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(Securities Code: 3549)

Date of sending by postal mail: August 2, 2023

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To Our Shareholders,

Hironori Aoki, Representative Director and President

KUSURI NO AOKI HOLDINGS CO., LTD.
2512 Matsumotomachi, Hakusan-shi, Ishikawa
Prefecture

Notice of the 25th Annual General Meeting of Shareholders

We are pleased to announce the 25th Annual General Meeting of Shareholders of KUSURI NO AOKI HOLDINGS CO., LTD. (the “Company”), which will be held as indicated below.

When convening this General Meeting of Shareholders, the Company takes measures for providing information that constitutes the content of Reference Documents for the General Meeting of Shareholders, etc. (items for which the measures for providing information in electronic format will be taken) in electronic format, and posts this information on the websites below. Please access either of the websites below to review the information.

The Company’s website: <https://www.ir.kusuri-aoki-hd.co.jp/ja/Stock/Meeting.html> (in Japanese)

Tokyo Stock Exchange’s website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

*Access the TSE website by using the internet address shown above, enter “KUSURI NO AOKI HOLDINGS” in “Issue name (company name)” or the Company’s securities code “3549” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.” Under “Filed information available for public inspection,” click “Click here for access” under “[Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting.]”

The proposals to be presented at the General Meeting of Shareholders include the Company proposals (Proposal No. 1 through Proposal No. 3) and shareholder proposals (Proposal No. 4 through Proposal No. 8). The Board of Directors of the Company is “against” all of the shareholder proposals. Please refer to the Reference Documents for the General Meeting of Shareholders for the details of each proposal and the opinion of the Board of Directors of the Company.

If you are not attending the meeting in person, you may exercise your voting rights in writing or by using the Internet. Please read the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by no later than 5:00 p.m. on Wednesday, August 16, 2023 (JST).

- 1. Date and Time** Thursday, August 17, 2023, at 10:00 a.m. (JST)
- 2. Venue** Banquet room “TSURUNOMA,” 4th Floor, Hotel Nikko Kanazawa
2-15-1 Honmachi, Kanazawa-shi, Ishikawa Prefecture

3. Purpose

Matters to be reported

1. The 25th term (from May 21, 2022 to May 20, 2023)
Report on the Business Report, the Consolidated Financial Statements, and the Audit Results of the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
2. The 25th term (from May 21, 2022 to May 20, 2023)
Report on the Non-consolidated Financial Statements

Matters to be resolved

<The Company Proposals (Proposal No. 1 through Proposal No. 3)>

- Proposal No. 1 Amendment to the Articles of Incorporation
- Proposal No. 2 Election of Ten Directors
- Proposal No. 3 Election of One Substitute Corporate Auditor

<Shareholder Proposals (Proposal No. 4 through Proposal No. 8)>

- Proposal No. 4 Election of One (1) Director
- Proposal No. 5 Amendment of the Articles of Incorporation (Election of a Lead Independent Outside Director)
- Proposal No. 6 Amendment of the Articles of Incorporation (Establishment of a Nomination and Compensation Committee)
- Proposal No. 7 Determination of Individual Fixed Compensation Amounts for Outside Directors
- Proposal No. 8 Determination of Restricted Stock Compensation Amounts for Each Individual Outside Director

An outline of the shareholder proposals (Proposal No. 4 through Proposal No. 8) is as stated in page 16 through page 24 of the Reference Documents for the General Meeting of Shareholders.

When attending the meeting in person, please hand in the enclosed voting form at the reception desk at the meeting venue.

- If you do not indicate your approval or disapproval for each proposal in the voting form, it shall be treated as an indication of approval for the Company proposals and disapproval for the shareholder proposals.
- If you exercise your voting rights by proxy, you may appoint one other shareholder with voting rights as a proxy to attend the meeting. Please note that a document verifying the proxy rights of the person representing you must be submitted.
- In accordance with the provisions of laws and regulations and Article 18, paragraph 2 of the Company's Articles of Incorporation, the Company has posted matters not stated in the Delivery Document (the paper-based documents delivered to shareholders who have made a request for delivery of the document) on the Company's website and the TSE's website as stated on page 1 of the Notice.

Matters not stated in the Delivery Document

- Of the Status of the Corporate Group in the Business Report, "Business progress and results," "Status of assets and profit/loss," "Issues to be addressed," "Principal businesses," "Principal offices," "Status of employees," and "Status of principal lenders" under the "Status of business for the fiscal year"
- Of the Business Report, Matters regarding shares, Matters regarding share acquisition rights, etc., Matters regarding the accounting auditors, Matters regarding establishment of a system to ensure the appropriateness of business activities, Outline of the operating status of the system to ensure the appropriateness of business activities, and Policy for determining the dividends of surplus
- The Consolidated Financial Statements, the Non-consolidated Financial Statements, the Accounting Auditor's Report to the Consolidated Financial Statements, the Accounting Auditor's Report to the Non-consolidated Financial Statements, the Corporate Auditors' Report

Therefore, the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements posted on the Company's website are part of the documents that were audited by the Corporate Auditors and the Accounting Auditor when preparing the Corporate Auditors' Report and the Accounting Auditor's Report, respectively.

Note that, for this General Meeting of Shareholders, paper-based documents stating items for which the measures for providing information in electronic format will be taken, excluding the items listed above, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

- If there are any amendments to the items for which the measures for providing information in electronic format will be taken, such matters before and after amendments will be announced on the respective websites.
- The notice of resolutions will not be sent to shareholders; the results of the exercise of voting rights will be announced on the Company's website after the 25th Annual General Meeting of Shareholders.

The Company's website (<https://www.kusuri-aoki-hd.co.jp>) (in Japanese)

Reference Documents for the General Meeting of Shareholders

Proposal No. 1 Amendment to the Articles of Incorporation

1. Reasons for the Proposal

In order to clarify the management philosophy of the Group to all stakeholders and to reiterate the Group’s intention to practice management based on such philosophy to contribute to the community and enhance corporate value, the Company proposes to newly establish Article 2 (Management Philosophy).

2. Details of the amendment

Details of the amendment are as follows.

(Underlined portions represent amendments.)

