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To Those Shareholders with Voting Rights

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

## **NOTICE OF THE 63<sup>rd</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We hereby notify you that the 63<sup>rd</sup> Ordinary General Meeting of Shareholders of the Company will be held as described below.

When convening the General Meeting of Shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders in electronic format (Matters Concerning Electronic Provision Measure), and posts this information on the Company's website. Please access the following website for your confirmation.

The Company's website:

<https://www.tsuruha-hd.co.jp/ir/gms/> (in Japanese)

(Please confirm through the menu on the above website.)

In addition to the Company website, the Matters Concerning Electronic Provision Measure will also be available on the Tokyo Stock Exchange (TSE) website for your confirmation.

TSE website (Listed Company Search):

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Please access the TSE website above, enter/search "Tsuruha Holdings" in "Issue name (company name)" or the Company's securities code "3391" in "Code," and click "Search." Select "Basic information," then "Documents for public inspection/PR information," and confirm "Notice of General Shareholders Meeting /Informational Materials for a General Shareholders Meeting" under the "Documents for public inspection.")

As described in the Guidance on Exercise of your Voting Rights, 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, May 23, 2025.

- 1. Date and Time:** Monday, May 26, 2025, at 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Place:** 11-1-1, Kita-1-joishi, Chuo-ku, Sapporo-shi, Hokkaido  
Ballroom, Grand Mercure Sapporo Odori Park (formerly Royton Sapporo), 3rd Floor
- 3. Agenda of the Meeting:**
- Matters to be reported:**
1. Business Report, Consolidated Financial Statements for the 63<sup>rd</sup> Fiscal Term (from May 16, 2024, to February 28, 2025) and the Audit Report of the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements
  2. Non-Consolidated Financial Statements for the 63<sup>rd</sup> Fiscal Term (from May 16, 2024, to February 28, 2025)
- Proposals to be resolved:**
- Proposal No. 1:** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 2:** Election of Two Directors Who Are Audit and Supervisory Committee Members
- Proposal No. 3:** Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD.
- Proposal No. 4:** Election of One Director (Excluding Directors Who Are Audit and Supervisory Committee Members)
- Proposal No. 5:** Election of One Director Who Is an Audit and Supervisory Committee Member

#### **4. Arrangements in Convening the Meeting (Guidance on Exercise of your Voting Rights)**

- If you exercise your voting rights via the Internet or by other means multiple times, the vote exercised last will be treated as valid.
- If you exercise your voting rights both via the Internet and in writing (by mail), the vote cast via the Internet will be treated as valid, regardless of the date and time of their receipt.
- If you exercise your voting rights by proxy, one other shareholder with voting rights may attend the General Meeting of Shareholders as your proxy. In this case, in addition to the Voting Form of the proxy himself/herself, the Company requires the submission of 1) documentation verifying proxy rights (letter of proxy), 2) the Voting Form of the shareholder, documentation verifying the other shareholder's identity such as a copy of the seal registration certificate for the seal used on the letter of proxy, a passport, a driver's license, or a health insurance identification card. Furthermore, no one other than shareholders, such as proxies who are not shareholders or other associates, may attend the General Meeting of Shareholders.
- For those shareholders attending the venue on the day, please submit the Voting Form to the reception desk at the meeting.
- Any revision to the Matters Concerning Electronic Provision Measure shall be posted on the Company's website above and the TSE website, with the details before and after the revision.

For shareholders who have requested delivery of paper-based documents, the paper-based documents stating the Matters Concerning Electronic Provision Measure will be sent together with the voting form, but these documents exclude the following matters in accordance with the provisions of laws and regulations as well as Article 14 of the Company's Articles of Incorporation.

- (i) Matters connected with "Trends in Assets and Income," "Issues to Be Addressed," "Principal Business," "Principal Offices," "Employees," "Major Lenders," "Other Important Information Concerning the Company Group," "Matters Concerning Subscription Rights to Shares, etc.," "Status of Accounting Auditor," "System to Ensure Proper Business Execution and its Operational Status" and "Policy for Determining Dividends of Surplus, etc." referred to in the Business Report
- (ii) Matters connected with "Consolidated Balance Sheet," "Consolidated Statements of Income," "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" referred to in the Consolidated Financial Statements
- (iii) Matters connected with "Non-Consolidated Balance Sheets," "Non-Consolidated Statements of Income," "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" referred to in the Non-Consolidated Financial Statements
- (iv) Matters connected with "Accounting Auditor's Audit Report on the Consolidated Financial Statements," "Accounting Auditor's Audit Report on the Non-Consolidated Financial Statements," and "The Audit and Supervisory Committee's Audit Report" referred to in the Audit Reports
- (v) "Contents of the Non-Consolidated Financial Statements, etc. related to the final fiscal year of WELCIA HOLDINGS CO., LTD.," "Contents of the events that occurred in the Company after the last day of the final fiscal year, such as disposal of important properties, bearing of significant obligations, and other events significantly affecting the status of the Company properties," which are included in "Proposal No. 3 Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD." in the Reference Documents for the General Meeting of Shareholders

Therefore, the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements included in the document are a part of documents audited to prepare the Accounting Audit Report by the Accounting Auditor and the Audit Report by the Audit and Supervisory Committee.

**Proposal No. 1: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)**

The terms of office of all (six) Directors (excluding Directors who are Audit and Supervisory Committee Members; hereinafter the same applies in this proposal) will expire at the conclusion of this General Meeting of Shareholders. Therefore, considering the report by the Nomination and Remuneration Committee, the Company proposes to appoint six Directors.

With respect to this proposal, the Company's Audit and Supervisory Committee has judged that all candidates for Directors are suitable.

The candidates for Directors are as follows.

No.		Name	Current positions and assignments at the Company	Attendance at meetings of the Board of Directors
1	<div>Reelection</div>	Jun Tsuruha	President & Representative Director	10/10 (100%)
2	<div>Reelection</div>	Shoichi Murakami	Director and Executive Officer Responsible for Tsuruha Group Drug & Pharmacy Nishinohon Inc.	10/10 (100%)
3	<div>Reelection</div>	Masahiro Yahata	Director and Executive Officer Responsible for TSURUHA CO., LTD.	10/10 (100%)
4	<div>Reelection</div>	Kazuto Toyama	Director and Executive Officer Responsible for Group Store Development Division	7/7 (100%)
5	<div>Reelection Outside</div>	Wakana Tanaka	Outside Director	10/10 (100%)
6	<div>Reelection Outside</div>	Hiroshi Okuno	Outside Director	10/10 (100%)

Note: The attendance of Mr. Kazuto Toyama is attendance after he assumed the post of Director.

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
1	Jun Tsuruha (May 21, 1974) <u>Reelection</u>	<p>April 1998      Joined TSURUHA CO., LTD.</p> <p>May 2011      Director and Executive Officer of TSURUHA CO., LTD.</p> <p>General Manager of Hokkaido Store Operation of TSURUHA CO., LTD.</p> <p>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</p> <p>President &amp; Representative Director of TSURUHA CO., LTD.</p> <p>President &amp; Chief Executive Officer of TSURUHA CO., LTD.</p> <p>August 2018      Senior Managing Director &amp; 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 &amp; Director of TSURUHA (Thailand) Co., Ltd.</p> <p>June 2020      President &amp; Representative Director of the Company (current position)</p> <p>President &amp; Chief Executive Officer of the Company</p> <p>August 2020      Vice Chairman &amp; Representative Director of TSURUHA CO., LTD.</p> <p>July 2021      Chairman &amp; Director of TSURUHA (Thailand) Co., Ltd. (current position)</p> <p>August 2024      Director and Chair of TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) Director and Chair of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) Mr. Jun Tsuruha, as President &amp; Representative Director, has demonstrated appropriate decision-making on important management matters and has greatly contributed to successfully expanding the business scope of operating companies within the Group and enhancing the overall corporate value through his leadership skills and ability to take action, which he has cultivated through his experiences. We have determined that he will further demonstrate management capabilities as Chief Executive Officer of the Group even after the business integration with WELCIA HOLDINGS CO., LTD., thus we have renominated him as a candidate for Director.</p>	123,400

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
2	Shoichi Murakami (May 24, 1967) <u>Reelection</u>	<p>November 1992    Joined WELLNESSKOHOKU INC. (currently Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc.)</p> <p>April 2002        Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc.)</p> <p>April 2006        Managing Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc.)</p> <p>June 2009        President &amp; Representative Director and Chief Executive Officer of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc.)</p> <p>Executive Officer of the Company, responsible for WELLNESSKOHOKU INC. (currently Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc.)</p> <p>August 2015      President &amp; Representative Director of Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc. (current position)</p> <p>August 2019      Director of the Company (current position)</p> <p>Executive Officer of the Company, responsible for Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc. (current position)</p> <p>(Significant concurrent position) President &amp; Representative Director of Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc.</p> <p>(Reasons for nomination as a candidate for Director) Mr. Shoichi Murakami, as President &amp; Representative Director of Tsuruha Group Drug &amp; Pharmacy Nishinihon Inc., a core subsidiary of the Group, 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>	4,300

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
3	Masahiro Yahata (September 12, 1968) <u>Reelection</u>	<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 &amp; Representative Director of TSURUHA CO., LTD. (current position)</p> <p>Director of the Company (current position)</p> <p>Executive Officer of the Company responsible for TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position)</p> <p>President &amp; Representative Director of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director)</p> <p>Mr. Masahiro Yahata, as President &amp; Representative Director of TSURUHA CO., LTD., which is the largest company in the Tsuruha Group, is executing high-quality management by utilizing his knowledge of actual stores and his experiences which greatly contribute to enhancing the corporate value of the Company. We have determined that he will demonstrate his capabilities to achieve management target, thus we have renominated him as a candidate for Director.</p>	6,800

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
4	Kazuto Toyama (March 6, 1964) <u>Reelection</u>	<p>March 1982      Joined TSURUHA CO., LTD.</p> <p>March 1998      General Manager of Store Development Department I of Store Development Division of TSURUHA CO., LTD.</p> <p>August 2008      Executive Officer, and General Manager of Store Development Division and Store Development Department I of TSURUHA CO., LTD.</p> <p>August 2014      Executive Officer responsible for Group Store Development Division of the Company</p> <p>May 2020      Executive Officer and General Manager of Store Development Division of TSURUHA CO., LTD.</p> <p>August 2023      Director, Managing Executive Officer and General Manager of Store Development Division of TSURUHA CO., LTD. (current position)</p> <p>August 2024      Director and Executive Officer responsible for Group Store Development Division of the Company (current position)</p> <p>(Significant concurrent position) Director of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) Mr. Kazuto Toyama, as the chief executive of the Store Development Division of the Group, has assumed the role of formulating and executing strategies for further organic growth and opening new stores through M&amp;A. We have determined that he will contribute to the expansion of the domestic and foreign store networks with respect to the area of opening stores and store strategy, which are expected to increase in importance in the future, using knowledge that he has fostered for many years, and thus we have nominated him as a candidate for Director.</p>	6,000



No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
5	Wakana Tanaka (January 7, 1975) Reelection Outside	<p>July 1997 Arthur D. Little (Japan) Co., Ltd.</p> <p>July 2003 NIHON L'ORÉAL K.K.</p> <p>May 2011 Unilever Japan Services K.K.</p> <p>March 2012 National Diet of Japan Fukushima Nuclear Accident Independent Investigation Commission</p> <p>November 2012 Corporate Strategy Department, Office of the President of GlaxoSmithKline Japan K.K.</p> <p>May 2013 Head of Transformation Promotion Office, Corporate Strategy Department, Office of the President of GlaxoSmithKline Japan K.K.</p> <p>November 2014 Google Japan G.K.</p> <p>October 2021 Director (Executive Officer) of Google Japan G.K.</p> <p>March 2023 Representative of LinkedIn Japan Co., Ltd (current position)</p> <p>August 2023 Outside Director of the Company (current position)</p> <p>(Reasons for nomination as candidate for Outside Director and summary of expected roles) Ms. Wakana Tanaka has a high level of management consulting, brand marketing and management expertise cultivated at pharmaceutical and global IT companies and has served as a member of a special government project. In addition, as a woman, she has a viewpoint that is useful in making management decisions at the Company. We have determined that she is capable of applying her wide range of knowledge and experience to the promotion of DX and the globalization of the Company, thus we have renominated her as a candidate for Outside Director.</p>	—

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
6	Hiroshi Okuno (March 6, 1963) Reelection Outside	<p>January 1989 Japan Trader, Equity Portfolio Trading and Portfolio Engineering of Nomura Rosenberg Asset Management</p> <p>April 1993 Vice President in charge of Japan International Yen Equity Sales of Smith Barney Co., Ltd.</p> <p>October 1997 Vice President in charge of International Yen Equity Derivative Sales of Salomon Smith Barney Co., Ltd.</p> <p>April 1998 Vice President in charge of Japan Global Equity Sales of Robertson Stephens Co., Ltd.</p> <p>September 1998 Director in charge of Global Tech Specialist, Yen Equity Sales of Merrill Lynch Japan Securities Co., Ltd.</p> <p>September 2003 Hong Kong Director in charge of Pacific Rim Tech Specialist Sales, Pan Asian Equity Sales of Merrill Lynch Asia Pacific Limited</p> <p>September 2005 Director in charge of International Multi Product and Yen Equity Sales of Bank Of America Merrill Lynch</p> <p>June 2011 Managing Director of Jefferies Japan Limited, Jefferies Group, Inc.</p> <p>October 2022 Founder and Managing Partner of KTSS Ltd. (current position)</p> <p>August 2023 Outside Director of the Company (current position)</p> <p>(Reasons for nomination as candidate for Outside Director and summary of expected roles)</p> <p>Mr. Hiroshi Okuno has long history of working at a global financial institution and has valuable knowledge to add to the Company's finance/financing strategy, including fundraising, from a highly specialized perspective in the field of finance. In order for the Company to promote various measures for the growth of the Group, the Company's finance/financing strategy, including fund procurement, is very important. So we have judged him a staff member necessary for the Company's Board of Directors. In addition, as a consultant with considerable overseas experience, he is expected to advise and supervise the Company's management in regard to internationality and business development, which will become increasingly important in the future as well, thus we have renominated him as a candidate for Outside Director. Although the candidate has never been involved in the management of a company directly, other than being an outside director, for the reasons stated above, we have determined that he is capable of appropriately performing the duties of an Outside Director.</p>	—

Notes: 1. No special interest exists between the Company and each candidate.

2. Ms. Wakana Tanaka and Mr. Hiroshi Okuno are candidates for Outside Director.

3. In accordance with the Articles of Incorporation of the Company, the Company has entered into liability limitation contracts with Ms. Wakana Tanaka and Mr. Hiroshi Okuno to limit their liability for damages to the amount stipulated by laws and regulations. If their election is approved, the Company will extend said contracts with them.

4. 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 said insurance contract.

Please refer to “Company Officers” for brief details of said insurance policy. At the time of next renewal, the Company plans to renew the contract with the same contents.

5. The Company has registered Ms. Wakana Tanaka and Mr. Hiroshi Okuno with Tokyo Stock Exchange, Inc. as Independent Directors as set forth in the regulations of Tokyo Stock Exchange, Inc.
6. Both Ms. Wakana Tanaka and Mr. Hiroshi Okuno have held the posts of Outside Directors for one year and nine months.

**Proposal No. 2: Election of Two Directors Who Are Audit and Supervisory Committee Members**

As the term of office of Directors Mr. Masahiro Ofune, Ms. Harumi Sato, and Mr. Takuya Okazaki, who are Audit and Supervisory Committee Members, will expire at the conclusion of this General Meeting of Shareholders, election of two Directors who are Audit and Supervisory Committee Members is proposed.

The Audit and Supervisory Committee has given its consent to this proposal.

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

No.		Name	Current positions and assignments at the Company	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee
1	<div>Reelection Outside</div>	Harumi Sato	Outside Director (Independent)	10/10 (100%)	11/11 (100%)
2	<div>Reelection Outside</div>	Takuya Okazaki	Outside Director (Independent)	10/10 (100%)	11/11 (100%)

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
1	Harumi Sato (February 26, 1955) Reelection Outside	<p>April 1977      Joined The Institute of Energy Economics, Japan</p> <p>September 1990      Served at Daguerreo Press, Inc.</p> <p>April 1998      Served at Shinya Asaka Tax Accountant Office</p> <p>May 2001      Representative of Harumi Sato Tax Accountant Office</p> <p>December 2018      Director of Sapporo Branch, Anchor Licensed Tax Accountant Office (current position)</p> <p>August 2019      Outside Director of the Company</p> <p>August 2021      Outside Director and Audit and Supervisory Committee Member 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 candidate for Outside Director who is an Audit and Supervisory Committee Member and expected roles) Ms. Harumi Sato has expertise in taxation as a certified tax accountant. In addition to her abundant experience and high-level insight as a certified tax accountant, as a woman, she has a viewpoint that is useful in making management decisions at the Company, and has made various proposals to the Company's management from an objective perspective. Although the candidate has never been involved in the management of the Company, other than being an outside director, for the reasons stated above, we have determined that she is capable of appropriately performing the duties of an Outside Director who is also an Audit and Supervisory Committee Member after transition to a Company with an Audit and Supervisory Committee.</p>	700

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
2	Takuya Okazaki (September 12, 1977) Reelection Outside	<p>October 2003      Graduated from Legal Training and Research Institute of Japan Joined Tanaka Toshiji Law Office</p> <p>July 2011          Opened Okazaki Takuya Law Offices (current position)</p> <p>November 2013    Outside Audit &amp; Supervisory Board Member of Hokuryo Co., Ltd. (current position)</p> <p>June 2016          Outside Director and Audit and Supervisory Committee Member of Fulltech Co. Ltd. (current position)</p> <p>August 2021       Outside Director and Audit and Supervisory Committee Member of the Company (current position)</p> <p>(Significant concurrent position) Representative of Okazaki Takuya Law Offices Outside Audit &amp; Supervisory Board Member of Hokuryo Co., Ltd. Outside Director and Audit and Supervisory Committee Member of Fulltech Co. Ltd.</p> <p>(Reasons for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and expected roles) Mr. Takuya Okazaki has abundant experience and expertise as an attorney at law. We believe that he will strengthen the Board of Directors' decision-making as well as auditing and supervisory functions through providing advice from an independent standpoint based on his deep insight, thus we have nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member. Although the candidate has never been involved in the management of the Company, other than being an outside director, for the reasons stated above, we have determined that he is capable of appropriately performing the duties of an Outside Director who is also an Audit and Supervisory Committee Member after transition to a Company with an Audit and Supervisory Committee.</p>	—

- Notes: 1. Ms. Harumi Sato and Mr. Takuya Okazaki are candidates for Outside Directors.
2. There are no special interests between the Company, and Ms. Harumi Sato and Mr. Takuya Okazaki.
3. The Company has registered Ms. Harumi Sato and Mr. Takuya Okazaki with Tokyo Stock Exchange, Inc. as Independent Directors as set forth in the regulations of Tokyo Stock Exchange, Inc.
4. The terms of office of Ms. Harumi Sato and Mr. Takuya Okazaki as Outside Directors will be five years and nine months, and three years and nine months, respectively, at the conclusion of this General Meeting.
5. The Company has entered into a contract with Ms. Harumi Sato and Mr. Takuya Okazaki to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. If they take office as Outside Directors who are Audit and Supervisory Committee Members, the maximum amount of liability for damages pursuant to the contract shall be 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 said insurance contract. Please refer to "Company Officers" for brief details of said insurance policy. At the time of next renewal, the Company plans to renew the contract with the same contents.

