

The state of corporate governance of Pharmarise Holdings Corporation (“the Company”) is described below.

### I. Fundamental Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

#### 1. Basic Views

As a pharmacotherapy professional, the Group believes it has mission to contribute to the local community through active involvement in community medical care and it has positioned the establishment of fair and transparent corporate governance as a key management issue partly for the purpose of accomplishing this mission. The Company constantly confirms the effectiveness of corporate governance systems and also works to strengthen and enhance systems according to the Group’s growth stage by reviewing them as necessary. The Company also makes timely and appropriate disclosures and actively conducts IR activities to make management more transparent for shareholders and other stakeholders.

#### [Reasons for Non-compliance with Principles of Japan’s Corporate Governance Code] **Updated**

[Relevant Code]

Information is based on the Code after revision in June 2021.

[Supplementary Principle 3-1-3 Initiatives on Sustainability]

The Company established a Sustainability Committee chaired by the chairman of the board and chief executive officer (CEO) in June 2021. A Sustainability Policy was established in May 2022, and the Company is currently working to determine materiality (material issues) and measures to address them. The Sustainability Committee, which, with the help of outside consultants, will play a more active role in future, is responsible for managing data on GHG emissions, gaining an understanding of the current status and considering the possibility of setting targets. In addition, the Company aims to declare its support for the TCFD recommendations.

The Company sees human resources not as an expense (cost) but as human capital that creates new value. Based on this view, the Company is acquiring and developing the human resources it needs through a goal-oriented backcasting approach, in order to develop a pipeline of key human resources for its management strategies and to constantly optimize its human resources portfolio.

In terms of investment in intellectual assets, the Company plans to enhance customer experience services and introduce strategic products under its Medium-term Management Plan LSG2024, to promote “store branding” and “innovation of services through DX.”

[Principle 4-8 Effective Use of Independent Outside Directors]

The Company has two independent Outside Directors, one of whom has management experience at other companies.

The independent Outside Directors not only raise questions and express opinions as appropriate at meetings of the Board of Directors from an independent outside perspective but also frequently exchange opinions with relevant parties including each Director, Audit & Supervisory Board Member, and senior executive, and are fulfilling their responsibilities as the Company’s independent Outside Directors at the present stage.

In addition, based on comprehensive consideration of the Company’s operating environment and other factors, the Company will aim to elect independent Outside Directors making up at least one-third of the Board by August 2024, which is the next time a new Board will be elected.

[Supplementary Principle 4-10-1 Policies and Procedures for Establishment of Nomination and Remuneration Committee]

To increase the fairness, transparency and objectivity of procedures for nominating Directors and determining remuneration, etc. for Directors and to strengthen corporate governance systems, the Company has a Nomination and Remuneration Committee as a non-mandatory advisory body to the Board of Directors. The Committee deliberates and prepares draft proposals on the following matters and then reports on them or proposes them to the Board of Directors.

- Matters regarding the appointment and dismissal of Directors
- Matters regarding the selection and dismissal of Representative Directors
- Matters regarding the selection and dismissal of Directors with specific titles
- Matters regarding remuneration, etc. of Directors
- Matters regarding maximum limit on the remuneration of Directors
- Matters regarding succession planning
- Other important management-related matters considered necessary by the Board of Directors (such as view on the composition of the Board of Directors in terms of diversity of gender, etc. and skills)

The Board of Directors makes decisions on the above matters, paying utmost respect to the reports and proposals of the Committee.

Furthermore, the Committee is comprised of a majority of Outside Directors but does not consist of a majority of independent Outside Directors. The Company believes that the independence of the Committee is ensured but intends to elect independent Outside Directors making up a majority of the Committee by August 2024, which is the next time a new Board will be elected.

**[Disclosure Based on Principles of Japan’s Corporate Governance Code] Updated**

[Relevant Code]

Information is based on the Code after revision in June 2021.

[Principle 1-4 Cross-Shareholdings]

At present, the Company does not hold shares of other listed companies as cross-shareholdings but it shall have cross-shareholdings based on a resolution of the Board of Directors if, taking into consideration factors such as increased transactions with the Company and the Company’s overall return on the cross-shareholdings, the cross-shareholdings were judged to contribute to enhancement of the Company’s corporate value.

[Principle 1-7 Related Party Transactions]

The Group has enacted Related Party Transaction Management Regulations and every Group company is required to obtain the approval of its Board of Directors before conducting a related party transaction. The approved transaction shall then be reported at the Company’s Board of Directors.

Under the audit system, immediately after the end of the accounting period, the Company draws up a list of related parties based on declarations of the relatives (family members within second degree of kinship, in principle) of all the officers of the Company and its subsidiaries and companies in which they themselves or their relatives hold a majority of the voting rights (applicable parties only) as well as related party transactions (applicable parties only) and circulates this list to the Audit and Control Office.

[Principle 2-4-1 Policies, etc. for Ensuring Diversity]

View on ensuring diversity

Given that diverse organizations have an advantage when it comes to adapting to and surviving environmental change and that acceptance, mutual recognition and utilization of differences leads to a competitive edge, the Company is implementing initiatives such as workplace development and management training aimed at maximizing individual characteristics and skills whilst at the same time actively and continuously recruiting and hiring diverse human resources including women, foreign nationals and mid-career hires with various career histories.

Under the Medium-term Management Plan LSG 2024, the Company shall encourage diverse career paths and work styles and implement human resource measures to utilize the diversity of employees in new business creation and organization decision-making, in addition to initiatives already underway.

Voluntary measurable targets for ensuring diversity

The percentage of mid-career hires in managerial positions is already at a fairly high level (86% in the fiscal year ended May 31, 2022), as mid-career hires based on experience, skills and other requirements has been a driver of the Company’s business expansion since its foundation. It is the Company’s understanding, therefore, that it is not required to establish specific measures or targets for the appointment of mid-career hires to managerial positions. Meanwhile, the Company has not set “voluntary and measurable targets” for the appointment of foreign nationals to managerial positions, because the Company conducts business solely in Japan and has few employees who are foreign nationals. The percentage of women in managerial positions stood at 21% in the fiscal year ended May 31, 2022 and the Company has set a target for the fiscal year ending May 31, 2026 of 30%.

Human resource development policies to ensure diversity

Amid the spread of new work styles and dramatic changes in the environment such as labor shortages, changing values regarding work, and second jobs and side hustles, the Company is implementing initiatives that will motivate its employees and allow for diverse career paths and work styles, including the adoption of a variable working

hours system, the establishment of satellite offices assuming diverse work styles, and the introduction of a new personnel evaluation system.

[Principle 2-6 Asset Owners]

The Company has introduced a defined contribution pension plan and provides online and call center support on plan operation and also explains the plan structure and other details to new employees during induction training and to mid-career employees during briefings on the Company's personnel systems.

[Principle 3-1 Full Disclosure]

i. The guiding principle of the Company as a pharmacotherapy professional in the dispensing pharmacies sector, where it mainly operates, is "Perfection." Accordingly, the Company's corporate motto is "Perfection," which serves as the Company's basic policy. The Company implements the following management principles based on this basic policy.

- Social responsibility

The Company is acutely aware of its social responsibility as a company involved in medical care and actively strives for "Perfection."

- Commitment to a sustainable future

The Company will strive for a sustainable future, attaching importance to the SDG initiatives and increasing dialogue with all employees and stakeholders.

