

# Notice of Convocation of the 5th General Meeting of Shareholders

## Date and Time

August 11, 2021 (Wednesday) at 10:00 a.m.

(Check-in will begin at 9:00 a.m.)

## Venue

4 Kita 1-jo Nishi, Chuo-ku, Sapporo

Sapporo Grand Hotel, 2F, Grand Hall

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SATUDORA HOLDINGS CO., LTD.

## Information on the Exercise of Voting Rights

### If you are able to attend the General Meeting of Shareholders



**Date and Time** August 11, 2021 (Wednesday) at 10:00 a.m.



Please bring the enclosed voting form and submit it at the check-in desk.  
In addition, please bring this booklet.

### If you are unable to attend the General Meeting of Shareholders

#### < Exercise of voting rights by mail >



**Voting Deadline** Must arrive by 6:00 p.m. on August 10, 2021 (Tuesday)

Please indicate your approval/disapproval of the proposals on the Voting Form and mail it to us.

#### < Exercise of voting rights via the Internet >



**Voting Deadline** Until 6:00 p.m. on August 10, 2021 (Tuesday)

Please refer to “Instructions regarding the exercise of voting rights via the Internet” on the next page and indicate your approval/disapproval of the proposals.

Please see the next page for more details. ▶

#### [Note: Duplicate exercise of voting rights]

- ① If you exercise your voting rights more than once via the Internet, we will treat the last vote as the valid vote.
- ② If you exercise your voting rights by mail and via the Internet, your voting right exercised via the Internet and others will be deemed the valid vote.

#### [Using the Electronic Voting Platform]

(For institutional investors)

Institutional investors may also exercise their voting rights at this meeting via the Electronic Voting Platform operated by ICJ, Inc.

July 20, 2021

To our shareholders:

4-1-20, Kita 8-jo Higashi, Higashi-ku, Sapporo  
SATUDORA HOLDINGS CO., LTD.  
President and CEO H i r o k i T o m i y a m a

### **Notice of Convocation of the 5th General Meeting of Shareholders**

We would like to take this opportunity to express our sincere gratitude for your continued support.

The 5th General Meeting of Shareholders of SATUDORA HOLDINGS CO., LTD. (hereinafter referred to as “the Company”) will be held as follows.

In light of the continued risk of spreading of COVID-19 this year, the General Meeting of Shareholders will be held on a smaller scale and in a shorter time frame similar to last year. In addition, the Company asks for the understanding and cooperation of shareholders in exercising voting rights in advance by mail (in writing) or via the Internet and others.

As you may exercise your voting rights in either of the following ways, please review the Reference Documents for the General Meeting of Shareholders below and exercise your voting rights no later than 6:00 p.m. on Tuesday, August 10, 2021.

[Exercise of voting rights by mail (in writing)]

Please indicate your vote “for” or “against” regarding the proposals on the voting form and return it so that it arrives by the deadline.

[Exercise of voting rights via the Internet and others]

Please access our voting website (<https://www.web54.net>), use the voting code and password indicated on the enclosed voting form, and enter your vote “for” or “against” regarding the proposals, following the instructions on the screen. You can also access it by scanning the QR code with a smartphone.

## Meeting Details

1. Date and Time August 11, 2021 (Wednesday) at 10:00 a.m.  
(Check-in will begin at 9:00 a.m.)
  2. Venue 4 Kita 1-jo Nishi, Chuo-ku, Sapporo  
Sapporo Grand Hotel, 2F, Grand Hall  
(This year's venue is different than last year)
  3. Purpose  
Matters to be reported
    1. 5th Term (from May 16, 2020 to May 15, 2021)  
Contents of the Business Report and the Consolidated Financial Statements, and the Audit Reports of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
    2. 5th Term (from May 16, 2020 to May 15, 2021)  
Report on the contents of Financial Statements
- Resolutions
- |                |   |
|----------------|---|
| Proposal No. 1 | Appropriation of surplus  |
| Proposal No. 2 | Partial amendment to the Articles of Incorporation  |
| Proposal No. 3 | Appointment of seven (7) Directors (excluding those who are Members of the Audit and Supervisory Committee) |

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1. If you plan to attend the meeting, please submit the enclosed voting form at the check-in desk. In addition, please bring this booklet with you to minimize waste.
  2. Please note that the following documents are not included with this Notice of Convocation: "System for ensuring proper business operations" and "Outline of the operation status of the system for ensuring proper business operations" in the Business Report, "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements, and "Notes to Financial Statements" in the Financial Statements. These documents are not included here because they are posted on the Company's website (<https://satudora-hd.co.jp/ir/>) in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation. Furthermore, the Business Report, Consolidated Financial Statements, and Financial Statements, which were audited by the Audit and Supervisory Committee and the Accounting Auditor in preparing the Audit Report and the Accounting Audit Report, respectively, include the items described in this document, and the documents posted on the Company's website as mentioned above.
  3. Any amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Financial Statements will be posted on the Company's website (<https://satudora-hd.co.jp/ir/>).
  4. If you wish to exercise your voting rights by proxy, please submit your voting form at the check-in desk with the proxy's name and a letter of proxy or other document that verifies the authority of representation in accordance with the provisions of Article 17 of the Articles of Incorporation of the Company (the proxy shall be limited to one other shareholder who is entitled to vote at this General Meeting in accordance with the provisions of the Articles of Incorporation).
  5. Upon arrival, visitors will be asked to wear masks, use alcohol hand sanitizer, and have their temperature checked. Please note that those with fevers, poor health, or other symptoms may not be allowed to enter the venue.
  6. Admission may be limited in order to maintain distance between seats.
  7. Please note that the distribution of souvenirs and the shareholder banquet have been discontinued since last year.
  8. Please note that the briefing session will not be held this year, in order to prevent the spread of COVID-19.

## Reference Documents for the General Meeting of Shareholders

### Proposals and reference items

#### Proposal No. 1 Appropriation of surplus

The Company considers it to be an important management policy to respond to the trust of our shareholders and to provide stable dividends in the future.

In addition, it is our policy to use internal reserves for investing in new businesses and other activities that will enhance our future corporate value in order to respond to anticipated changes in the business environment. Furthermore, we would like to propose that the year-end dividends be as follows.

#### Matters concerning year-end dividends

##### (1) Class of dividend property

In the form of cash.

##### (2) Matters concerning the allocation of dividend property to shareholders and the total amount thereof

Per one (1) ordinary share of the company	28 yen
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Total amount	128,646,728 yen
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##### (3) Date on which dividends of surplus become effective

August 12, 2021 (Thursday)

**Proposal No. 2 Partial amendment to the Articles of Incorporation**

1. Reason for the proposal

In order to meet the current business conditions of the Company and its subsidiaries, and to respond to the future business development and diversification of business contents including those of its subsidiaries, necessary amendments should be made to Article 2 (Purpose) of the current Articles of Incorporation.

2. Details of the amendments

The details of the amendments are as follows.

(Underlined areas indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 1 General Provisions (Trade name) Article 1 (Text omitted) (Purpose) Article 2 The Company's purpose shall be to control and manage the business activities of companies engaged in the following businesses through the ownership of shares or equity in those companies. (1) to (34) (Text omitted) (Newly added)  (Newly added)  (Newly added)  (Newly added)  (Newly added)  (Newly added)  (Newly added)  <u>(35) All Businesses Related to the Above Items</u>  2 (Text omitted) Article 3 to Article 42 (Text omitted) Supplementary Provisions (Text omitted)</p>	<p>Chapter 1 General Provisions (Trade name) Article 1 (No change) (Purpose) Article 2 The Company's purpose shall be to control and manage the business activities of companies engaged in the following businesses through the ownership of shares or equity in those companies. (1) to (34) (No change) <u>(35) Consulting Services for Retail and Wholesale Businesses</u> <u>(36) Various Information Provision Services Utilizing the Internet</u> <u>(37) Planning, Development, Production, and Sales of Websites, Web Content, and Digital Content</u> <u>(38) Analytical Processing, Sales, and Publication of Marketing Information Related to IT Applications</u> <u>(39) Administrative Services and Information Provision Services Related to Corporate Overseas Visits</u> <u>(40) Joint Regional Revitalization Projects with Local Governments and Companies</u> <u>(41) All Businesses Related to the Above Items</u> 2 (No change) Article 3 to Article 42 (No change) Supplementary Provisions (No change)</p>

**Proposal No. 3** Appointment of seven (7) Directors (excluding those who are Members of the Audit and Supervisory Committee)

The terms of office of all six (6) Directors (excluding those who are Members of the Audit and Supervisory Committee, and the same shall apply hereinafter to this proposal) will expire at the conclusion of this General Meeting. Accordingly, the Company proposes the appointment of seven (7) Directors, increasing the number of Directors by one (1) in order to strengthen its management system and ensure diversity. Furthermore, with respect to this proposal, the Audit and Supervisory Committee has declared that all of the candidates for Director are suitable for the position.