### **Proposal No. 3: Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD.**

The Company and WELCIA HOLDINGS CO., LTD. (“Welcia HD”) entered into a capital and business alliance agreement (the “Basic Agreement”) with the Company, AEON CO., LTD. (“AEON”), and Welcia HD dated February 28, 2024. Since then, the Company, AEON, and Welcia HD have been engaged in discussions and consideration towards a capital and business alliance (the “Capital and Business Alliance”) among the Company, AEON, and Welcia HD, which includes the business integration (the “Business Integration”) of the Company and Welcia HD.

The Company and Welcia HD have entered into a definitive agreement concerning a capital and business alliance (the “Definitive Capital and Business Alliance Agreement”) among the Company, AEON and Welcia HD dated April 11, 2025, in relation to the Capital and Business Alliance, under which the parties have also reached a definitive agreement on the Business Integration. Accordingly, based on the resolutions of their respective boards of directors held on April 11, 2025, as part of the Business Integration, the Company and Welcia HD have entered into a share exchange agreement (the “Share Exchange Agreement”) to implement a share exchange (the “Share Exchange”), whereby the Company will become the wholly owning parent company, and Welcia HD will become a wholly owned subsidiary.

Accordingly, we would like to request your approval of the Share Exchange Agreement.

The Share Exchange will be implemented for the purpose of the Business Integration. The Business Integration will be implemented, subject to approval of the shareholders meetings of both companies and the necessary clearances and approvals under competition laws and other applicable laws and regulations.

The reasons for conducting the Share Exchange, the details of the Share Exchange Agreement and other matters related to this proposal are as follows.

#### **1. Background and Purpose of the Business Integration**

The Company Group (referring to the corporate group consisting of the Company and its 12 consolidated subsidiaries as of February 28, 2025, hereinafter the same) aims to become “Japan’s No. 1 drugstore chain” that is loved and appreciated by local communities. Under its management philosophy of “providing affluence and leeway in the lives of our customers,” to contribute to local healthcare, the Company Group’s basic principle is to operate its stores from the customers’ perspective in order to deliver services that are more accessible and reassuring. With such views, the Company Group provides a wide variety of products, including not only pharmaceuticals and cosmetics but also food and daily necessities, and as a multi-store drugstore operator closely connected to the daily lives of local residents, operates its main stores in the non-metropolitan areas where more than 50% of the population of Japan lives, aiming to provide affluence and leeway to consumers living in those areas. In addition, the Company Group’s basic policy is to serve as a lifeline to protect local customers, helping them lead beautiful and healthy lives, providing a place for local livelihood, employment, and economic activities, and contribute to local communities. The Company Group continuously works to enhance its own strengths, capital, and management base in order to realize its group vision of becoming the largest and best drug store chain in Japan that promotes business activities to realize its management philosophy and enhances actions to solve social issues by providing affluence and leeway more widely from customers to communities and from communities to society as a whole.

Welcia HD has a corporate mission of promoting a higher quality of life and healthy lifestyles for its customers, under which it aims to become a platform of lifestyles and a one-stop store that offers key specialist support where it proposes high-value products and services themed on health. Along with evolving its business model that is centered on operating drug stores that dispenses prescriptions, provides counseling services, late-night services and caretaking services, Welcia HD provides counseling and courteous customer service through the expertise of employees, selection of products that suit regional characteristics, and enhanced services that can be used more conveniently, operating stores across Japan from Hokkaido in the north to Okinawa in the south, through which it strives to support the health, beauty and enriched lifestyles of local residents.

Under these circumstances, the Company, Welcia HD, and AEON recognize that the expansion of medical, health, and regional disparities has become a major social issue, while the business environment is increasingly severe in the drugstore industry due to factors such as drug price reductions, rising consumer frugality, and escalating labor and logistics costs. Even under these circumstances, in order to realize a society in which

everyone has equal access to health and wellness services, the three companies have come to believe that it is necessary to not only grow within the framework of existing business models, but also embark on a fundamental transformation of their own business models. The Company, Welcia HD, and AEON will make maximum use of the management resources of the three companies and work together to create the largest drug store alliance in Japan that will demonstrate synergies in various fields. In addition, the companies aim to grow into Asia's No.1 global company, creating unlimited growth opportunities for their employees and offering higher levels of health and wellness to local residents. To achieve this, the companies have entered into the Basic Agreement, and as part of the Capital and Business Alliance, the companies have engaged in discussions and consideration towards the Business Integration. The Company, Welcia HD, and AEON have reached a definitive agreement about the Capital and Business Alliance, and furthermore, the Company and Welcia HD have reached a definitive agreement to form a strong partnership built on respect and trust, and proceed with the Business Integration based on the spirit of "co-prosperity and co-existence," as part of which the companies will implement the Share Exchange.

The Business Integration will be carried out among the Company, Welcia HD, and AEON that shares a common philosophy of contributing to the realization of higher levels of health and wellness for local residents (for instance, by providing new healthcare services utilizing digital technology, offering highly specialized services such as nutritional and exercise guidance, and forming health communities in collaboration with local communities), based on a strong partnership underpinned by mutual respect and trust, and as part of the Capital and Business Alliance to create a drugstore alliance that contributes to the enhancement of the corporate value of the three companies. The goal is to continuously support the rich and healthy daily lives of local customers, provide unlimited growth opportunities for employees, and contribute to solving social issues.

## 2. Outline of Details the Share Exchange Agreement

The details of the Share Exchange Agreement that the Company executed with Welcia HD on April 11, 2025 are as follows.

### Share Exchange Agreement

TSURUHA HOLDINGS INC. ("Party A") and WELCIA HOLDINGS CO., LTD. ("Party B") hereby enter into a share exchange agreement ("the Agreement") as of April 11, 2025 ("the Agreement Execution Date") as set forth below.

#### 1. (Share Exchange)

1. In accordance with the provisions of the Agreement, Party A and Party B shall implement a share exchange ("Share Exchange") to make Party A the wholly owning parent company and Party B a wholly owned subsidiary resulting from the Share Exchange.
2. The trade names and addresses of the wholly owning parent company and the wholly owned subsidiary in the Share Exchange are as follows.
  - (1) Wholly owing parent company after the Share Exchange  
Trade name: TSURUHA HOLDINGS INC.  
Address: 1-21 Kita 24-jo Higashi 20-chome, Higashi-ku, Sapporo, Hokkaido, Japan
  - (2) Wholly owned subsidiary after the Share Exchange  
Trade name: WELCIA HOLDINGS CO., LTD.  
Address: 2-2-15, Soto-kanda, Chiyoda-ku, Tokyo, Japan

#### 2. (Matters related to the number of shares delivered in the Share Exchange and allotment thereof)

1. In the Share Exchange, Party A will deliver to the shareholders of Party B (meaning the shareholders of Party B after the cancellation of treasury shares by Party B pursuant to Article 7 and excluding Party A; the "Allotted Shareholders") at the time immediately before Party A acquires all of the issued shares of Party B (excluding Party B Shares held by Party A) through the Share Exchange (the "Record Time"), in exchange for the Party B common shares they hold, shares of Party A's common stock equal to the total number of Party B common shares held multiplied by 1.15. Party A shall thus allot 1.15 shares of Party A's common stock for each share of Party B's common stock.



2. Pursuant to the provisions of the preceding paragraph, if the number of Party A common shares to be delivered to Allotted Shareholders includes a fraction less than one share, Party A shall take the necessary procedures in accordance with Article 234 of the Companies Act and other applicable laws and regulations.

3. (Matters concerning the amount of capital stock and capital reserves of the wholly owning parent company in the Share Exchange)

The amount of Party A's capital stock and capital reserves to be increased as a result of the Share Exchange shall be appropriately determined by Party A in accordance with the provisions of Article 39 of the Ordinance on Company Accounting.

4. (Effective Date)

1. The day on which the Share Exchange becomes effective ("the Effective Date") will be December 1, 2025. However, the Effective Date may be changed upon mutual consultation and agreement between Party A and Party B if it is necessary for the procedures of the Share Exchange or for other reasons.
2. Notwithstanding the provisions of the preceding paragraph, the effectiveness of the Share Exchange shall be subject to the condition precedent that a stock split, whereby each share of common stock of Party A is split into 5 shares, has become effective by the business day immediately preceding the Effective Date.

5. (Shareholders' meetings)

Party A and Party B shall, by the day prior to the Effective Date, respectively seek approval from their shareholders' meetings for the approval of the Agreement and for the matters necessary for the Share Exchange.

6. (Dividends of surplus, etc.)

1. After the execution of the Agreement, Party A may distribute dividends of surplus to (i) shareholders or registered pledgees of shares recorded or registered in the final shareholder register as of the end of February 2025, up to 112.00 yen per share, and (ii) shareholders or registered pledgees of shares recorded or registered in the final shareholder register as of the end of August 2025, up to 133.50 yen per share.
2. After the execution of the Agreement, Party B may distribute dividends of surplus to (i) shareholders or registered pledgees of shares recorded or registered in the final shareholder register as of the end of February 2025, up to 18 yen per share, and (ii) shareholders or registered pledgees of shares recorded or registered in the final shareholder register as of the end of August 2025, up to 18 yen per share.
3. After the Agreement Execution Date, Party A and Party B shall not, except as provided in the preceding two paragraphs, make any resolution regarding the distribution of surplus with a record date prior to the Effective Date, nor shall they make any resolution regarding the acquisition of treasury shares or the acquisition of treasury stock options (excluding cases where such acquisition is required under applicable laws and regulations in response to the exercise of shareholders' rights) with an acquisition date falling on any day prior to the Effective Date of the Agreement.

7. (Cancellation of treasury shares)

Party B shall, by a resolution of its board of directors held on or before the day preceding the Effective Date, cancel all of its treasury shares held as of the Record Time (including treasury shares acquired through the purchase of shares in response to a share purchase demand by dissenting shareholders as prescribed in Article 785, Paragraph 1 of the Companies Act that may be exercised in relation to the Share Exchange).

8. (Amendment and termination of the Agreement)

During the period from the Agreement Execution Date to the day immediately preceding the Effective Date, if there are material changes in the assets or business conditions of the Party A or Party B, or if circumstances arise or become apparent that materially hinder the execution of the Share Exchange or make it difficult to

achieve the purpose of the Share Exchange, Party A and Party B may, upon mutual consultation and agreement, amend or terminate the Share Exchange Agreement.

9. (Effect of the Agreement)

This Agreement shall become null and void if: (i) the approval by the shareholders' meetings of Party A or Party B as specified in Article 5 is not obtained by the day before the Effective Date; (ii) the necessary approvals or authorizations from relevant authorities under applicable laws (including foreign laws) required for the execution of the Share Exchange are not obtained (including, but not limited to, the failure to complete the waiting period for the filing made by Party A regarding the Share Exchange under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947) by the day before the Effective Date, or if an exclusion order is issued by the Japan Fair Trade Commission); or (iii) this Agreement is terminated pursuant to the preceding article.

10. (Court of jurisdiction of the Agreement)

Any dispute arising out of or in connection with this Agreement shall be subject to the exclusive jurisdiction of the Tokyo District Court in the first instance.

11. (Matters to be deliberated)

In addition to the provisions of this Agreement, any other matters necessary for the Share Exchange shall be determined by mutual agreement between Party A and Party B in accordance with the intent of this Agreement.

IN WITNESS WHEREOF, the Agreement has been executed in duplicate and Party A and Party B shall each retain one original after affixing their respective names and seal impressions hereto.

April 11, 2025

Party A:

1-21 Kita 24-jo Higashi 20-chome, Higashi-ku, Sapporo, Hokkaido, Japan

TSURUHA HOLDINGS INC.

Jun Tsuruha, President and Representative Director

Party B:

2-2-15, Soto-kanda, Chiyoda-ku, Tokyo, Japan

WELCIA HOLDINGS CO., LTD.

Hideaki Kirisawa, Representative Director, President and Chief Operating Officer

3. Outline of the Details Prescribed in Article 193 (excluding Item 5 and Item 6) of the Ordinance for Enforcement of the Companies Act

1. Matters concerning appropriateness of considerations

(A) Details of the allotment in the Share Exchange (share exchange ratio)

	The Company	Welcia HD
Share exchange ratio in the Share Exchange	1	1.15
		(For reference: before considering the stock split) 0.23
Number of shares to be delivered in the Share Exchange	The Company common shares: 237,416,868 shares (planned)	

1. Details of the allotment in the Share Exchange

For each share of common stock of Welcia HD ("Welcia HD Shares"), the Company will allot and

deliver 1.15 shares of the Company's common stock (the "Company Shares"). This allotment is based on the assumption that a stock split (the "Stock Split") of one Company Share into 5 shares, which is scheduled to take effect on September 1, 2025 with a record date of August 31, 2025, will take effect. The above share exchange ratio (the "Share Exchange Ratio") in the Share Exchange is subject to change upon mutual consultation between the two companies if there are material changes or discoveries of such changes regarding the conditions underlying the valuation.

2. Number of Company Shares to be delivered in the Share Exchange

In the Share Exchange, the Company will deliver to the shareholders of Welcia HD (meaning the shareholders after cancellation of the treasury shares described below and excluding the Company) at the time immediately before the Company acquires all of the issued shares of Welcia HD (excluding Welcia HD Shares held by the Company) through the Share Exchange (the "Record Time"), the number of the Company Shares calculated by multiplying the total number of Welcia HD Shares held by each shareholder by 1.15 (assuming that the Stock Split will be implemented), in exchange for the Welcia HD Shares held by such shareholder.

It should be noted that Welcia HD plans to cancel all of its treasury shares (including shares acquired in response to dissenting shareholders' requests for share repurchase under Article 785, Paragraph 1 of the Companies Act) by the day before the effective date of the Share Exchange. Therefore, the number of Company Shares to be delivered in the Share Exchange is calculated by deducting the number of treasury shares held by Welcia HD as of February 28, 2025 (10,958 shares) from the total number of issued shares of Welcia HD. Consequently, the number of the Company Shares to be delivered in the Share Exchange may be adjusted in the future due to the repurchase and cancellation of treasury shares by Welcia HD before the effective date of the Share Exchange.

Regarding the stock acquisition rights issued by Welcia HD as of April 11, 2025 (totaling 124 units), if the Share Exchange Agreement is approved at the annual shareholders meeting of Welcia HD scheduled for May 27, 2025, the rights will be exercisable for 30 days from the day following the approval date in accordance with the terms of issuance of such stock acquisition rights. If these rights are exercised by the day immediately before the effective date of the Share Exchange, the number of treasury shares may change due to the disposition of treasury shares.

Additionally, prior to the Share Exchange, TSURUHA CO., LTD., a subsidiary of the Company, plans to distribute the Welcia HD Shares it holds (totaling 3,352,592 shares) (as of February 28, 2025) to the Company as a dividend. Therefore, the number of Welcia HD Shares held by the Company is assumed to be a total of 3,352,592 shares in calculating the number of the Company Shares to be delivered in the Share Exchange.

Furthermore, the Company plans to deliver the Company Shares by utilizing its treasury shares and issuing additional common shares to cover any shortfall.

3. Handling of shares less than one unit

Shareholders of Welcia HD who receive an allotment of the Company Shares less than one unit (100 shares) through the Share Exchange will not be able to sell such shares less than one unit on the Tokyo Stock Exchange or other financial instruments exchanges. Shareholders who are to hold such shares less than one unit may request the Company to repurchase their shares under Article 192, Paragraph 1 of the Companies Act.

4. Handling of fractions less than one share

If the number of Company Shares to be delivered in the Share Exchange includes a fraction less than one share, the Company will sell the number of Company Shares equivalent to the total number of such fractional shares (rounded down to the nearest whole number) in accordance with Article 234 of the Companies Act and other relevant laws and regulations and distribute the proceeds to the shareholders of Welcia HD who are entitled to receive the allotment of fractional shares, in proportion to their fractional shares.

5. Stock split

the Company will implement the Stock Split of one share of the Company common stock into 5 shares, effective September 1, 2025, increasing the total number of issued shares from 49,557,068 shares to 247,785,340 shares. The Share Exchange Ratio and the number of shares to be delivered in

the Share Exchange are calculated assuming that the Stock Split will take effect.

6. Changes to the terms of the Share Exchange and the termination of the Share Exchange Agreement

If there are material changes in the assets or business conditions of the Company or Welcia HD, or if circumstances arise or become apparent that materially hinder the execution of the Share Exchange or make it difficult to achieve the purpose of the Share Exchange, the Company and Welcia HD may, upon mutual consultation and agreement, amend or terminate the Share Exchange Agreement. Additionally, if the Definitive Capital and Business Alliance Agreement is terminated or otherwise ended, the Share Exchange Agreement will also be terminated.

(B) Basis for the details of allotment in the Share Exchange

(1) Basis and reasons for the details of the allotment

To ensure fairness and appropriateness in determining the Share Exchange Ratio, the Company and Welcia HD each independently appointed third-party valuation institutions and legal advisors that are independent of the Company, Welcia HD, and AEON. The Company appointed SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as its financial advisor and third-party valuation institution, while Welcia HD appointed Mizuho Securities Co., Ltd. ("Mizuho Securities") as its financial advisor and third-party valuation institution. Additionally, the Company appointed TMI Associates as its legal advisor, while Welcia HD appointed Mori Hamada & Matsumoto as its legal advisor. On that basis, the two companies commenced a full-scale consideration.

The Company had multiple rounds of careful discussions and consideration as described below in (4) "Measures to ensure fairness (including measures to avoid conflicts of interest)," based on, among other things, the valuation report on the share exchange ratio obtained from SMBC Nikko Securities, its financial advisor and third-party valuation institution, dated April 10, 2025, advice obtained from TMI Associates, its legal advisor, the results of various due diligence conducted on Welcia HD by the Company and its advisors, and instructions, advice, and the written report dated April 10, 2025 from the Company's special committee (the "Special Committee (Tsuruha HD)") comprised of five members: Mr. Takuya Okazaki (independent outside director and audit and supervisory committee member of the Company), Ms. Harumi Sato (independent outside director and audit and supervisory committee member of the Company), Ms. Wakana Tanaka (independent outside director of the Company), Mr. Hiroshi Okuno (independent outside director of the Company), and Mr. Tatsuichi Asada (independent outside director and audit and supervisory committee member of the Company) (for details of the Special Committee (Tsuruha HD) and its written report, see "1) the Company having established an independent special committee and obtained a written report from the special committee" under (4) "Measures to ensure fairness (including measures to avoid conflicts of interest)" below), and taking into account the financial conditions, performance trends, and stock price trends of both companies. As a result, the Company has concluded that the Share Exchange Ratio is appropriate and is in the interests of the Company's shareholders.

On the other hand, Welcia HD had multiple rounds of careful discussions and consideration as described below in (4) "Measures to ensure fairness (including measures to avoid conflicts of interest)," based on, among other things, the valuation report on the share exchange ratio and a fairness opinion (the "Fairness Opinion") stating that the Share Exchange Ratio is considered to be appropriate from a financial perspective for common shareholders of Welcia HD obtained from Mizuho Securities, its financial advisor and third-party valuation institution, dated April 10, 2025, advice obtained from Mori Hamada & Matsumoto, its legal advisor, the results of various types of due diligence conducted on the Company by Welcia HD, and instructions, advice, and the written report dated April 11, 2025 from Welcia HD's special committee (the "Special Committee (Welcia HD)") comprised of three members: Mr. Katsunori Nozawa (outside director and independent officer of Welcia HD), Mr. Hirohisa Kagami (former outside corporate auditor of Welcia HD and attorney-at-law), and Mr. Masahiko Yasuda (President and Representative Director of Benedi Consulting Co., Ltd. and certified public accountant) (for details of the Special Committee (Welcia HD) and its written report, see "1) Welcia HD having established an independent special committee and obtained a written report from the special committee" under (4) "Measures to ensure fairness (including measures to avoid conflicts of interest)" below. As a result,

Welcia HD concluded that the Share Exchange Ratio is appropriate and serves the interests of Welcia HD's shareholders, and Welcia HD therefore determined that it is appropriate to implement the Share Exchange based on the Share Exchange Ratio.

