

Report date: March 27, 2024
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I. Basic Stance on Corporate Governance, Shareholder Composition, Corporate Data and Other Basic Information

1. Basic Stance on Corporate Governance

(1) Suzuken's basic philosophy regarding corporate governance

The Suzuken Group positions the strengthening of corporate governance as an important theme of management. Moreover, through efforts focused on strengthening our managerial systems, strengthening our risk management systems, and promoting disclosure and accountability, we endeavor to increase stakeholder trust in our group and achieve our continued and sound development.

(2) Measures related to corporate governance and their implementation

1) Strengthening our management framework

Suzuken employs a system in which the Board of Directors is responsible for the oversight of management and the decision-making process and executive officers are responsible for performing business operations. We have terminated the retirement benefit system for directors and corporate auditors, reduced the number of directors, and established a compensation system that is linked to the company's performance and each individual's contributions. In addition, at the conclusion of the 75th General Meeting of Shareholders held on June 25, 2021, we transitioned to the system of a company with an Audit and Supervisory Committee, with the aim of further enhancing the company's corporate governance and strengthening the supervisory and check functions of the Board of Directors.

For the management of subsidiaries, we supervise and audit the performance of executives and employees of subsidiaries. The primary measures are sending directors and corporate auditors to subsidiaries, receiving reports and approving decisions as required by the related company management rules, and periodically auditing subsidiaries by using Suzuken's Audit and Supervisory Committee, Internal Audit Office and accounting auditor. Furthermore, each subsidiary has an internal control system and guidance program that reflects the characteristics of its business operations.

2) Strengthening our risk management framework

a. Suzuken views compliance as one of the fundamental elements of business activities. Furthermore, we understand that protecting our assets is necessary for meeting the expectations of all stakeholders. This is why we are dedicated to establishing, maintaining and operating an effective risk management framework.

The main organizational units for establishing this framework and their roles are as follows.

- Board of Directors

The Board of Directors has the authority and responsibility to perform the overall supervision of risk management from a strategic standpoint. In addition, the directors reach decisions about the appropriate allocation of resources and comprehensive risk countermeasures to facilitate the trouble-free execution of corporate strategies.

- Officer in Charge of Risk Management

This officer supervises risk management for the entire Suzuken Group. Duties include oversight and instructions for the Risk Management and Compliance Committee, Business Segment Risk Management Practices Committee, Risk Management and Compliance Practices Committee, Review and Supervisory Practices Committee for Sales Information Provision Activities, Antimonopoly Act Compliance Expert Committee, Compliance Department, departments associated with risk management, and risk management officers.

- Risk Management and Compliance Committee

This committee, which is supervised by the Board of Directors, determines risk management policies and goals to ensure that the Suzuken Group's risk management is performed properly. The committee submits information and reports to the directors as required.

- Business Segment Risk Management Practices Committee

This committee examines the measures from practical perspective and submits essential reports and proposals to the Risk Management and Compliance Committee to manage risks of the Group segments in an effective and efficient manner.

- Risk Management and Compliance Practices Committee

Risk Management Practices Committee examines the measures from practical perspective and submits essential reports and proposals to the Risk Management and Compliance Committee to manage risks of the entire Group in an effective and efficient manner.

- Review and Supervisory Practices Committee for Sales Information Provision Activities

Review and Supervisory Practices Committee for Sales Information Provision Activities effectively and efficiently reviews and supervises the sales information provision activities of the Group. The Committee examines the challenges from practical perspective and submits essential reports and proposals to the Risk Management and Compliance Committee for the purpose of submitting necessary proposals based on regular reports provided by the Pharmaceutical Affairs Supervisory Office.

- Antimonopoly Act Compliance Expert Committee

Antimonopoly Act compliance is one of the top priority items in the governance of the Group's distribution business segment. Accordingly, the committee regularly assesses the actual situation, examines and verifies the specific aspects of policies, and submits essential reports and proposals to the Risk Management and Compliance Committee.

- Compliance Department

This office, which is overseen directly by the president, oversees and manages all types of risk. The office coordinates risk-related matters among managers, departments and subsidiaries. The office also performs centralized management for monitoring and analyzing the status of all types of risks for the entire organization and for proposing and implementing countermeasures.

- Persons Responsible for Each Head Office Department (Risk Owners)
For primary risks, risk information is collected quickly by working with the Compliance Department and proposals and other actions are taken to prevent specific problems from happening again.
 - Risk Officers
Risk Officers are responsible for risk management at individual departments and subsidiaries. One role is telling employees in their respective workplaces about items concerning risk management that were examined by a risk management committee. Another role is performing risk management and educating employees about risk management.
- b. The Suzuken Group has established the Corporate Ethics Hotline internal reporting system so that important information about ethics can be received quickly. This hotline is designed to supplement the group's systems for sincere compliance with laws and regulations at Suzuken and its subsidiaries.

3) Upgrading Disclosure and Accountability

Suzuken is taking actions to announce results of operations sooner and upgrade IR information provided through Suzuken Group Integrated Report, the corporate website and other channels.

Furthermore, in addition to complying with disclosure regulations, we have voluntarily established an aggressive stance for timely disclosure in order to make our operations more transparent. To upgrade accountability, we provide thorough explanations of our management policies and associated actions at shareholders meetings, information meetings for analysts and individuals, and other events. By providing this information, we want to give people a better understanding of Suzuken and earn their trust.

Reasons for Non-Implementation of Principles of the Corporate Governance Code

Suzuken has implemented all of the principles of Japan's Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code Updated

[Principle 1.3 Basic Capital Policy]

The Suzuken Group's basic policy is to maintain stable dividends and to return profits to shareholders with a total payout ratio of at least 100% over the 3-year period average ending March 31, 2026, the final year of our medium-term management plan, "For your next heartbeat — Creating a movement toward tomorrow."

The objectives of the Suzuken Group are to enhance returns to shareholders and to improve corporate value and capital efficiency through reinforcing existing business areas and making investment toward creation of new business.

[Principle 1.4 Cross-Shareholdings]

Suzuken's basic policy on cross-shareholdings is to hold shares of companies that will help to increase its corporate value, as a means of building, maintaining, and strengthening transactional and collaborative relationships. The Board of Directors examines individual cross-shareholdings to determine whether they are appropriate. Shares of companies that are deemed unlikely to increase corporate value are sold, giving consideration to timing and so forth.

Regarding the reduction in cross-shareholdings, we announced a policy in May 2021 and are continuing to apply it in the medium-term management plan, "For your next heartbeat — Creating a movement toward tomorrow."

[Efforts to Reduce Cross-shareholdings for Improvement of Corporate Value in the Medium- to Long-Term]

- Size: Approx. 10% of net assets
- Period: Step by step aiming for fiscal 2024

Since the announcement of the above policy, we reduced the number of cross-shareholdings by 17 (including partial sales) by fiscal 2022, totaling approx. ¥13.0 billion.

In addition, we have implemented a reduction of approx. ¥7.1 billion across 4 cross-shareholdings in the first half of fiscal 2023.

In exercising its voting rights related to cross-shareholdings, the Company makes a comprehensive judgement based on whether or not the proposal will lead to the increase of its corporate value in the medium-to long-term, and whether it will lead to shared benefit for the shareholders of the company concerned.

[Principle 1.7 Related Party Transactions]

Suzuken has prohibited related party transactions with directors and corporate auditors in the "Regulations related to Directors and Corporate Auditors." For related party transactions with major shareholders, we observe the procedures stipulated in the Companies Act and require the transactions to be reported in the Board of Directors meetings in accordance with the Board of Directors Rules. Moreover, related party transactions are disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations.

[Supplementary Principle 2.4.1 Ensuring Diversity in the Appointment, etc., of Core Personnel]

The Suzuken Group has formulated an action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and promoted participation by female employees. Through these efforts, three Suzuken Group companies, including Suzuken, have been recognized by the Ministry of Health, Labour and Welfare for their exceptional efforts to promote the careers of women, and have received the Eruboshi certification from the Ministry.

Suzuken and its Group companies have in total appointed three female directors and four female executive officers.

Additionally, the Suzuken Group has been implementing various measures to increase the ratio of female employees in equivalent managerial positions, aiming for 20% or more female managers by fiscal 2030.

In addition, Suzuken JoinUs Co., Ltd., which was established in December 2013 and certified as a "special subsidiary" in April 2015, is actively recruiting job seekers with disabilities, identifying the characteristics of each person, and working to expand and firmly establish employment.

The Suzuken Group appoints employees based on the required experience and skills, irrespective of nationality and age. We have not set independent and measurable targets for the appointment of foreign nationals and mid-career employees to managerial positions.

