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## Corporate Governance Report

Last Update: August 9, 2024

### TOHO HOLDINGS CO., LTD.

Representative Director, CEO and CFO: Hiromi Edahiro

Contact: Corporate Strategy Division 03-6838-2803

Securities Code: 8129

<https://www.tohohd.co.jp/en/>

The corporate governance of TOHO HOLDINGS CO., LTD. (the “Company”) is described below.

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

### 1. Basic Views

The Company and the Group are committed to enhancing the corporate governance as one of the most important managerial tasks, because we recognize that it is important to enhance the auditing and supervisory functions concerning corporate management, achieve full compliance, and improve the transparency of management so that we can sincerely fulfill our responsibilities towards various stakeholders, including customers, business partners, shareholders, employees, and government entities, and enhance our corporate value as sustainable companies.

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

The Company implements all of the principles in the Corporate Governance Code.

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

#### [Principle 1-3 Basic Capital Policy]

The Company intends to enhance shareholder value by increasing corporate value over the medium to long term with sustained growth. To this end, we will continue to invest for growth while striving to improve capital efficiency and enhance shareholder returns.

Please also refer to the Medium-term Management Plan for specific indicators and measures.

[https://ir.tohohd.co.jp/en/index/main/04/teaserItems1/02/linkList/02/link/Medium-term%20plan23-25.pdf\\_E.pdf](https://ir.tohohd.co.jp/en/index/main/04/teaserItems1/02/linkList/02/link/Medium-term%20plan23-25.pdf_E.pdf)

#### [Principle 1-4 Cross-shareholdings]

Comprehensively taking into account a management strategy, building, maintenance and strengthening of relations with business connections and other matters, the Company holds shares that it finds to contribute to enhancement of the Group’s corporate value from a medium-to long-term point of view. The Company regularly reviews the appropriateness of holding those shares in such a way as minutely examining whether an advantage, etc., to holding the shares of each of the companies meets the Company’s policy and selling the shares of any of the companies if it does not find holding of them appropriate.

With regard to cross-shareholdings, we are continuously reducing them after sufficient dialogue with the companies in our business partners. The Company exercises its voting rights after comprehensively judging various viewpoints including impacts on the Company, while taking into account whether exercising such voting rights will lead to the enhancement of the corporate value of the invested companies over the medium to long term and conducting dialogues with counterparties in cases where it is deemed that there is sluggish business performance or serious compliance violation, etc.

With regard to the cross-shareholdings during the fiscal year ended March 2024, please see the following:

<https://ir.tohohd.co.jp/en/stock/meeting/main/01/teaserItems1/07/linkList/0/link/20240627-1E.pdf#page=22>

[Principle 1-7 Related Party Transactions]

Based on the Board of Directors rules, the Company obtains approval from the Board of Directors concerning competing transactions by a director and transactions involving any conflict of interest between the Company and a director. The Board of Directors conducts appropriate supervision in accordance with relevant laws and regulations.

[Supplementary Principle 2-4(1) Ensuring diversity at the time of appointing core human resources]

Based on the belief that employees are the Company's assets, or human capital, the Group is committed to maximizing the value of its human capital by developing the human resources needed by the Group, improving its personnel system, and promoting work-style reforms, while carefully passing on its history of growth through human capital and its corporate culture that respects the free-thinking of employees. The Group has placed no restrictions on the promotion of women, foreign nationals, and mid-career hires to management positions and has been striving to ensure diversity.

Currently, the ratio of female employees is 41.7% and that of female managers is 16.0% at the Company. As of the end of June 2024, two female directors and two female corporate officers were appointed. Further, at TOHO PHARMACEUTICAL CO., LTD., a subsidiary engaging in the wholesale business, three female corporate officers are appointed, and the ratio of female employees is 24.0%. In addition, at PharmaCluster CO. LTD., which engages in dispensing pharmacy business, there is one female director. The ratio of female employees at the subsidiaries of the dispensing pharmacy business overall is 78.8%. The Group will, through initiatives such as promotion of the advancement of women, continue to endeavor to maintain an environment where women can work comfortably and fully demonstrate their abilities, and expand opportunities for women, while promoting acceptance of diverse human resources in order to actively assign persons with disabilities, foreign nationals, mid-career hires, and human resources with specialized knowledge.

< Voluntary and measurable goals, and status >

- Percentage of female managers in the Company: 30% (as early as possible in the 2020s)

\*Percentage of female managers at the Company as of the end of March 2024: 16.0%

The Group has not set the measurable goal on appointing foreign national personnel as most of its business fields are limited in Japan. However, with evaluation and allocation of personnel corresponding to their ability and aptitude regardless of nationality and gender, the employees of foreign nationality have been appointed as managers.

In addition, the Group has not set the measurable goal on mid-career hires owing to its policy to hire personnel with diverse backgrounds as necessary taking into account the business environment.

< Human resources development policy, in-house environment improvement policy to ensure diversity, and status >

(i) Human resources development policy

With the corporate slogan "Total Commitment to Good Health" as a compass, the Group will develop the human resources necessary for the Group by (1) strengthening career development and training, (2) improving the personnel system, and (3) promoting work-style reforms.

The human resources that the Group considers necessary are as follows:

- A person who has a high sense of ethics and always takes basic actions

- A person who thinks and learns by himself/herself and is not afraid of failure but is willing to take on challenges through free-thinking
- A person who can make high-quality proposals and communicate well with others
- A person who can collaborate with business partners (customers, municipalities, etc.) and other departments in the Company
- A person who can play an active role globally

By utilizing a wide range of human resources regardless of gender, nationality, age, etc. and respecting individualities, capabilities and teamwork of employees, we nurture a free and vigorous corporate culture.

