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Securities Code 3391
July 19, 2021

To Those Shareholders with Voting Rights

Jun Tsuruha
President & Representative Director
Chief Executive Officer
TSURUHA HOLDINGS INC.
Kita 24, Higashi 20-1-21,
Higashi-ku, Sapporo-shi, Hokkaido

NOTICE OF THE 59th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby notify you that the 59th Ordinary General Meeting of Shareholders of the Company will be held as described below.

In order to prevent the spread of coronavirus disease (COVID-19) as described in page 4 (translation omitted), in lieu of attendance at the meeting, you can exercise your voting rights either by indicating your votes for or against each of the proposals on the Voting Rights Exercise Form and returning it by mail or by accessing the voting website printed on the Voting Rights Exercise Form and indicating your votes for or against each of the proposals via electromagnetic means (e.g., via the Internet). Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m., Friday, August 6, 2021.

- 1. Date and Time:** Tuesday, August 10, 2021, at 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Place:** Royton Hall, Third floor, Royton Sapporo
Kita 1-Nishi 11, Chuo-ku, Sapporo-shi, Hokkaido
(Please refer to the information map at the end of this notice (translation omitted))
- 3. Agenda of the Meeting:**
 - Matters to be reported:**
 1. Business Report, Consolidated Financial Statements for the 59th Fiscal Term (from May 16, 2020, to May 15, 2021) and the Audit Report of the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the 59th Fiscal Term (from May 16, 2020, to May 15, 2021)
 - Proposals to be resolved:**
 - Proposal No. 1:** Partial Amendments to the Articles of Incorporation
 - Proposal No. 2:** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
 - Proposal No. 3:** Election of Three Directors Who Are Audit and Supervisory Committee Members
 - Proposal No. 4:** Election of One Substitute Director Who Is an Audit and Supervisory Committee Member
 - Proposal No. 5:** Determination of Remuneration Amount for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
 - Proposal No. 6:** Determination of Remuneration Amount for Directors Who Are Audit and Supervisory Committee Members
 - Proposal No. 7:** Determination of Restricted Share Remuneration Plan for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

4. Announcement on Exercise of Voting Rights

- (1) Voting through a proxy
If you are unable to attend the meeting, you may exercise your voting rights through a single proxy who is a shareholder of the Company with voting rights provided that such proxy will be required to submit a power of attorney.
- (2) Voting by Mail
Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form by 6:00 p.m., Friday, August 6, 2021.
- (3) Voting via the Internet
If you exercise your voting rights via the Internet, please refer to the <Guide for Exercise of Voting Rights via the Internet (translation omitted)> and access <https://evote.tr.mufg.jp/>. Please exercise your voting rights by 6:00 p.m. on Friday, August 6, 2021, following the instructions on the screen.

5. Disclosure via the Internet

- (1) The following items have been posted on the Company's website on the Internet (<https://www.tsuruha-hd.com>) pursuant to the provisions of laws and regulations as well as Article 14 of the Articles of Incorporation and therefore, are not included in the Appendix attached to this notice. These items are subject to audits by the Corporate Auditors and Accounting Auditor along with the Appendix attached to this notice.
 - "Matters Concerning Subscription Rights to Shares, etc." and "System to Ensure Proper Business Execution and its Operational Status" of the Business Report
 - "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" of the Consolidated Financial Statements
 - "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" of the Non-Consolidated Financial Statements
- (2) If there are amendments to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-Consolidated Financial Statements, such amendments will be announced on our Internet website (<https://www.tsuruha-hd.com>).

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- As a measure to prevent the spread of COVID-19, no souvenirs will be distributed to attendees at the meeting.
 - Admission to this meeting is limited to 50 persons in order to prevent the spread of COVID-19. Accordingly, shareholders who visit the venue on the day of the meeting may be denied entry to the venue. We deeply appreciate your understanding in advance.
Shareholders who attend the meeting are requested to bring the enclosed Voting Rights Exercise Form and this NOTICE for saving resources.
Please note that persons who are not shareholders with voting rights, including agents and accompanying persons, are not allowed to enter into the meeting (except for persons accompanying disabled shareholders).

Business Report

(May 16, 2020 - May 15, 2021)

1. Overview of the Company Group

(1) Business Progress and Results

1) Overview of business

In the fiscal year under review (May 16, 2020 to May 15, 2021), the Japanese economy witnessed a notable decline in consumer sentiment, largely reflecting the government's state of emergency in April 2020 due to the COVID-19 pandemic. Subsequent waves of infection have repeatedly occurred in various parts of Japan, and since the beginning of 2021, the state of emergency has been declared twice, making the future extremely uncertain.

Meanwhile, the drugstore sector continues to face a difficult business environment as competitors open new stores to further accelerate the expansion of their territories, and the trend toward corporate consolidation and realignment is further intensifying.

Against this backdrop, TSURUHA Group (the "Group") continued to offer a high level of customer service, mainly through advice-based sales, and worked on strategic measures to respond to changes in lifestyles, including the Corona-Virus catastrophe. The Group pushed ahead with store renovations that included the introduction of meat and fresh produce, aimed at improving convenience for customers, and worked to address the shrinking market caused by Japan's aging population and intensifying competition. In addition, as part of our DX strategy, the Group has been working on expanding customer contact points by providing services using smartphone apps, and developing support systems for staffing and inventory management to improve the efficiency of store operations. As for private brands, the Group reinforced product development and sales structures and worked to renew and expand the private brand business by launching two new brands – Kurashi Rhythm and Kurashi Rhythm Medical.

In terms of the COVID-19 impact, growth was hampered by a drop in inbound demand, a lower demand particularly for cosmetics, and sluggish sales of seasonal products, particularly cold medicines, in the second half of the fiscal year while there was a rise in demand for goods designed to prevent the spread of infection, as did the demand for daily-use items, consumable goods, and food in line with stay-at-home requests following the state of emergency declaration.

In store openings, the Group opened 138 new stores and closed 75 stores since the beginning of the fiscal year under review by targeting regional stores based on our dominant strategy and implementing scrap-and-build of existing stores. In addition, 207 stores were added to the Group after JR KYUSHU DRUG ELEVEN CO., LTD. (currently Drug Eleven Co., Ltd.) became a subsidiary of TSURUHA HOLDINGS, INC. on May 28, 2020, resulting in a total of 2,420 directly managed stores as of the end of the fiscal year under review. In Thailand, the Group opened two new stores and closed two stores, resulting in a total of 22 stores in Thailand as of May 15, 2021.

Store openings and closures of the Group are as follows:

(Number of stores)							
	End of previous fiscal year	Openings	Acquisitions	Closures	Net change	End of current fiscal year	Of which dispensing pharmacies
Hokkaido	404	21	-	11	10	414	103
Tohoku	506	32	-	5	27	533	105
Kanto, Koshinetsu	473	35	3	18	20	493	170
Chubu, Kansai	233	17	-	13	4	237	122
Chugoku	300	10	-	9	1	301	100
Shikoku	211	16	2	3	15	226	58
Kyushu, Okinawa	23	7	202	16	193	216	25
Total for Japan	2,150	138	207	75	270	2,420	683

(Others: 22 overseas stores and four franchise stores)

As a result of the above, for the fiscal year under review, TSURUHA Holdings reported net sales of ¥919,303 million (up 9.3% year on year), operating income of ¥48,377 million (up 7.5%), ordinary income of ¥47,688 million (up 3.0%), and net income attributable to owners of the parent of ¥26,283 million (down 5.8%).

Going forward, the Group will work to enhance corporate value, aiming to create convenient and trusted stores for local consumers and build Japan's top drug store chain, while making efforts to achieve its medium-term goals, "3,000 stores in the fiscal year ending May 15, 2024" and "net sales of ¥1 trillion," and further reinforcing the operating base and ability to grow.

Status by product category is as follows:

Pharmaceuticals

Net sales were ¥193,783 million, up 5.5% year on year due mainly to the growth of dispensing remuneration resulting from the new opening of 66 dispensing pharmacies despite weak sales of OTC drugs associated with the deteriorating market of cold medicines and other seasonal products.

Cosmetics

Net sales were ¥133,348 million, down 0.1% year on year due mainly to the impact of the spread of COVID-19 and a drop in inbound demand from the previous term.

Misc. daily necessities

Net sales were ¥260,232 million, up 13.4% year on year due mainly to continuation of stay-at-home demand caused by the prolonged spread of COVID-19, in addition to the promotion of development of new products under the private brand "Kurashi Rhythm."

Foods

Net sales were ¥212,803 million, up 9.4% year on year due mainly to continuation of stay-at-home demand caused by the prolonged spread of COVID-19, in addition to increasing the lineup of food products including meat and fresh produce through renovations of existing stores.

Other

Net sales were ¥115,281 million, up 19.6% year on year due mainly to continuation of demand for medical supplies including masks caused by the prolonged impact of the spread of COVID-19.

Results of net sales by products

Item		Year ended May 15, 2021 (May 16, 2020 - May 15, 2021)		
		Amount (Millions of yen)	Share (%)	Year-on-year (%)
Products	Pharmaceuticals	193,783	21.1	105.5
	Cosmetics	133,348	14.5	99.9
	Misc. daily necessities	260,232	28.3	113.4
	Foods	212,803	23.2	109.4
	Other	115,281	12.5	119.6
Subtotal		915,449	99.6	109.3
Real estate rent		1,005	0.1	115.3
Commission income, etc.		2,847	0.3	107.2
Total		919,303	100.0	109.3

Note: The Group mainly engages in over-the-counter sales to general consumers and therefore does not engage in production and sales on orders.

2) Capital expenditure

The total amount of capital expenditure was ¥21,549 million for the fiscal year under review, mainly consisting of investment in store facilities such as guarantee deposits associated with openings of 138 new stores and renovations.

(New openings)

Number of opened stores by prefecture			
Hokkaido	21 stores	Kyoto	1 store
Aomori	4 stores	Osaka	4 stores
Iwate	4 stores	Hyogo	1 store
Miyagi	8 stores	Wakayama	2 stores
Akita	5 stores	Tottori	2 stores
Yamagata	4 stores	Shimane	1 store
Fukushima	7 stores	Okayama	1 store
Ibaraki	3 stores	Hiroshima	9 stores
Tochigi	4 stores	Yamaguchi	3 stores
Saitama	1 store	Tokushima	2 stores
Chiba	8 stores	Kagawa	2 stores
Tokyo	8 stores	Ehime	2 stores
Kanagawa	2 stores	Kochi	4 stores
Niigata	6 stores	Fukuoka	3 stores
Nagano	3 stores	Miyazaki	1 store
Shizuoka	5 stores	Kagoshima	1 store
Aichi	4 stores	Okinawa	2 stores
Total			138 stores

(Closures)

Number of closed stores by prefecture			
Hokkaido	11 stores	Osaka	4 stores
Aomori	1 store	Hyogo	2 stores
Iwate	1 store	Okayama	1 store
Akita	2 stores	Hiroshima	2 stores
Yamagata	1 store	Tokushima	1 store
Chiba	6 stores	Kagawa	1 store
Tokyo	10 stores	Ehime	5 stores
Kanagawa	1 store	Kochi	2 stores
Nagano	1 store	Fukuoka	12 stores
Shizuoka	2 stores	Saga	1 store
Aichi	3 stores	Kumamoto	1 store
Kyoto	2 stores	Okinawa	2 stores
Total			75 stores

- 3) **Financing**
The Group obtained no financing through the issuance of bonds or new shares in the fiscal year under review.
- 4) **Transfer, absorption-type demerger, or incorporation-type demerger of business**
On February 1, 2021, Tsuruha Group Drug & Pharmacy Nishinohon Inc. acquired the business of one drug store operated by Takaki Pharmacy Co., Ltd. in Tottori Prefecture from Takaki Pharmacy Co., Ltd.
- 5) **Transfer of the business of other companies**
Not applicable.
- 6) **Succession to rights and obligations concerning business of other corporations, etc. through absorption-type merger or absorption-type demerger**
The Company's sub-subsidiary B&D Co., Ltd. and the Company's subsidiary B&D Holdings Co., Ltd. conducted an absorption-type merger with B&D Co., Ltd. becoming the surviving company on May 16, 2020.
The Company's subsidiary TSURUHA CO., LTD. and the Company's sub-subsidiaries TSURUHA Corporation Kita Hokkaido Co., Ltd., TSURUHA Corporation Minami Hokkaido Co., Ltd. and TSURUHA Corporation Tohoku Co., Ltd. conducted an absorption-type merger with TSURUHA CO., LTD. becoming the surviving company on November 16, 2020.
- 7) **Acquisition or disposal of shares or other equity or subscription rights to shares in other companies**
TSURUHA HOLDINGS, INC. made JR KYUSHU DRUG ELEVEN CO., LTD. (currently Drug Eleven Co., Ltd.) a subsidiary by acquiring 51% of its shares on May 28, 2020.