As described above, the Company and Welcia HD, engaged in careful consideration, referring to the valuation results of the share exchange ratio provided by their respective third-party valuation institutions, and carefully taking into account matters such as the results of the due diligence conducted on the other party. The companies had multiple rounds of careful discussions and negotiations on the terms of the Share Exchange, including the Share Exchange Ratio, comprehensively taking into account their financial conditions, asset conditions, future outlook, and other factors. As a result, the Company and Welcia HD concluded that the Share Exchange Ratio is appropriate and serves the interests of their respective shareholders, and they therefore determined that it is appropriate to implement the Share Exchange based on the Share Exchange Ratio.

It should be noted that the Share Exchange Ratio is subject to change by mutual discussions and agreement between the two companies if there are significant changes in the conditions that form the basis for the valuation, in accordance with the Share Exchange Agreement.

(2) Matters concerning valuation

1) Names of valuation institutions and their relationships with the companies

SMBC Nikko Securities, the third-party valuation institution for the Company, YAMADA Consulting Group Co., Ltd. ("Yamada Consulting"), the third-party valuation institution independently appointed by the Special Committee (Tsuruha HD), and Mizuho Securities, the third-party valuation institution for Welcia HD, are all valuation institutions independent of the Company, AEON and Welcia HD. None of these valuation institutions is a related party to the Company, AEON or Welcia HD and has any material interest that should be disclosed in relation to the Share Exchange.

SMBC Nikko Securities holds a major shareholder position in Welcia HD, holding 1.22% of the issued shares of Welcia HD as of February 28, 2025. SMBC Nikko Securities is a member of the group company of the Sumitomo Mitsui Financial Group, Inc., which is the same corporate group to which Sumitomo Mitsui Banking Corporation ("Sumitomo Mitsui Banking Corporation") belongs, which engages in loan and other transactions as part of ordinary banking transactions with the Company Group, Welcia Group (comprising Welcia HD and its 17 consolidated subsidiaries and 3 non-consolidated subsidiaries as of February 28, 2025; hereinafter the same) and the AEON Group (comprising AEON and its 306 consolidated subsidiaries and 26 equity-method affiliates as of February 28, 2025; hereinafter the same). Despite these relationships, the Company appointed SMBC Nikko Securities as its financial advisor and third-party valuation institution, considering the track record of SMBC Nikko Securities as a third-party valuation institution and taking into account that (i) as preventive measures, information barriers are in place between the department in charge of financial advisory services and valuation services for Tsuruha HD and Welcia HD, and other departments at SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation, as stipulated in the internal rules, (ii) the Company and SMBC Nikko Securities engage in transactions under conditions similar to those with general business partners, thereby maintaining the independence of SMBC Nikko Securities as a financial advisor and third-party valuation institution, (iii) SMBC Nikko Securities is not a related party to the Company, AEON, or Welcia HD, and the Company therefore believes there are no particular issues in requesting SMBC Nikko Securities to perform the valuation. The Special Committee (Tsuruha HD) confirmed that there is no issue with the independence and expertise of SMBC Nikko Securities and approved its appointment as the Company's financial advisor and third-party valuation institution. The Company did not obtain a fairness opinion on the appropriateness of the Share Exchange Ratio from SMBC Nikko Securities, as the Company implemented various measures described below in "(4) Measures to ensure fairness (including measures to avoid conflicts of interest)" and determined the Share Exchange Ratio after discussions and negotiations with Welcia HD. Fees payable to SMBC Nikko Securities for the Transaction (which collectively refers to the acquisition of the Company Shares by AEON to achieve a voting rights ratio of 50.9% by combining such acquired shares with AEON's existing holding of Company Shares after the Share Exchange becomes effective (i.e., making the Company a consolidated subsidiary of AEON), and

the Share Exchange; hereinafter the same) include a success fee contingent upon, among others, the successful completion of the Transaction. The Company considered general industry practices in similar transactions and whether a compensation system that would result in financial burden on the Company if the Transaction was not completed. As a result, the Company determined that the independence of SMBC Nikko Securities is not negated by such compensation system as long as certain fees are scheduled to be paid regardless of the successful completion of the Transaction. Therefore, the Company appointed SMBC Nikko Securities as its financial advisor and third-party valuation institution based on such compensation system.

Yamada Consulting is not a related party to the Company, Welcia HD, or AEON and does not have any material interest in the Share Exchange. Furthermore, fees payable to Yamada Consulting for the Transaction consists solely of fixed fees, which are payable regardless of the Transaction's outcome, and does not include any success fee contingent upon the successful completion of the Share Exchange.

Mizuho Bank, Ltd. ("Mizuho Bank") and Mizuho Trust & Banking Co., Ltd. ("Mizuho Trust Bank"), which are group companies of Mizuho Securities, hold shareholder positions in AEON, and they also engage in loan and other transactions with AEON as part of ordinary banking transactions. Mizuho Bank engages in loan and other transactions as part of ordinary banking transactions with Welcia HD. However, neither Mizuho Bank nor Mizuho Trust Bank has any material interest that involves a conflict of interest with Welcia HD, the Company, or AEON in connection with the Share Exchange. According to Mizuho Securities, it has established and implemented an appropriate framework for managing conflicts of interest, including information barriers between Mizuho Securities, Mizuho Bank, and Mizuho Trust Bank, in compliance with applicable laws and regulations, including Article 36, Paragraph 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) and Article 70-4 of the Cabinet Office Ordinance on Financial Instruments Business, etc. With these measures, the department in charge of financial advisory services at Mizuho Securities conducted the share valuation independently of the positions of Mizuho Bank and Mizuho Trust Bank as shareholders and lenders, without being influenced by any material interests that involves a conflict of interest related to the Share Exchange. Welcia HD has determined that the independence of Mizuho Securities as a third-party valuation institution is maintained, given that (i) Mizuho Securities has established and implemented an appropriate measure for managing conflicts of interest, (ii) Welcia HD and Mizuho Securities engage in transactions under conditions similar to those with general business partners, thereby maintaining the independence of Mizuho Securities as a third-party valuation institution, and (iii) Mizuho Securities has the track record as a third-party valuation institution in similar transactions.

Fees payable to Mizuho Securities for the Business Integration, etc. for the execution of the Definitive Capital and Business Alliance Agreement and the Business Integration thereunder (the "Business Integration, etc.") include success fee contingent upon, among others, the successful completion of the Business Integration, etc. Welcia HD considered general industry practices in similar transactions and the compensation system that would result in a significant financial burden on Welcia HD if the Business Integration, etc. was not completed. As a result, Welcia HD determined that the independence of Mizuho Securities is not negated by such compensation system as long as certain fees are scheduled to be paid regardless of the successful completion of the Business Integration, etc. Therefore, Welcia HD appointed Mizuho Securities as its financial advisor and third-party valuation institution based on such compensation system.

## 2) Outline of valuation

### (i) Valuation by SMBC Nikko Securities

SMBC Nikko Securities conducted the valuation employing the market price analysis, since the shares of both the Company and Welcia HD are listed on the Tokyo Stock Exchange Prime Market and their market prices are available. Additionally, SMBC Nikko Securities employed the comparable company analysis, since there are multiple listed companies that are comparable to the Company and Welcia HD, which makes it possible to infer the share value by comparing with similar listed companies. Furthermore,

the discounted cash flow method (DCF analysis) was used to reflect the future business activities in the valuation.

The market price analysis was conducted with the valuation reference date set at April 9, 2025, and based on the average of the closing prices over the following periods on the Tokyo Stock Exchange: one month, three months, and six months up to the valuation reference date.

The following are the calculation results using the above method. The calculated range of the share exchange ratio listed below is the calculation range of the number of shares of the Company's common stock allotted to each share of Welcia HD's common stock.

Method used	Calculated share exchange ratio (before considering the stock split)
Market price analysis	0.232–0.238
Comparable company analysis	0.165–0.249
DCF analysis	0.153–0.286

In the Company's and Welcia HD's financial forecasts, which SMBC Nikko Securities used as the basis for the valuation, there are no fiscal years in which a significant increase or decrease in profit is expected. These financial forecasts of the Company and Welcia HD do not assume the implementation of the Share Exchange.

SMBC Nikko Securities has prepared the share exchange ratio valuation report on the assumption that all materials and information used as the basis for the report are accurate and complete. SMBC Nikko Securities has not independently verified the accuracy or completeness of such materials and information, nor does it assume any obligation or responsibility for such verification. It is also assumed that the Company and Welcia HD are not aware of any facts or circumstances that would render the provided information inaccurate or misleading. Furthermore, SMBC Nikko Securities has not independently evaluated, appraised, or assessed the assets or liabilities of the Company, Welcia HD, or their respective affiliates, nor has it requested any third-party evaluations, appraisals, or assessments. If any issues are found with the accuracy or completeness of these materials and information, the calculation results may differ significantly. Additionally, it is assumed that there are no undisclosed litigations, disputes, environmental, tax-related claims or liabilities, or other contingent liabilities or off-balance-sheet liabilities, nor any other facts that would materially affect the share exchange ratio valuation report concerning the Company, Welcia HD, or their respective affiliates. The business plans and other information used by SMBC Nikko Securities in the share exchange ratio valuation report are assumed to have been prepared by both companies based on the best forecasts and judgments as of the valuation reference date, following reasonable and appropriate procedures. Moreover, when SMBC Nikko Securities conducts analyses based on assumptions provided in the share exchange ratio valuation report, it is assumed that the provided materials, information, and assumptions are accurate and reasonable. SMBC Nikko Securities has not independently verified the accuracy, reasonableness, or feasibility of these assumptions and does not assume any obligation or responsibility for such verification.

The share exchange ratio valuation report prepared by SMBC Nikko Securities is intended to serve as reference information for the Company's Board of Directors in determining the share exchange ratio. It does not express an opinion on the fairness of the share exchange ratio agreed upon and determined between the Company and Welcia HD.

(ii) Valuation by Yamada Consulting

Yamada Consulting conducted the valuation employing the market price analysis, since the shares of both the Company and Welcia HD are listed on the Tokyo Stock Exchange Prime Market and their market prices are available. Additionally, Yamada Consulting employed the comparable company analysis, since

there are multiple listed companies that are comparable to the Company and Welcia HD, which makes it possible to infer the share value comparing with similar listed companies. Furthermore, the DCF analysis was used to reflect the future business activities in the valuation.

The following are the calculation results using the above method.

Method used	Calculated share exchange ratio (before considering the stock split)
Market price analysis	0.199–0.261
Comparable company analysis	0.150–0.247
DCF analysis	0.168–0.304

The market price analysis was conducted with the valuation reference date set at April 10, 2025, and based on the closing price of the valuation reference date, and the simple average of the closing prices for the one month, three months, and six months immediately preceding the valuation reference date, on the Tokyo Stock Exchange Prime Market.

In the Company's and Welcia HD's financial forecasts, which Yamada Consulting used as the basis for the DCF analysis, there are no fiscal years in which a significant increase or decrease in profit is expected. These financial forecasts of the Company and Welcia HD do not assume the implementation of the Share Exchange, as the synergy effects anticipated to be realized through the execution of the Share Exchange are difficult to estimate at this time.

(Note) Yamada Consulting has conducted the valuation of the Share Exchange Ratio based primarily on information provided to Yamada Consulting and publicly available information, and based on the assumption that such materials and information are all accurate and complete. Yamada Consulting has not independently verified the accuracy or completeness of such materials and information. Yamada Consulting has not independently evaluated, appraised, or assessed the assets or liabilities (including off-balance-sheet assets, off-balance-sheet liabilities, and other contingent liabilities) of the Company or Welcia HD, nor has it requested any third-party evaluation, appraisals, or assessments. Yamada Consulting assumes that the financial forecasts (including business plans and other information) provided by the Company and Welcia HD were reasonably prepared by their respective management team based on the best estimation and judgment which could be obtained at the time when the financial forecasts were provided. Yamada Consulting's valuation reflects the information obtained by Yamada Consulting and the economic conditions existing up to April 10, 2025.

### (iii) Valuation by Mizuho Securities

Mizuho Securities conducted the valuation employing the market price analysis (with the valuation reference date set at April 10, 2025, and based on the closing price on the Tokyo Stock Exchange Price Market, and the simple average of the closing prices of the Company's and Welcia HD's shares over the following periods on the Tokyo Stock Exchange Prime Market: for the one month from March 11, 2025 through the valuation reference date, three months from January 14, 2025 through the valuation reference date, and six months from October 11, 2024 through the valuation reference date), since the two companies' shares are listed on the Tokyo Stock Exchange Prime Market and their market prices are available. Additionally, Mizuho Securities employed the comparable company analysis, since there are multiple listed companies that are comparable to the two companies, which makes it possible to infer the share value by this analysis. Furthermore, the discounted cash flow method, or DCF analysis, was used to reflect the future business activities in the valuation. The following are the results of the share exchange ratio calculation, where the per-share value of the Company based on each valuation method is 1.

	Method used	Calculated range of share exchange ratio (before considering the stock split)
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1	Market price method	0.222–0.237
2	Comparable company analysis	0.137–0.262
3	DCF analysis	0.141–0.353

Mizuho Securities has conducted the valuation of the share exchange ratio on the assumption that all publicly available information and information provided to Mizuho Securities are accurate and complete. Mizuho Securities has not independently verified the accuracy or completeness of such information. Mizuho Securities has not independently evaluated, appraised, or assessed the assets or liabilities (including financial derivatives, off-balance-sheet assets, off-balance-sheet liabilities, and other contingent liabilities) of the Company, Welcia HD, or their respective affiliates, including analysis and evaluation of individual assets and liabilities, nor has it requested any third-party appraisals, or assessments. Mizuho Securities assumes that the Company's and Welcia HD's financial forecasts (including profit plans and other information) were reasonably examined or prepared by their respective management team based on the best estimation and judgment which could be obtained at this point in time. Mizuho Securities' valuation reflects the information obtained by Mizuho Securities and the economic conditions prevailing up to April 10, 2025. Mizuho Securities' valuation is intended solely to serve as reference for Welcia HD Board of Directors in considering the share exchange ratio.

In the financial forecasts of both companies used as the basis for the valuation using the DCF analysis by Mizuho Securities, there are no fiscal years in which a significant increase or decrease in profit is expected. The financial forecasts of both companies do not assume the implementation of the Share Exchange.

(3) Prospects for delisting and reasons therefor

As a result of the Share Exchange, Welcia HD will become a wholly owned subsidiary of the Company on the effective date of the Share Exchange (scheduled for December 1, 2025). Welcia HD Shares are expected to be delisted on November 27, 2025 (with the final trading day being November 26, 2025). After delisting, Welcia HD Shares will no longer be tradable on the Tokyo Stock Exchange Prime Market.

Even after the delisting of Welcia HD Shares, the Company Shares allotted to Welcia HD shareholders through the Share Exchange will remain listed on the Tokyo Stock Exchange Prime Market and be tradable on the financial instruments exchange market. It is therefore believed that the liquidity of the shares will be maintained with respect to the Welcia HD shareholders who hold at least 87 Welcia HD Shares at the Record Time and who will receive allotment of at least 100 Company Shares, which is the number of shares constituting one unit of the Company Shares, through the Share Exchange.

On the other hand, Welcia HD shareholders who hold less than 87 Welcia HD Shares at the Record Time will be allotted less than 100 Company Shares, or one unit of the Company Shares. Although shares less than one unit cannot be sold on a financial instruments exchange market, shareholders who are to hold shares less than one unit may request the Company to repurchase their shares less than one unit. For details, please see above Note 3, "Handling of shares less than one unit," to (A) "Details of the allotment in the Share Exchange (share exchange ratio)."

Welcia HD shareholders will be able to trade their Welcia HD Shares on the Tokyo Stock Exchange Prime Market as usual until the final trading day of November 26, 2025 (scheduled). They will also be able to exercise their legal rights under the Companies Act and other relevant laws and regulations until the Record Time.

(4) Measures to ensure fairness (including measures to avoid conflicts of interest)

With respect to the Company, the Transaction, including the Share Exchange, will result in AEON holding a majority of the voting rights in the Company and is a transaction with AEON as a direct or indirect counterparty. AEON directly holds 9,675,200 Company Shares (Ownership Ratio (Tsuruha HD) (Note 1): 19.66%) and is expected to acquire an additional 3,530,000 Company Shares from Nomura Securities Co., Ltd. (the "Additional Share Purchase"). These transactions are expected to result in AEON holding 13,205,200 Company Shares (Ownership Ratio (Tsuruha HD): 26.83%). Given these circumstances, and taking into account various considerations such as that the Company's board of

directors (“the Company’s Board of Directors”) may be, in general terms, influenced by AEON in making decisions related to the Transaction due to structural reasons, leading to a potential conflict of interest between the Company’s Board of Directors and the general shareholders of the Company when determining whether to implement the Transaction, the Company has implemented the following measures to ensure fairness.

Additionally, with respect to Welcia HD, as outlined in the Definitive Agreement Press Release, the Share Exchange will be implemented based on the Basic Agreement and in accordance with the Definitive Capital and Business Alliance Agreement to be executed by the Company, AEON and Welcia HD in relation to the Business Integration and AEON’s making the Company a consolidated subsidiary. As of April 11, 2025, AEON holds (i) 105,981,400 Welcia HD Shares (Ownership Ratio (Welcia HD) (Note 2): 50.51%) and has Welcia HD as a consolidated subsidiary, and (ii) 9,675,200 Company Shares (Ownership Ratio (Tsuruha HD): 19.54%). Given these circumstances, in the course of reaching an agreement in the Definitive Capital and Business Alliance Agreement regarding the Business Integration, including the Share Exchange, the interests of AEON and the interests of the minority shareholders of the Company and Welcia HD are not necessarily aligned, and the conflicts of interest between the Company and Welcia HD potentially exist through AEON. Accordingly, to take all possible measures to ensure the fairness of the Business Integration, Welcia HD has implemented the following measures.

(Note 1) “Ownership Ratio (Tsuruha HD)” refers to the ratio of Company Shares to the number of shares (49,220,113 shares) obtained by subtracting the number of treasury shares owned by the Company as of February 28, 2025 (890,955 shares), as stated in the Summary of financial results FY02/2025 (Japanese GAAP) (consolidated) (“the Company Summary of Financial Results”) submitted by the Company on April 11, 2025, from the total number of issued shares (49,557,068 shares) as of the same date, as stated in the Company Summary of Financial Results, plus the total number of Company Shares (554,000 shares) underlying the 5,149 stock acquisition rights that the Company reported as outstanding as of the same date (with the ratio rounded to the second decimal place; hereinafter, the same applies in the calculation of Ownership Ratio (Tsuruha HD)).

(Note 2) “Ownership Ratio (Welcia HD)” refers to the ratio of Welcia HD Shares to the number of shares (209,802,042 shares) obtained by subtracting the number of treasury shares owned by Welcia HD as of February 28, 2025 (10,958 shares), as stated in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 [Japanese GAAP] (“Welcia HD Summary of Financial Results”) submitted by Welcia HD on April 11, 2025, from the total number of issued shares (209,713,800 shares) as of the same date, as stated in Welcia HD Summary of Financial Results, plus the total number of Welcia HD Shares (99,200 shares) underlying the 124 stock acquisition rights that Welcia HD reported as outstanding as of the same date (with the ratio rounded to the second decimal place; hereinafter, the same applies in the calculation of Ownership Ratio (Welcia HD)).

#### The Company’s Measures to Ensure Fairness

The measures taken at the Company to ensure fairness are as follows.