The candidates for Director are as follows.

Candidate No.	Name	Current position in the Company	Attendance at board of directors' meetings
1	<input type="checkbox"/> Reappointment Mitsuhiro Tomiyama	Chairman of the Board of Directors and Founder	17/17 (100%)
2	<input type="checkbox"/> Reappointment Mitsue Tomiyama	Vice-Chairman of the Board of Directors and Founder	17/17 (100%)
3	<input type="checkbox"/> Reappointment Hiroki Tomiyama	President and CEO	17/17 (100%)
4	<input type="checkbox"/> Reappointment Toshiya Yoshida	Executive Vice President and COO	16/17 (94.1%)
5	<input type="checkbox"/> Reappointment Satoru Yamatoya	Managing Director	17/17 (100%)
6	<input type="checkbox"/> Reappointment Hiroshi Takada	Managing Director	17/17 (100%)
7	<input type="checkbox"/> New appointment <input type="checkbox"/> Outside Director <input type="checkbox"/> Independent Director Maki Nakamura	-	-

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
1	Mutsuhiro Tomiyama (Born October 3, 1947) <b>Reappointment</b>	<p>April 1983      Founded and became President and CEO of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2015        Chairman of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2016    Founded and became Chairman of the Company</p> <p>September 2017   Founded and became Chairman of VISIT MARKETING CO., LTD. (now Regional Marketing Co., Ltd.)</p> <p>August 2020    Founder and Chairman of the Board of Directors of the Company (current position)</p> <p>(Significant concurrent positions) President and CEO of Tommy Corporation</p>	117,000 shares
		<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight into the industry and the business activities of the Company Group. In addition, he has been engaged in corporate management as a Director of the Company and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>	
2	Mitsue Tomiyama (Born January 1, 1949) <b>Reappointment</b>	<p>April 1983      Joined SAPPORO DRUG STORE CO., LTD. as Director</p> <p>June 2002        Executive Vice President of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2016    Executive Vice President of the Company</p> <p>August 2020    Founder and Vice-Chairman of the Board of Directors of the Company (current position)</p>	40,000 shares
		<p>[Reasons for selection as candidate for Director]</p> <p>She has a wealth of experience and advanced insight regarding the business activities of the Company Group. In addition, she has been engaged in corporate management as a Director of the Company and has performed her duties appropriately. Therefore, the Company judged that she is suitable to serve as a Director of the Company and proposes that she be reappointed as a Director of the Company.</p>	



Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
3	<p>Hiroki Tomiyama (Born September 5, 1976)</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p>	<p>April 1999      Joined Daika Inc. (now ARATA CORPORATION)</p> <p>October 2007    Joined SAPPORO DRUG STORE CO., LTD.</p> <p>October 2009    Operational Reform Promotion Office General Manager of SAPPORO DRUG STORE CO., LTD.</p> <p>April 2010      General Manager of the Sales Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2011      Director of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012      Managing Director of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012      Director of Sapporo Drug Support Co. Ltd. (now Create Co., Ltd.)</p> <p>August 2013    President and CEO of Regional Marketing Co., Ltd.</p> <p>May 2014      President and CEO of Create Co., Ltd.</p> <p>May 2015      President and CEO of SAPPORO DRUG STORE CO., LTD.</p> <p>February 2016   Executive Vice President of EZODEN Co., Ltd. (current position)</p> <p>August 2016    Founded and became President and CEO of the Company</p> <p>May 2017      Chairman of GRIT WORKS, CO., LTD.</p> <p>July 2017      Chairman of AI TOKYO LAB Co., Ltd. (now AWL, Inc.)</p> <p>December 2018   Chairman of CoelaQanth, Inc.</p> <p>July 2019      Chairman and CEO of Regional Marketing Co., Ltd. (current position)</p> <p>July 2019      Director of CoelaQanth, Inc. (current position)</p> <p>July 2019      Chairman of the Board of Directors of GRIT WORKS, CO., LTD. (current position)</p> <p>July 2019      Director and CMO of AWL, Inc.</p> <p>August 2020    President and CEO of the Company (current position)</p> <p>August 2020    President and CEO of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>                    Director of RxR Innovation Initiative CO., LTD. (current position)</p> <p>November 2020   Outside Director of Demae-can Co., Ltd. (current position)</p> <p>November 2020   Outside Director of Valence Holdings Inc. (current position)</p> <p>April 2021      Outside Director of AWL, Inc. (current position)</p> <p>(Significant concurrent positions)</p> <p>President and CEO of SAPPORO DRUG STORE CO., LTD.</p> <p>Chairman and CEO of Regional Marketing Co., Ltd.</p> <p>Chairman of the Board of Directors of GRIT WORKS CO., LTD.</p> <p>Director of CoelaQanth, Inc.</p> <p>Director of RxR Innovation Initiative CO., LTD.</p> <p>Executive Vice President of EZODEN Co., Ltd.</p> <p>Outside Director of AWL, Inc.</p> <p>Outside Director of Demae-can Co., Ltd.</p> <p>Outside Director of Valence Holdings Inc.</p>	117,000 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight into the industry and the business activities of the Company group.</p>			