(2) Trends in assets and income

Category	The 56 th fiscal term (Year ended May 15, 2018)	The 57 th fiscal term (Year ended May 15, 2019)	The 58 th fiscal term (Year ended May 15, 2020)	The 59 th fiscal term (fiscal year under review) (Year ended May 15, 2021)
Net sales	¥673,238 million	¥782,447 million	¥841,036 million	¥919,303 million
Ordinary income	¥41,610 million	¥43,313 million	¥46,298 million	¥47,688 million
Net income attributable to owners of the parent	¥24,798 million	¥24,824 million	¥27,899 million	¥26,283 million
Net income per share	¥515.26	¥513.84	¥576.85	¥542.04
Total assets	¥337,749 million	¥372,293 million	¥414,002 million	¥537,027 million
Net assets	¥203,989 million	¥220,214 million	¥250,934 million	¥276,528 million
Net assets per share	¥3,959.04	¥4,238.15	¥4,821.26	¥5,210.88

Note: The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018) has been applied from the beginning of the 57th fiscal term, and figures for total assets for the 56th fiscal term are figures after retrospective application of the said accounting standard, etc.

(3) Status of Significant Parent Companies and Subsidiaries

1) Relationship with parent company

The Company has no applicable parent company.

2) Material subsidiaries

Company name	Capital	Investment percentage	Principal business
TSURUHA CO., LTD.	¥4,252 million	100.0%	Wholesale of pharmaceuticals, etc. based on pharmacies and store-based distributors and wholesale to franchise stores
kusurino FUKUTARO CO., LTD.	¥98 million	100.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors in the Kanto region
Tsuruha Group Drug & Pharmacy Nishinohon Inc.	¥287 million	100.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors in the Chugoku and Kyushu regions
Lady Drug Store Co., Ltd.	¥598 million	51.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors in the Chugoku and Shikoku regions
Kyorindo Group Holdings Co., Ltd.	¥50 million	51.0%	Guidance and management of business of subsidiaries operating drug stores
Kyorindo Co., Ltd.	¥50 million	51.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors in Shizuoka Prefecture
B&D Co., Ltd.	¥30 million	100.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors in Aichi Prefecture
JR KYUSHU DRUG ELEVEN CO., LTD.	¥100 million	51.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors mainly in the Kyushu and Okinawa regions
Hiroshima Chuo Pharmacy Co., Ltd.	¥40 million	100.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors in Hiroshima Prefecture
TSURUHA Group Merchandising Co., Ltd.	¥10 million	100.0%	Purchase of products for the entire Group and planning, negotiation and purchasing operations relating to logistics Planning, development and marketing of the Group's private brand products Mail order of products handled by the Group via telephone, the Internet or other means
TSURUHA Financial Service Inc.	¥10 million	100.0%	Insurance agency business and guidance and management of business
TSURUHA Pharmacy K.K.	¥10 million	100.0%	Real estate rental business
TSURUHA Shurui Hanbai Co., Ltd.	¥10 million	100.0%	Mail order of alcohol, etc. via the Internet, etc.
Several Co., Ltd.	¥50 million	100.0%	Rental of vending machines and sales of beverages

Notes: 1. TSURUHA Pharmacy K.K. and TSURUHA Shurui Hanbai Co., Ltd. are wholly-owned subsidiaries of TSURUHA CO., LTD.

2. Kyorindo Co., Ltd. is a wholly-owned subsidiary of Kyorindo Group Holdings Co., Ltd.

3. TSURUHA CO., LTD. conducted absorption-type mergers of TSURUHA Corporation Kita Hokkaido Co., Ltd., TSURUHA Corporation Minami Hokkaido Co., Ltd. and TSURUHA Corporation Tohoku Co., Ltd. on November 16, 2020.

4. B&D Co., Ltd. conducted an absorption-type merger of B&D Holdings Co., Ltd. on May 16, 2020.

5. JR KYUSHU DRUG ELEVEN CO., LTD. changed its trade name to Drug Eleven Co., Ltd. on May 16, 2021.

6. Hiroshima Chuo Pharmacy Co., Ltd. is a wholly-owned subsidiary of Tsuruha Group Drug & Pharmacy Nishinohon Inc.

7. Several Co., Ltd. is a wholly-owned subsidiary of TSURUHA Financial Service Inc.

(4) Issues to be addressed

The outlook for the future economy is likely to remain uncertain as the situation of the spread of COVID-19 changes from day to day. In the drugstore sector, the operating environment is likely to remain challenging due to intensifying competition to open stores, as well as an accelerating pace of sector restructuring through M&As and business and capital tie-ups that transcend industry barriers.

Against this backdrop, the Group will work to create convenient drugstores that are close to home and satisfy customers, guided by its business philosophy of “making life better for our customers.” This will include continued efforts to enhance advice-based services, which draw on the Group’s high level of expertise in health and beauty while working to offer convenience through lineups of high-quality, affordable products such as private brand products. In addition, in response to new lifestyles under the COVID-19 crisis, the Group will aim to realize a one-stop shopping service through the introduction of meat and fresh produce and sales at the single price of ¥100, while pushing ahead with marketing initiatives that make use of ID-POS data as the operator of the largest chain of drugstores in Japan and aggressively opening new dispensing pharmacies, particularly those attached to drugstores.

Priority policies for fiscal year ending May 15, 2022 are as follows:

- 1) Store development strategy focused on profitability
Promoting the dominant strategy by opening stores in specific locations where we already operate stores while expanding business to new regions through M&As and other methods
- 2) Addressing the shrinking market caused by Japan’s aging population and intensifying competition
Promoting the opening of stores in suburban and residential areas that are our mainstay stores and improving convenience through renovations of food sales floors, etc.
- 3) Improving management efficiency of operating companies
Improving control of selling and administrative expense ratio by introducing digital tools which enable more efficient store and headquarters operations such as utilizing a system for reducing workload for developing operating plans at stores and optimizing personnel allocation.
- 4) Improving efficiency by centralizing administrative work of the Group
Building a more streamlined headquarters structure and further expanding the company scale by integrating and centralizing operations and reducing costs mainly in administrative departments in order to improve the Group’s organizational power and management efficiency.
- 5) Strengthening salability of private brand products
Improving corporate value and strengthening competitive power through development of superior products leading the TSURUHA Group and improvement of brands by promoting development and sales of products under new private brands “Kurashi Rhythm” and “Kurashi Rhythm Medical.”
- 6) Promoting digital strategies
Starting new marketing initiatives to increase customer satisfaction and acquire new customers by establishing a data management platform (DMP) for collecting and strategically utilizing purchase data and consumption behavior data obtained from stores utilizing the largest store network in the drugstore industry.
- 7) Strengthening the dispensing business
Creating an environment where pharmacists can focus on instruction of medication for patients and support for health maintenance by automating dispensing operations and strengthening the order and inventory management system and upgrading skills of pharmacists, in addition to continuing to promote new openings of mainly dispensing pharmacies attached to existing stores.
- 8) Promoting sustainability
Providing further contribution to local communities through promotion of the drugstore and dispensing pharmacy businesses while working to create a sustainable society as upheld in the sustainable development goals (SDGs) and at the same time, further improving the corporate governance system to enhance long-term corporate value.

The Group plans to achieve 2,530 stores as of the end of the fiscal year ending May 15, 2022, by opening 158 stores and closing 48 stores. While considering entry into untapped regions, the Group will drive further the dominant strategy in regions where the Group already opened a store. Furthermore, in order to achieve the Company’s medium-term goals, “3,000 stores in the fiscal year ending May 15, 2024” and “net sales of ¥1 trillion,” as well as to maintain its high growth potential, the Company intends to focus on maximization of corporate value of the Group while implementing the above measures in a steady manner and carrying out capital and business alliances with companies which support the Company’s policy in addition to M&As.

(5) Principal Business (as of May 15, 2021)

The Company manages and provides business guidance for each of the Group companies.

The Group consists of the Company and 14 consolidated subsidiaries and is engaged in business including sales of pharmaceuticals, cosmetics, misc. daily necessities, foods and other products and business relating to the management of dispensing pharmacies.

(6) Principal offices (as of May 15, 2021)

Head office of the Company Kita 24, Higashi 20-1-21, Higashi-ku, Sapporo-shi, Hokkaido

The number of stores of the Group is as follows:

Directly operated stores 2,420 (Others: 22 overseas stores and four franchise stores)

Distribution (locations and the number of stores) of stores that are directly operated by the Group is as follows:

Number of stores by prefecture			
Hokkaido	414 stores	Osaka	24 stores
Aomori	58 stores	Hyogo	15 stores
Iwate	67 stores	Wakayama	19 stores
Miyagi	139 stores	Tottori	36 stores
Akita	73 stores	Shimane	50 stores
Yamagata	88 stores	Okayama	12 stores
Fukushima	108 stores	Hiroshima	176 stores
Ibaraki	50 stores	Yamaguchi	41 stores
Tochigi	27 stores	Tokushima	22 stores
Saitama	8 stores	Kagawa	50 stores
Chiba	144 stores	Ehime	108 stores
Tokyo	157 stores	Kochi	32 stores
Kanagawa	38 stores	Fukuoka	90 stores
Niigata	27 stores	Saga	6 stores
Yamanashi	29 stores	Nagasaki	5 stores
Nagano	13 stores	Kumamoto	14 stores
Shizuoka	87 stores	Oita	9 stores
Aichi	79 stores	Miyazaki	11 stores
Shiga	7 stores	Kagoshima	42 stores
Kyoto	6 stores	Okinawa	39 stores
		Total	2,420 stores

(7) Employees (as of May 15, 2021)**1) Status of the Group**

Category	Number of employees	Increase from previous fiscal year-end	Average age	Average length of service
Male	5,399	663	37 years and 3 months	10 years and 5 months
Female	5,423	875	32 years and 1 month	6 years and 10 months
Total or average	10,822	1,538	34 years and 8 months	8 years and 8 months

Note: The number of employees above includes 12 employees seconded from the Company to companies outside the Company and excludes 549 fixed-term employees as well as part-time employees. The annual average number of part-time employees is 19,239 (converted based on eight hours a day per person).

2) Status of the Company

Category	Number of employees	Increase from previous fiscal year-end	Average age	Average length of service
Male	195	36	46 years and 3 months	17 years and 1 month
Female	85	13	41 years and 8 months	14 years and 7 months
Total or average	280	49	44 years and 10 months	16 years and 4 months

Notes: 1. The number of employees above excludes fixed-term employees and part-time employees. The annual average number of part-time employees is one (converted based on eight hours a day per person) and that of fixed-term employees is 24.

2. The number of employees above includes 220 employees seconded from the Group.

(8) Major Lenders (as of May 15, 2021)

Name of lender	Borrowing amount
MUFG Bank, Ltd.	¥24,000 million
Sumitomo Mitsui Trust Bank, Limited	¥9,875 million

(9) Other Important Information Concerning the Company Group

Not applicable.

2. Matters Concerning the Status of the Company

(1) Status of Shares

- | | |
|---|--------------------|
| 1) Total number of shares authorized to be issued | 152,000,000 shares |
| 2) Total number of shares issued and outstanding | 49,423,768 shares |
| 3) Number of shareholders | 19,315 persons |
| 4) Major shareholders (top 10 shareholders) | |

Shareholder name	Number of shares (Thousand shares)	Shareholding ratio
AEON CO., LTD.	6,313	13.01%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,880	5.93%
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	2,672	5.51%
RBC IST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	1,589	3.27%
Custody Bank of Japan, Ltd. (Trust Account)	1,495	3.08%
THE CHASE MANHATTAN BANK 385036	1,438	2.96%
Tatsuru Tsuruha	1,410	2.91%
Hiroko Tsuruha	1,012	2.09%
Akiko Tsuruha	901	1.86%
SSBTC CLIENT OMNIBUS ACCOUNT	805	1.66%

Note: The shareholding ratio is calculated after excluding treasury shares (886,630 shares) held by the Company.