- 1) The Company having established an independent special committee and obtained a written report from the special committee
  - (i) Background of establishment

The Company decided, based on the resolution at the Company’s Board of Directors meeting held on September 6, 2024, to establish the Special Committee (Tsuruha HD) comprised of five members: Mr. Takuya Okazaki (independent outside director and audit and supervisory committee member of the Company), Ms. Harumi Sato (independent outside director and audit and supervisory committee member of the Company), Ms. Wakana Tanaka (independent outside director of the Company), Mr. Hiroshi Okuno (independent outside director of the Company), and Mr. Tatsuichi Asada (independent outside director and audit and supervisory committee member of the Company), after confirming the independence of the Special Committee (Tsuruha HD) from AEON, the Company, and Welcia HD, as well as from the successful completion or failure of the Transaction. The Company’s Board of Directors also resolved to request the Special Committee (Tsuruha HD) to provide recommendations on the following matters: (a) matters concerning the reasonableness of the purpose of the Transaction (including whether the Transaction contributes to the enhancement of the corporate value of the Company Group); (b) matters concerning the appropriateness of the terms of the Transaction (including whether the method of implementation and the type of consideration for the Transaction are appropriate); (c) matters concerning the fairness of the Transaction procedures (including the

consideration of what kind of measures should be taken to ensure fairness and to what extent), (d) in light of the considerations (a) to (c) above, whether the decision by the Board of Directors of the Company to implement the Transaction (including the content of the opinion statement if a tender offer is implemented as part of the Transaction) would be disadvantageous to the minority shareholders of the Company (collectively, the “Consultation Matters (Tsuruha HD)”). Furthermore, the Company confirmed that the candidates for the Special Committee (Tsuruha HD) members are independent of the Company, AEON and Welcia HD and does not have material interests that differed from those of the minority shareholders regarding the successful completion or failure of the Transaction. Based on this, the Company selected Mr. Takuya Okazaki, Ms. Harumi Sato, Ms. Wakana Tanaka, Mr. Hiroshi Okuno, and Mr. Tatsuichi Asada as candidates for the Special Committee (Tsuruha HD) members (There have been no changes to the members of the Special Committee (Tsuruha HD) since its establishment. Additionally, no success fees or other compensation linked to the success or failure of the Transaction are paid to the members of the Special Committee (Tsuruha HD)).

Additionally, in establishing the Special Committee (Tsuruha HD), the Company’s Board of Directors resolved that (i) the Company’s Board of Directors would make decisions regarding the Transaction by fully respecting the judgment of the Special Committee (Tsuruha HD), and (ii) if the Special Committee (Tsuruha HD) determined that the terms of the Transaction were not appropriate, the Company Board of Directors would not make a decision to execute the Transaction.

Furthermore, the Company’s Board of Directors resolved to grant the Special Committee (Tsuruha HD) the authority to (i) ask questions or seek explanations or advice from the Company’s advisors for the Transaction on matters necessary for the consideration of the Consultation Matters (Tsuruha HD), or if deemed particularly necessary, appoint its own independent advisors, with the costs to be borne by the Company, (ii) receive reports on the progress of negotiations from the Company in a timely manner, provide opinions, instructions, and requests to the Company at critical stages and be substantially involved in the negotiation process regarding the transaction terms. Additionally, the Special Committee (Tsuruha HD) approved the appointment of SMBC Nikko Securities as the Company’s financial advisor and third-party valuation institution, and TMI Associates as the Company’s legal advisor, after confirming that there are no issues with their independence and expertise.

(ii) Background of the review

The Special Committee (Tsuruha HD) convened a total of 25 times between October 18, 2024 and April 10, 2025 and carried out its duties related to the Consultation Matters (Tsuruha HD) by reporting, sharing information, deliberating, and making decisions.

The Special Committee (Tsuruha HD) approved the appointment of SMBC Nikko Securities as the Company’s financial advisor and third-party valuation institution after confirming its independence and expertise. The Special Committee (Tsuruha HD) also approved the appointment of TMI Associates as the Company’s legal advisor after confirming it is not a related party to AEON, Welcia HD or the Company and does not have material interests in the Transaction, including the Share Exchange. Furthermore, the Special Committee (Tsuruha HD) appointed Yamada Consulting as its financial advisor and third-party valuation institution after confirming its independence and expertise, and appointed Hibiya Park Law Offices as its legal advisor after confirming that it is not a related party to AEON, Welcia HD or the Company and does not have any material interests in the Transaction, including the Share Exchange. Additionally, as described below in “5) the Company having established an independent review framework,” the Special Committee (Tsuruha HD) confirmed that there are no issues from the perspectives of independence and fairness regarding the internal consideration framework established by the Company for the Transaction.

The Special Committee (Tsuruha HD) considered the measures to be taken to ensure procedural fairness in the Transaction, based on the opinions obtained from TMI Associates and Hibiya Park Law Offices. Additionally, with advice from Yamada Consulting, the Special Committee (Tsuruha HD) approved the business plan prepared by the Company for the fiscal year ended February 2025 to the fiscal year ending February 2030, after receiving explanations from the Company regarding the content, key assumptions, and preparation process of such business plan and confirming their reasonableness.

The Special Committee (Tsuruha HD) also received explanations from the Company about the purpose and significance of the Transaction, and other matters such as its impact on the Company’s

business, followed by a Q&A session on these points. The Special Committee (Tsuruha HD) presented questions to AEON and Welcia HD regarding the purpose and background of the Transaction and other matters such as the post-Transaction management policies and received their responses.

Additionally, regarding the negotiations between the Company and Welcia HD, the Special Committee (Tsuruha HD) received reports from the Company and SMBC Nikko Securities as necessary, conducted reviews and deliberations, and provided necessary opinions on the Company's negotiation strategy as appropriate. Specifically, upon receiving responses from Welcia HD concerning the Share Exchange Ratio, the Special Committee (Tsuruha HD) received a report on each response and consulted with SMBC Nikko Securities and Yamada Consulting for analysis and opinions on the response strategy. The Special Committee (Tsuruha HD) then reviewed the advice received from Yamada Consulting from a financial perspective. Based on this, the Special Committee (Tsuruha HD) provided the Company with its opinion on what the Company should discuss with Welcia HD to achieve the significance and purpose of the Transaction, and was otherwise substantially involved in the overall discussion and negotiation process between the Company and Welcia HD regarding the terms of the Transaction, including the Share Exchange Ratio.

Furthermore, the Special Committee (Tsuruha HD) received explanations on multiple occasions from TMI Associates and Hibiya Park Law Offices regarding the contents of the draft disclosure documents concerning the Share Exchange that the Company planned to disclose or file. Given that, the Special Committee (Tsuruha HD) confirmed that appropriate information disclosure was planned. Additionally, each time the Company received a proposal from Welcia HD concerning the Share Exchange, the Special Committee (Tsuruha HD) was promptly informed. The Special Committee (Tsuruha HD) provided opinions on multiple occasions to the Company regarding the Share Exchange Ratio, deliberated on and reviewed the strategy for negotiating with Welcia HD, and was otherwise substantially involved in the discussions and negotiations concerning the Share Exchange Ratio.

(iii) Content of the decision

Under the circumstances described above, after careful consideration and discussions regarding the Consultation Matters (Tsuruha HD) based on the legal advice obtained from TMI Associates and Hibiya Park Law Offices, and the financial advice obtained from Yamada Consulting, the Special Committee (Tsuruha HD) submitted a written report (the "Written Report (Tsuruha HD)") to the Company's Board of Directors on April 10, 2025, with unanimous consent from all committee members. The main points of the Written Report (Tsuruha HD) are as follows.

1. Contents of the Written Report

- i The Transaction is recognized as contributing to the enhancement of the corporate value of the Company Group, and the purpose of the Transaction is reasonable.
- ii The terms and conditions of the Transaction are reasonable (however, with regard to the tender offer price for the Tender Offer (hereinafter referred to as the "Tender Offer Price"), although the Tender Offer Price is a price that adds a premium to the market price, the listing of the Company Shares is scheduled to be maintained even after the Tender Offer, and there is also sufficient rationality that the Company's shareholders will take the option to retain their the Company Shares after the Tender Offer, it is appropriate to reserve the decision on the appropriateness of the Tender Offer Price to the judgment of the Company, and to leave the decision on whether or not to accept or reject the Tender Offer to the judgment of the Company shareholders.).
- ii The procedures for the Transaction are fair.
- iv In light of (i) to (iii) above, the decision to conduct the Share Exchange and to express support for the Tender Offer is not disadvantageous to the minority shareholders of the Company (i.e., the decision by the board of directors of the Company to (A) implement the Share Exchange and (B) express support for the Tender Offer is not disadvantageous to the minority shareholders of the Company. Furthermore, with regard to (B) above, the listing of the Company Shares is scheduled to be maintained even after the Tender Offer, and since there is also sufficient rationality that the Company's shareholders will take the option to retain their the Company Shares even after the Tender Offer, it was determined that it will not be disadvantageous to the minority shareholders of the Company to reserve the decision on the appropriateness of the Tender Offer Price to the judgment of the Company, and to leave the

decision on whether or not to accept or reject the Tender Offer to the judgment of the Company shareholders.

## 2.Reasons for the Written Report

- i Matters concerning the rationality of the purpose of the Transaction (including whether the Transaction will contribute to the enhancement of the corporate value of the Company Group)

The Special Committee (Tsuruha HD) asked AEON, the Company, and Welcia HD questions about the purpose of the Transaction and the specific details of the corporate value of the Company Group that is expected to improve as a result of the Transaction. The following is a summary of the content of those questions.

- The capital relationship between AEON and the Company began in January 1995, when they entered a business and capital alliance agreement and acquired 32,000 shares of Tsuruha Co., Ltd. through a third-party allocation to Jusco Co., Ltd.
- The drugstore industry, including the Company, has steadily expanded its market scale in the context of rising health demands, an expansion of product lineup, and ambitious store openings. On the other hand, it is facing changes in the business environment, such as a rise in consumer thriftiness due to high prices and increasing personnel and distribution costs. In addition, in Japan, the industry is perceived to be entering a mature stage of growth, with increasing momentum for reorganization. Under these circumstances, the Company aims to transform itself into a leaner corporate structure that can achieve even greater growth through promoting key strategies in the areas of stores, dispensing, DX, and private brands, including strengthening its dominant strategy in areas where it has already opened stores, expanding the number of stores with in-house dispensing facilities, building a next-generation infrastructure by revamping internal systems of each department, and strengthening its lineup of private brand products. However, amid the growing social issues of the expansion of medical, health, and regional disparities, the business environment in the drugstore industry is becoming increasingly challenging due to factors such as drug price reductions, rising consumer frugality, and escalating labor and logistics costs, to achieve a society where everyone can equally access health and wellness services. Even in this kind of environment, it is necessary to not only grow within the framework of existing business models, but also embark on a fundamental transformation of their own business models.
- Based on the recognition of issues described above, AEON, which have had a partnership with the Company for some time, the Company and Welcia HD have been working to realize the principles of each company and improve corporate value, while also continuously sharing information and recognizing issues with each other. Also, AEON, the Company, and Welcia HD entered into the Basic Agreement because the three companies have come to the conclusion that it is optimal to achieve higher levels of health and wellness for local residents (for example, new healthcare services that utilize digital technology, the provision of highly specialized services including nutritional guidance and exercise guidance, and the formation of health communities in collaboration with the local community) by making maximum use of the management resources of each company, and by working together, they can demonstrate synergies in various fields, create the largest drug store alliance in Japan, acquire competitiveness, and aim to grow into the No.1 global company in Asia, while also creating unlimited growth opportunities for their employees. In addition, under the Basic Agreement, as part of the capital alliance, by December 31, 2027 at the latest, a business integration will be implemented with the Company as the parent company and Welcia HD as a wholly owned subsidiary (furthermore, it was agreed that the effective date of the Share Exchange will be December 1, 2025, based on the Definitive Capital and Business Alliance Agreement), and thereafter, AEON will acquire additional the Company Shares to the extent that its voting rights ratio in the Company Shares will be the majority but less than 51%, making the Company a consolidated subsidiary, and AEON, the Company and Welcia HD will separately discuss in good faith and decide on the details of the selection, timing and conditions of the actual implementation items within the following scope, as part of the business alliance.

- (i) Mutual cooperation on the development of stores and in-store dispensing pharmacies
  - (ii) Mutual cooperation on the procurement of products and electricity and development
  - (iii) Mutual cooperation in improving logistics efficiency
  - (iv) Alignment in settlement, point systems, digital marketing, insurance, and others
  - (v) Promotion of joint development and mutual supply of private-brand products
  - (vi) Mutual cooperation on the promotion of digital transformation (DX) and e-commerce (EC)
  - (vii) Exchange of management know-how
  - (viii) Research and promotion of food and drug business model
  - (ix) Exchange of human resources and personnel information
- In addition to discussing the specific details of the business alliance, the selection, timing and conditions of the actual implementation items, AEON, the Company and Welcia HD have also held numerous discussions and negotiations regarding the methods and conditions of each transaction related to the capital alliance.
  - As a result, it is understood that AEON came to believe that by combining and making maximum use of the management resources of the AEON Group, the Company Group and the Welcia Group, and by working together, the companies can demonstrate synergies in various fields, create the largest drug store alliance in Japan, acquire competitiveness, and aim to grow into the No.1 global company in Asia, thereby enhancing the medium-to long-term corporate value of the AEON Group, the Company Group and the Welcia Group in the future. Specifically, the assumed synergies are as below.
    - (A) Enhancing profitability through the sharing of expertise on store development and the promotion of a dominant strategy ((i) above)
    - (B) Accelerating overseas expansion ((i) above)
    - (C) Cooperation in the procurement of products ((ii) above)
    - (D) Cost reduction through joint procurement of electricity ((ii) above)
    - (E) Optimization of delivery routes and reduction of delivery costs through joint delivery ((iii) above)
    - (F) Improving profitability by accelerating the development of private brand products and strengthening the product lineup ((v) above)
    - (G) Increase in sales through the strengthening of existing businesses and the development of new businesses in the dispensing pharmacy business ((vii) above)
  - On the other hand, the Company has concluded that by AEON, the Company and Welcia HD concentrating their respective management resources and utilizing their respective expertise in businesses they excel in, the companies are expected to not only achieve synergies such as (A) enhancing profitability through the sharing of expertise on store development and the promotion of a dominant strategy, (B) accelerating overseas expansion, (C) cooperation in the procurement of products, (D) cost reduction through joint procurement of electricity, (E) optimization of delivery routes and reduction of delivery costs through joint delivery, (F) improving profitability by accelerating the development of private brand products and strengthening the product lineup and (G) increase in sales through the strengthening of existing businesses and the development of new businesses in the dispensing pharmacy business, but after the business of the Company and Welcia HD is integrated and the Company and Welcia HD are integrated, the Company, including Welcia HD, will become a consolidated subsidiary of AEON through the Tender Offer, and by establishing a cooperative relationship between the two companies, AEON and the Company will become wholly integrated through the Transaction including the Tender Offer, and the Company, including Welcia HD, will implement business operations in a prompt manner as a core subsidiary of the AEON Group's health and wellness business, aiming to achieve synergies as soon as possible, and will contribute to the realization of creating the largest drug store alliance in Japan, acquiring competitiveness, and growing into the No.1 global company in Asia, and further, in turn, to the improvement of the Company Group's corporate value.

- At the same time, the Company and AEON have reached a common understanding that maintaining the Company's unique corporate culture and management autonomy is extremely important for enhancing corporate value through the sustainable development of the Company, and that in strengthening the capital relationship between the two companies, it is desirable to make the Company a consolidated subsidiary that maintains its listing, which will allow the two companies to deepen their alliance while respecting the Company's autonomous management. However, with regard to the management constraints that may arise from an increase in AEON's control or influence over the management of the Company, AEON and the Company have agreed on the autonomy and independence of management in the Definitive Capital and Business Alliance Agreement, and have determined that this would not be an issue because certain provisions have been made in the agreement.
- The Company believes that, since mutual cooperation on the procurement of electricity, mutual cooperation in improving logistics efficiency, alignment in settlement, point systems, digital marketing, insurance, and others, mutual cooperation on the promotion of digital transformation (DX) and e-commerce (EC), as well as research and promotion of food and drug business model are not clearly specified in the scope of business alliance in the business and capital alliance structure of 1995, through the Definitive Capital and Business Alliance Agreement, it will be able to cooperate and partner with the AEON Group on a wider range of business activities than ever before by strengthening its alliance with the AEON Group.
- AEON believes that, regarding overseas expansion, accelerating store openings in overseas markets and enhancing competitiveness can be achieved through joint property development and collaborative product purchasing, and such activities are only accomplished by forming a deep connection through making a company a consolidated subsidiary. In particular, with regard to fresh food and delicatessen products, which are associated with many issues in the development of the food and drug business model, AEON believes that it can contribute to the strengthening of the Company's competitiveness by providing expertise from AEON and by sharing logistics, but AEON believes that these things cannot be done until after making the Company a consolidated subsidiary.
- The Company does not expect any negative impact on customers, business partners or employees as a result of becoming a consolidated subsidiary of AEON.

Regarding the specific details of the above matters and the possibility of improving the corporate value of the Company Group based on these matters, the Special Committee (Tsuruha HD) has examined the rationality of the matter, and has found no unreasonable aspects in the matter where the Company will make Welcia HD its wholly owned subsidiary, the Company will become a consolidated subsidiary of AEON, and that AEON, the Company and Welcia HD will be able to concentrate their respective management resources and utilize each other's expertise in businesses that they excel in, and that the synergies expected by the Company are expected to be realized.

Furthermore, since AEON and the Company have had a certain capital relationship since before the Transaction and have been in a capital and business alliance relationship, it was also considered whether the synergies expected from the Company becoming a consolidated subsidiary of AEON could be achieved without the Transaction. In the explanations of both AEON and the Company, since many of the measures and management resources that AEON envisages providing after making the Company a consolidated subsidiary are not clearly specified in the scope of the business alliance in the business and capital alliance agreement that commenced in January 1995, AEON's explanation that it will make the Company a consolidated subsidiary and strengthen its ties with the AEON Group to a greater extent than before, thereby enabling cooperation and alliances in a wider range of businesses, means that there is rationality to implementing the conversion to a consolidated subsidiary that goes beyond the current capital relationship.

The rationality of other understandings of AEON, the Company, and Welcia HD were also examined, and no particularly unreasonable aspects were found.

In addition, the Transaction assumes that the Company will become a consolidated subsidiary of AEON, and as a result, the Company will be subject to the AEON Group's basic policies and

regulations, and AEON, as the Company's parent company, will have control or influence as a shareholder. However, AEON and the Company have agreed on the independence and autonomy of the Company's management in the Definitive Capital and Business Alliance Agreement, and there is no problem because certain provisions have been made in the agreement. As mentioned above, it was determined that the benefits outweigh the disadvantages, and no unreasonable aspects in such determination were found.