- Heart-felt hospitality

The Company will draw on its knowledge, expertise, experience and knowhow in its dealings with individuals, inspiring trust and giving them peace of mind.

In addition, under "Medium-term Management Plan LSG (Leading to Sustainable Growth) 2024," which was announced on December 24, 2021, the Company will build on the management infrastructure built under "Medium-term Management Plan SFG (Steps for Future Growth) 2021," despite further changes in the management environment going forward, and will implement measures on the following three themes to seek further enhancement of shareholder value and to strengthen competitiveness and grow.

(1) Increase efforts to become the corporate group preferred by investors

(2) Develop business, primarily the dispensing business, to enhance revenue

(3) Strengthen the management infrastructure

ii. As a pharmacotherapy professional, the Group believes it has mission to contribute to the local community through active involvement in community medical care and it has positioned the establishment of fair and transparent corporate governance as a key management issue partly for the purpose of accomplishing this mission. The Company constantly confirms the effectiveness of corporate governance systems and also works to strengthen and enhance systems according to the Group's growth stage by reviewing them as necessary. The Company also makes timely and appropriate disclosures and actively conducts IR activities to make management more transparent for shareholders and other stakeholders.

iii. The Company's policy is to determine the remuneration of Directors and the senior management based on officer remuneration standards, within the range of the total amount resolved by the General Meeting of Shareholders, and a decision is made based on a report to the Board of Directors of the results of deliberations by the Nomination and Remuneration Committee, which is comprised of a majority of Outside Directors.

iv. Regarding the appointment of Directors and Audit & Supervisory Board Members, the Company nominates individuals who understand the Company's corporate philosophy, have excellent character, vast experience and a high level of expertise when it comes to the Company's operations, and can contribute to enhancement of corporate value from a groupwide perspective.

Regarding the appointment of Outside Directors and Outside Audit & Supervisory Board Members, the Company nominates individuals who have vast experience and extensive knowledge as corporate managers and who can provide guidance and advice on the Company's management from an objective standpoint. Further, the Company's policy is to appoint individuals who are experts in fields such as accounting or law for the purpose of ensuring the soundness of its management and multifaceted advice.

As for the appointment of Directors, the Nomination and Remuneration Committee, which is comprised of a majority of Outside Directors, deliberates on candidates and those approved by a majority of its members are reported to the Board of Directors, which then proposes them to General Meeting of Shareholders following its own deliberation and approval.

Meanwhile, if a Director or Audit & Supervisory Board Member is deemed to merit dismissal, for example, he or she is found to have committed fraud or a serious legal violation or is found to have seriously damaged the

Company's corporate value, after the proposal for dismissal has been deliberated by the Nomination and Remuneration Committee, which is composed of a majority of Outside Directors, and approved by a majority of its members, it is then reported to the Board of Directors, which, after thorough deliberation, resolves to submit it to the General Meeting of Shareholders and includes it in the Convocation Notice of the General Meeting of Shareholders.

A proposal for the appointment or dismissal of an Audit & Supervisory Board Member is submitted to the General Meeting of Shareholders with the consent of the Audit & Supervisory Board, in addition to the procedures for the appointment or dismissal of a Director outlined above.

v. Regarding explanations on the nomination of candidates for Director or Audit & Supervisory Board Member, the Company includes information such as the career history of individual candidates, reasons for their appointment, and a skills matrix in the Convocation Notice of the General Meeting of Shareholders.

[Supplementary Principle 3-1-3 Initiatives on Sustainability]

The Company established a Sustainability Committee chaired by the chairman of the board and chief executive officer (CEO) in June 2021. The Company established a Sustainability Policy in May 2022, and is currently working to determine materiality (material issues) and measures to address them. With the help of outside consultants, the Sustainability Committee will manage data on GHG emissions, gain an understanding of the current status, and consider the possibility of setting targets. In addition, the Company aims to declare its support for the TCFD recommendations.

The Company sees human resources not as an expense (cost) but as human capital that creates new value. Based on this view, the Company is acquiring and developing the human resources it needs through a goal-oriented backcasting approach, in order to develop a pipeline of key human resources for its management strategies and to constantly optimize its human resources portfolio.

In terms of investment in intellectual assets, the Company plans to enhance customer experience services and introduce strategic products under its Medium-term Management Plan LSG2024, to promote "store branding" and "innovation of services through DX."

[Supplementary Principle 4-1-1 Roles and Responsibilities of the Board of Directors (1)]

The Company's Board of Directors resolves specific matters to be decided by the Board of Directors stipulated in the Companies Act and matters to be referred to the Board of Directors stipulated in the Articles of Incorporation and the Board of Directors' Regulations. More specifically, in the case of matters regarding management policies, general meetings of shareholders, financial results, officers, shares, personnel matters/organization, business operations, assets and finance, and suchlike, the Company specifies matters to be resolved by the Board of Directors by specifying details or setting certain criteria. Other matters are approved by the officer or employee in charge based on the detailed statement of official authority.

[Principle 4-9 Criteria and Qualifications for Determining the Independence of Independent Outside Directors]

The Company has established its own "Criteria for Independence of Outside Officers", as shown below.

Criteria for Independence of Outside Officers

An outside officer (includes candidate for outside officer; the same applies hereinafter) that falls under any of the following shall be deemed as not being sufficiently independent from the Company.

1. A person from the Company or a consolidated subsidiary of the Company (hereinafter referred to as the "Company or its subsidiaries") (Note 1)
2. A major shareholder of the Company (who directly or indirectly holds 10% or more of the total voting rights)
3. An executive of an entity which falls under any of the following categories
  - (1) A major business partner of the Company or its subsidiaries (Note 2)
  - (2) A major lender to the Company or its subsidiaries (Note 3)
  - (3) An entity which holds voting rights equivalent to 10% or more of the total voting rights of the Company or its subsidiaries
4. A certified public accountant who belongs to an audit corporation which is an accounting auditor for the Company or its subsidiaries
5. A person who receives significant amounts (Note 4) of monetary compensation or other property as a specialist such as a consultant, accountant, tax accountant, lawyer, judicial scrivener, patent attorney for the Company or its subsidiaries
6. A person who receives significant donations from the Company or its subsidiaries (Note 5)
7. Business executives of another company which has a reciprocal dispatch relationship (Note 6) with the Company or its subsidiaries for the dispatch of Outside Officers

8. A person whose close relative (Note 7) falls under any of 1. to 7. above (only a key person (Note 8) with the exceptions of items 4 and 5)
9. A person who fell under any of 2. to 8. above in the five years prior to appointment
10. Notwithstanding provisions of each of the foregoing, a person in relation to whom other special grounds which might give rise to a conflict of interests with the Company exist

Note 1: Refers to an Executive Director or the equivalent or an employee (collectively referred to in these criteria as a “Business Executive”) who currently belongs to the Company or its subsidiaries or belonged to the Company or its subsidiaries at any time in the past. Includes a Non-Executive Director in the case of an Outside Audit & Supervisory Board Member.

Note 2: The term “major business partner” refers to either a buyer of the Company or its subsidiaries’ products, etc. (includes services rendered) or a supplier in relation to which the annual transaction amount is greater than 3% of the consolidated net sales of the Company or the consolidated net sales of the group of which the counterparty is a part for two consecutive fiscal years.

Note 3: The term “major lender” refers to a financial institution from which the Company or its subsidiaries has borrowed funds whereby the balance of such borrowing at the end of the Company’s fiscal year exceeds 3% of the consolidated total assets of the Company or the consolidated total assets of such financial institution.