- 5) Status of shares granted to officers of the Company in consideration of the execution of duties during the fiscal year under review

Details of stock remuneration granted during the fiscal year under review are as follows:

- Total number of shares granted to Directors and other officers by category

Category	Number of shares	Number of eligible officers
Directors (excluding Outside Directors)	1,700 shares	3 persons
Outside Directors	900 shares	3 persons
Corporate Auditors	900 shares	3 persons

(2) Company Officers

1) Directors and Corporate Auditors

a) Directors and Corporate Auditors

Position	Name	Assignments and significant concurrent positions
Chairman	Tatsuru Tsuruha	Chairman of TSURUHA CO., LTD.
President & Representative Director	Jun Tsuruha	Vice Chairman & Representative Director of TSURUHA CO., LTD.
Director	Teruaki Goto	Director of TSURUHA CO., LTD.
Director	Hisaya Ogawa	President & Representative Director of kusurino FUKUTARO CO., LTD.
Director	Shinya Mitsuhashi	Chairman & Representative Director of Lady Drug Store Co., Ltd.
Director	Shoichi Murakami	President & Representative Director of Tsuruha Group Drug & Pharmacy Nishinohon Inc.
Director	Fumiaki Atsumi	Chairman & Representative Director of Kyorindo Group Holdings Co., Ltd. Chairman & Representative Director of Kyorindo Co., Ltd.
Director	Masahiro Yahata	President & Representative Director of TSURUHA CO., LTD.
Director	Mitsunobu Abe	
Director & Advisor	Motoya Okada	Chairman of AEON CO., LTD.
Director	Fumiyo Fujii	Full-time Audit & Supervisory Board Member of North Pacific Bank, Ltd.
Director	Harumi Sato	Director of Sapporo Branch, Anchor Licensed Tax Accountant Office
Standing Corporate Auditor	Katsuhisa Doi	Representative of Doi Law Firm Corporate Auditor of TSURUHA CO., LTD.
Standing Corporate Auditor	Masahiro Ofune	Corporate Auditor of TSURUHA CO., LTD.
Corporate Auditor	Jun Sakai	Representative of CPA Sakai Jun Office Corporate Auditor of TSURUHA CO., LTD. Outside Audit & Supervisory Board Member of Hokuryo Co., Ltd. Outside Corporate Auditor of the Hokkaido Shimbun Press

Notes: 1. Directors Mr. Motoya Okada, Mr. Fumiyo Fujii and Ms. Harumi Sato are Outside Directors. The Company has registered Mr. Fumiyo Fujii and Ms. Harumi Sato with Tokyo Stock Exchange, Inc. as Independent Directors.

2. Corporate Auditors Mr. Katsuhisa Doi and Mr. Jun Sakai are Outside Corporate Auditors. The Company has registered Mr. Katsuhisa Doi with Tokyo Stock Exchange, Inc. as an Independent Corporate Auditor.

3. Corporate Auditor Mr. Jun Sakai has certification as a certified public accountant and considerable knowledge about finance and accounting.

4. Director Mr. Eiji Yamada retired as Director due to expiration of term of office as of the conclusion of the 58th Ordinary General Meeting of Shareholders held on August 11, 2020.

5. Director Mr. Teruaki Goto retired as Director due to his decease on November 8, 2020. His position and assignment are those at the time of retirement.

b) Executive Officers

Position	Name	Assignments
President & Chief Executive Officer	*Jun Tsuruha	
Managing Executive Officer	*Teruaki Goto	General Manager of Group Pharmacy Operation Headquarters
Executive Officer	*Hisaya Ogawa	Responsible for kusurino FUKUTARO CO., LTD. and M&A
Executive Officer	*Shinya Mitsuhashi	Responsible for Lady Drug Store Co., Ltd.
Executive Officer	*Shoichi Murakami	Responsible for Tsuruha Group Drug & Pharmacy Nishinohon Inc.
Executive Officer	*Fumiaki Atsumi	Responsible for Kyorindo Co., Ltd.
Executive Officer	*Masahiro Yahata	Responsible for TSURUHA CO., LTD.
Managing Executive Officer	Noriyuki Eguchi	Responsible for Group Product
Executive Officer	Yasushi Umi	Responsible for Sales Headquarters of TSURUHA CO., LTD.
Executive Officer	Kazuto Toyama	Responsible for Group Store Development
Executive Officer	Makoto Murakami	Responsible for Group Administration

Notes: 1. Executive Officers marked with an asterisk (*) is concurrently serving as Director.

2. Mr. Teruaki Goto retired as Director due to his decease on November 8, 2020. His position and assignment are those at the time of retirement.

2) Summary of the agreement on limitation of liability

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with each of Outside Directors and each of Outside Corporate Auditors, to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages pursuant to the agreement shall be the amount stipulated by laws and regulations.

3) Summary of the directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract with an insurance company with Directors, Corporate Auditors and Executive Officers of the Company and its consolidated subsidiaries as the insured persons, in accordance with Article 430-3, Paragraph 1 of the Companies Act. The contract shall cover any damages and litigation costs incurred by an insured person due to a claim for damages arising from an act (including an omission) committed by the insured person in his or her capacity as an officer of the Company, etc. However, damage, etc. arising from intent or gross negligence shall not be covered so as to ensure the appropriateness of the execution of duties by officers.

4) Remuneration, etc. for Directors and Corporate Auditors for the fiscal year under review

a) Matters concerning the decision policy regarding the content of remuneration, etc. for each Director

1. Basic policies

The Company has designed a systematic remuneration system in consideration of each element of the following basic policies, as it regards remuneration for Directors to be important incentives for achieving the management policy.

- (i) It shall promote the corporate philosophy of “making life better for our customers.”
- (ii) The amount and design shall be at a level that can support participation and activities of talented management team.
- (iii) It shall raise awareness for contribution to mid- to long-term growth of the Company.
- (iv) It shall be linked to business results of the Company and have a mechanism that controls overemphasis on short-term performance.
- (v) It shall be designed to have transparency, fairness and reasonability and determined through an appropriate process to ensure such factors from a viewpoint of accountability to stakeholders including shareholders and employees.

Specifically, remuneration for Directors consists of fixed remuneration, performance-linked bonuses and restricted share remuneration. The level of remuneration for Directors is verified every year in reference to the levels of officers' remuneration of companies in the same industry with a similar size (selected in terms of net sales, market capitalization, consolidated operating income and other factors) and other companies in different industries based on objective remuneration survey data by external

bodies and other data for promptly responding to changes in external environments and market environments.

In addition, the Company determined a decision policy regarding remuneration, etc. for Directors and Corporate Auditors at a meeting of the Board of Directors held on March 4, 2021.

2. Details of Directors' remuneration and composition, etc.

Remuneration for Directors consists of 1) "fixed remuneration" (monetary remuneration) as basic remuneration in accordance with their job title (position), 2) "bonuses" (monetary remuneration) based on business results for each fiscal year and their individual evaluation, etc. and 3) "stock remuneration" (restricted share remuneration).

Regarding the composition of remuneration for Directors, a ratio of basic remuneration, bonuses and stock remuneration is determined, so that it functions as important incentives to achieve the management policy.

Specifically, for both Chairman and President of the Company, the following ratio is applied to increase linkage of remuneration to business results taking into account the importance of their responsibilities.

Basic remuneration : Bonuses : Stock remuneration = 35% : 50% : 15%

For Directors other than Chairman and President, the following ratio is applied.

Basic remuneration : Bonuses : Stock remuneration = 40% : 50% : 10%

In this regard, shares of the Company shall be granted as stock remuneration.

Type of remuneration	Payment criteria	Payment method	Composition of remuneration	
			Chairman President	Other Directors
Basic remuneration	Determined for each person based on the standard amount for each job title	Cash Once a month	35%	40%
Bonuses	The amount is calculated for each person as monetary remuneration reflecting business results of a single fiscal year, after determination of whether or not payment is made and the total amount if paid, based on consolidated business performance indicators, etc. of the previous fiscal year.	Cash Once a year	50%	50%
Stock remuneration	The number of shares to be granted to each Director is determined in comprehensive consideration of various factors including the degree of contribution by each eligible person to the Company and their responsibilities based on the share price and the standard for job title.	Shares Once a year	15%	10%

Notes 1: The composition of remuneration may vary slightly.

2: Outside Directors are not included.

(Basic remuneration)

Fixed remuneration as basic remuneration, which is determined for each person based on the standard amount for job title, is paid every month during their terms of office.

(Bonuses)

The amount of bonuses as performance-linked remuneration is calculated for each person as monetary remuneration reflecting business results of a single fiscal year, after determination of whether or not payment is made and the total amount if paid, based on consolidated business performance indicators, etc. of the previous fiscal year. "Operating income and net income" of the consolidated results are used as indicators for calculating bonuses from the viewpoint of attaching importance to the degree of achievement in profit growth. The payment is made once a year after internal approval is obtained.

(Stock remuneration) *Restricted share remuneration

The number of shares to be granted for restricted share remuneration is determined in comprehensive consideration of various factors including the degree of contribution by each eligible person to the Company

and their responsibilities, based on the number of shares to be granted to each Director set in accordance with the share price and the standard for job title. Timing of allotment is determined by the Board of Directors. Restricted shares to be allotted to Directors of the Company are granted in advance.

Meanwhile, for Outside Directors, basic remuneration, bonuses and stock remuneration are provided in consideration of their roles and for independent Outside Directors, basic remuneration and stock remuneration are provided taking into account their independence from business execution.

For Outside Directors, the following remuneration ratio is applied.

Basic remuneration : Bonuses : Stock remuneration = 30% : 40% : 30%

For independent Outside Directors, the following remuneration ratio is applied.

Basic remuneration : Stock remuneration = 50% : 50%

Type of remuneration	Payment criteria	Payment method	Composition of remuneration	
			Outside Directors	Independent Outside Directors
Basic remuneration	Determined for each person	Cash Once a month	30%	50%
Bonuses	The amount is determined reflecting business results of a single fiscal year.	Cash Once a year	40%	-
Stock remuneration	The number of shares is determined based on the standards of granting.	Shares Once a year	30%	50%

Note: The composition of remuneration may vary slightly.

3. Process for determining remuneration for Directors

Authority for determining the specifics of the remuneration amount for each Director is delegated to the President & Representative Director, based on a resolution of the Board of Directors. Such authority includes determination of the amount of basic remuneration for each Director and the amount of bonus distribution for each Director based on the payment criteria. For stock remuneration, the number of shares allotted to each Director is resolved at the meeting of the Board of Directors.

To ensure appropriateness of the level and amount of remuneration and the transparency of the determination process, the specific amount of remuneration to be paid is deliberated at the Remuneration Committee which is a consulting body for remuneration of the Group's officers involving external experts, in consideration of trends among companies in the same industry and companies with a similar scale and suggestions about necessity for the Group's management. Then, the Personnel Division develops remuneration plans for each Director and the Executive Officer responsible for Administration discusses it sufficiently with the President.

* Matters to be deliberated at meetings of the Remuneration Committee are as follows:

- Confirmation of necessity of revision to the basic policies on officers' remuneration
- Confirmation of objectivity and appropriateness of the level of each officer's remuneration (standard amount for each job title)
- Confirmation of objectivity and appropriateness of business performance targets and evaluation for bonuses
- Confirmation of evaluation, payment amount for each officer and other factors for bonuses concerning the previous fiscal year
- Confirmation of evaluation, the number of shares to be granted to each officer and other factors for stock remuneration concerning the previous fiscal year

b) Matters concerning resolutions on remuneration for Directors and Corporate Auditors at the General Meeting of Shareholders

The upper limit of remuneration for Directors was approved to be within ¥500 million per year at the 43rd Ordinary General Meeting of Shareholders held on August 11, 2005. The number of Directors at the time of conclusion of said Ordinary General Meeting of Shareholders was 11 (including two Outside Directors). Also, remuneration for subscription rights to shares allotted as stock option was approved to

be within ¥30 million (including within ¥10 million for Outside Directors) per year at the 46th Ordinary General Meeting of Shareholders held on August 12, 2008. The number of Directors at the time of conclusion of said Ordinary General Meeting of Shareholders was eight (including two Outside Directors). In addition, remuneration for monetary remuneration claims for granting restricted shares was approved to be within ¥100 million (including within ¥30 million for Outside Directors) per year at the 55th Ordinary General Meeting of Shareholders held on August 10, 2017. The number of Directors at the time of conclusion of said Ordinary General Meeting of Shareholders was 11 (including three Outside Directors).

The upper limit of remuneration for Corporate Auditors was approved to be within ¥60 million per year at the 43rd Ordinary General Meeting of Shareholders held on August 11, 2005. The number of Corporate Auditors at the time of conclusion of said Ordinary General Meeting of Shareholders was four. Also, remuneration for subscription rights to shares allotted as stock option was approved to be within ¥20 million per year at the 46th Ordinary General Meeting of Shareholders held on August 12, 2008. The number of Corporate Auditors at the time of conclusion of said Ordinary General Meeting of Shareholders was four. In addition, remuneration for monetary remuneration claims for granting restricted shares was approved to be within ¥50 million per year at the 55th Ordinary General Meeting of Shareholders held on August 10, 2017. The number of Corporate Auditors at the time of conclusion of said Ordinary General Meeting of Shareholders was five.

c) Total amount of remuneration, etc. for Directors and Corporate Auditors

Officer category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Restricted shares	
Directors (of which Outside Directors)	306 (30)	107 (12)	161 (5)	36 (12)	14 (4)
Corporate Auditors (of which, Outside Corporate Auditors)	71 (31)	34 (16)	25 (6)	12 (8)	3 (2)

Notes: 1. Employee salary is not paid to Directors because there are no Directors concurrently serving as employee at the Company.

