

**SUGI Pharmacy Group**  
**Corporate Governance Basic Policy**

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## **Chapter 1. General Provisions**

### **Article 1 (Purpose)** [2.1, 3.1.1, 3.1.2, 4.1]

Sugi Holdings Co., Ltd. (hereinafter, the “Company” or “we” and its derivative words) is keenly aware that, under the Management Philosophy described below, we must continue to offer benefits to society through the effective use of assets and resources (such as people, goods, money and information) entrusted to us by society, thereby contributing to society. To this end, the Company positions the enhancement of corporate governance as one of its top priority issues, and establishes this Basic Policy for the purpose of promoting highly transparent, profitable and efficient management. After implementing this Basic Policy, the Company shall endeavor to improve the quality of corporate governance by continuously reviewing its details and driving its evolution.

### **【Management Philosophy】**

We contribute to local communities through our sincere, kind services.

We help many more people smile, hoping for the happiness of each employee, hoping for the happiness of each customer, and hoping for the happiness of everybody.

### **Article 2 (Code of Conduct)** [General Principle 2, 2.2, 2.2.1, 2.4, 2.4.1]

All officers and employees shall recognize that it is their important role to practice “Our Pledge,” which stipulates the code of conduct of the SUGI Pharmacy Group. They shall steadily perform “Our Pledge” themselves, and also disseminate and familiarize it throughout the Group. The board of directors shall from time to time review the extent of penetration and practice of the code of conduct, detect acts contrary to “Our Pledge” and illegal or fraudulent acts or other misconduct at an early stage, and establish an internal reporting (whistle-blowing) system to facilitate solving problems. In the event of any serious breach of “Our Pledge,” the board of directors shall endeavor to investigate the cause and prevent recurrence. The amendment and abolition of “Our Pledge” shall be decided by the board of directors through sufficient discussion.

### **【Our Pledge】**

- We will continue to make decisions and take action from the perspective of our customers.
- We will continue to pursue innovation in anticipation of changes both inside and outside our company.
- We will continue to expand and deepen our capabilities and grow together with our company.
- We will continue to be honest.
- We will continue to respect diversity.

## Chapter 2. Corporate Governance System

### **Article 3 (Organizational Structure)** [4.10, 4.10.1]

The Company has chosen the form of a company with a board of auditors. In addition to the board of directors and the board of auditors, the Company has also established a Nominating and Compensation Committee, which serves as an advisory body regarding the nomination and compensation of directors and auditors. Furthermore, the Company shall realize more flexible and efficient business execution by separating the management decision-making and supervisory functions from the business execution functions, as well as by delegating authority to management, except for the part pertaining to matters to be decided in accordance with the articles of incorporation and internal regulations.

### **Article 4 (Duties of the Board of Directors)** [General Principle 3, 3.1, General Principle 4, 4.1, 4.1.1, 4.1.2, 4.1.3, 4.2.2, 5.2, 5.2.1]

The board of directors shall work toward sustainable improvements in corporate value. To this end, it shall exert its supervisory function by realizing highly effective corporate governance, and shall appropriately exercise its authority by making optimal decisions based on impartial judgment.

- (1) The board of directors shall make important management decisions and supervise business execution in accordance with relevant laws and regulations, the articles of incorporation, and internal regulations.
- (2) The board of directors shall formulate and disclose in summary the management strategies and plans based on an accurate understanding of the Company's capital costs as well as the Corporate Philosophy and changes in external environments. . The progress of these management strategies and plans shall be confirmed and analyzed annually. When deemed necessary, revisions shall be instituted with regard to areas such as business portfolio reviews as well as plans for allocating management resources to new business investments, store openings, system investments, and investments in human resource development.
- (3) The board of directors shall be proactively involved in the formulation and implementation of programs for discovering and cultivating future directors and executive personnel of the Company and operating subsidiaries. Based on the Corporate Philosophy, management strategies, etc., the board of directors shall appropriately oversee the content of such programs as well as the cultivation of participants through assignments and promotions after completion of the program.
- (4) For business execution decisions not requiring the judgment of the board of directors based on relevant laws and restrictions, the articles of incorporation and internal regulations, the board of directors shall delegate decision-making authority to the representative directors.
- (5) The Company shall ensure that the rate of attendance by directors and auditors at meetings of the board of directors will not be less than 80%.

### **Article 5 (Composition of the Board of Directors)** [4.6, 4.8, 4.11, 4.11.1, 4.12]

1. The board of directors shall be composed of directors from a diverse range of backgrounds with differing specialties, experience, etc., and of various genders, nationalities, etc. Based on the number of directors pursuant to the articles of incorporation, an optimal number of directors shall be maintained to ensure

that the board of directors is able to function with the highest possible level of effectiveness and efficiency from the following perspectives.

- (1) Securing a sufficient level of diversity necessary to ensure appropriate management decision making and supervision
  - (2) Facilitating active discussions at meetings of the board of directors, including raising of concerns by independent outside directors
2. In principle, at least one-third of directors shall be independent outside directors in order to incorporate a wealth of outside experience and expertise into management, strengthen supervisory functions for the board of directors, and improve the transparency of management.

