

Corporate Governance Report

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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Qol Holdings Co., Ltd.

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<https://www.qolhd.co.jp/eng/>

The state of corporate governance of Qol Holdings Co., Ltd. ("the Company") is described below.

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

1. Basic Views

The Qol Group recognizes that the Group must continually enhance its corporate value through its corporate activities based on its Corporate Philosophy, Slogan, Qol Group Vision, and Qol Group Charter of Corporate Behavior to respond to the expectations of all stakeholders including its shareholders, patients, and employees. In order to realize this, the Group regards the continuing strengthening of its corporate governance as an important management issue as a foundation for ensuring the soundness, transparency, and efficiency of its management, and the Group strengthens its management functions by appointing outside directors that meet the requirements of independent officers. In addition, the Group actively engages in dialogue with shareholders and investors, as a dialogue policy with shareholders, and as well as disclosing the information on its business situation including the progress of its management plans, quantitative financial information, non-financial information such as corporate governance and activity towards sustainability in a timely and appropriate manner. The Group strives to respond to expectations from its stakeholders including shareholders and investors by making efforts to develop an appropriate environment for the exercise of shareholders' rights.

[Reasons for Non-compliance with Principles of Japan's Corporate Governance Code]

The Company implements all principle of Japan's Corporate Governance Code revised in June 2021.

[Disclosure based on Principles of Japan's Corporate Governance Code] (Updated)

[Principle 1.4] Cross-Shareholdings

(1) The Company will not engage in cross-shareholdings except in cases where such holdings are deemed capable of sustainably enhancing Qol corporate value due to factors including importance to business strategies and maintaining and promoting relationships with business partners. Further, with regard to cross-shareholdings and disposal, the Board of Directors conducts verifications to review the reason for maintaining these shareholdings.

(2) The Company determines whether to exercise cross-shareholding voting rights from the perspective of the degree to which it will lead to an increase in corporate value over the medium to long term, while also respecting investee company management policies and strategies.

[Principle 1.7] Related Party Transactions

Related party transactions by Company directors are subject to approval by the Board of Directors in accordance with laws and regulations. Further, the Company annually monitors transactions between Company directors and/or relatives to the second degree of kinship (including the company issuing the shares held and its

subsidiaries) and the Company or Qol subsidiaries. Important transactions are described in the Securities Report.

[Principle 2.3] Social, Environmental and Other Sustainability Issues

To solve social issues, the Company aims to further promote ESG and is engaged in efforts targeting the realization of “a connected, healthy, prosperous and sustainable society.” The Company established Qol Sustainability Value (QSV) as value that must be provided to society via methods for resolving social issues through business activities and decarbonization efforts, and is making efforts to visualize the progress of concrete value.

[Principle 2.4] Ensuring Diversity, Including Active Participation of Women

To maximize the performance of employees in general and women in particular, in addition to introducing personnel systems and welfare programs that make it easier for women to work, setting up meetings to encourage the active participation of women, and promoting women to managerial positions and officers, the Company is working to build a system that makes it easy for employees with diverse experiences, skills and attributes to work, including the establishment of a system enabling store employees to switch to a management course.

[Supplementary Principle 2.4.1] Concept of ensuring diversity

A female ratio of the Board of Directors is 16.6%. In addition, the most recent female employee ratio of Qol Co., Ltd., which is the core company is 21.5% and we aim to raise it to 30% by fiscal 2030, which is the same level as the government's target. In addition, the most recent female ratio of chief pharmacist and other positions is in high level of 43.9%, and the Company is committed to continue to create a workplace that female workers can work proactively to raise the ratio to 50% by 2030.

The Company is also working on to enhance childcare leave, and the ratio of female employees taking childcare leave is 100% and 40.0% of male employees taking childcare leave when their spouse gave a birth. By introducing an easy-to-use system such as shortening regular working hours until the child reaches the second grade of elementary school and providing work styles which meet various lifestyles, the Company is creating an environment to increase diversity and maximize abilities of workers.

At Qol Assist Co., Ltd., a special subsidiary company, employees with severe disabilities are teleworking from home actively, and the Company is working to improve the working environment so that employees with various values and backgrounds can work.

[Principle 2.6] Roles of Corporate Pension Funds as Asset Owners

The Company introduced a defined contribution pension plan (401K). Asset management education is also provided on a regular basis.

[Principle 3.1] Full Disclosure

(1) The Company established its Corporate Philosophy, Slogan, the Qol Group Vision and Qol Group Charter of Corporate Behavior, which are published on the Company's website (<https://www.qolhd.co.jp/eng/>). The Company proactively discloses and publicizes management strategies and plans through activities including financial results announcements and briefings, General Meetings of Shareholders, individual investor briefings, and overseas IR activities.

(2) The Company recognizes that, to meet the expectations of shareholders, patients, employees and all other stakeholders, it must continuously enhance corporate value through corporate activities based on the Company's Corporate Philosophy, Slogan, the Qol Group Vision and Qol Group Charter of Corporate Behavior. To this end, ongoing corporate governance enhancements are an important management issue as the basis for ensuring management soundness, transparency and efficiency. The Company is strengthening its management oversight function by appointing outside directors who meet the requirements for independent officers. Further, in terms of a policy regarding dialogues with shareholders, the Company is proactively engaged in dialogues with shareholders and investors, which includes the timely and appropriate disclosure of

information pertaining to business conditions, including management plan progress, quantitative financial information and non-financial information on corporate governance and activity towards sustainability. The Company's policy is to meet the expectations of stakeholders, including shareholders and investors, by striving to create an appropriate environment for the exercising of shareholder rights.