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p><u>(Management Philosophy)</u></p> <p><u>Article 2</u></p> <p><u>1. The Company shall contribute to society through “health, beauty and hygiene” and operate drugstores and dispensing pharmacies that are trusted by local customers.</u></p> <p><u>2. The Company shall strive for continuous corporate development by enhancing customer satisfaction and encouraging employee growth, and to be a company that is trusted by all stakeholders, including business partners, shareholders/investors, and the local community.</u></p> <p style="text-align: center;">(The article numbers of Article 3 and the following shall be renumbered)</p>
Article <u>2</u> to Article <u>45</u> (Provisions omitted)	Article <u>3</u> to Article <u>46</u> (Unchanged)

Proposal No. 2 Election of Ten Directors

The terms of office of all nine Directors will expire at the conclusion of this meeting.

Therefore, in order to further strengthen management oversight functions and corporate governance, the Company intends to increase one Outside Director and proposes the election of ten Directors.

The candidates for Director are as follows:

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	<p style="text-align: center;">Yasutoshi Aoki (January 2, 1949)</p> <p style="text-align: center;">Attendance at the Board of Directors Meetings 14/14 meetings</p> <p style="text-align: center;">Reelection</p>	<p>June 1976 Established Aoki Nikaido Yakkyoku, Ltd., and served as Auditor</p> <p>Mar. 1981 Representative Director of Sanwa Yakusho, Ltd.</p> <p>Jan. 1985 Established KUSURI NO AOKI CO., LTD. and served as Representative Senior Managing Director</p> <p>June 1999 Representative Director and Vice President</p> <p>Aug. 2003 Representative Director and President</p> <p>May 2012 Representative Director, President and Chief Executive Officer</p> <p>May 2014 Director and Top Adviser</p> <p>Nov. 2016 Director and Top Adviser of the Company (current position)</p> <p>[Significant concurrent positions outside the Company]</p> <p style="text-align: center;">-</p>	1,482,500 shares
<p>[Directors and Officers Liability Insurance Contract]</p> <p>The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<p>Hironori Aoki (April 6, 1972)</p> <p>Attendance at the Board of Directors Meetings 14/14 meetings</p> <p>Reelection</p>	<p>Apr. 1996 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>Feb. 2003 Joined KUSURI NO AOKI CO., LTD.</p> <p>June 2006 General Manager of the Administration Department</p> <p>July 2006 Executive Officer and General Manager of the Administration Department</p> <p>May 2007 Executive Officer and General Manager of the Human Resources and Training Department</p> <p>Nov. 2008 Executive Officer and General Manager of the Dispensing Business Division</p> <p>May 2010 Executive Officer, General Manager of the Sales Division and Head of the Sales Promotion Office</p> <p>June 2010 Representative Director and President of Aoki Nikaido, Ltd.</p> <p>Aug. 2010 Representative Senior Managing Director, General Manager of the Sales Division and Head of the Sales Promotion Office of KUSURI NO AOKI CO., LTD.</p> <p>May 2012 Representative Director, Senior Managing Executive Officer and General Manager of the Sales Division</p> <p>May 2014 Representative Director and President (current position)</p> <p>Nov. 2016 Representative Director, President and Chief Executive Officer of the Company</p> <p>June 2018 Representative Director and President (current position)</p> <p>[Significant concurrent positions outside the Company] Representative Director and President of KUSURI NO AOKI CO., LTD.</p>	2,498,836 shares
<p>[Directors and Officers Liability Insurance Contract]</p> <p>The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
3	<p>Takanori Aoki (November 28, 1973)</p> <p>Attendance at the Board of Directors Meetings 14/14 meetings</p> <p>Reelection</p>	<p>Apr. 1997 Joined Tokyo Electron Ltd.</p> <p>Apr. 2004 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>Apr. 2008 Joined KUSURI NO AOKI CO., LTD.</p> <p>Nov. 2008 Executive Officer and General Manager of the IT and Operational Reform Division</p> <p>May 2010 Executive Officer and General Manager of the Merchandise Department</p> <p>May 2012 Senior Managing Executive Officer, Chief General Manager of the Business Administration Department and General Manager of the IT and Logistics Promotion Department</p> <p>May 2012 Director of A2LOGI Ltd. (current position)</p> <p>May 2014 Senior Managing Executive Officer and General Manager of the Store Management Division of KUSURI NO AOKI CO., LTD.</p> <p>Nov. 2016 Senior Managing Executive Officer for Group Store Management of the Company</p> <p>May 2017 Senior Managing Executive Officer for Group Development</p> <p>May 2017 Director, Senior Managing Executive Officer and General Manager of the Development Division of KUSURI NO AOKI CO., LTD.</p> <p>June 2018 Director, Vice President and General Manager of the Development Division</p> <p>May 2021 Director and Vice President (current position)</p> <p>Aug. 2022 Director and Vice President of the Company (current position)</p> <p>[Significant concurrent positions outside the Company] Director and Vice President of KUSURI NO AOKI CO., LTD. Director of A2LOGI Ltd.</p>	1,792,840 shares
<p>[Directors and Officers Liability Insurance Contract]</p> <p>The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
4	<p style="text-align: center;">Ryoichi Yahata (August 24, 1966)</p> <p style="text-align: center;">Attendance at the Board of Directors Meetings 14/14 meetings</p> <p style="text-align: center;">Reelection</p>	<p>Apr. 1989 Joined World Co., Ltd.</p> <p>July 2004 Joined KUSURI NO AOKI CO., LTD.</p> <p>May 2006 Executive Officer and Head of the Corporate Planning Office</p> <p>May 2010 Executive Officer and General Manager of the Administration Division</p> <p>May 2012 Managing Executive Officer and General Manager of the Administration Division</p> <p>May 2012 Director of A2LOGI Ltd.</p> <p>May 2013 Managing Executive Officer and Head of the Finance, Planning and IR Office of KUSURI NO AOKI CO., LTD.</p> <p>May 2014 Managing Executive Officer and General Manager of the Administration Division</p> <p>Aug. 2014 Director, Managing Executive Officer and General Manager of the Administration Division</p> <p>Aug. 2016 Director of the Company</p> <p>Nov. 2016 Director and Managing Executive Officer for Group Administration</p> <p>June 2018 Director for Administration and Head of the Corporate Planning Office</p> <p>June 2018 Director of KUSURI NO AOKI CO., LTD.</p> <p>May 2020 Director for Administration of the Company</p> <p>May 2021 Director for Administration and Head of the Accounting Office</p> <p>May 2021 Director and General Manager of the Accounting Department of KUSURI NO AOKI CO., LTD.</p> <p>May 2023 Director for Administration of the Company (current position)</p> <p>May 2023 Director of KUSURI NO AOKI CO., LTD. (current position)</p> <p>[Significant concurrent positions outside the Company] Director of KUSURI NO AOKI CO., LTD.</p>	16,500 shares
<p>[Directors and Officers Liability Insurance Contract]</p> <p>The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