**Article 6 (Proceedings of the Board of Directors)** [4.12.1, 4.13, 4.13.3]

1. The number of agenda items, deliberation times, and the frequency of meetings of the board of directors shall be set in a manner that ensures that discussions may be conducted to a sufficient degree.
2. Materials related to agenda items for meetings of the board of directors shall in principle be distributed ahead of time to provide attendees with sufficient time to prepare in order to promote lively discussions at meetings.
3. Yearly schedules and projected agenda items for the board of directors shall be decided ahead of time to the greatest degree possible.
4. The Corporate Planning Office shall serve as the secretariat for the board of directors and shall coordinate with the relevant divisions to provide directors and auditors with the information necessary to perform their duties.

**Article 7 (Evaluation of the Board of Directors)** [4.11, 4.11.3]

With the aim of improving the functionality of the board of directors, its effectiveness shall be analyzed and evaluated, in principle once a year, and a summary of the results of this evaluation shall be disclosed.

**Article 8 (Duties of the Board of Auditors)** [3.2, 3.2.1, 4.4, 4.4.1]

The board of auditors shall, as an organization that is separate from management, perform audits of the business execution of directors as well as the internal control systems, accounting practice, etc. of the Company.

- (1) The board of auditors shall formulate standards to appropriately evaluate the independent accounting auditor. Based on these standards, the board of auditors shall evaluate the degree of independence and expertise of the independent accounting auditor once a year. Using the findings of this evaluation, the board of auditors shall decide the details of agenda items regarding the appointment or dismissal of the independent accounting auditor and other matters to be submitted at the ordinary general meeting of shareholders.
- (2) The board of auditors shall ensure sufficient coordination with outside directors to facilitate their smooth collection of information from a sufficiently independent standpoint.
- (3) The board of auditors shall ensure coordination with the internal auditing, finance and accounting, legal and other relevant departments, and collect a sufficient amount of information necessary to conduct audits properly.

**Article 9 (Composition of the Board of Auditors)** [4.11]

Based on the number of auditors pursuant to the articles of incorporation, the board of auditors shall be composed of a majority of outside auditors. At least one auditor to be appointed shall possess the insight, high ethical standards, fairness, and integrity required as an auditor and, in particular, the required expertise related to finance, accounting and laws.

**Article 10 (Nominating and Compensation Committee)** [3.1.3, 3.1.4, 4.3, 4.3.1, 4.10, 4.10.1, 4.11.1]

The Nominating and Compensation Committee shall be formed to improve the transparency and objectivity of the deliberation process related to the nomination of directors and auditors, and to compensation systems for directors and auditors.

- (1) The Nominating and Compensation Committee shall consist of at least three members, a majority of whom shall be outside officers (i.e., outside directors and outside auditors).
- (2) Members of the Nominating and Compensation Committee shall be appointed through resolution by the board of directors.
- (3) Based on consultations by the board of directors and the board of auditors, the Nominating and Compensation Committee shall deliberate on the following matters regarding the nomination of Group companies' directors and auditors.
  - (a) Matters related to the selection of candidates for directors and auditors to be presented at the ordinary general meeting of shareholders
  - (b) Matters related to the policy and criteria for the selection of candidates for directors and auditors
  - (c) Other matters for which the board of directors or the board of auditors may seek counsel
- (4) Based on consultations by the board of directors and the board of auditors, the Nominating and Compensation Committee shall deliberate on the following matters regarding the compensation paid to directors and auditors, with the compensation of directors and auditors being contained within the confines of the compensation systems and limits approved by the ordinary general meeting of shareholders.
  - (a) Matters related to the compensation of individual directors and auditors
  - (b) Matters related to changes in the compensation systems and levels for directors and auditors
  - (c) Other matters for which the board of directors or the board of auditors may seek counsel

**Article 11 (Sustainability Committee)** [General Principle 2, 2.3, 2.3.1, 3.1.3]

The Sustainability Committee shall be formed to serve as an advisory body to the Representative Director & President for the purpose of promoting sustainability management.

- (1) The Sustainability Committee shall be tasked with examining sustainability strategies and initiatives for the entire Group and providing reports and advice to Representative Directors on these matters.
- (2) Members of the Sustainability Committee shall comprise members selected by the Representative Director & President deemed appropriate in light of its purposes.
- (3) Within the Sustainability Committee, a risk committee, an information security committee, a safety and health committee, and a disclosure committee shall be formed as bodies for carrying out management of relevant risks, the duties ordered by the Committee, and other tasks.