(3) The total (maximum) amount of compensation for directors is resolved at the General Meeting of Shareholders after approval by the Board of Directors. Further, regarding individual director compensation, the compensation system corresponds to the roles and responsibilities of each position, and is decided based on report content after consulting with the Nomination and Compensation Committee.

(4) Regarding the nomination of candidates for Directors, a variety of factors such as accurate and prompt decision-making and assigning the right person to the right place are considered, then appointment plans are formulated and consultations are conducted with the Nomination and Compensation Committee in light of reported content. In accordance with the Companies Act, the Board of Directors then deliberates and makes resolutions, which are then submitted to the General Meeting of Shareholders.

Reasons for individual appointments are described the Notice on the General Meeting of Shareholders on the Company's website (<https://www.qolhd.co.jp/eng/>).

Further, regarding the dismissal of directors, if the Company discovers an officer to be unfit for duty, such as in the event of fraud or impropriety, in accordance with the Companies Act, the Board of Directors will deliberate and make resolutions pertaining to the incident, then submit its conclusions to the General Meeting of Shareholders.

[Supplementary Principle 3.1.3] Sustainability

At the Board of Directors meeting held in April 2022, the Company established the Sustainability Committee, chaired by the President and Representative Director to address sustainability issues such as social and environmental issues toward the realization of a sustainable society and the materiality was identified at the board of directors meeting held on the same day.

In addition, the Company announced its support for the recommendations of Task Force on Climate Related Financial Information Disclosure (TCFD) in December 2022, and the company will take measures for climate change issues and information disclosure based on the recommendations prepared by the TCFD. The latest status is disclosed on our website.

<https://www.qolhd.co.jp/eng/sustainability/esg/environment.html>

In community medical care and long-term care, "continuous medical care" is required as a social security infrastructure, and the Company is responsible for providing safe pharmaceutical products in a stable manner. The Company is constantly working on to secure stable inventory at stores and maintain equipment necessary for store operations considering occurrence of natural disasters and other sudden events. In addition, in order to contribute to solve global environmental issues, the Company prepares to switch to renewable energy at more than 900 stores nationwide to reduce CO2 emissions.

Furthermore, regarding human capital investment such as pharmacist and managerial dietician, the Company is proactively promoting to establish a thorough education system and acquisition of a certification system. Since the experience and skills of pharmacists is the core of quality of pharmacies, the Company is working on to improve skills and accumulate human capital through in-house academic conferences have been held since foundation of the Company.

The Company utilizes intellectual property related to manufacturing methods of pharmaceuticals through research and development to solve social issues.

[Supplementary Principle 4.1.1] Decision on the Scope of Matters Delegated to Management

In addition to items provided for in laws and regulations along with the Company Articles of Incorporation, the Company's Board of Directors makes decisions on important management-related matters stipulated in the Board of Directors rules, including management policies, business plans, investment plans, and subsidiary establishment and investment, positioned as a body that supervises business execution.

[Principle 4.8] Effective Use of Independent Directors

To contribute to long-term growth and development, four outside directors with specialized knowledge and insight were appointed.

[Principle 4.9] Independence Standards and Qualifications for Independent Directors

Regarding the independence of outside directors, assuming they meet independence standards set by financial instruments exchanges, the Company requires abundant experience and knowledge in specialized fields such as corporate management, legal affairs and accounting, as well as the ability to proactively offer a diverse array of recommendations, proposals and opinions on Company management issues.

[Supplementary Principle 4-10-1] Establishment of Nomination and Compensation Committee with independent outside directors as the main members

The Company has established the Nomination and Compensation Committee as a committee for the nomination and compensation of directors.

The Nomination and Compensation Committee consists of three or more directors, the majority of which are independent outside directors, and the members and chairperson are elected by a resolution of the Board of Directors.

As an advisory body to the Board of Directors, the Nomination and Compensation Committee deliberates from the perspectives of fairness, transparency, and objectivity, and reports to the Board of Directors.

[Supplementary Principle 4.11.1] View on Balance of Knowledge, etc., Diversity, and Scale of the Board of Directors as a Whole and a Policy and Procedures for Appointment of Directors

The Company appoints candidates for the Board of Directors so that discussions and decisions can be made based on diverse knowledge and experience. In order to realize our corporate philosophy “We support quality of life for everyone. There for you. Anywhere, anytime,” the Company appoints candidates for directors with ethics, ability of execution, personality, and insight in high levels that will contribute to improve corporate value in the future and achieve sustainable growth of society.

[Supplementary Principle 4.11.2] Concurrent Positions of Independent Directors

In light of their fiduciary responsibilities, Company directors make an effort to maintain activities within a reasonable range when concurrently serving as an officer of a listed company other than Qol Holdings.

Additionally, significant concurrent positions held by each director are described in the Notice on the General Meeting of Shareholders.

[Supplementary Principle 4.11.3] Analysis and evaluation of overall effectiveness of the Board of Directors

Regarding the effectiveness of the Board of Directors, the Company leverages the abundant experience and wide-ranging insight of diverse inside and outside directors to raise our awareness. To improve the effectiveness of the Board of Directors, the Company conducts the following self-evaluation questionnaire once a year. The Company conducts analyses and evaluations based on the results of self-assessment questionnaires and reviews operations to improve effectiveness.