(ii) In-house environment improvement policy

(1) Human resources development and training

- Enhancing training programs by level and job type
- Providing opportunities to take on challenges, such as participating in projects or being seconded outside the Company

- Support for reskilling and personal qualification

- Development of professionals

(2) Improving the personnel system

- Diversity and inclusion

- Use of senior employees and mid-career hiring of outstanding human resources

- Strengthening career development

- Staffing with the right people in the right places

(3) Promoting work-style reforms

- Going paperless by promoting DX

- Outsourcing routine business operations

- Enhancement of work arrangements to accommodate employees' life events

- Further improvement of the workplace environment

(iii) Major initiatives in the current fiscal year

Human resources development and training

- Monthly compliance training for all employees: 100% attendance
- Biannual training on the Antimonopoly Act for sales reps: 100% attendance
- Training for branch managers (excluding those newly appointed): 90 participants
- Training for new managers: 35 participants
- Training for new employees: 76 participants
- Follow-up training for new marketing specialists: 63 participants
- MTP training (voluntary participatory training to train employees who can make various suggestions mainly on customer support systems): 40 participants
- Senior MTP training (skill-up training for MTP graduates): 29 participants
- Reskilling training for marketing specialists: 1,080 participants
- Collaborative research with the National Institute of Advanced Industrial Science and Technology (AIST): 24 participants (8 seconded and 16 in-house researchers)

Improving the personnel system

- Proactive promotion of female employees to management positions: Number of new managers at TOHO HOLDINGS CO., LTD., (4 men and 2 women)
- Expansion of mid-career employment
- Promotion of contract employees to full-time employees

Promoting work-style reforms

- Increasing starting salary

Master's degree graduates: 205,500 yen →219,000 yen

University graduates, professional-school graduates (with advanced diploma): 197,500 yen →205,000 yen

Junior college graduates, professional-school graduates (with diploma): 177,500 yen →191,000 yen

- Change of holidays (With the introduction of a full five-day work week and an increase in the number of summer vacation days, the number of vacation days per year increased by five days.)

- Introduction of casual business wear throughout the year

- Promotion of health management: TOHO HOLDINGS CO., LTD., TOHO PHARMACEUTICAL CO., LTD., SAYWELL inc., Kyushu Toho Co., Ltd., J. MIRAIMEDICAL, and Nextit Research Institute, Inc. have been certified as an Excellent Health Management Corporation 2024 (an increase of two companies from the previous FY).

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

The Company's pension fund is entrusted to, and managed and exercised by the Tokyo Pharmaceutical Industry Corporate Pension Fund established in the industry. Policies and plans, etc. related to the management of pension assets are decided after submission of proposals to and deliberations by several conference bodies such as the governing board and the delegation board, which are the executive bodies, and the appropriateness of asset management is secured.

Board member of the Company who has knowledge related to asset management assumes office as a member of the governing board of the said fund, which guarantees that the monitoring of the asset management will be implemented, and personnel with appropriate qualifications are allocated to the secretariat of the fund.

[Principle 3-1 Enhancing Information Disclosure]

(i) Management Philosophy, Management Strategy, etc.

The Management Philosophy and Management Strategy are disclosed on the Company's website and in its Integrated Report, and specific business strategies and management plans are disclosed in its Financial Results Briefing Documents and the Medium-term Management Plan.

To achieve sustainable growth and increase the medium- to long-term value of the Group through the realization of this Mission Statement, we have formulated the Medium-term Management Plan as a management strategy and management plan for the Group.

Please refer to the Company's website for details.

The Management Philosophy "Mission Statement" is posted on the Company's website.

<https://www.tohohd.co.jp/en/company/philosophy>

The Management Strategy is posted on the Company's website.

<https://ir.tohohd.co.jp/en/management/strategy.html>

The Integrated Report is posted on the Company's website.

[https://ir.tohohd.co.jp/en/irfiling/integrated\\_report.html](https://ir.tohohd.co.jp/en/irfiling/integrated_report.html)

The Financial Results Briefing Documents are posted on the Company's website.

<https://ir.tohohd.co.jp/en/irfiling/presentation.html>

The Medium-term Management Plan Document is posted on the Company's website.

[https://ir.tohohd.co.jp/en/index/main/04/teaserItems1/02/linkList/02/link/Medium-term%20plan23-25.pdf\\_E.pdf](https://ir.tohohd.co.jp/en/index/main/04/teaserItems1/02/linkList/02/link/Medium-term%20plan23-25.pdf_E.pdf)

(ii) Policy on Corporate Governance

The basic policy on corporate governance is disclosed on the Company's website, and in the report concerning corporate governance and the Integrated Report.

The Company's basic policy on corporate governance and the report concerning corporate governance are posted on the Company's website

<https://ir.tohohd.co.jp/en/management/corporategovernance.html>

The Integrated Report is posted on the Company's website.

[https://ir.tohohd.co.jp/en/irfiling/integrated\\_report.html](https://ir.tohohd.co.jp/en/irfiling/integrated_report.html)

(iii) Policy and Procedure on Compensation for the Senior Management and Directors

Compensation for the senior management and directors of the Company (excluding those who are Audit and Supervisory Committee Members) consists of monthly compensation made up of a basic salary and executive compensation based on performance, stock price and other factors, as well as restricted stock compensation and executive bonuses.

The compensation structure for Directors who are Audit and Supervisory Committee Members consists of monthly compensation made up of basic salary and executive compensation based on performance, stock price, and other factors, as well as executive bonuses.

(iv) Policy and Procedure on Appointment of the Senior Management and Director

The Company expects to take advantage of their extensive experiences to contribute to the sustainable growth and the enhancement of corporate value of the Company and appoints them at the Board of Directors after taking into consideration whether they have sufficient knowledge on the Company business and consulting with the Group's Management Committee.

The Nomination and Compensation Committee deliberates before a Board of Directors resolution.

(v) The Company discloses the reason for the appointment of director candidates and candidates for directors who are the Audit and Supervisory Committee members in the Notice of Convocation of General Meeting of Shareholders. Upon the nomination of director candidates and candidates for directors who are the Audit and Supervisory Committee members, explanations for each appointment and nomination are disclosed in the Notice of Convocation of General Meeting of Shareholders. The appointment and dismissal of directors is determined at the General Meeting of Shareholders in accordance with the Articles of Incorporation of the Company.

The Notice of Convocation of General Meeting of Shareholders is posted on the Company's website.

<https://ir.tohohd.co.jp/en/stock/meeting.html>

[Supplementary Principle 3-1(3) Enhancement of information disclosure regarding sustainability]

The Group is working to promote sustainability management under the sustainability policy of "Based on its Mission Statement of 'we shall live in harmony with society and our customers; together, we shall create new values through the provision of original services; and we shall contribute to the medical care and well-being of people around the world,' we, as a corporate group engaged in the medical, health and nursing care fields, strive to solve social issues through business operations and to contribute to the realization of a sustainable society."