**Article 12 (Directors)** [4.4.1, 4.5, 4.7, 4.8.1, 4.8.2, 4.11.2, 4.12, 4.13, 4.13.1, 4.13.2, 4.13.3]

1. The term of directors shall be one year, and directors shall be appointed at the ordinary general meeting of shareholders held each year.
2. Directors shall recognize their fiduciary responsibility, based on which recognition they shall participate in making important decisions as members of the board of directors, and oversee business execution of management.
3. Directors shall actively provide input at meetings of the board of directors to facilitate constructive discussions.
4. Directors shall collect sufficient information to properly play their role and perform their duties, while at the same time diligently studying to acquire the required knowledge and insight. In collecting information, directors shall seek opinions from lawyers, accountants and other specialists as necessary.
5. Directors who have concurrent positions as officers at other companies shall address their duties at other companies to an extent that does not interfere with the performance of their duties at the Company. These directors shall disclose all major concurrent positions each year.
6. Independent outside directors shall utilize their experience and knowledge in performing their functions of supervising management, advising management, and supervising conflicts of interest, based on their independent standpoint, and shall have the opinions of stakeholders reflected in the proceedings of the board of directors.
7. The Corporate Planning Office shall serve as a window to timely provide independent outside directors with information necessary to perform their duties.
8. With the aim of strengthening the supervisory function for management, meetings between independent outside directors and auditors shall be held periodically to exchange information and foster a shared understanding of issues.

**Article 13 (Auditors)** [4.4, 4.5, 4.11.2, 4.13, 4.13.1, 4.13.2]

1. The term of auditors shall be four years, and auditors shall be appointed at the ordinary general meeting of shareholders.
2. Auditors shall recognize their fiduciary responsibility, based on which recognition they shall attend meetings of the board of directors and other important meetings and provide input from an objective standpoint when necessary.
3. Auditors shall collect sufficient information to properly play their role and perform their duties, while at the same time diligently studying to acquire the required knowledge and insight. In collecting information, auditors shall seek opinions from lawyers, accountants and other specialists as necessary.
4. Based on requests from auditors, support staff shall be assigned who possess the knowledge and skills necessary to perform the duties of auditors.
5. Auditors who have concurrent positions as officers at other companies shall address their duties at other companies to an extent that does not interfere with the performance of their duties at the Company. These auditors shall disclose all major concurrent positions each year.

**Article 14 (Selection of Director and Auditor Candidates and Selection and Dismissal of Representative Directors and Other Management Members)**

[3.1.4, 3.1.5, 4.3.1, 4.9, 4.11, 4.11.1]

The board of directors shall flexibly make decisions regarding the selection of director and auditor candidates and regarding the selection and dismissal of representative directors and other management members, based on impartial and transparent deliberations by the Nominating and Compensation Committee members, who comprise a majority of outside officers (e.g., outside directors and outside auditors), while taking into consideration the evaluation of the performance of the Company, etc.

Director and auditor candidates and representative directors and other management members shall be selected regardless of gender, age or nationality, with selection decisions based on consideration of the personalities and views of the potential candidates. In this manner, the Company shall select director candidates and representative directors and other management members who are capable of fulfilling the duties and responsibilities of their positions and who have the potential to contribute to medium-to-long-term improvements in the corporate value of the Company, and shall select auditor candidates who are capable of fulfilling the duties and responsibilities of their positions and who possess the insight, high ethical standards, fairness and integrity required of an auditor. Outside officer candidates shall fulfill the requirements set forth by the Companies Act of Japan as well as those set forth by the Company's Criteria for Independence of Outside Officers (see Supplementary Material 1). The rationale for selecting candidates for any of these positions shall be disclosed in notices of convocation of ordinary general meetings of shareholders.

Prior to selection, director and auditor candidates shall undergo deliberation by the Nominating and Compensation Committee, and auditor candidates shall require the approval of the board of auditors.

**Article 15 (Compensation of Directors and Auditors)** [3.1.3, 4.2, 4.2.1]

1. The amount of compensation paid to individual directors shall be set within the limit approved at the ordinary general meeting of shareholders, and shall be decided by the representative directors under the delegation from the board of directors and based on deliberations by the Nominating and Compensation Committee in accordance with the provisions of Article 10, item 4.
2. The compensation of directors shall be determined in a fair manner by taking the line of work into account and with reference to the level of compensation, etc. generally paid by comparable companies.
3. The compensation of directors shall include fixed basic compensation based on the performance of the Company in a given fiscal year as well as a Restricted Stock Compensation. By linking a certain portion of compensation to the Company's performance is meant to provide an incentive for pursuing the continued growth of the Company. On the other hand, outside directors shall only be paid a fixed basic compensation from the viewpoint of their role and maintaining their independence.
4. The compensation of auditors shall consist only of fixed basic compensation and shall be set within the limit approved at the ordinary general meeting of shareholders. The amount shall be decided through discussion among the board of auditors based on deliberations by the Nominating and Compensation Committee.

**Article 16 (Policies for Training of Directors and Auditors)** [4.14, 4.14.1, 4.14.2]

Outside directors and outside auditors shall be provided with opportunities to share information related to the Company, such as that regarding its corporate philosophy, management plan, business activities, finances, organizational characteristics, and other matters.



