company objectives and mid-to long-term business strategies are made available on the Company's website and in the financial results briefing materials.

Group principles: <https://www.ainj.co.jp/corporate/english/about/principle.html>

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

(2) Basic views and guidelines on corporate governance

These are provided in this Report "I-1 Basic Views."

(3) Board policies and procedures in determining the remuneration of the senior management and directors by the Board of Directors

The remuneration consists of monthly remuneration, bonuses and non-monetary remuneration. Bonuses are determined after comprehensive consideration of consolidated operating income and ROE for each period and value not directly manifested by financial value including such as 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.

The specific details for amounts of remuneration for each individual is 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 for each position, the content of evaluation of performance related to bonuses, and the amount of non-monetary remuneration for each position.

The majority of the Nomination and Remuneration Committee members are independent outside directors with the aim of enhancing the fairness, transparency and objectivity of proceedings related to the determination of the amount of remuneration for directors.

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and corporate auditors' candidates by the Board of Directors

Candidates of the senior management and directors are comprehensively appointed/dismissed or nominated on the basis that they are capable of making accurate and prompt decisions and that each of them achieves popularity and ensures thorough compliance with laws and regulations and corporate ethics by taking into account the balance between knowledge, experience and abilities among the senior management and the Board of Directors as a whole. In addition, we have established a Nomination and Remuneration Committee, the majority of whose members are independent outside directors with the aim of enhancing the fairness, transparency and objectivity of proceedings related to the appointment/dismissal of directors. The appointment/dismissal of directors will be determined after deliberation by the Nomination and Remuneration Committee

Candidates of corporate auditors are appointed from the comprehensive viewpoint of placing the right person in the right place, while ensuring balance of various perspectives between knowledge on financing and accounting, knowledge on the Company's business and corporate management.

Based on the above policy, directors and corporate auditors are decided by resolution of the Board of Directors.

(5) Explanation on individual appointment/dismissal of the senior management and appointment and the nomination of individual directors and corporate auditors' candidates

Reasons for individual appointment/dismissal and nomination in the appointment/dismissal of officers and the nomination of directors' candidates are disclosed in the Notice of Convocation of the General Meeting of Shareholders, etc

[Supplementary Principle 3.1.3 Initiatives on sustainability, etc.]

After organizing our management issues, we identify materiality and disclose information about sustainability and information based on TCFD recommendations on our website. We also disclose information on human capital and other initiatives along with our management strategy.

Materiality (Material issues): <https://www.ainj.co.jp/corporate/english/sustainability/about/materiality.html>

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

Responding to climate change issues (Disclosure based on the TCFD recommendations):  
<https://www.ainj.co.jp/corporate/english/sustainability/environment.html#climate-change>  
For Individual Investors: <https://www.ainj.co.jp/corporate/ir/stockholder/#profile> (Japanese only)

[Supplemental Principle 4.1.1 Roles and responsibilities of the Board]

The Board of Directors establishes the Rules of the Board of Directors and other internal regulations to clarify matters that the Board of Directors should make decisions and those that the management should do.

The Board of Directors decides whether decision-making authority on matters other than execution of important business operations is granted to the management in light of the size and nature of the transaction, and such decision is provided in internal regulations.

[Principle 4.9 Independence standards and qualification for independent outside directors]

When appointing candidates for independent outside directors, the Board of Directors prioritizes not only external requirements under the Companies Act but also their abundant experience and extensive knowledge in the company management. Regarding the independence of outside directors, we make assessments in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company. The Company's Independence Criteria is as follows:

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 "AIN Group.")
2. Presently or at any time within the past five years, the person has not fallen under any of the following items:
  - (1) A person who directly or indirectly holds 10% or more of voting rights of the Company, or its executing person;
  - (2) A person of a company of which the AIN 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 AIN Group (total amount of transactions with the AIN Group exceeding 2% of annual consolidated sales of the party), or its executing person;
  - (4) A principal counterparty of the AIN Group (total amount of transactions with the party exceeding 2% of annual consolidated sales of the AIN Group), or its executing person;
  - (5) A consultant, accounting professional or legal professional who has been paid by the AIN Group a large amount of money exceeding the greater of 10 million yen or 2% of the gross income of the person or other assets in addition to the remuneration for directors. (in the event that the consultant, accounting professional or legal professional is an organization such as an artificial person or association, a person who belongs to such organization is included);
  - (6) A person/organization who receives a donation of a large amount of money exceeding the greater of 10 million yen or 30% of the gross expense of the person/organization from the AIN Group, or an executive person;
  - (7) A person who is a major lender of the AIN Group (total amount of borrowings from the person exceeding 2% of total consolidated assets of the AIN Group), or its executing person;
  - (8) A person who belongs to auditing firm, which is an accounting auditor of the Company;
  - (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 is correspond 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.

[Principle 4.10.1 Establishment of advisory committees with independent outside directors in key roles]

To enhance fairness, transparency and objectivity in processes for the appointment/dismissal of directors and determining remuneration for directors, the Company has established a non-mandatory Nomination and Remuneration Committee as an advisory body for the Board of Directors. The committee discusses succession plans, director and corporate auditor remuneration systems and other matters. The Nomination and Remuneration Committee has a system in which a majority of its members are independent outside directors to ensure their independence and to enable them to provide accurate advice and recommendations.

[Supplementary Principle 4.11.1 Policy on the Board of Directors' balance of knowledge, experience and skills, diversity and size]

When appointing directors, the Board of Directors endeavors to have a view on the appropriate balance covering every function and every business department of a company, the right person in the right place for prompt and appropriate decision-making, and diversity as a whole.