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

The Company invests its corporate pension fund through the Suzuken Corporate Pension Fund, whose Board of Representatives comprises selected members who possess the appropriate qualities for managing a corporate pension fund. Furthermore, an Asset Management Committee monitors the status of management of the pension assets periodically in accordance with regulations to ensure safe and efficient management of the pension funds, as part of the Company's effort to establish an appropriate environment for management of the pension funds.

[3.1 Full Disclosure]

(1) Company objectives (e.g., business principles), business strategies and business plans

The Suzuken Group's Management Principles and Suzuken's medium-term management plan are published on its corporate website. Please refer to the following URLs.

(Suzuken Group's Management Principles: <https://www.suzuken.co.jp/en/company/philosophy.html>)

(Medium-term management plan: <https://www.suzuken.co.jp/en/ir/strategy/>)

(2) Suzuken's basic philosophy and basic policy regarding corporate governance

The Suzuken Group positions the strengthening of corporate governance as an important theme of management. Moreover, through efforts focused on strengthening our managerial systems, strengthening our risk management systems, and promoting disclosure and accountability, we endeavor to increase stakeholder trust in our group and achieve our continued and sound development. Please refer to section "I. 1. Basic Stance on Corporate Governance" in this report.

(3) Director compensation

With regard to compensation for directors (excluding the directors that are Audit and Supervisory Committee members), Suzuken has a Nomination and Compensation Committee, of which the majority is comprised of outside directors, for the purpose of ensuring the transparency and objectivity of nominations and compensation for directors.

Compensation for directors (excluding the directors that are Audit and Supervisory Committee members) is decided by the Board of Directors following a comprehensive and objective study by the Nomination and Compensation Committee. This study involves a broad-based evaluation of the performance of directors. This evaluation follows the Regulations for Evaluations of Directors, Executive Officers, and Counselors and the Regulations for Treatment of Directors, Executive Officers, and Counselors and uses company-wide performance indicators, together with the performance indicators of the business units a director oversees.

(4) Appointment, dismissal and nomination of directors

Suzuken has a Nomination and Compensation Committee, of which the majority is comprised of outside directors, for the purpose of ensuring the transparency and objectivity of nominations and compensation for director candidates.

In nominating the candidate directors (excluding the directors that are Audit and Supervisory Committee members), the Nomination and Compensation Committee assesses the candidates and deliberates on nominations, and then the Board of Directors makes a resolution on them. In nominating the candidate directors that are Audit and Supervisory Committee members, in accordance with the approval and request of the Audit and Supervisory Committee, the Nomination and Compensation Committee deliberates on nominations, and then the Board of Directors makes a resolution on them.

For dismissals, the Company has an established policy and procedure in its Internal Rules for Corporate Officers.

(5) Explanation regarding individual appointments and, dismissals nominations

The individual career summaries of each of the directors for appointment, dismissal or nomination, as well as the reason for their appointment or dismissal are provided in the notices of the General Meeting of Shareholders. Please refer to the following URL.

(Notice of the General Meeting of Shareholders: <https://www.suzuken.co.jp/en/ir/stockinfo/generalmeeting.html>)

[Supplementary Principle 3.1.3 Enhancing Information Disclosure on Sustainability]

[Sustainability Initiatives]

As the Suzuken Group fulfills its social infrastructure mission of pharmaceutical distribution, it is also continuously creating new value by combining the functions of its various businesses and collaborating companies in the field of health creation. In doing so, we are helping to bring about a sustainable society and enhancing our corporate value.

We have identified critical ESG themes, in light of our changing business environment and social trends.

Collaboration with stakeholders is indispensable for value creation, and we aim to resolve social issues while undertaking periodic reviews through interactive communication.

For specific information, please refer to the Suzuken Group Integrated Report at the URL listed below.

(One Team Report 2023: <https://www.suzuken.co.jp/en/ir/library/annual/>)

In order to resolve social issues through business based on sustainable management, and to achieve sustainable growth for the Suzuken Group through providing new value, Suzuken established the Sustainability Committee as an organization under the direct control of the president on April 1, 2022 and is constructing an implementation system that connects all Group companies centering on this Committee. Information about sustainability initiatives is provided in the Securities Report (<https://www.suzuken.co.jp/ir/library/yuka/>).

[Investment in Human Resources and Intellectual Property]

People are the most important business resource in the Suzuken Group. And as the environment surrounding our Group undergoes great changes at previously unimagined speeds, we feel the need to foster personnel with diverse ideas that can adapt to these changes in order to achieve our goal of becoming a "health creation enterprise" which contributes to all elements of the patients' healthcare lifecycle.

We will gather diverse human resources not only from the Group but also from our partner companies, becoming "One Team". With our aim to contribute to society through our business, we are carrying out human resource management which makes maximum use of individual growth and abilities in our business management.

For details, please refer to the Securities Report (<https://www.suzuken.co.jp/ir/library/yuka/>).

[Supplementary Principle 4.1.1 Matters for Resolution by the Board of Directors and Scope of Delegation]

Suzuken has stipulated matters to be resolved and matters to be reported under the Board of Directors Rules and the Board of Directors Detailed Rules, and has set out the Duties and Authority Rules to define the scope of delegation to the management team, including the division of work and position responsibilities and authority. It has also set out the criteria and procedures for making requests in the Request Rules.

[4.9 Independence Standards and Qualification for Independent Outside Directors]

Suzuken selects independent outside directors who satisfy the criteria for outside directors set out in the Company's Act and the criteria for independence provided by securities exchanges. Suzuken gives overall consideration to their advanced expertise and insight, and their contribution to decision-making from an objective and neutral perspective, and to performing supervision and oversight.

Please refer to "II.1 [Directors] and [Corporate Auditors]" in this report.

[Supplementary Principle 4.10.1 Nomination and Compensation Committee]

To discuss nomination and compensation for the directors, executive officers, counselors, and trustees, the Company has established the Nomination and Compensation Committee comprising a total of seven members, which consists of two representative directors, four outside directors, and one supreme advisor, who are appointed by the Board of Directors.

The majority of the committee members are comprised of outside directors, for the purpose of ensuring the transparency and objectivity of

the nomination and compensation. The chairperson of the committee is appointed by the Board of Directors from among the committee members.

None of the outside directors has a personal, investment, business, or other vested interest in the Company, and none of the items given by securities exchanges, in provisions regarding independent officers, as causes for concern regarding conflicts of interest with ordinary shareholders, apply. Based on the assessment that they are highly independent from the Company, all of the outside directors have been designated as independent directors.

[4.11.1 Approach to Balance, Diversity, and Size of the Board of Directors as a Whole]

Suzuken's Board of Directors is composed of internal directors with a deep knowledge and experience of Suzuken's businesses and outside directors with high level specialist knowledge and insight. The members are selected without consideration of gender, age, and other personal characteristics, with a view to achieving diversity as well as an appropriate scale (the Articles of Incorporation stipulate no more than 14 members. Breakdown: No more than 9 directors (excluding the directors that are Audit and Supervisory Committee members), no more than 5 directors that are Audit and Supervisory Committee members). With this balanced composition, the Board of Directors carries out multifaceted decision making as well as supervision and oversight.

The skill matrix of each director is provided in the notices of the General Meeting of Shareholders. Please refer to the following URL. (Notice of the General Meeting of Shareholders: <https://www.suzuken.co.jp/en/ir/stockinfo/generalmeeting.html>)

[Supplementary Principle 4.11.2 Status of Concurrent Executive Positions Held by Directors at Other Listed Companies]

The status of concurrent positions held by directors is provided in the notices of the General Meeting of Shareholders. Please refer to the following URL.

(Notice of the General Meeting of Shareholders: <https://www.suzuken.co.jp/en/ir/stockinfo/generalmeeting.html>)

[Supplementary Principle 4.11.3 Overview of the Results of Board of Directors Evaluations]

Results of the evaluation of the effectiveness of Suzuken's Board of Directors for the fiscal year that ended on March 31, 2023 are as follows:

(1) Summary

The Board of Directors is systematically linked with meeting bodies such as the Nomination and Compensation Committee, the Management Meeting, the Management Planning Meeting and the Group Company Performance Reporting Meeting (hereinafter referred to as "linked meeting bodies"), through which the Board enhances the governance of the entire Group.

Accordingly, the Company carries out the evaluation of the effectiveness of the Company's Board of Directors, while confirming that these meeting bodies are systematically linked with the Board of Directors, for which the relationships among them are shown in the Overview of Framework for Corporate Governance.

(2) Persons responsible for evaluation and entities to be evaluated

In order to secure neutrality and independence, five independent outside directors are responsible for the evaluation of the effectiveness of the Board of Directors, and the Business Administration Department functions as a secretariat for carrying out the evaluation.