5	Hitoshi Iijima (October 16, 1976) Attendance at the Board of Directors Meetings 14/14 meetings Reelection	<p>May 2003 Joined KUSURI NO AOKI CO., LTD.</p> <p>May 2012 General Manager of the Dispensing Administration Department</p> <p>May 2016 Assistant to President for the Development of Large Stores (General Manager equivalent)</p> <p>May 2017 General Manager of the Store Support Department</p> <p>June 2018 General Manager of the Store Administration Division and General Manager of the Dispensing Business Department</p> <p>May 2020 General Manager of the Store Administration Division and Chief Manager for Drugstore Businesses</p> <p>Aug. 2020 Director for Sales Management of the Company</p> <p>Aug. 2020 Director, General Manager of the Store Administration Division and Chief Manager for Drugstore Businesses of KUSURI NO AOKI CO., LTD.</p> <p>May 2021 Director for Sales Management and General Manager of the Kanto and Tohoku Regional Headquarters of the Company (current position)</p> <p>May 2021 Director, General Manager of the Store Administration Division of KUSURI NO AOKI CO., LTD. (current position)</p> <p>June 2022 Director of Japan Association of Chain Drug Stores (current position)</p> <p>[Significant concurrent positions outside the Company] Director, General Manager of the Store Administration Division of KUSURI NO AOKI CO., LTD. Director of Japan Association of Chain Drug Stores</p>	6,000 shares
<p>[Directors and Officers Liability Insurance Contract]</p> <p>The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
6	<p>Motoya Okada (June 17, 1951)</p> <p>Attendance at the Board of Directors Meetings 13/14 meetings</p> <p>Reelection Outside</p>	<p>Mar. 1979 Joined JUSCO Co., Ltd. (currently AEON Co., Ltd.)</p> <p>May 1990 Director</p> <p>Feb. 1992 Managing Director</p> <p>May 1995 Senior Managing Director</p> <p>June 1997 Representative Director and President</p> <p>May 2003 Director, President and Representative Executive Officer of AEON Co., Ltd.</p> <p>Nov. 2005 Outside Director & Advisor of TSURUHA HOLDINGS INC.</p> <p>Mar. 2012 Director, President and Representative Executive Officer, and Group CEO of AEON Co., Ltd.</p> <p>Aug. 2014 Outside Director of KUSURI NO AOKI CO., LTD.</p> <p>Nov. 2014 Director of WELCIA HOLDINGS CO., LTD. (current position)</p> <p>Nov. 2016 Outside Director of the Company (current position)</p> <p>Mar. 2020 Chairman and Representative Executive Officer of AEON Co., Ltd. (current position)</p> <p>[Significant concurrent positions outside the Company] Chairman and Representative Executive Officer of AEON Co., Ltd. Director of WELCIA HOLDINGS CO., LTD.</p>	3,000 shares
<p>[Reasons for nomination as candidate for Outside Director and expected roles] Motoya Okada holds the office of Chairman and Representative Executive Officer of AEON Co., Ltd. and therefore has abundant experience, track record, and insight as a management executive. With the expectation that he will give advice beneficial to the Company's business from a broad perspective as an Outside Director and help increase its corporate value, the Company proposes his reelection as Outside Director.</p> <p>[Relationship of interest with the Company] Motoya Okada holds the office of Chairman and Representative Executive Officer of AEON Co., Ltd., with which KUSURI NO AOKI CO., LTD., a subsidiary of the Company, has a business and capital alliance. Subsidiaries of the Company have real estate transactions with group companies of AEON Co., Ltd. related to the stores of the Company. Also, the subsidiaries purchase merchandise from the group companies, among other transactions.</p> <p>[Directors and Officers Liability Insurance Contract] The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
7	<p>Naoki Yanagida (February 27, 1960)</p> <p>Attendance at the Board of Directors Meetings 14/14 meetings</p> <p>Reelection Outside Independent</p>	<p>Apr. 1987 Registered as a lawyer</p> <p>Apr. 1987 Joined Yanagida & Nomura (currently Yanagida & Partners)</p> <p>Jan. 2001 Partner (current position)</p> <p>June 2004 Outside Auditor of Nippon Paper Industries Co., Ltd.</p> <p>June 2014 Outside Auditor of Alpine Electronics, Inc.</p> <p>June 2014 Outside Auditor of Sompo Japan Nipponkoa Holdings, Inc. (currently Sompo Holdings, Inc.)</p> <p>June 2016 Outside Director and Audit and Supervisory Committee Member of Alpine Electronics, Inc.</p> <p>June 2016 Outside Auditor of YKK Corporation (current position)</p> <p>June 2019 Outside Director of Sompo Holdings, Inc.</p> <p>Aug. 2019 Outside Director of the Company (current position)</p> <p>[Significant concurrent positions outside the Company]</p> <p>Partner of Yanagida & Partners</p> <p>Outside Auditor of YKK Corporation</p>	0 shares
<p>[Reasons for nomination as candidate for Outside Director and expected roles]</p> <p>Naoki Yanagida has professional perspectives and insights as a lawyer. He has also been involved in the management of multiple companies as outside director or outside auditor. In order to increase the Company's corporate value based on his beneficial advice from his experience and insights regarding corporate management, the Company proposes his reelection as Outside Director.</p> <p>Also, he satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to continue to submit notification to the aforementioned exchange concerning his designation as an independent officer conditional upon his reelection as Outside Director.</p> <p>[Relationship of interest with the Company]</p> <p>There is no special interest between the candidate and the Company.</p> <p>[Directors and Officers Liability Insurance Contract]</p> <p>The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
8	<p>Toshiya Koshida (May 21, 1972)</p> <p>Attendance at the Board of Directors Meetings 14/14 meetings</p> <p>Reelection Outside Independent</p>	<p>Apr. 1998 Joined Asahi & Co. (currently KPMG AZSA LLC)</p> <p>Apr. 2001 Registered as a certified public accountant</p> <p>Aug. 2020 Established Koshida Public Accounting Office (current position)</p> <p>Aug. 2021 Outside Director of the Company (current position)</p> <p>July 2022 Representative Director of Hajime Accounting Office Ltd. (current position)</p> <p>[Significant concurrent positions outside the Company] Koshida Public Accounting Office Representative Director of Hajime Accounting Office Ltd.</p>	0 shares
	<p>[Reasons for nomination as candidate for Outside Director and expected roles] Toshiya Koshida has professional perspectives and insights as a certified public accountant. The Company judges he will fulfill the function of supervising and overseeing the management independently from business execution and proposes his reelection as Outside Director. Also, he satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to continue to submit notification to the aforementioned exchange concerning his designation as an independent officer conditional upon his reelection as Outside Director.</p> <p>[Relationship of interest with the Company] There is no special interest between the candidate and the Company.</p> <p>[Directors and Officers Liability Insurance Contract] The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>		