Upon being appointed to their position, new directors, auditors, and directors of major operating subsidiaries shall undergo training on laws, finance, corporate governance, risk management, and other matters. After being appointed to their position, the Company shall provide them with ongoing training opportunities based on their duties, skills, experience, etc., make necessary arrangements therefor, and cover any necessary expenses.

**Article 17 (Independent Accounting Auditor)** [3.2, 3.2.1, 3.2.2]

The independent accounting auditor plays an important role in ensuring the reliability of information disclosed by the Company, and has responsibilities toward shareholders and other investors.

- (1) The independent accounting auditor shall maintain a sufficient degree of independence from the Company.
- (2) The independent accounting auditor shall maintain a sufficient degree of expertise and ensure the necessary level of quality in its accounting audits.
- (3) The board of directors and the board of auditors shall establish systems for enabling the independent accounting auditor to coordinate with auditors, outside directors, and the internal audit department as necessary in order to appropriately perform its auditing duties. In addition, the independent accounting auditor shall be provided with opportunities to receive information as needed from the top management members, such as representative directors and directors.
- (4) Quick action shall be taken in the event that the independent accounting auditor detects misconduct and requests a response from the Company or should other deficiencies be pointed out.

**Article 18 (Risk Management System)** [4.3, 4.3.4]

From the perspective of Group management, the board of directors shall oversee, with the help of the internal auditing department, the establishment and implementation of frameworks for ensuring that internal control systems related to compliance, the appropriateness of financial reports, risk management, etc. are functioning effectively, in order to facilitate sound, transparent and efficient management. Information on the operations of Group companies, potential risk, and risk countermeasures shall be documented and monitored to minimize management risks and improve the accuracy of internal control. The Representative Director & President shall form risk and other committees within the Sustainability Committee to control high-risk areas in business operations so as to ensure swift improvement of business operations and prevention of accidents. Moreover, the Company shall formulate the Information Security Basic Policy, which specifies policies for formulating measures to ensure the security of information assets and so on (see Supplementary Material 2), and the Group Tax Policy, which clearly delineates guidelines for compliance with tax laws, minimization of tax risks and so on (see Supplementary Material 3).

### **Chapter 3. Relationship with Shareholders**

**Article 19 (Protection of Shareholder Rights)** [Principles 1, 1.1, 1.1.3, 1.6]

The Company shall take care to treat all shareholders, including minority and non-Japanese shareholders, in an impartial manner that takes into account their shareholdings. In addition, appropriate steps shall be taken

to ensure that voting rights at the ordinary general meeting of shareholders and other shareholder rights are effectively protected.

When enacting capital measures that will result in changes in controlling interests or significant dilution of the stock base, the board of directors shall make a resolution only after fully evaluating the necessity and rationale of these measures from the standpoint of fulfilling its fiduciary responsibility toward shareholders, and provide sufficient explanations to the shareholders.

**Article 20 (Communication with Shareholders)** [General Principle 5, 5.1, 5.1.1, 5.1.2, 5.1.3]

The Company shall practice constructive communication with shareholders in order to realize medium-to-long-term improvements in corporate value.

- (1) The Company shall improve upon its investor relations (IR) activities in order to facilitate understanding with regard to its management philosophy, management strategies, financial strategies, management plans, business results, concept on sustainability, and other matters.
- (2) General communications with shareholders shall be overseen by the Representative Director & President, and shall be promoted through consultation with departments in charge, etc. as necessary.
- (3) Requests for individual meetings from shareholders shall be catered to as appropriate and as rationally as feasible based on the details of the request and the purpose of the meeting, with the department in charge of IR serving as the primary venue for handling such requests. Attendance by directors including outside directors or auditors at a meeting may be considered if desired by the relevant shareholder.
- (4) In order to facilitate constructive communication with shareholders, the department in charge of IR and other relevant departments shall coordinate their efforts, periodically exchanging opinions and sharing information based on specialized insight.
- (5) The invaluable opinions and requests received from shareholders through communication activities shall be from time to time reflected as feedback in meetings of the board of directors, etc.
- (6) The Company shall periodically research the distribution of its shareholder base. The findings will be used to enhance communication with shareholders by utilizing the optimum communication method for each different shareholder type.
- (7) In communicating with shareholders, the Company shall manage insider information in an appropriate manner in compliance with relevant laws, regulations and rules.

**Article 21 (Ordinary General Meeting of Shareholders)** [1.1.1, 1.1.3, 1.2, 1.2.2, 1.2.3, 1.2.4, 1.2.5, 3.1.2]

Ordinary general meetings of shareholders are positioned as the highest-level decision-making body. These meetings shall be designed and conducted in the manner that will best ensure shareholder desires are reflected in management to the greatest extent possible.

- (1) Dates for ordinary general meetings of shareholders shall be set to allow shareholders to appropriately exercise their voting rights. In order to guarantee that shareholders are provided with sufficient time to consider the matters to be proposed at these meetings, notices of convocation of ordinary general meetings of shareholders shall, in principle, be dispatched three weeks prior to meetings after ensuring the accuracy of the information contained therein. Notices of convocation shall be publicly disclosed by electronic means prior to dispatch.