The Company currently appoints eleven directors including outside directors, and this is considered to be an appropriate size for prompt and appropriate decision-making. Policies and procedures are described in Principle 3.1(4).

The skills matrix for the Board of Directors is disclosed in the Notice of Convocation of the General Meeting of Shareholders and on the Company's website, etc.

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

Corporate Governance Skill matrix: <https://www.ainj.co.jp/corporate/english/governance.html>

[Supplemental Principle 4.11.2 Concurrent roles at other listed companies held by directors and corporate auditors]

Important concurrent posts of each director and corporate auditor, including those at other listed companies, are disclosed in the "Status on Corporate Officers" in the business report (Notice of Convocation of the General Meeting

of Shareholders), and “Status on Officers” in the securities report.

[Supplementary Principle 4.11.3 Ensuring the overall effectiveness of the Board of Directors]

For purposes of enhancing effectiveness of the Board of Directors, the Board of Directors annually conducts a self-assessment of 17 items in a questionnaire for directors on a five-point scale (5: Very satisfactory, 4: Satisfactory, 3: Average, 2: Not very satisfactory, 1: Not satisfactory), and corporate auditors also evaluate the Board using the same questionnaire. As for the evaluation for the fiscal year ended April 30, 2024, each item in the questionnaire for internal directors, outside directors and corporate auditors is evaluated at “3: Average” or more, and accordingly, the Company analyzes and evaluates that the Board of Directors functions effectively in general. However, in order to further stimulate discussion at the management level, the company recognizes that it is expected to devise a more understandable way of organizing the issues and explaining methods and materials.

[Supplementary Principle 4.14.2 Training policy for directors and corporate auditors]

The Company appoints directors and corporate auditors who fully perform the required roles and responsibilities (including legal responsibilities) and are familiar with the Company’s business, finance and organization, and provides them with a continuing opportunity of training.

The Company gives directors opportunities to attend lectures by internal and external lecturers regarding the Companies Act and the circumstances of the times and participate in external seminars, aiming to acquire legal knowledge and promote understanding of the roles and responsibilities of directors.

The Company also gives corporate auditors opportunities to attend lectures by internal and external lecturers and participate in external seminars in order to promote the acquisition of necessary knowledge and the understanding of roles and responsibilities.

The Company bears the expenses for such training.

[Principle 5.1 Dialogue with shareholders]

Directors in charge of investor relations (IR) and shareholder relations (SR), and the Corporate Planning Division oversee dialogue with shareholders and investors, and are actively implementing such dialogue through a variety of initiatives including financial results briefings. Internal related departments that support dialogue have established a system to realize constructive dialogue by coordinating with each other, such as planning opportunities of dialogue and sharing necessary information.

Measures to promote opportunities for dialogue include financial results briefings for investors which are explained by the representative director and the relevant directors and explanations for individual investors. We will further enhance opportunities for dialogue based on the opinions and requests of shareholders and investors that we have gained through such opportunities.

Opinions and requests that we have obtained through dialogue are relayed to the management and related departments as necessary to share information.

[Action to implement management that is conscious of cost of capital and stock price] (Date of update: 09/27/2024)

The Company estimates cost of capital using the CAPM assuming cost of equity of approximately 5%. ROE in the fiscal year ended April 30, 2024 was 8.7% and has consistently exceeded the cost of equity, indicating the Company is generating a return on capital. In addition, the PBR was 1.56x and has consistently remained above the 1.0x level, which the Company believes indicates a certain level of support from the market.

In order to further improve return on capital and increase support from the market, the Company has set ROE targets of 13.0% for the medium term and 15.0% for the long term. To achieve these targets, the Company is working to lift the net profit margin (by increasing profitability through efficiency gains and reducing the selling, general & administrative [SG&A] expenses ratio through business expansion) and improve financial leverage (by returning profits to shareholders and using borrowings to invest in growth).

<https://www.ainj.co.jp/corporate/english/ir-management> (Management conscious of cost of capital and stock price)

[Status of dialogue with shareholders]

The directors in charge of SR and IR, and the Corporate Planning Division oversee other departments related to SR and IR activities, such as Accounting Department, Personnel Department, Administrative Department, and Finance Department, and ensure daily coordination among these departments.

The Company semiannually holds financial results briefings for analysts and institutional investors, at which the representative director and the directors in charge of IR provide explanations, and actively gives IR interviews at the Corporate Planning Division such as telephone interviews and small meetings for investors. The Company also considers conducting overseas IR activities as appropriate, in light of demand from overseas investors and overseas conditions.

The period prior to the announcement of financial results is a silent period during which dialogue with shareholders and investors is restricted and internal information management is strictly enforced.

## 2. Capital Structure

Foreign shareholding ratio	30% or more
----------------------------	-------------

[Status of Major Shareholders]

Name / Company name	Number of shares owned	Percentage (%)
Kiichi Otani	3,239,704	9.17
The Master Trust Bank of Japan, Ltd. (Trust account)	3,116,100	8.82
Seven & i Holdings Co., Ltd.	2,750,000	7.78
OASIS JAPAN STRATEGIC FUND LTD.	2,633,282	7.45
OASIS INVESTMENTS II MASTER FUND LTD.	1,911,622	5.41
North Pacific Bank, Ltd.	1,743,700	4.94
Retirement Benefit Trust managed by Mizuho Trust & Banking Co.,Ltd. (Marubeni Corporation account)	1,594,500	4.51
The Hokkaido Bank, Ltd.	1,472,000	4.17
Custody Bank of Japan, Ltd. (Trust account)	953,800	2.70
Oasis Japan Strategic Fund Ltd.	729,595	2.07

