August 8, 2023

Company name: KUSURI NO AOKI HOLDINGS CO., LTD.
Representative: Representative Director and President Hironori Aoki
(TSE Prime Market, Stock code: 3549)
Inquiries: Director for Administration Ryoichi Yahata
(Tel: +81-76-274-6115)

The Board of Directors' view regarding the disclosure of a presentation by our shareholder

Oasis Management Company Ltd., the asset management company of our shareholder OASIS INVESTMENTS II MASTER FUND LTD., (hereinafter collectively referred to as "Oasis") released on its website on July 31, 2023 (Japan time) a disclosure presentation regarding the Company titled "Corporate Governance For Kusuri No Aoki Holdings" (hereinafter referred to as the "Oasis Presentation"), in which there were multiple statements that could cause misunderstandings among our shareholders and other stakeholders. Therefore, our Board of Directors held an extraordinary Board of Directors' meeting on August 7, 2023, and made a resolution regarding our views on the Oasis Presentation.

We are totally shocked by the fact that Oasis, without making any confirmation with the Company, made a one-sided disclosure of its views to the public, which includes factual errors, despite how the Company had multiple meetings with Oasis, in which the Company responded to Oasis' questions, and explained the Company's views about the points raised by Oasis.

As stated in the "Notice regarding the Board of Directors' opinion regarding the agenda items for the upcoming Annual General Meeting of Shareholders and the shareholder proposals" dated July 18, 2023 (hereinafter referred to as the "Board of Directors' Opinion") the Company has resolved to oppose all the shareholder proposals made by Oasis to the 25th Annual General Meeting of Shareholders to be held on August 17, 2023 (hereinafter referred to as the "25th Annual General Meeting of Shareholders"), and there is no change to the opinion of Board of Directors.

1. Regarding Section 1. "Oasis introduction and overview of shareholder proposals" of the Oasis Presentation

(1) Regarding the background to the meetings with the Company (page 8 of the Oasis Presentation)

Oasis is claiming that "President Hironori Aoki has refused to meet Oasis, despite repeated requests" but, as stated in "(2) Reasons for objection" of "Proposal No. 5: Amendment of the Articles of Incorporation (Establishment of a lead independent director)" in the Board of Directors' Opinion, we have conducted meetings with Oasis based on our IR policy (outlined in the Company's corporate governance code [Principle 5.1. Policy on constructive dialogue with shareholders]. The same shall apply hereinafter). Moreover, the Company has explained to Oasis about the Company's IR policy when arranging the meetings.

The Company reports to the Board of Directors in a timely manner about the status of our IR activities, including about meeting requests from Oasis.

2. Regarding Section 2.a. (Concerns on stock options) of the Oasis Presentation

(1) Regarding the issue price of paid stock options (page 13 of the Oasis Presentation)

As disclosed in "Notice regarding the issuance of stock acquisition rights (paid stock options)", dated January 9, 2020, the issue price (hereinafter referred to as "Fair Value") and fair unit value of the 5th stock acquisition rights issued by the Company (hereinafter referred to as the "Paid Stock Options") has been **calculated by Plutus Consulting Co., Ltd., a third-party evaluation institution, using a commonly-used option price valuation model, in consideration of the Company's share price information etc., and is based on an objective analysis.** Details are as follows:

① January 9, 2020 (issue date) "Fair Value" is 1,500 yen per unit (100 shares)
（calculated using Monte Carlo simulations）

② January 28, 2020 (allotment date) "Fair unit value" is 2,073 yen per share
（calculated using the Black-Scholes model）

The fair unit value of 2,073 yen per share is the option value based on an estimate of the future share price, using the Company's share price and other information as reference. Meanwhile, the Fair Value of 1,500 yen per 1 unit (100 shares) was calculated by applying the discount based on the conditions for exercising the Paid Stock Options attached to the Paid Stock Options, and the two values do not contradict each other in any way.

The discount applied to the Fair Value of the Paid Stock Options is based on the below conditions for exercise. As for ① below, exercising the Paid Stock Options becomes possible if the conditions are met, so the lower the chances are of the conditions being met, the larger the discount gets. As for ② and ③ below, the Paid Stock Options cannot be exercised if the conditions are met, so the higher the chances are of the conditions being met, the larger the discount gets.