Note 4: The term “significant amounts” is defined as followed according to such specialist’s involvement in the services rendered.

(1) In the case where such specialist renders services to the Company or its subsidiaries as an individual, the term “significant amounts” denotes when compensation (excluding officers’ remuneration) received from the Company and its subsidiaries exceeds ¥10 million a year.

(2) In the case where a corporation, association or other organization to which such specialist belongs renders services to the Company or its subsidiaries, the term “significant amounts” denotes when the total amount of compensation such organization has received from the Company or its subsidiaries exceeds 3% of the such organization’s total annual revenue. However, even in the case where such 3% threshold is not exceeded, the amount received by such organization as compensation for services rendered with such specialist’s direct involvement will be deemed “significant amounts” when it exceeds ¥10 million a year.

Note 5: Refers to a person who has received donations exceeding ¥10 million a year. In the case where the recipient of the donations is a corporation, association or other organization, the term “person” refers to a person belonging to such organization who is directly involved in research, education or other activities relating to such donations.

Note 6: Refers to relationship whereby a Business Executive of the Company or its subsidiaries is an outside officer of another company and a Business Executive of such other company is an outside officer of the Company.

Note 7: The term “close relative” means a spouse or a relative within the second degree of kinship.

Note 8: The term “key person” refers to a Director or Business Executive who serves as a General Manager or higher position or a Business Executive with authority equivalent thereto.

[Supplementary Principle 4-10-1 Policies and Procedures for Establishment of Nomination and Remuneration Committee]

To increase the fairness, transparency and objectivity of procedures for nominating Directors and determining remuneration, etc. for Directors and to strengthen corporate governance systems, the Company has a Nomination and Remuneration Committee as a non-mandatory advisory body to the Board of Directors. The Committee deliberates and prepares draft proposals on the following matters and then reports on them or proposes them to the Board of Directors.

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- Other important management-related matters considered necessary by the Board of Directors (such as view on the composition of the Board of Directors in terms of diversity of gender, etc. and skills)

The Board of Directors makes decisions on the above matters, paying utmost respect to the reports and proposals of the Committee.

Furthermore, the Committee is comprised of a majority of Outside Directors but does not consist of a majority of independent Outside Directors. The Company believes that the independence of the Committee is ensured but intends to elect independent Outside Directors making up a majority of the Committee by August 2024, which is the next time a new Board will be elected.

[Supplementary Principle 4-11-1 Policies and Procedures for Appointing Directors]

The Company's Board of Directors appoints as Directors pharmacists, corporate managers and individuals from financial institutions, whilst taking the perspectives of expertise and diversity into consideration, and has a composition that allows for lively discussion from a broad perspective, in order to achieve sustainable growth and enhancement of corporate value in the medium and long term. The Company currently has 11 Directors, two of which are independent Outside Directors. One of the independent Outside Directors has management experience at other companies. Meanwhile, the Company has five Non-Executive Directors including two independent Outside Directors.

Since the dispensing pharmacy business, which is the Company's main business, has industry-specific laws and regulations and business practices peculiar to drug distribution, and a high level of expertise is required to make management decisions, the Company appoints internal Directors from employees who have worked at the Company for many years, reliably producing excellent results, and who have excellent character, insight and high ethical standards. Meanwhile, as independent Outside Directors, the Company appoints individuals who are not bound by company interests and will supervise the Company's management from a fair and impartial perspective to protect the interests of shareholders especially minority shareholders and will give advice on management in general.

Furthermore, the Company created a Directors' skills matrix, which is included in the Convocation Notice of the Ordinary General Meeting of Shareholders held in August 2022.

[Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Audit & Supervisory Board Members]

In the case where the Company's Directors and Audit & Supervisory Board Members also serve as officers at other listed companies, such positions shall be limited to an extent that they do not prevent the Company's Directors and Audit & Supervisory Board Members from fulfilling their respective roles and responsibilities. Moreover, in the event that Directors and Audit & Supervisory Board Members hold concurrent positions at other listed companies, the Company discloses such positions via the Convocation Notice, Annual Securities Report and Corporate Governance Report.

[Supplementary Principle 4-11-3 Analysis, Evaluation and Disclosure of Effectiveness of the Board of Directors as a Whole]

As in the previous fiscal year, in July 2022, the Company analyzed and evaluated the effectiveness of the Board of Directors as whole, with reference to the opinion of an outside consultant, by conducting a survey of all officers (11 Directors and 3 Audit & Supervisory Board Members) asking them for a self-evaluation of the effectiveness of the Board of Directors in FY2021 in terms of the "operation and composition of the Board of Directors," "management strategies and business strategies," "corporate ethics and risk management," "evaluation and remuneration of senior management," and "dialogue with shareholders." Analysis of the survey results indicated that the effectiveness of the Board of Directors as a whole is ensured given that every item was generally rated favorably.

However, some negative views were expressed, including calls for disclosure of appropriate action to address social and environmental issues and other sustainability issues. Utilizing this feedback, the Company will continue to improve the effectiveness of the Board of Directors going forward, including seeking further enhancement of materials for meetings of the Board of Directors to make deliberations at meetings livelier through the provision of necessary and sufficient information, and continuously focusing on the training of Directors and Audit & Supervisory Board Members which was again the subject of feedback this fiscal year.

Other feedback received included the view that disclosures regarding sustainability initiatives and investment in human capital and intellectual property is an issue to be addressed in the future and the opinion that there is room for improvement in terms of the content and volume of materials for Board of Directors' meetings and their advance distribution and explanation. Taking this feedback on board, the Company plans to make disclosures about its sustainability initiatives with the help of an outside consultant. Regarding the content and volume of materials for meetings of the Board of Directors and their advance distribution and explanation, the Company intends to continuously focus on enhancing and improving information provision, striving for livelier deliberations at meetings of the Board of Directors and continuing to increase the effectiveness of the Board of Directors as a whole.

[Supplementary Principle 4-14-2 Training Policy for Directors and Audit & Supervisory Board Members]

Directors and Audit & Supervisory Board Members are given appropriate explanations about their legal obligations, roles and responsibilities as officers on assuming office and they attend external training sessions as appropriate. When the Company welcomes independent Outside Directors and Outside Audit & Supervisory Board Members, senior management explains to them individually matters such as the Company's management strategies, business activities and finances. Additionally, in 2022, the Company invited outside lecturers to run three sessions of officer training (including digital governance in the DX era) to help officers adapt to the changing times and acquire the knowledge they need as officers of a listed company.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

The Company takes actions such as the following in response to requests for meetings from shareholders.

First, decisions on IR strategy and IR policy are matters referred to the Board of Directors. In addition, the officer in charge of disclosures oversees IR activities and dialogue with shareholders as a whole, and the Corporate Planning Department is the department in charge. The Corporate Planning Department oversees IR materials, etc. to support dialogue and prepares these in collaboration with the Accounting and Finance Department and other relevant operating companies, etc. The Corporate Planning Department also oversees IR events and holds these with the cooperation of each department.

As other means of dialogue besides individual meetings with investors, the Company holds financial results briefings four times a year, takes part in IR Fiestas organized by the securities exchange and others once a year, and holds briefings for individual investors around once a year. Furthermore, the Company conducts a questionnaire survey of shareholders and investors at the IR Fiesta venue and in one out of the two business reports (shareholder communications) issued per year, to gather questions and feedback. The content of the questions and feedback of shareholders and investors understood through such investor briefings and individual meetings, etc. is reported at meetings of the Board of Directors.