- (2) The Company shall ensure shareholders' convenience so that all shareholders can appropriately exercise their voting rights, by way of providing English-language versions of notices of convocation of ordinary general meetings of shareholders, allowing them to participate in a platform for exercising electronic voting rights and other means.
- (3) The Company shall consult and otherwise coordinate with trust banks, etc. in preparation for requests from institutional investors whose shareholdings are under the name of trust banks, etc. to exercise their shareholder rights, such as the right to exercise voting rights, at ordinary general meetings of shareholders.
- (4) Should a large number of votes be lodged in opposition to a given proposal at an ordinary general meeting of shareholders, the board of directors shall analyze the reasons for this opposition and examine the need for further measures.

**Article 22 (Basic Policy for Capital Measures)** [1.3, 1.6, 5.2]

The Company shall address measures that would contribute to improving shareholder value, consisting of “medium-to-long-term improvement in ROE,” “continued and stable shareholder returns,” and “investment for growth,.” while ensuring the financial health of the Company. The Company adopts ROE as an important index related to the continued creation of shareholder value. Using the index of ROE, the Company will work toward three goals: higher profitability, constant improvement of total asset turnover, etc., and continued improvement of medium-to-long term ROE.

Prior to enacting capital measures that will result in changes in controlling interests or significant dilution of the stock base, the board of directors shall first fully evaluate the necessity and rationale of these measures. After this evaluation, shareholders, etc. are to be provided with full explanations of these measures, and related procedures shall be conducted through lawful and proper means.

**Article 23 (Basic Policy for Shareholder Returns)** [1.3]

The Company shall continuously and stably implement shareholder returns by comprehensively taking into account various factors, including consolidated performance, the comprehensive status of shareholder returns (total return ratio), and free cash flow, while maintaining a sound balance sheet. The target level for the payout ratio and the total return ratio shall be reassessed regularly and revised as necessary.

**Article 24 (Cross-Shareholdings)** [1.4, 1.4.1, 1.4.2]

1. In principle, the Company shall not engage in cross-shareholdings except in cases where such holdings are deemed necessary for maintaining or building upon collaborative or transactional relationships that are strategically critical for improving corporate value.
2. The rationality of cross-shareholdings shall be reassessed periodically, and holdings shall be confirmed annually by the board of directors. The results of these confirmations shall be disclosed. Shares for which the meaning of holding has been diminished may be sold in a phased manner after considering the circumstances surrounding the counterparty.
3. Voting rights attached to shares held through cross-shareholdings shall be exercised based on thorough evaluation of each proposal and whether or not the proposal will contribute to improvements in the medium-to-long-term corporate value of the Company. Consideration will also be paid to the management policies of the counterparty.

4. The Company shall not engage in transactions with companies that hold shares of its stock if these transactions lack sufficient economic rationale. Should a company holding shares of stock in the Company express intent to sell these shares, the Company shall not preclude those sales.

**Article 25 (Related Party Transactions)** [1.7, 4.3]

With regard to related party transactions, the Company has defined the following measures as means of preventing damage to corporate value and the common interests of the shareholders of the Company.

- (1) A director intending to conduct a transaction that competes with the Company or represents a conflict of interest shall disclose material facts on such transaction to the board of directors and obtain the prior approval of the board of directors. If the director has conducted such a transaction, he/she shall report material facts on the transaction and submit a report to the board of directors promptly upon conclusion of the transaction.
- (2) With respect to important transactions among other related-party transactions, the appropriateness of the terms and conditions and decision-making procedures therefor shall be determined through deliberations by the board of directors.

## **Chapter 4. Others**

**Article 26 (Information Disclosure)** [1.2.1, Principles 3, 3.1.1, 3.1.2, 4.3, 5.2]

In order to realize impartial and highly transparent management, the Company has established the Disclosure Committee within the Sustainability Committee, through which the Company shall conduct timely and appropriate information disclosure in compliance with all relevant laws and regulations.

- (1) Both financial and non-financial information shall be actively disclosed if deemed valuable to shareholders and other investors seeking to deepen their understanding of the Company.
- (2) Information shall be disclosed through venues that are easy to access for shareholders and other stakeholders.
- (3) From the viewpoint of disclosing information, in particular, to overseas investors, the Company shall prepare English-language materials related to the corporate profile, management strategies, medium-term management plans, budgets, transition in business performance, notices of convocation of ordinary general meetings of shareholders, this Basic Policy, ESG and so on, and make them available for viewing on the website of the Company.

**Article 27 (Internal Reporting System)** [2.5, 2.5.1]

The Company shall establish an internal reporting (whistle-blowing) system with the aim of preventing the occurrence of legal violations or misconduct by organizations or individuals and for correcting any issues that may be discovered.