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
9	<p data-bbox="360 353 512 416">Yoshiko Inoue (July 26, 1974)</p> <p data-bbox="304 450 568 544">Attendance at the Board of Directors Meetings 14/14 meetings</p> <p data-bbox="376 577 496 669">Reelection Outside Independent</p>	<p data-bbox="611 264 1238 757"> Apr. 1997 Joined Kao Corporation Feb. 2000 Joined Johnson & Johnson K.K. July 2005 Joined Goldman Sachs Japan Co., Ltd. Jan. 2008 Joined Medtronic Japan Co., Ltd. Oct. 2014 Joined CooperVision Japan Inc. Oct. 2015 Executive Officer Oct. 2018 Director May 2019 Representative Director and President June 2019 Director of Japan Contact Lens Association Aug. 2021 Outside Director of the Company (current position) June 2023 Director and Vice President of Novo Nordisk Pharma Ltd. (current position) [Significant concurrent positions outside the Company] Director and Vice President of Novo Nordisk Pharma Ltd. </p>	0 shares
	<p data-bbox="276 775 1238 1115"> [Reasons for nomination as candidate for Outside Director and expected roles] Yoshiko Inoue holds the office of Director and Vice President of Novo Nordisk Pharma Ltd. and therefore has abundant experience and insight as a management executive, as well as points of view as a woman, that are beneficial for increasing the corporate value of the Company. With the expectation that the functions of the Board of Directors will be enhanced through her supervision of the management from an independent position, the Company proposes her reelection as Outside Director. Also, she satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to continue to submit notification to the aforementioned exchange concerning her designation as an independent officer conditional upon her reelection as Outside Director. </p> <p data-bbox="276 1149 938 1211"> [Relationship of interest with the Company] There is no special interest between the candidate and the Company. </p> <p data-bbox="276 1245 1222 1397"> [Directors and Officers Liability Insurance Contract] The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy. </p>		

Candidate No.	Name Date of birth	Career summary, and position and responsibility in the Company (Significant concurrent positions outside the Company)	Number of the Company's shares owned
10	Hiromitsu Fujii (April 13, 1977) New Election Outside Independent	July 2002 Joined DRUG STORE MORI Co., Ltd. (currently Natural Holdings Co., Ltd.) Oct. 2007 Joined KUSURI NO AOKI CO., LTD. Apr. 2008 Retired from KUSURI NO AOKI CO., LTD. May 2008 Joined ZAG ZAG Co., Ltd. Director June 2015 Representative Director of taion365 Co., Ltd. (current position) Aug. 2017 Representative Director of TAION HOLDINGS Co., Ltd. (current position) Oct. 2017 Representative of TAION Scholarship Foundation (current position) [Significant concurrent positions outside the Company] Representative Director of taion365 Co., Ltd. Representative Director of TAION HOLDINGS Co., Ltd.	0 shares
<p>[Reasons for nomination as candidate for Outside Director and expected roles] Hiromitsu Fujii holds the office of Representative Director and President of TAION HOLDINGS and therefore has abundant experience and insight as a management executive in the field of nursing care and home-specific dispensing pharmacies. In addition, he has been engaged in the drugstore industry for many years. The Company judges that his knowledge of the drugstore industry and his ability to supervise the Company's management from an independent position and to advise the Board of Directors on changing customer needs, based on his experience in establishing businesses in the dispensing pharmacy and nursing care fields, etc., will not only strengthen the functions of the Board of Directors of the Company, but also help the Company operate drugstores and dispensing pharmacies that are trusted by customers in the local community and continue to increase corporate value while enhancing customer satisfaction. Therefore, the Company proposes his election as Outside Director. He joined KUSURI NO AOKI CO., LTD. in 2007 and worked at a store for about six months as an employee of the Company. However, it has been more than 15 years since he left the Company, and there is no engagement with the Company in the past or present excluding the respective period. Therefore, there is no problem from the independent perspective with respect to his execution of duties as Outside Director of the Company, and he satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to submit notification to the aforementioned exchange concerning his designation as an independent officer conditional upon his election as Outside Director.</p> <p>[Relationship of interest with the Company] There is no special interest between the candidate and the Company.</p> <p>[Directors and Officers Liability Insurance Contract] The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy.</p>			

- (Notes) 1. Mr. Okada, Mr. Yanagida, Mr. Koshida, Ms. Inoue and Mr. Fujii are candidates for Outside Director.
2. Special notes for the candidates for Outside Director are as follows.
- (1) The candidates' tenure since assuming office as Outside Director
 At the conclusion of this meeting, Mr. Okada's tenure as Outside Director of the Company will have been six years and eight months; for Mr. Yanagida, four years; and for Mr. Koshida and Ms. Inoue, two years each.
- (2) Limited liability agreements with Outside Directors
 The Company established provisions in the Articles of Incorporation to enable the Company to enter into a liability limitation agreement with Outside Directors so that they can fully exercise their abilities and perform their expected roles. Based on the provisions, the Company has entered into a liability limitation agreement with Mr. Okada, Mr. Yanagida, Mr. Koshida and Ms. Inoue. If they are reelected as Director, the Company plans to renew this agreement with each of them as Outside Directors. In addition, if Mr. Fujii is elected as Director, the Company plans to enter into the liability limitation agreement with him as Outside Director. An outline of the agreement is as follows.

- In an event whereby the Outside Director becomes liable to the Company for damages due to a failure to perform their duties, their liability is limited to the amount provided for by laws and regulations.
 - The limitation shall be granted only when they have acted in good faith and without gross negligence in performing their duties that caused the liability.
3. The name of Ms. Inoue on her family register is Yoshiko Imai.

Proposal No. 3 Election of One Substitute Corporate Auditor

The Company also requests approval for the election of one substitute Corporate Auditor to be ready to fill a vacant position should the number of Corporate Auditors fall below the number required by laws and regulations. The consent of the Board of Corporate Auditors has been obtained for this proposal. The candidate for substitute Corporate Auditor is as follows.