In addition, the Company describes on the Company's website our sustainability initiatives based on the three materialities (important issues) of the environment (E), society (S), and governance (G), and disclose quantitative data and specific examples of such initiatives.

Detailed policies on sustainability can be found on the Company's website.

<https://www.tohohd.co.jp/en/csr>

Furthermore, the Company has positioned efforts to address climate change as one of our key issues, and the Sustainability Promotion Committee is playing a central role in identifying climate change-related risks and opportunities, assessing their impact on the Company, and considering specific measures to deal with them. The Group expressed its support for the TCFD recommendations in June 2023, and discloses these recommendations in line with the disclosure framework proposed by the TCFD Task Force on Climate-related Financial Disclosures.

While we strive to enhance disclosure from now on, the current status is posted on the Company's website (Japanese only).

<https://www.tohohd.co.jp/csr/activity/climatechanges>

[Supplementary Principle 4-1(1) Scope of Delegation to Management]

The Company, according to the Board of Directors rules, specifies matters to be decided and those to be reported at the Board of Directors concerning legally required matters or important management matters. The Company also specifies matters to be decided and those to be reported by executive persons from Representative Director down, according to the authority rules and the decision-making rules.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]

The Company appoints independent outside directors according to the requirements for outside directors as prescribed in the regulation and to the Independence Standards stipulated by the financial instruments exchanges. The independent outside directors make comments at meetings of the Board of Directors from their respective professional positions, and active discussions, which contribute to the enhancement of the Company's corporate value over the medium to long term, are being held.

[Supplementary Principle 4-10(1) Establishment of Nomination and Compensation Committee]

The Company has established the Nomination and Compensation Committee as an advisory body to the Board of Directors, whose purpose is to contribute to transparency of management by having necessary discussions about nominations for candidates for directors, and a policy on compensation for directors and other matters. Committee is chaired by an outside director and the majority members of committee are outside directors.

[Supplementary Principle 4-11(1) The concept of diversity of Board of Directors]

The Company has appointed internal directors who are familiar with the Company's business and external directors who have diverse perspectives and experience in corporate management and the pharmaceutical industry, as well as expertise in finance, accounting and legal affairs in order to achieve efficient and prompt Group operations.

At the Board of Directors, these members hold discussions based on their individual knowledge, experiences, and abilities, make legal and managerial decisions, and supervise business execution.

Skills and the skill matrix required for Directors in light of the Company's management strategy are posted on the Company's website.

<https://www.tohohd.co.jp/en/company/directors>

[Supplementary Principle 4-11(2) The information on the Company's directors with concurrent duties at other companies]

The information on the Company's directors with concurrent duties at other companies is included in the Business Report and Reference Documents attached to Notices of Convocation of General Meeting of Shareholders and in the Annual Securities Reports, and is disclosed every year.

Notices of Convocation of General Meeting of Shareholders are posted on the Company's website.

<https://ir.tohohd.co.jp/en/stock/meeting.html>

Annual Securities Reports are posted on the Company's website (Japanese only).

<https://ir.tohohd.co.jp/ja/irfiling/securitiesreport.html>

[Supplementary Principle 4-11(3) Evaluation of the Effectiveness of the Board of Directors]

To analyze and evaluate the effectiveness of the Board of Directors as a whole, we conducted a questionnaire survey of all directors (including the directors who are Audit and Supervisory Committee Members) with regard to the composition of the Board of Directors, the status of its operations, discussion and the status of dialogue with investors and shareholders. The analysis and evaluation results are reported to the Board of Directors' meeting in June 2024.

#### Evaluation method

● Target: 6 internal directors and 3 independent outside directors

● Evaluation method: Questionnaire survey for the target persons

● Question content

1. Composition of the Board of Directors
2. Operation of the Board of Directors
3. Discussion at the Board of Directors
4. Status of dialogue with investors and shareholders
5. Evaluation of issues raised in the previous evaluation
6. Other (about the Board of Directors in general)

In addition to evaluating each item, we have also set up a free comment section to collect diverse opinions.

#### Summary of evaluation results

The evaluation results mentioned above confirmed that the Company's Board of Directors was effective in terms of its roles and arrangements.

In the fiscal year ended March 2024, the following initiatives were implemented to create an environment promoting active discussion at the Board of Directors.

- Review attendance at Board of Directors meetings and limit attendance of those other than Directors in principle.

In addition to the above, the Board of Directors has been highly evaluated for its free and open discussions, such as the frequency of meetings of the Board of Directors, the length of deliberations, and the environment for constructive discussions.

#### Future initiatives

The Company holds a regular meeting with independent outside directors to exchange information and deepen mutual understanding. It also works to reinforce information-sharing arrangements by allowing the members of the Audit and Supervisory Committee to attend, as observers, the meetings of the Group Management Committee and of the boards of directors of operating companies.

In view of the effectiveness evaluation results, we will appropriately address the items on which advice or comments were put forward. The aim is to make the Board of Directors more effective and to further improve our corporate governance.

#### [Supplementary Principle 4-14(2) Training Policy for the Board of Directors ]

The Company gives newly appointed directors the opportunity to participate in external seminars in order to acquire knowledge mainly concerning the statutory duties and responsibilities of directors as stipulated by law. Members of the Board of Directors, including outside directors, visit the Company's facilities such as distribution centers in order to enhance their understanding of the Company's business activities. In addition, The Company also provides opportunities for all the board members to obtain information and knowledge on industry trends and the business environment surrounding the Company, and the Company bears the costs required for these activities.

#### [Principle 5-1 Policy on Constructive Dialogues with Shareholders]

The Company responds positively to dialogue (or interview) requests from shareholders or investors, which is specifically done by the Corporate Communications Department/Corporate Planning Department. Also, the representative director, a person responsible for information disclosure and outside directors respond as often as possible to some demands from shareholders or investors in the form of interview.

The Company has adopted the following policies in order to enhance constructive dialogues with shareholders or investors:

(i) Appoints a corporate officer as a person responsible for information disclosure and establishes the Corporate Communications Department/Corporate Planning Department under the direction of the person as the department in charge of investor relations.