With regard to the evaluation of the effectiveness of the Board of Directors, in addition to the activities of the Board of Directors itself, the Company also monitors the activities of the linked meeting bodies.

All or some of the independent outside directors constantly attend linked meeting bodies throughout the business year. Those independent outside directors who could not attend shall review agenda materials and minutes, or receive information from attending outside directors or others. Based on these confirmation that the Board of Directors is systematically linked with these linked meeting bodies, they monitor whether the Board of Directors is functioning effectively and whether corporate governance is functioning well across the Group.

(3) Key items for confirmation

The evaluation of the effectiveness of the Board of Directors for the fiscal year that ended on March 31, 2023 was carried out based on the following key confirmation items.

- 1) Ongoing confirmation of the status of legal compliance systems throughout the Group
- 2) Confirmation of the achievement status of the medium-term growth strategy
- 3) Confirmation of the status of formulating the plan for the next period
- 4) Confirmation of the status of the governance system throughout the Group

(4) Collation of evaluation results

After the end of each business year, the independent outside directors report and discuss the details monitored by each director and collate evaluation results of the effectiveness of the Board of Directors for the said business year. The evaluation results collated through these methods shall be submitted to the Board of Directors as agenda items, and confirmed and shared with the directors who execute business operations.

These evaluation results shall be submitted to the Board of Directors and the Management Meeting, and shared and confirmed by all directors and executive officers.

(5) Evaluation results of the effectiveness of the Board of Directors for the fiscal year ended March 2023

Evaluation results of the effectiveness of the Board of Directors for the fiscal year that ended on March 31, 2023, which have been confirmed through the above-mentioned process, are as follows:

- 1) The Board of Directors consists of five internal directors and five outside directors, which has been appropriately operated through by means such as the concurrent use of the online meeting system and with the exchange of vigorous and various opinions.
- 2) The linked meeting bodies exchange vigorous and various opinions through by means such as the concurrent use of the online meeting system, to determine matters submitted by the Board of Directors for deliberation, confirm a PDCA cycle across the Group, and decide on other matters appropriately.
- 3) It has been recognized that the Board of Directors has restructured the Antimonopoly Act compliance system throughout the Group and is endeavoring to prevent recurrence of the problem.
The Board of Directors will continue to carry out checks.
- 4) It has been recognized that the Board of Directors is continuously checking the status of development of the legal compliance system across the Group.
The Board of Directors will continue to carry out checks to ensure that the legal compliance system is put in place.
- 5) It has been recognized that the Board of Directors is effectively developing a governance system through the efficient operation of the Board of Directors, the organization of the linked meeting bodies, and the enhancement of the Management Meeting.
- 6) It has been recognized that the Board of Directors has carried out Suzuken's medium-term growth strategy "May I 'health' you? 5.0,"

formulated a new medium-term management plan, and steadily promoted initiatives such as the establishment of new businesses for the third development phase.

7) It has been recognized that the Board of Directors has been appropriately monitoring the implementation of the Group's medium- and long-term strategies in cooperation with the Management Meeting, the Group Company Performance Reporting Meeting, etc.

(6) Key items for confirmation in the fiscal year ending March 31, 2024

In light of the process for evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2023, the evaluation for this fiscal year shall be conducted based on the following key items for confirmation.

- 1) Confirmation of progress status for the new medium-term management plan
- 2) Confirmation of the governance system throughout the Group
- 3) Ongoing confirmation of the legal compliance systems throughout the Group

[Supplementary Principle 4.14.2 Policy on Training of Directors]

Suzuken conducts training for newly appointed directors on risk and compliance. Furthermore, we also provide the necessary external training, e-learning based internal training, and so forth, that is needed for them to adequately fulfill their roles and responsibilities.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

(1) Basic stance

Suzuken is taking actions to announce results of operations sooner and upgrade IR information provided through Suzuken Group Integrated Report, the corporate website and other channels. Furthermore, in addition to complying with disclosure regulations, we have voluntarily established an aggressive stance toward conducting timely disclosure in order to make our operations more transparent.

(2) Structure

Suzuken has appointed an IR executive and has established the Corporate Communication Department and Corporate Planning Department as IR departments.

(3) Dialogue

Suzuken holds earnings results presentations twice a year as well as visiting institutional investors. Please refer to "III. 2. Investor Relations (IR) Activities" in this report.

*Furthermore, the Nomination and Compensation Committee was not established in accordance with any law or regulation.

[Initiatives for Achieving Management with a Focus on Cost of Capital and Stock Price] [English version available]

Suzuken has established a strategic policy to pursue management that is conscious of cost of capital and stock prices in order to achieve sustainable growth and enhance long-term corporate value.

For more details, please refer to our company website.

Notice Concerning the Formulation of Policy for Achieving Management with a Focus on Cost of Capital and Stock Price, and Revision of Medium-term Management Plan and Shareholder Return Policy: <https://ssl4.eir-parts.net/doc/9987/announcement3/94164/00.pdf>

Financial results briefing for the Second Quarter of the fiscal year ending March 2024:

https://ssl4.eir-parts.net/doc/9987/ir_material_for_fiscal_ym10/146290/00.pdf

[Status of Dialogue with Shareholders]

(1) Primary persons responsible for dialogue with shareholders

Disclosure manager (Senior General Manager of Corporate Group Planning Headquarters and General Manager of Corporate Planning Dept.) and IR administrative liaison (General Manager of Business Administration Dept.)

(2) Overview of the shareholders with whom dialogue was held

Institutional investors in Japan and overseas: 61 companies (total 96 meetings) *Results as of March 26, 2024
Professional areas of persons engaging in dialogue: Analysts, fund managers, etc.

(3) Primary dialogue themes and matters of shareholder concern

Overview of financial results, medium-term management plan, returns to shareholders, growth strategy for each segment, etc.

(4) Status of feedback to the management team and the Board of Directors with regard to the shareholder opinions and concerns identified through dialogue

The department responsible prepares a summary of the dialogue and reports to the management team at the appropriate times. The Board of Directors conducts meetings and other discussions according to the matter involved.

2. Shareholder Composition

Percentage of foreign shareholders	30% or above
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[Principal Shareholders]

Name	Number of shares	Shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	10,105,700	12.21
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	4,941,000	5.97
Custody Bank of Japan, Ltd. (Trust account)	3,336,800	4.03
Yoshiki Bessho	2,441,223	2.95
Hisayo Izawa	2,404,080	2.90
Chika Bessho	2,340,294	2.82
Masaki Bessho	2,265,678	2.73
NORTHERN TRUST CO.(AVFC)RE U.S.TAX EXEMPTED PENSION FUNDS	2,129,109	2.57
Suzuken Group Employee Stock Ownership Association	1,953,584	2.36
Keiko Suzuki	1,837,200	2.22

Has a controlling shareholder	—
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Has a parent company	None
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Supplementary explanation

The status of major shareholders is current as of March 31, 2023.

3. Corporate Data

Stock listings and markets	Prime Markets of the Tokyo and Nagoya Stock Exchanges, and the Sapporo Securities Exchange
Fiscal year-end	March 31
Business type	Wholesale
Number of employees (Consolidated)	1,000 or more
Operating transactions (Consolidated)	¥1,000 billion or more
Number of consolidated subsidiaries	10 to under 50

4. Policy Concerning Protection of Minority Interests When Transacting with Controlling Shareholder

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5. Other Special Circumstances That Could Materially Affect Corporate Governance

None

II. Management Organization and Other Corporate Governance Systems Concerning Management Decision-Making, Execution and Supervision

1. Matters Concerning Organizational Form and Organizational Management

Organizational form	Company with an Audit and Supervisory Committee System
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[Directors]

Number of directors in Articles of Incorporation	14
Term of office for directors in Articles of Incorporation	1 year
Chairperson of Board of Directors	President
Number of directors	10
Appointment of outside directors	Yes
Number of outside directors	5
Number of outside directors designated as independent directors	5

Relationship to SUZUKEN CO., LTD. (1)

Name	Association	Relationship to Suzuken (*)												
		a	b	c	d	e	f	g	h	i	j	k		
Toshiaki Iwatani	Attorney													
Yasunori Usui	Other													
Shunichi Samura	Other													
Takeshi Ogasawara	Other													
Toshimichi Kondo	Certified public accountant						△							

*Selection criteria regarding the relationship with the company:

“○” shows each item currently or recently applicable to the said individual; “△” shows each item applicable in the past to the said individual; “●” shows each item currently or recently applicable to a close relative of the said individual; “▲” shows each item applicable in the past to a close relative of the said individual.