<p>In addition, he has been engaged in corporate management as a Director of the Company and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>
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Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
4	<p>Toshiya Yoshida (Born March 13, 1963)</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p>	<p>April 1986    Joined Shin-kobe Electric Machinery Co., Ltd.</p> <p>April 1991    Joined Combi Corporation</p> <p>April 2005    General Manager of the Corporate Planning Office of Combi Corporation</p> <p>July 2007    Manager of the Corporate Planning Division of Combi Corporation</p> <p>April 2009    Executive Officer, Manager of the Finance Division of Combi Corporation</p> <p>March 2015    Managing Officer, Manager of the General Planning Division of The Zenitaka Corporation</p> <p>November 2015    Joined KM ALUMINIUM CO., LTD. as Assistant Section Manager of the Administrative Division</p> <p>April 2016    Director, Manager of Corporate Planning Division of KM ALUMINIUM CO., LTD</p> <p>June 2017    Managing Executive Officer, General Manager of the Administrative Division of KM ALUMINIUM CO., LTD.</p> <p>November 2017    Joined Kinugawa Rubber Industrial Co., Ltd. as Executive Officer in charge of Global Administration</p> <p>November 2018    Joined the Company as Executive Officer, Assistant to the President</p> <p>May 2019    CFO, Executive Officer, Group Leader of the Business Management Group of the Company</p> <p>May 2019    General Manager of Management Services of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2019    Managing Director, General Manager of Management Services of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2019    CFO of the Company</p> <p>August 2019    Managing Director in charge of Administration of the Company</p> <p>August 2019    Group Leader of Business Management Group of the Company</p> <p>May 2020    Managing Director, General Manager of Management Services of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2020    Executive Vice President and COO of the Company (current position)</p> <p>August 2020    Managing Director and CFO of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>(Significant concurrent positions) Managing Director and CFO of SAPPORO DRUG STORE CO., LTD.</p>	100 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight as a management officer at several companies, including global companies, where he was mainly engaged in corporate planning, finance and other administrative functions. Since August 2020, he has been engaged in corporate management as Executive Vice President of the Company and Managing Director of SAPPORO DRUG STORE CO., LTD., and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
5	<p>Satoru Yamatoya (Born September 13, 1959)</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p>	<p>March 1987      Joined Matsuhiro Co., Ltd.</p> <p>April 1995      Chief of the General Affairs Department of Matsuhiro Co., Ltd.</p> <p>September 2002      Joined SAPPORO DRUG STORE CO., LTD.</p> <p>November 2003      General Manager of the Corporate Planning Office of SAPPORO DRUG STORE CO., LTD.</p> <p>June 2005      Executive Officer of SAPPORO DRUG STORE CO., LTD.</p> <p>April 2007      Chief of the General Affairs Department and General Manager of the Corporate Planning Office of SAPPORO DRUG STORE CO., LTD.</p> <p>April 2009      General Manager of the Development Division of SAPPORO DRUG STORE CO., LTD.</p> <p>June 2009      Director of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012      Director of Sapporo Drug Support Co. Ltd. (now Create Co., Ltd.)</p> <p>September 2012      General Manager of the Store Development Office of Sapporo Drug Support Co., Ltd. (position became General Manager of the Store Development Division due to a name change in February 2014)</p> <p>May 2015      Managing Director of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>August 2016      Managing Director of the Company (current position)</p> <p>September 2017      Director of VISIT MARKETING CO., LTD. (now Regional Marketing Co., Ltd.)</p> <p>May 2020      Company Auditor of CoelaQanth, Inc. (current position)</p> <p>(Significant concurrent positions) Managing Director of SAPPORO DRUG STORE CO., LTD. Company Auditor of CoelaQanth, Inc.</p>	6,800 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight regarding the business activities of the Company Group. Since June 2009, he has been engaged in corporate management as a Director and Head of the Development Department of SAPPORO DRUG STORE CO., LTD. which is a subsidiary company, and since August 2016, he has been engaged in corporate management as a Managing Director of the Company, and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
6	<p style="text-align: center;">Hiroshi Takada (Born January 20, 1964)</p> <p style="text-align: center; border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p>	<p>April 1986      Joined Kokumin Co., Ltd.</p> <p>October 1988    Joined SAPPORO DRUG STORE CO., LTD.</p> <p>June 2007      Executive Officer, Manager of the Store Operation Division of SAPPORO DRUG STORE CO., LTD. (position became General Manager of the Store Management Division due to a name change in April 2010)</p> <p>May 2011        Director of SAPPORO DRUG STORE CO., LTD.</p> <p>December 2011   Deputy General Manager of Sales and General Manager of the Store Management Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012        Director of SAPPORO DRUG STORE CO., LTD. (now Creare Co., Ltd.) (current position)</p> <p>February 2014   Deputy General Manager of Sales and General Manager of the Dispensing Pharmacy Management Division of SAPPORO DRUG STORE CO., LTD.</p> <p>February 2015   General Manager of the Education Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2015        Managing Director, General Manager of Sales of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2016     Managing Director of the Company (current position)</p> <p>August 2017     Director of TAIWAN SATUDORA CO., LTD. (current position)</p> <p>May 2019        Managing Director, General Manager of Business Integration and Division Manager of the Drug Store Business Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2020        Managing Director in charge of the Drugstore Business Division, Wellness Business Division and Global Business Division of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2020     Executive Vice President and COO of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>(Significant concurrent positions)</p> <p>Executive Vice President and COO of SAPPORO DRUG STORE CO., LTD.</p> <p>Director of Creare Co., Ltd.</p> <p>Director of TAIWAN SATUDORA CO., LTD.</p>	5,500 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight regarding the business activities of the Company Group. Since May 2011, he has been engaged in corporate management as a Director and Head of the Sales Department of SAPPORO DRUG STORE CO., LTD. which is a subsidiary of the Company, and since August 2016, he has been engaged in corporate management as a Managing Director of the Company, and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
7	<p>Maki Nakamura (Born July 21, 1964)</p> <p><span style="border: 1px solid black; padding: 2px;">New Appointment</span></p> <p><span style="border: 1px solid black; padding: 2px;">Outside Director</span></p> <p><span style="border: 1px solid black; padding: 2px;">Independent Director</span></p>	<p>April 1987      Joined Seiyu Co., Ltd.</p> <p>April 2000      Divisional Manager of the Textile Division and Merchandise Division of Carrefour Japan</p> <p>July 2002        Manager of the Household Products Division of Seiyu Co., Ltd.</p> <p>                      Feasibility Study Team Member with Walmart</p> <p>January 2003    Senior Director in charge of the Merchandise Division Reformation of Seiyu Co., Ltd.</p> <p>October 2003    Training at the Merchandise Division of Walmart US</p> <p>October 2004    Director of Daily Necessities of Walmart US</p> <p>January 2006    Senior Director of Consumables and Consumer Electronics of Walmart US</p> <p>January 2007    Vice President, GGM (General Merchandising Manager) of Consumables and Consumer Electronics of Seiyu Co., Ltd.</p> <p>March 2008      GMM (General Merchandising Manager) of Groceries and Consumables of Seiyu Co., Ltd.</p> <p>January 2009    Executive Officer, Senior Vice President, Food Supervisor of Seiyu GK.</p> <p>November 2009   Executive Officer, Supervisor, Chief Merchandising Officer (CMO) of Seiyu GK.</p> <p>August 2012     Executive Officer, Senior Vice President of Walmart Japan Holdings K.K. and President and CEO of Wakana Co., Ltd.</p> <p>August 2017     President and CEO of HAVI Supply Chain Solutions Japan G.K.</p> <p>September 2020   President and CEO of Mamma Co., Ltd. (current position)</p>	- shares
<p>[Reasons for selection as a candidate for Outside Director and outline of expected role]</p> <p>She has extensive insight and experience in corporate management, having served for many years in a variety of roles as a corporate officer and manager in several companies, including retail and global companies, and has a proven track record in supporting the development of capable women. The Company has nominated her as a candidate for Outside Director, judging that she can appropriately perform her duties as an Outside Director, because she can be expected to provide advice on corporate management and the realization of women's participation by drawing on her experiences and insights.</p>			

(Note)

1. Mr. Mutsuhiro Tomiyama, a candidate for Director, and the President and CEO of Tommy Corporation, has leasing transactions for the real estate and equipment of stores with the Company's business subsidiary, SAPPORO DRUG STORE CO., LTD.
2. Mr. Hiroki Tomiyama, a candidate for Director, concurrently serves as Chairman and CEO of Regional Marketing Co., Ltd., a subsidiary of the Company, and has conducted transactions between the Company and Regional Marketing Co., Ltd., such as the Company jointly guaranteeing the debts of some WeChat Pay member stores. In addition, he concurrently serves as the President and CEO of SAPPORO DRUG STORE CO., LTD., a subsidiary of the Company, and both SAPPORO DRUG STORE CO., LTD. and Regional Marketing Co., Ltd. have contractual transactions in the point card business. He concurrently serves as Chairman of the Board of Directors of GRIT WORKS, CO., Ltd. and Director of CoelaQanth, Inc., both of which are subsidiaries of the Company, and he concurrently serves as Chairman of the Board of Directors of GRIT WORKS, CO., Ltd. and Director of CoelaQanth, Inc., both of which are subsidiaries of the Company, and both of which have entered into a Cash Loan Agreement with the Company within their respective limits.
3. There are no special interests between any of the other candidates for Director and the Company.
4. The candidate Ms. Maki Nakamura, is a candidate for Outside Director. If Ms. Maki Nakamura is appointed, the Company plans to designate her as an Independent Director who does not have any risk of conflict of interest with general shareholders as stipulated in the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange.
5. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, if the appointment of Ms. Maki Nakamura is approved, the Company plans to enter into a Liability Limitation Agreement with her as a Director to limit her liability for damages due to negligence of her duties as a director to the amount stipulated by law.
6. The Company has entered into a Liability Insurance Contract with an insurance company for its Directors and other Officers, which covers compensation for damages and litigation expenses that the insured may incur. Each candidate for Director will be insured under the relevant insurance policy. Also, this same information is scheduled to be renewed in the next update.