Controlling shareholder (except for Parent Company)	-----
Parent company	None

#### Supplementary explanation

1. Major Shareholder data as of April 30, 2024.
2. All shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and Custody Bank of Japan, Ltd. (Trust account) are in connection with the respective bank's trust business.
3. Shares held in the Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. are held for fiduciary services purposes.
4. According to the Large Shareholding Report (change in holding report) provided for public inspection on June 16, 2023, Sprucegrove Investment Management Ltd. held 4,451,950 shares as of June 12, 2023 (shareholding ratio of 12.57%). However, as the Company cannot confirm the actual number of shares held, the above list of Major Shareholders is based on the number of shares held recorded in the Register of Shareholders.
5. 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. In addition, the Company submitted an Extraordinary Report (Change in Major Shareholder) on May 2, 2024, because Oasis Management Company Limited is considered to be a major shareholder according to the description in the company's Large Shareholding Report (change in holding report), which is available for public inspection as of May 1, 2024.

### 3. Corporate Attributes

Listed stock market and market section	Tokyo Stock Exchange Prime Market and Sapporo Securities Exchange
Fiscal year-end	April
Type of business	Retail trade
Number of employees (consolidated) as of the end of the preceding fiscal year	1,000 or more
Sales (consolidated) in the preceding fiscal year	100 billion yen or more but less than 1 trillion yen

Number of consolidated subsidiaries as of the end of the preceding fiscal year	10 or more but less than 50 companies
--	---------------------------------------

#### **4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders**

-----

#### **5. Other Special Circumstances which may Have Material Impact on Corporate Governance**

The Company dispatches its personnel as directors or corporate auditors to the subsidiaries to participate in the decision-making in management through the Board of Directors.  
In addition, we are striving to strengthen corporate governance through field audits by the Company's Internal Audit Office, corporate auditors and accounting auditors.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation

Organization Form	Company with Corporate Auditors
-------------------	---------------------------------

#### [Directors]

Maximum number of directors stipulated in the Articles of Incorporation	15
Term of office of directors stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	Representative Director other than President and Chairperson
Number of directors	11
Status on election of outside directors	Elected
Number of outside directors	5
Number of outside directors appointed as an independent director	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (※)												
		a	b	c	d	e	f	g	h	i	j	k		
Noriko Endo	From other companies											△		
Hideki Kuriyama	Scholar													
Mariko Watahiki	Attorney													
Nobumichi Hattori	From other companies													
Shigeki Kimura	From other companies													

※ Categories for "Relationship with the Company"

※ "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

※ "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Executive or non-executive director of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of another company in cases where an executive of the Company is an outside director/corporate auditor of such other company (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as independent director	Supplementary explanation of the relationship	Reasons for appointment
Noriko Endo	○	Ms. Endo had been the Company's advisor until May 2018 but the Company has judged that there is no impact as the annual advisor fee was not considerable amount of not more than ten million yen.	<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. The Company designated her as an independent officer because she is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>
Hideki Kuriyama	○	Not applicable.	<p>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>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. The Company designated him as an independent officer because he is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>



Mariko Watahiki	○	Not applicable.	<p>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>The Company designated her as an independent officer because she is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>
Nobumichi Hattori	○	Not applicable.	<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>The Company designated him as an independent officer because he is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>
Shigeki Kimura	○	The description is omitted pursuant to the Company's "Immaterial Criteria for the judgement that the relationship with the Company is unlikely to affect shareholder's decision concerning the exercise of voting rights" (refer to [Matter concerning Independent Officers] Other matters concerning independent officers).	<p>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>The Company designated him as an independent officer because he is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>

Voluntary establishment of committee(s) corresponding to

Established

nomination committee or remuneration committee	
--	--

Committee's Name, Composition, and Chairperson's Attributes

	Committee's name	Total committee members	Full-time members	Internal directors	Outside directors	Outside experts	Other	Chairperson
Committee equivalent to nomination committee	nomination and remuneration committees	3	-	1	2	-	-	Outside directors
Committee equivalent to remuneration committee	nomination and remuneration committees	3	-	1	2	-	-	Outside directors

Supplementary Explanation

The committee members of the Nomination and Remuneration Committee are appointed by a resolution of the Board of Directors, and more than half of them comprise independent directors.

**Corporate Auditors**

Establishment of the board of corporate auditors	Established
Maximum number of corporate auditors stipulated in the Articles of Incorporation	4
Number of corporate auditors	3

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Office

Corporate auditors and accounting auditors exchange opinions for each accounting audit to improve the accuracy of audits by corporate auditors related to laws and regulations, the Articles of Incorporation, and accounting. In addition, accounting auditors and corporate auditors exchange opinions on the results of audits of our subsidiaries to strengthen mutual cooperation. The Internal Audit Office cooperates with the Board of Corporate Auditors and the accounting auditors to coordinate overlapping operations and improve the quality of operations, and reports directly to the President and Representative Director, the Board of Directors, and the Board of Corporate Auditors concerning the status of activities, including the results of audits.