- Person who executes business of the company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the company is a major client or a person who executes business for such person/entity
- Major client of the company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/auditor compensation from the company
- Major shareholder of the company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the company (excluding persons categorized as any of d, e, or f above)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the company
- Person who executes business for an entity receiving contributions from the company
- Others

Name	Audit and Supervisory Committee member	Independent director	Supplementary information concerning applicable items	Reason for appointment as outside director (Including reason for designation as independent director)
Toshiaki Iwatani	○	○	—	We asked Mr. Iwatani to become a Suzuken director because we judged that he is able to reach decisions from an objective and neutral perspective and that he is suitable to perform supervisory and oversight tasks based on his expertise and insight as an attorney. Regarding Mr. Iwatani's classification, none of the items of securities exchanges concerning the possibility of a conflict of interest with ordinary shareholders is applicable. Therefore, we believe he has a high degree of independence and have designated him as an independent director. For this designation, preliminary discussions were held at which Mr. Iwatani agreed to receive this designation.
Yasunori Usui		○	—	We asked Mr. Usui to become a Suzuken director because we judged that he is able to reach decisions from an objective and neutral perspective and that he is suitable to perform supervisory and oversight tasks based on his expertise and insight of his service in administration of health, labor and welfare. Regarding Mr. Usui's classification, none of the items of securities exchanges concerning the possibility of a conflict of interest with ordinary shareholders is applicable. Therefore, we believe he has a high degree of independence and have designated him as an independent director. For this designation, preliminary discussions were held at which Mr. Usui agreed to receive this designation.
Shunichi Samura		○	—	We asked Mr. Samura to become a Suzuken director because we judged that he is able to reach decisions from an objective and neutral perspective and that he is suitable to perform supervisory and oversight tasks based on his deep knowledge and insight acquired in his many years of service in business management mainly in the department store industry. Regarding Mr. Samura's classification of independent director, none of the items of securities exchanges concerning the possibility of a conflict of interest with ordinary shareholders are applicable. Therefore, we believe he has a high degree of independence and have designated him as an independent director. For this designation, preliminary discussions were held at which Mr. Samura agreed to receive this designation.
Takeshi Ogasawara	○	○	—	We asked Mr. Ogasawara to become a Suzuken director because we judged that he is able to reach decisions from an objective and neutral perspective and that he is suitable to perform supervisory and oversight tasks based on his deep knowledge and insight acquired in his many years of service in corporate management mainly in the financial industry. Regarding Mr. Ogasawara's classification of independent director, none of the items of securities exchanges concerning the possibility of a conflict of interest with ordinary shareholders are applicable. Therefore, we believe he has a high degree of independence and have designated him as an independent director. For this designation, preliminary discussions were held at which Mr. Ogasawara agreed to receive this designation.
Toshimichi Kondo	○	○	Mr. Kondo was previously employed at Marunouchi Audit Corporation (now Deloitte Touche Tohmatsu), however he left the office (January 1985) before its merger with Tohmatsu and was not involved in any audits of Suzuken.	We asked Mr. Kondo to become a Suzuken director because we judged that he is able to reach decisions from an objective and neutral perspective and that he is suitable to perform supervisory and oversight tasks based on his expertise and insight as a certified public accountant and tax accountant. Regarding Mr. Kondo's classification of independent director, none of the items of securities exchanges concerning the possibility of a conflict of interest with ordinary shareholders are applicable. Therefore, we believe he has a high degree of independence and have designated him as an independent director. For this designation, preliminary discussions were held at which Mr. Kondo agreed to receive this designation.

[Audit and Supervisory Committee]

Committee composition and affiliation of the chairperson

	Number of members	Standing members	Internal directors	Outside directors	Committee chairperson
Audit and Supervisory Committee	4	1	1	3	Outside Director

Directors and employees to assist with the duties of the Audit and Supervisory Committee

Yes

Matters related to independence from the executive directors of employees and said directors

The Company has set up an Audit and Supervisory Committee secretariat to assist with the duties of the Audit and Supervisory Committee, and allocated a person (former internal corporate auditor) from the company with abundant practical experience in Suzuken's businesses as full-time head of the Audit and Supervisory Committee secretariat, to assist with the duties of the Audit and Supervisory Committee. Changes in the head of the Audit and Supervisory Committee secretariat will be made with the approval of the Audit and Supervisory Committee.

Cooperation between the Audit and Supervisory Committee, accounting auditor, and internal audit division

At the conclusion of the 75th General Meeting of Shareholders held on June 25, 2021, the Company transitioned to the system of a company with an Audit and Supervisory Committee.

To facilitate interaction between the accounting auditor and the Audit and Supervisory Committee, there are four meetings each year at an Audit and Supervisory Committee with the accounting auditor Deloitte Touche Tohmatsu. The accounting auditor submits audit and quarterly review plans, interim audit progress reports, second-half audit progress reports, audit reports, and the independent auditor's report. The Audit and Supervisory Committee receives an explanation each time one of these documents is submitted, and there is a discussion about these reports.

Furthermore, the Audit and Supervisory Committee uses mutual cooperation with the accounting auditor for the purpose of performing audits efficiently and effectively. For example, Audit and Supervisory Committee members and the Audit and Supervisory Committee secretariat accompany the accounting auditor on visits to Suzuken's business sites and subsidiaries.

There is also collaboration between the Audit and Supervisory Committee and the Internal Audit Office (internal audit division). Audit and Supervisory Committee members and members of this office hold discussions about the proposed fiscal year audit plan and work together to perform audits efficiently. The Internal Audit Office submits regular audit reports to the Audit and Supervisory Committee. Using this mutual interaction makes it possible to perform efficient and effective audits.

[Voluntary Committee]

Voluntary committee corresponding to a nomination committee and a compensation committee

Yes

Establishment status of voluntary committee, membership composition, affiliation of the chairperson

	Name of committee	Number of members	Standing members	Internal directors	Outside directors	Outside experts	Others	Committee chairperson
Voluntary committee corresponding to a nomination committee	Nomination and Compensation Committee	7	0	2	4	0	1	Board of Directors
Voluntary committee corresponding to a compensation committee	Nomination and Compensation Committee	7	0	2	4	0	1	Board of Directors

Supplementary explanation Updated

To discuss nomination and compensation for the directors, executive officers, counselors, and trustees, the Company has established the Nomination and Compensation Committee comprising a total of seven members, which consists of two representative directors, four outside directors, and one supreme advisor, who are appointed by the Board of Directors. The majority of the committee members are comprised of outside directors, for the purpose of ensuring the transparency and objectivity of the nomination and compensation. The chairperson of the committee is appointed by the Board of Directors from among the committee members.

*As of June 27, 2023

Chairperson Shigeru Asano, President and Chief Executive Officer

Committee member Yoshiki Bessho, Supreme Advisor

Committee member Hiromi Miyata, Chairman and Executive Officer

Committee member Toshiaki Iwatani, Outside Director, Audit and Supervisory Committee Member

Committee member Yasunori Usui, Outside Director

Committee member Shunichi Samura, Outside Director
Committee member Takeshi Ogasawara, Outside Director, Audit and Supervisory Committee Member

* Furthermore, we are planning to change the structure of the Nomination and Compensation Committee following the 2024 General Meeting of Shareholders as outlined below.

Chairperson Shunichi Samura, Outside Director
Committee member Shigeru Asano, President and Chief Executive Officer
Committee member Hiromi Miyata, Director and Chairman
Committee member Takeshi Ogasawara, Outside Director, Audit and Supervisory Committee Member
Committee member Toshimichi Kondo, Outside Director, Audit and Supervisory Committee Member

[Independent Directors and Corporate Auditors]

Number of independent directors and corporate auditors

5

Other matters concerning independent directors and corporate auditors

Suzuken designates as independent directors all outside directors who fulfill the requirements for this designation.

[Incentive System]

Initiatives to offer incentives to directors

Introduced results-linked remuneration system, others

Supplementary explanation regarding applicable item

The compensation system for directors (excluding directors that are Audit and Supervisory Committee members) has two divisions: 1) fixed compensation and 2) compensation linked to the company's performance. The Company has set a higher proportion for the compensation linked to the company's performance, reflecting earnings results. With respect to the compensation system, the same criteria are applied to all directors, except for the supreme advisor as well as outside directors.

Regarding the compensation linked to the company's performance, the Company has established the "individual performance evaluation-based compensation" determined based on performance targets and the "ordinary profit-linked compensation" determined by multiplying consolidated ordinary profit by a certain percentage as short-term incentives, and the "share compensation" as a medium- and long-term incentive. Fixed compensation is paid to the supreme advisor, as well as to outside directors and directors that are Audit and Supervisory Committee members.