[Supplementary reference information Diversity on the Board of Directors (skill matrix)]

\*In the event that Proposal No. 3 is approved

	Credentials Director		Corporate management Management strategy	Finance and accounting	Governance Compliance	Global	ESG sustainability	IT and DX	Medical care Healthcare
1	Mutsuhiro Tomiyama	Reappointment	○			○			○
2	Mitsue Tomiyama	Reappointment	○	○					○
3	Hiroki Tomiyama	Reappointment	○				○	○	○
4	Toshiya Yoshida	Reappointment	○	○	○	○			
5	Satoru Yamatoya	Reappointment	○		○				○
6	Hiroshi Takada	Reappointment	○			○			○
7	Maki Nakamura	New Appointment Outside Director Independent Director	○			○	○		
-	Yoshiharu Endo	Outside Director Independent Director Audit and Supervisory Committee Member (Chairman) Nomination and Compensation Committee Member	○	○	○				
-	Jun Sekine	Outside Director Independent Director Audit and Supervisory Committee Member Nomination and Compensation Committee Member (Chairman)	○		○	○			
-	Akihiko Yamamoto	Outside Director Independent Director Audit and Supervisory Committee Member	○	○	○			○	
-	Kazuo Kawakami	Outside Director Independent Director Audit and Supervisory Committee Member (Selected Audit and Supervisory Committee Member)		○	○				

\* The above list does not reflect all of the knowledge and experience possessed by the Directors.

\* The list only shows up to 4 of the most prominent skills possessed by the Directors.



## 1. Matters Concerning the Current State of the Corporate Group

### (1) Business progress and results

In the fiscal year under review, the Japanese economy experienced severe conditions due to the effects of COVID-19, including a deterioration in corporate earnings and business sentiment, a decline in personal consumption, and disappearance of inbound demand due to travel restrictions. After the state of emergency declaration by the government was lifted in May 2020, there were signs of a partial recovery in individual consumption and corporate economic activities. However, due to the subsequent reemergence of the infection and the multiple declarations of a state of emergency, the outlook remains uncertain.

In the drugstore industry, where the Group mainly operates, sales trends have undergone significant changes, including a shift toward high demand for hygiene-related products such as masks and disinfectants as a result of the prevalence of new lifestyles aimed at preventing COVID-19 infections, as well as increased demand for food and daily necessities due to the expansion of “stay-at-home” consumption. Additionally, the digital shift by consumers has progressed, including an increase of cashless payment usage due to the growing tendency toward non-contact. On the other hand, the business environment is changing drastically, with declining demand for cosmetics due to change of consumer lifestyle including the prevalence of remote work, disappearance of inbound demand, intensifying competition across industry boundaries, and signs of industry restructuring through M&A.

Under these circumstances, the Group continued store operation while taking measures to prevent infections and ensuring hygiene management in order to fulfill its role of supplying products in the community and to remain an important part of the local infrastructure. We also responded flexibly to changes in the external environment by liquidating unprofitable stores, revising sales promotions and working to expand the number of affiliated stores for cashless payments in response to growing non-contact tendency.

In September 2020, our headquarters were relocated to a new building with offices and store annex where we aim to promote an exchange of diverse human resources inside and outside the company and utilize it as a place to solve social challenges in Hokkaido. At the store located on the 1st floor, we are promoting in-store digital transformation including the utilization of AI camera solutions and others.

In December 2019, we entered into a comprehensive business alliance agreement with Coop Sapporo and have cooperated with the goal to revitalize the Hokkaido economy and improve the convenience of the local community. As a part of these efforts, we have established a joint venture in December 2020 with the aim to reduce distribution costs by demonstrating economies of scale with consolidation of product purchases by both companies. Furthermore, we have concluded various agreements with local governments and educational institutions in Hokkaido and are promoting efforts to revitalize the region.

In addition to the above, from the perspective of efficient utilization of management resources and strengthening of the financial structure, in September 2020, we transferred non-current assets related to the new office building, and we have entered into a syndicated loan agreement with a financial institution in order to strengthen our medium- to long-term management base through the stabilization of finances and the reduction of financial costs. Furthermore, in August 2020, we transitioned to a company with an audit and supervisory committee in order to strengthen the supervisory function of the Board of Directors and enhance corporate governance. As a result, with the aim to further improve corporate value, business execution and supervision

parts were separated, and management decision-making became expedited.

As a result of the above, net sales were 83,240 million yen (down 6.8% year on year), operating profit was 640 million yen (down 22.0% year on year), ordinary profit was 607 million yen (down 31.4% year on year), and profit attributable to owners of parent was 574 million yen (up 396.5% year on year).

An overview of the segment performance is as follows.

#### <Retail Business>

We operate a chain of drugstore-format stores aimed at becoming a dominant player primarily in Hokkaido, as well as inbound-format stores in tourist areas and other locations which many foreign visitors to Japan frequent. On the strategic front, by promoting our low-pricing strategy centering on Everyday Same Low Price (ESLP) we are aiming to create stores that are supported by customers and to improve work efficiency by leveling work operations. We are also continuing to improve the quality and speed of decision-making through the area divisional organization. In addition, we are working to develop lifestyle services, such as fitness business and specific health guidance by registered dietitians.

During the consolidated fiscal year under review, the trend in demand for hygiene-related products, food, and daily necessities continued to be high because of the impact of COVID-19, but while the number of customers has decreased due to growing needs for one-stop shopping, the sales in the drugstore format have expanded, as a result of the increase in the average spending per customer due to the growth in the number of items purchased. On the other hand, sales in the inbound format were minimal as the number of foreign visitors to Japan fell significantly from the previous year. With regard to pharmacies, although the number of prescriptions declined at many stores as a result of the widespread trend of avoiding visits to medical institutions due to the impact of COVID-19, sales were higher than in the same period of the previous year. This was mainly due to a rise in the unit price of prescriptions due to a transition to long-term prescriptions

In terms of store openings and closings, the table below shows the results of our efforts to close unprofitable stores, primarily in the inbound format.

#### (Status of store openings and closures)

Store classification	Format classification	End of FY May 2020	Openings	Closures	End of FY May 2021
Drugstores	Drugstore format	172 stores	1 store	2 stores	171 stores
	Inbound format	25 stores	2 stores	10 stores	17 stores
Pharmacies	Near hospital pharmacies	10 stores	-	-	10 stores
Other stores	The Kurashi Store of Hokkaido	3 stores	1 store	2 stores	2 stores
Total		210 stores	4 stores	14 stores	200 stores

As a result of the above, sales in the retail business amounted to 82,761 million yen (down 6.9% year on year), and segment profit amounted to 590 million yen (a decline of 22.7% year on year).

#### <IT Solutions Business>

Based on the technology developed for the Group, we are engaged in the sale of POS applications and other products that aim to solve issues from the user's point of view. This segment performance until the previous fiscal year included the performance figures of AWL, Inc. and its wholly owned subsidiary AWL VIETNAM CO., LTD. A portion of the shares of this company were transferred as of September 30, 2019 and have been excluded from

the Company's consolidation since the second quarter consolidated accounting period of the previous fiscal year.

As a result of the above, sales in the IT Solutions business amounted to 106 million yen (down 13.9% year on year), and segment profit amounted to 19 million yen (a segment loss of 55 million yen in the same period of the previous fiscal year).

#### <Other Businesses>

The Group is engaged in the regional marketing business that utilizes the Hokkaido common point card "EZOCA", payment service business and the operation of programming schools for elementary and junior high school students. As of the end of April 2021, the number of members of EZOCA, Hokkaido's common point card, which is the Group's strength, surpassed 1.96 million. In the payment service business, cashless payment targeted at inbound customers was sluggish due to the disappearance of inbound demand, but domestic cashless payment expanded due to increased needs for contactless payment.

Other Business segment sales amounted to 743 million yen (up 14.3% year on year), and segment loss amounted to 22 million yen (a segment loss of 30 million yen in the same period of the previous fiscal year).

## **(2) Capital Expenditures**

Major capital investments made by the Company Group during the current consolidated fiscal year were for the construction of a new head office building, and the opening of four new stores.

### (3) Financing

The Company Group raised 11,800 million yen in the form of long-term borrowings during the current consolidated fiscal year.

### (4) Assets, Profit, and Loss

#### ① Profit and loss of the corporate group

(Unit: millions of yen)

Category	2nd Term FY May 2018	3rd Term FY May 2019	4th Term FY May 2020	5th Term FY May 2021 (current consolidated fiscal year)
Net sales	78,482	84,649	89,304	83,240
Ordinary profit	774	448	885	607
Profit attributable to owners of parent	149	29	115	574
Dividend per share	32.58 yen	6.40 yen	25.19 yen	125.10 yen
Total assets	33,008	35,867	36,642	38,299
Net assets	8,391	8,463	8,251	8,672
Net assets per share	1,819.02 yen	1,799.97 yen	1,787.69 yen	1,876.77 yen

(Note) The above amounts are rounded down to the nearest unit.