Status on appointment of outside corporate auditors	Appointed
Number of outside corporate auditors	2
Number of outside corporate auditors appointed as an independent director	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (※)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ayako Sano	Attorney													
Minako Mizutani	Tax accountant													

※ Categories for "Relationship with the Company"

※ "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

※ "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Executive or non-executive director of a parent company of the Company

d. Corporate auditor of the parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/corporate auditor

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the director himself/herself only)

k. Executive of another company in cases where an executive of the Company is an outside director/corporate auditor of such other company (the director himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as an Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Ayako Sano	○	Not applicable.	<p>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>The Company designated her as an independent officer because she is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>
Minako Mizutani	○	Not applicable.	<p>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.</p> <p>The Company designated her as an independent officer because she is judged to have no conflicts of interest with general shareholders in accordance with the independence standards established by the Tokyo Stock Exchange and "Independence Criteria for outside directors and outside corporate auditors" set by the Company.</p>

[Matter concerning Independent Officers]

Number of Independent Officers

7

---

Other matters concerning independent officers

---

(Independence Standards)

For detail of Company's "Independence Criteria for outside directors and outside corporate auditors," please refer to "1. Basic views [Disclosure Based on the Principles of the Corporate Governance Code] [Principle 4.9 Independence standards and qualification for independent outside directors]" in this report.

(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 AIN Group not exceeding 1% of the annual consolidated sales of the AIN Group nor the sales of the party in the previous fiscal years, or its executing person.
2. A person that has received a donation not exceeding 10 million yen from the AIN Group in the previous fiscal years, or its executing person.

The Company omits the description of the applicable circumstances of transaction and donation which are within the scope of the Immaterial Criteria.

**[Matter concerning Incentives]**

Implementation of measures concerning incentives for directors

Introduced Performance-linked Remuneration and Others

---

Supplementary explanation

---

The Company has introduced performance-linked remuneration for directors. For details, please refer to "II. 1. Organizational Composition and Operation [Matter concerning Directors' Remuneration] Content disclosed out of the policy for determining the amount of remuneration or the method to calculate this amount" in this report.

Eligible persons for stock options

---

Supplementary explanation

---

**[Matter concerning Directors' Remuneration]**

Status of disclosure (of individual directors' remuneration)

No individual remuneration is disclosed.

---

Supplementary explanation

---

The Company discloses the total remuneration amount of each of its internal and outside directors in the business report (Notice of Convocation of General Meeting of Shareholders) "Status of Officers of the Company" and securities report "Remuneration of Directors" .

Policy established to determine the amount of remuneration or method to calculate this amount

Yes

---

Content disclosed out of the policy for determining the amount of remuneration or the method to calculate this amount

---

(Basic Policy)

The remuneration for directors of the Company is a remuneration system consisting of monthly fixed remuneration according to roles and responsibilities, bonuses which are performance-linked remuneration and non-monetary remuneration for recognizing the same perspectives on sustainable growth as shareholders. However, the remuneration of outside directors shall be a remuneration system suitable for the roles and responsibilities of supervising the

management of the Company from an independent and objective standpoint.

(Monthly remuneration decision policy)

Monthly remuneration shall be determined after comprehensive consideration of position, responsibilities, years in office, balance with employee wages, trends of other companies in the same industry, and past payment history.

(Bonus decision policy)

Bonuses are determined after comprehensive consideration of consolidated operating income and ROE for each period and value not directly manifested by financial value including such as 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 decision policy)

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 yen, with allocation of common stock through in-kind contribution of monetary remuneration claim. 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.

(Remuneration composition ratio)

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.

(Decision policy for details of individual remuneration)

The specific details for amounts of remuneration for each individual is 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 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.

## [System for Supporting outside directors (outside corporate auditors)]

Full-time directors or corporate auditors are in charge of the system for supporting the outside directors (outside corporate auditors), and the Administrative Department serves to share necessary information in advance with them.

The staff in the administrative departments assists in the necessary clerical work depending on the nature of the work.

## 2. Matters concerning Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### 1. Board of Directors

The Board of Directors is composed of at least 1/3 independent outside directors, from the viewpoint of strengthening its supervisory function. In addition, the Company establishes skill sets for its management strategies and supervisory functions that contribute to the enhancement of corporate value over the medium to long term, and ensures that the composition of the Board of Directors takes into consideration the balance of diversity of the skills, genders, and other attributes of each officer. In order to enhance corporate value over the medium to long term, the Board of Directors formulates management policies and plans, makes decisions on the execution of important business operations, supervises and evaluates the execution of business operations by directors, and develops internal controls, risk management systems, etc., thereby contributing to ensuring the soundness of management.

The Board of Directors met 12 times in fiscal 2024, and held discussions related mainly to matters such as business strategies, compliance, risk management, status of internal audits, initiative related to materiality and the strategies of human capital management. Outside directors participate in management with appropriate advice from diverse perspectives, in addition to advice based on their respective skills when making important decisions for the Company, while also effectively exercising their supervisory functions through their high level of independence. The attendance of each officer in fiscal 2024 is as follows.

Name	Attendance
Kiichi Otani	12/12 (100%)
Masahito Sakurai	2/2 (100%)
Shoichi Shudo	12/12 (100%)
Toshihide Mizushima	12/12 (100%)
Miya Oishi	12/12 (100%)
Rieko Kimei	12/12 (100%)
Hidehiro Awaji	2/2 (100%)

Masato Sakai	4/6 (67%)
Nobuyuki Takakura	10/10 (100%)
Kaori Ishikawa	10/10 (100%)
Noriko Endo (Outside Director)	11/12 (92%)
Junro Ito (Outside Director)	12/12 (100%)
Shigeru Yamazoe (Outside Director)	12/12 (100%)
Hideki Kuriyama (Outside Director)	10/12 (83%)
Koichi Kawamura (Standing Corporate Auditor)	12/12 (100%)
Akira Ibayashi (Outside Corporate Auditor)	12/12 (100%)
Osamu Muramatsu (Outside Corporate Auditor)	12/12 (100%)

Note: Attendance is described based on number of meetings held during their tenure.