① If the Company's ordinary profit exceeds 22 billion yen in any of the 6 fiscal years from the fiscal year ending May 20, 2024 to the fiscal year ending May 20, 2029, the Paid Stock Options can be exercised from the day after the submission date of the Annual Securities Report of the fiscal year in which the above threshold was first met.

② During or after the fiscal year ending May 20, 2020, if ordinary profit is below 11 billion yen before achieving the above threshold, the Paid Stock Options cannot be exercised.

③ If, from the date of granting the Paid Stock Options to May 20, 2024, the average (the average of the past 42 consecutive trading days including the subject date) of the closing price of regular trading of the Company's stock at the Tokyo Stock Exchange is lower than 70% of the exercise price even once, the holders of the Paid Stock Options cannot exercise the unexercised Paid Stock Options anymore.

Oasis is claiming that "Sale price and fair price means a discount of 99.28% to fair value". Not only are they confusing "fair unit value" with "Fair Value", but their claim that all of the conditions for exercise are "easy to achieve and/or avoid" is a claim based mainly on their subjective opinion and is completely baseless. As explained in Section 2. (7) below, the Company does not believe the conditions for exercise are easily achievable.

(2) Regarding the "Notice on the change of accounting auditor" dated July 16, 2020 (page 14 of the Oasis Presentation)

As disclosed in the "Notice on the change of accounting auditor" dated July 16, 2020, the Company received a notice from the Company's accounting auditor at the time that they will not renew the audit contract, **due to**

factors such as how the audit fee amount is going to increase going forward, considering the expected increase in audit man-hours in the next fiscal year onwards and, considering factors including how the auditor had been auditing the Company for many years since our listing, the Company accepted this proposal. Since then, at the 22nd Annual General Meeting of Shareholders held on August 19, 2020, the Company proposed to appoint a new accounting auditor, which was approved with 98.00% support. The change in accounting auditor of the Company is due to the above reason, and the Company has received a reply from the Company's accounting auditor that the accounting auditor has no major opinions regarding the above reason. Oasis' claim implies that the change of accounting auditor was triggered by the issuance of the Paid Stock Options, and is malicious misdirection.

(3) Regarding the decline in the Company's share price at around the fiscal year ending May 20, 2020 (page 16 of the Oasis Presentation)

Oasis is making a claim that gives the impression that the fluctuation of the Company's share price was caused mainly due to the Company's earnings, and that the Company intentionally caused a temporary decline in its share price through the Earnings Forecast Revision, in order to deflate the exercise price of the Paid Stock Options. However, at the time of the revision of the earnings forecast on December 12, 2019, the global spread of COVID-19 had not yet been recognized and, as stated in (4) below, the Company deemed it an important situation that requires a downgrade of the full-year earnings forecast in comparison to the forecast at the beginning of the fiscal year, and therefore decided to revise our earnings forecast. On the other hand, **it is natural to assume that the rise in the Company's share price in March 2020 onwards was mainly due to the rebound from the global decline in stock markets caused by the COVID-19 pandemic, as well as the sharp rise in demand for drugstore merchandise, such as facemasks, disinfectants, paper products and food, and the decline in selling, general and administrative expenses due to the Company having to slow down its sales and promotion and pricing strategies at both existing and new stores.** Such impact could not have been foreseen as of December 12, 2019, and neither as of January 9, 2020 when the Paid Stock Options were issued. Oasis' claim completely ignores the impact of COVID-19 on the Company's share price, as well as on the Company's ability to forecast earnings, and is misleading. Moreover, we are surprised that Oasis is now making such a claim although the Company has communicated to Oasis about the Company's views above.

(4) Regarding the revision of the Company's full-year consolidated earnings forecast for the fiscal year ending May 20, 2020 (hereinafter referred to as the "Earnings Forecast Revision") (pages 17 and 20 of the Oasis Presentation)

Oasis states the Company's policy for revising its earnings forecasts as the Company "will make revisions in forecasts when it expects changes of more 10% in revenue and more than 30% in different profits". This was the explanation of standards generally used for making revision disclosures of earnings forecasts, when explaining the Company's revision policy, and was not mentioned as the Company's revision policy. **As for the Company's past revisions of its earnings forecasts, one of the benchmarks used has been "If there is a high probability of a change of 15-20% or above over the full-year for each of the profit items", and the Company comprehensively considers various other factors when making revisions.**

The Company has disclosed the Earnings Forecast Revision in the "Notice regarding the revision of earnings forecast" dated December 12, 2019. This Earnings Forecast Revision was made because, as of December 12, 2020 when the Company announced the results for the 2nd quarter of the fiscal year ending May 20, 2020, the actual ordinary profit was more than 700 million yen below the forecast, and the Company was of the view that a similar trend in ordinary profit will continue in the 3rd quarter onwards, as shown in the table below.