The internal reporting (whistle-blowing) system shall be operated in accordance with internal regulations, and the whistle-blowing contact windows shall be provided within the Group and at an outside law firm. The Company shall prevent whistle-blowers from suffering any detrimental treatment.

**Article 28 (Revision and Abolition)**

Any revision or abolition of this Basic Policy shall be instituted based on resolution by the board of directors.

Established on June 1, 2021

**【Criteria for Independence of Outside Officers】** [4.9]

Sugi Holdings Co., Ltd. (hereinafter, the “Company”) aims to ensure appropriate levels of objectivity and transparency necessary for effective corporate governance. For this reason, it has established the following criteria for determining the independence of outside officers (referring to outside directors and outside auditors and candidates for these positions). Individuals that meet all of these criteria are judged to be sufficiently independent from the Company.

1. The individual must not be a business executor<sup>\*1</sup> of the Company, its subsidiaries, or its affiliates (hereinafter collectively, the “Company’s group”) and must not have been a business executor during the 10 years prior to assuming a position with the Company.
2. The individual must not be a major supplier<sup>\*2</sup> of the Company’s group or a business executor of a major supplier.
3. The individual must not be a major customer<sup>\*3</sup> of the Company’s group or a business executor of a major customer.
4. The individual must not be a major shareholder of the Company possessing direct or indirect holdings representing 10% or more of the total voting rights of the Company, or a business executor of a major shareholder.
5. The individual must not be a business executor of an entity whose shares representing 10% or more of its total voting rights are held by the Company’s group directly or indirectly.
6. The individual must not be a consultant, certified public accountant or other accounting specialist, or a lawyer or other legal specialist receiving large amounts of monetary payments or other financial assets<sup>\*4</sup> from the Company’s group separately from the compensation paid for services as an officer. In the case where the individual is a corporation, partnership or other organization, this includes persons who are affiliated with such organization.
7. The individual must not have been receiving large amounts of monetary payments or other financial assets<sup>\*4</sup> as donations from the Company’s group.  
In the case where the individual is a corporation, partnership or other organization, this includes persons who are affiliated with such organization.
8. The individual must not be the accounting auditor of the Company. In the case where the accounting auditor is a corporation, partnership or other organization, this includes persons who are affiliated with such organization.
9. Items 2. through 8. must not have applied to the individual during the past five years.
10. The individual must not be a relative<sup>\*5</sup> who falls under any of items 2. through 8. above (all items excluding items 6. and 8. apply only if the individual is an important business executor<sup>\*6</sup>).
11. The individual must not be a business executor of another company that is in a relationship of mutual assumption of office<sup>\*7</sup> with the Company.

Note:

- \*1: A “business executor” means an executive director, executive officer, executive managing officer or employee with business execution responsibilities of a stock company; a director of a non-company corporation or organization; an individual serving in a position similar to the foregoing; or an employee, etc. of a corporation (including companies) or organization.
- \*2: A “major supplier” means an entity that fulfills one of the following conditions:
- A supplier group that provides products or services to the Company’s group (meaning a supplier group that belongs to the consolidated supplier group to which the Company’s direct suppliers belong; the same applies hereafter) and whose transactions with the Company’s group in the previous fiscal year totaled ¥10 million or more and represented more than 2% of the total consolidated net sales or the total transaction revenues of the consolidated supplier group.
  - A supplier group with which liabilities of the Company’s group are associated and for which the applicable liabilities as of the end of the previous fiscal year totaled ¥10 million or more and represented more than 2% of the consolidated total assets of the consolidated supplier group.
- \*3: A “major customer” means an entity that fulfills one of the following conditions:
- A customer group to which the Company’s group provides products or services and for which the total amount of transactions with the customer group totaled ¥10 million or more and represented more than 2% of the consolidated revenue of the Company in the previous fiscal year.
  - A customer group possessing liabilities associated with the Company’s group that totaled ¥10 million or more as of the end of the previous fiscal year and that represented more than 2% of the consolidated total assets of the Company as of the end of the previous fiscal year.
  - A financial group from which the Company’s group procures funds through borrowings (meaning a financial institution that belongs to the consolidated financial group to which the Company’s group’s direct lenders belong) and from which the total amount of funds borrowed by the Company as of the end of the previous fiscal year represented more than 2% of the consolidated total assets of the Company as of the end of the previous fiscal year.
- \*4 “Large amounts of monetary payments or other financial assets” means, in the case of an individual, a total amount of ¥10 million or more in the previous fiscal year and, in the case of a corporation, partnership or other organization, a total amount representing more than 2% of the consolidated total assets of such organization in the previous fiscal year.
- \*5: A “relative” means one’s spouse or one's relative within the second degree of kinship.
- \*6: “Important business executors” mean directors, executive officers, executive managing officers, and employees with business execution responsibilities ranked as department manager or higher, or individuals with similar business execution authority.
- \*7: A “relationship of mutual assumption of office” means a relationship where a business executor of the Company is an outside officer of another company, and a business executor of such other company is an outside officer of the Company.