#### ② Assets, profit and loss of the Company

(Unit: millions of yen)

Category	2nd Term FY May 2018	3rd FY May 2019	4th Term FY May 2020	5th Term FY May 2021 (current fiscal year)
Operating revenue	388	756	822	778
Ordinary profit	38	183	257	170
Profit	22	160	130	152
Dividend per share	4.65 yen	33.87 yen	28.39 yen	33.26 yen
Total assets	8,855	8,634	8,639	8,662
Net assets	8,791	8,513	8,517	8,543
Net assets per share	1,853.87 yen	1,852.82 yen	1,853.21 yen	1,858.47 yen

(Note) The above amounts are rounded down to the nearest unit.

## (5) Significant subsidiaries

### ① Significant subsidiaries

Company name	Share capital	Capital contribution ratio	Description of main business activities
SAPPORO DRUG STORE CO., LTD.	100 million yen	100.0%	Sales of pharmaceuticals, medicines, cosmetics, daily necessities, foods, and other goods through drugstores and prescription pharmacies
Creare Co., Ltd.	10 million yen	100.0% (100.0%)	Import, export, manufacturing, wholesaling, and sales of goods
Regional Marketing Co., Ltd.	141 million yen	80.0%	Marketing operations in the point card business and payment service business Various intermediary and inbound marketing services for inbound-related companies
GRIT WORKS, CO., LTD.	10 million yen	66.0%	Development, sales, and leasing of POS systems and other products
TAIWAN SATUDORA CO., LTD.	20 million New Taiwan dollar	100.0% (100.0%)	Wholesale business
CoelaQanth, Inc.	25 million yen	100.0%	Management of cram schools and language schools, and the development, production, and sales of education-related software
RxR Innovation Initiative CO., LTD.	10 million yen	75.0%	Planning, production, and operation of various online services, events, and seminars for the corporate community

(Note)

1. The figures in parentheses in the Capital contribution ratio column indicate the percentage of indirect ownership.
2. The above amounts have been rounded down to the nearest unit.

### ② Specified wholly-owned subsidiaries at the end of the fiscal year

Company name	Address	Total carrying amount	Total assets of the Company
SAPPORO DRUG STORE CO., LTD.	4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo	8.095 billion yen	8.662 billion yen

## (6) Issues to be addressed

Within the drug store industry, which is the primary business of the Company Group, the demand for hygiene-related products such as masks and disinfectants was strong due to the widespread adoption of new lifestyles aimed at preventing COVID-19 infections, and the demand for food and daily necessities increased due to the increase of at-home consumption, resulting in a significant change in sales trends. In addition, there has been a digital shift among consumers, with an increase in the use of cashless payments due to a growing preference for contactless transactions. However, in addition to a decline in the demand for cosmetics due to lifestyle changes including an increase in remote work, the business environment is undergoing significant changes, including the disappearance of inbound demand, escalating competition across industry boundaries, and moves to reorganize the industry through mergers and acquisitions.

Under this business environment, the Company Group will actively pursue the <Promotion of the Medium-term Management Plan>.

### <Promotion of the Medium-term Management Plan>

The Company has formulated a medium-term management plan covering the period from FY May 2022 to FY May 2026, the theme of which is "evolving into a regional integrated lifestyle group," and will actively promote the following 4 priority initiatives.

#### (Growth Strategies)

##### ① Integrated lifestyle store strategy

- Strengthening the revenue base

Pursue low-cost operations centered on full-scale ESLP, and improve the revenue structure to build a revenue base to boost the integration of stores into daily life

- Expansion of merchandise categories

Expand the product line of stores including perishables and other food products to establish a revenue model viable even in small trading area for the expansion of the potential of new store openings

- Implementation of life services

Linking the Company Group's growth with the enhancement of regional value through the implementation of services that support the daily-life of regional residents in dominant stores in Hokkaido

##### ② Regional platform strategy

- Expansion of the EZOCA economic zone

Expand the membership and transactions, and accumulate data by improving the convenience of the card through the increase of the number of affiliated stores and services of the card

- Utilization of big data

Create new value by utilizing big data on customer and payment information accumulated through the expansion of the EZOCA economic zone, and healthcare data from the SATUDORA Walk app

- Realization of a regional currency concept

Social implementation of a regional currency that can be used for daily consumption throughout Hokkaido, drawing on a base of approximately 200 physical stores in Hokkaido and over 1.96 million EZOCA members, in order to revitalize the regional economy

### ③ Collaboration strategy

- Expansion and deepening of partnerships with local governments  
Strengthen partnerships with local governments, sports teams, and schools to create a successful business model for solving regional social issues by utilizing the diverse resources acquired through diversification of business
- Strengthening corporate partnerships  
Strengthen corporate partnerships in a manner that goes beyond simple outsourcing by addressing regional issues with an issue-driven mindset while leveraging the corporate and economic communities
- Promotion of open innovation  
Leverage the strength of having physical stores and high-frequency contact points with local residents to collaborate with external partners, including venture companies, for the promotion of innovation

### ④ Organizational strategies

- Creation of diverse organizations  
To maximize the performance of collaborative strategies, the Company will work to create a system and culture that allows diverse human resources to play an active role, and build an organization that actively incorporates knowledge from both inside and outside the company.
- Enhancement of governance  
In striving to become a regional integrated lifestyle group, the Company will fulfill its accountability to a wide range of stakeholders, and will continue to enhance its corporate governance system to improve corporate value.
- Increase in productivity  
With the aim of improving group productivity, the Company is continuously streamlining its business processes by actively incorporating technology and promoting digital transformation.

### **(7) Description of main business activities (as of May 15, 2021)**

The Company is engaged in the management of group companies and other operations incidental or related thereto.

The Company Group consists of the Company and seven consolidated subsidiaries, and is mainly engaged in the retail business of operating drugstores and dispensing pharmacies, the development and sale of POS applications in the IT solutions business, and other businesses such as regional marketing and payment services.

(8) Main business offices and stores (as of May 15, 2021)

① The Company

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

② Subsidiaries

SAPPORO DRUG STORE CO., LTD.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Stores 200 locations

The distribution of stores (names of municipalities, and the number of stores) is as follows.

Name of municipality	Number of stores	Name of municipality	Number of stores	Name of municipality	Number of stores
Sapporo, Hokkaido	72	Fukugawa, Hokkaido	1	Memuro, Kasai District, Hokkaido	1
Hakodate, Hokkaido	15	Furano, Hokkaido	1	Taiki, Hiroo District, Hokkaido	1
Otaru, Hokkaido	6	Date, Hokkaido	1	Makubetsu, Nakagawa District, Hokkaido	1
Obihiro, Hokkaido	6	Kutchan, Abuta District, Hokkaido	2	Ikedo, Nakagawa District, Hokkaido	1
Chitose, Hokkaido	6	Iwanai, Iwanai District, Hokkaido	2	Ashoro, Ashoro District, Hokkaido	1
Asahikawa, Hokkaido	4	Esahi, Hiyama District, Hokkaido	2	Kushiro (Town), Kushiro District, Hokkaido	1
Eniwa, Hokkaido	4	Bihoro, Abashiri District, Hokkaido	2	Akkeshi, Akkeshi District, Hokkaido	1
Hokuto, Hokkaido	4	Otofuke, Kato District, Hokkaido	2	Shibecha, Kawakami District, Hokkaido	1
Kushiro (City), Hokkaido	3	Kuriyama, Yubari District, Hokkaido	1	Teshikaga, Kawakami District, Hokkaido	1
Kitami, Hokkaido	3	Tobetsu, Ishikari District, Hokkaido	1	Shiranuka, Shiranuka District, Hokkaido	1
Tomakomai, Hokkaido	3	Niseko, Abuta District, Hokkaido	1	Nakashibetsu, Shibetsu District, Hokkaido	1
Wakkanai, Hokkaido	3	Yoichi, Yoichi District, Hokkaido	1	Rusutsu, Abuta District, Hokkaido	1
Ebetsu, Hokkaido	3	Toyako, Abuta District, Hokkaido	1	Nakasatsunai, Kasai District, Hokkaido	1
Noboribetsu, Hokkaido	3	Hidaka, Saru District, Hokkaido	1	Fukuoka, Fukuoka Prefecture	1
Kitahiroshima, Hokkaido	3	Urakawa, Urakawa District, Hokkaido	1	Tomigusuku, Okinawa Prefecture	3
Muroran, Hokkaido	2	Shinhidaka, Hidaka District, Hokkaido	1	Naha, Okinawa Prefecture	1
Rumoi, Hokkaido	2	Nanae, Kameda District, Hokkaido	1		
Nemuro, Hokkaido	2	Mori, Kayabe District, Hokkaido	1		
Takikawa, Hokkaido	2	Yakumo, Futami District, Hokkaido	1		
Iwamizawa, Hokkaido	1	Setana, Kudo District, Hokkaido	1		
Abashiri, Hokkaido	1	Hamatombetsu, Esashi District, Hokkaido	1		
Bibai, Hokkaido	1	Rishiri, Rishiri District, Hokkaido	1		
Mombetsu, Hokkaido	1	Shari, Shari District, Hokkaido	1		
Shibetsu, Hokkaido	1	Engaru, Mombetsu District, Hokkaido	1		
Sunagawa, Hokkaido	1	Shimizu, Kamikawa District, Hokkaido	1		