- Target: All directors
- Questions: Based on the opinions of external consultants, a total of 25 questions were surveyed according to the following classification
 - 1) Composition and Management of the Board of Directors
 - 2) Management and Business Strategies
 - 3) Corporate Ethics and Risk Management
 - 4) Management Evaluation and Compensation
 - 5) Dialogue with Shareholders, Etc.
- Evaluation method: five-grade evaluation (5: effective/appropriate, 4: either appropriate or 3: neutral, 2: room for improvement, 1: improvement necessary/inadequate)

The questionnaire conducted in FY2024 found that all directors had an evaluation score higher than “3: neutral” and were generally appropriate. Based on this, the Company evaluated that the Company was able to ensure the effectiveness of the Board of Directors and was playing a role.

Moreover, while improvements were made in the items identified through the questionnaire, “Early coordination of agenda items and reporting items” and “Early provision of materials to attendees,” opinions were presented that reforms in business processes such as sustainable improvement in corporate value through the promotion of DX. Going forward, the Company will implement organizational reforms and other measures to ensure even higher levels of effectiveness.

[Supplementary Principle 4.14.2] Training Policy for Directors

In order to deepen understanding of the Company’s business, explanations are provided as necessary, such as regular Board of Directors reports. Additionally, each director participates diligently, attending outside seminars and meetings to exchange opinions with external organizations and other companies to acquire the knowledge and information necessary to fulfill their roles and responsibilities as directors. Directors (Audit & Supervisory Committee members) and outside directors (Audit & Supervisory Committee members) also join the Japan Audit & Supervisory Committee Members Association, attending seminars and other meetings when appropriate.

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

The Company promotes constructive dialogues with shareholders, makes sincere efforts to provide highly transparent information disclosure and communications, and aims to build positive relationships through the proactive implementation of IR activities. In terms of specific opportunities to communicate with shareholders and investors, financial results briefing videos are provided for analysts and institutional investors two or more times each year, and one-on-one meetings are held with institutional investors overseas in an effort to proactively explain financial results and management strategies.

[Measures to realize management in consideration of capital costs and stock prices (Under Consideration)]

At this stage, the Company has announced medium-term management targets up to FY2026. The medium-term management targets are considered on the business conditions of DAIICHI SANKYO ESPHA, which became a consolidated subsidiary in FY2024. Management strategies that consider the cost of capital and stock price are currently under consideration and will be announced in the future.

To ensure sufficient shareholder returns, the Company will accurately ascertain capital costs using the cost of shareholders' equity and the WACC, continue to make growth investments necessary for future corporate growth, and maintain a solid foundation to support corporate management.

2. Capital Structure

Percentage of foreign shareholders (Updated) 20% or more but less than 30%

[Status of Major Shareholders] (Updated)

Name	Number of shares owned (shares)	Percentage (%)
MEDIPAL HOLDINGS CORPORATION	7,582,800	20.11
Master Trust Bank of Japan, Ltd. (Trust account)	3,138,900	8.32
Qol Group Employee Stock Ownership Association	1,790,894	4.75
Takashi Nakamura	1,641,900	4.35
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co.,Ltd.)	1,330,800	3.52
DAIICHI SANKYO COMPANY, LIMITED	1,304,000	3.45
Arata Takahashi	1,121,500	2.97

Medipal Insurance Service Co., Ltd.	1,104,000	2.92
UBS AG SINGAPORE-CLIENT ACCOUNT JSAT (Standing proxy: Citibank, N.A., Tokyo Branch)	861,200	2.28
Custody Bank of Japan, Ltd. (Trust account)	803,900	2.13

Controlling shareholder (except for parent company)	—
Parent company	None

Supplementary Explanation **(Updated)**

(1) Major Shareholder data as of March 31, 2025.

(2) In addition to the above, the Company holds 1,200,219 shares in treasury stock.

(3) The 1,200,219 shares of treasury stock do not include the 149,600 shares held in the name of the dedicated trust account for the Qol Group Employee Stock Ownership Exclusive Trust, which was established in connection with the introduction of the Trust-type Employee Shareholding Incentive Plan. It should be noted that such shares are accounted for as treasury stock in both the consolidated and non-consolidated financial statements.

(4) According to the Large Shareholding Report provided for public inspection on February 6, 2025, WILL FIELD CAPITAL PTE.LTD. held 1,954 thousand shares as of January 31, 2025 (shareholding ratio of 5.02%). However, since the Company is unable to confirm the actual number of shares held as of March 31, 2025, it is not included in major shareholders above.

3. Corporate Attributes

Listed exchange and market division	Tokyo Stock Exchange, Prime Section
Fiscal year-end	March
Category of industry	Retail Trade
Number of employees (consolidated) as of the end of the previous fiscal year	1,000 or more
Net sales (consolidated) in the previous fiscal year	JPY100 billion or more but less than JPY1 trillion
Number of consolidated subsidiaries as of the end of the previous fiscal year	10 companies or more but less than 50

4. Guideline for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder, etc.

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

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II. Business Management Organization and Other Corporate Governance Structures regarding Decision Making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation, etc.