Name Date of birth	Career summary (Significant concurrent positions outside the Company)	Number of the Company's shares owned
Shinichi Morioka (March 18, 1977)	Nov. 2003 Registered as a lawyer Aug. 2005 Joined Kenroku Law Firm (currently Kenroku Legal Professional Corporation) (current position) [Significant concurrent positions outside the Company] Lawyer	
<p>[Reasons for nomination as candidate for substitute Outside Corporate Auditor] Shinichi Morioka has professional perspectives and insights as a lawyer as well as abundant experience in commercial issues. In order to reflect them in strengthening the audit system of the Company, it proposes his election as substitute Outside Corporate Auditor. Mr. Morioka has never in the past been involved in the management of a company except as an outside director or an outside auditor. However, the Company judges he will appropriately fulfill his duties as an Outside Corporate Auditor based on the above reasons.</p> <p>[Directors and Officers Liability Insurance Contract] The Company plans to enter into a directors and officers liability insurance policy as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The policy will cover damages and litigation expenses incurred by the insured in an action for damages. The candidate will be included as an insured in the policy upon his assuming the office of Corporate Auditor.</p>		0 shares

- (Notes)
1. There is no special interest between the candidate and the Company.
 2. Mr. Morioka is the candidate for substitute Outside Corporate Auditor.
 3. Special notes for the candidate for substitute Outside Corporate Auditor are as follows.

Limited liability agreements with substitute Outside Corporate Auditors

The Company established provisions in the Articles of Incorporation to enable the Company to enter into a liability limitation agreement with Outside Corporate Auditors so that they can fully exercise their abilities and perform their expected roles. Based on the provisions, if Mr. Morioka assumes office of Corporate Auditor, the Company plans to enter into the liability limitation agreement with him as Outside Corporate Auditor. An outline of the agreement is as follows.

 - In an event whereby the Outside Corporate Auditor becomes liable to the Company for damages due to a failure to perform their duties, their liability is limited to the amount provided for by laws and regulations.
 - The limitation shall be granted only when they have acted in good faith and without gross negligence in performing their duties that caused the liability.
 4. Mr. Morioka satisfies the requirements for an independent officer as provided for by Tokyo Stock Exchange, Inc., and the Company plans to submit notification to the aforementioned exchange concerning his designation as an independent officer, if he assumes the office of Outside Corporate Auditor.

<Shareholder Proposals (Proposal No. 4 through Proposal No. 8)>

Proposal No. 4 through Proposal No. 8 are shareholder proposals.

A summary of, and the reasons for each of these proposals are presented as originally submitted.

Proposal No. 4 Election of One (1) Director

I Summary of the Agenda Item.

Elect Mr. Yoshiaki Ikei as a director.

II Reasons for Proposal.

Three out of the five internal directors of the Company are members from the founding family. The founding family members collectively hold nearly 30% of the Company's shares. The family has taken over the Company's most important positions, such as the chief *Komon* (*Saiko-komon*), *Kaicho*, president and vice president. This makes it clear that the family holds strong influence over the Company. The protection of minority shareholders' interests is particularly important under such a control structure. Despite these circumstances, the Company has failed to introduce all but a vanishingly small number of the voluntary mechanisms that the Corporate Governance Code recommends be introduced to protect minority shareholders, such as a Nomination and Compensation Committee.¹

Directors have a critical role in managing potential conflicts of interest between the founding family and the shareholders of the Company. This role is of growing importance as the momentum for consolidation in the Company's industry builds, since such conflicts will arise as the Company considers strategic options like mergers. Ms. Inoue is the only one of the Company's three independent directors with experience in management. This leaves the Board of Directors with highly inadequate experience to advise and oversee the Company's business execution. Oasis believes that we can expect the enhancement of corporate value by adding a highly independent outside director with M&A experience to the Board of Directors.

¹ Tokyo Stock Exchange Inc., Corporate Governance Code (2021/06/11) (the "Corporate Governance Code") Principles 4-10.

III Candidate Biography.

Name Date of Birth	Career summary, positions, responsibilities, and significant concurrent positions	Company shares held
<p>Yoshiaki Ikei (May 4, 1957)</p>	<p>April, 1981 Joined Mitsubishi Corporation</p> <p>April, 1996 Executive Officer and General Manager of Corporate Strategy at AUCNET Inc.</p> <p>October, 2001 Managing Executive Officer and Osaka Branch Manager at Recof Inc.</p> <p>November, 2007 Representative Director at MA Partners Inc. (current position)</p> <p>July, 2012 Senior Managing Director at Strex Inc.</p> <p>June, 2017 Outside Director at Japan Lifeline Co., Ltd. (current position)</p> <p>[Significant concurrent positions]</p> <p>Representative Director at MA Partners Inc.</p> <p>Outside Director at Japan Lifeline Co., Ltd.</p>	
<p>[Relationship of special interest with the Company] There is no special interest between Mr. Ikei and the Company.</p> <p>[Reason for Nomination as a Director Candidate] Mr. Ikei has been involved in the M&A industry for many years. He participated in the founding of RECOF Co., Ltd., the first M&A specialist company in Japan, from 1990. He has a wealth of experience in, and knowledge of, M&A, as well as extensive experience and broad insight as a corporate manager. Today's drugstore industry is increasingly dominated by the biggest players and becoming oligopolistic. With growing momentum for market consolidation, it is of critical importance to capture opportunities to increase corporate value through M&A. We can expect that Mr. Ikei will provide the Company's management with necessary advice and recommendations as an M&A industry expert. Additionally, Mr. Ikei has extensive practical experience in supervising management as an outside director; he serves on the Nomination and Compensation Advisory Committee and the Investment Committee of Japan Lifeline Co., Ltd., a listed company. We can expect that Mr. Ikei will advise the Company's Board of Directors and supervise its business execution appropriately based on such expertise and knowledge.</p> <p>For the above reasons, Oasis proposes the election of Mr. Ikei as an outside director.</p>		<p>0 shares</p>

(Note) Yoshiaki Ikei is an outside director candidate.

IV Opinion of the Board of Directors

The Board of Directors opposes this proposal for the following reasons.