2. Seven Directors out of 14 Directors received remuneration, etc. of ¥296 million from consolidated subsidiaries. No Outside Directors received such remuneration.

3. The amount of remuneration, etc. for Directors includes the amount paid for three retired Directors.

4. Indicators for the above performance-linked remuneration, etc. are “operating income and net income” of the consolidated results and results for the relevant fiscal year are stated on page 22 “Consolidated Statements of Income.”

5. Regarding remuneration amounts for each person, President & Representative Director Jun Tsuruha, to whom authority has been delegated based on a resolution of the Board of Directors, determines the amount of basic remuneration for Directors and the amount of bonus distribution for each Director based on the payment criteria. The reason for delegation of such authority is that the Company believes that the Representative Director is suitable to evaluate divisions to which each Director was assigned while considering the Company’s results.

6. The particulars of remuneration, etc., for each person for the relevant fiscal year were deliberated at the Remuneration Committee and fully discussed between the President, the Personnel Division, and the Executive Officer responsible for Administration. Therefore, the Board of Directors has respected their decision and judged that said decision complies with the decision policy.

5) Matters concerning Outside Officers

The following is a summary of relationships between companies where outside officers hold significant concurrent positions and the Company, their main activities for the fiscal year under review, and duties performed relating to their expected roles.

a) Outside Director Mr. Motoya Okada

He is the Chairman of AEON CO., LTD., which is the Company's largest shareholder. In addition, the Company has business transactions such as store leases with AEON CO., LTD. since the Company Group is one of the tenants of shopping malls managed by AEON Group. However, the transaction amount is 1.5% of operating costs of the Company. The Company Group also purchases goods from AEON Group. However, such amount is around 0.4% of total purchases of the Company. Therefore, it is considered that independence is secured as Outside Director of the Company.

He attended all 13 meetings of the Board of Directors held during the fiscal year under review and provided useful opinions and advice on the Company's management from an objective standpoint based on his abundant experience and deep insight as business manager.

b) Outside Director Mr. Fumiyo Fujii

He is a Full-time Audit & Supervisory Board Member of North Pacific Bank, Ltd. Although the Company has a deposit and exchange transactions with North Pacific Bank, Ltd., there are no loan transactions.

He attended all 13 meetings of the Board of Directors held during the fiscal year under review and provided useful opinions and advice on the Company's management based on his abundant experience and wide insight with thorough knowledge of financial operations.

The Company has registered him with Tokyo Stock Exchange, Inc. as an Independent Director as set forth in the regulation of the stock exchange.

c) Outside Director Ms. Harumi Sato

She is the Director of the Sapporo Branch of Anchor Licensed Tax Accountant Office. There are no special relationships between the Company and the Sapporo Branch of Anchor Licensed Tax Accountant Office.

She attended all 13 meetings of the Board of Directors held during the fiscal year under review and provided useful opinions and advice on the Company's management from a professional viewpoint as a tax accountant.

The Company has registered her with Tokyo Stock Exchange, Inc. as an Independent Director as set forth in the regulation of the stock exchange.

d) Outside Corporate Auditor Mr. Katsuhisa Doi

He is the Representative of Doi Law Firm. There are no special relationships between the Company and Doi Law Firm. In addition, he is concurrently serving as a Corporate Auditor of TSURUHA CO., LTD., a subsidiary of the Company.

He attended 12 meetings of the Board of Directors out of the 13 meetings held during the fiscal year under review and 12 meetings of the Board of Corporate Auditors out of the 13 meetings held during the same period and provided useful opinions and advice on the Company's management from a professional viewpoint as a lawyer.

The Company has registered him with Tokyo Stock Exchange, Inc. as an Independent Corporate Auditor as set forth in the regulation of the stock exchange.

e) Outside Corporate Auditor Mr. Jun Sakai

He is the Representative of CPA Sakai Jun Office. There are no special relationships between the Company and CPA Sakai Jun Office. In addition, he is concurrently serving as an Outside Audit & Supervisory Board Member of Hokuryo Co., Ltd. and Outside Corporate Auditor of the Hokkaido Shimbun Press. There are no special transaction relationships between the Company and Hokuryo Co., Ltd. and the Hokkaido Shimbun Press. He is concurrently serving as a Corporate Auditor of TSURUHA CO., LTD., a subsidiary of the Company.

He attended all 13 meetings of the Board of Directors held during the fiscal year under review and all 13 meetings of the Board of Corporate Auditors held during the same period and provided useful opinions and advice on the Company's management from a professional viewpoint as a certified public accountant.

No outside officers have received any amount of remuneration, etc. from any subsidiaries, etc. of the Company during the fiscal year under review.

(3) Status of Accounting Auditor

- 1) Name KPMG AZSA LLC
- 2) The amount of remuneration, etc.

	Payment amount
• Amount of remuneration, etc. for Accounting Auditor for the fiscal year under review	¥44 million
• Total amount of money and other property interests payable to Accounting Auditor by the Company and its subsidiaries	¥92 million

Notes: 1. KPMG AZSA LLC also serves as the accounting auditor of all the Company's subsidiaries which have an accounting auditor in place.

2. Under the audit agreement between the Company and the Accounting Auditor, the amounts of remuneration, etc. for audits pursuant to the Companies Act and those for audits pursuant to the Financial Instruments and Exchange Act are not clearly separated, and they cannot be practically separated either. Consequently, the amount of remuneration, etc. for the fiscal year under review reflects the total amount of such remunerations.
3. The Board of Corporate Auditors has reviewed and deliberated details of the audit plans by the Accounting Auditor, the status of execution of accounting audits and the basis for calculation of remuneration estimates after receiving necessary information and reports from Directors, internal related departments and the Accounting Auditor. As a result, it confirmed the appropriateness thereof and gave consent to the amount of remuneration for the Accounting Auditor.

3) Policy regarding determination of termination or non-reappointment of accounting auditor

The Board of Corporate Auditors shall determine details of proposals for the termination or non-reappointment of the Accounting Auditor, in the event that there is an obstacle to the execution of duties by the Accounting Auditor or otherwise it is judged to be necessary.

In addition, in the event that the Accounting Auditor is deemed to have met any of the items set forth under Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors shall terminate the appointment of the Accounting Auditor subject to the unanimous consent of the Corporate Auditors. In this case, the Corporate Auditor selected by the Board of Corporate Auditors shall report on the termination of the Accounting Auditor and the reasons therefor at the first General Meeting of Shareholders convened after such termination.

4) Description of non-Audit services

The Company entrusts "support services relating to accounting operations," etc. as services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services) with the Accounting Auditor.

5) Summary of the agreement on limitation of liability

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with the Accounting Auditor to limit its liability for damages under Article 423, Paragraph 1 of the said Act. The maximum amount of liability for damages pursuant to the agreement shall be the amount stipulated by laws and regulations.

(4) Policy for determining dividends of surplus, etc.

The Company's basic policy is to pay stable dividends by focusing on shareholder returns while taking into account the need for funds to reinforce the operating base and support future business development. The Company also plans to distribute profits to shareholders by taking into account the dividend payout ratio.

The Company intends to use retained earnings for investments to boost future corporate value, such as capital investment to open new stores and expand and refurbish existing stores, and to fund M&A deals and other initiatives that support growth.

The Company will continue to make efforts to achieve sustained growth, enhance corporate value and increase shareholder value from mid- to long-term standpoints.

For the fiscal year under review, the Company has decided to pay a year-end dividend of ¥83.50 per share as initially planned based on the business results. Together with the interim dividend of ¥83.50 per share already paid on January 8, 2021, the full-year dividend is ¥167 per share.

Consolidated Balance Sheets

(As of May 15, 2021)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets		Current liabilities	
Cash and deposits	116,531	Accounts payable – trade	152,611
Accounts receivable – trade	46,908	Current portion of long-term loans payable	7,200
Merchandise	127,476	Accounts payable – other	19,722
Raw materials and supplies	140	Lease obligations	492
Short-term loans receivable	2	Income taxes payable	10,613
Other	18,722	Provision for bonuses	5,613
Total current assets	309,782	Provision for directors' bonuses	643
Non-current assets		Provision for point card certificates	4,417
Property, plant and equipment		Other	8,902
Buildings and structures	43,024	Total current liabilities	210,216
Machinery, equipment and vehicles	0	Non-current liabilities	
Tools, furniture and fixtures	12,462	Long-term loans payable	26,675
Land	13,548	Lease obligations	4,370
Leased assets	4,004	Deferred tax liabilities	8,187
Construction in progress	4,010	Net defined benefit liability	3,743
Total property, plant and equipment	77,050	Asset retirement obligations	3,674
Intangible assets		Other	3,632
Goodwill	38,597	Total non-current liabilities	50,282
Software	1,016	Total liabilities	260,498
Telephone subscription right	105	Net assets	
Other	681	Description	Amount
Total intangible assets	40,400	Shareholders' equity	
Investments and other assets		Capital stock	11,251
Investment securities	37,409	Capital surplus	29,303
Long-term loans receivable	11	Retained earnings	193,320
Deferred tax assets	6,166	Treasury shares	(5,312)
Guarantee deposits	61,509	Total shareholders' equity	228,562
Other	4,762	Accumulated other comprehensive income	
Allowance for doubtful accounts	(65)	Valuation difference on available-for-sale securities	24,528
Total investments and other assets	109,794	Remeasurements of defined benefit plans	(170)
Total non-current assets	227,245	Total accumulated other comprehensive income	24,358
		Subscription rights to shares	1,701
		Non-controlling interests	21,905
		Total net assets	276,528
Total assets	537,027	Total liabilities and net assets	537,027

Consolidated Statements of Income

(May 16, 2020 – May 15, 2021)

(Millions of yen)

Description	Amount	
Net Sales		919,303
Cost of sales		652,581
Gross profit		266,721
Selling, general and administrative expenses		218,344
Operating Income		48,377
Non-operating income		
Interest income	140	
Dividend income	250	
Gain on donation of equipment	719	
Rent income	224	
Insurance income	117	
Other	626	2,077
Non-operating expenses		
Interest expenses	634	
Closed store related expenses	756	
Early withdrawal penalty	1,187	
Other	188	2,767
Ordinary Income		47,688
Extraordinary income		
Gain on sales of non-current assets	6	
Gain on sales of investment securities	0	
Gain on reversal of share acquisition rights	223	
Subsidy income	354	
Other	1	586
Extraordinary losses		
Loss on retirement of non-current assets	201	
Loss on sales of non-current assets	0	
Impairment loss	1,653	
Loss on disaster	41	
Loss on sales of investment securities	39	
Loss related to infectious disease	307	2,243
Income before income taxes		46,030
Income taxes – current	16,997	
Income taxes – deferred	(487)	16,510
Net income		29,520
Net income attributable to non-controlling interests		3,236
Net income attributable to owners of the parent		26,283

Non-Consolidated Balance Sheets

(As of May 15, 2021)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets		Current liabilities	
Cash and deposits	27,221	Current portion of long-term loans payable	6,000
Accounts receivable – trade	1,209	Accounts payable – other	1,263
Supplies	32	Accrued expenses	4
Short-term loans receivable from subsidiaries and affiliates	205	Income taxes payable	95
Income taxes receivable	2,788	Deposits received	3
Other	744	Provision for bonuses	54
Allowance for doubtful accounts	(145)	Provision for directors' bonuses	208
Total current assets	32,055	Other	87
Non-current assets		Total current liabilities	7,717
Property, plant and equipment		Non-current liabilities	
Buildings	1	Long-term loans payable	18,000
Tools, furniture and fixtures	40	Guarantee deposits received	8
Construction in progress	73	Other	6
Total property, plant and equipment	115	Total non-current liabilities	18,014
Intangible assets		Total liabilities	25,732
Telephone subscription right	0	Net assets	
Software	534	Description	Amount
Total intangible assets	534	Shareholders' equity	
Investments and other assets		Capital stock	11,251
Shares of subsidiaries and affiliates	117,277	Capital surplus	
Deferred tax assets	47	Legal capital surplus	44,534
Other	161	Other capital surplus	2,452
Total investments and other assets	117,485	Total capital surplus	46,987
Total non-current assets	118,135	Retained earnings	
		Legal retained earnings	15
		Other retained earnings	69,817
		General reserve	861
		Retained earnings brought forward	68,955
		Total retained earnings	69,832
		Treasury shares	(5,312)
		Total shareholders' equity	122,757
		Subscription rights to shares	1,701
		Total net assets	124,459
Total assets	150,191	Total liabilities and net assets	150,191

Non-Consolidated Statements of Income

(May 16, 2020 – May 15, 2021)

(Millions of yen)

Description	Amount	
Operating revenue		20,502
Operating expenses		5,570
Operating Income		14,931
Non-operating income		
Interest income	0	
Dividend income	1	
Gain on reversal of allowance for doubtful accounts	20	
Other	19	41
Non-operating expenses		
Interest expenses	61	
Other	22	83
Ordinary Income		14,889
Extraordinary income		
Gain on reversal of share acquisition rights	223	223
Income before income taxes		15,112
Income taxes – current	295	
Income taxes – deferred	(5)	289
Net income		14,823

Independent Auditor's Report

July 5, 2021

To the Board of Directors
TSURUHA HOLDINGS INC.

