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Securities Code 3391
July 19, 2022

To Those Shareholders with Voting Rights

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

NOTICE OF THE 60th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

We hereby notify you that the 60th Ordinary General Meeting of Shareholders of the Company will be held as described below.

In order to prevent the spread of coronavirus disease (COVID-19) as described in page 3 (translation omitted), in lieu of attendance at the meeting, you can exercise your voting rights either by indicating your votes for or against each of the proposals on the Voting Rights Exercise Form and returning it by mail or by accessing the voting website printed on the Voting Rights Exercise Form and indicating your votes for or against each of the proposals via electromagnetic means (e.g., via the Internet). Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6:00 p.m., Tuesday, August 9, 2022.

- 1. Date and Time:** Wednesday, August 10, 2022, at 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Place:** Royton Hall, Third floor, Royton Sapporo
Kita 1-Nishi 11, Chuo-ku, Sapporo-shi, Hokkaido
(Please refer to the information map at the end of this notice (translation omitted))
- 3. Agenda of the Meeting:**
 - Matters to be reported:**
 1. Business Report, Consolidated Financial Statements for the 60th Fiscal Term (from May 16, 2021, to May 15, 2022) 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 60th Fiscal Term (from May 16, 2021, to May 15, 2022)
 - Proposals to be resolved:**
 - Proposal No. 1:** Partial Amendments to the Articles of Incorporation
 - Proposal No. 2:** Election of Five Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
 - Proposal No. 3:** Election of One Director Who Is an Audit and Supervisory Committee Member
 - Proposal No. 4:** Entrusting the Board of Directors of the Company with the Determination of Subscription Requirements for Stock Acquisition Rights as Stock Options to Executive Officers and Employees of the Company and Its Subsidiaries

4. Announcement on Exercise of Voting Rights

- (1) Voting through a proxy
If you are unable to attend the meeting, you may exercise your voting rights through a single proxy who is a shareholder of the Company with voting rights provided that such proxy will be required to submit a power of attorney.
- (2) Voting by Mail
Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form and return the form by 6:00 p.m., Tuesday, August 9, 2022.
- (3) Voting via the Internet
If you exercise your voting rights via the Internet, please refer to the <Guide for Exercise of Voting Rights via the Internet (translation omitted)> and access <https://evote.tr.mufg.jp/>. Please exercise your voting rights by 6:00 p.m. on Tuesday, August 9, 2022, following the instructions on the screen.

5. Disclosure via the Internet

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

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

Reference Documents for the General Meeting of Shareholders

Proposals and references

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

1. Reasons for the amendment

The “Act Partially Amending the Companies Act” (Act No. 70 of 2019), which establishes a system for electronic provision of materials for general meeting of shareholders (Articles 325-2 and 325-5), will come into effect on September 1, 2022. In order to prepare for the introduction of the system, the Company proposes the following amendments to its Articles of Incorporation.

- (1) The provisions related to the internet disclosure and deemed provision of the reference documents for the general meeting of shareholders, etc. (Article 14 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (2) The proposed Article 14, Paragraph 1 provides that information contained in the reference documents for the general meeting of shareholders, etc. shall be provided electronically.
- (3) The purpose of the proposed Article 14, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of the amendment

The details of the amendment are as follows:

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed amendments
CHAPTER III. GENERAL MEETING OF SHAREHOLDERS	CHAPTER III. GENERAL MEETING OF SHAREHOLDERS
<u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders)</u>	[Deleted]
<u>Article 14. In the convocation of General Meeting of Shareholders, the Company may deem that it has provided to shareholders information concerning matters that must be displayed in the reference documents for General Meeting of Shareholders, business report, non-consolidated financial statements, and consolidated financial statements via internet disclosure in conformity with definitions provided in the Ordinance of the Ministry of Justice.</u>	
[Newly established]	<u>(Measures for electronic provision, etc.)</u>
	<u>Article 14. The Company shall, when convening a general meeting of shareholders, electronically provide information contained in the reference documents for the general meeting of shareholders, etc.</u>
	<u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u>
Article 15. – Article 39. [Text omitted]	Article 15. – Article 39. [Unchanged]
(SUPPLEMENTARY PROVISIONS)	(SUPPLEMENTARY PROVISIONS)
(Transitional Measures Concerning Limitation of	(Transitional Measures Concerning Limitation of