This shareholder proposal requests an additional Outside Director with a high degree of independence and insights in M&A, who can give advice to the Board of Directors and supervise its execution of business, amidst a business environment with increasing momentum towards an industry restructuring, in which the handling of corporate mergers will be a critical role of Directors. The Company has established its medium-term management policy, “Vision2026,” which covers the period from the fiscal year that ended May 31, 2022 to the fiscal year ending May 31, 2026, with the aim of becoming a company trusted by customers in the local community, and enhancing the corporate value of the Company over the medium to long term while contributing to society through the provision of health, beauty, and hygiene. Under this medium-term management policy, we have set a net sales target of 500 billion yen for the fiscal year ending May 31, 2026, and are striving to achieve our three key strategic goals: (i) establishment of a Food & Drug (*1) business model, (ii) a dispensing pharmacies ratio (*2) of 70%, and (iii) transition to the adoption of area dominance strategies (*3). Therefore, we do not currently share the notion that handling corporate mergers should be a critical role of Directors of the Company.

We generally share the recognition that the number of Outside Directors needs to be increased in light of enhancement of governance of the Company. In this regard, the Board of Directors of the Company believes that in order to steadily increase the Company’s corporate value in this increasingly severe business environment, it is necessary to increase the number of Outside Directors who are capable of giving advice to the Board of Directors based on a profound understanding and knowledge of the industry and our business which are basis of our business management.

Thus, we have decided to submit to this Annual General Meeting of Shareholders the Company’s proposal for reelecting nine incumbent Directors, while electing one new Outside Director. Meanwhile, with respect to the candidate recommended by the proposing shareholder (the “Shareholder Proposed Candidate”), we have carefully considered and deliberated the matter at the Board of Directors meeting which also included Outside Directors, based on an interview arranged between the Shareholder Proposed Candidate and the Director in charge of Administration with human resources responsibilities and the General Manager of the Administration Division, in the same manner as with other candidates for Outside Director. Although the Shareholder Proposed Candidate was found, in the course of the interview conducted by the Company, to have some experience and expertise regarding M&A business, as described in this shareholder proposal, we believe it would be more desirable, for the purpose of enhancing our corporate value over the medium to long term, that we ask him to provide M&A referrals, etc. which may contribute to our business growth by leveraging his position as a representative of an M&A brokerage company, rather than asking him to serve as an Outside Director of the Company for providing advice to and supervision of the Board of Directors. Thus, we reached the conclusion that it is not necessary for us to elect the Shareholder Proposed Candidate as Director, also in consideration of his specific area of experience, expertise, track record, and the level of his understanding regarding the business operations of the Company.

We also considered, in referring this matter to our shareholders, an increase in the maximum number of Directors, which is currently ten as defined under the Articles of Incorporation, and reached the conclusion that it is not necessary to increase the maximum number of Directors for the moment, based on the appropriate board size in light of the area and scale of the Company’s business as well as the Board of Directors’ decision that appointment of the Shareholder Proposed Candidate is unnecessary.

For the reasons stated above, the Board of Directors of the Company opposes this shareholder proposal.

*1: Grocery-oriented drug stores handling processed food, liquor, fresh food, etc.

*2: (Number of stores concurrently operating our dispensing pharmacies) ÷ (total number of stores of the Company, excluding supermarkets and specialist dispensing pharmacies)

*3: Multiple store deployment in an area with existing stores

Proposal No. 5 Amendment of the Articles of Incorporation (Election of a Lead Independent Outside Director)

I Summary of the Agenda Item.

The following articles shall be added to the current Articles of Incorporation, and Article 23 and subsequent articles shall be renumbered by two clauses each. If it is necessary to make formalistic adjustments (including, but not limited to, the correction of a deviation in article numbers) to the text of this proposal due to the adoption of another proposal (including Company proposals) at this AGM, the text of this Proposal shall be replaced with the text after the necessary adjustments.

(Independent Outside Director(s) and Lead Independent Outside Director)

Article 23 The Company shall elect outside directors that are independent under the independence standards of the Tokyo Stock Exchange (the “**Independent Outside Director(s)**”).

2. If more than one Independent Outside Director is elected, a Lead Independent Outside Director shall be elected by a vote amongst the Independent Outside Directors.

(Duties of the Lead Independent Outside Director)

Article 24 The Lead Independent Outside Director shall lead the Independent Outside Directors and shall perform the following duties.

- (1) Lead discussion and sharing of understanding among Independent Outside Directors.
- (2) Act as an intermediary for communication between Independent Outside Directors and the Company’s internal directors and management.
- (3) Lead coordination between Independent Outside Directors, corporate auditors, and the board of corporate auditors.
- (4) Lead dialogue with shareholders.
- (5) Implement the communication, coordination and development of appropriate systems required to perform the duties set forth in the four preceding items.

II Reasons for Proposal.

Oasis has on multiple occasions requested to meet with the Company’s representative director, the director in charge of investor relations, and other directors in order to engage in constructive dialogue with management as a shareholder on the topic of how the Company is managed. However, the Company has refused all such requests. Only after Oasis took action to directly contact outside directors was a meeting arranged with the director in charge of investor relations. Still, no meeting was arranged with the outside directors. The Company insisted that, in principle, the representative director and the director in charge of investor relations do not participate in direct dialogue with investors, and they do not receive any direct feedback from investors. As such, the Company’s system for dialogue between shareholders and directors is inadequate. The Company’s attitude towards shareholder dialogue and refusal to engage with shareholders clearly violates the Corporate Governance Code and the Guidelines for Outside Directors.² This is a serious issue that may erode the Company’s opportunities to enhance corporate value through such dialogue. For the above reasons, Oasis proposes to select a Lead Independent Outside Director who will play a leading role in dialogue with the Company’s shareholders.

² The Ministry of Economy, Trade and Industry Practical Guidelines on the Role of Outside Directors (Guidelines for Outside Directors) (July 31, 2020) Chapter II-6 Engagement in Dialogue with Investors and Investor Relations etc.

III Opinion of the Board of Directors

The Board of Directors opposes this proposal for the following reasons.

The Company understands that a Lead Independent Outside Director is primarily expected to assume the roles of supporting debates and sharing of recognition among the Outside Directors, communication with Inside Directors and the management team, and cooperation among Outside Directors, Corporate Auditors, and the Board of Corporate Auditors. Generally, the Outside Directors are expected to provide advice to the Board of Directors and supervise its execution of business based on the individual judgment of each Outside Director, which has been implemented in the Company under its current corporate framework, and was confirmed by the assessment of the effectiveness of the Board of Directors conducted this year.