As for the management of insider information during dialogue with shareholders and investors, the Company provides training on insider trading that is mandatory for all employees. In addition, the period from the end of the fiscal year to the date of the financial results announcement is a silent period, during which the Company refrains from communicating with investors. Moreover, during dialogue with shareholders and investors, the Company is careful to avoid selective disclosure.

## 2. Capital Structure

Percentage of Foreign Shareholders	Less than 10%
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### Status of Major Shareholders **Updated**

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
Bic Field Corporation	3,015,000	32.24
The Master Trust Bank of Japan, Ltd.	426,100	4.56
Nakakita Yakuin Co., Ltd.	396,000	4.23
VITAL-NET, INC.	396,000	4.23
HOKUYAKU Inc.	357,800	4.23
Pharmarise Employee Stockholding Association	358,500	3.83
Sayoko Ohno	349,780	3.74
HIGUCHI SANGYO CO., LTD.	214,500	2.29
Toshimichi Ohno	204,390	2.19
AGII Investment Limited Partnership	182,400	1.95

Controlling Shareholder (except for Parent Company)	-
Existence of Parent Company	No

### Supplementary Explanation **Updated**

- Status of Major Shareholders above is as of May 31, 2022.  
 - The shareholding ratio is calculated by deducting the number of treasury shares (321,100) from the total number of outstanding shares. The ratio was rounded to the first decimal place.

### 3. Corporate Attributes

Listed Exchange and Market Division <b>Updated</b>	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	May
Sector Classification	Retail
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	At least 1,000
Net Sale (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 subsidiaries to less than 50 subsidiaries

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions, etc. with Controlling Shareholder

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### 5. Special Circumstances which may have Material Impact on Corporate Governance

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## 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 an Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Directors <b>Updated</b>	2

Relationship with the Company (1) <b>Updated</b>
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Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Norio Watanabe	From another company								○			
Hironu Tada	From another company											○
Tomomi Hara	From another company							○				
Masaya Nakanishi	From another company							○				
Ichijo Toda	From another company											○

\* Categories for “Relationship with the Company”

\* “○” indicates that the director currently falls under the category, or did so recently, and “△” indicates that the director fell under the category in the past.

\* “●” indicates that a close relation falls under the category, or did so recently, and “▲” indicates that a close relation fell under the category in the past.

- Business executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries
- Non-executive director or business executive of a parent company of the Company
- Business executive of a fellow subsidiary of the Company
- Person whose major client or supplier is the Company or a business executive thereof
- Major business partner of the Company or a business executive thereof
- Consultant, accountant or legal professional who receives significant amounts of monetary consideration or other property from the Company other than remuneration as an officer
- Major shareholder of the Company (or if such shareholder is a corporation, business executive of such corporation)
- Business executive of a business partner of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- Business executive of a company, which has a reciprocal dispatch relationship with the Company for the dispatch of Outside Officers (the director himself/herself only)
- Business executive of a recipient of donations from the Company (the director himself/herself only)
- Other

Relationship with the Company (2) <b>Updated</b>
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Name	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Norio Watanabe		Outside Director Mr. Norio Watanabe is Director and Chairman of Enkoh Co., Ltd., which supplies Group pharmacies with consumables and other goods. Enkoh Co., Ltd.’s transactions with the Group in the most recent fiscal years amounted	Mr. Norio Watanabe served as President of Enkoh Co., Ltd. for many years and now, as Chairman, continues to be involved in its management, and has extensive experience and deep insight as a manager. The Company therefore judges that he will be effective in helping strengthen the decision-making function and oversight function of the

		<p>to ¥183 million in the fiscal year ended August 31, 2020 and ¥182 million in the fiscal year ended August 31, 2021, and such transaction amounts are equivalent to 3.51% and 3.03% of Enkoh Co., Ltd.'s net sales in each fiscal year respectively.</p> <p>Consequently, Enkoh Co., Ltd. now falls under a major business partner (a business partner whose annual transaction amount exceeds 3% of the net sales of the Group of which such business partner is a part for two consecutive fiscal years) of the Group listed in the Company's Criteria for Independence of Outside Officers.</p>	<p>Company's Board of Directors and appointed him as Outside Director.</p> <p>While Mr. Norio Watanabe falls under a business executive of a business partner of the Company, Enkoh Co., Ltd. did not fall under a major business partner as defined in the Company's Criteria for Independence of Outside Officers until the fiscal year ended May 31, 2021. In fact, Enkoh Co., Ltd. has around 5,000 diverse business partners and the Group also does not depend on Enkoh Co., Ltd. as a supplier. Further, while Mr. Norio Watanabe holds 2,700 shares of the Company's stock, this shareholding accounts for 0.02% of the total number of shares issued and the Company previously designated him as an independent officer, judging that there was no risk of a conflict of interest arising between himself and general shareholders.</p> <p>Since Enkoh Co., Ltd. now falls under a "major business partner of the Group" as defined in the Company's Criteria for Independence of Outside Officers, the Company is removing his designation as an independent officer.</p>
Hiromu Tada	○	-	<p>After working as a teacher at Jissen Gakuen Practical Commercial High School, from April 1978, Mr. Hiromu Tada not only served as President of Tasman Corporation, which manufactures plastic spray containers, but also concurrently served as advisor to Jissen Gakuen and trustee of Chuo University. The Company appointed him as Outside Director based on the expectation that he will increase the diversity of the Board of Directors based on his experience and knowledge as a manager and educator and can also help strengthen corporate value enhancing management and the oversight function.</p> <p>The Company has never had any transactions with Tasman Corporation or with Mr. Hiromu Tada personally. Further, given that Mr. Hiromu Tada does not own any shares in the Company and there is also no other information about him that falls under officer attribute information, the Company designated him as an independent officer, judging that there is no risk of a conflict of interest arising between himself and general shareholders.</p>
Tomomi Hara		<p>The appointment of Mr. Tomomi Hara as Director is based on a capital and business alliance agreement concluded by the Company with Aspirant Group Inc. and AGII Investment Limited Partnership, which is operated and managed by Aspirant Group Inc. Under the agreement, which was</p>	<p>Mr. Tomomi Hara is responsible for the business management of investees of Aspirant Group Inc. and also has a track record of improving business as a manager at many companies including Miura Printing Corporation, Parking Management Organization, Ltd. and SAGAMI GROUP HOLDINGS Co., Ltd. The Company appointed him as Outside Director to have him leverage this extensive experience and deep insight in the Company's management.</p>