(Units: JPY MM)	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
2nd quarter of the fiscal year ending May 2020 (6 month actual)	146,435	6,629	6,823	4,889
2nd quarter of the fiscal year ending May 2020 (6 month forecast)	146,695	7,414	7,547	5,428
Difference (6 month actual – 6 month forecast)	△260	△785	△724	△539

Moreover, the fiscal year ending May 20, 2020 was the final year of the Company's second medium-term management plan (the "Previous Mid-term Plan"), and the Company was working to achieve the 300 billion yen sales target outlined in the Previous Mid-term Plan. On the other hand, because competition in the major regions the Company does business was intensifying, due to a major competitor's entrance into the Hokuriku region, and due to the decline in consumer spending since October 1, 2019 onwards as a result of the consumption tax hike, the Company was also expecting additional expenses, such as approximately 600 million yen of sales and promotion expenses, and approximately 300 million yen of other expenses in order to reinforce the Company's sales and promotion initiatives.

Considering these factors, the Company expected its ordinary profit to differ by a total of around 2.4 billion yen from the initial forecast. As a result, the Company decided to revise down the full-year ordinary profit forecast to 12.9 billion yen, as shown in the table below.

(Units: JPY MM)	Sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
The fiscal year ending May 2020 (revised forecast)	300,000	12,524	12,900	9,309
The fiscal year ending May 2020 (initial forecast)	300,000	15,000	15,300	11,000
Difference (revised forecast – initial forecast)	-	△2,476	△2,400	△1,691

Oasis claims, as "Aoki's actual promotion measures", that the promotion conducted by the Company ended on November 30, 2019, and that it could have been foreseen that the impact in the 3rd quarter of the fiscal year ending May 20, 2020 onwards would be minimal. However, the Company had launched **a new sales and promotion campaign from December 1, 2019**. This was disclosed in the "Notice regarding the point redemption campaign for Aoca prepaid card payments" dated December 2, 2019, and Oasis' claim is completely false.

(5) Regarding the earnings forecast revisions in other fiscal years (page 18 of the Oasis Presentation)

Oasis claims that the Earnings Revision Forecast seems unnatural, considering the fact that the Company has never made a revision to its earnings forecasts since introducing the holding company structure. However, the Company has **revised its earnings forecasts in every one of the 6 fiscal years (the fiscal year ending May 20, 2011 to the fiscal year ending May 20, 2016) before introducing the holdings company structure**, and Oasis' claim is misleading. Moreover, we are surprised that Oasis is now making such a claim though this point has been explained to Oasis in a meeting.

(6) Regarding the corporate value enhancement from the Paid Stock Options (page 23 of the Oasis Presentation)

In the 1st and 2nd quarters of the fiscal year ending May 20, 2020, the Company faced the situation of sales growth/profit decline, and a downward revision in its forecast, for the first time in 9 years including the time before introducing the current holding company structure. We regarded this situation of sales growth/profit decline while we were about to embark on the third Medium-term Management Plan, as a serious crisis. Therefore, **in order to return to sales growth/profit growth as early as possible, and to show the Company's commitment to its shareholders and other stakeholders, that the Company will continuously enhance corporate value**, the Company resolved to issue the Paid Stock Options.

Oasis claims that "the necessity of the stock options to increase their commitment (52.5 million yen in paid capital) to management is highly questionable". However, the Company decided it was appropriate in continuously enhancing corporate value, to have the President and Vice President, who are in positions to show leadership in the management, be granted the Paid Stock Options which has clear targets for corporate value enhancement as the attached conditions for exercise, show their commitment to the management of the Company, and meet investors' expectations, and thus made the resolution at the Board of Directors.