At present, the Board of Directors consists of 11 members (seven men and four women), including five outside directors, and is chaired by Mr. Shoichi Shudo, Representative Senior Managing Director. The details of each skill of the Board of Directors of the Company, the reasons for selecting skills, the skill matrix, etc., are posted on the Company's website. Corporate Governance Skill matrix: <https://www.ainj.co.jp/corporate/english/governance.html>

## 2. Board of Corporate Auditors

The Board of Corporate Auditors conducts audits of the execution of duties by directors, while also exchanging opinions with accounting auditors for each accounting audit, and striving to improve the accuracy of audits by corporate auditors concerning laws, regulations, the Articles of Incorporation, and matters related to accounting. In addition, the Board of Corporate Auditors accompanies audits of subsidiaries by accounting auditors, thus working to strengthen auditing functions.

Outside corporate auditors work with the standing corporate auditor to formulate audit policies and plans, inspect important documents related to management, audit financial statements and reference documents, audit proposals submitted to the General Meeting of Shareholders, check the status of the execution of business operations by directors, and provide advice, suggestions, and recommendations to directors and the Board of Directors through discussions at meetings of the Board of Corporate Auditors. In order to cooperate with the Internal Audit Office, the Board of Corporate Auditors participates in regular internal audit meetings once a quarter and receives reports.

The Board of Corporate Auditors met 12 times in fiscal 2024, and engaged in activities mainly concerning matters such as the formulation of audit policies and plans, the preparation of audit reports, ensuring the appropriateness of accounting audits, agreement with the evaluation and remuneration of accounting auditors, and checks of the status of the development and operation of internal control systems. The Board of Corporate Auditors consult to conduct audits of the Board of Directors and the business execution to ensure that business operations are conducted with compliance in mind, and the Board of Corporate Auditors monitor, supervise, and advise on specific measures. The attendance of each corporate auditor in fiscal 2024 is as follows.

Name	Attendance
Koichi Kawamura (Standing Corporate Auditor)	12/12 (100%)
Akira Ibayashi (Outside Corporate Auditor)	12/12 (100%)
Osamu Muramatsu (Outside Corporate Auditor)	12/12 (100%)

Furthermore, at present, the Board of Corporate Auditors consists of three members, including two outside corporate auditors, and Mr. Koichi Kawamura serves as a standing corporate auditor. He has been engaged in accounting procedures, preparation of financial statements, audit operations, etc., as the Department Manager of Accounting of a key subsidiary of the Company and a corporate auditor of that company, and has abundant knowledge of finance and accounting. Ms. Ayako Sano has wide-ranging knowledge of corporate legal affairs as an attorney at law, in addition to which she has insights into taxation. Ms. Mizutani Minako has abundant specialist experience in finance and accounting due to her experience as a tax accountant, and each corporate auditor possesses sufficient knowledge of finance and accounting.

## 3. Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee as a voluntary advisory body in order to enhance the fairness, transparency, and objectivity of procedures related to the nomination, remuneration, etc., of directors and enhance corporate governance. The Board of Directors has resolved that at least half of the members of this committee will be independent officers. For the purpose of contributing to the establishment of appropriate management systems and ensuring the transparency of management, this committee mainly deliberates the appointment and dismissal of directors, succession plans, and remuneration for officers, and it expresses its views to the Board of Directors.

At present, the Nomination and Remuneration Committee consists of three directors, including two independent outside directors. In fiscal 2024, the committee met twice, and deliberated director candidates, the skills matrix, succession plans, and remuneration for officers. The attendance of each committee member in fiscal 2024 is as follows.

<b>Name</b>	<b>Attendance</b>
Kiichi Otani ◎	2/2 (100%)
Noriko Endo (Outside Director)	2/2 (100%)
Shigeru Yamazoe (Outside Director)	2/2 (100%)

Note. ◎ after the name indicates the chairperson.

Furthermore, at present, the Nomination and Remuneration Committee is chaired by Ms. Mariko Watahiki, independent outside director and consists of three members including Ms. Noriko Endo, independent outside director, and Mr. Kiichi Otani, President and Representative Director.

#### 4. Board of Managing Directors

The Board of Managing Directors consists of the President and Senior Managing Directors, and has been established for the purpose of deliberating and deciding on matters delegated by the Board of Directors and other important management matters in order to enhance the speed of management decision-making.

#### 5. Management meetings

Management meetings consist of directors, the standing corporate auditor, executive officers, and department managers of the Group, and are held twice a month for the purpose of monitoring practical matters. Through discussions concerning the execution of business operations in each division, management meetings exercise a function of mutual checking.

#### 6. Compliance Committee

The Company has established the Compliance Committee for the purpose of establishing, disseminating, and ensuring the entrenchment of the Group's compliance system, and its composition is based on a resolution by the Board of Directors.

The committee holds regular meetings once every six months, and also holds irregular meetings as needed. It deliberates and considers matters such as the Group's policies and measures related to the promotion of compliance, measures to prevent recurrence of serious compliance violations, and policies for handling individual reports, and reports or submits its views to the Board of Directors. In addition, with regard to reports, from the viewpoint of protecting whistleblowers, a "compliance hotline" contact point for whistleblowers has been established by delegation to an external organization. As necessary, the committee obtains legal assessments, views, etc., from external attorneys, including when responding to reports, and engages in deliberations and consideration.

At present, the Compliance Committee is chaired by the President and Representative Director, with a Representative Senior Managing Director as vice chair (in charge of operational support), and two Representative Senior Managing Directors, the director in charge of risk management, and the standing corporate auditor as members. Its secretariat is the Risk Management Office.