For performance-linked compensation indicators, the Company has set performance targets in two areas, i.e., "company-wide performance" and "performance of the business units a director oversees," and uses a higher percentage of "company-wide performance" when evaluating the performance of directors at a higher position. With respect to the target of "company-wide performance," the Nomination and Compensation Committee deliberates on items that can most effectively contribute to attaining the medium-term management plan, and then the Board of Directors passes a resolution regarding this. The Company has set three target items for the "company-wide performance" for this business year: consolidated market share of medical-use pharmaceuticals, consolidated sales and consolidated ordinary profit margin. Therefore, evaluations are conducted based on the Company's consolidated earnings forecast. With respect to the "performance of the business units a director oversees," the Company has set performance indicators depending on roles and responsibilities of each business unit.

Eligible persons for stock options

Supplementary explanation regarding applicable item

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[Disclosure Concerning Directors' Remuneration]

Degree of disclosure

No disclosure of individual remuneration

Supplementary explanation regarding applicable item

Disclosure of total compensation for all directors.

Has a policy for setting remuneration amounts and calculation method

Yes

Details of Policy for Setting Remuneration Amounts and Calculation Method

Total compensation for directors (including directors that are Audit and Supervisory Committee members) for the 77th fiscal year (from April 1, 2022 to March 31, 2023) was ¥391 million. Information about compensation for directors is provided in the Securities Report.

[Support System for Outside Directors]

Suzuken provides the following support in order to enable outside directors to perform their duties with greater effectiveness.

- Regarding the provision of information concerning items submitted for decisions to the Board of Directors, materials are supplied in advance and, as necessary, there is a preliminary explanation by the department involved.
- Suzuken uses its internal communication systems to create an environment that gives directors, executive officers, counselors, trustees, and employees equal access to information.
- Individuals are asked to attend important internal meetings as needed.

2. Matters Concerning Business Execution, Audit and Supervision, Nomination, Remuneration and Other Functions

(1) Directors and Board of Directors

The Board of Directors examines important matters and reaches decisions in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors Rules and other internal rules. The board also oversees the performance of the directors and executive officers.

The Board of Directors made decisions about matters prescribed by law and important matters concerning management.

Furthermore, by using reports from directors and executive officers, the directors conduct mutual supervision of the suitability and efficiency of how the directors perform their duties.

To ensure that directors' decisions are proper and verify the legality and suitability of how they perform their duties, four Audit and Supervisory Committee members (three outside directors) attend all meetings of the Board of Directors. At board meetings, these three individuals express their opinions, and perform supervision and oversight from many perspectives.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee meets once each month, in principle, and holds other meetings as required.

Audit and Supervisory Committee members attend meetings of the Board of Directors and other important meetings. Attendance is based on Audit and Supervisory Committee audit standards prescribed by the Audit and Supervisory Committee and the fiscal year audit policy and audit plan. In addition, these members receive information about the performance of duties from directors, executive officers, internal audit division and other units, and they also check documents concerning important decisions and other documents. Furthermore, responsibilities include audits at the head office, major business sites and subsidiaries concerning operations and assets and the proper establishment and operation of compliance, risk management and other internal control systems. Reports are also received from subsidiaries as required.

In addition, to reinforce the monitoring function, Suzuken has appointed three outside directors as Audit and Supervisory Committee members. These outside directors consist of an expert in law, an expert in accounting, and a person with experience in business management. We have also appointed one internal director who has been involved in sales and marketing department work for many years and who has extensive knowledge and experience related to the operations of the Company.

(3) Internal audits

The Internal Audit Office, with a staff of 10, performs internal audits. This office, which reports directly to the president, audits business sites and subsidiaries in accordance with internal auditing regulations. Audits confirm that internal controls are functioning properly, with particular emphasis on compliance and risk controls.

Audits are performed based on an audit plan for each fiscal year that is created by the Internal Audit Office and approved by the president. Field audits and document audits are performed and audit reports are submitted to the president. When the president decides that an audit report shows improvements are needed, the Internal Audit Office submits an Improvement Directive to the applicable department. The office then receives an Audit Improvement Status Report by monitoring the preparation and implementation of an improvement plan.

(4) Nomination and Compensation Committee

To discuss nomination and compensation for the directors, executive officers, counselors, and trustees, the Company has established the Nomination and Compensation Committee comprising a total of seven members, which consists of two representative directors, four outside directors, and one supreme advisor, who are appointed by the Board of Directors. The majority of the committee members are comprised of outside directors, for the purpose of ensuring the transparency and objectivity of the nomination and compensation. The chairperson of the committee is appointed by the Board of Directors from among the committee members.

This committee was not established in accordance with any law or regulation.

(5) Accounting audits and audit compensation

Deloitte Touche Tohmatsu has been selected to perform accounting audits. Suzuken is provided by Deloitte Touche Tohmatsu with accurate management information from a fair and impartial viewpoint. Furthermore, Suzuken has created an environment that is conducive to performing effective audits. Names and other information concerning certified public accountants who performed this audit are shown below. In addition, these audits were assisted by 24 certified public accountants and 27 others.

<Name of certified public accountants who conduct audits and their auditing firm>

Continuous audit period:

33 years

Deloitte Touche Tohmatsu

Designated limited liability partner and managing partner: Makoto Nishimatsu

Deloitte Touche Tohmatsu

Designated limited liability partner and managing partner: Akinori Masumi

Deloitte Touche Tohmatsu

Designated limited liability partner and managing partner: Yoshihiro Ishihara

The following compensation was paid to Deloitte Touche Tohmatsu:

Compensation for audit and attestation services: ¥85 million

(6) Liability limitation agreement

Liability limitation agreement with directors

After concluding the main agreement, if the directors (excluding executive directors) are held responsible as directors of Suzuken pursuant to Article 423-1 of the Companies Act, Suzuken limits their liability in accordance with Article 427-1 of the Companies Act and with Article 29 of the Articles of Incorporation. However, this provision may not apply in cases where the responsibility is due to deliberate intent or gross negligence of the director.

In such cases, the amount of damages owed by the director to Suzuken shall be limit of responsibility provided in Article 425-1 of the Companies Act.

(Liability limitation agreement with corporate auditors (including persons who were corporate auditors) prior to the conclusion of the 75th General Meeting of Shareholders)

At the conclusion of the 75th General Meeting of Shareholders held on June 25, 2021, the Company transitioned to the system of a company with an Audit and Supervisory Committee. The "Transitional Measures in Relation to the Liability Limitation Agreement with Corporate Auditors" in the supplementary provisions of the Articles of Incorporation are as follows.

In regard to the agreement to limit the compensation liability under Article 423, Paragraph 1 of the Companies Act in relation to the actions of corporate auditors (including persons who were corporate auditors) prior to the conclusion of the 75th General Meeting of Shareholders, the liability will be limited as stipulated in Article 36 of the Articles of Incorporation prior to changes by resolution of the said General Meeting of Shareholders.

3. Reason for Selecting Present Corporate Governance System

The Board of Directors meets once each month, in principle, in order to reach decisions with speed and efficiency. Every director has extensive knowledge and experience concerning Suzuken's operations. To ensure the legality and suitability of decisions and other actions, there is a system of checks and balances based on adequate discussions by all directors. In addition, Suzuken is taking steps to further strengthen and upgrade management systems by reaching decisions and performing supervision from an objective and neutral perspective. For example, there is an outside director who is a certified public accountant, an outside director who is an attorney, and an outside director who is an expert, all of whom possess considerable professional knowledge and insight, and an outside director who is experienced in business management.

Furthermore, Suzuken is maintaining a framework of supervision and oversight through the Audit and Supervisory Committee.

The Audit and Supervisory Committee is composed of a total of four members: three outside directors consisting of an expert in law, an expert in accounting, and a person with experience in business management, and one internal director who has been involved in Suzuken sales and marketing department work for many years and who has extensive knowledge and experience related to the operations of the Company.

The outside directors have no particular financial interest in Suzuken, and are all designated as independent directors.