Organizational form	Company with an Audit & Supervisory Committee
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[Directors]

Maximum number of Directors stipulated in Articles of Incorporation	15 persons
Term of office of Directors stipulated in Articles of Incorporation	One year
Chairman of the Board of Directors	President
Number of Directors (Updated)	12 persons
Appointment of Outside Director (s)	Appointed
Number of Outside Directors	4 persons
Number of Independent Directors designated from among Outside Directors	4 persons

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Toshiko Kuboki	Lawyer								○			
Yukiharu Yamamoto	Tax accountant											
Yasutoshi Mori	Tax accountant								○			
Motoyuki Miyazaki	Certified public accountant											

* Categories for "Relationship with the Company"

- "○" indicates that the Director currently falls under the category, or did so recently, and "△" indicates that the Director fell under the category in the past.
 - "●" indicates that a close relative of the Director falls under the category, or did so recently, and "▲" indicates that a close relative of the Director fell under the category in the past.
- a. Executive of a listed company or its subsidiary
 - b. Non-executive director or executive of the parent company of a listed company
 - c. Executive of a fellow subsidiary of a listed company
 - d. A party whose major client or supplier is a listed company or an executive thereof
 - e. Major client or supplier of a listed company or an executive thereof
 - f. Consultant, accountant or legal professional who receives a large amount of money or other property from a listed company other than officer remuneration
 - g. Major shareholder of a listed company (or in cases where the major shareholder is a corporation, an executive of such corporation)
 - h. Executive of a client or supplier of a listed company (which does not correspond to any of d., e., or f.) (the Director him/herself only)
 - i. Executive of a company that has its outside officer(s) appointed by the Company and appoints the Company's outside officer(s) (the Director him/herself only)
 - j. Executive of a company or organization that receives a donation from a listed company (the Director him/herself only)
 - k. Others

Relationship with the Company (2)

Name	Member of Audit & Supervisory Committee	Designation as Independent Officer	Supplementary explanation of the relationship	Reasons for appointment
Toshiko Kuboki		○	—	The Company appointed Ms. Toshiko Kuboki based on the expectation that she will reflect her substantial expertise as a lawyer in Company management. will contribute to continue fulfilling the role of supervising the management from an objective and professional standpoint independent of business execution, as she has a wealth of expertise and practical knowledge in corporate legal affairs as a lawyer. It has been determined that there are no conflicts of interest with general shareholders and no problems with independence. Although the Company has consignment transactions with the Kuboki Law Office, headed by Ms. Kuboki, transactions with said office amount to less than 0.01% of the consolidated net sales of the Company. It has been determined that there are no problems with independence.
Yukiharu Yamamoto		○	—	The Company appointed Mr. Yukiharu Yamamoto based on the expectation that he will reflect his substantial expertise as a tax accountant in Company management. It has been determined that there are no conflicts of interest with general shareholders and no problems with independence.
Yasutoshi Mori	○	○	—	The Company appointed Mr. Yasutoshi Mori based on the expectation that he will reflect his substantial expertise as a Tax accountant in Company management. It has been determined that there are no conflicts of interest with general shareholders and no problems with independence. Although the Company has signed an advisory agreement and has consignment transactions with Kojimachi Certified Public Tax Accountant's Corporation, with which Mr. Mori is affiliated, the transaction amount with the corporation accounts for less than 0.01% of the consolidated net sales of the Company. It has been determined that there are no problems with independence.
Motoyuki Miyazaki	○	○	—	The Company appointed Mr. Motoyuki Miyazaki based on the expectation that he will reflect his substantial expertise in corporate management as a representative director at other companies and his extensive experience and knowledge as a certified public accountant in Company management. It has been determined that there are no conflicts of interest with general shareholders and no problems with independence.

[Audit & Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	Total No. of Committee Members	No. of Full-time Members	No. of Inside Directors	No. of Outside Directors	Committee Chair (Chairperson)
Audit & Supervisory Committee	3	1	1	2	Outside Director

Appointment of Directors and/or Employees to Support the Audit & Supervisory Committee	Not adopted
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Reasons for adopting current system

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Cooperation among Audit & Supervisory Committee, Accounting Auditor and Internal Audit Department

To ensure the Audit & Supervisory Committee and the Internal Audit Department carry out effective and efficient audits, each other cooperates and confirm that information and opinions are exchanged and issues identified as necessary in an effort to appropriately conduct auditing and confirm the status of improvements for identified issues.

[Voluntary Committees]

Optional Committees such as Nominating Committee and Compensation Committee	Established
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Establishment of voluntary committee, composition of members and attributes of chairman

	Name of committee	All committee members (persons)	Full-time members (persons)	Inside Directors (persons)	Outside Directors (persons)	Outside experts (persons)	Other (persons)	Chairman
Voluntary committee corresponding to nomination committee	Nomination & Compensation Committee	3	1	1	2	0	0	Inside Director
Voluntary committee corresponding to remuneration committee	Nomination & Compensation Committee	3	1	1	2	0	0	Inside Director

Supplementary explanation (Updated)

The Nomination and Compensation Committee, which functions as both a Nomination Committee and a Compensation Committee, deliberates and reports on the nomination and remuneration of directors in response to consultations with of the Board of Directors to enhance the fairness, transparency and objectivity of nomination and compensation procedures.

The Nomination and Compensation Committee comprises three or more members who are directors, the majority of whom are independent outside directors.

The Nomination and Compensation Committee met three times in the fiscal year ended March 31, 2025. The attendance rates of each member are as follows:

Takashi Nakamura, President and Representative Director: Attendance rates 100% (3 out of 3 times).