KPMG AZSA LLC
Sapporo Office

Keisuke Muramatsu, CPA
Designated Limited Liability Partner,
Engagement Partner
Takuo Tanabe, CPA
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of TSURUHA HOLDINGS INC. (the "Company") for the fiscal year from May 16, 2020 through May 15, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of TSURUHA HOLDINGS INC., which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report

July 5, 2021

To the Board of Directors
TSURUHA HOLDINGS INC.

KPMG AZSA LLC
Sapporo Office

Keisuke Muramatsu, CPA
Designated Limited Liability Partner,
Engagement Partner
Takuo Tanabe, CPA
Designated Limited Liability Partner,
Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statement of changes in equity and the related notes, and the accompanying supplementary schedules of TSURUHA HOLDINGS INC. (the "Company") for the 59th fiscal year from May 16, 2020 through May 15, 2021.

In our opinion, the non-consolidated financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of May 15, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Non-Consolidated Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the non-consolidated financial statements and the accompanying

supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the non-consolidated financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the non-consolidated financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the non-consolidated financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the non-consolidated financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the non-consolidated financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the non-consolidated financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the non-consolidated financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the non-consolidated financial statements and the accompanying supplementary schedules including related notes, and whether the non-consolidated financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Audit Report

The Board of Corporate Auditors has prepared this Audit Report regarding the execution of duties by Directors for the 59th fiscal year from May 16, 2020 to May 15, 2021 upon deliberations based on audit reports prepared by each Corporate Auditor, and hereby reports as follows.

1. Methods and Descriptions of Audits by Corporate Auditors and the Board of Corporate Auditors
 - (1) The Board of Corporate Auditors established auditing policies, allocation of duties, and other matters, and received reports from each Corporate Auditor on the status of conducting audits and results thereof. In addition, the Board of Corporate Auditors received reports from Directors and other personnel as well as the Accounting Auditor on the status of execution of their duties, and requested explanations as necessary.
 - (2) Each Corporate Auditor, in accordance with the auditing policies, allocation of duties, and other matters established by the Board of Corporate Auditors, strived to collect information and develop an auditing environment by communicating with Directors, the Audit Office, Compliance Liaison Group, other employees, etc., and conducted audits by the following methods.
 - 1) Corporate Auditors attended meetings of the Board of Directors and other important meetings, received reports from Directors, employees, and other personnel on the status of execution of their duties, requested explanations as necessary, reviewed important approval documents and other materials, and studied the status of operations and assets at the head office and principal offices. In addition, with regard to subsidiaries, Corporate Auditors worked to communicate and exchange information with Directors, Corporate Auditors, and other personnel of subsidiaries, and received reports from subsidiaries on their businesses as necessary.
 - 2) With regard to the contents of resolutions by the Board of Directors on the development of the systems to ensure that the execution of duties of Directors complies with laws and regulations and the Articles of Incorporation and other systems stipulated in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act as those required to ensure the properness of operations conducted by the corporate group comprised of a stock company and its subsidiaries, as well as the systems developed based on the said resolutions (internal control systems), which are described in the Business Report, Corporate Auditors periodically received reports from Directors, the Compliance Liaison Group, employees, etc. on the status of their establishment and operation, requested explanations as necessary, and expressed their opinions.
 - 3) Corporate Auditors monitored and verified whether the Accounting Auditor is maintaining an independent position and conducting proper audits. In addition, Corporate Auditors received reports from the Accounting Auditor on the status of execution of its duties, and requested explanations as necessary. Furthermore, Corporate Auditors were notified by the Accounting Auditor that it has developed "systems for ensuring that the performance of the duties is being carried out correctly" (matters stipulated in each item of Article 131 of the Regulation on Corporate Accounting) in accordance with the "Quality Control Standard for Audit" (October 28, 2005, Business Accounting Council) and other standards, and requested explanations as necessary.

Based on the above methods, Corporate Auditors examined the Business Report and its supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statement of changes in equity, and notes to the non-consolidated financial statements) and their supplementary schedules, and the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statement of changes in equity, and notes to the consolidated financial statements) for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of the Business Report and Other Relevant Documents

- 1) In our opinion, the Business Report and its supplementary schedules fairly represent the Company's condition in accordance with laws and regulations and the Articles of Incorporation.
- 2) With regard to the execution of duties by Directors, we have found no evidence of wrongful action or material facts in violation of laws and regulations or the Articles of Incorporation.
- 3) In our opinion, the contents of the resolutions by the Board of Directors related to the internal control systems are fair and reasonable. In addition, we have found no matters to be noted with regard to the descriptions in the Business Report or the execution of duties by Directors related to such internal control systems, including the internal control on financial reporting.

(2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the audit methods employed and results rendered by KPMG AZSA LLC, the Accounting Auditor, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the audit methods employed and results rendered by KPMG AZSA LLC, the Accounting Auditor, are fair and reasonable.

July 6, 2021

The Board of Corporate Auditors, TSURUHA HOLDINGS INC.

Standing Corporate Auditor
(Outside Corporate Auditor)
Standing Corporate Auditor
Corporate Auditor
(Outside Corporate Auditor)

Katsuhisa Doi

Masahiro Ofune
Jun Sakai

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Reference Documents for the General Meeting of Shareholders

Proposals and references

Proposal No. 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendment

The Company will transition to a Company with Audit and Supervisory Committee to achieve more transparent management and speedier decision making by strengthening the supervision and corporate governance functions of the Board of Directors. Accordingly, regarding the Company's Articles of Incorporation, the Company proposes to newly establish provisions concerning the Audit and Supervisory Committee and Audit and Supervisory Committee Members, abolish provisions concerning the Board of Corporate Auditors and Corporate Auditors and make other necessary amendments. In addition, in order to respond to future business development and diversification, the Company proposes to partially amend the description of business purpose stipulated in Article 2 (Purpose) of its current Articles of Incorporation. Furthermore, in line with the above amendments, necessary amendments will be made such as rearrangement of the number of articles.

2. Details of the amendment

The details of the amendment are as follows:

This proposal shall come into effect as of the conclusion of this General Meeting of Shareholders.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendments
(Purpose) Article 2. The purpose of the Company shall be to engage in the following businesses: 1. To engage in the businesses described below, and control and manage the business operations of companies engaged in the businesses described below by means of holding shares in such companies. (1) – (39) [Omitted] [Newly established] [Newly established] [Newly established] [Newly established] [Newly established] [Newly established] [Newly established] [Newly established] (40) Investment and financing in businesses in the preceding items; and (41) Any businesses incidental to those listed in the preceding items. 2. – 43. [Text omitted] [Newly established] [Newly established]	(Purpose) Article 2. The purpose of the Company shall be to engage in the following businesses: 1. To engage in the businesses described below, and control and manage the business operations of companies engaged in the businesses described below by means of holding shares in such companies. (1) – (39) [Unchanged] (40) <u>Corporate planning, financial management, labor management of companies and planning of information systems and consulting thereof;</u> (41) <u>Investment and management of securities;</u> (42) <u>Information processing through computers and corporate management consulting;</u> (43) <u>Management of coin laundry stores;</u> (44) <u>Information processing services and information provision services;</u> (45) <u>Manufacturing, processing, wholesaling, importing and exporting private brand products;</u> (46) <u>Designing, developing, operating and maintaining a product sales and purchase system using networks such as the Internet;</u> (47) <u>Manufacturing and selling confectioneries;</u> (48) <u>Investment and financing in businesses in the preceding items; and</u> (49) <u>Any businesses incidental to those listed in the preceding items.</u> 2. – 43. [Unchanged] 44. <u>Management of coin laundry stores;</u> 45. <u>Information processing services and information provision services;</u>

Current Articles of Incorporation	Proposed amendments
[Newly established]	<u>46. Manufacturing, processing, wholesaling, importing and exporting private brand products;</u>
[Newly established]	<u>47. Designing, developing, operating and maintaining a product sales and purchase system using networks such as the Internet;</u>
<u>44. – 45.</u> [Text omitted]	<u>48. – 49.</u> [Unchanged]
(Organs) Article 4. The Company shall have the following organs in addition to General Meeting of Shareholders and Directors: (1) Board of Directors; <u>(2) Corporate Auditors;</u> <u>(3) Board of Corporate Auditors; and</u> <u>(4) Accounting Auditor.</u>	(Organs) Article 4. The Company shall have the following organs in addition to General Meeting of Shareholders and Directors: (1) Board of Directors; <u>(2) Audit and Supervisory Committee; and</u> <u>(3) Accounting Auditor.</u>
Article 5. – Article 12.[Text omitted]	Article 5. – Article 12.[Unchanged]
(Convener and Chairman) Article 13. Except as otherwise provided by laws and regulations, the President and Director shall convene the General Meeting of Shareholders of the Company by a resolution of the Board of Directors and act as the chairman thereof. 2. In the event that the President and Director is unable to act, another Director, determined in accordance with an order of priority previously determined by a resolution of the Board of Directors, shall act in his/her place.	(<u>Person Authorized to Convene</u> and Chairman) Article 13. Except as otherwise provided by laws and regulations, the President and Director shall convene the General Meeting of Shareholders of the Company by a resolution of the Board of Directors and act as the chairman thereof. 2. In the event that the President and Director is unable to act, another Director, determined in accordance with an order of priority previously determined by a resolution of the Board of Directors, shall act in his/her place.
Article 14. – Article 16. [Text omitted]	Article 14. – Article 16. [Unchanged]
(Number of Directors) Article 17. <u>The number of Directors of the Company shall not exceed fifteen (15).</u>	(Number of Directors) Article 17. <u>The number of Directors (excluding those who are Audit and Supervisory Committee Members) of the Company shall not exceed seven (7).</u> <u>2. The number of Directors who are Audit and Supervisory Committee Members of the Company shall not exceed four (4).</u>
(Election of Directors) Article 18. The Board of Directors of the Company shall be elected by a resolution of the General Meetings of Shareholders. 2. Resolutions for the election of Directors of the Company shall be adopted by a majority vote of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights. 3. Cumulative voting shall not be used for resolution for the election of Directors of the Company.	(Election of Directors) Article 18. The Board of Directors of the Company shall be elected by a resolution of the General Meetings of Shareholders, <u>distinguishing between Directors who are Audit and Supervisory Committee Members and other Directors.</u> 2. Resolutions for the election of Directors of the Company shall be adopted by a majority vote of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights. 3. Cumulative voting shall not be used for resolution for the election of Directors of the Company.

Current Articles of Incorporation	Proposed amendments
<p>Article 19. [Text omitted]</p> <p>(Term of Office of Directors)</p> <p>Article 20. <u>The term of office of a Director of the Company shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one (1) year from his/her election to office.</u></p> <p>(Limitation of Liability of Directors)</p> <p>Article 21. The Company may exempt Directors (including former Directors) from liability for damages under Article 423, Paragraph 1 of the Companies Act up to the amount obtained by deducting the statutory minimum liability amount from the amount of liability for damages by a resolution of the Board of Directors if they meet requirements provided by laws and regulations.</p> <p>2. The Company may enter into a contract with <u>Outside Directors</u> to limit liability for damages under Article 423, Paragraph 1 of the Companies Act if they meet requirements provided by laws and regulations; provided, however, the maximum amount of liability pursuant to the said contract shall be the amount stipulated by laws and regulations.</p> <p>(Representative Directors and Directors with Special Titles)</p> <p>Article 22. The President and Director of the Company shall represent the Company and control business of the Company.</p> <p>2. The Company may elect a few Representative Directors by a resolution of the Board of Directors.</p>	<p>Article 19. [Unchanged]</p> <p>(Term of Office of Directors)</p> <p>Article 20. <u>The term of office of a Director (excluding those who are Audit and Supervisory Committee Members) of the Company shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one (1) year from his/her election to office.</u></p> <p>2. <u>The term of office of a Director who is an Audit and Supervisory Committee Member shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within two (2) years from his/her election to office.</u></p> <p>3. <u>The term of office of a Director who is an Audit and Supervisory Committee Member elected to fill a vacancy caused by retirement of a Director who is an Audit and Supervisory Committee Member prior to the expiry of his/her term of office shall be the same as the remaining term of office of the retired Director who is an Audit and Supervisory Committee Member.</u></p> <p>(Limitation of Liability of Directors)</p> <p>Article 21. The Company may exempt Directors (including former Directors) from liability for damages under Article 423, Paragraph 1 of the Companies Act up to the amount obtained by deducting the statutory minimum liability amount from the amount of liability for damages by a resolution of the Board of Directors if they meet requirements provided by laws and regulations.</p> <p>2. The Company may enter into a contract with <u>Directors (excluding those who are executive directors, etc.)</u> to limit liability for damages under Article 423, Paragraph 1 of the Companies Act if they meet requirements provided by laws and regulations; provided, however, the maximum amount of liability pursuant to the said contract shall be the amount stipulated by laws and regulations.</p> <p>(Representative Director and Directors with Special Titles)</p> <p>Article 22. The President and Director of the Company shall represent the Company and control business of the Company.</p> <p>2. The Company may elect a few Representative Directors <u>from among Directors (excluding Directors who are Audit and Supervisory Committee Members)</u> by a resolution of the Board of Directors.</p>