Creare Co., Ltd.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Regional Marketing Co., Ltd.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Business office 5-23-1 Minami Ni-jo Nishi, Chuo Ward, Sapporo

GRIT WORKS, CO., LTD

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Business office 1-2-4 Kinshi, Sumida-ku, Tokyo

TAIWAN SATUDORA CO., LTD.

Head office 2F, No. 189, Gangqian Rd., Neihu District, Taipei City, Taiwan (R.O.C.)

CoelaQanth, Inc.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Classrooms 4 Classrooms (In Sapporo and Eniwa)

(as of as of May 15, 2021)

RxR Innovation Initiative CO., LTD.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

**(9) Employees (as of May 15, 2021)**

Employees of the corporate group

Number of employees	Change from the end of the previous consolidated fiscal year
1,055 people (1,562 people)	-34 people (-61 people)

(Note) The number of persons in the above table is the number of full-time employees, and the average annual number of temporary employees is shown in parentheses.

a

**(10) Main creditors (as of May 15, 2021)**

Creditor	Borrowings
	Millions of yen
The Hokkaido Bank, Ltd.	3,040
Mizuho Bank, Ltd.	2,600
North Pacific Bank, Ltd.	894
The Aomori Bank, Ltd.	866
Sumitomo Mitsui Trust Bank, Limited	845

(Note) The above amounts are rounded down to the nearest unit.

**(11) Other significant matters concerning the corporate group**

None.

## 2. Matters Regarding Shares of the Company

### (1) Shares (as of May 15, 2021)

- ① Total number of shares authorized to be issued 18,968,000 shares
- ② Total number of issued shares 4,742,000 shares (Treasury shares: 147,474 shares)
- ③ Number of shareholders 8,052
- ④ Major shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio
	shares	%
Tommy Corporation	1,352,700	29.44
BBH Fidelity Puritan Fidelity Series Intrinsic Opportunities Fund	320,000	6.96
The Hokkaido Bank, Ltd.	189,600	4.12
North Pacific Bank, Ltd.	180,000	3.91
Mutsuhiro Tomiyama	117,000	2.54
Hiroki Tomiyama	117,000	2.54
SDS Employee Stock Ownership Association	92,100	2.00
The Master Trust Bank of Japan, Ltd. (trust account)	81,300	1.76
PALTAC CORPORATION	60,000	1.30
Custody Bank of Japan, Ltd. (trust account 5)	43,300	0.94

(Note)

1. The names of major shareholders and the number of shares held are based on the shareholder registry, with treasury shares excluded from the above major shareholders.
2. The shareholding ratio is calculated based on the number of shares (4,594,526 shares) obtained by subtracting treasury shares from the total number of outstanding shares, and rounded down to the second decimal.

### (2) Other significant matters regarding shares

None

### 3. Matters Regarding Share Acquisition Rights of the Company

#### (1) Share acquisition rights granted to Officers of the Company as compensation for performing their duties

- Number of share acquisition rights  
200
- The class and number of shares intended to be issued  
Ordinary shares 20,000 shares (100 shares per share acquisition right)
- Total share acquisition rights held by Directors of the Company by category

	Session order (exercise price)	Exercise period	Number of rights	Number of holders
Directors (excluding those who are Members of the Audit and Supervisory Committee and Outside Directors)	1st session (197,600 yen)	April 11, 2021 to April 10, 2024	67 rights	5 people

#### (2) Share acquisition rights of employees of the Company as compensation for performing their duties during the current fiscal year

None

#### 4. Matters Regarding Company Officers

##### (1) Directors (as of May 15, 2021)

Position in the Company	Name	Responsibilities and significant concurrent positions
Chairman of the Board of Directors and Founder	Mutsuhiro Tomiyama	President and CEO of Tommy Corporation
Vice-Chairman of the Board of Directors and Founder	Mitsue Tomiyama	
President and CEO	Hiroki Tomiyama	President and CEO of SAPPORO DRUG STORE CO., LTD. Chairman and CEO of Regional Marketing Co., Ltd. Chairman of the Board of Directors of GRIT WORKS CO., LTD. Director of CoelaQanth, Inc. Director of RxR Innovation Initiative CO., LTD. Executive Vice President of EZODEN Co., Ltd. Outside Director of AWL, Inc. Outside Director of Demae-can Co., Ltd. Outside Director of Valuence Holdings Inc.
Executive Vice President and COO	Toshiya Yoshida	Managing Director and CFO of SAPPORO DRUG STORE CO., LTD.
Managing Director	Satoru Yamatoya	Managing Director of SAPPORO DRUG STORE CO., LTD. Company Auditor of CoelaQanth, Inc.
Managing Director	Hiroshi Takada	Executive Vice President and COO of SAPPORO DRUG STORE CO., LTD. Director of Creare Co., Ltd. Director of TAIWAN SATUDORA CO., LTD.
Director (Audit and Supervisory Committee Member)	Yoshiharu Endo	Outside Director of Sagami Holdings Corporation
Director (Audit and Supervisory Committee Member)	Jun Sekine	
Director (Audit and Supervisory Committee Member)	Akihiko Yamamoto	Representative of the Yamamoto Consulting Office Outside Director (Audit and Supervisory Committee Member) of JIG-SAW INC. Company Auditor of GRIT WORKS, CO., LTD.
Director (Audit and Supervisory Committee Member)	Kazuo Kawakami	Director of the Kazuo Kawakami Tax Accountant Office

(Note)

- Full-time Company Auditor, Mr. Terushi Tamura, retired from the position of Company Auditor at the conclusion of the 4th General Meeting of Shareholders held on August 12, 2020 due to the expiration of his term of office.
- Directors Mr. Akihiko Yamamoto and Mr. Kazuo Kawakami retired from their positions as Company Auditors at the conclusion of the 4th General Meeting of Shareholders held on August 12, 2020, due to expiration of their terms of office, and assumed the positions of Directors on the Audit and Supervisory Committee on that same day.
- Mr. Yoshiharu Endo, Mr. Jun Sekine, Mr. Akihiko Yamamoto, and Mr. Kazuo Kawakami are Outside Directors.
- The Company does not appoint a full-time Audit and Supervisory Committee Member because the Company ensures the effectiveness of audits by appointing a selected Audit and Supervisory Committee Member from among the Audit and Supervisory Committee Members, collecting information through their attendance at important meetings, and by conducting systematic audits through the internal control system.
- Mr. Yoshiharu Endo and Mr. Jun Sekine, both Members of the Audit and Supervisory Committee, have many years of experience in corporate management and extensive knowledge of economics and other fields. Mr. Akihiko Yamamoto, a Member of the Audit and Supervisory Committee, possesses sufficient insight into corporate management as a manager in the consulting business. In addition, Mr. Kazuo Kawakami, a Member of the Audit and Supervisory Committee, is a licensed tax accountant and has a professional perspective on taxation and considerable knowledge of finance and accounting.
- Directors Mr. Yoshiharu Endo, Mr. Jun Sekine, Mr. Akihiko Yamamoto, and Mr. Kazuo Kawakami have been certified by the Tokyo Stock Exchange and the Sapporo Securities Exchange as Independent Officers free from any risk of conflict of interest with general shareholders.