Toshiko Kuboki, Outside Director: Attendance rates 100% (3 out of 3 times).

Yukiharu Yamamoto, Outside Director: Attendance rates 100% (3 out of 3 times).

Activity Details:

The activity details in the fiscal year ended March 31, 2025, are as follows.

- (1) Deliberation regarding the Additional Election of One Director (excluding Directors who are Audit & Supervisory Committee Members) at the 32nd Annual General Meeting of Shareholders.
- (2) Deliberation regarding the selection of Representative Director and Directors with specific titles.
- (3) Deliberation regarding the determination of remuneration for directors (including directors who are auditors and supervisory committee members).
- (4) Deliberation regarding the Specific Amount and Timing of the Award of Retirement Allowance to Retiring Chairman and Director and Founder

[Independent Officers]

Number of Independent Officers

4 persons

Other matters related to Independent Directors

—

[Incentives]

Implementation of measures to provide incentives to Directors
(Updated)

Adoption of performance-based compensation plan

Supplementary explanation (Updated)

Based on a resolution at the Board of Directors meeting held on June 26, 2025, we have introduced performance-based compensation to the compensation for members of the Board of Directors (excluding Directors who are Audit & Supervisory Committee members or outside directors), establishing a compensation system that functions sufficiently as an incentive for the sustainable enhancement of corporate value over the medium to long term.

Recipients of stock options

Supplementary explanation

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[Remuneration for Directors]

Disclosure of individual Directors' remuneration (Updated)

Only a portion of compensation is individually disclosed

Supplementary explanation (Updated)

Executive compensation paid in the fiscal year ended March 31, 2025, was as follows:

Director excluding directors who are Audit & Supervisory Committee Member (9people) compensation amounted to 274 million yen (of which, 10million yen was paid to outside directors)

Director who are Audit & Supervisory Committee Member (3people) compensation amounted to 16 million yen (of which, 7million yen was paid to outside directors)

Notes:

- (1) The above number of members and compensation amounts include one director who retired upon the expiration of their term of office on June 27, 2024.
- (2) The maximum amount of compensation paid to Director (excluding Directors who are Audit & Supervisory Committee Members) was resolved at the 29th Annual General Meeting of Shareholders held on June 29, 2021, to be within ¥700 million per year (of which, up to ¥20 million per year for outside directors). The number of Director (excluding Directors who are Audit & Supervisory Committee Members) at the end of the aforementioned shareholders meeting was nine people (including two outside directors).
- (3) The maximum amount of compensation paid to directors who are Audit & Supervisory Committee members was resolved at the 29th Annual General Meeting of Shareholders held on June 29, 2021, to be within ¥40 million per year. The number of directors who were Audit & Supervisory Committee members at the end of the aforementioned shareholders meeting was three people (including two outside directors).
- (4) In addition to the above payments, based on a resolution at the 32nd Annual General Meeting of Shareholders held on June 27, 2024, retirement benefits of ¥950 million were paid to one retiring chairman and director and founder.

Compensation details for certain directors, including individual compensation, are disclosed in accordance with laws and regulations in the Securities Report. Please refer to the following URL on the Qol website:
<https://www.qolhd.co.jp/ir/library/yuho.html> (Japanese language only)

Policy on determining amount or calculation method of remuneration (Updated)

Established

Disclosure of policy on determining amount or calculation method of remuneration

- (1) Director compensation is set as monthly basic compensation within the compensation limit resolved at the General Meeting of Shareholders, taking into consideration position, responsibilities, years of service, and compensation levels at other companies and employee salary levels. A draft compensation plan is submitted to the Nomination & Compensation Committee for review, and the results are reported to the Board of Directors. Additionally, for Directors (excluding Directors who are Audit & Supervisory Committee members or outside directors) appointed at the 33rd Annual General Meeting of Shareholders held on June 26, 2025, the compensation structure will be composed of basic compensation and performance-based compensation in light of Company performance in each fiscal year, with the aim of functioning as an incentive to promote the sustainable enhancement of corporate value. However, outside directors shall receive only basic compensation in consideration of their role and independence.
- (2) Compensation for directors who are Audit & Supervisory Committee members shall consist solely of basic compensation, which shall be determined within the scope of the compensation limit resolved at the General Meeting of Shareholders, after consulting with the Audit & Supervisory Committee, through deliberations by the Nomination & Compensation Committee.

[Support System for Outside Directors]

Currently, as there are no dedicated staff assisting outside directors, the Audit & Supervisory Committee Secretariat and the Business Management Department are in charge of supporting clerical work including communications and other duties.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, Remuneration Decisions, etc. (Overview of Current Corporate Governance Structure) (Updated)

<Corporate governance system>

- a. Board of Directors

The Board of Directors consists of nine directors (seven men and two women) excluding those who are Audit & Supervisory Committee members and three directors (three men) who are Audit & Supervisory Committee members. The Board holds meetings in principle once per month to make decisions on important management matters as well as to manage and supervise the status of business execution. The term of office for directors (excluding those who are Audit & Supervisory Committee members) is one year to clarify management responsibilities each fiscal year.

b. Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three members, two of whom are outside directors (Audit & Supervisory Committee members) and one of whom is a director (Audit & Supervisory Committee member). The Committee audits the legality and validity of the execution of duties by directors (excluding those who are Audit & Supervisory Committee members) in accordance with the Audit & Supervisory Committee Rules and Audit & Supervisory Committee Directors Auditing Standards. Moreover, to avoid a situation where the number of outside directors who are Audit & Supervisory Committee members and directors who are Audit & Supervisory Committee members falls short of legal requirements, the Company appointed one substitute outside director (Audit & Supervisory Committee member) and one substitute director (Audit & Supervisory Committee member).

c. Management Committee

Management Committee consists of directors designated as representative directors that, in principle, meet every week to consider management challenges, deliberate important matters and determine policies in an attempt to hasten decision making.