III. Implementation of Initiatives Concerning Shareholders and Other Stakeholders

1. Measures to Ensure an Active Ordinary General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Remarks
Early notification of the Ordinary General Meeting of Shareholders	Although companies are legally required to send shareholder meeting notices two weeks in advance, Suzuken sends these notices three weeks before the meeting to give shareholders sufficient time to consider the proposals that have been submitted. The information contained in the shareholder meeting notices is also made available via the Timely Disclosure network (TDnet) and Suzuken's corporate website.
Avoidance of busy dates when setting the dates for the Ordinary General Meeting of Shareholders	Suzuken sets meeting dates so as to avoid busy dates.
Allows voting rights to be exercised via the Internet	For the convenience of shareholders, Suzuken has allowed shareholders to submit votes using the Internet since the June 2006 shareholders meeting.
Participation in electronic voting platform and other measures to improve the environment for exercising of voting rights by institutional investors	To help create greater convenience for institutional investors, we have participated in an "electronic voting platform" for institutional investors since the general meeting of shareholders held in June 2007.
Provision of English translations of the notification of ordinary general meetings of shareholders (summary)	Suzuken provides English translations of the information in the notice of General Meeting of Shareholders for overseas institutional investors on TDnet and on our website.
Other	Rigorous accountability is the central element of Suzuken's policy regarding shareholders meetings. We view these meetings as the best opportunity for directly explaining our policies, initiatives and business operations to shareholders. Explanations use visual information shown on a large screen and other measures to give shareholders a better understanding of Suzuken and earn their trust.

2. Investor Relations (IR) Activities

	Remarks	Explanation by company representative
Creation and announcement of a disclosure policy	The Corporate Ethics Charter and Corporate Ethics Charter Guidelines mandate the timely and appropriate disclosure of corporate information.	
Holds regular investor meetings for individual investors	Suzuken strengthened its IR activities by starting to hold information meetings for individual investors in March 2007 for the purpose of raising awareness of the company among these investors.	No
Holds regular investor meetings for analysts and institutional investors	Suzuken's president explains the company's strategies and operations twice each year at the regularly scheduled information meetings for analysts and institutional investors. Furthermore, Suzuken meets individually with analysts and institutional investors.	Yes
Holds regular briefings for overseas investors	Suzuken participates in conferences for institutional investors held by securities companies.	Yes
Posts IR materials on Suzuken's website	Suzuken provides information by issuing earnings announcements (<i>kessan tanshin</i>), data books, shareholder reports, Suzuken Group Integrated Report and other disclosure materials. https://www.suzuken.co.jp/en/ Video and audio of the president's presentations at the analyst and institutional investor information meetings can be viewed on this website.	
Established an IR office (officers)	<ul style="list-style-type: none"> • IR departments: Corporate Communication Department and Corporate Planning Department as part of Corporate Group Planning Headquarters • IR executive: Executive Officer, Senior General Manager of Corporate Group Planning Headquarters, General Manager of Corporate Planning Dept. Yuichi Yamamoto • IR administrative liaison: General Manager of Business Administration Department Jun Naganawa 	
Other	Suzuken receives visits from investors from Japan and other countries to a prudent extent for the provision of additional explanations.	

3. Measures Concerning Respect of the Standpoint of Stakeholders

	Remarks
Prescribed respect for the standpoint of stakeholders in internal regulations, etc.	<p>All executives, counselors, trustees, and employees of Suzuken and its subsidiaries are required to observe the Corporate Ethics Charter. The Charter covers the company's stance regarding corporate ethics; standards of conduct for executives, counselors, trustees, and employees and systems for following the standards; and other subjects. Suzuken is using internal communication systems and other measures to ensure that everyone has an awareness and understanding of the Charter. To implement the Corporate Ethics Charter, Suzuken distributes the Corporate Ethics Charter Guidelines, which contain explanations of specific activities. Using this handbook helps ensure the effectiveness of the Charter.</p>
Environmental protection and CSR activities	<p>There are three primary units for ensuring the effectiveness of risk management at Suzuken and the Suzuken Group: the Risk Management and Compliance Committee, Business Segment Risk Management Practices Committee, Risk Management and Compliance Practices Committee and Compliance Department, which is overseen directly by the president. We continue to take steps for further enhancing our ability to manage and handle all risks at the Suzuken Group in an organized, structured and self-reliant manner.</p> <p>Environmental protection activities are based on an environmental policy that was created with the president's direct supervision. In accordance with this policy, we are dedicated to making constant improvements to our environmental management system in order to lower our environmental impact. Examples of our initiatives include the use of LED lighting that consumes less electricity and purchases of compact and hybrid vehicles.</p> <p>We have a rigorous information management system centered on the Compliance Department for storing and protecting information, which is a valuable resource of the Suzuken Group.</p> <p>As part of our business continuity plan for preventing interruptions in operations following a major disaster, we have a disaster response system and conduct regular drills to confirm that our responses will be swift and accurate. As a company that is part of the social infrastructure, Suzuken has an obligation to supply the required pharmaceuticals at the required time to the required locations. To accomplish this, we are building cooperative relationships with medical institutions and other partners. Furthermore, we are constantly working on building a highly effective framework for fulfilling this obligation.</p> <p>Regarding corporate citizenship, the Suzuki Memorial Foundation has the mission of contributing to scientific progress for the health of the people of Japan and to the improvement of public welfare. The foundation supports studies and research concerning applications in medicine for advances in the fields of medicine, pharmacology, medical engineering and other sciences associated with health care.</p> <p>With the support of the NHK Culture Centers in Nagoya, Tokyo and Osaka, Suzuken held an event for students called the Suzuken Community Seminar – Looking Ahead to the Spirit of Caring in the 21st Century.</p> <p>To provide stakeholders with information about CSR activities, Suzuken issues a Suzuken Group Integrated Report once each year. The report can be accessed on the Suzuken website.</p>
Formulated policy on the provision of information to stakeholders	<p>As one element of measures to make Suzuken's operations highly transparent, the Corporate Ethics Charter Guidelines include specific instructions for the appropriate and timely disclosure of corporate information. This demonstrates our firm commitment to the extensive and timely distribution of information.</p>

IV. Internal Control System

1. Basic Stance Regarding Internal Control System and Status of Establishment

1. Suzuken's Basic Philosophy Regarding Internal Control Systems

The Suzuken Group positions measures to strengthen corporate governance and CSR activities as one of its highest priorities. We establish and implement internal control systems that are efficient and sound, and moreover are backed by constant evaluations and improvements to achieve even higher quality. In addition, we are dedicated to the practical implementation of internal control systems by means of making everyone aware of the policies and objectives of compliance and risk management.

- (1) In accordance with the Company Law and its enforcement regulations, which were enacted in May 2006, the Board of Directors has approved a Basic Policy for Building Internal Control Systems.
A description of the resolution approving this basic policy (revised on April 1, 2023) is provided in section 2. below.
- (2) Internal controls concerning financial reports are overseen primarily by the Compliance Department, directly under the control of the president. This office establishes rules about internal controls, prepares manuals, and performs educational and other activities to make employees aware of the rules to be implemented. Furthermore, this office works to conduct constant monitoring of the status of internal controls. This system ensures that the internal control assessments of senior executives will be reflected in the use of these controls.