Based on the above points, after careful discussion and consideration by the Special Committee (Tsuruha HD), it was determined that the Transaction would contribute reasonably to the enhancement of corporate value, and that the purpose of the Transaction was reasonable.

ii Matters concerning the appropriateness of the terms and conditions of the Transaction (including the appropriateness of the method of implementing the Transaction and the type of consideration)

a Concept

The Share Exchange will make the Company the wholly owning parent company and Welcia HD the wholly owned subsidiary, and since the existing shareholders of the Company will remain as shareholders of the Company even after the Share Exchange takes effect, it is necessary to ensure that the number and ratio of the Company Shares to be allocated to Welcia HD shareholders through the Share Exchange (the degree of dilution that will occur for minority shareholders of the Company) does not become unreasonably large (in other words, so that the premium for Welcia HD shareholders is not unreasonably large).

b The Share Exchange Ratio

The Share Exchange Ratio is a ratio that is below the lower limit of the range of the valuation results of the market price analysis, and within the range of the valuation results of the comparable listed company method and the DCF analysis, of the valuation results of the share exchange ratio valuation report obtained from SMBC Nikko Securities (the Share Exchange Ratio has been determined on the assumption that the Stock Split that the Company plans to implement will take effect. In contrast, the valuation range in the share exchange ratio valuation report obtained by the Company from SMBC Nikko Securities was calculated based on the number of shares of the Company (before the Stock Split) without taking into account the implementation of the Stock Split, so the reference in the Written Report (Tsuruha HD) regarding whether or not it falls within the valuation range is based on the valuation range figures being adjusted in accordance with the split ratio of the Stock Split.).

In addition, the Share Exchange Ratio is the median of the range of valuation results using the market price analysis among the valuation results of the share exchange ratio valuation report obtained from Yamada Consulting, and is below the median of the range of valuation results using the DCF analysis, and is within the range of valuation results using the comparable listed company method (the valuation range in the share exchange ratio valuation report obtained by the Special Committee (Tsuruha HD) from Yamada Consulting was calculated based on the number of shares of the Company (before the Stock Split) without taking into account the implementation of the Stock Split), so the reference in the Written Report regarding whether or not it falls within the valuation range is based on the valuation range figures being adjusted in accordance with the split ratio of the Stock Split.)

Furthermore, the Share Exchange Ratio can be evaluated as being lower than both the average and median levels of the average premium levels in recent cases that is similar to the Transaction where a company was made a wholly owned subsidiary through a share exchange (share exchanges between listed companies announced on or after January 1, 2021 and share exchanges between listed parent and subsidiary companies announced on or after June 28, 2019), and it cannot be said that it is disadvantageous to the general shareholders of the Company.

In addition to the above, the Special Committee (Tsuruha HD) received a report on the results of the due diligence conducted by the Company on Welcia HD in relation to the



Transaction, and conducted a Q&A session. The Special Committee (Tsuruha HD) then confirmed that the Company had reasonably taken into account the results of the due diligence when considering the terms and conditions of the Transaction. Specifically, as a result of the due diligence and subsequent investigations, the Company recognized that Welcia HD would incur an impairment loss of approximately 13.1 billion yen in relation to its stores for the fiscal year ended February 28, 2025, and it has considered the impact of such impairment loss on the intrinsic value of Welcia HD Shares and the market share price when considering and negotiating the terms and conditions of the Transaction.

Furthermore, as described in (iii) below, the procedures for the negotiation process for the Transaction are recognized as fair, and the terms and conditions of the Transaction, including the Share Exchange Ratio, are recognized as having been determined based on the results of repeated negotiations between the Company and Welcia HD that can be evaluated as being completely equivalent to negotiations between independent parties. In addition, the Company repeatedly requested that AEON raise the Tender Offer Price until the time when it decided to proceed with the Transaction, and in fact, the Tender Offer Price was raised.

c Method of implementing the Transaction and type of consideration

1. Regarding the transaction to make Welcia HD a wholly owned subsidiary of the Company

As a method for the transaction to make Welcia HD a wholly owned subsidiary of the Company, the Share Exchange is being considered, in which the Company Shares will be allocated and issued to the shareholders of Welcia HD.

If the Company implements the transaction to make Welcia HD a wholly owned subsidiary of the Company, it is also possible that the consideration will be in cash, in which case, in light of the Company's financial situation, there is a possibility that it will be necessary to raise funds from external financial institutions or other institutions. If the Company has a large amount of interest-bearing debt as a result of the transaction to make Welcia HD a wholly owned subsidiary of the Company, it is undeniable that the flexibility of the Company's management will be impaired, and there is a possibility that it will have an impact on the enhancement of the corporate value of the Company Group to which Welcia HD will be added.

If the method of the transaction to make Welcia HD a wholly owned subsidiary of the Company is through the Share Exchange in which the Company Shares are used as consideration, there will be a certain degree of dilution in the ratio of voting rights held by the Company shareholders immediately before the Share Exchange takes effect, but in light of cases where a company is made a wholly owned subsidiary through a share exchange similar to the Share Exchange, even if there is dilution in the shares of the wholly-owning parent company of the share exchange, it cannot necessarily be evaluated that this will hinder the enhancement of the corporate value of the wholly-owning parent company of the share exchange. Rather, by making Welcia HD a wholly owned subsidiary without incurring a large amount of interest-bearing debt, as in the case of the aforementioned cash consideration, it is possible to evaluate that this will contribute to the enhancement of the corporate value of the Company Group, which will include Welcia HD after the execution of the Transaction, and that the minority shareholders of the Company and the existing shareholders of Welcia HD will be able to continue to hold shares of the Company as shareholders of the Company and will be able to enjoy the benefits of the synergies created by the Transaction and the enhancement of the corporate value of the Company Group. Therefore, it cannot necessarily be said that the choice of choosing the Company Shares as the type of consideration for the Transaction to make the Company a wholly owned subsidiary is unreasonable, merely because the implementation of the Share Exchange will cause a certain degree of dilution in the Company Shares.

In light of the above, the method of implementing the transaction to make Welcia HD a wholly owned subsidiary of the Company and the type of consideration for the transaction to make Welcia HD a wholly owned subsidiary of the Company, which is the delivery of the Company Shares to the shareholders of Welcia HD, are considered

to be appropriate.

2. Transactions in which AEON acquires a majority but less than 51% of the Company Shares (hereinafter referred to as the “Top-up Transaction”)

The Tender Offer with cash as consideration is being considered as a method for the Top-up Transaction.

As AEON is a listed company, it is possible that the consideration for the Top-up Transaction could be AEON shares; however, although listed shares have a certain degree of liquidity, there is a risk of fluctuation in value, and it also takes a certain amount of time and procedures for shareholders who receive the consideration to convert it into cash. On the other hand, if the consideration is in cash, there is less risk of fluctuation in value, there are no liquidity issues, and the evaluation will be relatively easy for shareholders when deciding whether to apply.

In addition, the Top-up Transaction is not expected to be a market transaction, but rather a tender offer. There are no unreasonable aspects found in the Top-up Transaction being a tender offer, as this would ensure the transparency of the transaction and provide an opportunity for shareholders of the Company to sell their shares fairly.

In light of the above, the method of implementing the Top-up Transaction and the type of consideration for the Top-up Transaction being a tender offer with cash as consideration is considered appropriate. Furthermore, although the Tender Offer Price is a price that adds a premium to the market price, since it is planned that the listing of the Company Shares will be maintained even after the Tender Offer, and since there is also sufficient rationality that the Company shareholders will take the option to retain their the Company Shares even after the Tender Offer, it is appropriate to reserve the decision on the appropriateness of the Tender Offer Price to the judgment of the Company, and to leave the decision on whether or not to accept or reject the Tender Offer to the judgment of the Company’s shareholders. In light of the above situation, it is not unreasonable that Company did not obtain an independent share valuation report from a third-party valuation institution for the Tender Offer.

- d Consideration and summary

In light of the above, after careful discussion and consideration by the Special Committee (Tsuruha HD), it was determined that the terms and conditions of the Transaction are terms and conditions that ensure the common interests of shareholders to the greatest extent possible, and that such terms and conditions of the transaction are appropriate.

As mentioned above, regarding the Tender Offer, although the Tender Offer Price is a price that includes a certain premium on the market price, the listing of the Company Shares is scheduled to be maintained even after the Tender Offer, and there is also sufficient rationality in the option of the Company shareholders retaining their the Company Shares even after the Tender Offer, it was determined that it is appropriate to reserve the decision on the appropriateness of the Tender Offer Price to the judgment of the Company, and to leave the decision on whether or not to accept or reject the Tender Offer to the judgment of the Company shareholders.

- iii Matters concerning the fairness of the procedures for the Transaction (including consideration of what degree of fairness-ensuring measures should be taken)

According to the Company, TMI Associates, which is the Company's legal advisor, and Hibiya Park Law Offices, which is the legal advisor to the Special Committee (Tsuruha HD), the Company has taken the following measures to ensure the fairness and transparency of the process of consideration by the Company regarding the Transaction.

- a In accordance with the resolution of the board of directors meeting held on September 6, 2024, the Company established the Special Committee (Tsuruha HD) as an advisory body to eliminate

arbitrariness in the decision-making process of the Company regarding the Transaction (including the case where a tender offer is conducted as the part of the Transaction, and the Company makes a specific statement of opinion regarding the Tender Offer), and to achieve the purpose of establishing a decision-making process that is fair, transparent and objective. The Company will respect the opinions of the Special Committee (Tsuruha HD) on the Consultation Matters (Tsuruha HD) to the maximum extent, and if the Special Committee (Tsuruha HD) determines that the terms and conditions of the transaction pertaining to the proposal are not appropriate, the Company will not make a decision to implement the transaction (including if the tender offer is to be implemented as part of the Transaction, a statement of opinion to the effect that the Company supports such tender offer and recommends that its shareholders tender their shares in such tender offer) and, in negotiating the terms and conditions of the transaction with the other party in the event that the Transaction is carried out, the Special Committee (Tsuruha HD) is to be informed of the status in a timely manner, receive its opinions, instructions and requests at important junctures, and the special committee is to be substantially involved in the negotiation of the terms and conditions of the transaction by the Company. In addition, when the Company negotiated the terms and conditions of the Transaction with AEON or Welcia HD, the Special Committee (Tsuruha HD) received reports from the Company on the status in a timely manner, and after the Special Committee (Tsuruha HD) had conducted serious deliberations and considerations of the matter, the Special Committee (Tsuruha HD) conveyed its opinions and requests to the Company, and the Company conducted negotiations in line with these opinions and requests, and as a result, the Special Committee (Tsuruha HD) was substantially involved in the negotiations of the terms and conditions of the transaction by the Company. The members of the Special Committee (Tsuruha HD) have not changed since its establishment.

- b In order to ensure the fairness and appropriateness of its decision-making, the Company has appointed TMI Associates as a legal advisor independent of AEON, the Company, and Welcia HD, and has received legal advice from TMI Associates, including advice on the measures to be taken to ensure the fairness of the procedures for the Transaction, the various procedures for the Transaction, and the method and process of the Company's decision-making regarding the Transaction.
- c In order to ensure the fairness and appropriateness of its decision-making, the Special Committee (Tsuruha HD) has appointed Hibiya Park Law Offices as a legal advisor independent of AEON, the Company, and Welcia HD, and has received legal advice from Hibiya Park Law Offices, including advice on measures to be taken to ensure the fairness of the procedures for the Transaction, the various procedures for the Transaction, and the method and process of the Company's decision-making regarding the Transaction.
- d In order to ensure the fairness and appropriateness of its decision-making, the Company has appointed SMBC Nikko Securities as a financial advisor and third-party valuation institution independent of AEON, the Company, and Welcia HD, and has received expert advice and assistance from SMBC Nikko Securities regarding negotiations and other matters related to the Transaction.
- e In order to ensure the fairness and appropriateness of its decision-making, the Special Committee (Tsuruha HD) has appointed Yamada Consulting as a financial advisor and third-party valuation institution independent of AEON, the Company, and Welcia HD, and has received expert advice and assistance from Yamada Consulting from a financial perspective.
- f Since early March 2024, the Company has not involved any of its officers or employees who currently hold or have previously held concurrent positions with AEON or Welcia HD in the discussions and negotiations regarding the terms and conditions of the Transaction between the Company, AEON and Welcia HD, and has continued such practice to April 11, 2025. In addition, there is no fact that would lead one to infer that AEON or Welcia HD or their specially interested parties had any influence on the Company during the discussion, consideration and negotiation process for the Transaction.

Based on the above, after careful discussion and consideration by the Special Committee (Tsuruha HD), it was determined that appropriate measures to ensure fairness have been taken in the Transaction, and that the procedures for the Transaction, including the discussion, consideration and negotiation process regarding the Transaction, are fair.

- iv In light of the above, whether or not the decision by the Board of Directors to implement the Transaction (including if the tender offer is to be implemented as part of the Transaction, the statement of opinion regarding such tender offer) is disadvantageous to minority shareholders of the Company

After careful consideration based on the above, the Company's Board of Directors has determined that the implementation of the Transaction will not be disadvantageous to the minority shareholders of the Company. In other words, the Company Board of Directors has determined that (A) the implementation of the Share Exchange and (B) the decision to state an opinion in favor of the Tender Offer will not be disadvantageous to the minority shareholders of the Company. Furthermore, with regard to (B) above, the listing of the Company Shares is scheduled to be maintained even after the Tender Offer, and since there is also sufficient rationality that the Company shareholders will take the option to retain their the Company Shares even after the Tender Offer, it was determined that it will not be disadvantageous to the minority shareholders of the Company to reserve the decision on the appropriateness of the Tender Offer Price to the judgment of the Company, and to leave the decision on whether or not to accept or reject the Tender Offer to the judgment of the Company's shareholders.

- 2) The Company having obtained a valuation report from an independent financial advisor and third-party valuation institution

As described in "1) the Company having established an independent special committee and obtained a written report from the special committee" above, the Company appointed SMBC Nikko Securities as an independent financial advisor and third-party valuation institution, independent of AEON, Welcia HD, and the Company, and obtained from SMBC Nikko Securities professional advice and assistance regarding the negotiations and other aspects of the Transaction. Additionally, on April 10, 2025, the Company obtained a share exchange ratio valuation report from SMBC Nikko Securities.

SMBC Nikko Securities is not a related party to AEON, Welcia HD, or the Company and does not have any material interest in the Transaction, including the Share Exchange. Fees payable to SMBC Nikko Securities for the Transaction include a success fee contingent upon the successful completion of the Transaction. The Company considered general industry practices in similar transactions and the compensation system that would result in a significant financial burden on the Company if the Transaction was not completed. As a result, the Company determined that the independence of SMBC Nikko Securities is not negated by such compensation system as long as certain fees are scheduled to be paid regardless of the successful completion of the Transaction. Therefore, the Company has appointed SMBC Nikko Securities as its financial advisor and third-party valuation institution based on such compensation system. In addition, the Special Committee (Tsuruha HD) confirmed that there is no issue with the independence and expertise of SMBC Nikko Securities and approved its appointment as the Company's financial advisor and third-party valuation institution.

- 3) The Company having obtained advice from an independent legal advisor

As described in "1) the Company having established an independent special committee and obtained a written report from the special committee" above, the Company appointed TMI Associates as an external legal advisor, independent of AEON, Welcia HD, and the Company, and obtained legal advice from TMI Associates regarding, among others, measures that should be taken to ensure the fairness of the procedures in the Transaction, various procedures of the Transaction, and the Company's decision-making method and process for the Transaction.

TMI Associates is not a related party to AEON, Welcia HD, or the Company and does not have any material interest in the Transaction, including the Share Exchange. The fees payable to TMI Associates for the Transaction does not include any fees that are contingent upon the successful completion or failure of the Transaction or the progress of the Transaction or procedures. The Special Committee (Tsuruha HD) approved the appointment of TMI Associates as the Company's legal advisor after confirming that there is no issue with the independence and expertise of TMI Associates.

- 4) Unanimous approval of disinterested directors (including audit and supervisory committee members) of the Company

The Company's Board of Directors carefully considered and discussed whether the Transaction, including the Share Exchange, would contribute to the enhancement of the Company's corporate value and whether the terms of the Transaction are appropriate, referring to the legal advice obtained from TMI Associates and the advice from SMBC Nikko Securities, and fully respecting the judgment of the

Special Committee (Tsuruha HD) as indicated in the Written Report (Tsuruha HD).

As a result, at its Board of Directors meeting held on April 11, 2025, the Company determined as its opinion as of the date of the meeting, that the Share Exchange Ratio is appropriate and serves the interests of the Company shareholders. Therefore, the Company concluded that it is appropriate to implement the Share Exchange based on the Share Exchange Ratio.

At the Company Board of Directors meeting mentioned above, the resolution was unanimously approved by all 10 the Company directors (including three independent outside directors who are audit and supervisory committee members and two independent outside directors).

5) The Company having established an independent review framework

As described above in “(4) Measures to ensure fairness (including measures to avoid conflicts of interest),” the Transaction will result in AEON holding a majority of the voting rights in the Company and is a transaction with AEON as a direct or indirect counterparty. AEON directly holds 9,675,200 Company Shares (Ownership Ratio (Tsuruha HD): 19.66%) listed on the Tokyo Stock Exchange Prime Market and is expected to end up holding 13,205,200 Company Shares (Ownership Ratio (Tsuruha HD): 26.83%) as a result of the Additional Share Purchase. Given these circumstances, and taking into account various considerations such as that, in general terms, the Company’s Board of Directors may be influenced by AEON in making decisions related to the Transaction due to the structural reasons, leading to a potential conflict of interest between the Company’s Board of Directors and the general shareholders of the Company when determining whether to implement the Transaction, the Company established an internal framework for conducting reviews, negotiations and decision-making regarding the Transaction from a position independent of AEON and Welcia HD.

Specifically, the Company decided that, from early March 2024, no officers or employees of the Company who currently hold or have previously held concurrent positions with AEON or Welcia HD would be involved in the discussions and negotiations between the Company, AEON and Welcia HD regarding the terms of the Transaction. This practice has been maintained up to April 11, 2025. Additionally, the Special Committee (Tsuruha HD) has approved that there are no issues from the perspective of independence and fairness regarding the Company’s consideration framework (including the scope and duties of the Company’s officers and employees involved in the consideration, negotiations, and decision-making regarding the Transaction).

6) Special Committee having obtained a share exchange valuation report from an independent third-party valuation institution

As described above in “(1) the Company having established an independent special committee and obtained a written report from the special committee,” in reviewing the Consultation Matters (Tsuruha HD), the Special Committee (Tsuruha HD) appointed Yamada Consulting as its independent financial advisor and third-party valuation institution, independent of AEON, Welcia HD, and the Company, and obtained from Yamada Consulting professional advice and assistance from a financial perspective. The Special Committee (Tsuruha HD) also obtained a share exchange ratio valuation report dated April 10, 2025. Yamada Consulting is not a related party to AEON, Welcia HD, or the Company and does not have any material interest in the Transaction, including the Share Exchange. Furthermore, fees payable to Yamada Consulting for the Transaction consists solely of fixed fees, which are payable regardless of the Transaction’s outcome, and does not include any success fee contingent upon the successful completion of the Share Exchange.

7) Special Committee (Tsuruha HD) having obtained advice from an independent law firm

As described above in “(1) the Company having established an independent special committee and obtained a written report from the special committee,” the Special Committee (Tsuruha HD) appointed Hibiya Park Law Offices as its independent legal advisor, independent of AEON, Welcia HD, and the Company, and obtained legal advice from Hibiya Park Law Offices regarding, among others, measures that should be taken to ensure the fairness of the procedures in the Transaction, various procedures of the Transaction, and the Special Committee (Tsuruha HD)’s deliberation method and process for the Transaction.

Hibiya Park Law Offices is not a related party to AEON, Welcia HD, or the Company and does not have any material interest in the Transaction, including the Share Exchange. Furthermore, fees payable to Hibiya Park Law Offices consists solely of hourly fees, which are payable regardless of the Transaction’s outcome, and does not include any success fee contingent upon the successful completion of the Transaction.

[Welcia HD's Measures to Ensure Fairness]

The measures taken at Welcia HD to ensure fairness are as follows.