<Status of audits>

a. Internal audits

Internal audits are the responsibility of the Internal Audit Department under the direct control of the president. The Internal Audit Department head conducts an audit to secure legitimate, appropriate and efficient operations and makes suggestions for improvement to relevant departments as necessary. In principle, the results of the audit are reported once a month at the internal audit meeting attended by directors and business execution departments. The results of the audit are reported to the directors who are Members of the Audit & Supervisory Committee twice a year at the Audit & Supervisory Board. In addition, the head of the Internal Audit Department cooperates with directors who are Members of the Audit & Supervisory Committee and accounting auditors as necessary to improve the efficiency of auditing work.

b. Audit & Supervisory Committee audits

In addition to attending Board of Directors and other important meetings in line with auditing policies and the division of duties established by the Audit & Supervisory Committee, directors who are members of the Audit & Supervisory Committee conduct hearings on the execution of duties by directors (excluding those who are Audit & Supervisory Committee members), view important approval documents, investigate the status of operations and assets and request business reports from Group companies as necessary to strictly monitor the execution of duties by directors (excluding those who are members of the Audit & Supervisory Committee). In addition, the Audit & Supervisory Committee monitors and verifies the maintenance and operational status of internal control systems while the accounting auditor audits the legality and appropriateness of the execution of duties by directors (excluding those who are Audit & Supervisory Committee members) through explanations and reports on plans and results related to audits.

c. Status of accounting audit

For the accounting audit, the Company has concluded an audit contract with KPMG AZSA LLC and has undergone Companies Act law audits and Financial Instruments and Exchange Act audits. The Company provides the necessary information in a timely and appropriate manner in order to provide an environment that facilitates quick and accurate audits. The names of the certified public accountants who executed the accounting audit work at the Company and the affiliated audit corporations that they belong to are as follows.
Appointed limited liability employee (Managing Partner) Jyunichi Tanaka KPMG AZSA LLC
Appointed limited liability employee (Managing Partner) Takashi Watanabe KPMG AZSA LLC
In addition to the above certified public accountants, there are five certified public accountants and 20 others.

3. Reasons for Selection of Current Corporate Governance Structure (Updated)

The Company has adopted a Company with an Audit & Supervisory Committee. Of the 12-member total, the Board of Directors has appointed four outside directors to ensure management transparency. The Audit & Supervisory Committee appoints two outside directors (Audit & Supervisory Committee members), all of whom are present on the Board of Directors. The Audit & Supervisory Committee meets regularly and conducts audits of all business activities by exchanging information and reviewing important documents. Thus, from the perspective of strengthening the oversight function expected of outside directors and demonstrating effective compliance, as well as the perspective of ensuring the objectivity and neutrality of the management monitoring function the current system is deemed to be functioning sufficiently.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary explanation
Early dispatch of convocation notice of General Meeting of Shareholders	Convocation notices are disclosed early on the Company's website before shareholder meetings.
Exercise of voting rights by electronic means	Voting rights are exercised via the Internet.
Participation in Electronic Voting Platform and other efforts to enhance the voting environment for institutional investors	The Company has been utilizing the Electronic Voting Platform since the General Meeting of Shareholders held in June 2019.
Provision of convocation notice (summary) in English	Posted on the Company's website.
Others	Convocation notices are posted on the Company's website.

2. IR Activities **(Updated)**

	Supplementary explanation	Explanation by representative
Preparation and publication of disclosure policy	Posted on the Company's website (in Japanese and English).	
Regular Investor Briefings for individual investors	The Company actively engages with overseas investors by participating in IR events hosted domestically by securities companies or accommodating interviews, and by conducting large meetings, small-group sessions, and one-on-one discussions. In addition, it regularly carries out overseas IR activities.	Yes
Regular briefings for analysts and institutional investors	Interim and year-end results presentation videos are posted on the Internet.	Yes
Posting of IR materials on website	Content: Company profile (in Japanese and English), results announcements, financial statements (in Japanese and English), Securities Reports, business reports, briefing materials (in Japanese and English), timely disclosures, monthly reports (in Japanese and English) and other materials.	
Establishment of department and/or person in charge of IR	Department in Charge of IR: Public Relations Department Person in Charge of IR: Hiromoto Shirakuni, General Manager, Public Relations Department	

3. Efforts to Respect Stakeholders' Standpoint **(Updated)**

	Supplementary explanation
Stipulations on respecting the standpoint of stakeholders in internal regulations, etc.	Respect for stakeholders is described in the Company's Corporate Philosophy, Slogan, the QoI Group Vision and the QoI Group Charter of Corporate Behavior. Throughout the Company and Group, management themselves convey this spirit to officers and employees whenever they have the opportunity to inculcate these ideals in each officer and employee.