Furthermore, when deliberating and considering individual reports, depending on the content of the report, related officers and the Presidents of related Group companies, as well as other officers and employees designated by the chair or vice chair of the committee as equivalent responsible persons participate in meetings of the committee as extraordinary members.

#### 7. Risk Management Committee

The Company has established the Risk Management Committee for the purpose of achieving unified risk management from a group-wide perspective and preventing the overlooking of new risk events arising from changes in the business environment, and thereby achieving comprehensive risk management. Its composition is based on a resolution by the Board of Directors. In addition, attorneys and other external experts in risks surrounding companies provide advice as appropriate. The committee mainly reviews risk items and assessments and manages progress in each department in charge of risk.

At present, the Risk Management Committee is chaired by the President and Representative Director, and it consists of the director in charge of risk management and managers of each department in charge of risk. Its secretariat consists of the Division Manager of the Risk Management Office, the Division Manager of Operational Support, Department Manager of the Administrative, Division Manager of the Corporate Planning, and Department Manager of the



Sustainability Management.

#### 8. Sustainability Committee

The Company has established the Sustainability Committee for the purpose of establishing, disseminating, and ensuring the entrenchment of the Group's sustainability management system, and its composition is based on a resolution by the Board of Directors.

The committee mainly deliberates and considers matters related to the promotion of sustainability management, and submits and reports important matters related to sustainability management to the Board of Directors.

At present, the Sustainability Committee is chaired by the President and Representative Director, with a Representative Senior Managing Director as vice chair, and each Division Manager, the Division Manager of the Risk Management Office, the Division Manager of the Facility Design, the Division Manager of the Internal Audit Office, the Division Manager of the Corporate Planning, the Department Manager of the Corporate Alliances, and Presidents of key subsidiaries as members. Its secretariat is the Sustainability Management Department.

#### 9. Status of internal audits

The Company has established an Internal Audit Office that is independent of business management, in order to enhance and strengthen internal audit functions. The scope of internal audits extends to all management activities related to governance processes, risk management, and control. The Internal Audit Office engages in activities such as drafting audit plans, conducting audit procedures for all divisions of the Group at least once a year in principle, and preparing audit reports and improvement instructions. In addition to regular audits of business operations, the Internal Audit Office conducts personal information protection audits concerning matters such as the status of the operation of the personal information protection system.

The Internal Audit Office cooperates with the Board of Corporate Auditors and the accounting auditors to coordinate overlapping operations and improve the quality of operations, and reports directly to the President and Representative Director, the Board of Directors, and the Board of Corporate Auditors concerning the status of activities, including the results of audits.

In addition, the Internal Audit Office reports the status of internal audits at management meetings, and endeavors to improve compliance through individual guidance and repeats of audits in cooperation with each business division of the Group.

As of May 1, 2024, the Internal Audit Office consisted of 12 persons.

#### 10. Accounting auditor

The Company has appointed Ernst & Young ShinNihon LLC as its corporate auditor and has been continuously audited by the firm since the fiscal year ended April 30, 1992. In the fiscal year ended April 30, 2024, the certified public accountants who audited the Company are Mr. Naohiko Kataoka and Mr. Wataru Araki.

#### 11. Limited Liability Contracts

The company has entered into an agreement with each outside director and each corporate auditor to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the

same Act and the Articles of Incorporation. The maximum amount of compensation for damages under such contracts is limited to the amount stipulated in laws and regulations.

### 3. Reasons for Adopting Current Corporate Governance System

The Board of Directors, which is the current important decision-making body of the Company, is composed of eleven members. The outside directors participate in the management of the Company with appropriate advice from a multifaceted perspective in making important decisions.

The Company has five outside directors and the head of the Internal Audit Office is in charge of internal control and internal audit. The person in charge of internal audit and internal control cooperates with the Board of Corporate Auditors in a position equivalent to that of the Directors. Such person effectively maintains a system that ensures the confidence of the shareholders and the investors by giving a report on internal audit and internal control at the meetings of the Board of Directors when required.

In order to clearly separate management decision-making and supervisory functions from business execution functions, the Company has adopted an executive officer system to vitalize the Board of Directors and enhance the ability and flexibility of business execution.

In addition to the above, the business execution in each department is discussed at the management meetings to monitor their practical operations, which serves to provide mutual checks among the departments.

## III Implementation of Measures for Shareholders and Other Stakeholders

### 1. Initiatives to Vitalize General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary explanation
Early notification of General Shareholders Meeting	The Company sends the notice of convocation three weeks prior to the General Meeting of Shareholders.
Scheduling AGMs avoiding the peak day	The Company is a company that closes its books in April, and, holding the General Meeting of Shareholders at the end of July, organizes it on a date that does not overlap with general shareholder meetings of other companies.
Allowing electronic or magnetic exercise of voting rights	The Company adopts Smart Voting utilizing smartphones, in addition to the website for the exercise of voting rights, as methods to exercise voting rights via the Internet.
Participation in Electronic Voting Platform and other efforts to enhance the voting environment for institutional investors	The Company has been utilizing the Electronic Voting Platform since the General Meeting of Shareholders held in July 2017.
Provision of convocation notice (summary) in English	Before dispatching the notice of convocation, the Company posted the notice of convocation in English (full text) on its website.