(ii) Makes efforts to enhance organic coordination under the direction of the person by sharing information more effectively between the Corporate Communications Department/Corporate Planning Department and other related departments.

(iii) Holds biannual financial results briefings for investors and analysts to offer direct explanations from top management and the person responsible for information disclosure. Furthermore, the Company holds tours of facilities to offer a deeper understanding of the Company's management strategy. In addition, based on the Company's shareholder composition and capital policy, the Company visits North America, Europe, and Asian regions.

(iv) IR activities and opinions from investors are fed back to senior management and the Board of Directors as appropriate, and opinions from shareholders and investors obtained through dialogue are used in the formulation and implementation of management strategies.

(v) Stringently manages information in accordance with internal regulations concerning those involved in handling insider information in order to prevent selective disclosure of insider information only to some market participants, and in dialogue with investors, tries hard to make into dialogue topics the Company's sustainable growth and the matters contributing to corporate value enhancement over the medium to long term.

[Principle 5-2 Formulation and Publication of Management Strategies and Plans]

[Action to Implement Management That is Conscious of Cost of Capital and Stock Price]

In order to achieve sustainable growth and enhancement of corporate value over the medium to long-term, the Company conducts business operations and formulates management plans based on cost of capital and capital profitability.

In the Medium-term Management Plan 2023-2025 "Create the Next Generation," announced in May 2023, we put our following four basic policies: (1) Business transformation, (2) Investment for growth and improvement of profitability, (3) Sustainability management, and (4) Improvement of capital efficiency and enhancement of shareholder returns, with targets of ROE more than 8% and DOE more than 2%.

With regard to the stock price, PBR is more than 1.0 times as of the end of June 2024, and we recognize that we have received a certain level of valuation from the stock market. We will continue to develop our existing businesses through various measures, as well as improve profitability by investing for growth to improve profitability, investing in infrastructure to ensure a stable supply of pharmaceuticals at any time, and investing in human capital to maximize the value of human resources.

In addition, we will aim to improve corporate value by promoting measures such as purchase of treasury shares taking capital efficiency into consideration, increasing dividends stably, and continuous reduction of cross-shareholdings, which leads to receiving positive recognition from the market.

As a company dealing in life-related products, we will strive to enhance corporate value and meet the expectations of our shareholders by promoting the above measures, while giving top priority to investment to fulfill our social mission of "safe and secure pharmaceutical distribution."

For details, please refer to the following:

[https://www.tohohd.co.jp/en/assets/data/20230512-1\\_E.pdf](https://www.tohohd.co.jp/en/assets/data/20230512-1_E.pdf)

[https://ir.tohohd.co.jp/en/index/main/04/teaserItems1/02/linkList/02/link/Medium-term%20plan23-25.pdf\\_E.pdf](https://ir.tohohd.co.jp/en/index/main/04/teaserItems1/02/linkList/02/link/Medium-term%20plan23-25.pdf_E.pdf)

[https://ir.tohohd.co.jp/en/irfiling/presentation/main/0/teaserItems1/21/linkList/0/link/240515\\_E.pdf#page=14](https://ir.tohohd.co.jp/en/irfiling/presentation/main/0/teaserItems1/21/linkList/0/link/240515_E.pdf#page=14)

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,314,400	10.06
Shionogi & Co., Ltd.	3,500,112	5.57
Custody Bank of Japan, Ltd. (Trust Account)	1,904,900	3.03
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE – AC)	1904,050	3.03
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Daiichi Sankyo Account Re-trust Trustee, Custody Bank of Japan, Ltd.	1,637,000	2.61
TOHO HOLDINGS Employee Stock Ownership Plan	1,531,159	2.44
Mizuho Securities Co., Ltd.	1,526,373	2.43
Hiroyuki Kono	1,333,760	2.12
BNP PARIBAS FINANCIAL MARKETS	1,304,033	2.08
JPMorgan Securities Japan Co., Ltd.	1,269,026	2.02



Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

The shareholding ratio is calculated excluding the treasury shares (13,639,304 shares) held by the Company.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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### 5. Other 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 in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	30
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9

Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	F	g	h	i	j	k	
Yoshiaki Kamoya	From another company									△			
Hidehito Kotani	From another company									△			
Chie Goto	From another company												○

\*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 executive 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 listed 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/kansayaku
- 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 a company, between which and the Company outside directors/kansayaku are mutually appointed (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	Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoshiaki Kamoya	○	○	Mr. Kamoya has been Advisor of Shionogi & Co., Ltd., a customer of one of the Company's consolidated subsidiaries since April 2020. He is not engaged in business execution of Shionogi & Co., Ltd. now.	(Reasons for being appointed as an outside director) Mr. Kamoya has abundant knowledge and insight in relation to the pharmaceutical industry, and considerable experience as a manager in charge of the business management division of Shionogi & Co., Ltd. He has also served in important positions in

				<p>industrial groups and the Company expects that he will contribute to the Company's audit and supervisory function based on his professional knowledge and experience. Therefore, the Company has appointed him as an outside director.</p> <p>(Reasons for being appointed as an independent director)  Transactions between the Company's consolidated subsidiary and Shionogi &amp; Co., Ltd. are not so conspicuously numerous as those between the Company and other customers, and do not significantly affect the Company's business. In addition, persons from Shionogi &amp; Co., Ltd. have not constantly been appointed as directors of the Company and there is little human interaction. Based on the above reasons, Mr. Kamoya has been appointed as an independent director because the Company judges that he will have no risk of having conflicts of interest with ordinary shareholders.</p>
Hidehito Kotani	○	○	Mr. Kotani is from Pfizer, Inc. and MSD K.K., both of which are customers of one of the Company's consolidated subsidiaries. More than ten years have passed since he left Pfizer, Inc. and he left MSD K.K. in August 2015.	<p>(Reasons for being appointed as an outside director)  Mr. Kotani has abundant knowledge about the pharmaceutical, medical device and medical IT industries and insight in corporate activities. He participated in the management of other companies, and the Company expects that he will contribute to the Company's audit and supervisory function as an expert on business management that he has accumulated through his career. Therefore, the Company has appointed him as an outside director.</p>