		<p>announced on November 8, 2018, the Company has two individuals from Aspirant Group Inc. participate in its management as Directors.</p> <p>Further, based on said capital and business alliance, AGII Investment Limited Partnership owns 184,200 shares of the Company's issued stock and 2,600,000 potential shares corresponding to the stock acquisition rights of convertible bonds with stock acquisition rights issued by the Company.</p>	
Masaya Nakanishi		<p>The appointment of Mr. Masaya Nakanishi as Director is based on a capital and business alliance agreement concluded by the Company with Aspirant Group Inc. and AGII Investment Limited Partnership, which is operated and managed by Aspirant Group Inc. Under the agreement, which was announced on November 8, 2018, the Company has two individuals from Aspirant Group Inc. participate in its management as Directors.</p> <p>Further, based on said capital and business alliance, AGII Investment Limited Partnership owns 184,200 shares of the Company's issued stock and 2,600,000 potential shares corresponding to the stock acquisition rights of convertible bonds with stock acquisition rights issued by the Company.</p>	<p>Mr. Masaya Nakanishi is responsible for the business management of investees of Aspirant Group Inc. and also has a track record of improving business as a manager at many companies including Industrial Revitalization Corporation Japan, Dogan Advisors, Inc. (now Dogan, Inc.) and Enterprise Turnaround Initiative Corporation (now Regional Economy Vitalization Corporation of Japan). The Company appointed him as Outside Director to have him leverage this extensive experience and deep insight in the Company's management.</p>
Ichijo Toda	○	-	<p>Mr. Ichijo Toda has not only served as the head priest of a religious corporation but also been involved in supporting companies as trustee of a public interest incorporated foundation that provides scholarships to students and as councillor of the Tokyo Chamber of Commerce and Industry. The Company appointed him as Outside Audit &amp; Supervisory Board Member by resolution of the 32nd Ordinary General Meeting of Shareholders held in August 2018 based on the judgment that he can be expected to provide advice based on his extensive experience and from an ethical perspective and can therefore properly</p>

			<p>perform the duties of Audit &amp; Supervisory Board Member of the Company.</p> <p>Mr. Ichijo Toda was then appointed as Outside Director by a resolution of the 34th Ordinary General Meeting of Shareholders held in August 2020 and retired as Outside Audit &amp; Supervisory Board Member after the close of said general meeting.</p> <p>Further, given that while Mr. Ichijo Toda holds 600 shares of the Company's stock, this shareholding accounts for less than 0.01% of the total number of shares issued and that there is also no other information about him that falls under officer attribute information, the Company designated him as an independent officer, judging that there is no risk of a conflict of interest arising between himself and general shareholders.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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#### Status of Establishment of Voluntary Committees, Composition and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
Total Members (persons)	5	5
Full-time Members (persons)	0	0
Internal Directors (persons)	2	2
Outside Directors (persons)	3	3
Outside Experts (persons)	0	0
Other (persons)	0	0
Chairperson	Internal Director	Internal Director

#### Supplementary Explanation

The Nomination and Remuneration Committee is not a committee based on laws and regulations.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	3

#### Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Office

After the audit by the accounting auditor each quarter, Audit & Supervisory Board Members carry out confirmation of the content of the accounting audit.

In addition, the Audit & Supervisory Board Members exchange opinions with the accounting auditor on the accounting auditor's site visits throughout the fiscal year.

Further, the Company has established the Audit and Control Office, which has the role of evaluating management and business activities from an impartial standpoint, identifying issues and providing guidance. The Audit and

Control Office conducts business audits based on an annual plan and the audit results are reported to the Board of Directors and also the Audit & Supervisory Board.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Takayuki Enomoto	CPA														○
Tsuneo Sonobe	From another company														○

\* Categories for “Relationship with the Company”

\* “○” indicates that the director currently falls under the category, or did so recently, and “△” indicates that the director fell under the category in the past.

\* “●” indicates that a close relation falls under the category, or did so recently, and “▲” indicates that a close relation fell under the category in the past.

- Business executive (a person who executes business; hereinafter the same) of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or business executive of a parent company of the Company
- Audit & Supervisory Board Member of a parent company of the Company
- Business executive of a fellow subsidiary of the Company
- Person whose major client or supplier is the Company or a business executive thereof
- Major business partner of the Company or a business executive thereof
- Consultant, accountant or legal professional who receives significant amounts of monetary consideration or other property from the Company other than remuneration as an officer
- Major shareholder of the Company (or if such shareholder is a corporation, business executive of such corporation)
- Business executive of a business partner of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member him or herself)
- Business executive of a company, which has a reciprocal dispatch relationship with the Company for the dispatch of Outside Officers (the Audit & Supervisory Board Member himself/herself only)
- Business executive of a recipient of donations from the Company (the Audit & Supervisory Board Member himself/herself only)
- Other

Relationship with the Company (2) **Updated**

Name	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takayuki Enomoto	○	-	Mr. Takayuki Enomoto established an accountant office after working for an audit corporation. He has extensive experience and high levels of expertise gained through many years’ involvement in the business of corporate accounting and tax affairs providing advice and guidance. The Company appointed him as substitute Outside Audit & Supervisory Board Member by resolution of the 31st Ordinary General Meeting of Shareholders held in August 2017, based on the judgment that he will fulfil his duties as Audit & Supervisory Board Member of the Company in an appropriate manner. Since the number of Audit & Supervisory Board Members was then set to fall short of the statutory required number with

			<p>the retirement of the Company's Outside Audit &amp; Supervisory Board Member Masaru Sato on September 13, 2017, Mr. Takayuki Enomoto became Outside Audit &amp; Supervisory Board Member with effect from said date.</p> <p>The Company has never had any transactions with Enomoto CPA Office or Mr. Takayuki Enomoto. Further, given that Mr. Takayuki Enomoto does not own any shares in the Company and there is also no other information about him that falls under officer attribute information, the Company designated him as an independent officer, judging that there is no risk of a conflict of interest arising between himself and general shareholders.</p>
Tsuneo Sonobe	○	<p>Mr. Tsuneo Sonobe is Representative Director and Chairman of Takazono Corporation, which supplies Group pharmacies with medical devices, medical systems and other goods.</p> <p>Takazono Corporation's transactions with the Group in the most recent fiscal years amounted to ¥129 million in the fiscal year ended March 31, 2021 and ¥3 million in the fiscal year ended March 31, 2022, and such transaction amounts are equivalent to 0.62% and 0.02% of Takazono Corporation's net sales in each fiscal year respectively. Consequently, Takazono Corporation does not fall under a major business partner (a business partner whose annual transaction amount exceeds 3% of the net sales of the Group of which such business partner is a part for two consecutive fiscal years) of the Group listed in the Company's Criteria for Independence of Outside Officers.</p>	<p>Mr. Tsuneo Sonobe served as Representative Director and President of Takazono Corporation, which plans, develops, manufactures and sells medical devices and medical systems, for many years and now, as Chairman, continues to be involved in its management, and has extensive experience and deep insight as a manager. The Company therefore judges that it can reflect his advice from an objective and different viewpoint in its audit structure and appointed him as Outside Audit &amp; Supervisory Board Member by resolution of the 34th Ordinary General Meeting of Shareholders held in August 2020. Mr. Tsuneo Sonobe falls under a business executive of a business partner of the Company but does not fall under a business executive of a major business partner. Moreover, Takazono Corporation has around 3,000 diverse business partners and the Group also does not depend on Takazono Corporation as a supplier. Since Mr. Tsuneo Sonobe was then appointed as an Outside Audit &amp; Supervisory Board Member by resolution at the 34th Ordinary General Meeting of Shareholders held in August 2020, the Company designated him as an independent officer.</p>

**[Independent Officers]**

Number of Independent Officers	<b>Updated</b>	4
Matters Related to Independent Officers		
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**[Incentives]**

Implementation of Measures to Provide Incentives to Directors	Other
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Supplementary Explanation
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In 2013, the Company introduced stock-based compensation stock options for Directors for the purpose of enhancing their motivation and morale to contribute to the continuous improvement of business performance and corporate value over the medium to long term and implementing business more aware of increasing stock value by strengthening the linkage between Directors' remuneration and the Company's business results and share price and having Directors share with shareholders not only benefits from higher stock prices, but also the risks involved in falling stock prices.