2. Basic Policy for Building Internal Control Systems

- (1) The purpose of internal controls is to ensure that directors and employees perform their duties in compliance with laws and regulations and the Articles of Incorporation.
 - Soft 21, which consists of the Suzuken Group's management philosophy and Suzuken's management philosophy and code of conduct, and the Corporate Ethics Charter are positioned as important standards of conduct. Through the internal communication system, training, and other means, a strong sense of ethics will be fostered among directors, executive officers, counselors, trustees, and employees and strict compliance with laws and regulations will be maintained.
 - To ensure that directors perform their duties in a legal and appropriate manner, efforts are made to further strengthen the oversight system by increasing the use of outside directors who have wide-ranging knowledge and insight.
 - The Compliance Department, which performs internal audits under the direct supervision of the president, oversees the effectiveness of controls involving the chain of command for business activities and performs constant monitoring concerning the legality and suitability of how people perform their duties.
 - The Risk Management and Compliance Committee is established as a subordinate organization of the Board of Directors to manage risks cross-organizationally and comprehensively. The Business Segment Risk Management Practices Committee and the Suzuken Risk Management and Compliance Practices Committee are established as subordinate organizations of the Risk Management and Compliance Committee to implement effective and efficient risk management. The Review and Supervisory Practices Committee for Sales Information Provision Activities, which provides effective reviews and supervisory functions for sales information provision activities of the Group as a whole, and the Antimonopoly Act Compliance Expert Committee for the effective and efficient implementation of risk management and compliance promotion policies specialized for the Antimonopoly Act are established to offer continuous monitoring and maintain the soundness in duties executed by directors, executive officers, counselors, trustees, and employees at Suzuken and its subsidiary companies via the Corporate Ethics Hotline, which is an internal reporting system.
 - The Compliance Department, which is under the direct control of the president, supports and promotes internal controls related to financial reports and is responsible for conformity with the Financial Instruments and Exchange Law and associated laws. This office also helps to prepare associated regulations and to establish optimal management systems by using IT and other means. Moreover, the office ensures that internal controls are highly effective by providing employees and others with education and guidance about how to perform their duties properly.
- (2) Systems for storing and managing information concerning the performance of duties by directors
 - Information related to how the performance of duties and decision-making by directors is stored and managed as prescribed by the Document Management Regulations and the Information Security Management Regulations. The executive officer for Corporate Group Administrative Headquarters supervises and manages these operations.
 - The storage period for the above information is based on laws and regulations and the Document Safekeeping and Storage Period Table.
- (3) Regulations and other systems for managing the risk of a loss of information
 - Information security management regulations, personal information protection regulations, disaster prevention management regulations and other regulations are established based on the risk management regulations. A system for comprehensively and inclusively managing the risks at Suzuken and its subsidiaries (risks related to organizations, strategies, information management, work management, compliance, business continuity, financial management, etc.) has been established and is being maintained and operated.
 - For the effective functioning of risk management, a department responsible for each risk category is designated and performs independent and constant monitoring of its risk category. Moreover, these departments closely cooperate with the Compliance Department, which is a unit directly overseen by the president that performs centralized management of overall risk. This system facilitates activities for managing risk associated with business activities, preventing the occurrence of problems, and minimizing any damage and preventing the spread of damage.
- (4) System for ensuring that directors perform their duties efficiently
 - Directors are responsible for management oversight and decision-making while executive officers are responsible for conducting business operations. Duties and authority are clearly defined by the Rules for the Board of Directors and Internal Rules for Executive Officers so that these individuals can perform their duties quickly and efficiently.
 - The Board of Directors formulates clear management plans and ensures that everyone at the company knows about the plan's targets. Executive officers in charge of business units devise and implement concrete, efficient measures for achieving these targets.
 - Based on reports by directors and executive officers overseeing business units at the Board of Directors meeting that is held once a month, in principle, the directors oversee and confirm the status and suitability of how business operations are performed. Directors constantly research and implement measures for increasing the certainty and efficiency of reaching targets.

- Efforts are made to improve the system for increasing the overall efficiency of business operations by utilizing internal communication systems, IT technologies and other resources.
- (5) System for ensuring the suitability of the business activities of the corporate group consisting of Suzuken and its subsidiaries
- For the management of Suzuken's subsidiaries, managers at these companies report all important matters involving management to Suzuken in accordance with the Rules for the Management of Affiliated Companies. Furthermore, these companies must obtain Suzuken's approval for decisions related to these matters.
 - The Audit and Supervisory Committee, the Internal Audit Office and the accounting auditor audit Suzuken and its subsidiaries periodically, in order to independently and objectively evaluate the status of management activities. Moreover, if an audit reveals an item that needs to be improved, the audited department or subsidiary receives recommendations and advice. Reports on progress concerning improvements are requested as necessary and other actions are taken to maintain the effectiveness of internal control systems.
 - Suzuken's Risk Management and Compliance Committee cooperates closely with the risk management departments at subsidiaries to promote the building of effective risk management systems for the entire Suzuken Group.
 - Suzuken has a system in place where the management, finance, general affairs and various other aspects of Suzuken's subsidiaries are handled by the relevant divisions of Suzuken. Various matters related to business operation are also handled by the relevant divisions of Suzuken. By maintaining close coordination between Suzuken and its subsidiaries, Suzuken ensures the efficient performance of duties by directors and other officers at its subsidiaries, and thereby facilitates efficient management.
 - Suzuken's subsidiaries have positioned the management philosophies of the Suzuken Group and each subsidiary, along with the Corporate Ethics Charter, as important standards of conduct. Through training and other programs, they will foster the ethical awareness of directors, executive officers and employees in tandem with rigorously enforcing compliance with laws and regulations.
- (6) Matters related to employees to assist with the duties of the Audit and Supervisory Committee
- The head of the secretariat of the Audit and Supervisory Committee acts as an employee to assist with the duties of the Audit and Supervisory Committee.
 - If the Audit and Supervisory Committee requests additional employees in order to perform their duties effectively, the directors (excluding directors that are Audit and Supervisory Committee members) will, as a rule, accept such requests and promptly provide the necessary personnel.
- (7) Matters related to the independence from the directors (excluding directors that are Audit and Supervisory Committee members) of employees who assist the Audit and Supervisory Committee
- In accordance with the rules of the Audit and Supervisory Committee, personnel matters of the head of the Audit and Supervisory Committee secretariat will be discussed with the Audit and Supervisory Committee.
 - In regard to the head of the Audit and Supervisory Committee secretariat and any other employees required to assist the Audit and Supervisory Committee to perform their duties, with respect to the range of their duties to assist the Audit and Supervisory Committee, these employees will not accept instructions and orders from higher ranking managers in their respective departments or from directors (excluding directors that are Audit and Supervisory Committee members).
- (8) System for directors and employees to report to the Audit and Supervisory Committee, and other systems for reporting to the Audit and Supervisory Committee
- Directors, executive officers, counselors, trustees, and employees report important matters to the Audit and Supervisory Committee in a timely manner. Moreover, by attending management meetings, Risk Management and Compliance Committee meetings and other important company meetings, the head of the Audit and Supervisory Committee secretariat will sequentially report on important matters involving Suzuken and its subsidiaries.
 - The manager of the Internal Audit Office submits regular auditing reports to the Audit and Supervisory Committee, and performs investigations when requested by the directors that are Audit and Supervisory Committee members.
 - Directors, executive officers, counselors, trustees, and employees of Suzuken and its subsidiaries, in accordance with the Internal Reporting Rules, report to the Compliance Department, either directly or through the Corporate Ethics Hotline, on any violation of the law or Articles of Incorporation. In addition, the Compliance Department reports information that it receives to the Audit and Supervisory Committee as necessary.
- (9) Other systems for ensuring that audits by the Audit and Supervisory Committee are performed effectively
- Directors (excluding directors that are Audit and Supervisory Committee members), executive officers, counselors, trustees, and employees promptly respond to requests from directors that are Audit and Supervisory Committee members for reports or other important documents. Moreover, in order to increase the effectiveness of the Audit and Supervisory Committee's auditing activities, efforts are made to ensure that directors that are Audit and Supervisory Committee members have opportunities to regularly exchange opinions with directors (excluding directors that are Audit and Supervisory Committee members), the accounting auditor, the Internal Audit Office, and others as well as opportunities to attend important company meetings.
 - Suzuken shall efficiently process any prepayments or reimbursements of costs incurred in the course of performing the duties (limited to the performance of duties of the Audit and Supervisory Committee) of directors that are Audit and Supervisory Committee members, upon request by the directors that are Audit and Supervisory Committee members.
- (10) Basic thinking about the elimination of anti-social forces and the status of related activities
- Based on our awareness that a company is a public organ of society, and in accordance with highest ethical standards, Suzuken has a strong commitment to fulfilling its social responsibilities. We are resolutely opposed to anti-social forces and groups that threaten public order and safety.
- Our Corporate Ethics Charter and Corporate Ethics Charter Guidelines, which are important standards of conduct, define the proper attitude and specific measures for dealing with improper or illegal demands from anti-social forces and groups. Through education and training via internal communication systems and other channels, we make all directors, executive officers, counselors, and employees aware of how to deal with these demands.
 - The Risk Management and Compliance Committee, which includes the risk managers of subsidiaries, studies risks associated with the Suzuken Group. This committee shares information about anti-social forces obtained from external specialized organizations and other sources so that everyone can be alert.
 - The Human Resources and General Affairs Department is responsible for dealing with anti-social forces. This department cooperates closely with the police, the Aichi Prefecture Council for Corporate Protection Measures and other external organizations.
 - To prevent any damages in the event that an anti-social element becomes a customer or shareholder and makes improper or illegal demands, we will endeavor to conduct appropriate corporate surveys and promptly collect information about anti-social forces from specialized external organizations and other sources.

2. Basic Policies to Protect Against Entities and Individuals Engaged in Unlawful Activities and Status of Establishment

As was explained in Suzuken's "Basic Philosophy Concerning Internal Control Systems and Its Status, 2. Basic Policy for Building Internal Control Systems, (10) Basic thinking about the elimination of anti-social forces and the status of activities," Suzuken has a strong commitment to fulfilling its social responsibilities based on the belief that a company is a public organ of society and in accordance with highest ethical standards. We are resolutely opposed to anti-social forces and groups that threaten public order and safety.