Current Articles of Incorporation	Proposed amendments
<p data-bbox="225 185 587 219">Liability of Corporate Auditors)</p> <p data-bbox="256 219 807 633">Concerning acts committed before the coming into effect of partial amendments to these Articles of Incorporation which have been resolved at the 59th Ordinary General Meeting of Shareholders, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt Corporate Auditors (including former Corporate Auditors) from liability for damages arising from negligence in the performance of their duties, to the extent permitted by laws and regulations, in accordance with a resolution of the Board of Directors of the Company.</p> <p data-bbox="225 633 807 1021">2. The contract to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act concerning acts committed by Outside Corporate Auditors (including former Outside Corporate Auditors) before the conclusion of the 59th Ordinary General Meeting of Shareholders shall be governed by the provisions of Article 33, Paragraph 2 of the Articles of Incorporation before amendments to be made by a resolution of the said Ordinary General Meeting of Shareholders.</p> <p data-bbox="256 1037 488 1070">[Newly established]</p>	<p data-bbox="831 185 1193 219">Liability of Corporate Auditors)</p> <p data-bbox="831 219 1417 633"><u>Article 1.</u> Concerning acts committed before the coming into effect of partial amendments to these Articles of Incorporation which have been resolved at the 59th Ordinary General Meeting of Shareholders, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company may exempt Corporate Auditors (including former Corporate Auditors) from liability for damages arising from negligence in the performance of their duties, to the extent permitted by laws and regulations, in accordance with a resolution of the Board of Directors of the Company.</p> <p data-bbox="831 633 1417 987">2. The contract to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act concerning acts committed by Outside Corporate Auditors (including former Outside Corporate Auditors) before the conclusion of the 59th Ordinary General Meeting of Shareholders shall be governed by the provisions of Article 33, Paragraph 2 of the Articles of Incorporation before amendments to be made by a resolution of the said Ordinary General Meeting of Shareholders.</p> <p data-bbox="831 1037 1417 1099"><u>[Transitional Measures Concerning Measures For Electronic Provision, etc.]</u></p> <p data-bbox="831 1115 1417 1563"><u>Article 2.</u> The deletion of Article 14 (Internet disclosure and deemed provision of reference documents for General Meeting of Shareholders) of the Articles before the change of Incorporation and new establishment of Article 14 (Measures for electronic provision, etc.) of the Articles after the change shall take effect from September 1, 2022, as the date of enforcement of the revised stipulations stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019; the “Enforcement Date”).</p> <p data-bbox="831 1570 1417 1816">2. Notwithstanding the provisions of the previous paragraph, Article 14 (Internet disclosure and deemed provision of reference documents for General Meeting of Shareholders) of the Articles before the change of Incorporation shall remain valid for General Meeting of Shareholders held on a day that is the end of February 2023.</p> <p data-bbox="831 1823 1417 1991">3. This Article shall be deleted on the day of March 1, 2023 or the day after which three months have elapsed since the day of the general meeting of shareholders in the previous paragraph, whichever is later.</p>

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

As the terms of office of all six Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the end of the meeting, election of five Directors (excluding Directors who are Audit and Supervisory Committee Members) is proposed.