## (2) Outline of the details of the Limited Liability Agreement

The Company has entered into the Limited Liability Agreement stipulated in Article 427, Section 1 of the Companies Act with all Outside Directors, and the maximum amount of liability for damages under the said agreement is the minimum liability amount stipulated in Article 425, Section 1 of the Companies Act.

## (3) Matters regarding Liability Insurance Contracts for Directors and other Officers

### A) Scope of the insured

All of the Company's Officers (including Officers of group companies)

### B) Outline of the description of Liability Insurance Contracts for Directors and other Officers

Compensation for damages and litigation expenses incurred by the insured due to damages resulting from acts (including inactions) committed by the insured as an Officer of the Company. However, measures are taken to ensure that the proper performance of duties by Officers is not impaired by excluding from compensation for any damages caused by criminal acts or intentional illegal acts committed by the Officers themselves. Insurance premiums will be fully paid by the Company.

## (4) Total amount of remuneration for Directors and Company Auditors

Category	Number of personnel	Amount of remuneration
Directors (excluding Audit and Supervisory Committee Members)	8	70 million yen
(of which are Outside Directors)	(2)	(1 million yen)
Directors (Audit and Supervisory Committee Members)	4	15 million yen
(of which are Outside Directors)	(4)	(15 million yen)
Auditors	3	1 million yen
(of which are Outside Company Auditors)	(2)	(0 million yen)
Total	15	87 million yen
(of which are Outside Officers)	(8)	(17 million yen)

(Note)

1. The amount of remuneration for Directors (excluding Audit and Supervisory Committee Members) was decided at the 4th General Meeting of Shareholders held on August 12, 2020 to be within the total amount of 170 million yen per year (six Directors, of which there are no Outside Directors).
2. The amount of remuneration for Directors (Audit and Supervisory Committee Members) was decided at the 4th General Meeting of Shareholders held on August 12, 2020 to be within the total amount of 40 million yen per year (four Directors).
3. A resolution was passed at the 4th General Meeting of Shareholders held on August 12, 2020, regarding remuneration for the grant of restricted shares to Directors (excluding those who are Outside Directors and Audit and Supervisory Committee Members), with the amount being 30 million per year, the total amount of common stock within 19,000, and the number of members 6 (including 0 outside directors).
4. The amount of remuneration, etc. for Company Auditors was decided at the 1st Ordinary General Meeting of Shareholders held on August 9, 2017, with a total annual amount of 30 million yen or less (3 members (including 2 outside Company Auditors)).
5. The above number of personnel represent the actual number of remuneration recipients.
6. The above amounts are rounded down to the nearest unit.
7. In addition to the above, the amount of remuneration received by Outside Directors from the Company's subsidiaries was 600,000 yen.

■ **Policy regarding content of individual remuneration for Directors**

○ Decision-making method for determination policy

The determination policy regarding individual remuneration for Directors was decided at the Board of Directors meeting held on January 29, 2021 based on the consideration on how the remuneration structure should be in order to achieve sustainable improvement of corporate value.

■ **Matters regarding the determination of individual remuneration for Directors**

The remuneration of Directors (excluding those who are Audit and Supervisory Committee Members, and the same shall apply hereinafter) consists of fixed remuneration and performance-linked remuneration. The total amount of this remuneration is within the range decided at the General Meeting of Shareholders, where the upper limit was determined, being submitted to them after the maximum amount of remuneration was determined by the Board of Directors with the advice of the Nomination and Compensation Committee. The amount of fixed remuneration for Directors is determined by taking into consideration the standards of the industry or of other similarly sized companies. In addition, the amount of performance-linked remuneration is determined based on the degree of contribution to medium- to long-term performance by the Director. The ratio of fixed remuneration to performance-linked remuneration shall be approximately 90:10, and fixed remuneration shall be paid in pre-determined amounts during the term of office. In addition, performance-linked compensation shall be issued in the form of pre-issued restricted shares up to the maximum monetary amount and number of shares approved at the General Meeting of Shareholders.

■ **Reasons the Board of Directors determined that the details of individual remuneration of Directors is in line with the Determination Policy**

In determining the terms of individual remuneration for Directors, the Nomination and Compensation Committees comprehensively reviewed the drafts, including consistency with the Determination Policy, and the Board of Directors respected the content of their report and judged that it was line with the Determination Policy.

## (5) Matters regarding Outside Directors

### ① Significant concurrent positions held as an Executive at other companies, and the relationship between the Company and said other companies

Mr. Akihiko Yamamoto, an Outside Director (Audit and Supervisory Committee Member), is the representative of the Yamamoto Consulting Office. There is no special relationship between the Company and this office.

Mr. Kazuo Kawakami, an Outside Director (Audit and Supervisory Committee Member), is the Director of the Kazuo Kawakami Tax Accountant Office. There is no special relationship between the Company and this office.

### ② Significant concurrent positions held as an Outside Director at other companies, and the relationship between the Company and said other companies

Mr. Yoshiharu Endo, an Outside Director (Audit and Supervisory Committee Member), is an Outside Director of Sagami Holdings Corporation. There is no special relationship between the Company and this company.

Mr. Akihiko Yamamoto, an Outside Director (Audit and Supervisory Committee Member), is an Outside Director (Audit and Supervisory Committee Member) of JIG-SAW INC. There is no special relationship between the Company and this company.

### ③ Major activities in the current fiscal year

Category	Name	Outline of activities and roles expected to be played by Outside Directors
Director (Audit and Supervisory Committee Member)	Yoshiharu Endo	Board of Directors meetings 17/17 Audit and Supervisory Committee meetings 4/4 Nomination and Compensation Committee meetings 5/5 Based on his insights gained from his extensive experience as a corporate executive at other companies, he makes necessary statements from an objective standpoint regarding the adequacy of management decision-making at Board of Directors meetings, as needed, in an appropriate manner. In addition to the above, he serves as the Chairman of the Audit and Supervisory Committee and makes necessary statements from an objective standpoint in exchanges of opinions with the Internal Audit Department and in dialogues with the Secretariat, as needed, in an appropriate manner.
Director (Audit and Supervisory Committee Member)	Jun Sekine	Board of Directors meetings 17/17 Audit and Supervisory Committee meetings 4/4 Nomination and Compensation Committee meetings 5/5 Based on his insights gained from his extensive experience as a corporate executive at other companies, he makes necessary statements from an objective standpoint regarding the adequacy of management decision-making at Board of Directors meetings, as needed, in an appropriate manner. In addition to the above, he serves as the Chairman of the Nomination and Compensation Committee and makes recommendations on how the remuneration system should be structured.
Director (Audit and Supervisory Committee Member)	Akihiko Yamamoto	Board of Directors meetings 17/17 Board of Company Auditors meetings 4/4 Audit and Supervisory Committee meetings 4/4 Based on his experience as an Outside Company Auditor at other companies and his insight as a manager in the consulting business, he makes necessary statements at Board of Directors meetings, Board of Company Auditors meetings, and Audit and Supervisory Committee meetings, as needed, in an appropriate manner.
Director (Audit and Supervisory)	Kazuo Kawakami	Board of Directors meetings 17/17 Board of Company Auditors meetings 4/4 Audit and Supervisory Committee meetings 4/4



Committee Member)		He makes necessary statements at Board of Directors meetings, Board of Company Auditors meetings, and Audit and Supervisory Committee meetings from his professional perspective as a tax accountant, as needed, in an appropriate manner.
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## 5. Matters Regarding Accounting Auditors

(1) Name of the Accounting Auditor Ernst & Young ShinNihon LLC

### (2) Amount of remuneration

	Amount of payment
Amount of remuneration as Accounting Auditor for the current fiscal year	12 million yen
Total sum and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	26 million yen

(Note)

1. In the audit contract between the Company and the Accounting Auditor, the audit fees for audits based on the Companies Act and the audit fees for audits based on the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically distinguished. Therefore, the amount of remuneration paid to the Accounting Auditor for the current fiscal year includes the total sum of these amounts.
2. The Audit and Supervisory Committee made a decision to consent to the amount of remuneration of the Accounting Auditor after conducting necessary verifications on the appropriateness of the content of the audit plan, the performance of duties by the Accounting Auditor, and the basis for calculating the remuneration estimate.
3. The above amounts are rounded down to the nearest unit.