## **Information Security Basic Policy**

The SUGI Pharmacy Group (the Company and its subsidiaries and affiliates) is promoting management that can contribute to society by making effective use of assets and resources (including people, goods, money, and information) entrusted by society and continuously offering benefits to society. The SUGI Pharmacy Group recognizes that the highest-priority issue for its corporate management is to strengthen Group-wide information security to protect information on customers as well as other information assets in its possession from unauthorized access, cyberattacks, and other threats.

In light of this recognition, the SUGI Pharmacy Group has established the following Information Security Basic Policy. The SUGI Pharmacy Group's officers and employees are expected to endeavor to maintain and improve information security by acting and handling information assets in compliance with this Policy and the separate Privacy Policy and other rules.

### **1. Purpose**

The purpose of this Policy is to provide guidelines for establishing and implementing information security management systems to protect the information assets of customers and the SUGI Pharmacy Group from all threats, whether internal or external, accidental or intentional, and thereby help ensure the continuity of stable business activities.

### **2. Basic Principles**

- (1) The SUGI Pharmacy Group shall practice appropriate handling of the information entrusted to it by individuals or organizations during the course of its business activities, and protect the rights and interests of these individuals or organizations.
- (2) The SUGI Pharmacy Group shall practice appropriate handling of trade secrets, technological information, and other valuable information acquired during the course of its business activities, and protect the rights and interests of the SUGI Pharmacy Group.
- (3) The SUGI Pharmacy Group will engage in research and human resource development related to information security measures in order to establish and improve information security as it pertains to customer information, and thereby gain greater levels of trust from customers and subsequently society as a whole.

### **3. Scope of Application**

This Policy is applicable to all officers and employees of the SUGI Pharmacy Group.

### **4. Information Security Provisions**

Recognizing various factors that may threaten information security as risks during the course of its business, the SUGI Pharmacy Group shall implement the following information security provisions.

- (1) The SUGI Pharmacy Group shall establish an Information Security Committee tasked with maintaining an accurate understanding of circumstances pertaining to information security and discussing



necessary information security measures. The Information Security Committee shall build a system to facilitate the swift implementation of Group-wide information security measures and submit reports on its activities to the Sustainability Committee.

- (2) Risk management pertaining to the information security of the SUGI Pharmacy Group shall be overseen by the Risk Committee created within the Sustainability Committee.
- (3) The SUGI Pharmacy Group shall appoint an information security supervisor tasked with the protection and proper management of Group-wide information assets, etc. The information security supervisor shall serve as the chairperson of the Information Security Committee. The information security supervisor shall have the responsibility and authority with respect to the implementation of information security measures at the SUGI Pharmacy Group.
- (4) The SUGI Pharmacy Group has established an internal reporting (whistle-blowing) system with the aim of preventing the occurrence of legal violations or misconduct by organizations or individuals, and for correcting any issues that may be discovered. The internal reporting (whistle-blowing) system shall be operated in accordance with internal regulations. The whistle-blowing contact windows shall be provided within the Legal Affairs Office of Sugi Holdings Co., Ltd. and at an outside law firm. The internal reporting (whistle-blowing) system stipulates that no detrimental treatment shall be inflicted on whistle-blowers.

## **5. Information Security Measures**

### **(1) Ongoing improvement of information security measures**

The SUGI Pharmacy Group shall formulate action plans for measures designed for different information security risks, and conduct evaluations to assess whether or not these plans are being effectively implemented. In addition, a framework will be put in place to facilitate ongoing improvement through a plan-do-check-act (PDCA) cycle.

### **(2) Establishment of internal regulations and compliance with laws**

The SUGI Pharmacy Group shall establish internal regulations for ensuring appropriate implementation of information security measures, and disseminate these rules among officers and employees. Harsh penalties shall be levied against individuals that are found to be in violation of internal regulations or laws related to information security.

### **(3) Resource management**

(i) The SUGI Pharmacy Group shall secure and allocate the management resources necessary for implementing appropriate information security measures.

(ii) The SUGI Pharmacy Group shall recruit and develop the human resources necessary for implementing information security measures in a systematic and ongoing manner.

(iii) The SUGI Pharmacy Group shall provide education on information security to officers and employees to promote awareness of the importance of information security and encourage action in this regard.

(iv) The SUGI Pharmacy Group shall actively participate in external information sharing activities and reflect the findings in its information security measures.

### **(4) Sharing of information security policies with business partners, etc.**

The SUGI Pharmacy Group shall share its information security policies with suppliers, affiliates, subcontractors, and other business partners, and request that they practice appropriate information security in accordance with these policies.

(5) Information disclosure

The SUGI Pharmacy Group shall practice appropriate disclosure of its information security initiatives in order to gain greater levels of trust from its stakeholders.

(6) Establishment of outside auditing and other systems

The SUGI Pharmacy Group shall implement an outside audit of its information security systems periodically and as necessary to verify that its operations are being performed in compliance with all laws, government and industry organization standards, and internal regulations and rules related to information security, and that these information security systems are functioning appropriately. Harsh penalties shall be levied in response to any violations found to ensure effective management of information.