Current Articles of Incorporation	Proposed amendments
<p>3. The Company may elect one (1) Chairman, one (1) President and Director, a few Director and Vice Chairmen, a few Director and Vice Presidents, a few Senior Managing Directors and a few Managing Directors by a resolution of the Board of Directors.</p> <p>(Director & Advisor)) Article 23. The Company may elect a few Directors & Advisors by a resolution of the Board of Directors.</p> <p>(Person Authorized to Convene and Chairman) Article 24. Except as otherwise provided by laws and regulations, the President and Director shall convene the meetings of the Board of Directors of the Company and act as the chairman thereof.</p> <p>2. When <u>the position of the President and Director is vacant</u> or the President and Director is unable to act, another Director, determined in accordance with an order of priority previously determined by a resolution of the Board of Directors, shall act in his/her place.</p> <p>(Procedures of Convocation) Article 25. Notice of convocation of a meeting of the Board of Directors of the Company shall be sent to each Director <u>and Corporate Auditor</u> at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</p> <p>2. When the consent of all Directors is obtained in advance, a meeting of the Board of Directors of the Company may be held without following the procedures for convening a meeting.</p> <p>(Method of Adopting Resolutions) Article 26. Resolutions of the Board of Directors of the Company shall be adopted by a majority of the attending Directors at a meeting attended by a majority of the Directors.</p> <p>2. The Company shall deem that matters to be resolved by the Board of Directors have been adopted by a resolution of the Board of Directors if all Directors consent to such matters in writing or by electromagnetic record, <u>unless the Corporate Auditors express objections thereto.</u></p>	<p>3. The Company may elect one (1) Chairman, one (1) President and Director, a few Director and Vice Chairmen, a few Director and Vice Presidents, a few Senior Managing Directors and a few Managing Directors <u>from among Directors (excluding Directors who are Audit and Supervisory Committee Members)</u> by a resolution of the Board of Directors.</p> <p>(Director & Advisor) Article 23. [Deleted]</p> <p>(Person Authorized to Convene and Chairman) Article 23. Except as otherwise provided by laws and regulations, the President and Director shall convene the meetings of the Board of Directors of the Company and act as the chairman thereof.</p> <p>2. When the President and Director is unable to act, another Director, determined in accordance with an order of priority previously determined by a resolution of the Board of Directors, shall act in his/her place.</p> <p>(Procedures of Convocation) Article 24. Notice of convocation of a meeting of the Board of Directors of the Company shall be sent to each Director at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</p> <p>2. When the consent of all Directors is obtained in advance, a meeting of the Board of Directors of the Company may be held without following the procedures for convening a meeting.</p> <p>(Method of Adopting Resolutions) Article 25. Resolutions of the Board of Directors of the Company shall be adopted by a majority of the attending Directors at a meeting attended by a majority of the Directors.</p> <p>2. The Company shall deem that matters to be resolved by the Board of Directors have been adopted by a resolution of the Board of Directors if all Directors consent to such matters in writing or by electromagnetic record.</p>

Current Articles of Incorporation	Proposed amendments
<p>[Newly established]</p> <p>(Board of Directors Regulations) Article 27. The matters concerning the Board of Directors of the Company shall be governed by, in addition to provisions of laws and regulations or these Articles of Incorporation, the Board of Directors Regulations adopted or amended by the Board of Directors.</p> <p>(Remuneration, etc.) Article 28. The amount of remuneration, bonuses and any other property benefits to be granted to Directors of the Company in consideration of their performance of duty (hereinafter referred to as “remuneration etc.”) shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p><u>(Delegation of Execution of Important Operations)</u> <u>Article 26. The Company may delegate all or part of decisions on execution of important operations (excluding matters listed in Article 399-13, Paragraph 5 of the Companies Act) to Directors by a resolution of the Board of Directors, pursuant to provisions under Article 399-13, Paragraph 6 of the Companies Act.</u></p> <p>(Board of Directors Regulations) Article 27. The matters concerning the Board of Directors of the Company shall be governed by, in addition to provisions of laws and regulations or these Articles of Incorporation, the Board of Directors Regulations adopted or amended by the Board of Directors.</p> <p>(Remuneration, etc.) Article 28. The amount of remuneration, bonuses and any other property benefits to be granted to Directors of the Company in consideration of their performance of duty (hereinafter referred to as “remuneration etc.”) shall be determined by resolution of the General Meeting of Shareholders, <u>distinguishing between Directors who are Audit and Supervisory Committee Members and other Directors.</u></p>
<p>[Newly established]</p>	<p><u>CHAPTER V. AUDIT AND SUPERVISORY COMMITTEE</u> <u>(Notice of Convocation of the Audit and Supervisory Committee)</u> <u>Article 29. Notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</u> <u>2. When the consent of all Audit and Supervisory Committee Members is obtained in advance, a meeting of the Audit and Supervisory Committee may be held without following the procedures for convening a meeting.</u></p>
<p>[Newly established]</p>	<p><u>(Audit and Supervisory Committee Regulations)</u> <u>Article 30. The matters concerning the Audit and Supervisory Committee shall be governed by, in addition to laws and regulations or these Articles of Incorporation, the Audit and Supervisory Committee Regulations adopted or amended by the Audit and Supervisory Committee.</u></p>

Current Articles of Incorporation	Proposed amendments
[Newly established]	(Method of Adopting Resolutions)
	<u>Article 31. Resolutions of the Audit and Supervisory Committee shall be adopted by a majority of the attending Audit and Supervisory Committee Members at a meeting attended by a majority of the Directors who are Audit and Supervisory Committee Members.</u>
<u>CHAPTER V. CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</u>	
(Number of Corporate Auditors)	[Deleted]
<u>Article 29. The number of Corporate Auditors of the Company shall not exceed six (6).</u>	
(Election of Corporate Auditors)	[Deleted]
<u>Article 30. Corporate Auditors of the Company shall be elected by a resolution of the General Meetings of Shareholders.</u>	
<u>2. Resolutions for the election of Corporate Auditors of the Company shall be adopted by a majority vote of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</u>	
(Method of Dismissal)	[Deleted]
<u>Article 31. Corporate Auditors may be dismissed by a resolution of the General Meeting of Shareholders.</u>	
<u>2. Resolutions for the dismissal of Corporate Auditors shall be adopted by a vote of two-thirds (2/3) or more of the attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</u>	
(Term of Office)	[Deleted]
<u>Article 32. The term of office of a Corporate Auditor of the Company shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within four (4) years from his/her election to office.</u>	
<u>2. The term of office of a Corporate Auditor elected to fill a vacancy caused by retirement of a Corporate Auditor prior to the expiry of his/her term of office shall be the same as the remaining term of office of the retired Corporate Auditor.</u>	

Current Articles of Incorporation	Proposed amendments
<p><u>(Limitation of Liability of Corporate Auditors)</u> <u>Article 33. The Company may exempt Corporate Auditors (including former Corporate Auditors) from liability for damages under Article 423, Paragraph 1 of the Companies Act up to the amount obtained by deducting the statutory minimum liability amount from the amount of liability for damages by a resolution of the Board of Directors if they meet requirements provided by laws and regulations.</u></p> <p><u>2. The Company may enter into a contract with Outside Corporate Auditors to limit liability for damages under Article 423, Paragraph 1 of the Companies Act if they meet requirements provided by laws and regulations; provided, however, the maximum amount of liability pursuant to the said contract shall be the amount stipulated by laws and regulations.</u></p>	<p>[Deleted]</p> <p>[Deleted]</p>
<p><u>(Standing Corporate Auditors)</u> <u>Article 34. The Board of Corporate Auditors of the Company shall elect one or more Standing Corporate Auditors from among Corporate Auditors.</u></p>	<p>[Deleted]</p>
<p><u>(Procedures of Convocation)</u> <u>Article 35. Notice of convocation of a meeting of the Board of Corporate Auditors of the Company shall be sent to each Corporate Auditor at least three (3) days prior to the meeting; provided, however, that in the event of urgency, such period may be shortened.</u></p> <p><u>2. When the consent of all Corporate Auditors is obtained in advance, a meeting of the Board of Corporate Auditors of the Company may be held without following the procedures for convening a meeting.</u></p>	<p>[Deleted]</p>
<p><u>(Method of Adopting Resolutions)</u> <u>Article 36. Resolutions of the Board of Corporate Auditors of the Company shall be adopted by a majority of the Corporate Auditors, unless otherwise provided in laws and regulations.</u></p>	<p>[Deleted]</p>
<p><u>(Board of Corporate Auditors Regulations)</u> <u>Article 37. The matters concerning the Board of Corporate Auditors of the Company shall be governed by, in addition to provisions of laws and regulations or these Articles of Incorporation, the Board of Corporate Auditors Regulations adopted or amended by the Board of Corporate Auditors.</u></p>	<p>[Deleted]</p>
<p><u>(Remuneration, etc.)</u> <u>Article 38. The amount of remuneration, etc. for Corporate Auditors of the Company shall be determined by a resolution of the General Meeting of Shareholders.</u></p>	<p>[Deleted]</p>

Current Articles of Incorporation	Proposed amendments
<p>CHAPTER VI. ACCOUNTING AUDITOR Article <u>39</u>. – Article <u>40</u>. [Text omitted]</p> <p>(Remuneration, etc.) Article <u>41</u>. The amount of remuneration, etc. for the Accounting Auditor shall be determined by the <u>Representative Director</u> with the consent obtained from the <u>Board of Corporate Auditors</u>.</p> <p>Article <u>42</u>. [Text omitted]</p> <p>CHAPTER VII. ACCOUNTS Article <u>43</u>. – Article <u>46</u>. [Text omitted]</p> <p>[Newly established]</p>	<p>CHAPTER VI. ACCOUNTING AUDITOR Article <u>32</u>. – Article <u>33</u>. [Unchanged]</p> <p>(Remuneration, etc.) Article <u>34</u>. The amount of remuneration, etc. for the Accounting Auditor shall be determined by the <u>President and Director</u> with the consent obtained from the <u>Audit and Supervisory Committee</u>.</p> <p>Article <u>35</u>. [Unchanged]</p> <p>CHAPTER VII. ACCOUNTS Article <u>36</u>. – Article <u>39</u>. [Unchanged]</p> <p><u>(SUPPLEMENTARY PROVISIONS)</u> <u>(Transitional Measures Concerning Limitation of Liability of Corporate Auditors)</u> <u>Concerning acts committed before the coming into effect of partial amendments to these Articles of Incorporation which have been resolved at the 59th Ordinary General Meeting of Shareholders, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt Corporate Auditors (including former Corporate Auditors) from liability for damages arising from negligence in the performance of their duties, to the extent permitted by laws and regulations, in accordance with a resolution of the Board of Directors of the Company.</u></p> <p>2. <u>The contract to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act concerning acts committed by Outside Corporate Auditors (including former Outside Corporate Auditors) before the conclusion of the 59th Ordinary General Meeting of Shareholders shall be governed by the provisions of Article 33, Paragraph 2 of the Articles of Incorporation before amendments to be made by a resolution of the said Ordinary General Meeting of Shareholders.</u></p>

Proposal No. 2: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The Company will transition to a Company with Audit and Supervisory Committee subject to approval and resolution of Proposal No. 1 “Partial Amendments to the Articles of Incorporation.” Accordingly, as the terms of office of all eleven Directors will expire at the end of the meeting, election of six Directors (excluding Directors who are Audit and Supervisory Committee Members) is proposed.

This proposal shall come into effect when Proposal No. 1 “Partial Amendments to the Articles of Incorporation” comes into effect.