Oasis also claims that "the Company's explanation shows that this issuance was "compensation like". However, **the Paid Stock Options is not compensation to the subject individuals, but rather an investment based on a specific investment decision, as a commitment to continuously enhance corporate value**, and we believe the claim that it has a strong compensation nature is based mainly on Oasis' subjectivity.

(7) Regarding the conditions for exercising the Paid Stock Options (page11 and 26 of the Oasis Presentation)

Oasis claims that the conditions for exercising the Paid Stock Options "can be easily achieved through M&A. However, this contradicts Oasis' claim made in Appendix 1. of the Oasis Presentation, regarding the Company's M&A strategy, that there are limitations both in terms of financing and opportunities for the Company to promote M&A.

Moreover, Oasis claims that "Exercising conditions for the stock options were extremely low". However, the Company's forecast for ordinary profit for the fiscal year ending May 20, 2020, at the time of issuance of the Paid Stock Options, was 12.9 billion yen, while **the ordinary profit target of 22 billion yen, which is one of the conditions for exercise, was approximately 170% of the above ordinary profit forecast. Considering the fact that competition was intensifying in the major regions the Company does business due to a major competitor's entrance into the Hokuriku region, and that the Company was, for the first time in 9 years, facing the situation of sales growth/profit decline and revising down its earnings forecast, this target was not easy for the Company to achieve.** Oasis' claim that the conditions for exercising the Paid Stock Options was very easily achievable is based mainly on subjectivity.

3. Regarding Section 2.b. of the Oasis Presentation ("Concerns over potential misuse of Company assets by Mr. Keisei Aoki")

(1) Regarding the property stated in the Oasis Presentation, and the Company's acquisition of the property (pages 29-30 of the Oasis Presentation)

The part of the building owned by the Company, which is referred to in the Oasis Presentation, is called "Rinsen Shooku" (hereafter referred to as "Shooku"). It was used by past generations of the Aoki family, which served as the town elder in the days of the former Kaga Domain, for the accommodation and resting of the Kaga Domain lords, and is also where the Company was founded in 1869 as a medicine merchant. As stated in the 22nd Annual Report of KUSURI NO AOKI CO., LTD. the Company believes that the Shooku ownership by the Company is **important not only for its usage value as a welfare facility, but also from the perspective of contributing to the local community, which is a stakeholder to the Company, by preserving the Shooku's cultural value and the site where the Company was founded**.

As described in the "Notice of Partial Amendment to the Articles of Incorporation" dated July 18, 2023, a proposal to amend the Company's Articles of Incorporation to include the Company's management philosophy in the Articles of Incorporation has been submitted to the 25th Annual General Meeting of Shareholders, and the Company's contribution to the local community is based on this management philosophy.

(2) Regarding the residential status of Mr. Keisei Aoki (hereinafter referred to as “Mr. Aoki”) with regards to the Shooku (pages 31-33 of the Oasis Presentation)

Oasis claims that “Although the Facility spans over both banks of the irrigation water, evidence confirms both banks of the Facility are connected”. However, although the Shooku and the building privately owned by Mr. Aoki (hereinafter referred to as the "Building") are connected by a bridge, the Shooku and the Building are independent structures, for example with separate entrances, and the claim that they are expected to be used as one is based on mere speculation.

Oasis also claims that "Oasis has confirmed through on-site inspections that Mr. Keisei Aoki's actual residence is at the Facility", but **it is not true that Mr. Aoki resides in the Shooku**. As mentioned above, the Shooku is a historic cultural asset and is not a suitable environment for residence.

Moreover, Oasis claims that "according to the Hakusan City Tourism, Culture and Sports Department's Cultural Affairs Division, which manages the registration of cultural properties, the said cultural property, or the Company owned part, is disclosed to be “occupied by an individual ". However, when the Company made an inquiry to the Hakusan City Tourism, Culture and Sports Department's Cultural Affairs Division about the contents of the Oasis Presentation, **the Division clearly replied that they have never made a response stating that an individual resides in the Shooku**.

Thus, Oasis’ allegation that there are suspicions that Mr. Aoki is misappropriating company assets for personal use is **based on uncertain information and speculation, and is defamatory of the individual**. The Company cannot dismiss the fact that Oasis, without any confirmation with the Company, made such a claim in a public and one-sided manner. The Company strongly protests against it, and believes it necessary to consider all possible measures to address this going forward.