Implementation of Environmental Activities, CSR Activities etc.	<p>The Company undertakes various initiatives for environmental protection, details of which are disclosed on our website. https://www.qolhd.co.jp/eng/sustainability/esg/environment.html</p> <p>In addition, as a company engaged in healthcare services, we participate in various social contribution activities needed by local communities and communication activities to blend in with the local community. For details, please refer to the Company's website. https://www.qolhd.co.jp/eng/sustainability/esg/social.html</p>
Other	<p>As part of its social contribution activities, the Group supports Make-A-Wish Japan in its aim to fulfill the dreams of children fighting intractable diseases and participates in health fairs providing easy health checks for local residents. The Company is also implementing various initiatives that contribute to community healthcare, such as a childrearing college providing lectures on child health and childrearing for parents.</p>

IV. Matters Related to the Internal Control System, etc.

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

[Basic Approach]

The Company established and operates the following internal control system in order to ensure the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with related laws and regulations, and the preservation of assets.

[Implementation Status]

(1) System for ensuring that the execution of duties by directors and employees complies to laws and regulations and the Articles of Incorporation

- a. The Company aims to steadily carry out its Corporate Philosophy, and it is promoting corporate activities based on high ethical standards that comply with the "Qol Group Charter of Corporate Behavior," "Executive Officer and Employee Code of Ethics," and "Compliance Management Regulations" in accordance with laws, regulations, the Articles of Incorporation and internal regulations.
- b. At the Company, regarding transactions that represent conflicts of interest or that are suspected of doing so, directors constantly monitor to ensure that transactions are fair and reasonable in terms of both transaction ratio and transaction conditions without restriction on business promotion.
- c. The Company appoints outside directors. Outside directors monitor whether a system for the execution of duties by the directors is established, secured, and practiced.
- d. The Company has set up an Internal Audit Section independent of the operating departments, which monitors the appropriateness and efficiency of our business activities.
- e. The Compliance Subcommittee is established within the Risk Management Committee as a supervisory body to ensure compliance with laws and regulations, thorough corporate ethics, and thorough compliance for the Company and its group companies.
- f. The Internal Control Subcommittee is established within the Internal Control Committee as a supervisory body for internal control. This subcommittee conducts the prescribed procedures to monitor and evaluate internal control, and after review by the Internal Control Committee, reports to the president, with final decisions being made by the Board of Directors.

(2) System relating to the storage and management of information pertaining to the execution of duties by directors

Information concerning the execution of duties by directors is appropriately stored and managed based on the separately prescribed "Document Management Rules" and other internal regulations. The Audit & Supervisory Committee or its members are free to view the documents as necessary.

(3) Regulations and other systems concerning management of the risk of loss

- a. Regarding matters concerning regulations and other systems concerning the risk of loss, the Company ensures continuity and stable development of its business through the practice of risk management based on the separately prescribed "Risk Management Regulations" and other internal regulations.
- b. An Emergency Headquarters is established as quickly as possible to cope appropriately with risks arising from large-scale disasters or accidents, etc. Detailed information on risks, authorities, activities, etc. to be handled by the Emergency Headquarters is stipulated in the "Risk Management Detailed Regulations."

(4) System for ensuring efficient execution of duties by directors

- a. In principle, the Board of Directors will hold a Board Meeting once a month as a basis for ensuring efficient execution of the duties of the directors. The progress status of the annual budget will be reported, measures will be decided, and if necessary, an extraordinary board meeting will be held to respond appropriately to individual deliberation items.
- b. The Company aims for quick and efficient business operations based on the separately prescribed "Job Authority Regulations."

(5) System to ensure the appropriateness of operations in the corporate group consisting of the Company, its parent company, and its subsidiaries

- a. The "Qol Group Charter of Corporate Behavior," "Executive Officer and Employee Code of Ethics" and "Compliance Management Regulations" are used as ethical and operational guidelines for business operations in the Company and its group companies.
- b. Regarding business management, the Company manages affiliated companies through a settlement and reporting system to the Company in accordance with the "Regulations on the Management of Affiliated Companies", ensuring that the work of the entire group is done efficiently. In addition, the Company has established a system whereby reports are made to the Company each time an important business matter occurs.
- c. The Internal Audit Department audit affiliated companies on items such as personnel or financial impacts and the appropriate implementation of consolidated results on a regular or extraordinary basis from the viewpoint of group control, based on the separately prescribed "Internal Audit Regulations."
- d. If a group company violates business management, management guidance contents from the Company or laws and regulations, or when it is recognized that there is a problem with compliance, it will be reported to the Legal Department that is the secretariat of the Risk Management Committee Compliance Subcommittee. The Compliance Subcommittee can immediately report to directors who are Members of the Audit & Supervisory Committee and state its opinions. In addition to giving comments, directors who are Members of the Audit & Supervisory Committee can request improvement measures at the Board of Directors.
- e. The Company manages the risk of loss including for group companies within the scope of the risk management system through the " Risk Management Detailed Regulations."

(6) Matters concerning the employee in the case where the Audit & Supervisory Committee request the placement of an employee to assist in duties, matters concerning the independence of the employee from directors (excluding those who are Members of the Audit & Supervisory Committee), and matters concerning ensuring the ability to execute the instructions by the employee

- a. In cases where it is necessary to appoint an employee to assist in the Audit & Supervisory Committee' duties, an assistant for the Audit & Supervisory Committee is appointed from Qol group's employees. In the case where the assistant employee is serving concurrently as an audit assistant, he/she will not receive instructions from his/her superiors (directors and below) in the organization to which he/she belongs with regard to instructions given to him/her by the directors (excluding those who are Members of the Audit & Supervisory Committee. The directors who are Members of the Audit & Supervisory Committee) evaluate the Audit & Supervisory Committee assistant and the Board of Directors make decisions after gaining consent from the auditors and ensure independence from the directors (excluding those who are Members of the Audit & Supervisory Committee).
- b. The Audit & Supervisory Committee assistant does not concurrently hold a position related to the execution of duties.