The candidates for Directors (excluding Directors who are Audit and Supervisory Committee Members) are as follows:

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
1	Tatsuru Tsuruha (February 11, 1942)	<p>June 1976 Joined TSURUHA CO., LTD. July 1978 Director of TSURUHA CO., LTD. August 1994 Senior Managing Director of TSURUHA CO., LTD. August 1996 Senior Managing Director & Representative Director of TSURUHA CO., LTD. August 1997 President & Representative Director of TSURUHA CO., LTD. August 2003 Director of the Company August 2005 President & Representative Director of the Company August 2008 President & Chief Executive Officer of the Company President & Chief Executive Officer of TSURUHA CO., LTD. December 2011 Vice Chairman & Director of TSURUHA (Thailand) Co., Ltd. August 2014 Chairman & Representative Director of the Company Chairman & Representative Director of TSURUHA CO., LTD. August 2018 Chairman of the Company (current position) August 2020 Chairman of TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) Chairman of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) Mr. Tatsuru Tsuruha demonstrated his excellent administrative capabilities and built the foundations of the current Tsuruha Group. He has supervised management that encompasses the entire Group as Chairman & Representative Director. We have judged that his abundant knowledge and administrative capabilities cultivated over many years will greatly contribute to the further growth of the Group and strengthening our competitiveness after transition to a Company with Audit and Supervisory Committee, and thus have renominated him as a candidate for Director.</p>	1,410,440

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
2	Jun Tsuruha (May 21, 1974)	<p>April 1998 Joined TSURUHA CO., LTD.</p> <p>May 2011 Director and Executive Officer of TSURUHA CO., LTD. General Manager of Hokkaido Store Operation of TSURUHA CO., LTD. Executive Officer of the Company</p> <p>December 2011 Director of TSURUHA (Thailand) Co., Ltd.</p> <p>August 2014 Director and Senior Managing Executive Officer of the Company responsible for Group Store Operation President & Representative Director of TSURUHA CO., LTD. President & Chief Executive Officer of TSURUHA CO., LTD.</p> <p>August 2018 Senior Managing Director & Representative Director, Senior Managing Executive Officer, and Head of Sales Operations of the Company responsible for Group Store Operation</p> <p>July 2019 Vice Chairman & Director of TSURUHA (Thailand) Co., Ltd. (current position)</p> <p>June 2020 President & Representative Director of the Company (current position) President & Chief Executive Officer of the Company (current position)</p> <p>August 2020 Vice Chairman & Representative Director of TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) Vice Chairman & Representative Director of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) As President & Representative Director of the Company, Mr. Jun Tsuruha has made appropriate decision-making on important management matters of the Company and greatly contributed by demonstrating his leadership and ability to take action, which he had cultivated through his experience, to expand business scope of operating companies in the Group and enhance corporate value. We have judged that he will further demonstrate management capabilities as chief executive officer of the Group, and thus have renominated him as a candidate for Director.</p>	120,200

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
3	Hisaya Ogawa (September 21, 1958)	<p>August 1983 Joined kusurino FUKUTARO CO., LTD. December 1988 President & Representative Director of kusurino FUKUTARO CO., LTD.</p> <p>August 2007 Managing Director of the Company August 2008 Director of the Company Managing Executive Officer of the Company responsible for Group Pharmacy Store Operation and kusurino FUKUTARO CO., LTD.</p> <p>May 2015 Director of kusurino FUKUTARO CO., LTD. May 2016 President & Representative Director of kusurino FUKUTARO CO., LTD. (current position)</p> <p>August 2018 Director of the Company (current position) Executive Officer of the Company responsible for kusurino FUKUTARO CO., LTD. and M&A (current position)</p> <p>(Significant concurrent position) President & Representative Director of kusurino FUKUTARO CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) As President & Representative Director of kusurino FUKUTARO CO., LTD., a subsidiary of the Company, Mr. Hisaya Ogawa has abundant experience and knowledge in drug store management and he has been utilizing them for management decisions of the Company. In addition, with a wide range of personal contacts gained through his experience and his ability to take action, he, as a director responsible for M&A, has contributed to making the companies with future growth potential our subsidiaries. We have judged that he will continue to exhibit such capabilities, and thus have renominated him as a candidate for Director.</p>	402,000

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
4	Shoichi Murakami (May 24, 1967)	<p>November 1992 Joined WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>April 2002 Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>April 2006 Managing Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>June 2009 President & Representative Director and President & Chief Executive Officer of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.) Executive Officer of the Company responsible for WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>August 2015 President & Representative Director and President & Chief Executive Officer of Tsuruha Group Drug & Pharmacy Nishinohon Inc. (current position)</p> <p>August 2019 Director of the Company (current position) Executive Officer of the Company responsible for Tsuruha Group Drug & Pharmacy Nishinohon Inc. (current position)</p> <p>(Significant concurrent position) President & Representative Director and President & Chief Executive Officer of Tsuruha Group Drug & Pharmacy Nishinohon Inc.</p> <p>(Reasons for nomination as a candidate for Director) As President & Representative Director of a subsidiary of the Company, Tsuruha Group Drug & Pharmacy Nishinohon Inc., Mr. Shoichi Murakami has greatly contributed to the steady expansion of the subsidiary's business in the Chugoku and Kyushu regions. His management capabilities cultivated through such experience are fully utilized for the management of the Company, thus we have renominated him as a candidate for Director.</p>	2,000

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
5	Masahiro Yahata (September 12, 1968)	<p>April 1991 Joined TSURUHA CO., LTD.</p> <p>December 2008 Deputy Manager of North Tohoku Store Operation of TSURUHA CO., LTD.</p> <p>August 2009 Manager of Tohoku Store Operation I of TSURUHA CO., LTD.</p> <p>April 2014 General Manager of Tohoku Store Operation of TSURUHA CO., LTD.</p> <p>August 2014 General Manager of Hokkaido Store Operation of TSURUHA CO., LTD.</p> <p>May 2018 Executive Officer and General Manager of Hokkaido Store Operation of TSURUHA CO., LTD.</p> <p>August 2020 President & Representative Director of TSURUHA CO., LTD. (current position) President & Chief Executive Officer of TSURUHA CO., LTD. (current position) Director of the Company (current position) Executive Officer of the Company responsible for TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) President & Representative Director and President & Chief Executive Officer of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) As the President & Representative Director of TSURUHA CO., LTD., which is the largest company in the Tsuruha Group, Mr. Masahiro Yahata is executing high-quality management by utilizing thorough knowledge about actual stores and experience to greatly contribute to enhancing the corporate value of the Company. We have judged that he will demonstrate his capabilities to achieve management targets, and thus have renominated him as a candidate for Director.</p>	4,500

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
6	Fumiyo Fujii (August 20, 1954)	<p>April 1979 Joined The Hokkaido Takushoku Bank, Ltd. June 2011 Director of Sapporo Hokuyo Holdings, Inc. Director of North Pacific Bank, Ltd. June 2014 Managing Director of North Pacific Bank, Ltd. August 2015 Outside Corporate Auditor of the Company June 2017 Full-time Audit & Supervisory Board Member of North Pacific Bank, Ltd. June 2017 Outside Audit & Supervisory Board Member of Hokkaido Electric Power Co., Inc. August 2019 Outside Director of the Company (current position) June 2021 Full-time Audit & Supervisory Board Member of North Pacific Securities Co., Ltd. (current position)</p> <p>(Reasons for nomination as a candidate for Outside Director and expected roles) After serving as Outside Corporate Auditor of the Company, Mr. Fumiyo Fujii, with abundant financial experience and knowledge cultivated over many years at financial institutions, is currently providing active opinions and various pieces of advice on management issues at meetings of the Board of Directors as Outside Director. We have judged that he will utilize his deep insight in corporate management, experience and supervisory capabilities for the management of the Company, and thus propose his reelection as Outside Director.</p>	1,200

- Notes:
1. Mr. Fumiyo Fujii is the candidate for Outside Director.
 2. The Company has registered Mr. Fumiyo Fujii with Tokyo Stock Exchange, Inc. as an Independent Director.
 3. Mr. Fumiyo Fujii will be in office as an Outside Director for two years at the end of the meeting.
 4. No conflict of interest exists between the Company and each of the candidates for Directors.
 5. In accordance with the Articles of Incorporation of the Company, the Company has entered into a liability limitation contract with Mr. Fumiyo Fujii to limit his liability for damages to the amount stipulated by laws and regulations. If his election is approved, the Company will newly enter into a contract with the same terms and conditions as the said contract with him.
 6. The Company has entered into a directors and officers liability insurance contract with an insurance company and each candidate will be included in insured persons under the said insurance contract. Please refer to page 14 of the Business Report for brief details of the said insurance contract. At the time of next renewal, the Company plans to renew the contract with same contents.

Proposal No. 3: Election of Three Directors Who Are Audit and Supervisory Committee Members

The Company will transition to a Company with Audit and Supervisory Committee subject to approval and resolution of Proposal No. 1 “Partial Amendments to the Articles of Incorporation.” Accordingly, the election of three Directors who are Audit and Supervisory Committee Members is proposed.

The Board of Corporate Auditors has given its consent to this proposal.

This proposal shall come into effect when Proposal No. 1 “Partial Amendments to the Articles of Incorporation” comes into effect.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
*1	Masahiro Ofune (October 10, 1952)	<p>November 1993 Joined TSURUHA CO., LTD.</p> <p>August 2005 Director of TSURUHA CO., LTD. Director of the Company Chief Administrative Officer, General Manager of General Affairs Division, and General Manager of Accounting Division of the Company</p> <p>August 2008 Managing Executive Officer responsible for Administrative Headquarters, Chief Administrative Officer and General Manager of Accounting Division of the Company</p> <p>March 2009 Managing Executive Officer responsible for Administrative Headquarters, Chief Administrative Officer of the Company</p> <p>August 2018 Corporate Auditor of the Company (current position) Corporate Auditor of TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) Corporate Auditor of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director who is an Audit and Supervisory Committee Member) As Standing Corporate Auditor, Mr. Masahiro Ofune, having experience in serving as a director controlling administrative headquarters, is currently working to establish an audit system of the Group and strengthen the governance structure. We have judged that he will improve audit and supervisory functions as a standing director who is an audit and supervisory committee member based on his knowledge and experience accumulated thus far, after transition to a Company with Audit and Supervisory Committee, and thus have nominated him as a candidate for Director who is an Audit and Supervisory Committee Member.</p>	7,600

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
*2	Harumi Sato (February 26, 1955)	<p>April 1977 Joined The Institute of Energy Economics, Japan September 1990 Served at Daguerreo Press, Inc. April 1998 Served at Shinya Asaka Tax Accountant Office May 2001 Representative of Harumi Sato Tax Accountant Office December 2018 Director of Sapporo Branch, Anchor Licensed Tax Accountant Office (current position) August 2019 Outside Director of the Company (current position)</p> <p>(Significant concurrent position) Director of Sapporo Branch, Anchor Licensed Tax Accountant Office</p> <p>(Reasons for nomination as a candidate for Outside Director who is an Audit and Supervisory Committee Member and expected roles) As a certified tax accountant, Ms. Harumi Sato has expertise in tax affairs. In addition to her abundant experience and high-level insight as a tax accountant, she has a valuable female point of view on the managerial decisions of the Company, and has provided various recommendations from an objective perspective to the management of the Company. Although Ms. Harumi Sato has never been involved in management of the Company other than as an outside director, the Company believes that she is capable of appropriately executing duties as Outside Director who is an Audit and Supervisory Committee Member due to the aforementioned reasons after transition to a Company with Audit and Supervisory Committee.</p>	700
*3	Takuya Okazaki (September 12, 1977)	<p>October 2003 Graduated from the Legal Training and Research Institute of Japan Joined Tanaka Toshiji Law Office July 2011 Opened Okazaki Takuya Law Offices (current position) November 2013 Outside Audit & Supervisory Board Member of Hokuryo Co., Ltd. (current position) June 2016 Outside Director and Audit and Supervisory Committee Member of Fulltech Co. Ltd. (current position)</p> <p>(Significant concurrent position) Representative of Okazaki Takuya Law Offices</p> <p>(Reasons for nomination as a candidate for Outside Director who is an Audit and Supervisory Committee Member and expected roles) As a lawyer, Mr. Takuya Okazaki has abundant business experience and expertise. We have judged that he will strengthen decision-making functions and audit and supervisory functions of the Board of Directors through providing advice from an independent standpoint based on deep insight, and thus have nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p>	-

Notes: 1.The candidates marked with an asterisk (*) are new candidates for Directors who are Audit and Supervisory Committee Members or Outside Directors who are Audit and Supervisory Committee Members.

2. The Company has registered Ms. Harumi Sato with Tokyo Stock Exchange, Inc. as an Independent Director. In addition, Mr. Takuya Okazaki also satisfies the requirements of Independent Director as set

forth in the regulations of Tokyo Stock Exchange, Inc. and if they are both elected, the Company will register both of them as Independent Directors.

3. Ms. Harumi Sato will be in office as an Outside Director for two years at the end of the meeting.
4. No conflict of interest exists between the Company and each of the candidates for Directors.
5. In accordance with the Articles of Incorporation of the Company, the Company has entered into a liability limitation contract with Ms. Harumi Sato to limit her liability for damages to the amount stipulated by laws and regulations. If her election is approved, the Company will newly enter into a contract with the same terms and conditions as the said contract with her. In addition, if election of Mr. Takuya Okazaki is approved, in accordance with the Articles of Incorporation of the Company, the Company will enter into a liability limitation contract with Mr. Takuya Okazaki to limit his liability for damages to the amount stipulated by laws and regulations.
6. The Company has entered into a directors and officers liability insurance contract with an insurance company and each candidate will be included in insured persons under the said insurance contract. Please refer to page 14 of the Business Report for brief details of the said insurance contract. At the time of next renewal, the Company plans to renew the contract with same contents.