However, at a meeting of the Board of Directors held on July 27, 2020, the Company reviewed the officers' remuneration system and resolved to introduce a restricted stock compensation plan, and the proposal on this plan was resolved at the 34th Ordinary General Meeting of Shareholders held on August 26, 2020.

Under the restricted stock compensation plan, restricted stock is allotted to the Company's Directors within a maximum amount of ¥65 million per year (revised to a maximum amount of ¥200 million per year at the Company's 35th Ordinary General Meeting of Shareholders held on August 26, 2021). The maximum total amount of remuneration to be paid to the Company's Directors was previously set at ¥500 million per year.

Meanwhile, Outside Directors and Audit & Supervisory Board Members are not eligible under the restricted stock compensation plan.

Since the previous stock-based compensation stock options plan was abolished as a result, the Company does not plan to grant any stock acquisition rights as stock-based compensation stock options under this plan in the future.

Recipients of Stock Options	
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Supplementary Explanation
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### [Remuneration for Directors]

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation	<b>Updated</b>
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Remuneration amounts in the most recent fiscal year are as follows.

Remuneration paid to Directors: ¥224 million (9 Directors)

Remuneration paid to Audit & Supervisory Board Members: ¥11 million (3 Audit & Supervisory Board Members)

Policies on Determining Remuneration Amounts and Calculation Methods	Yes
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Disclosure of Policies on Determining Remuneration Amounts and Calculation Methods
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The total amount of remuneration to be paid to Directors is determined based on officer remuneration standards, within a maximum amount of remuneration of ¥500 million per year (provided, however, that this does not include a salary portion payable to Directors who concurrently serve as employees of the Company) as resolved at the Ordinary General Meeting of Shareholders held on August 5, 2006. Meanwhile, the total amount of remuneration paid to Audit & Supervisory Board Members is determined within a maximum amount of ¥50 million per year, as resolved at the Ordinary General Meeting of Shareholders held on August 5, 2006.

### [Supporting System for Outside Directors (and Outside Audit & Supervisory Board Members)]

The Company makes proposals and reports to be put before the Board of Directors available to view in advance and provides explanations in advance in response to inquiries from Outside Directors or Outside Audit & Supervisory Board Members or on any important matters. The Administrative Division is responsible for contacting and making adjustments with Outside Directors. In addition, the Audit and Control Office and the accounting auditor liaise with each other in their dealings with Outside Audit & Supervisory Board Members, including exchanging opinions with them, resolving any identified issues and checking improvements.

## **2. Matters Concerning Functions of Business Execution, Auditing, Oversight, Nomination and Determination of Remuneration (Overview of Current Corporate Governance System) Updated**

As a Company with an Audit & Supervisory Board, the Company has established a system whereby the Board of Directors makes decisions on management policies and other important matters and supervises business execution and the Audit & Supervisory Board audits the performance of duties. Regarding the Board of Directors, in a bid to further enhance corporate governance, the Company appointed an additional Outside Director by resolution of the 30th Ordinary General Meeting of Shareholders on August 25, 2016 and appointed two more Outside Directors by resolution of the 33rd Ordinary General Meeting of Shareholders on August 28, 2019 and, although one Outside Director retired from office on May 31, 2020, the Company appointed another one by resolution of the 34th Ordinary General Meeting of Shareholders on August 26, 2020, and currently has five Outside Directors.

The Audit & Supervisory Board appointed an additional Outside Audit & Supervisory Board Member by resolution of the 32nd Ordinary General Meeting of Shareholders on August 28, 2018 and one Outside Audit & Supervisory Board Member retired from office at the end of June 2019. Accordingly, while one Outside Audit & Supervisory Board Member retired from office at the close of the 34th Ordinary General Meeting of Shareholders on August 26, 2020, the Audit & Supervisory Board appointed an additional Outside Audit & Supervisory Board Member by resolution at the same General Meeting of Shareholders and is currently composed of a majority of Outside Audit & Supervisory Board Members, with two out of its three members being outside Audit & Supervisory Board Members, and it fulfills its role of auditing the performance of duties through cooperation with the accounting auditor and the Audit and Control Office.

### **1. General Meeting of Shareholders**

Whilst the General Meeting of Shareholders is a body responsible for making certain resolutions and approvals as the Company's highest decision-making body, the Company also recognizes it as a forum for disclosing and explaining in detail the Company's actual management and direction to shareholders. Based on this recognition, the General Meeting of Shareholders is run in a manner that allows shareholders to gain a proper understanding of the Company.

### **2. Board of Directors**

The Board of Directors is made up of 11 members including five Outside Directors (as of August 26, 2022) and holds extraordinary board meetings as and when necessary, in addition to ordinary board meetings once every month. Based on the Company's Board of Directors' Regulations, the Board of Directors deliberates on and determines important matters such as management policies, management strategies, business plans, and organization- and HR-related matters, and also supervises the business execution of the Company and its subsidiaries. Full-time and part-time Audit & Supervisory Board Members also attend and express opinions at meetings of the Board of Directors.

### **3. Audit & Supervisory Board**

The Company's Audit & Supervisory Board consists of three Audit & Supervisory Board Members including two Outside Audit & Supervisory Board Members. One member is full-time and two members are part-time. Each Audit & Supervisory Board Member engages in activities such as attending meetings of the Board of Directors and various committees and conducting departmental audits in accordance with an audit policy, division of duties, and audit plan determined by the Audit & Supervisory Board, and verifies the legality of Directors' performance of duties, the preservation and management of company assets, and the effectiveness of internal controls in collaboration with the accounting auditor.

### **4. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is a non-mandatory advisory body to the Board of Directors, established to increase the fairness, transparency and objectivity of procedures for nominating Directors and determining remuneration, etc. for Directors and to strengthen corporate governance systems. When requested by the Board of Directors, the Committee deliberates on each of the matters disclosed in accordance with Supplementary Principle 4-10-1, and makes a report to the Board of Directors. The Board of Directors makes decisions on such matters, paying utmost respect to the reports and proposals of the Committee.

The Committee is composed of Directors appointed by resolution of the Board of Directors and shall have three or more members, a majority of which shall be Outside Directors. Resolutions are passed by this Committee by a majority of the members present when a majority of the members entitled to participate in the vote are present. Further, members with a special interest in a resolution may not participate in the vote.

### **5. Status of Committees**

In the dispensing pharmacy business, dispensing errors and leaks of personal information are major risk factors.



The Company has established the following committees and study groups internally to strengthen the risk management system for such risks, and is focusing on this as a priority issue.

#### Error Prevention Study Group

Each dispensing pharmacy has a person in charge of error prevention and a meeting is held each month to study error prevention measures based on information about in-store incidents.

#### Error Prevention Committee

The committee consists of members selected from each area and conducts activities such as devising error prevention measures based on analysis of collected incident data and raising awareness about error prevention initiatives among stores in each area. The committee meets once a month, gathers information about incidents that have occurred, their causes, and future prevention measures, and reports to the Board of Directors as appropriate.

#### Dispensing Error Review Committee

In the event of a dispensing error, the committee verifies the level of risk reported by the respective store. In the case of a high-level dispensing error which requires action to be taken, an Error Countermeasures Committee is immediately established.

#### Error Countermeasures Committee

An Error Countermeasures Committee is established in the case of a serious dispensing error which endangers health, and it determines how to deal with patients, medical institutions and other relevant parties.