				<p>(Reasons for being appointed as an independent director)  Transactions between the Company's consolidated subsidiary and both of Pfizer, Inc. and MSD K.K. are not so conspicuously numerous as those between the Company and other customers, and do not significantly affect the Company's business.  In addition, persons from Pfizer, Inc. and MSD K.K. have not constantly been appointed as directors of the Company and there is little human interaction.  Based on the above reasons, Mr. Kotani has been appointed as an independent director because the Company judges that he will have no risk of having conflicts of interest with ordinary shareholders.</p>
Chie Goto	○	○	-	<p>(Reasons for being appointed as an outside director)  Ms. Chie Goto has a broad insight as a lawyer and a certified public accountant and extensive experience as an outside officer of other companies, and the Company is appointed her as an outside director with the expectation that she will perform in the management and supervision of the Company by utilizing her professional knowledge of corporate law and accounting that is fostered through activities as a lawyer and a certified public accountant.</p> <p>(Reasons for being appointed as an independent director)  Ms. Goto has been appointed as an independent director because she has no special interest with the Company and the Company judges that she will have no risk of having conflicts of interest with ordinary shareholders.</p>

**[Audit and Supervisory Committee]**

Committee's Composition and Attributes of Chairperson

	Total Committee Members	Full-time Committee Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	3	0	0	3	Outside Director

Appointment of Directors and Employees to Support the Execution of Duties by Audit and Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Employees from Executive Directors

The Company appoints a staff to assist the Audit and Supervisory Committee to carry out their duties. To ensure the independence of the staff from directors (excluding those who are the Audit and Supervisory Committee members), the staff performs his duties under the direction of the Audit & Supervisory Committee. Moreover, the appointment and any personnel change of the staff is handled with the agreement of the Audit and Supervisory Committee.

Cooperation among Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Division

The representative director regularly meets with an Audit and Supervisory Committee and exchanges opinions on issues to be tackled by the Company, the progress in developing an environment for the Committee to conduct audits, and crucial auditing issues, in an effort to deepen mutual understanding. The Audit and Supervisory Committee members regularly receive reports on audit plans, methods, and results from the accounting auditor and exchange information to conduct efficient auditing. The Group Audit Office as the Internal Audit Division submits internal audit information and other necessary information to the Audit and Supervisory Committee members to maintain close contact with the Committee members. The Company ensures that the Audit and Supervisory Committee concludes an advisory contract not with a corporate lawyer but with a lawyer working only for the Audit and Supervisory Committee, and use the services of such lawyer.

**[Voluntary Committee]**

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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	Total Committee Members	Full-time Committee Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairman
Voluntary Nomination and	5	-	2	3	-	-	Outside Director

Compensation Committee							
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Supplementary Explanation

The voluntary Nomination and Compensation Committee consisting mainly of outside directors have been established as advisory committees to the Board of Directors.

**[Independent Directors]**

Number of Independent Directors	3
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Other Matters relating to Independent Directors

All of outside directors that qualify as independent directors have been designated as independent directors.

**[Incentives]**

Incentive Policies for Directors	Others
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Supplementary Explanation

A resolution was passed at the 69th Annual General Meeting of Shareholders held on June 29, 2017, to newly introduce a restricted stock compensation plan in place of the current stock-based compensation stock options for the Company's directors (excluding those who are Audit and Supervisory Committee Members) in order to give even more incentive for the directors to undertake sustainable enhancement of the Company's corporate value and to further promote value-sharing with shareholders. The total amount of such compensation shall be no more than 55 million JPY.

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

No single officer was awarded consolidated compensation of 100 million JPY or more in total and therefore nothing is listed. Total compensation for each director is disclosed in the Annual Securities Report and Business Report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established the following policy for determining remuneration, etc. for each individual director at the Board of Directors' meeting held on January 22, 2021.

1. Policy for determining the amount of base remuneration (monetary remuneration) for each individual director

Base remuneration for Directors shall be paid monthly as a fixed salary in accordance with the position and role of each director, in consideration of the business environment surrounding the Company. The bonus for Directors shall be determined in accordance with the level of contribution to the business performance of the Company and paid at a certain time of the year.

2. Policy for determining the details and the calculation method of the amount or number of non-monetary remuneration

The Company has introduced the restricted stock compensation system as non-monetary remuneration. When implementing such remuneration, the board of directors shall decide on whether or not to implement and the allocation thereof within the scope of the remuneration limit resolved at the general meeting of shareholders.

3. Policy on determining the ratio of the amount of remuneration for each individual director such as base remuneration (monetary remuneration) and non-monetary remuneration

The payment ratio of remuneration, etc. for each individual director shall be the most appropriate ratio in order to contribute to the sustainable growth of the Company and the improvement of corporate value over the medium to long term.

4. Matters concerning determining the details of remuneration, etc. for each individual director

The details of remuneration for each individual director shall be delegated to Representative Director based on the board of directors' resolution, and shall be determined in accordance with each director's contribution to the business performance of the Company.

The board of directors consults with Representative Director and other multiple directors designated by Representative Director to ensure that the authority to delegate is appropriately exercised, then it is determined by Representative Director.

**[Supporting System for Outside Directors]**

Relevant departments timely provide outside directors with information and materials needed for them to carry out their duties, and do so promptly if asked.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

-The Company changed to a Company with an Audit and Supervisory Committee after amendments of the Company's Articles of Incorporation at the 68th Annual General Meeting of Shareholders held on June 29, 2016.

-In line with the transition to a Company with the Audit and Supervisory Committee, the Company proposes that the number of directors (excluding those who are the Audit and Supervisory Committee members) be changed from three more but not exceeding forty to not exceeding thirty and the number of the directors who are the Audit and Supervisory Committee members be set to not exceeding five, in order to keep the number of directors (excluding those who are the Audit and Supervisory Committee members) and directors who are the Audit and Supervisory Committee members to an appropriate level.

- The Company has six directors (excluding those who are the Audit and Supervisory Committee members) and three directors who are the Audit and Supervisory Committee members. The Company has adapted a corporate officer system and appointed eleven corporate officers.

- The Company has appointed three outside directors who are the Audit and Supervisory Committee members in order to further enhance the system for supervising and monitoring the execution of operation by directors and also enhance the system for reflecting the opinions of external experts.