Proposal No. 4: Election of One Substitute Director Who Is an Audit and Supervisory Committee Member

The Company will transition to a Company with Audit and Supervisory Committee subject to approval and resolution of Proposal No. 1 “Partial Amendments to the Articles of Incorporation.” Accordingly, in preparation for the possibility of the number of Directors who are Audit and Supervisory Committee Members falling below the number prescribed by laws and regulations, the election of one Substitute Director who is an Audit and Supervisory Committee Member is proposed.

The Board of Corporate Auditors has given its consent to this proposal.

This proposal shall come into effect when Proposal No. 1 “Partial Amendments to the Articles of Incorporation” comes into effect.

The candidate for Substitute Director who is an Audit and Supervisory Committee Member is as follows:

Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
Eriko Suzuki Schweisgut (March 20, 1986)	<p>June 2008 Graduated from McGill University, Canada Analyst of Morgan Stanley Japan Securities Co., Ltd.</p> <p>April 2010 Associate of UBS Securities Japan Co., Ltd.</p> <p>October 2013 Finance Division, Coach Japan</p> <p>June 2015 Representative of Japan & Operations Director of Skycatch</p> <p>May 2016 Director of Investment Division, Mistletoe, Inc.</p> <p>May 2018 General Partner of Fresco Capital</p> <p>April 2021 Managing Director of M Power Co., Ltd. (current position)</p> <p>(Significant concurrent position) Managing Director of M Power Co., Ltd.</p> <p>(Reasons for nomination as a candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member and expected roles) Ms. Eriko Suzuki Schweisgut has engaged in the financial and technology industries and has a variety of experience and expertise in corporate management. We have judged that she will strengthen decision-making functions and audit and supervisory functions of the Board of Directors, in addition to providing advice on management from a viewpoint of diversity, and thus have nominated her as a candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member.</p>	-

Notes: 1. No conflict of interest exists between the Company and the candidate.

- Ms. Eriko Suzuki Schweisgut is the candidate for Substitute Outside Director who is an Audit and Supervisory Committee Member.
- Ms. Eriko Suzuki Schweisgut satisfies the requirements of Independent Director as set forth in the regulations of Tokyo Stock Exchange, Inc. If Ms. Eriko Suzuki Schweisgut takes office, the Company will register her with Tokyo Stock Exchange, Inc. as an Independent Director.
- If Ms. Eriko Suzuki Schweisgut takes office as Outside Director who is an Audit and Supervisory Committee Member, the Company will enter into a contract with her to limit her liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages pursuant to the contract will be the amount stipulated by laws and regulations.
- The Company has entered into a directors and officers liability insurance contract with an insurance company and if Ms. Eriko Suzuki Schweisgut takes office as Outside Director who is an Audit and Supervisory Committee Member, she will be included in insured persons under the said insurance contract. Please refer to page 14 of the Business Report for brief details of the said insurance contract. At the time of next renewal, the Company plans to renew the contract with same contents.

Proposal No. 5: Determination of Remuneration Amount for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

The upper limit of remuneration for Directors of the Company was resolved to be within ¥500 million per year as monetary remuneration consisting of monthly remuneration and bonuses (hereinafter referred to as the “Remuneration Amount”) at the 43rd Ordinary General Meeting of Shareholders held on August 11, 2005, which is still effective. The Company will transition to a Company with Audit and Supervisory Committee subject to approval and resolution of Proposal No. 1 “Partial Amendments to the Articles of Incorporation.” Accordingly, for the purpose of abolishing existing rules on the Remuneration Amount for Directors and newly determining the Remuneration Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members) considering medium- to long term incentives in line with transitioning to a Company with Audit and Supervisory Committee, we propose to abolish existing rules on the Remuneration Amount for Directors and newly determine the Remuneration Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members) to be within ¥500 million (including ¥50 million for Outside Directors) per year, in consideration of economic and other conditions. This proposal intends to determine the Remuneration Amount for Directors (excluding Directors who are Audit and Supervisory Committee Members) within a reasonable range, taking into account economic conditions, the Company’s scale, the number of Directors and remuneration levels at other companies and we have judged that this proposal is necessary and reasonable.

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” and Proposal No. 2 “Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” are approved and resolved as originally proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) will be six (including one Outside Director).

This proposal shall come into effect when Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved.

Proposal No. 6: Determination of Remuneration Amount for Directors Who Are Audit and Supervisory Committee Members

The Company will transition to a Company with Audit and Supervisory Committee subject to approval and resolution of Proposal No. 1 “Partial Amendments to the Articles of Incorporation.”

Accordingly, in line with transitioning to a Company with Audit and Supervisory Committee, we propose to determine the remuneration amount for Directors who are Audit and Supervisory Committee Members to be within ¥100 million per year, in consideration of the duties and responsibilities of Directors who are Audit and Supervisory Committee Members.

This proposal intends to determine the remuneration amount for Directors who are Audit and Supervisory Committee Members within a reasonable range, taking into account the responsibilities of Directors who are Audit and Supervisory Committee Members and the remuneration levels of Directors (excluding Directors who are Audit and Supervisory Committee Members) and we have judged that this proposal is necessary and reasonable.

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” and Proposal No. 3 “Election of Three Directors Who Are Audit and Supervisory Committee Members” are approved and resolved as originally proposed, the number of Directors who are Audit and Supervisory Committee Members will be three.

This proposal shall come into effect when Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved.

Proposal No. 7: Determination of Restricted Share Remuneration Plan for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members and Outside Directors)

The Company will transition to a Company with Audit and Supervisory Committee, if Proposal No. 1 “Partial Amendments to the Articles of Incorporation” is approved and resolved as originally proposed. This plan has the same contents as those described in “Announcement of Introduction of Restricted Share Remuneration Plan” announced on July 4, 2017, and in line with transitioning to a Company with Audit and Supervisory Committee, we resubmit the proposal of this plan to this General Meeting of Shareholders. Therefore, no specific changes have been made to the total amount of monetary remuneration claims payable as remuneration, etc. concerning restricted shares stated in 1. (2) as well as to 2. Overview of the plan from the existing plan.

If Proposal No. 1 “Partial Amendments to the Articles of Incorporation” and Proposal No. 2 “Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” are approved and resolved as originally proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) subject to allotment will be five.

1. Purpose of introducing this plan, etc.

(1) Purpose of introducing this plan

This plan is introduced as a remuneration plan to allot common shares of the Company subject to a certain period during which the transfer of the shares is restricted, and gratis acquisition by the Company (hereinafter referred to as “Restricted Shares”) to Company’s Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors. Hereinafter referred to as “Eligible Directors”) as follows, in order to provide an incentive for the Eligible Directors to achieve sustained enhancement of the corporate value of the Company and to further share the value with our shareholders.

(2) Conditions for introducing this plan

Under this plan, monetary remuneration claims will be paid to Eligible Directors as remuneration for allotting Restricted Shares. Therefore, the plan will be introduced on the condition that Proposal No. 5 “Determination of Remuneration Amount for Directors (excluding Directors Who Are Audit and Supervisory Committee Members)” is approved and resolved as originally proposed at this General meeting of Shareholders and the Company intends to set the total amount of monetary remuneration claims payable as remuneration, etc. concerning Restricted Shares for Eligible Directors at ¥150 million or less per year, comprehensively taking into account various matters including the degree of contribution of Eligible Directors at the Company, separately from the amount of remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members).

(3) Reason why allotment of Restricted Shares is reasonable

Restricted Shares are allotted to Eligible Directors in order to provide an incentive for the Eligible Directors to achieve sustained enhancement of the corporate value of the Company and to further share the value with our shareholders.

Allotment of Restricted Shares is determined in comprehensive consideration of various matters including responsibilities of Eligible Directors and as the maximum total number of Restricted Shares to be allotted for each fiscal year set forth in 2. (2) below accounts for 0.02% of the total number of shares issued (approximately 0.2% of the total number of shares issued in the case that the maximum number of Restricted Shares set forth in 2. (2) below is allotted for ten years) and the dilution rate is insignificant, the Company believes that the conditions are reasonable.

2. Overview of the plan

(1) Allotment and payment of Restricted Shares

The Company pays monetary remuneration claims to Eligible Directors as remuneration related to Restricted Shares within the above amount per year in accordance with the resolution of the Board of Directors, and each Eligible Director receives allotment of Restricted Shares through provision of all the monetary remuneration claims by means of investment in kind.

The amount to be paid for Restricted Shares is determined at the Board of Directors of the Company based on the closing price of common shares of the Company at the Tokyo Stock Exchange on the business day before the day of its Board of Directors’ resolution concerning their issuance or disposal (if no trading is reported on the day, the closing price on the most recent trading day prior to the day), to the extent that the amount is not particularly favorable to Eligible Directors who accept the Restricted Shares.

The above monetary remuneration claims are provided, subject to the consent to the investment in kind and the conclusion of the Restricted Share Allotment Agreement, which includes details set forth in (3).

below, by Eligible Directors.

(2) Total number of Restricted Shares

The total number of Restricted Shares to be allotted to Eligible Directors of 10,000 shares shall be the upper limit of the number of Restricted Shares allotted in each fiscal year.

However, after the date of resolution for this Proposal, in the case of stock split of the Company's common shares (including gratis allotment of common shares of the Company) or stock consolidation, or in other equivalent cases where adjustment of the total number of Restricted Shares to be allotted is required, the total number of the Restricted Shares may be adjusted reasonably.

(3) Content of Restricted Share Allotment Agreement

The Restricted Share Allotment Agreement that is entered into between the Company and an Eligible Director who receives allotment of Restricted Shares upon allotment of Restricted Shares in accordance with the resolution of the Company's Board of Directors shall include the following:

1) Content of restriction on transfer of shares

An Eligible Director who received the allotment of Restricted Shares may not transfer, establish a pledge or a security interest, gift inter vivos, bequest to a third party or take any other actions to dispose the Restricted Shares allotted to the Eligible Director (hereinafter referred to as "Allotted Shares") for a period stipulated by the Company's Board of Directors within the range of 20 to 30 years (hereinafter referred to as "Restricted Period") (hereinafter referred to as "Transfer Restriction").

2) Gratis acquisition of Restricted Shares

If an Eligible Director who received the allotment of Restricted Shares retires or resigns from all the positions of a Director, an Executive Officer and/or an employee of the Company and subsidiaries of the Company by the day before the date of the Ordinary General Meeting of Shareholders of the Company held for the first time after the start date of the Restricted Period, the Company shall acquire the Allotted Shares rightfully without consideration, except in the case that there is any reason that the Company's Board of Directors deems reasonable.

Of the Allotted Shares, if there are shares for which the Transfer Restriction has not been lifted in accordance with the provision to lift Transfer Restriction set forth in 3) below at the time when the Restricted Period set forth in 1) above expires, the Company shall acquire those shares rightfully without compensation.

3) Lifting of Transfer Restriction

The Company shall lift Transfer Restriction for all the Allotted Shares at the time when the Restricted Period expires on the condition that Eligible Directors who received allotment of Restricted Shares continued to hold either position of a Director, an Executive Officer or an employee of the Company and subsidiaries of the Company until the date of the Ordinary General Meeting of Shareholders of the Company held for the first time after the start date of the Restricted Period.

However, if the Eligible Directors retires or resign from all the positions of a Director, an Executive Officer and/or an employee of the Company before the Restricted Period expires for any reason that the Company's Board of Directors deems reasonable (e.g. expiration of terms of office), the Transfer Restriction shall be lifted at the time immediately after such retirement regarding the number of the Allotted Shares for which Transfer Restriction is lifted and the timing of the lifting of Transfer Restriction.

4) Treatment in organizational restructuring

In the case where a proposal for a merger agreement in which the Company becomes the defunct company, a share exchange agreement or share transfer plan through which the Company becomes a wholly-owned subsidiary of another, or other organizational restructuring, etc. is approved at the General Meeting of Shareholders of the Company (in the case where approval of the General Meeting of Shareholders of the Company is not required for the organizational restructuring, etc., the Company's Board of Directors) during the Restricted Period, Transfer Restriction shall be lifted by the resolution of the Company's Board of Directors prior to the effective date of the organizational restructuring, etc. for the Allotted Shares in the number reasonably set forth in light of the period from the start date of the Restricted Period to the day of approval for the organizational restructuring, etc.

In this case, at some point immediately after Transfer Restriction was lifted in accordance with the above provision, the Company shall rightfully acquire any Allotted Shares for which the Transfer Restriction has not yet been lifted without consideration.