

# Risk Management

## Risk management promotion system

The AIN Group has formulated Risk Management Regulations and Risk Management Guidelines that establish the risk management framework for the whole Group. Departments are assigned to manage each category of risk, ensuring a comprehensive and exhaustive approach to risk management.

The Risk Management Office is in charge of risk matters and is responsible for issues and measures related to the implementation of risk management across the Group.

The Internal Audit Office conducts field audits to check whether risk management rules are being strictly observed and to assess the effectiveness of risk management systems.

In addition, to ensure the AIN Group continues to operate during times of crisis, we have formulated a Group business continuity plan (BCP), which is actively disseminated to officers and employees.

## Business Continuity Management (BCM) drill

In June 2023, we conducted a disaster response headquarters drill for the massive earthquake scenario assumed by the national government. Teams in the Group-wide disaster response headquarters at the head office and the local disaster response headquarters in the affected location (the local site office) confirmed the actions necessary for checking the safety of employees, injured persons, and disaster damage conditions in stores, implementing measures for restoring operations, securing routes for supplying necessary supplies and pharmaceuticals to disaster-struck areas, and dispatching support personnel to disaster-stricken areas.

Furthermore, separate evacuation manuals were prepared for specific models, based on the tsunami occurrences resulting from the geographical conditions at individual stores. In November 2022, model-specific evacuation drills were conducted in all stores other than those located within commercial facilities.

Going forward, we will continue to conduct training on a regular basis to live up to our role as part of the infrastructure of local communities by ensuring business continuity even in the event of a disaster, while also securing the safety of our employees.

### Key risks and countermeasures

Key risks	Details of risks	Our response policies
Laws and regulations	<ul style="list-style-type: none"> <li>Orders from the authorities to halt business activities or the revocation of operating licenses, etc. due to legal or regulatory violations</li> <li>Deregulation of pharmaceutical sales, leading to market entrants from other industries, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Prepare systems and implement training to ensure thorough compliance with laws and regulations on pharmaceutical affairs</li> <li>Increase pharmacy capabilities by training higher-level personnel</li> </ul>
Dispensing pharmacy openings and demand trends	<ul style="list-style-type: none"> <li>Success or failure of the dispensing pharmacy opening strategy including M&amp;A, and trends in dispensing pharmacy openings at competitors</li> <li>Trends in prescriptions from medical institutions which are hard to forecast, and the temporary closure or exit of medical institutions from the market</li> <li>Changes in prescription volume due to seasonal epidemic situation</li> </ul>	<ul style="list-style-type: none"> <li>Formulate investment standards that reflect trends in other companies</li> <li>Reinforce coordination with medical institutions</li> </ul>
Revisions to the medical insurance system	<ul style="list-style-type: none"> <li>Changes in earnings structure due to revisions to the medical treatment fee system, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Thorough sharing of information in order to understand reasons for revisions and respond appropriately</li> <li>Train personnel that can appropriately execute pharmacy functions</li> </ul>
Digital transformation and information security	<ul style="list-style-type: none"> <li>Changes in business environment due to rapid digitalization</li> <li>Leakage of sensitive information due to cybercrime, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Promote Groupwide digital transformation, including healthcare digital transformation</li> <li>Reinforce information security</li> </ul>
Securing human resources	<ul style="list-style-type: none"> <li>Shortages of personnel such as pharmacists that are essential for business strategies</li> </ul>	<ul style="list-style-type: none"> <li>Actively hire and train new pharmacist graduates</li> <li>Establish a training system for the high-level professional personnel</li> <li>Introduction of flexible working hours</li> </ul>
Risks of loss of trust in the Company	<ul style="list-style-type: none"> <li>Medical accidents due to dispensing errors</li> <li>Accidents such as leaks of personal information</li> </ul>	<ul style="list-style-type: none"> <li>Create in-house dispensing operation manuals and implement ongoing training system</li> <li>Introduce dispensing error prevention system</li> <li>Establish Safety Policy Office dedicated to dispensing error prevention measures</li> <li>Reinforce personal information protection system and perform thorough employee training</li> </ul>
Interest rate risks	<ul style="list-style-type: none"> <li>Insufficient returns on investments from M&amp;A deals</li> <li>Fluctuations in interest rates and other trends in financial markets</li> </ul>	<ul style="list-style-type: none"> <li>Invest within cash flow boundaries</li> </ul>
Outbreak of infectious diseases	<ul style="list-style-type: none"> <li>Reduction in prescription volume and customer footfall due to spread of infectious diseases resulting in stay-at-home requests</li> <li>Changes in customer activity areas and trends in purchasing behavior</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughly implement measures to prevent the spread of infection and continue to perform our dispensing operations as our social responsibility</li> <li>Reinforce and make ongoing improvements to BCP</li> </ul>
Natural disasters	<ul style="list-style-type: none"> <li>Human harm and physical damage caused by large-scale natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce BCP and perform training on an ongoing basis</li> </ul>
Climate change	<ul style="list-style-type: none"> <li>Increase in costs due to addressing transitions to a low-carbon society</li> <li>Human harm and physical damage caused by increasingly frequent and intense wind and flood damage resulting from climate change</li> </ul>	<ul style="list-style-type: none"> <li>Enhance efforts to deal with climate change issues</li> </ul>