(7) Realization of a system reflecting information security measures

The SUGI Pharmacy Group shall realize a system that reflects its information security measures for preventing unauthorized access, destruction, leakage, alteration, or other incidents affecting information assets.

(8) Enhancement of cyber security measures

The SUGI Pharmacy Group positions the enhancement of cyber security measures as an important corporate policy, and shall take defensive measures against threats to these technologies. Through the use of the latest digital technologies and information technologies, the SUGI Pharmacy Group shall endeavor to improve its cyber security measures by various means, including security review of business systems, security review of design and development processes, vulnerability diagnosis by a third-party organization, monitoring of unauthorized access after systems start operating, and response to vulnerability.

(9) Improvement of information security literacy

The SUGI Pharmacy Group shall continually conduct education and training programs to improve the information security literacy of officers and employees, and ensure appropriate management of information assets across the Group.

## **6. Protection of Personal Information of Customers**

The SUGI Pharmacy Group shall conduct personal information protection activities based on “Handling of Personal Information (Privacy Policy),” which defines policies for handling personal information in all business activities, to protect personal information and implement the necessary information security measures.

## **7. Response to Information Security Incidents**

The SUGI Pharmacy Group shall establish the following frameworks and response policies in preparation for the materialization of information security risks (hereinafter, “information security incident”).

- (1) The SUGI Pharmacy Group shall identify the lines of reporting and create initial response manuals regarding information security incidents, and then disseminate these provisions among the relevant personnel and implement regular, practical drills.

- (2) In the event that a major information security incident occurs within the SUGI Pharmacy Group, the head of the department that detected the incident shall promptly report to the information security supervisor. The information security supervisor shall then report to the Representative Director & President of Sugi Holdings, Co., Ltd., as necessary.
- (3) When a report of an emergency event is received by the Representative Director & President of Sugi Holdings, Co., Ltd., a response headquarters shall promptly be created when necessary. This response headquarters shall work to quickly resolve the issue through appropriate responses, identify its cause, and formulate and implement measures to prevent recurrence.
- (4) In the event of an information security incident, reporting and notification to government authorities and the parties concerned shall be made appropriately according to the situation.

#### **8. Revision or Abolition of This Policy**

Any revision or abolition of this policy shall be decided by resolution of the board of directors of Sugi Holdings Co., Ltd.

Minor revisions, such as changes to organization names, may be made at the discretion of the information security supervisor.

#### **9. Ongoing Improvement**

The SUGI Pharmacy Group shall regularly evaluate the aforementioned provisions and make revisions as necessary to implement ongoing improvements to its information security management in response to changes in external and internal information security trends and IT technologies.

## Group Tax Policy

### **Basic Policy**

The SUGI Pharmacy Group (which is a corporate group centered on Sugi Holdings Co., Ltd.) believes that complying with tax laws in dealing with tax affairs and contributing to communities and to the greater society by paying appropriate taxes is congruent with the direction in which the management of the SUGI Pharmacy Group is heading. Based on this recognition, the SUGI Pharmacy Group has established tax policies and seeks to exercise its responsibility to make tax payments based on the circumstances of its business and to ensure transparency in its tax payments and minimization of tax risks.

### **1. Legal Compliance**

The SUGI Pharmacy Group shall comply with laws and regulations pertaining to taxes to appropriately fulfill its obligation to pay taxes.

Accordingly, the SUGI Pharmacy Group will not take advantage of tax deductions and other provisions that do not match the circumstances of its business or use regions deemed to be “tax havens” in order to avoid paying taxes. In international transactions, the SUGI Pharmacy Group will adhere to the tax laws and tax treaties of the relevant countries as well as to international taxation rules.

### **2. Transparency**

The SUGI Pharmacy Group shall comply with all applicable accounting standards and disclosure standards to practice appropriate disclosure of information to all stakeholders. At the same time, the SUGI Pharmacy Group shall cooperate with tax authorities by providing all information requested in order to build strong, trusting relationships with these authorities. Should a tax-related issue be discovered, the SUGI Pharmacy Group shall take quick action to rectify the issue and prevent recurrence.

### **3. Minimization of Tax Risks**

The SUGI Pharmacy Group shall endeavor to minimize tax risks based on accurate understanding of tax systems in order to improve corporate value.

When transactions made during the course of business activities involve unclear tax reporting methods, the SUGI Pharmacy Group will seek consultation from specialists, thoroughly examine the transactions, and receive confirmation from tax authorities as deemed necessary to reduce tax risks.

### **4. Tax Functions and Governance**

Procedures related to taxes will be performed by the accounting representatives designated based on internal regulations.

Tax governance systems shall be headed by the chief finance officer (CFO) of the SUGI Pharmacy Group, and the accounting representatives shall report on the status of accounting and tax-related procedures as necessary. Oversight of tax-related procedures shall be provided by the board of auditors and the auditing department.