1) Welcia HD having established an independent special committee and obtained a written report from the special committee

(i) Background of establishment

From the perspective of taking all possible measures to ensure the fairness of the execution of the Definitive Capital and Business Alliance Agreement and the Business Integration thereunder (the "Business Integration, etc."), and based on the resolution at the board of directors meeting held on June 21, 2024, Welcia HD established the Special Committee (Welcia HD) comprised of three members: Mr. Katsunori Nozawa (outside director and independent officer of Welcia HD), Mr. Hirohisa Kagami (former outside corporate auditor of Welcia HD and attorney-at-law), and Mr. Masahiko Yasuda (president and representative director of Benedi Consulting Co., Ltd. and certified public accountant), after confirming that there are no issues regarding their independence from AEON, the Company, and Welcia HD, as well as from the success or failure of the Business Integration, etc. Welcia HD consulted the Special Committee (Welcia HD) on (i) whether to recommend the implementation of the Business Integration, etc. to the Welcia HD board of directors (the "Welcia HD Board of Directors"), and (ii) whether the decision by the Welcia HD Board of Directors to implement the Business Integration, etc. (including the decision to execute the Definitive Capital and Business Alliance Agreement) would be disadvantageous to the minority shareholders of Welcia HD (In these reviews, the Special Committee (Welcia HD) was requested to examine and determine (i) the reasonableness of implementing the transactions from the perspective of whether they would enhance the corporate value of Welcia HD, and (ii) the appropriateness of the transaction terms and the fairness of the procedures from the perspective of protecting the interests of Welcia HD's minority shareholders (collectively, the "Consultation Matters (Welcia HD)"). Additionally, Welcia HD decided that the Welcia HD Board of Directors must ensure a proper understanding and maximum respect for the judgment of the Special Committee (Welcia HD) in making decisions on the Business Integration, etc., and Welcia HD granted the following authorities to the Special Committee (Welcia HD) in connection with the review of the Consultation Matters (Welcia HD).

1. To substantially participate in the process of discussions and negotiations with the parties to the Business Integration, etc., and, if deemed necessary, directly engage in, or instruct Welcia HD or its advisors to engage in, discussions and negotiations with the parties to the Business Integration, etc.
2. To appoint legal, financial, and other advisors for the Business Integration, etc. (with the costs to be borne by Welcia HD), as well as to designate or approve (including subsequent approval) legal, financial, and other advisors of Welcia HD for the Business Integration, etc.
3. To receive necessary information and hear from Welcia HD officers, employees, parties to the Business Integration, etc. or any other persons deemed necessary by the Special Committee (Welcia HD)
4. To receive information necessary for the consideration and judgment regarding the Business Integration, etc. (if the Special Committee (Welcia HD) needs to examine Welcia HD's business plan, this includes information related to the business plan), from Welcia HD officers and employees and other relevant individuals
5. To address any other matters deemed necessary for the consideration and judgment regarding the Business Integration, etc.

Each member of the Special Committee (Welcia HD) will receive a fixed remuneration for their duties, regardless of the content of the report.

(ii) Background of the review

The Special Committee (Welcia HD) held a total of 14 meetings between the establishment of the Special Committee (Welcia HD) and April 10, 2025. During this period, the Special Committee (Welcia HD) carefully reviewed the Consultation Matters (Welcia HD), receiving reports, collecting

information, conducting deliberations, and making decisions, as well as conducting discussions as needed.

Specifically, with respect to Mizuho Securities, Welcia HD's financial advisor and third-party valuation institution, and Mori Hamada & Matsumoto, Welcia HD's legal advisor, the Special Committee (Welcia HD) confirmed that 1) they have no issue with the independence of the Company, AEON HD and Welcia HD, as well as the Business Integration, etc. and that 2) they have experience and expertise in advisory services related to similar transactions, and therefore approved the appointment of these advisors.

Furthermore, the Special Committee (Welcia HD) sent a questionnaire to the management of the Company and Welcia HD regarding the Business Integration, etc. and received responses from the management of the Company and Welcia HD on their current understanding of the situation (including the strengths and current challenges of both companies), the significance and purpose of the Business Integration, etc., and their views on post-integration governance. Additionally, the Special Committee (Welcia HD) conducted interviews with the management of the Company and Welcia HD, as well as the Welcia HD employee union, to gather their perspectives on the Business Integration, etc. The Special Committee (Welcia HD) also reviewed and approved the business plan, which serves as the basis for the valuation of Welcia HD's shares using the DCF analysis, after receiving explanations about the assumptions and preparation process, and exchanging questions and answers to confirm the reasonableness of the business plan. Moreover, the Special Committee (Welcia HD) received reports from Mori Hamada & Matsumoto, Welcia HD's legal advisor, and from PwC Advisory LLC and PwC Tax Japan, Welcia HD's advisors for financial and tax due diligence, on the results of the legal, financial, and tax due diligence on the Company Group. The Special Committee (Welcia HD) exchanged questions and answers and engaged in discussions regarding certain matters that should be taken into account in considering the transaction terms of the Business Integration, including the valuation of the Company Shares, the cash flow plan underlying the share valuation of the Company, and the terms of the Business Integration, including the share exchange ratio. The Special Committee (Welcia HD) also received explanations from, and exchanged questions and answers with, Mizuho Securities, Welcia HD's financial advisor and third-party valuation institution, regarding share exchange ratio valuation by Mizuho Securities, including the reasons for selecting the valuation methods, the calculation processes for each method, the key assumptions, and the valuation results. As a result, the Special Committee (Welcia HD) confirmed the reasonableness of these explanations. Additionally, the Special Committee (Welcia HD) received explanations from, and exchanged questions and answers with, Mizuho Securities, Welcia HD's financial advisor and third-party valuation institution, regarding the fairness opinion submitted by Mizuho Securities, including the issuance procedures.

Furthermore, the Special Committee (Welcia HD) received reports from Welcia HD and Mizuho Securities as necessary on the negotiations with the Company regarding the share exchange ratio, deliberated and reviewed these reports, and provided necessary opinions on the negotiation policy with the Company as appropriate. Specifically, upon receiving responses from the Company regarding the Share Exchange Ratio, the Special Committee (Welcia HD) reviewed these responses, orally obtained from Mizuho Securities its analysis and opinions regarding how to address them, formulated the negotiation policy for the Share Exchange Ratio, and provided instructions as necessary. In this way, the Committee was substantively involved throughout the entire discussion and negotiation process regarding the Share Exchange Ratio.

Additionally, the Special Committee (Welcia HD) received reports from Welcia HD, Mori Hamada & Matsumoto, and Mizuho Securities on the terms and negotiation status of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement as appropriate. Based on the advice from Mori Hamada & Matsumoto and Mizuho Securities, the Special Committee (Welcia HD) reviewed and provided instructions on the negotiation policy as needed. The Special Committee (Welcia HD) also received explanations from Welcia HD and Mizuho Securities on the draft disclosure documents related to the Transaction that Welcia HD plans to disclose or file, as well as the preparation policy for the reference documents for the shareholders meeting concerning the Share Exchange

Agreement, confirming that appropriate information disclosure is planned.

(iii) Content of the decision

The Special Committee (Welcia HD) has carefully considered the matters set forth above, taking into account legal advice received from the Mori Hamada & Matsumoto, financial advice received from Mizuho Securities, and the details of the share exchange ratio valuation report and the fairness opinion submitted to Welcia HD on April 10, 2025. After carefully reviewing and discussing the Consultation Matters (Welcia HD), the committee submitted a report to the board of directors of Welcia HD on April 11, 2025, with the unanimous consent of all committee members, outlining the following main points.

(a) Contents of the Written Report

1. It is recommended to Welcia HD's board of directors that the Business Integration etc. is conducted.
2. It is considered that a decision by Welcia HD's board of directors to conduct the Business Integration etc. (including a decision to execute the Definitive Capital and Business Alliance Agreement) would not be detrimental to the minority shareholders of Welcia HD.

(b) Reasons for the Written Report

1. Reasonableness of Implementing the Business Integration, etc.

Based on the following points, the Business Integration, etc. (hereinafter referred to as "the Business Integration") is considered to contribute to the enhancement of Welcia HD's corporate value, and therefore, implementing the Business Integration is deemed reasonable.

(1) Welcia HD's business environment and management issues, etc.

- According to explanations from Welcia HD, the drugstore industry faces an increasingly challenging business environment, marked by decreasing opportunities for new store openings, reductions in drug prices, intensifying price competition, etc. In the long term, it is anticipated that the industry will confront the need for proactive improvements in employee treatment due to labor shortages stemming from Japan's declining birthrate and aging population, as well as changes in consumer needs accompanying the increase in the elderly population, etc.
- Furthermore, to ensure the continuation of the Welcia HD group's business and the enhancement of its corporate value in the future, it is necessary to further strengthen store competitiveness. It is recognized that implementing various measures, including the expansion of existing business areas such as the development of private brand (PB) products, new store formats, etc., is a key management issue in the medium to long term.

(2) Synergies from the Business Integration

- According to explanations from AEON, the Company, and Welcia HD, the Business Integration is expected to promote business alliances among the companies. Specifically, initiatives envisaged include: (i) collaboration in the procurement of products, etc.; (ii) profit improvement through accelerated development and enhanced lineup of PB products; (iii) optimization of delivery routes and reduction of delivery costs through joint delivery; (iv) cost reduction through joint procurement of electricity; (v) improved profitability through the promotion of a dominant strategy and sharing of store development know-how; (vi) increased sales through strengthening existing businesses and developing new businesses in the dispensing pharmacy business; and (vii) acceleration of overseas store opening.
- Through such business alliances, synergy effects of approximately 50 billion yen are anticipated over the three years following the Business Integration.
- The Special Committee (Welcia HD), having examined the analyses provided by the Company, AEON, and Welcia HD, including the results of studies by the synergy working groups composed of the three companies, has not identified any particular points that are unreasonable.



- (3) Consideration of dis-synergies from the Business Integration
  - According to Welcia HD's management, potential dis-synergies from the Business Integration include: (i) the risk of reduction in dispensing fee (risk of reduction in the basic dispensing fee if even one on-site pharmacy exists within the group); (ii) the possibility of additional IT investment required to realize synergies related to the integration of supplier transaction accounts / processes for products; (iii) concerns about a potential decline in Welcia HD's creditworthiness with customers, business partners, employees, financial institutions, etc., due to delisting; (iv) concerns about a negative impact on the motivation and morale of Welcia HD group employees due to the Business Integration; and (v) the possibility that remedies may be required for obtaining clearance. However, it is stated that the impact of each of these is not significant and they do not constitute a major obstacle to proceeding with the Business Integration.
  - The Special Committee (Welcia HD) finds no particular points that are unreasonable in the above analysis by Welcia HD's management and has no objections.
- (4) Possibility of alternatives to the Business Integration
  - According to explanations from Welcia HD, in the increasingly challenging drugstore industry business environment, enhancing store competitiveness and implementing various measures (including expanding existing business areas from a medium- to long-term perspective) is desirable not on a stand-alone basis, but by pursuing economies of scale through a business integration with industry peers. Regarding the possibility of collaboration with business partners other than AEON and the Company, it is considered difficult to imagine that the business synergies expected from collaboration with other companies would exceed the synergy effects resulting from this Business Integration. This is due to the overwhelming scale advantages gained from the integration of the industry's No. 1 and No. 2 players, as well as the assets, know-how, procurement network, logistics system, customer database, etc., possessed by each group.
  - The Special Committee (Welcia HD) has confirmed that the above view of Welcia HD is not unreasonable.

## 2. Fairness of the Transaction Terms

Based on the following points, the transaction terms of the Business Integration, including the Share Exchange Ratio, are considered fair.

- (1) Appropriateness of the method of the Business Integration and type of consideration
  - Making Welcia HD a wholly owned subsidiary of the Company through the Share Exchange, followed by the reorganization of Welcia HD's head office functions, organization, personnel, etc., is not considered particularly unreasonable compared to other methods such as a merger between the Company and Welcia HD or a joint share transfer.
  - Welcia HD shareholders will have the opportunity to benefit from the synergy effects of the Business Integration and the potential appreciation of the Company's share price resulting from the realization of these synergies, etc., by holding the Company shares received as consideration in the Share Exchange. They can also monetize their holdings at any time by trading the highly liquid the Company shares on the market. Therefore, no unreasonable points are found in the method of the Business Integration and the type of consideration.
  - Regarding the consolidation as subsidiary of the Company under AEON, the Tender Offer for the Company shares by AEON is not aimed at delisting the integrated company. Shareholders who expect the corporate value of the integrated company to increase due to the Business Integration have the option not to tender their shares in the Tender Offer and continue holding shares in the integrated company. Concerning the Company becoming a subsidiary of AEON, Welcia HD itself has a history of deriving synergy effects from alliances with the AEON Group as an AEON subsidiary. Additionally, the Definitive Capital and Business Alliance Agreement provides considerable consideration, such as mechanisms agreed upon to ensure the Company maintains appropriate independence from AEON as a listed company.

(2) Fairness of the Share Exchange Ratio

- The Special Committee (Welcia HD) has reviewed the content of Welcia HD's business plan and confirmed and approved its reasonableness as a basis for calculating Welcia HD's share value and, consequently, the Share Exchange Ratio.
- The Special Committee (Welcia HD) was briefed on the policies and results of the various due diligence procedures conducted by Welcia HD on the Company, reviewed the content of the Company's business plan, and found no particular points that are unreasonable.
- In the Share Exchange Ratio valuation report dated April 10, 2025 obtained by Welcia HD from Mizuho Securities, no unreasonable points were found in the reasons for adopting the market price analysis, comparable company analysis, and DCF analysis, nor in the calculation details. The Share Exchange Ratio falls within the calculation range for all valuation methods. Furthermore, it exceeds the median of the calculation range under the comparable company analysis method and does not significantly deviate from the median values of the other methods.
- The Share Exchange Ratio represents a premium of 3.5% (rounded to one decimal place) over the share exchange ratio calculated based on the closing prices of the Company shares and Welcia HD shares on the Tokyo Stock Exchange Prime Market as of April 10, 2025. However, it represents a slight discount (at most a few percent) compared to the share exchange ratios based on the average closing prices over the one-month, three-month, and six-month periods ending on the same date. This is the result of exhaustive negotiations conducted with the substantial involvement of the Special Committee and is not considered particularly unreasonable when compared to similar past transactions.
- Welcia HD received a Fairness Opinion from Mizuho Securities dated April 10, 2025, stating that the Share Exchange Ratio is fair to Welcia HD's common shareholders from a financial perspective. There are no particular unreasonable points in the procedures for issuing this Fairness Opinion or its content, which is considered to further support the fairness of the Share Exchange Ratio.
- The Special Committee (Welcia HD) was substantially involved in the consultation and negotiation process between Welcia HD and the Company regarding the Share Exchange Ratio. Arm's length negotiations were conducted under conditions ensuring that reasonable efforts were made to achieve transaction terms as favorable as possible for minority shareholders.

(3) Fairness of other transaction terms of the Business Integration

- The terms of the Business Integration finally agreed upon in the Definitive Capital and Business Alliance Agreement are designed to enable the Company and Welcia HD to maximize their respective management resources and mutually complement and collaborate to realize the synergies from the Business Integration in the post-Share Exchange integrated company. No particular points that are unreasonable are found in these terms.

3. Procedural Fairness

Based on the following points, the procedures for the Business Integration are considered fair.

(1) Establishment, etc., of the Special Committee (Welcia HD)

Given the circumstances surrounding the establishment and operation of the Special Committee as described below, the Special Committee (Welcia HD) is recognized as having effectively functioned as a measure to ensure fairness.

- The members of the Special Committee (Welcia HD) have no issues regarding their independence from AEON, the Company, Welcia HD, or the success or failure of the Business Integration, etc., and possess the necessary experience and knowledge.
- A framework was secured to ensure that the decisions of the Special Committee (Welcia HD) would be respected to the maximum extent possible, and the Special Committee was granted the necessary authority to effectively fulfill its functions in considering the matters consulted upon.

- The Special Committee (Welcia HD) diligently considered the matters consulted upon after obtaining sufficient information for its review and judgment.
  - The Special Committee (Welcia HD) was substantially involved throughout the negotiation process regarding the Share Exchange Ratio. Furthermore, it received timely reports not only on the Share Exchange Ratio but also on the content and negotiation status of the Definitive Capital and Business Alliance Agreement, providing opinions and issuing instructions on negotiation policies as necessary.
- (2) Obtaining a Share Exchange Ratio Valuation Report and Fairness Opinion from Welcia HD's independent financial advisor and third-party valuation firm
    - Welcia HD appointed Mizuho Securities as its financial advisor and third-party valuation firm, possessing independence from the Company, AEON, and Welcia HD, and from the Business Integration, as well as relevant expertise. Welcia HD obtained a Share Exchange Ratio valuation report regarding the Share Exchange Ratio and further received a Fairness Opinion from Mizuho Securities.
  - (3) Obtaining advice from Welcia HD's independent legal advisor
    - Welcia HD appointed Mori Hamada & Matsumoto as its legal advisor, possessing independence from the Company, AEON, and Welcia HD, and from the Business Integration, as well as relevant expertise, and received necessary legal advice as appropriate.
  - (4) Establishment of an independent review structure, etc., within Welcia HD
    - Based on legal advice received from Mori Hamada & Matsumoto, Welcia HD established a structure to conduct reviews, negotiations, and decision-making related to the Business Integration from a position independent of the Company and AEON, from the perspective of enhancing Welcia HD's corporate value and securing the common interests of shareholders of Welcia HD.
    - Furthermore, Mr. Motoya Okada, a Director of Welcia HD, also serves as Director, Representative Executive Officer of AEON. In consideration of the fact that the interests of AEON may not necessarily align with those of the Company and Welcia HD's minority shareholders, potentially giving rise to conflicts of interest, etc., he is not scheduled to participate in the deliberation and resolution of the agenda items concerning the execution of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement at Welcia HD's board of directors meetings.
  - (5) Majority-of-the-minority condition
    - As sufficient measures to ensure fairness have been implemented for the Share Exchange, the establishment of a majority-of-the-minority condition is not planned, and its absence does not negate the fairness of the procedures.
  - (6) Comprehensive information disclosure
    - The Special Committee (Welcia HD) has reviewed the press release and other disclosure documents, etc., related to the Business Integration and confirmed that Welcia HD's minority shareholders are expected to be provided with the opportunity to make informed and appropriate judgments based on sufficient information.

#### 4. Conclusion Regarding the Consultation Matters (Welcia HD)

As stated in 1 above, the Business Integration is considered to contribute to the enhancement of Welcia HD's corporate value, and implementing the Business Integration is deemed reasonable. As stated in 2 above, the transaction terms of the Business Integration, including the Share Exchange Ratio, are considered fair. And, as stated in 3 above, the procedural fairness for the Business Integration is considered ensured. Therefore, the Special Committee (Welcia HD) recommends that the Welcia HD Board of Directors implement the Business Integration. Furthermore, the Special Committee (Welcia HD) judges that a decision by the Welcia HD Board of Directors to implement the Business Integration (including the decision to execute the Definitive Capital and Business Alliance Agreement) would not be detrimental to Welcia HD's minority shareholders.

2) A valuation report and a fairness opinion obtained from an independent third-party valuation institution

Welcia HD appointed Mizuho Securities, an independent third-party valuation institution independent of the Company, Welcia HD, and AEON, to ensure the fairness in the valuation of the share exchange ratio used in the Share Exchange. On April 10, 2025, Welcia HD obtained a valuation report on the share exchange ratio from Mizuho Securities. Additionally, Welcia HD obtained a fairness opinion from Mizuho Securities stating that the Share Exchange Ratio is considered to be appropriate from a financial perspective for common shareholders of Welcia HD. For details, please see “(2) Matters concerning valuation” above.