Therefore, even considering the addition of Outside Directors that is scheduled to be resolved at this Annual General Meeting of Shareholders, we do not believe that the appointment of a Lead Independent Outside Director is necessary. Rather, we believe that establishing provisions in the Articles of Incorporation such as those proposed in this shareholder proposal could deter independent advice and fulfillment of the supervisory function by Outside Directors of the Company with diverse insights and experience.

For the reasons stated above, the Board of Directors of the Company opposes this shareholder proposal.

In this shareholder proposal, the proposing shareholder claims that they asked the Company to have an interview with the Director in charge of IR and other Directors, and that we kept flatly rejecting their request, until we at last arranged an interview with the Director in charge of IR, only after they took actions to try to directly contact Outside Directors. Regarding this claim, we would like to point out that, as disclosed in the “Corporate Governance Report” dated August 18, 2022, we have established our Policies for Constructive Dialogue with Shareholders (the “IR Policies”) as follows, and the Company has just handled a request for an interview from the proposing shareholder in line with the IR Policies, whereby we explained the IR Policies to the proposing shareholder at the time of arranging an interview, while the shareholder’s request was reported to the Board of Directors. Therefore, we believe that the proposing shareholder’s claim that “the Company kept flatly rejecting” is different from our recognition of the situation.

With respect to the interview between the proposing shareholder and the Director in charge of IR, we deliberated the matter at the Board of Directors meeting, seriously considering the shareholder’s request for an interview with Outside Directors, and reached the conclusion that we should, in light of a provision in the IR Policies that expressly excludes interviews between shareholders and Outside Directors, offer an interview between the proposing shareholder and the Director in charge of IR, as the best possible way to comply with the proposing shareholder’s request without compromising impartiality and fairness among shareholders, and arranged the interview based on an agreement with the proposing shareholder. Therefore, the shareholder’s claim that “the Company finally arranged an interview for us with the Director in charge of IR, only after we took actions to attempt to directly contact Outside Directors” is also different from the Company’s recognition of the situation.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Director in charge of Administration of the Company concurrently serves as the Director in charge of IR, while the Corporate Planning Division of the Corporate Strategy Office is the unit in charge of IR. In addition, the following initiatives are being taken to promote a constructive dialogue with shareholders.

1. The Corporate Planning Division is in charge of constructive dialogue with shareholders in general, subject to coordination by the Director in charge of IR. While we provide shareholders with opportunities for dialogue with Inside Directors, opportunities for dialogue with Outside Directors and Corporate Auditors are not offered, at present. We will consider holding such opportunities for dialogue in the future, as necessary.
2. With a view toward supporting a dialogue, the Corporate Planning Division is primarily engaged in sharing information in cooperation with various other departments.
3. As an approach of dialogue other than individual interview, a financial results briefing is held for institutional investors after the announcement of the full-year results, and after the second quarter results.
4. Valuable opinions and comments obtained in the course of dialogue with shareholders are shared at the executive meetings of the Company and on other occasions.
5. The Company engages in dialogue with shareholders with particular attention to dealing with insider information, pursuant to the “Insider Information Control Rules” established by the Company. In addition, we also have a quiet period.

Proposal No. 6 Amendment of the Articles of Incorporation (Establishment of a Nomination and Compensation Committee)

I Summary of the Agenda Item.

The following chapter shall be newly created to the current Articles of Incorporation. "Chapter VII Accounting" in the current Articles of Incorporation shall be changed to "Chapter VIII Accounting" and Article 42 and subsequent articles shall be renumbered by six clauses each. If it is necessary to make formalistic adjustments (including, but not limited to, the correction of a deviation in article numbers) to the text of this proposal due to the adoption of another proposal (including Company proposals) at this AGM, the text of this proposal shall be replaced with the text after the necessary adjustments.

Chapter VII: Nomination and Compensation Committee

(Establishment of a Nomination and Compensation Committee)

Article 42 A Nomination and Compensation Committee shall be established as an advisory body to the Board of Directors.

(Composition of the Nomination and Compensation Committee)

Article 43 The Nomination and Compensation Committee shall consist solely of directors, and a majority of its members must be outside directors.

- 2 One outside director who is a member of the Nomination and Compensation Committee shall be elected chairperson by a vote amongst the members of the Nomination and Compensation Committee.
- 3 Those internal directors who hold 5% or more of the Company's shares or 5% or more of all of the Company's voting rights cannot serve as members of the Nomination and Compensation Committee.
- 4 The Company's shares or voting rights owned by persons specified in the following items in their own name or in another person's name shall be deemed to be owned by internal directors.
 - (1) Relatives within the third degree of kinship of an internal director.
 - (2) A legal entity or any other similar organization (the "**Legal Entity(ies)**"), in which the internal director or a relative within the third degree of kinship with the internal director owns more than 50% of the shares, investment units, or similar equity or voting rights of the Legal Entity, in their name or another person's name.
 - (3) Legal Entities where the internal director or a relative within the third degree of kinship of the internal director has the right to represent such Legal Entity.

(Selection of Members of the Nomination and Compensation Committee)

Article 44 The members of the Nomination and Compensation Committee are appointed by resolution of the Board of Directors to be held after the conclusion of the Annual General Meeting of Shareholders. However, in the event that such members retire or as otherwise necessary, such members may be appointed by resolution of an Extraordinary Board of Directors meeting.

(Term of Office of the Members of the Nomination and Compensation Committee)

Article 45 The term of office of members of the Nomination and Compensation Committee shall expire at the conclusion of the last Annual General Meeting of Shareholders for the business year ending within one year after their election.

(Matters for Consultation with the Nomination and Compensation Committee)

Article 46 The Nomination and Compensation Committee shall deliberate on the following matters in consultation with the Board of Directors. The Board of Directors shall respect the opinions of the Nomination and Compensation Committee when it makes its decisions on these matters.

- (1) Draft proposals for election or removal of directors to be submitted to the Annual General Meeting of Shareholders.
- (2) Draft proposals for election, removal, and division of duties of the representative director and executive directors to be submitted to the Board of Directors.
- (3) Policies for selection of directors.
- (4) Other matters related to appointment and removal of directors.
- (5) Proposals concerning the compensation of directors to be submitted to the Annual General Meeting of Shareholders.
- (6) Specific amounts of compensation to be paid to each director (including remuneration as an employee for those directors who concurrently serve as employees of the Company).
- (7) Matters concerning the issuance and allotment of stock options to shares, shares or corporate bonds with or without compensation (regardless of whether it is referred to as remuneration and regardless of whether it is a nominal or favorable issuance) to directors and their relatives within the third degree of kinship, and

legal entities or other similar organizations in which these persons hold more than 50% of shares, investment units, or similar interests or voting rights in their own or another person's name.