### (3) Details of non-audit services

The Company compensates the Accounting Auditor for advisory services related to the introduction of revenue recognition standards, which are services other than those stipulated in Article 2, Section 1 of the Certified Public Accountants Act.

### (4) Policies for determination of dismissal of or refusal to reappoint Accounting Auditors

The Audit and Supervisory Committee will dismiss the Accounting Auditor with the unanimous consent of all Audit and Supervisory Committee Members if it is deemed that the Accounting Auditor falls under any of the items stipulated in Article 340, Section 1 of the Companies Act. In addition, if the Audit and Supervisory Committee determines that the appropriateness and reliability of the audit cannot be ensured following a comprehensive assessment of the Accounting Auditor's performance of duties and other factors, the Audit and Supervisory Committee will determine the details of a proposal for the dismissal of or refusal to reappoint the Accounting Auditor for submission to the General Meeting of Shareholders.

# Consolidated Balance Sheet

( as of May 15, 2021 )

(Unit: millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
<b>Current assets</b>	<b>18,267</b>	<b>Current liabilities</b>	<b>16,617</b>
Cash and deposits	2,659	Accounts payable - trade	11,634
Accounts receivable - trade	2,768	Short-term borrowings	100
Merchandise	10,407	Current portion of long-term borrowings	375
Income taxes receivable	15	Accounts payable - other	2,396
Other	2,415	Lease obligations	48
<b>Non-current assets</b>	<b>20,030</b>	Income taxes payable	227
<b>Property, plant and equipment</b>	<b>12,296</b>	Accrued consumption taxes	488
Buildings and structures	6,821	Provision for bonuses	519
Tools, furniture and fixtures	859	Other	826
Land	4,013	<b>Non-current liabilities</b>	<b>13,009</b>
Leased assets	334	Long-term borrowings	11,148
Construction in progress	267	Lease obligations	332
<b>Intangible assets</b>	<b>428</b>	Retirement benefit liability	573
Software	268	Asset retirement obligations	472
Other	159	Other	481
<b>Investments and other assets</b>	<b>7,305</b>	<b>Total Liabilities</b>	<b>29,627</b>
Investment securities	75	<b>Net assets</b>	
Leasehold and guarantee deposits	5,958	<b>Shareholders' equity</b>	<b>8,666</b>
Deferred tax assets	815	<b>Share capital</b>	<b>1,000</b>
Other	532	<b>Capital surplus</b>	<b>2,099</b>
Allowance for doubtful accounts	(76)	<b>Retained earnings</b>	<b>5,873</b>
<b>Deferred assets</b>	<b>1</b>	<b>Treasury shares</b>	<b>(306)</b>
Organization expenses	1	<b>Accumulated other comprehensive income</b>	<b>(43)</b>
		Valuation difference on available-for-sale securities	4
		Foreign currency translation adjustment	(42)
		Adjustments of defined benefit plans	(5)
		<b>Share acquisition rights</b>	<b>4</b>
		<b>Non-controlling interests</b>	<b>44</b>
		<b>Total net assets</b>	<b>8,672</b>
<b>Total assets</b>	<b>38,299</b>	<b>Total liabilities and net assets</b>	<b>38,299</b>

(Note) All amounts are rounded down to the nearest million yen.

# Consolidated Statement of Income

( From May 16, 2020  
to May 15, 2021 )

(Unit: millions of yen)

Item	Amount	
<b>Net sales</b>		<b>83,240</b>
<b>Cost of sales</b>		<b>62,757</b>
<b>Gross profit</b>		<b>20,483</b>
<b>Selling, general and administrative expenses</b>		<b>19,842</b>
<b>Operating profit</b>		<b>640</b>
<b>Non-operating income</b>		
Interest and dividend income	19	
Gain on donation of non-current assets	29	
Foreign exchange gains	40	
Other	98	<b>187</b>
<b>Non-operating expenses</b>		
Interest expenses	62	
Commission expenses	146	
Other	10	<b>220</b>
<b>Ordinary profit</b>		<b>607</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	740	<b>740</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	80	
Impairment losses	183	
Loss on store closings	108	<b>373</b>
<b>Profit before income taxes</b>		<b>974</b>
Income taxes - current	413	
Income taxes - deferred	(20)	<b>393</b>
<b>Profit</b>		<b>581</b>
<b>Profit attributable to non-controlling interests</b>		<b>6</b>
<b>Profit attributable to owners of parent</b>		<b>574</b>

(Note) All amounts are rounded down to the nearest million yen.

# Consolidated Statement of Changes in Equity

( From May 16, 2020  
to May 15, 2021 )

(Unit: millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,000	2,099	5,427	△306	8,220	3	△4	△5	△6	2	35	8,251
Changes during period												
Dividends of surplus			△128		△128							△128
Profit attributable to owners of parent			574		574							574
Net changes of items other than shareholders' equity						1	△38	0	△36	2	9	△25
Total changes during period	-	-	446	-	446	1	△38	0	△36	2	9	420
Balance at end of period	1,000	2,099	5,873	△306	8,666	4	△42	△5	△43	4	44	8,672

(Note) All amounts are rounded down to the nearest million yen.

# Balance Sheet

( as of May 15, 2021 )

(Unit: millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
<b>Current assets</b>	<b>322</b>	<b>Current liabilities</b>	<b>119</b>
Cash and deposits	254	Accounts payable - other	45
Income taxes receivable	14	Accrued expenses	54
Other	53	Income taxes payable	9
<b>Non-current assets</b>	<b>8,338</b>	Accrued consumption taxes	7
<b>Property, plant and equipment</b>	<b>0</b>	Other	3
Equipment	0	<b>Total liabilities</b>	<b>119</b>
<b>Intangible assets</b>	<b>14</b>	<b>Net assets</b>	
Trademark right	8	<b>Shareholders' equity</b>	<b>8,538</b>
Software	6	<b>Share capital</b>	<b>1,000</b>
<b>Investments and other assets</b>	<b>8,323</b>	<b>Capital surplus</b>	<b>7,416</b>
Investment securities	7	Legal capital surplus	250
Shares of subsidiaries and associates	8,294	Other capital surplus	7,166
Deferred tax assets	26	<b>Retained earnings</b>	<b>428</b>
Other	0	Other retained earnings	428
<b>Deferred assets</b>	<b>1</b>	Retained earnings brought forward	428
Organization expenses	1	<b>Treasury shares</b>	<b>(306)</b>
		<b>Share acquisition rights</b>	<b>4</b>
		<b>Total net assets</b>	<b>8,543</b>
<b>Total assets</b>	<b>8,662</b>	<b>Total liabilities and net assets</b>	<b>8,662</b>

(Note) All amounts are rounded down to the nearest million yen.

## Statement of Income

( From May 16, 2020  
to May 15, 2021 )

(Unit: millions of yen)

Item	Amount	
<b>Operating revenue</b>		<b>778</b>
<b>Operating expenses</b>		<b>601</b>
<b>Operating profit</b>		<b>177</b>
<b>Non-operating income</b>		
Interest income	0	
Other	1	1
<b>Non-operating expenses</b>		
Amortization of organization expenses	7	7
<b>Ordinary profit</b>		<b>170</b>
<b>Profit before income taxes</b>		<b>170</b>
Income taxes - current	22	
Income taxes - deferred	(4)	18
<b>Profit</b>		<b>152</b>

(Note) All amounts are rounded down to the nearest million yen.

# Statement of Changes in Equity

( From May 16, 2020  
to May 15, 2021 )

(Unit: millions of yen)

	Shareholders' equity							Share acquisition rights	Total net assets	
	Share capital	Capital surplus			Retained earnings		Treasury shares			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	1,000	250	7,166	7,416	404	404	(306)	8,514	2	8,517
Changes during period										
Dividends of surplus					(128)	(128)		(128)		(128)
Profit					152	152		152		152
Net changes of items other than shareholders' equity									2	2
Total changes during period	-	-	-	-	24	24	-	24	2	26
Balance at end of period	1,000	250	7,166	7,416	428	428	(306)	8,538	4	8,543

(Note) All amounts are rounded down to the nearest million yen.