#### Personal Information Protection Committee

The Company has established the Personal Information Protection Committee, with a Director as the officer in charge, in accordance with the Personal Information Protection Regulations, to avoid the risk of information leaks.

#### Compliance Committee

The Compliance Committee conducts activities to comprehensively raise awareness of the compliance structure across the entire Group including senior management, such as establishing and applying a Compliance Manual and conducting compliance training and awareness raising activities.

#### Sustainability Committee

The Company has established a Sustainability Committee for the purpose of promoting management that emphasizes and considers sustainability in order to properly protect/develop the environment, society and economy going forward, thereby contributing to the Group's long-term growth. The committee holds various discussions concerning sustainability, determines sustainability-related policies, targets, measures and other matters, and regularly reports progress to the Board of Directors. It is also monitored by the Board of Directors and reflects its feedback and advice in initiatives.

### 6. Status of Internal Audits and Audits by the Audit & Supervisory Board Members

The Company has established the Audit and Control Office as an organization under the direct control of the Board of Directors and, with one General Manager and three members, the office is responsible for verifying that internal controls are functioning properly, including compliance with laws, regulations and internal rules and business efficiency.

The office cooperates with the Audit & Supervisory Board and the accounting auditor such as by holding meetings on a regular basis, exchanging opinions with them and confirming that identified issues are resolved or improved to ensure that audits are carried out effectively.

The Audit and Control Office also conducts audits of the status and functioning of the committees listed in "5. Status of Committees" above.

### 7. Status of Accounting Audits

The Company has concluded an auditing contract with Grant Thornton Taiyo LLC for accounting audit services and undergoes audits under the contract.

(Names of certified public accountants who execute operations)

Hiroshi Tsurumi, Designated and Engagement Partner

Tomohiko Shinoda, Designated and Engagement Partner

The people assisting the Company's accounting audit work includes 15 certified public accountants and 23 other people.

### 8. Status of Other Third Parties Such As Lawyers

The Company has concluded consulting contracts with two law firms, and also receives advice from other lawyers depending on the area of expertise. Furthermore, the Company has established a system for consulting experts whenever necessary about other specialist areas such as tax affairs and labor affairs.

### 9. Exemption from Liability of Directors and Audit & Supervisory Board Members

The Company's Articles of Incorporation stipulate as a matter resolved by the General Meeting of Shareholders that can be resolved by the Board of Directors that the Company may, by resolution of the Board of Directors, exempt Directors (including persons who were Directors) and Audit & Supervisory Board Members (including persons who were Audit & Supervisory Board Members) from liability for damages set forth in Article 423, Paragraph 1 of the Companies Act, up to the limit of the amount provided for in laws and regulations. The purpose of this is to allow Directors and Audit & Supervisory Board Members to fulfil their expected roles.

### **3. Reasons for Adoption of Current Corporate Governance System**

As a pharmacotherapy professional, the Group believes it has mission to contribute to the local community through active involvement in community medical care and it has positioned the establishment of fair and transparent corporate governance as a key management issue partly for the purpose of accomplishing this mission. Consequently, the Company constantly confirms the effectiveness of corporate governance systems, and by reviewing them as and when necessary, works hard to strengthen and enhance systems according to the Group's growth stage.

As a Company with an Audit & Supervisory Board, the Company has established a system whereby the Board of Directors makes decisions on management policies and other important matters and supervises business execution and the Audit & Supervisory Board audits the performance of duties.

Regarding the Board of Directors, the Company appointed an Outside Director by resolution of the Ordinary General Meeting of Shareholders in August 2014 and appointed another Outside Director at the Ordinary General Meeting of Shareholders the following year. Then, in a bid to further enhance corporate governance, the Company appointed an additional Outside Director by resolution of the 30th Ordinary General Meeting of Shareholders on August 25, 2016 and appointed two more Outside Directors by resolution of the 33rd Ordinary General Meeting of Shareholders on August 28, 2019 and, although one Outside Director retired from office on May 31, 2020, the Company appointed another one by resolution of the 34th Ordinary General Meeting of Shareholders on August 26, 2020, and currently has five Outside Directors.

The Audit & Supervisory Board consists of a majority of Outside Audit & Supervisory Board Members and it fulfills its function of auditing the performance of duties through cooperation with the accounting auditor and the Audit and Control Office.

Further, the Company established the Nomination and Remuneration Committee in May 2016, for the purpose of strengthening corporate governance. In addition, the Company has established various committees, putting in place a system for addressing risk factors such as dispensing errors.

Whilst committed to the continued strengthening and enhancement of corporate governance systems, the Company recognizes that, thanks to the actions described above, the corporate governance systems it currently has in place adequately fulfil their functions at the present time.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Scheduling Annual General Shareholders Meeting Avoiding the Peak Day	The Ordinary General Meeting of Shareholders is held in late August and the Company selects a day on which general shareholders are expected to attend.
Other	The convocation notice and notice of resolutions is published in full on the Company's website.

#### 2. IR Activities

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company formulated a disclosure policy for the purpose of disclosing information about the Company promptly, accurately and fairly, and publishes this policy on its website.	
Regular Investor Briefings for Individual Investors	The Company explains details of financial results, growth strategies and future business expansion to individual investors.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings every quarter to explain details of its financial results and business strategies to analysts and institutional investors.	Yes
Posting of IR Materials on Website	On its website ( <a href="https://www.pharmarise.com/ir/">https://www.pharmarise.com/ir/</a> ), the Company posts IR materials such as IR news, financial results briefing materials, business reports, and annual securities reports as well as financial highlights and share information.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Planning Department is the department in charge of IR.	

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

	Supplementary Explanation
Internal Rules Stipulated for Respecting the Position of Stakeholders	The Company has established a Compliance Committee which is chaired by the Representative Director and President and is endeavoring to promote compliance activities.
Implementation of Environmental Activities, CSR Activities, etc.	The Group's pharmacies throughout Japan actively participate in community activities including participating in community-based medical teams and emergency medical systems.
Development of Policies on Information Provision to Stakeholders	The Company's basic disclosure policy is to seek prompt, accurate and fair disclosure to shareholders and to also actively focus on IR activities.

## IV. Matters Related to the Internal Control System

### 1. Fundamental Views on Internal Control System and the Progress of System Development

The Company has set out a basic policy on internal control as shown below. The policy was partially revised at a meeting of the Board of Directors held on August 28, 2019.

1. System to ensure the adherence to laws, regulations, and the articles of incorporation by Directors and employees in their execution of duties

The Company shall establish corporate ethics regulations and other regulations concerning compliance systems and shall position these as a Behavior Standard for ensuring that officers and employees of the Company and its subsidiaries act in compliance with laws and regulations, the Articles of Incorporation and social norms. The Company shall also conduct activities to thoroughly instill compliance, such as providing training to officers and employees, under the leadership of the Compliance Committee established in accordance with the Compliance Regulations.

The internal auditing business unit shall audit the status of compliance.

These activities shall be reported to the Board of Directors and Audit & Supervisory Board Members on a regular basis. As a way for the employees of the Company and its subsidiaries to directly provide information about legally questionable activities, the Company shall establish and operate a compliance helpline at an external law firm.

2. Matters regarding the retention and management of information relating to the execution of duties by Directors

The Company shall record and retain the minutes of Board of Directors' meetings, internal approval documents, and other information on the performance of duties by Directors, either in the form of documents or electronic recordings (hereinafter "documents, etc.") in accordance with the Internal Approval Regulations and the Document Management Regulations.