### 2. Investor Relations Activities

	Supplementary explanation	Explanation by the Representative
Preparation and publication of disclosure policy	The disclosure policy is posted on our website. Disclosure policy: <a href="https://www.ainj.co.jp/corporate/ir/disclosure-policy.html">https://www.ainj.co.jp/corporate/ir/disclosure-policy.html</a> (Japanese only)	
Periodic presentation for analysts and institutional investors:	In principle, a briefing session is held for each settlement and interim settlement.	Yes
IR Information on website	In addition to financial closing documents, a video of the last briefing session for analysts and institutional investors is also available on our website. IR information: <a href="https://www.ainj.co.jp/corporate/english/">https://www.ainj.co.jp/corporate/english/</a>	
Creation of an IR-related dept. (IR Personnel)	The Corporate Planning Division is in charge of IR-related services.	

### 3. Initiatives to Ensure Due Respect for Stakeholders

	Supplementary explanation
Provisions on Respect for the Positions of Stakeholders in Internal Rules	The AIN Group Basic Financial Reporting Policy provides for timely disclosure of information that contributes to investors' decisions, which ensures transparency and fairness in information disclosure.
Environmental preservation activities and CSR activities	The Company conducts a range of measures in line with its Environmental Protection Action Policy. For more details, please visit our website. Protect the environment and reduce environmental impact: <a href="https://www.ainj.co.jp/corporate/english/sustainability/environment/.html">https://www.ainj.co.jp/corporate/english/sustainability/environment/.html</a>  The Company has been actively conducting CSR activities for some time, such as establishing endowed courses at national universities and conducting joint research projects to advance research in the field of medicine. Information about these initiatives is disclosed on the Company's website. Development of the insurance pharmacies: <a href="https://www.ainj.co.jp/corporate/sustainability/social/industry-development.html">https://www.ainj.co.jp/corporate/sustainability/social/industry-development.html</a> (Japanese only)

Other

<Policy on diversity>  
Please refer to [Supplementary Principle 2.4.1] (Ensuring diversity in promotion of mid-career hires, etc.)

## *IV Matters Related to Internal Control System*

### **1. Basic Views on Internal Control System and Progress of System Development**

Pursuant to the Companies Act of Japan and the Regulation for Enforcement of the Companies Act, the Company shall set forth the following basic policies on the development of systems required to ensure the appropriateness of the business conducted by the corporate group consisting of the Company and its subsidiaries (hereinafter referred to as the "Group"):

#### 1. System to ensure that the execution of duties by the directors and the employees complies with relevant laws and the Articles of Incorporation

(1) The Board of Directors shall, pursuant to the provisions of the relevant laws, the Articles of Incorporation and the Rules of Board of Directors, make decisions on important matters relating to the business execution and supervise the execution of duties by the directors.

(2) In order to maintain and enhance the supervisory function of the directors in the execution of their duties, the Group shall continuously appoint outside directors in consideration of independence adopt the executive officer system in consideration of the execution function and the supervisory function.

(3) The officers and the employees of the Group (hereinafter referred to as the "Officers and Employees") shall, in accordance with the Group's Code of Conduct, strive for corporate activities with common sense and ethics, always recognizing that they are engaged in the health-related business as well as complying with the relevant laws, the Articles of Incorporation, etc.

(4) For the purpose of fulfilling the duties of the Group in accordance with the relevant laws, the Articles of Incorporation and the Group's internal rules and enhance compliance therewith, the Company shall create the Compliance Committee to manage compliance throughout the Group.

(5) The Group shall develop the Compliance Hotline that enables direct notification to outside contractors in order to detect and correct violations of the relevant laws and other compliance-related problems as early as possible.

(6) Based on the "Anti-insider Trading Rules", the Group shall conduct thorough management on the undisclosed material facts, make appropriate efforts to disclose information as required, and develop a system to prevent insider trading.

(7) The corporate auditors shall, as an independent organization, audit the execution of duties by the directors, including the construction and operation status of the internal control system.

(8) The Internal Audit Office shall, from a viewpoint independent from the business execution organizations, conduct audits on the status of compliance by the Officers and Employees with the relevant laws, the Article of Incorporation and the like.

(9) The Group shall declare in the Group's Code of Conduct that it has no relationship with any anti-social forces, shall develop the "Rules for Dealing with Anti-social Forces" and shall strive as a whole organization to block involvement from anti-social forces in cooperation with the police, corporate lawyers, etc.

#### 2. Systems related to the retention and management of information relating to the execution of the duties by the directors

The Company shall, in accordance with the "Document Handling Rules," retain and manage information relating to the execution of duties by the directors appropriately, by recording such information in writing or in electromagnetic media in a manner that is accessible from the directors and the corporate auditors as required.

#### 3. Rules and other systems related to management of the risk of loss

(1) The Company shall formulate the "Risk Management Rules" and the "Risk Management Guidelines" both of which stipulate the risk management for the entire Group, shall designate the departments in charge for each risk category and shall manage the risks for the entire Group exhaustively and comprehensively.

(2) The Company shall create the Risk Management Office as a section that supervises the risk management status of all group companies and shall manage issues and countermeasures relating to the promotion of group-wide risk management.

(3) The Internal Audit Office shall conduct field audits to inspect the compliance by and effectiveness of the risk management system of the Group.

(4) The Company shall formulate the "Group's Business Continuity Plan (BCP)" in order to ensure the continuity of the businesses of the Group in the event of a crisis and shall ensure that all Officers and Employees are fully aware of it.

#### 4. System for ensuring efficient execution of duties by the directors

(1) Each director of the Group shall execute one's allocated area of duties at one's own responsibility pursuant to the "Rules for Segregation of Duties." The Internal Audit Office and the Board of Corporate Auditors shall check whether the directors follow the above appropriately.