- The Company has set the terms of directors (excluding those who are the Audit and Supervisory Committee members) at one year and directors who are the Committee Members at two years to establish a flexible management system for responding swiftly to changes in business environments and to clarify the responsibility and evaluation of each director.

- As a general rule, the Company holds regular meetings of the Board of Directors each month, and by holding special meetings of the Board of Directors as needed, the Company ensures the proper execution of operations and makes swift decisions.

In order to realize efficient decision making at meetings of the Board of Directors, the Company has established the "Group Management Committee" consisting of directors and corporate officers as well as directors and corporate officers of the Group companies, as an organization tasked with deliberating in advance the proposals that are to be submitted to the Board of Directors, and has introduced a system for

holding regular meetings once a month in principle. The Company ensures the proper execution of operations by thoroughly deliberating on relevant issues at this “Group Management Committee.”

Moreover, with the shift to a holding company structure, the Company carried out an absorption-type company split whereby Toho Pharmaceutical Co., Ltd. succeeded to the Company’s pharmaceutical wholesaling business and PharmaCluster Co., Ltd. to the Company’s management operations of the dispensing pharmacy business. By providing Toho Pharmaceutical Co., Ltd. and PharmaCluster Co., Ltd. with the functions of the intermediary holding company, respectively, the “Group Management Committee” thoroughly deliberates the proposals and the relevant important matters to be submitted to each Board of Directors of the three companies in total; that is, the Company, Toho Pharmaceutical Co., Ltd., and PharmaCluster Co., Ltd.

- The Company ensures the proper execution of operations by proactively utilizing its corporate lawyers and following advice from more than one lawyer for each specialized area.

- The Audit and Supervisory Committee Members conforming to the auditing policies and the allocation of duties, etc., conduct strict audits by attending the Board of Directors, receiving reports mainly from directors concerning the execution of operations, reading important decision-making documents, and inspecting the state of business and assets.

- The Company ensures that, aside from the Company’s corporate lawyers, the Audit and Supervisory Committee has its own legal advisors and takes legal counsels needed in the position of the Committee Members.

- The Company establishes the “Group Audit Office” independent of business operations in order to secure sound management and proper business operations, and conducts regular audits based on the annual auditing plan and conducts irregular special audits in order to enhance and implement internal audits thoroughly.

- In order to strengthen the independence and objectivity of decision on nomination and remuneration of directors, the Company establishes the voluntary “Nomination and Compensation Committee” as advisory committees to the Board of Directors. Committee is chaired by an outside director and the majority members of committee consist of outside directors.

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

The Company has adopted an Audit and Supervisory Committee governance structure from the perspective of further enhancing corporate governance by strengthening the supervisory functions of the Board of Directors, thereby promoting the improvement of the corporate value on a mid-to long-term basis through the enhancement of the functions of outside directors who do not execute operations by themselves.

Among nine directors the Company appointed three directors as outside directors (all of Audit and Supervisory Committee members), who aim to strengthen the management supervision function.

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

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	In order to ensure that shareholders have sufficient time to consider general meeting proposals, the convocation notice is sent out approximately three weeks prior to the date of the meeting and disclosed on the Company's and the Tokyo Stock Exchange's websites approximately one week prior to the date of such notice.
Allowing Electronic Exercise of Voting Rights	The Company has adopted the system for the exercise of voting rights by electromagnetic means since the 63rd Annual General Meeting of Shareholders held on June 28, 2011.
Participation in Electronic Voting Platform	The Company has participated in the platform for electronic exercise of voting rights since the 63rd Annual General Meeting of Shareholders held on June 28, 2011, and has prepared an environment that provides institutional investors at home and abroad with a wide range of opportunities to exercise their voting rights.
Providing Convocation Notice in English	The Company has created the Notice of Convocation of General Meeting of Shareholders in English and has posted on the website of the Company and the platform.



Other	The Company has posted the Notice of Convocation both in Japanese and English on the website of the Company before sending it.
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## 2. IR Activities

	Supplementary Explanations
Regular Investor Briefings for Analysts and Institutional Investors	The Company, after disclosing the final financial statements and the interim financial statements, continuously holds financial results briefings for securities analysts and institutional investors. Moreover, the Company holds meetings individually with institutional investors when needed.
Posting of IR Materials on Website	The Company posts its consolidated financial statements, annual securities reports, Integrated Report, timely disclosure of information, notices of convocation of General Meeting of Shareholders, etc. on its website and provides audio recordings of presentations at the financial results briefings.
Establishment of Department and/or Manager in Charge of IR	The department that specializes in investor relations includes the Corporate Communications Department/Corporate Planning Department.

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The “Code of Ethics of the Kyoso Mirai Group” common to the Group companies specifically stipulates that it is necessary to establish a relationship of “trust and sympathy” with stakeholders in order for the Group to survive and grow.
Implementation of Environmental Activities, CSR Activities etc.	Based on its Mission Statement of “We shall live in harmony with society and our customers; together, we shall create new values through the provision of original services; and we shall contribute to the medical care and well-being of people around the world,” the Group, as a corporate group engaged in the medicine, health, and nursing care fields, strives to resolve social issues through business operations and promoting sustainability management through the Sustainability Promotion Committee, which is responsible for deliberations on initiatives to promote sustainability management and identifying and addressing issues in order to contribute to the realization of a sustainable society.  The details of these activities are available in Sustainability on the Company’s website and Integrated Reports below. <a href="https://www.tohohd.co.jp/csr">https://www.tohohd.co.jp/csr</a> (Sustainability) <a href="https://www.tohohd.co.jp/csr/report">https://www.tohohd.co.jp/csr/report</a> (Integrated Report)
Other	The Company is certified as an "Excellent Health Management Corporation 2024," an accreditation system for excellent health management corporations sponsored by the Ministry of Economy, Trade and Industry and the NIPPON KENKO KAIGI. Details are posted on the Company’s website. <a href="https://www.tohohd.co.jp/en/csr/activity/employee">https://www.tohohd.co.jp/en/csr/activity/employee</a>

## IV. Matters Related to the Internal Control System

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

According to the provisions of the Companies Act, the Company has set up its “Basic Policy on Internal Control System” as described below, and faithfully carries out this policy in order to ensure the legality and efficiency of the Company’s business operations and undertake risk management practices. Moreover, the Company reviews its Basic Policy in a timely manner, according to changes in the socioeconomic climate and

other aspects of the environment surrounding the Company, and further improves and enhances its Basic Policy.