Mizuho Securities is not a related party to the Company, Welcia HD, or AEON, and does not have any material interest in the Transaction, including the Share Exchange. Fees payable to Mizuho Securities for the Transaction include a success fee contingent upon the successful completion of the Transaction. Welcia HD considered general industry practices in similar transactions and whether the compensation system that would result in a significant financial burden on Welcia HD if the Transaction was not completed. As a result, Welcia HD determined that the independence of Mizuho Securities is not negated by such compensation system as long as certain fees are scheduled to be paid regardless of the successful completion of the Transaction. The Special Committee (Welcia HD) confirmed that there is no issue with the independence and expertise of Mizuho Securities and approved its appointment as Welcia HD’s financial advisor and third-party valuation institution.

3) Advice obtained from an independent law firm

Welcia HD appointed Mori Hamada & Matsumoto as its legal advisor independent of the Company, Welcia HD, and AEON, for the Business Integration and obtained legal advice on various procedures related to the Business Integration and the methods and processes of decision-making by the Board of Directors.

Mori Hamada & Matsumoto is not a related party to the Company, Welcia HD, or AEON, and does not have any material interest in the Transaction, including the Share Exchange. The fees payable to Mori Hamada & Matsumoto for the Transaction does not include any fees that are contingent upon the successful completion or failure of the Transaction or the progress of the Transaction or procedures. The Special Committee (Welcia HD) approved the appointment of Mori Hamada & Matsumoto as Welcia HD’s legal advisor after confirming that there is no issue with the independence and expertise of Mori Hamada & Matsumoto.

4) Independent review framework established within Welcia HD

As described in “(4) Measures to ensure fairness (including measures to avoid conflicts of interest)” above, the Share Exchange will be carried out in accordance with the Definitive Capital and Business Alliance Agreement concluded among the Company, AEON, and Welcia HD in relation to the Business Integration and AEON making the Company a consolidated subsidiary. As of April 11, 2025, AEON holds (i) 105,981,400 Welcia HD Shares (Ownership Ratio (Welcia HD): 50.51%) and has Welcia HD as a consolidated subsidiary, and (ii) 9,675,200 Company Shares (Ownership Ratio (Tsuruha HD): 19.54%). Given these circumstances, in the course of reaching an agreement in the Definitive Capital and Business Alliance Agreement regarding the Business Integration, including the Share Exchange, the interests of AEON and the interests of the minority shareholders of the Company and Welcia HD are not necessarily aligned, and the conflicts of interest between the Company and Welcia HD potentially exist through AEON. Accordingly, to take all possible measures to ensure the fairness of the Business Integration, Welcia HD has established a framework within the company to consider, negotiate, and make decisions regarding the Transaction, independently of AEON and the Company.

Specifically, Welcia HD has structured the framework to ensure that those involved in the due diligence conducted by both Welcia HD and the Company, the consideration and creation of Welcia HD’s business plan, the examination of the Company’s business plan, the consideration of the management policies of the integrated company after the Business Integration, etc., and the examination of synergies from the integration, do not include any personnel who concurrently hold officer or employee positions at AEON or are former officer or employees of AEON. Additionally, the Special Committee (Welcia HD) has approved

that there are no issues from the perspective of independence and fairness regarding Welcia HD's consideration framework (including the scope and duties of Welcia HD officers and employees involved in the consideration, negotiations, and decision-making regarding the Transaction).

- 5) Unanimous approval of the participating directors except directors with interests and unanimous opinion of all disinterested corporate auditors that they have no objection at Welcia HD

The proposal for the execution of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement at the Welcia HD Board of Directors meeting was unanimously approved by all participating Welcia HD directors (excluding Mr. Motoya Okada, who currently serves as director and representative executive officer of AEON). Additionally, all Welcia HD corporate auditors expressed their opinion that they have no objections to the execution of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement.

Given that (i) Mr. Motoya Okada currently serves as director and representative executive officer of AEON, and (ii) in relation to the Business Integration, the interests of AEON and the interests of the minority shareholders of the Company and Welcia HD are not necessarily aligned and the conflicts of interest between the Company and Welcia HD potentially exist through AEON, from the perspective of taking all possible measures to ensure the fairness of the Business Integration, Mr. Motoya Okada did not participate in the abovementioned Welcia HD Board of Directors meeting. In addition, out of the directors of Welcia HD, Ms. Noriko Ishizaka did not participate in the abovementioned Welcia HD Board of Directors meeting for personal reasons.

- (C) Reason Company Shares were selected as consideration in the Share Exchange

In light of the fact that, through the delivery of Company Shares to the shareholders of Welcia HD as consideration for the Share Exchange, the shareholders of Welcia HD will be able to contribute to the enhancement of the corporate value of the Company Group, which will include Welcia HD as a subsidiary following the Share Exchange, by holding Company Shares, and that the minority shareholders of the Company and the existing shareholders of Welcia HD will be able to continue as shareholders of the Company and enjoy the benefits arising from the synergies created by the Transaction and the enhancement of the corporate value of the Company Group, the parties have determined that it is desirable to adopt a Share Exchange scheme using Company Shares as consideration.

- (D) Matters concerning the appropriateness of the amount of capital stock and capital reserves of the wholly owning parent company in the Share Exchange

The amount of the Company's capital stock and capital reserves to be increased as a result of the Share Exchange will be appropriately determined in accordance with the provisions of Article 39 of the Ordinance on Company Accounting. Such matters shall be determined within the scope permitted by applicable laws and regulations, following comprehensive consideration and review of the Company's capital policy and other relevant circumstances, and are deemed appropriate.

2. Matters related to the appropriateness of the provisions for stock acquisition rights  
Not applicable

3. Matters concerning the wholly owned subsidiary resulting from the Share Exchange

- (A) Details of financial statements and other required documents for the latest business year

Details of the financial statements and other documents for the latest business year of Welcia HD (from March 1, 2024 to February 28, 2025) are available on the Company's website (<https://www.tsuruha-hd.co.jp/ir/gms/>) and the Tokyo Stock Exchange website (<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>) in accordance with applicable laws and regulations and Article 14 of the Company's Articles of Incorporation. The disclosure of such information in the written materials (including electronic disclosure documents) provided to shareholders who have requested such materials through the notice of convocation or written request is omitted.

- (B) Details of any disposal of important assets, significant assumption of debts, or other events that materially

affect the status of company assets that occurred after the end of the latest business year  
(Conclusion of a definitive agreement pertaining to a capital and business alliance)

Welcia HD, at a meeting of its board of directors meeting held on April 11, 2025, resolved to execute the Definitive Capital and Business Alliance Agreement concerning the capital and business alliance among AEON, the Company, and Welcia HD, including the Business Integration of the Company and Welcia HD, and on the same day, AEON, the Company, and Welcia HD executed the Definitive Capital and Business Alliance Agreement.

(Conclusion of Share Exchange Agreement)

Welcia HD, at a meeting of its board of directors meeting held on April 11, 2025, resolved to enter into the Share Exchange Agreement to implement a share exchange (the “Share Exchange”), whereby the Company will become the wholly owning parent company, and Welcia HD will become a wholly owned subsidiary, as part of the Business Integration, and on the same day, Welcia HD and the Company executed the Share Exchange Agreement. The Share Exchange is scheduled to be implemented with an Effective Date of December 1, 2025, subject to approval of the Share Exchange Agreement by a resolution at the Company’s General Meeting of Shareholders to be held on May 26, 2025 and by a resolution at the Welcia HD’s General Meeting of Shareholders to be held on May 27, 2025, and obtaining of necessary clearances and approvals under competition laws and other applicable laws and regulations required for implementing the Business Integration (including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade) and other conditions set forth in the Share Exchange Agreement being met. Furthermore, prior to the effective date of the Share Exchange, the common stock of Welcia HD is expected to be delisted from the Prime Market of the Tokyo Stock Exchange on November 27, 2025 (with the final trading date being November 26, 2025).

4. Details of any disposal of important assets, significant assumption of debts, or other events that materially affect the status of company assets that occurred after the end of the latest business year of the Company

With regard to the Definitive Capital and Business Alliance Agreement and the Stock Split, etc., as the relevant matters, we have posted the information on the above-mentioned website of the Company and the website of the Tokyo Stock Exchange in accordance with the provisions of laws and regulations and Article 14 of the Articles of Incorporation of the Company, and have omitted the disclosure in the notice of convocation and the document containing the matters to be provided electronically.

**Proposal No. 4: Election of One Director (Excluding Directors Who Are Audit and Supervisory Committee Members)**

The Company proposes the election of a new Director (excluding Directors who are Audit and Supervisory Committee Members) due to the share exchange with WELCIA HOLDINGS CO., LTD.

The candidate for Director is as follows. The effectiveness of the election of the candidate for Director is conditional upon approval of Proposal No. 3 “Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD.” originally proposed and the share exchange taking effect (effective date of the share exchange is planned for December 1, 2025).

If Proposal No. 1 “Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” is approved as originally proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) will be six (of which two are Outside Directors); however, if the election of the candidate for Director takes effect, the Company plans for the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) to become seven (of which two are Outside Directors).

Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
Hideaki Kirisawa (January 8, 1974) <u>New election</u>	<p>April 1998      Joined Kusurino Sunroad Co. Ltd.</p> <p>September 2005      Joined Nakaya Co., Ltd. (currently WELCIA YAKKYOKU Co., Ltd.)</p> <p>September 2014      General Manager of Merchandise Division of WELCIA YAKKYOKU Co., Ltd.</p> <p>March 2015      Executive Officer and General Manager of Merchandise Division of WELCIA YAKKYOKU Co., Ltd.</p> <p>May 2016      Deputy General Manager of Merchandise Headquarters and General Manager of Merchandise Division of WELCIA YAKKYOKU Co., Ltd.</p> <p>May 2018      Director; Deputy General Manager of Merchandise Headquarters and General Manager of Merchandise Division of WELCIA YAKKYOKU Co., Ltd.</p> <p>March 2019      Director and General Manager of Merchandise Headquarters of WELCIA YAKKYOKU Co., Ltd.</p> <p>March 2020      Director and General Manager of Central Japan Branch Office of WELCIA YAKKYOKU Co., Ltd.</p> <p>May 2022      Vice President and Director in charge of West Japan and General Manager of Central Japan Branch Office of WELCIA YAKKYOKU Co., Ltd.</p> <p>March 2023      Vice President and Representative Director, and General Manager of Merchandise Headquarters of WELCIA YAKKYOKU Co., Ltd. In charge of Merchandise, WELCIA HOLDINGS CO., LTD.</p> <p>May 2023      Executive Officer in charge of Merchandise and Logistics of WELCIA HOLDINGS CO., LTD.</p> <p>March 2024      Vice President and Representative Director in charge of Merchandise and Logistics of WELCIA YAKKYOKU Co., Ltd.</p> <p>May 2024      Representative Director, President and Chief Operating Officer of WELCIA HOLDINGS CO., LTD. (current position)</p> <p>(Significant concurrent position) Representative Director, President and Chief Operating Officer of WELCIA HOLDINGS CO., LTD.</p> <p>(Reasons for nomination as candidate for Director and expected roles) Mr. Hideaki Kirisawa has demonstrated his ability in management of the WELCIA Group through his abundant achievements and experience as Representative Director and President of WELCIA HOLDINGS CO., LTD. We have determined that he will contribute significantly to increasing the Company's corporate value after the integration of WELCIA HOLDINGS CO., LTD. with the Company, and have thus nominated him as a candidate for Director.</p>	—



- Notes:
1. Mr. Hideaki Kirisawa is a new candidate for Director.
  2. There is no special interest between the Company and Mr. Hideaki Kirisawa.
  3. The Company has entered into a directors and officers liability insurance contract with an insurance company, and the candidate will be included in insured persons under said insurance contract. Please refer to “Company Officers” for brief details of said insurance policy. At the time of next renewal, the Company plans to renew the contract with the same contents.

**Proposal No. 5: Election of One Director Who Is an Audit and Supervisory Committee Member**

The Company proposes the election of a new Director who is an Audit and Supervisory Committee Member due to the share exchange with WELCIA HOLDINGS CO., LTD.

The candidate for Director is as follows. The effectiveness of the election of the candidate for Director is conditional upon approval of Proposal No. 3 “Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD.” originally proposed and the share exchange taking effect (effective date of the share exchange is planned for December 1, 2025).

If Proposal No. 2 “Election of Two Directors Who Are Audit and Supervisory Committee Members” is approved as originally proposed, the number of Directors who are Audit and Supervisory Committee Members will be three (of which three are Outside Directors); however, if the election of the candidate for Director takes effect, the Company plans for the number of Directors who are Audit and Supervisory Committee Members to become four (of which four are Outside Directors).

Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
Yasuo Nakayama (November 1, 1952) New election Outside	<p>April 1976      Joined The Bank of Japan</p> <p>July 2003      Branch Manager of Nagoya Branch of The Bank of Japan</p> <p>July 2005      Director-General of Secretariat of the Policy Board of The Bank of Japan</p> <p>June 2007      Joined SECOM Co., Ltd. as Advisor Executive Director of SECOM Co., Ltd.</p> <p>May 2016      President and Representative Director, SECOM Co., Ltd.</p> <p>May 2017      Chairman of Tokyo Security Service Association</p> <p>June 2019      Chairman of All Japan Security Association Chairman and Representative Director of SECOM Co., Ltd.</p> <p>May 2024      Outside Director of WELCIA HOLDINGS CO., LTD. (current position)</p> <p>June 2024      Special Advisor of SECOM Co., Ltd. (current position)</p> <p>March 2025      Outside Director of IDEA Consultants, Inc. (current position)</p> <p>April 2025      Chairman, Tokyo Metropolitan Public University Corporation (current position)</p> <p>(Significant concurrent position) Outside Director of WELCIA HOLDINGS CO., LTD.</p> <p>(Reasons for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and expected roles) Mr. Yasuo Nakayama has abundant business experience related to safe and secure services in various fields and knowledge regarding corporate management in general as President and Representative Director, SECOM Co., Ltd. We have determined that he will be able to contribute to the enhancement of corporate governance and human capital management based on his accumulated knowledge and experience, and thus we have nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.</p>	—

- Notes: 1. Mr. Yasuo Nakayama is a new candidate for Outside Directors.
2. There is no special interest between the Company and Mr. Yasuo Nakayama.
3. The Company will register Mr. Yasuo Nakayama with Tokyo Stock Exchange, Inc. as an Independent Director as set forth in the regulations of Tokyo Stock Exchange, Inc.
4. In accordance with the Articles of Incorporation of the Company, the Company will enter into a liability limitation contract with Mr. Yasuo Nakayama to limit his liability for damages to the amount stipulated by laws and regulations.
5. The Company has entered into a directors and officers liability insurance contract with an insurance company, and the candidate will be included in insured persons under said insurance contract. Please refer to “Company Officers” for brief details of said insurance policy. At the time of next renewal, the Company plans to renew the contract with the same contents.

[Reference] The Composition of the Board of Directors and Skills Matrix subject to approval of Proposal No. 1 and Proposal No. 2

If Proposal No. 1 “Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members),” Proposal No. 2 “Election of Two Directors Who Are Audit and Supervisory Committee Members,” Proposal No. 4 “Election of One Director (Excluding Directors Who Are Audit and Supervisory Committee Members)” and Proposal No. 5 “Election of One Director Who Is an Audit and Supervisory Committee Member” are approved and resolved as originally proposed, the composition of the Board of Directors will be as below.

Category	Name	Outside, Independent	Item						
			Corporate Management	Business Strategy	Finance, Accounting, M&A	Human Capital, Personnel Development	Legal Affairs, Risk Management	DX, IT	Global
Directors	Jun Tsuruha		○	○		○	○		○
	Shoichi Murakami		○	○		○			
	Masahiro Yahata		○	○		○			
	Kazuto Toyama			○					
	Wakana Tanaka	○	○	○		○		○	○
	Hiroshi Okuno	○			○				○
	Hideaki Kirisawa		○	○				○	
Directors Who Are Audit and Supervisory Committee Members	Harumi Sato	○			○				
	Takuya Okazaki	○					○		
	Tatsuichi Asada	○	○	○		○			
	Yasuo Nakayama	○	○		○				

Notes: 1. Mr. Tatsuichi Asada has a remaining term, and his reappointment is not proposed at this ordinary general meeting of shareholders.  
2. In the skills matrix above, major skills that Directors have are marked with ○ preferentially.

## Reference

Item	Definition of skill
Corporate Management	In working out a sustained growth strategy of the Group, the Company needs director members who have experience in managing a certain-scale business company as well as skills in and knowledge of control of corporate management performance such as results including business performance indices.
Business Strategy	As the Group needs to achieve growth targets by carrying on with various businesses, including the drugstore business, the Company needs director members who have skills in and knowledge of carrying on with business by working out a business strategy, setting specific targets, planning measures, and taking the measures.
Finance, Accounting, M&A	In making accurate financial reports, building the financial basis, carrying on with investment for growth, such as that in M&A, for a sustained increase in corporate value, and working out a financial strategy, including responses to shareholders, the Company needs members of the Board of Directors who have skills in and knowledge of finance, accounting, and M&A.
Human Capital, Personnel Development	In carrying on with human capital management, the Group needs director members who have skills in and knowledge of increasing the value of human resources which results from creating an environment in which each employee can show his/her ability to the maximum, in other words, working out comprehensive measures for personnel development from the three viewpoints of “growth, environments, and health maintenance.”
Legal Affairs, Risk Management	To carry out sustained management through compliance and by building, practicing, and verifying an appropriate management system for risk management and other elements, the Group needs director members who have certain skills and knowledge in the fields of governance building, risk management, and compliance.
DX, IT	For the sustained growth and expansion of the Group, the Group needs members of the Board of Directors who have skills and knowledge by which it can carry on with an increase in corporate value by building and operating the firm and stable management basis through IT, utilizing various data through DX and realizing efficient operations.
Global	As it is essential to actively carry on with overseas business in aiming at global development inside and outside Japan as a target of the Group, the Group needs director members who have skills in and knowledge of overseas business management in carrying on with overseas business development.

# **Business Report**

(May 16, 2024 – February 28, 2025)

## **1. Overview of the Company Group**

### **(1) Business Progress and Results**

#### **1) Overview of business**

Due to a change in the fiscal year-end, the fiscal year under review (May 16, 2024 to February 28, 2025) represents an irregular period of 9.5 months. Accordingly, no year-on-year comparison with the previous fiscal year has been made. However, for reference purposes, the actual results for 12 months of the previous fiscal year are provided.

In the fiscal year under review, the Japanese economy continued on a path of gradual recovery, supported by a rebound in capital expenditure and production activities, as well as improved corporate performance. Due to rising prices and growth in real wages has been fluctuating has also been observed. As a result, personal consumption remains sluggish. In addition, trade disputes stemming from the United States' protectionist policies and geopolitical risks, such as the situation in the Middle East, have continued to contribute to an uncertain outlook.

In the drugstore sector, amid indications that the increase in sales due to the effects of the recovery in human flow and demand for inbound tourism, rising prices, and other factors have run their course, price increases remain ongoing, particularly in food products, and consumer thriftiness persists. Furthermore, amid ongoing competition for new store openings, the integration of companies from other sectors such as pharmacy chains and food supermarkets has been observed, and the market size continues to expand.

Under these circumstances, the Group has made progress in the following areas during the current fiscal year, which marked the final year of our Medium-Term Management Plan, in order to achieve the plan's objectives. In our store strategy, we have promoted store openings through the use of company-owned buildings and scrap-and-build initiatives. In our dispensing strategy, we have strengthened the functionality of our pharmacies. In our private brand (PB) strategy, we have worked on product development with a focus on food products and improvement of store loyalty. In our digital transformation (DX) strategy, we have worked to expand our app membership and leveraged marketing automation (MA) tools to drive customer visits while enhancing management visibility through business intelligence (BI) tools. In the performance management aspect, we have focused on improving profitability and reducing selling, general, and administrative expenses.