- (1) Our Corporate Ethics Charter and Corporate Ethics Charter Guidelines, which are important standards of conduct, define the proper attitude and specific measures for dealing with improper or illegal demands from anti-social forces and groups. Through education and training via internal communication systems and other channels, we make all directors, executive officers, counselors, trustees, and employees aware of how to deal with these demands.
- (2) The Risk Management and Compliance Committee, which includes the risk managers of subsidiaries, studies risks associated with the Suzuken Group. This committee shares information about anti-social forces obtained from external specialized organizations and other sources so that everyone can be alert.
- (3) The Human Resources and General Affairs Department is responsible for dealing with anti-social forces. This department cooperates closely with the police, the Aichi Prefecture Council for Corporate Protection Measures and other external organizations.
- (4) To prevent any damages in the event that an anti-social element becomes a customer or shareholder and makes improper or illegal demands, we will endeavor to conduct appropriate corporate surveys and promptly collect information about anti-social forces from specialized external organizations and other sources.

V. Other

1. Matters Concerning Anti-takeover Measures

Matters concerning anti-takeover measures

None

Supplementary explanation regarding applicable item

The Suzuken Group believes that the most effective defensive measure is earning greater trust among stakeholders by increasing corporate value through measures centered on strengthening compliance and corporate governance. However, due to changes in the economic environment in recent years, companies must always be aware of the risk of an unexpected hostile takeover that could be detrimental to corporate value. We will examine ways to establish a framework for responding with speed and in a suitable manner to a takeover bid.

2. Other Matters Concerning the Corporate Governance Framework

Obligations and issues involving corporate governance and CSR are becoming broader and more diverse. For example, companies need to preserve the social fairness of business activities from the standpoint of stakeholders, strengthen risk management and help protect the environment. By working closely together, Suzuken and its subsidiaries are constantly working on an effective framework for corporate governance and CSR. We are determined to increase the satisfaction of stakeholders and become an even more trusted partner of our stakeholders.

[Overview of Framework for Timely Disclosure]

Suzuken's internal framework for the timely disclosure of corporate information is as follows.

(1) Internal framework for the disclosure of corporate information in the Suzuken Group

The Suzuken Group's Corporate Ethics Charter and Corporate Ethics Charter Guidelines mandate timely and appropriate disclosure of corporate information (see relevant section). We are committed to conducting timely and appropriate disclosure activities for matters decided by the Board of Directors and information at our departments that is defined as important information by the Financial Instruments and Exchange Law and securities exchange timely disclosure rules, information that we believe can influence investment decisions, and other information.

The internal systems for the disclosure of financial information and other corporate information are as follows.

- Financial information

Financial information is prepared by the Business Administration Department. After an examination by the supervising director and information disclosure manager, the information is submitted via the representative director to the Board of Directors for approval. The Business Administration Department, Corporate Communication Department are responsible for timely disclosure, and disclosure is made immediately after approval of the corresponding resolution by the Board of Directors.

- Non-financial corporate information

For non-financial corporate information, the decision about whether or not to disclose information is made following a discussion by members of the Corporate Communication Department and Business Administration Department and the disclosure manager. Information that comprises an important fact or facts which is subject to disclosure criteria in accordance with the Timely Disclosure Rules stipulated by the stock exchange is disclosed immediately after a resolution by the Board of Directors. Even in the case that information is not subject to the above-mentioned Timely Disclosure Rules, if it can be judged that the information is useful for investment decisions, in light of the timeliness and fairness, the disclosure manager discloses the information promptly after obtaining the approval of the representative director. A report is then submitted to the Board of Directors.

Furthermore, for events involving but not originated by the Suzuken Group, information is disclosed promptly after a meeting between the disclosure manager and representative director. A report is then submitted to the Board of Directors.

All of the above information is strictly managed in accordance with Suzuken's Insider Trading Management Regulations.

In addition, information that is disclosed is promptly posted on the Suzuken website following the disclosure decision.

(2) Decisions about timely disclosure of information by Board of Directors

At Suzuken, the Board of Directors decides about all cases timely disclosure of information that is subject to disclosure criteria in accordance with the Timely Disclosure Rules stipulated by the stock exchange.

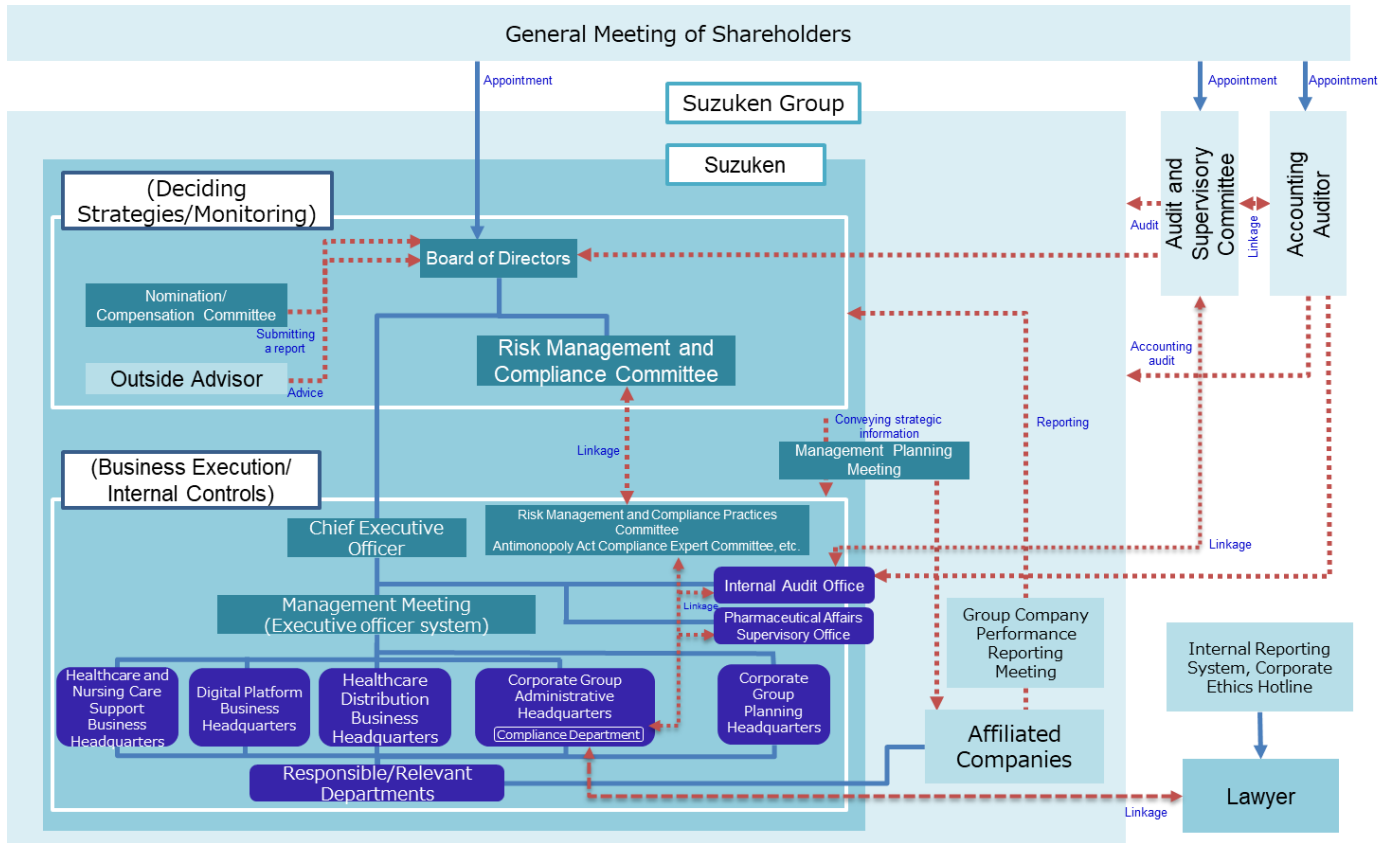
Furthermore, even in the case that information is not subject to the above-mentioned Timely Disclosure Rules, the disclosure manager discloses such information in an appropriate and timely manner after obtaining the approval of the representative director. A report is then submitted to the Board of Directors.

Decisions reached by the Board of Directors are checked for validity, legality, and suitability by the Audit and Supervisory Committee members.

The Audit and Supervisory Committee members, including an outside auditor who is an attorney, always attend meetings of the Board of Directors and make statements at these meetings.

Suzuken has an internal system and business process monitoring system to ensure the reliability of financial and other information. For the oversight of internal controls for internal organizational units, including subsidiaries, there are audits by the Audit and Supervisory Committee members as mandated by the Company Law. In addition, the Internal Audit Office performs audits of the status of business operations, and submits audit reports and proposals for improvements to the representative director.

Overview of Framework for Corporate Governance



Overview of Framework for Timely Disclosure