[1] System for Ensuring that Directors' Execution of their Duties is in Compliance with Laws and Regulations and the Articles of Incorporation

(1) In the "Code of Ethics of the Kyoso Mirai Group" (hereinafter referred to as the "Code of Ethics"), the Company has set up the Code of Ethics and the Code of Conduct which are to be followed according to social norms as well as laws and regulations. Directors and employees of the Kyoso Mirai Group act in accordance with this Code of Ethics.

(2) The Board of Directors makes decisions on the business execution of the Company and supervises and monitors the business execution of the Group, according to laws and regulations, the Articles of Incorporation, and the Board of Directors rules.

(3) In order to ensure that the Board of Directors supervises the directors' execution of their duties, each director accurately reports the business execution of the Company and the Group to the Board of Directors, and supervises and monitors the execution of duties by other directors.

(4) Directors execute their duties according to laws and regulations, the Articles of Incorporation, the Board of Directors rules, and the decision-making rules in order to ensure that decision making procedures are properly implemented and that business operations are properly executed.

(5) Based on the Financial Instruments and Exchange Act, directors are continuously engaged in preparing, managing, and evaluating a system for implementing effective and proper internal control related to the Group's financial reporting in order to ensure the reliability and appropriateness of the contents of the Group's financial reports.

(6) In order to ensure that the Company group's directors and employees execute their duties in compliance with laws and regulations, the Articles of Incorporation, and other rules, the Company shall introduce an internal reporting system, establish internal and external reporting contacts, and ensure that whistleblowers are not treated disadvantageously.

(7) The Company shall establish five committees as an advisory body to the Board of Directors as follows:

- the Nomination and Compensation Committee, whose purpose is to contribute to transparency of management by having necessary discussions about nominations for candidates for directors, a policy on compensation for directors and other matters (It is composed of three or more members who are directors, a majority of which are appointed from among outside directors.).
- the Sustainability Promotion Committee, whose purpose is to recognize responses pertaining to sustainability as important issues in management and promote sustainability management.
- the Investment Committee, whose purpose is to have discussions about the appropriateness of investment projects in making a decision on the investment projects.
- the Management Strategy Committee, whose purpose is to consider important management and business strategies, etc., connected with the Company and the Group toward sustained enhancement of corporate value.
- the Governance Enhancement Special Committee, whose purpose is to strengthen governance, including compliance and risk management, in order to achieve sustainable growth and increase the medium- to long-term value of the Group.

[2] System for Ensuring that Employees' Execution of their Duties is in Compliance with Laws and Regulations and the Articles of Incorporation

(1) In order to ensure that employees execute their duties while always being conscious of compliance, the Company strives so that the Ethical Code will be practically and fully applied. In particular, the Company makes efforts for maintaining and strengthening the system to ensure compliance with laws and regulations related to pharmaceutical affairs, laws and regulations for securing fair competition such as the Antimonopoly Act, strict control of corporate information and personal information, etc., and for providing employees with education and enlightening employees about the system.

(2) The Company fully ensures that business will be executed and managed through the office organization. If a problem arises, it must be dealt with properly and strictly according to the rules of employment, and measures must be promptly taken to prevent the recurrence of similar cases.

(3) By conducting periodic internal audits, the Company confirms whether employees execute their duties in compliance with law and regulations, the Articles of Incorporation, and other rules, and ensures that the proper execution of their duties is maintained and reinforced properly.

[3] System for the Storage and Management of Information in Relation to the Execution of Duties by Directors

(1) In accordance with the laws and regulations as well as the “Rules for the Management of Documents,” the Company properly stores and manages documents related to the execution of duties by directors (including electromagnetic records), and other important information.

(2) The Company ensures the appropriateness of the contents concerning the creation, storage, and management of information in relation to the execution of duties by directors by having them audited by the Audit and Supervisory Committee members.

[4] Regulations for Management of Risk of Loss and Other Systems

(1) The Company reinforces the risk-management system of the Group in accordance with the “Basic Rules on Risk Management” and deals with risks properly by early detecting and grasping those risks which emerged or may emerge in the Group.

(2) The Company reports risk information to the Group Management Committee through the Group Compliance Risk Management Committee and the Group Disaster Countermeasure Committee in order to take appropriate actions and maintain and enhance the risk management system.

(3) Upon the occurrence of an unexpected event within the Group, the Company establishes a special headquarters led by the President (or those assigned by the President) in-house or in other companies conducting business to take prompt actions, thereby organizing a system which will keep loss to a minimum, along with establishing and maintaining the delivery system of prescription pharmaceuticals.

(4) In order to maintain the normal operation of its computer processing system, the Company locates multiple data centers and launches a backup system to properly build up a robust framework for accidents.

(5) In order to maintain information security, the company establishes "Basic Rules on Information Security" and information security committee, which maintains company-wide management system to protect information assets.

[5] System for Ensuring that the Duties of Directors are Exercised Efficiently

(1) As a basis of the system for ensuring that the duties of directors are exercised efficiently, the Board of Directors meeting is normally held on a monthly basis, and an extraordinary meeting is held when necessary. In these meetings, important matters concerning the management are deliberated and voted, and the business execution by the directors is supervised.

(2) The Company leaves it to the Group Management Committee in advance to take into full consideration the items referred to or reported to the Board of Directors in order to maintain the effective and substantial operation of the Board of Directors.

(3) In order to ensure that the duties of directors are exercised efficiently, the Company establishes the “Organization Regulations,” the “Regulation Concerning the Division of Duties,” and “Regulations for Authority of Duties,” designating a responsible party for each regulation and defining the details of responsibilities and execution procedures.

(4) The Company holds the Board of Directors periodically to confirm the progress of business activities of the Group based on the Mid-term Management Plan and the Annual Management Plan.

[6] System for Ensuring Proper Operations within the Corporate Group

(1) System for reporting to the Company on matters relating to the execution of duties by Directors of subsidiaries

- The Company establishes the criteria for decision making relating to the execution of business operations by subsidiaries, whereby the execution of important business operations is discussed at and reported to the Group Management Committee, and referred to and reported to the Board of Directors if necessary. The Company manages its subsidiaries by requiring its subsidiaries to report to the Company important matters related to management in accordance with the “Management Rules of the Affiliated Companies.”