In terms of store development, we have worked to establish even more dominant positions in existing areas and renovated or eliminated unprofitable stores to boost competitiveness. Since the start of the fiscal year under review, we have carried out 73 new store openings and closed 68 stores. This resulted in a total of 2,658 directly managed stores as of the end of the fiscal year under review. In Thailand, the Group opened three new stores, resulting in a total of 22 stores in Thailand as of February 28, 2025.

Store openings and closures of the Group are as follows:

(Number of stores)

	End of previous fiscal year	Openings	Closures	Net change	End of current fiscal year	Of which dispensing pharmacies
Hokkaido	432	14	9	5	437	147
Tohoku	604	10	21	(11)	593	165
Kanto, Koshinetsu	533	11	16	(5)	528	224
Chubu, Kansai	269	9	9	–	269	167
Chugoku	366	10	2	8	374	143
Shikoku	225	5	5	–	225	69
Kyushu, Okinawa	224	14	6	8	232	52
Total for Japan	2,653	73	68	5	2,658	967

(Others: 22 overseas stores, 7 franchised stores)

As a result of the above, for the fiscal year under review, TSURUHA Holdings reported net sales of ¥845,603 million (¥1,027,462 million in the previous fiscal year), operating income of ¥37,894 million (¥47,151 million in the previous fiscal year), and ordinary income of ¥37,840 million (¥47,466 million in the previous fiscal year). In addition to recording a gain on sales of investment securities of ¥3,830 million, as a result of assessing the profitability of primarily our stores, the Company recorded an impairment loss of ¥10,743 million, reflecting the shortfall between the recoverable amount and the book value. Furthermore, we recorded a provision for loss on store closings of ¥3,110 million for anticipated future losses in connection with the store closures. Consequently, net income attributable to owners of the parent amounted to ¥17,207 million (¥21,743 million in the previous fiscal year).

Status by product category is as follows.

#### Pharmaceuticals

Net sales were ¥200,746 million, due to an increase in prescriptions because of newly opened dispensing pharmacies, despite a decline in sales of antigen testing kits, etc., due to a reaction to their strong performance in the previous fiscal year, and of Kampo medicines, affected by the Beni-koji (red yeast rice) issue.

#### Cosmetics

Although basic skincare products performed well, net sales were ¥117,511 million, reflecting that the positive effects of the recovered flow of people and the lifting of mask mandates observed in the previous year had run their course.

#### Misc. daily necessities

Net sales were ¥220,139 million, due to strong sales of products such as shampoos, detergents, and oral care items, despite continued increases in unit prices and a year-on-year decline in the number of items sold.

#### Foods

Net sales were ¥219,071 million, due to solid sales volume and strong performance in frozen foods, confectionery, and perishable daily foods, despite continued price increases, led by rice.

#### Other

Net sales were ¥84,470 million, reflecting continued decline in mask sales, weak performance in health foods, and lower sales volume of childcare products due to price increases.

## Results of net sales by products

Item		Year ended February 28, 2025 (May 16, 2024 - February 28, 2025)		
		Amount (Millions of yen)	Share (%)	Year-on-year (%)
Merchandise	Pharmaceuticals	200,746	23.7	—
	Cosmetics	117,511	13.9	—
	Misc. daily necessities	220,139	26.0	—
	Foods	219,071	25.9	—
	Other	84,470	10.0	—
Subtotal		841,940	99.6	—
Real estate rent		1,051	0.1	—
Commission income, etc.		2,611	0.3	—
Total		845,603	100.0	—

- Notes: 1. The Group mainly engages in over-the-counter sales to general consumers and therefore does not engage in production and sales on orders.
2. The Company has changed its fiscal year-end (business year-end) from May 15 to the end of February, starting with the fiscal year ended February 28, 2025. Following this change, the fiscal year ended February 28, 2025 is a transitional period for the change in the fiscal year-end, and is a 9.5-month period. Accordingly, year-on-year comparisons are not provided.

## 2) Capital expenditure

The total amount of capital expenditure was ¥26,916 million for the fiscal year under review, mainly consisting of investment in store facilities such as guarantee deposits associated with opening of 73 new stores and renovations.

### (New openings)

Number of opened stores by prefecture			
Hokkaido	14	Hyogo	3
Aomori	2	Tottori	1
Miyagi	5	Shimane	1
Akita	2	Okayama	1
Yamagata	1	Hiroshima	5
Tochigi	1	Yamaguchi	2
Saitama	1	Kagawa	2
Chiba	3	Ehime	3
Tokyo	4	Fukuoka	6
Yamanashi	1	Kumamoto	1
Nagano	1	Oita	1
Shizuoka	3	Okinawa	6
Aichi	3	Total	73



(Closures)

Number of closed stores by prefecture			
Hokkaido	9	Shizuoka	3
Aomori	3	Shiga	2
Iwate	2	Kyoto	1
Miyagi	11	Osaka	2
Akita	1	Wakayama	1
Yamagata	4	Hiroshima	2
Tochigi	1	Kagawa	2
Chiba	3	Kochi	3
Tokyo	3	Fukuoka	1
Kanagawa	1	Nagasaki	1
Niigata	6	Kagoshima	3
Yamanashi	1	Okinawa	1
Nagano	1	Total	68

3) Financing

The details of the borrowings are stated in “Major Lenders.”

4) Transfer, absorption-type demerger, or incorporation-type demerger of business

Not applicable.

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

Not applicable.

7) Acquisition or disposal of shares or other equity or subscription rights to shares in other companies

Not applicable.

**(2) 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
Drug Eleven Co., Ltd.	¥100 million	100.0%	Sales of pharmaceuticals, etc. based on pharmacies and store-based distributors mainly in the Kyushu and Okinawa regions
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 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 Shurui Hanbai Co., Ltd. is a wholly-owned subsidiary of TSURUHA CO., LTD.
2. Kyorindo Co., Ltd. is a wholly-owned subsidiary of Kyorindo Group Holdings Co., Ltd.
3. On February 1, 2025, the Company carried out an absorption-type merger in which Tsuruha Group Drug & Pharmacy Nishinohon Inc. was a company surviving the absorption-type merger and Hiroshima Chuo Pharmacy Co., Ltd. was a company disappearing in the absorption-type merger.
4. Several Co., Ltd. is a wholly-owned subsidiary of TSURUHA Financial Service Inc.
5. On August 16, 2024, the Company carried out an absorption-type merger in which TSURUHA CO., LTD. was a company surviving the absorption-type merger and TSURUHA Pharmacy K.K. was a company disappearing in the absorption-type merger.

## 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 49,557,068 shares
- 3) Number of shareholders 27,935
- 4) Major shareholders (top 10 shareholders)

As of February 28, 2025

Shareholder name	Number of shares (Thousand shares)	Shareholding ratio
AEON CO., LTD.	9,675	19.88%
The Master Trust Bank of Japan, Ltd. (trust account)	6,109	12.55%
CEP LUX-ORBIS SICAV	2,576	5.29%
Nomura Securities Co., Ltd.	1,947	4.00%
Custody Bank of Japan, Ltd. (trust account)	1,521	3.12%
Tatsuru Tsuruha	1,413	2.90%
Hiroko Tsuruha	1,371	2.81%
STATE STREET BANK AND TRUST COMPANY 505001	1,137	2.33%
Akiko Tsuruha	1,043	2.14%
Nomura Securities Co., Ltd. Proprietary Account	980	2.01%

Note: The shareholding ratio is calculated after excluding treasury shares (890,955 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 by category

Category	Number of shares	Number of eligible officers
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	3,500	4
Outside Directors (excluding Audit and Supervisory Committee Members)	—	—
Directors (Audit and Supervisory Committee Members)	—	—
Other officers	6,000	13

## (2) Company Officers

### 1) Directors

#### a. Directors

As of February 28, 2025

Position	Name	Assignments and significant concurrent positions
President & Representative Director	Jun Tsuruha	Chairman & Representative Director of TSURUHA CO., LTD.
Director	Shoichi Murakami	President & Representative Director of Tsuruha Group Drug & Pharmacy Nishinohon Inc.
Director	Masahiro Yahata	President & Representative Director of TSURUHA CO., LTD.
Director	Kazuto Toyama	Director of TSURUHA CO., LTD.
Director	Wakana Tanaka	Representative of LinkedIn Japan Co., Ltd
Director	Hiroshi Okuno	Managing Partner of KTSS Ltd.
Director (Standing Audit and Supervisory Committee Member)	Masahiro Ofune	Corporate Auditor of TSURUHA CO., LTD.
Director (Audit and Supervisory Committee Member)	Harumi Sato	Director of Sapporo Branch, Anchor Licensed Tax Accountant Office
Director (Audit and Supervisory Committee Member)	Takuya Okazaki	Representative of Okazaki Takuya Law Offices Outside Audit & Supervisory Board Member of Hokuryo Co., Ltd. Outside Director and Audit and Supervisory Committee Member of Fulltech Co. Ltd.
Director (Audit and Supervisory Committee Member)	Tatsuichi Asada	Adviser of TOP CULTURE Co., Ltd. Adviser of ITOI LSR Co., Ltd.

- Notes: 1. Directors Ms. Wakana Tanaka, Mr. Hiroshi Okuno, Ms. Harumi Sato, Mr. Takuya Okazaki, and Mr. Tatsuichi Asada are Outside Directors and the Company registered them with Tokyo Stock Exchange, Inc. as Independent Officers.
2. To gather information from the Directors (excluding Directors who are Audit and Supervisory Committee Members) and share such information as well as strengthening cooperation with the internal audit division, etc., to improve the effectiveness of audit and supervisory functions, the Company elected Mr. Masahiro Ofune as a Standing Audit and Supervisory Committee Member.
3. Audit and Supervisory Committee Member Ms. Harumi Sato has certification as a tax accountant and considerable knowledge about finance and accounting.
4. Mr. Jun Tsuruha retired as Director and Chair on August 9, 2024.  
Mr. Hisaya Ogawa retired as Director on August 9, 2024.  
Mr. Fumiyo Fujii retired as Director (Audit and Supervisory Committee Member) on August 9, 2024.

## b. Executive Officers

As of February 28, 2025

Position	Name	Assignments
President & Chief	*Jun Tsuruha	
Executive Officer	*Shoichi Murakami	Responsible for Tsuruha Group Drug & Pharmacy Nishinohon Inc.
Executive Officer	*Masahiro Yahata	Responsible for TSURUHA CO., LTD.
Executive Officer	*Kazuto Toyama	Responsible for Group Store Development Division
Executive Officer	Yoshihiro Kobashi	Responsible for Group Management Strategy and Group Information Systems
Executive Officer	Naotaka Kokawaji	Responsible for Kyorindo Co., Ltd.
Executive Officer	Tsuyoshi Hanzawa	Responsible for Drug Eleven Co., Ltd.
Executive Officer	Yasuyuki Arima	Responsible for Group Product
Executive Officer	Kazuhiko Nomura	Responsible for Group Dispensing Management Department
Executive Officer	Yasuyuki Haruta	Responsible for Kusurino FUKUTARO Co., LTD.
Executive Officer	Takaomi Kinone	Responsible for Group Human Resource Development Division
Executive Officer	Norihito Ojima	Responsible for Group Human Resources and General Affairs Department
Executive Officer	Ryutaro Miyake	Responsible for Group Finance and Accounting Department

Note 1. Executive Officers marked with an asterisk (\*) are concurrently serving as Director.

Note 2. Mr. Hisaya Ogawa retired as Executive Officer on August 9, 2024.

Mr. Makoto Murakami retired as Executive Officer on October 15, 2024.

Mr. Akio Shiraishi retired as Executive Officer on November 14, 2024.

## 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 non-executive Director, to limit his or her 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. The insurance premiums of the insurance contracts are all paid by the Company.

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

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

The Company decides on matters regarding the content of remuneration, etc. for each Director at meetings of the Board of Directors.

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.

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) in accordance with their job title. Besides, the compositions of remuneration for Directors who are Audit and Supervisory Committee Members, Outside Directors, and other Directors are different from other Directors, because such Directors have responsibilities significantly different from other Directors.

Regarding the composition of remuneration for Directors, except Directors who are Audit and Supervisory Committee Members and Outside 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, following ratio is applied.

Basic remuneration: Bonuses: Stock remuneration = 30-40%: 50-60%: 5-15%

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

Outline of the composition of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)

Type of remuneration	Payment criteria	Payment method	Composition of remuneration
Basic remuneration	Determined for each person based on the standard amount for each job title	Cash once a month	30-40%
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	50-60%
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.	Stocks once a year	5-15%

(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 and the degree of achievement of each person’s mission 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 the conclusion of General Meeting of Shareholders, 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 each eligible person’s 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 at a meeting held in September after the conclusion of General Meeting of Shareholders.

Restricted shares to be allotted to Directors of the Company are granted in advance.

Meanwhile, for Directors who are Audit and Supervisory Committee Members, and Outside Directors, only basic remuneration is provided taking into account their independence from business execution.

Outline of the composition of remuneration for Directors who are Audit and Supervisory Committee Members, and Outside Directors

Type of remuneration	Payment criteria	Payment method	Composition of remuneration	
			Directors who are Audit and Supervisory Committee Members	Outside Directors
Basic remuneration	Determined for each person based on the standard amount for each job title	Cash once a month	100%	100%
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	0%	0%
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.	Stocks once a year	0%	0%

### 3. Process for determining remuneration for Directors

Authority for determining the specifics of the remuneration amount for each Director who is not an Audit and Supervisory Committee Member is delegated to the President & Representative Director, based on a resolution of the Board of Directors within the limit of remuneration resolved in advance at the General Meeting of Shareholders. 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 Nomination and Remuneration Committee which is a consulting body for remuneration of the 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 corporate management. Then, the Personnel Division develops remuneration plans for each Director and the Officer responsible for Administration discusses it sufficiently with the President.

\* Matters to be deliberated at meetings of the Nomination and Remuneration Committee concerning remuneration are as follows:

- Draft proposals to be submitted to the General Meeting of Shareholders concerning remuneration for Directors
- Decision policies regarding remuneration, etc. for each Director (including Executive Officers and management team members of the Group companies)
- Draft proposals for remuneration, etc., for each Director (including Executive Officers and management team members of the Group companies)

The remuneration amount for each Director who is an Audit and Supervisory Committee Member is determined by discussion of Directors who are Audit and Supervisory Committee Members, based on a proposal of the Remuneration Committee, within the limit of remuneration which has been resolved at the General Meeting of Shareholders.



- b. Matters concerning resolutions on remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members at the General Meeting of Shareholders

The upper limit of monetary remuneration for Directors consisting of monthly remuneration and bonuses for Directors (excluding Directors who are Audit and Supervisory Committee Members) was approved to be within ¥500 million per year (including within ¥50 million for Outside Directors) at the 59<sup>th</sup> Ordinary General Meeting of Shareholders held on August 10, 2021. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the time of conclusion of said Ordinary General Meeting of Shareholders was six (including one Outside Director). 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 46<sup>th</sup> 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 for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) was approved to be within ¥150 million per year at the 59<sup>th</sup> Ordinary General Meeting of Shareholders held on August 10, 2021. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) at the time of conclusion of said Ordinary General Meeting of Shareholders was five.

The upper limit of remuneration for Directors who are Audit and Supervisory Committee Members was approved to be within ¥100 million per year at the 59<sup>th</sup> Ordinary General Meeting of Shareholders held on August 10, 2021. The number of Directors who are Audit and Supervisory Committee Members at the time of the conclusion of said Ordinary General Meeting of Shareholders was three.

- c. Total amount of remuneration, etc. for Directors

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 (excluding Audit and Supervisory Committee Members) (of which Outside Directors)	180 (16)	75 (16)	84 (-)	19 (-)	5 (2)
Directors (Audit and Supervisory Committee Members) (of which Outside Directors)	56 (25)	56 (25)	- (-)	- (-)	5 (4)

- Notes: 1. The above table includes two Directors who were not Audit and Supervisory Committee Members (of which 0 Outside Directors), and one Director who was an Audit and Supervisory Committee Member (of which one is Outside Director). These Directors retired at the conclusion of the 62<sup>nd</sup> Ordinary General Meeting of Shareholders held on August 9, 2024.
2. Employee salary is not paid to Directors because there are no Directors concurrently serving as employee at the Company.
3. The amount of remuneration, etc. paid by three consolidated subsidiaries to three of the eight Directors (excluding Directors who are Audit and Supervisory Committee Members) (including two Directors who were not an Audit and Supervisory Committee Members and retired at the conclusion of the 62<sup>nd</sup> Ordinary General Meeting of Shareholders held on August 9, 2024) was ¥120 million. No Outside Directors received such remuneration.
3. 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 in “Consolidated Statements of Income.”
4. 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.
5. The particulars of remuneration, etc., for each person for the relevant fiscal year were deliberated at the Nomination and 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 Wakana Tanaka

She is a Representative of LinkedIn Japan Co., Ltd. There are no special relationships between the Company and LinkedIn Japan Co., Ltd.

She attended all ten Board of Directors meetings held during the fiscal year under review and actively provided opinions and advice based on her wide and high-level knowledge and experience. The Company has registered her with Tokyo Stock Exchange, Inc. as an Independent Director as set forth in the regulation of the stock exchange.

b. Outside Director Hiroshi Okuno

He is Managing Partner of KTSS Ltd. There are no special relationships between the Company and KTSS Ltd.

He attended all ten Board of Directors meetings held during the fiscal year under review and made remarks and gave advice using a wealth of working experience abroad from an international viewpoint.

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 (Audit and Supervisory Committee Member) 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 Office.

She attended all ten Board of Directors meetings held during the fiscal year under review. With her considerable knowledge about finance and accounting, she provided useful opinions and advice on the Company's management from a professional viewpoint as a tax accountant. As an Audit and Supervisory Committee Member, she also attended all 11 meetings of the Audit and Supervisory Committee and contributed to the auditing of the Directors' performance of their duties.

Besides, as a member of the Nomination and Remuneration Committee, she attended all 13 committee meetings held and made remarks in the processes of selecting candidates for the Company's officers and setting officers' compensation from an objective and neutral standpoint.

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 Director (Audit and Supervisory Committee Member) Takuya Okazaki

He is the Representative of Okazaki Takuya Law Offices and Outside Audit & Supervisory Board Member of Hokuryo Co., Ltd. and Outside Director and Audit and Supervisory Committee Member of Fulltech Co. Ltd. There are no special relationships between the Company and said Office and said two companies.

He attended all ten Board of Directors meetings held during the fiscal year under review and provided useful opinions and advice on the Company's management based on his abundant business experience as a lawyer and expertise on corporate legal affairs. As an Audit and Supervisory Committee Member, he also attended all 11 meetings of the Audit and Supervisory Committee and contributed to the auditing of the Directors' performance of their duties.

Besides, as a chair of the Nomination and Remuneration Committee, he attended all 13 committee meetings held, made remarks in the processes of selecting candidates for the Company's officers and setting officers' compensation from an objective and neutral standpoint, and contributed to the operation of the Nomination and Remuneration Committee.

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

e. Outside Director (Audit and Supervisory Committee Member) Tatsuichi Asada

He is the Adviser of ITOI LSR Co., Ltd. and the Adviser of TOP CULTURE Co., Ltd. There are no special relationships between the Company and said two companies.

He attended all seven Board of Directors meetings held after his assumption and provided various opinions and advice based on his many years of experience in corporate management as an executive in the retail industry and abundant knowledge. Moreover, as a member of the Nomination and Remuneration committee, he attended all eight Nomination and Remuneration committee meetings held after his assumption, offering valuable opinions and advice on implementation of the management successor development plan.

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

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