(7) System for reporting to the Audit & Supervisory Committee by directors (excluding those who are Members of the Audit & Supervisory Committee) and employees, other systems for reporting to the Audit & Supervisory Committee, and system for ensuring that persons who report do not receive unfavorable treatment due to reporting

- a. Directors (excluding those who are Members of the Audit & Supervisory Committee) and employees of the Company and Group companies can report important matters regarding the business or performance of the Group to the Company's Members of the Audit & Supervisory Committee. Notwithstanding the foregoing, the Members of the Audit & Supervisory Committee may request reports from directors (excluding those who are Members of the Audit & Supervisory Committee) and employees of the Company and Group companies at any time as necessary.
- b. A system is in place to ensure that persons who report to the Members of the Audit & Supervisory Committee do not receive unfavorable treatment due to the report.

- (8) System to ensure that audits by the Audit & Supervisory Committee are carried out effectively
- a. The Company and Group company directors (excluding those who are Members of the Audit & Supervisory Committee) periodically exchange information with the Audit & Supervisory Committee.
 - b. The Internal Audit Department periodically reports the audit results to the Audit & Supervisory Committee.
 - c. The Audit & Supervisory Committee instruct the accounting auditor to explain and report on the results of accounting audits from time to time and exchange information on a regular basis.
 - d. With regard to the procedures for prepayment or redemption of expenses arising from the execution of duties by directors who are Members of the Audit & Supervisory Committee (limited to those related to the execution of duties by the Audit & Supervisory Committee) or other processing of expenses or obligations arising from the execution of duties, processing is carried out smoothly at the request of the directors who are Members of the Audit & Supervisory Committee.

(9) System to ensure the reliability of financial reporting

In order to ensure the reliability of financial reporting, the Company has established the "Basic Plan for the Establishment, Operation and Evaluation of Internal Control Related to Financial Reporting," and establishes, develops, and operates a system whereby internal control related to financial reporting functions effectively.

2. Fundamental Approach to and Preparedness for Eliminating Anti-Social Forces

[Basic Approach]

The Qol Group Charter of Corporate Behavior stipulates as basic policy that the Company will immediately sever relationships with any antisocial forces threatening the order safety of civil society. Further, the Qol Code of Ethics for Officers and Employees stipulates a firm response policy of refusing to provide profits to antisocial forces.

[Implementation Status]

The Company formulated Antisocial Forces Countermeasure Regulations in order to maintain its system for eliminating antisocial forces. In response to antisocial forces that threaten social order and the healthy business activities, the Company coordinates with outside agencies such as the police and advisory law firms to ensure this system can respond in a systematic and resolute manner.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted
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Supplementary explanation

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2. Other Matters Concerning Corporate Governance Structure, etc.

(1) Timely disclosure policy

The Company's basic stance is to disclose company information necessary for investors to accurately judge the value of their investment in the Company in a timely and appropriate manner utilizing a system created to enable prompt disclosure.

(2) Internal system for timely disclosure

As the organization in charge of timely disclosure, the Disclosure Secretariat was established under the person in charge of handling information to clarify the management of information related to timely disclosure and the division of practical roles.

The departments in charge of Corporate Planning, Business Management and Public Relations and IR collect information on decision-making and incident details, then prepare the relevant disclosure documents. The department in charge of Business Management collects information on financial results and prepares disclosure documents. The department in charge of Corporate Planning collects information on decision-making and incident details related to its subsidiaries, then prepare the relevant disclosure documents.

As this information affects the investment decisions of investors, the Company takes measures to prevent information leakage and prohibit insider trading based on regulations to prevent insider trading.

Additionally, to ensure shareholders have opportunities to fairly and easily obtain key information about the Group, the Company posts summaries of quarterly and full-year income statements and other information that may directly affect shareholder interests as necessary.

In addition to timely disclosure based on Tokyo Stock Exchange and other rules and regulations, the Company makes an effort to quickly and simply disclose information on the Company website even regarding matters for which there are no requirements under the timely disclosure system.

<The expertise and experience expected of each Director>

	1	2	3	4	5	6	7	8	Qualification
	Corporate management	Finance and accounting	Pharmacy Business	Pharmaceutical Manufacturing Business	Business strategy and Marketing	M&A	Legal affair and Compliance	HR and Labor	
Takashi Nakamura	●		●	●	●	●	●	●	
Takayoshi Ishii	●			●	●	●			
Kiyonobu Fukumitsu	●	●			●		●		
Shinobu Karasawa			●		●		●		Pharmacist
Yutaka Togashi		●		●			●	●	
Kei Imai			●		●	●			Pharmacist
Yuji Suzuki			●		●		●		Pharmacist
Toshiko Kuboki							●		Lawyer
Yukiharu Yamamoto		●							Certified Tax accountant
Yasutoshi Mori		●							Certified Tax accountant
Motoyuki Miyazaki		●							Certified public accountant
Kazuo Ishii		●							Certified public accountant

*Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices

Note: The above list does not represent all the knowledge and experience of each person.