(2) Regulations and other systems with regard to managing the risk of loss for subsidiaries

- The Company establishes a Group Compliance Risk Management Committee and promotes risk management across the entire Group in order to deal properly with “Management Risks” described in the “Basic Policy of Risk Management.”

(3) System for ensuring that the duties of directors of subsidiaries are exercised efficiently

- Pursuant to the basic policies stipulated in the "Affiliates Management Rules," the Company has established the reporting system shall have the Company’s Board of Directors approve and receive reports on important matters connected with subsidiaries’ business and management.

(4) System for ensuring that the duties of directors and employees of subsidiaries are executed in compliance with laws and regulations and the Articles of Incorporation.

- The Company requires its subsidiaries to strictly follow the Code of Conduct based on the ethical standards defined in the Code of Ethics for ensuring the proper business operations.
- Through internal audits periodically conducted by the Company, the Company audits the business of subsidiaries in order to ensure the proper business execution of subsidiaries.

[7] Matters Relating to an employee to support the duties of Audit and Supervisory Committee

- (1) The Company designates an employee to support the Audit and Supervisory Committee if necessary.
- (2) When the Company appoints certain employees to be assigned to assist with the duties of the Audit and Supervisory Committee, matters related to the personnel changes and personnel evaluations and other personnel affairs of such employees will be determined through discussion with the Audit and Supervisory Committee or with the Full-time Audit and Supervisory Committee Member.

[8] Matters Relating to Reporting to Audit and Supervisory Committee

- (1) The Audit and Supervisory Committee members attend important decision making meetings such as the Board of Directors or inspect meeting minutes when necessary to receive reports on important matters from directors and the Group's employees.
- (2) Directors and employees with the same authority report to the Audit and Supervisory Committee or the Full-time Committee Member immediately after occurrence of important facts such as violation of laws and regulations and the Articles of Incorporation that may result in significant damage to the Company.
- (3) The decision-making document is submitted to the Audit and Supervisory Committee members immediately after approval.

[9] System for Ensuring that the Informants who Submit Reports to Audit and Supervisory Committee are Protected against Retaliatory Actions for Filing Such Reports

The Company prohibits the Group's officers and employees who submit reports to the Audit and Supervisory Committee or the Full-time Committee Member from being treated unfairly for filing such reports, and the Company makes the Group's officers and employees fully aware of this.

[10] Matters Relating to the Policy for Settlement of Expenses or Debts Arising from the Execution of Audit and Supervisory Committee Members' Duties, such as the Advancement or Indemnification of Expenses Arising from the Execution of the Audit and Supervisory Committee Members' Duties

- (1) The Company shall bear the expenses needed for audits by the Audit and Supervisory Committee members such as the expenses of lawyers, certified public accountants, and consultants working only for the Audit and Supervisory Committee.
- (2) In addition to the measures mentioned above, the Company shall also bear the expenses needed by the Audit and Supervisory Committee members when executing their duties.

[11] Other Systems for Ensuring the Effective Execution of Audits by Audit and Supervisory Committee Members

- (1) The Representative Director regularly meets with the Audit and Supervisory Committee and exchanges opinions on issues to be tackled by the Company, the progress in developing an environment for the Audit and Supervisory Committee to conduct audits, and crucial auditing issues, in an effort to deepen mutual understanding.
- (2) The Audit and Supervisory Committee regularly receive reports on audit plans, methods, and results from the accounting auditor and exchange information to conduct efficient auditing.
- (3) The Internal Audit Division submits internal audit results and information and other necessary information to the Audit and Supervisory Committee to maintain close contact with the Committee. Besides, the Committee can ask for survey on audit matters to the Internal Audit Division if necessary.
- (4) The Company ensures that the Audit and Supervisory Committee concludes an advisory contract not with a corporate lawyer but with a lawyer working only for the Audit and Supervisory Committee, and uses the services of such lawyer.

## 2. Basic Views on Eliminating Antisocial Forces

[1] Basic Policy for Eliminating Antisocial Forces

The Company recognizes that one of the most important management issues is to contribute to ensuring the order and safety of society in terms of promoting compliance management with an awareness of responsibility for all stakeholders.

Therefore, it is the Company's basic policy to decisively reject any inappropriate demands from or any false business transaction proposed by antisocial forces, to refuse to offer any money or other economic benefits, and to carry out business activities with transparency.

[2] Current State of the Company's Preparedness for Elimination of Antisocial Forces

(1) In the "Code of Ethics" defining the code of conduct with which the Company and all its employees must comply, the Company declares that it will never respond to any demands for an unusual deal or money from antisocial individuals or organizations, and it has defined countermeasures.

(2) The Company has established the "Group Compliance Risk Management Committee" with the aim to build up and maintain the Company's risk management system, and makes efforts to reply to the demands from society and to develop a workable system for eliminating antisocial forces.

(3) The Company, when contacted by antisocial forces, builds a close cooperation system with the police to swiftly cope with the situation.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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

#### Outline of the Setup for Timely Disclosure

##### 1. Basic Policy on Timely Disclosure

The Company regards the timely and appropriate disclosure of information as one of the most important responsibilities of a listed company, and makes constant efforts to improve the Company's internal system to ensure the prompt and accurate disclosure of corporate information to investors in accordance with the Financial Instruments and Exchange Act and other laws and regulations and relevant rules of the stock exchange on which shares of the Company are listed.

##### 2. Internal System for Ensuring the Timely Disclosure

Important matters of the Company are approved at ordinary meetings of the Board of Directors and the Group Management Committee held once a month, as a rule, and also at extraordinary meetings of the Board of Directors when necessary.

Disclosure procedures for those information and other important information reported by each department of the Group are executed by:

1) A General Manager of the Corporate Strategy Division, who is responsible for disclosure of financial results related information.

2) The General Manager of the Corporate Strategy Division who is responsible for disclosing, and each relevant division in disclosing corporate information other than information related to financial results. They examine whether to disclose information, what to disclose, and when to disclose, and if disclosure is judged to be necessary, they prepare the disclosure materials concerning corporate information and disclose those in a timely and appropriate manner under the instruction of Representative Director.