(8) Other matters related to director compensation.

(Nomination and Compensation Committee Rules)

Article 47 Other matters relating to the Nomination and the Compensation Committee shall be governed by law or the Articles of Incorporation, as well as by Nomination and Compensation Committee Rules provided by the Nomination and Compensation Committee.

II Reasons for Proposal.

The Company does not disclose its policies and procedures, such as skill matrices, for the election of directors.³ Further, the Board of Directors' ability to effectively select and dismiss senior management and directors in a fair and highly transparent manner in accordance with the Corporate Governance Code is questionable, given the strong influence exerted by founding family directors who are also significant shareholders.⁴ The current board's procedures raise various concerns as to their ability to manage conflicts of interest between the common interests of shareholders and the interests of the founding family. For example, the Company issued stock options at a price that they alleged to be nominally fair to the founding family without shareholder approval. However, this share issuance is suspected to represent a form of compensation for those founding family directors. The Company has a strong need for supervision of the procedures by which nomination and remuneration, including issuance of shares and stock options, is determined, from a position independent of the founding family. A Nomination and Compensation Committee with an outside director majority should be established to strengthen⁵ the independence, objectivity, and accountability of the procedures for nominating directors and determining their compensation.

III Opinion of the Board of Directors

The Board of Directors opposes this proposal for the following reasons.

The Company is currently starting to consider the establishment of a Nomination and Remuneration Committee, as we have been aware of the demand in today's capital market for objectivity and transparency in the procedure for the nomination of Directors and determination of their remuneration, and we have received the opinions and suggestions to the same effect from shareholders and investors, including the proposing shareholder.

While we are fully aware of the intention of this proposal by the proposing shareholder, as explained above, we believe that establishing the proposed provisions in the Articles of Incorporation will make it difficult to achieve the maneuverable and flexible operation of our determination process for nomination and remuneration, and that it might well cause the corporate governance framework of the Company to become rigid.

For the reasons stated above, the Board of Directors of the Company opposes this shareholder proposal. However, we will immediately announce the status of our consideration, as well as our decisions regarding the establishment of a Nomination and Remuneration Committee, as soon as matters to be disclosed arise in the future.

³ Explanation regarding Supplementary Principles 4.10.1 and 4.11. 1, as set out in the Company's Corporate Governance Report.

⁴ Corporate Governance Code Supplementary Principle 4-3 (1).

⁵ Corporate Governance Code Supplementary Principle 4-10-(1).

Proposal No. 7 Determination of Individual Fixed Compensation Amounts for Outside Directors

I Summary of the Agenda Item.

The amount of fixed compensation for each outside director shall be JPY 10 million per person per fiscal year.

II Reasons for Proposal.

The Company needs to appoint experienced and capable individuals as outside directors to properly supervise the Company's business execution and to enhance corporate value, given the strong influence exerted by founding family directors who are significant shareholders. Outside directors must be paid fair compensation commensurate with their roles to accomplish this. However, the Company's outside director compensation is limited to a total of JPY 14 million for four outside directors. This is out of a total compensation amount of JPY 121 million for all directors in the 24th fiscal year, and JPY 6 million for two outside directors out of a total compensation of JPY 146 million for all directors in the 23rd fiscal year. It is difficult to secure excellent candidates with such low compensation.

Further, the upper limit for compensation should be set individually for each director, rather than the current approach of setting an aggregate upper limit for compensation to be shared amongst all directors. This change is required to attract truly capable and independent director candidates with predictable compensation. Therefore, Oasis proposes a fixed compensation amount of JPY 10 million per year for each outside director.

III Opinion of the Board of Directors

The Board of Directors opposes this proposal for the following reasons.

We also share the recognition of the proposing shareholder that in order to ensure the appropriate supervision of the execution of business by the Board of Directors and enhancement of corporate value, it is essential for the Company to appoint Outside Directors with abundant experience and sufficient talent, and to this end, Outside Directors must be paid adequate remuneration commensurate with their roles.

However, we believe that the remuneration of Directors should be set commensurate with the level of expertise and experience as well as the role of each Director, and that fixing the amount of basic remuneration on an individual basis may instead obscure the basis upon which remuneration is determined, although it may certainly enhance the predictability of remuneration, as pointed out by the proposing shareholder.

For the reasons stated above, the Board of Directors of the Company opposes this shareholder proposal.

Proposal No. 8 Determination of Restricted Stock Compensation Amounts for Each Individual Outside Director

I Summary of the Agenda Item.

At the Extraordinary General Meeting of Shareholders held on June 28, 2016, Shareholders approved providing up to JPY 300 million per year (excluding remuneration as an employee when a director concurrently serves as an employee of the Company) in director compensation. In addition, individual outside directors shall be granted JPY 3 million per year in monetary compensation claims for the allotment of restricted shares, with a transfer restriction period of three years from the time of the grant. These grants are to provide incentives to the Company's outside directors for the sustainable enhancement of corporate value and to further promote the sharing of value between the outside directors and shareholders. The specific timing and distribution of such restricted stock compensation is to be determined by the Board of Directors.

II Reasons for Proposal.

By providing stock-based compensation to outside directors, compensation is linked to fluctuations in share price, creating an incentive to supervise the Board of Directors to take measures to steadily improve the share price. In addition, the majority of the Company's Board of Directors are internal directors from the founding family who hold a significant number of shares, meaning that the founding family's strong influence over the Board of Directors creates structural problems that could harm the interests of ordinary shareholders. The introduction of stock-based compensation puts the outside directors themselves in the position of minority shareholders, such that they can be better expected to fairly represent the interests of ordinary shareholders. For the above reasons, Oasis proposes to introduce a restricted stock-based compensation plan for outside directors.

III Opinion of the Board of Directors

The Board of Directors opposes this proposal for the following reasons.

According to the shareholder proposal, this proposal aims to promote further value sharing between the Outside Directors of the Company and shareholders. However, we believe that it is desirable for the remuneration of Outside Directors to consist solely of fixed remuneration, with a view toward ensuring their independence and appropriate fulfillment of their supervisory function.

Moreover, the voting rights exercising standards of many institutional investors, including those in Japan, also oppose, in principle, stock remuneration for Outside Directors, and we do not believe that it is necessary for the Company to introduce this type of individual restricted stock remuneration for Outside Directors.

For the reasons stated above, the Board of Directors of the Company opposes this shareholder proposal.