Directors and Audit & Supervisory Board Members shall be able to access these documents, etc. at any time in accordance with the Internal Approval Regulations and the Document Management Regulations.

3. Regulations concerning the management of risk of loss and other systems

The Company's departments in charge of risk in relation to matters such as compliance, environment, accidents, quality and information security shall each establish rules and guidelines, implement training, and prepare, distribute, etc. manuals, and the internal control business unit shall be responsible for monitoring the status of risk across the organization and implementing company-wide measures and the operating company management business unit shall be responsible for risk management at subsidiaries and stores.

The Board of Directors shall promptly appoint a Director responsible for measures in response to any new risk that has arisen.

4. System to ensure the efficient execution of duties by Directors

The Board of Directors shall deliberate on management policies and important management-related matters and, based on the Company's Board of Directors' Regulations, the Board of Directors shall deliberate on and determine important matters such as management policies, management strategies, business plans, and organization- and HR-related matters, and shall also supervise the business execution of the Company and its subsidiaries. The Company shall also set groupwide targets shared by Directors and employees alike.

5. System for ensuring the appropriateness of the operations of the corporate group which consists of the Company and its subsidiaries

The Company shall appoint Directors in charge and general managers of business units as the persons responsible for Group business, and shall confer on them the authority and responsibility for developing a legal compliance system and risk management system, and the general manager of the internal control business unit shall promote and manage these activities across the Group.

The operating company management business unit shall be responsible for the general management of subsidiaries in accordance with the Regulations for Management of Affiliated Companies, and the administration business unit shall regularly supervise the status of their accounts. Internal audits shall also be carried out in relation to subsidiaries.

The representative directors of subsidiaries shall make business reports to the Company every quarter, in principle.

6. System related to employees appointed to assist Audit & Supervisory Board Members at the request of Audit & Supervisory Board Members, and matters related to the independence of such employees from Directors

Audit & Supervisory Board Members may order employees belonging to the internal audit business unit to undertake matters necessary for auditing operations, and employees necessary for auditing operations acting under the orders of Audit & Supervisory Board Members shall engage in operations for Audit & Supervisory Board

Members as a priority, if requested to do so, and shall not be under the command of Directors, the general manager of the internal audit business unit or other interested parties.

7. Systems of reporting to Audit & Supervisory Board Members by Directors and employees and other systems regarding reporting to Audit & Supervisory Board Members

The Company shall have a system under which Directors and employees of the Company and its subsidiaries promptly report to Audit & Supervisory Board Members in the case where they discover matters prescribed by law or any fact that will seriously impact the Company or the Group. There shall also be a system under which the internal audit business unit shall hold meetings with Audit & Supervisory Board Members on a regular basis and whenever necessary and shall report the status of implementation of internal audits and other matters to Audit & Supervisory Board Members.

The Company shall prohibit the disadvantageous treatment of those who make a report to the Company's Audit & Supervisory Board Members on the basis that they made such a report.

8. Other systems for ensuring the effective audit by Audit & Supervisory Board Members

The Company shall establish regular meetings for the exchange of opinions between Audit & Supervisory Board Members and the Representative Director and President. In addition, the full-time Audit & Supervisory Board Members shall attend other important meetings as needed, in addition to the meetings of the Board of Directors, to figure out the process of important decision-making and the status of business execution and shall inspect important internal approval documents and other important documents related to business execution and ask the Directors and employees or the Directors and employees of subsidiaries for an explanation as needed.

Audit expenses shall be borne by the Company in accordance with the requests of Audit & Supervisory Board Members.

9. System for ensuring the reliability and validity of financial reports

Each business unit and subsidiary of the Company shall, under the leadership of the internal control business unit, ensure the reliability and validity of financial reports by striving to maintain a sound internal control environment in accordance with the provisions of the Financial Instruments and Exchange Act, stepping up control activities at a groupwide level and a business process level, developing an internal control system that allows effective and fair evaluation, and endeavoring to operate the system properly.

10. System for the elimination of antisocial forces

The Company and its subsidiaries shall be resolute in their stance against antisocial forces that pose a threat to the order of society and sound corporate activities and shall deal with them as an entire organization.

The Company's general affairs business unit shall be the business unit which deals with any unjust demands from antisocial forces and it shall deal with such demands in cooperation with the police and other relevant bodies.

## **2. Fundamental Approach to Eliminating Antisocial Forces and State of Related Efforts**

The Company shall be resolute in its stance against antisocial forces that pose a threat to the order of society and sound corporate activities and shall deal with them as an entire organization. The Company's general affairs business unit shall be the business unit which deals with any unjust demands from antisocial forces and it shall deal with such demands in cooperation with the police and other relevant bodies.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	No
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Supplementary Explanation

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### 2. Other Matters Concerning the Corporate Governance System

1. The Company believes that it is important to analyze and evaluate the risks it might face and to take necessary countermeasures based on such analysis and evaluation. The Company shall strive to develop a system whereby it continually monitors the operating status of internal control systems and constantly seeks improvement and whereby it takes appropriate action to address newly recognized risks resulting from the expansion of business domains, etc. and is always be prepared for the assumed risks.

2. The outline of the timely disclosure system is as follows.

The Company has set out matters regarding internal information management and operation in the Information Disclosure Regulations, the Official Authority List for Approval of Timely Disclosure Information and the Insider Trading Prevention Regulations, and endeavors to disclose information in a timely and appropriate manner.

(Basic Policy)

The Company fully recognizes that the timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market and continually ensures the prompt, accurate and fair disclosure of corporate information from the perspective of investors and strives to execute its business in good faith.

(Internal System for Timely Disclosure)

- In the case where a matter that falls under timely disclosure occurs or might occur, the general manager of the business unit specified in the Official Authority List for Approval of Timely Disclosure Information shall report to the general manager of the Corporate Planning Department (the general manager in charge) and the information shall be centrally controlled by the general manager in charge.
- In practical terms, the general manager of the business unit specified in the Official Authority List for Approval of Timely Disclosure Information shall draft the disclosure as the proposer, have the general manager of the General Affairs Department confirm the attributes of the counterparty and that the counterparty is not an antisocial force, and then have the general manager in charge check whether or not the information falls under timely disclosure information before circulating the timely disclosure information for internal consultation.
- Based on the approval authority specified in the Official Authority List for Approval of Timely Disclosure Information, the flow of internal consultation shall be as follows: proposer → general manager in charge → officer in charge of information disclosure → President → approval of Board of Directors or approval of President → report to Board of Directors (matter approved by President). Until completion of information disclosure, the Company shall endeavor to prevent leaks by narrowing down as much as possible the personnel who come into contact with such information and the officers and employees who come into contact with such information shall not leak the information they have received to others.
- The Company shall appoint one officer in charge of information disclosure by resolution of the Board of Directors to constantly check that company information is disclosed in a timely and appropriate manner. Compliance with disclosure obligations shall be regularly confirmed through the audits of the Audit and Control Office.

(Disclosure Timing and Methods)

- After the internal consultation process is completed, the general manager in charge shall disclose the timely disclosure information via TDnet.
- After disclosure via TDnet is complete, the timely disclosure information is posted on the Company's website. The Company uses an automated posting system provided by a specialist service provider to post the information on its website. As a result, the Company's timely disclosure information is automatically posted on the Company's website after disclosure via TDnet is complete.