(2) The Company shall develop the management plan of the Group, and, for the purpose of giving shape to such plan, shall set management targets and allocate budget for the entire Group for each business year.

#### 5. Systems to ensure the propriety of business activities in the Group and systems to give reports to the Company on matters concerning the execution of the duties by the subsidiaries' directors

(1) In order to ensure the propriety of business activities as a corporate group, the Company shall apply the "Rules for Management of Affiliated Companies" to each of its subsidiaries, which obliges them to give periodic reports on their important management matters requiring careful decision-making (including facts of occurrence).

(2) The Company shall hold a group management meeting regularly attended by the directors of the Company and of its subsidiaries and shall oblige the subsidiaries to report any significant event at such meeting.

6. Matters concerning the employee if the corporate auditors have requested that an employee be appointed to assist with their duties

In the event that the corporate auditors request to appoint an employee who assists them in their duties, the Company shall appoint an appropriate employee as an assistant to them after consultation with them.

7. Matters concerning independence of the employee described in the preceding clause from the directors and matters concerning ensuring effectiveness of instructions given to the employee who should assist the duties of the corporate auditors

(1) In order to ensure the independence of the employee described in the preceding clause from the directors, the Company shall inform the corporate auditors of personnel changes or evaluations of such employee in advance and shall request their opinions.

(2) The Company shall specify in the "Corporate Audit Standards" the authority to give directions and instructions to the employees who should assist the corporate auditors.

8. The following systems and other systems relating to reporting to the Company's corporate auditors

(1) System to require the Company's directors and employees to give reports to the corporate auditors

- In the event that the directors detect any fact which is likely to cause significant damage to the Company in the course of the business execution, they shall report the matters relating to such fact to the corporate auditors.
- The Internal Audit Office shall report the execution of its business to the corporate auditors on a regular basis.
- The corporate auditors shall request reports from the directors or the employees if deemed necessary to fulfill their duties.

(2) System to report to the corporate auditors from the directors, the corporate auditors and the employees of the subsidiaries or from the persons who are reported such directors, the corporate auditors and the employees

- The Officers and Employees of the Group shall give an appropriate report promptly when they are requested by the corporate auditors of the Company to report on the matters concerning the execution of their duties.
- The Officers and Employees of the Group shall report to the corporate auditors if they find any fact which is likely to cause substantial damage to the Company in the course of the execution of the business.
- The Internal Audit Office shall report the execution of its business to the corporate auditors on a regular basis.
- The Risk Management Office, which is in charge of the whistle-blowing system, shall report the status of whistle-blowing from the Officers and Employees of the Group to the corporate auditors of the Company on a regular basis.

9. System to ensure that the persons who have made a whistle-blow set forth in the preceding clause will not be treated unfavorably on the basis of making such whistle-blow

The Company shall prohibit from treating the Officers and Employees of the Group who have made a whistle-blow to the corporate auditors of the Group unfavorably on the grounds of such whistle-blow and shall ensure that all Officers and Employees of the Group are fully aware of it.

10. Matters concerning the policy for expenses and debts arising from the execution of duties by the corporate auditors

(1) In the event that a corporate auditor requests to make an advance payment of expenses or disposal of debts that arise in connection with the execution of their duties, the Company shall dispose of such expenses and debts in accordance with the Corporate Audit Standards.

(2) In the event that the Board of Corporate Auditors requests outside experts, such as attorneys and certified public accountants, to fulfill their duties, the Company shall bear the cost thereof.

(3) The Board of Corporate Auditors shall budget in advance for expenses deemed necessary to fulfill their duties.

11. Other systems to ensure effective audits by the corporate auditors

In the event that the corporate auditors determine it necessary to cooperate with outside experts, such as attorneys and certified public accountants, in order to fulfill their duties, the Company shall request such cooperation.

## **2. Basic Concept for Elimination of Antisocial Forces and Status Thereof**

In the Group's Code of Conduct, the Company shall declare to all its employees that we conform to social norms and a sense of justice and have no relationship with anti-social forces or similar organizations. At the same time, the Company shall collect necessary information and shall ensure safety by taking practical preventive measures under the Rules for Dealing with Anti-social Forces, by attending training sessions targeted for persons in charge of preventing unjust demands held by the National Center for the Elimination of Boryokudan and by working in close cooperation with police authorities and lawyers. The Administrative Department is taking the lead in working to block involvement from anti-social forces on an organizational basis.

## 1. Introduction of Anti-takeover Measures

Introduction of anti-takeover measures

None

Supplementary Explanation

## 2. Other Matters Concerning Corporate Governance System

<Overview of the timely disclosure system>

The Company's current system for timely disclosure of corporate information is as follows.

The Company discloses its corporate information in a timely manner jointly by the Operational Support Division and the Corporate Planning Division under the supervision of the Representative Senior Managing Director in charge of operational support, who is the officer in charge of information disclosure.

(1) The head of each division in charge promptly reports to the division manager of the Operational Support any information or facts that may fall under the category of material information. The division manager of the Operational Support examines the possibility of the occurrence or determination of material facts.

(2) The division manager of the Operational Support, after consulting with the officer in charge of information disclosure, examines whether such information should be disclosed in accordance with the Regulations for Timely Disclosure, etc. Then, with regard to the material information of the Company and the information or facts that should be disclosed, the general manager prepares for disclosure after thorough and prompt exchange of information with the Corporate Planning Division and relevant divisions.

(3) After the President makes final confirmation on appropriateness of such disclosure and the Board of Directors resolves the same (excluding matters relating to some facts of occurrence), the Corporate Planning Division shall implement the procedures for timely disclosure.

Corporate Governance System