4. Regarding Oasis Presentation Section 2.c. (“Inappropriate company nominated candidate”

(1) Regarding the transaction(s) involving Mr. Hiromitsu Fujii (hereinafter “Mr. Fujii”) (pages 37 and 39 of the Oasis Presentation)

The information on the company related to Mr. Fujii ("Mr. Fujii's Affiliated Company") mentioned in page 37 of the Oasis Presentation is not current and is not appropriate for judging Mr. Fujii's management capability. The Company has an understanding of the most recent status of Mr. Fujii's Affiliated Company, through sources such as interviews with Mr. Fujii himself and materials provided by research firms, and the Company has a different view on Mr. Fujii's management capability from that of Oasis. For example, Taion Holdings was established in

August 2017, and was loss-making only in the fiscal year ended April 2018, immediately after its establishment, and the Company believes it not accurate to characterize it as "loss-making until recently" as of April 2020, but rather, from the current perspective, it is appropriate to characterize it as "turned profitable early after establishment”.

Moreover, **page 39 of the Oasis Presentation includes no indication of the reason for making the statements, nor any grounds for the statements. In addition, while there is the definitive statement " as per a land registry" the statement also includes speculative expressions such as "indicating Mr. A has repaid" which may be defamatory of the individual.**

With regard to the transaction described in page 39 of the Oasis Presentation, the Company has conducted its own investigation, upon receiving information from Oasis. As a result, we found that the information from Oasis contained factual errors; for example, the "land in Nagasaki Prefecture owned by Mr. A" described by Oasis was actually "a building owned by a company of which Mr. A was Representative Director”. As for the statement that "a loan of 80 million yen was extended to Mr. A", the Company interviewed Mr. Fujii himself, and also confirmed the original contracts. According to this, the 80 million yen was the price for the transfer of shares when Mr. Fujii acquired the company of which Mr. A was Representative Director, and in order to enable the return of the transfer price amount in the event that the transfer of shares was not executed, a quasi-monetary loan contract was executed and a provisional mortgage was registered based on this contract. Thus, the only transaction Mr. Fujii was involved in was the share transfer transaction with Mr. A, and Mr. Fujii had no relationship whatsoever with Mr. B. The statement " In 2022, Mr. B was arrested for obstruction of enforcement against a government seizure through the use of threats" misleadingly implies that Mr. Fujii was engaged in a problematic transaction. The Company cannot overlook this statement, strongly protests against it, and believes it necessary to consider all possible measures to address this in the future.

The Company **has confirmed that the series of transactions pointed out by Oasis do not affect Mr. Fujii's eligibility as a Director candidate of the Company, and the Company will continue to propose Mr. Fujii as a Director candidate**. At the meeting with Oasis on July 26, 2023, we expressed our gratitude for the information provided, and communicated that the Company's investigation was ongoing at the time of the meeting, and Oasis also stated at the time that it would continue its own investigation. The Company is surprised that Oasis made such a statement publicly at this time.

(2) Regarding raising the upper limit of the number of members on the Board of Directors (page 40 of the Oasis Presentation)

The **ISS’ proxy voting guidelines cited by Oasis relates to amendments to the Articles of Incorporation to decrease the maximum board size**, and is misleading because it may give the impression that not raising the maximum number of members on the Board of Directors constitutes conduct that is publicly recognized as inappropriate from a corporate governance standpoint.

After sincere consideration of Oasis' request in the letter dated June 15, 2023 cited by Oasis, the Company’s Board of Directors decided not to submit the proposal to amend the Articles of Incorporation, as per the Board's opinion.

5. Regarding Section 2.d. of the Oasis Presentation ("Inappropriate evaluation process for Oasis's nominee")

(1) Regarding the interview process with Director candidates (page 42 of the Oasis Presentation)

As stated in the opinion of the Board of Directors, in considering the candidates recommended by Oasis, the Company, as it does with other candidates for outside directors, conducted interviews by the Director in charge of administration and the General Manager of the Administration Division, who are in charge of HR matters, and then carefully deliberated and reviewed the candidates at the meeting of the Board of Directors which is also attended by outside directors, **ensuring the fairness of the process**.

However, as stated in the Board's opinion, the Company has now begun considering the installation of a voluntary Nomination and Compensation Committee, and will continue to work to ensure further objectivity and transparency in the nomination process.