The candidates for Directors (excluding 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
1	<u>Reelection</u>	Tatsuru Tsuruha	Chairman	13/13 (100%)
2	<u>Reelection</u>	Jun Tsuruha	President & Representative Director President & Chief Executive Officer	13/13 (100%)
3	<u>Reelection</u>	Hisaya Ogawa	Director and Executive Officer Responsible for kusurino FUKUTARO CO., LTD. and M&A	13/13 (100%)
4	<u>Reelection</u>	Shoichi Murakami	Director and Executive Officer Responsible for Tsuruha Group Drug & Pharmacy Nishinohon Inc.	13/13 (100%)
5	<u>Reelection</u>	Masahiro Yahata	Director and Executive Officer Responsible for TSURUHA CO., LTD.	13/13 (100%)

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
1	Tatsuru Tsuruha (February 11, 1942) <u>Reelection</u>	<p>June 1976 Joined TSURUHA CO., LTD.</p> <p>July 1978 Director of TSURUHA CO., LTD.</p> <p>August 1994 Senior Managing Director of TSURUHA CO., LTD.</p> <p>August 1996 Senior Managing Director & Representative Director of TSURUHA CO., LTD.</p> <p>August 1997 President & Representative Director of TSURUHA CO., LTD.</p> <p>August 2003 Director of the Company</p> <p>August 2005 President & Representative Director of the Company</p> <p>August 2008 President & Chief Executive Officer of the Company</p> <p> President & Chief Executive Officer of TSURUHA CO., LTD.</p> <p>December 2011 Vice Chairman & Director of TSURUHA (Thailand) Co., Ltd.</p> <p>August 2014 Chairman & Representative Director of the Company</p> <p> Chairman & Representative Director of TSURUHA CO., LTD.</p> <p>August 2018 Chairman of the Company (current position)</p> <p>August 2020 Chairman of TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) Chairman of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) Mr. Tatsuru Tsuruha demonstrated his excellent administrative capabilities and built the foundations of the current Tsuruha Group. He has supervised management that encompasses the entire Group as Chairman & Representative Director. We have judged that his abundant knowledge and administrative capabilities cultivated over many years will greatly contribute to the further growth of the Group and strengthening our competitiveness and thus have renominated him as a candidate for Director.</p>	1,411,140

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
2	Jun Tsuruha (May 21, 1974) <u>Reelection</u>	<p>April 1998 Joined TSURUHA CO., LTD.</p> <p>May 2011 Director and Executive Officer of TSURUHA CO., LTD. General Manager of Hokkaido Store Operation of TSURUHA CO., LTD. Executive Officer of the Company</p> <p>December 2011 Director of TSURUHA (Thailand) Co., Ltd.</p> <p>August 2014 Director and Senior Managing Executive Officer of the Company responsible for Group Store Operation President & Representative Director of TSURUHA CO., LTD. President & Chief Executive Officer of TSURUHA CO., LTD.</p> <p>August 2018 Senior Managing Director & Representative Director, Senior Managing Executive Officer, and Head of Sales Operations of the Company responsible for Group Store Operation</p> <p>July 2019 Vice Chairman & Director of TSURUHA (Thailand) Co., Ltd. (current position)</p> <p>June 2020 President & Representative Director of the Company (current position) President & Chief Executive Officer of the Company (current position)</p> <p>August 2020 Vice Chairman & Representative Director of TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) Vice Chairman & Representative Director of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) As President & Representative Director of the Company, Mr. Jun Tsuruha has made appropriate decision-making on important management matters of the Company and greatly contributed by demonstrating his leadership and ability to take action, which he had cultivated through his experience, to expand business scope of operating companies in the Group and enhance corporate value. We have judged that he will further demonstrate management capabilities as chief executive officer of the Group, and thus have renominated him as a candidate for Director.</p>	120,900

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
3	<p>Hisaya Ogawa (September 21, 1958)</p> <p><u>Reelection</u></p>	<p>August 1983 Joined kusurino FUKUTARO CO., LTD. December 1988 President & Representative Director of kusurino FUKUTARO CO., LTD. August 2007 Managing Director of the Company August 2008 Director of the Company Managing Executive Officer of the Company responsible for Group Pharmacy Store Operation and kusurino FUKUTARO CO., LTD. May 2015 Director of kusurino FUKUTARO CO., LTD. May 2016 President & Representative Director of kusurino FUKUTARO CO., LTD. (current position) August 2018 Director of the Company (current position) Executive Officer of the Company responsible for kusurino FUKUTARO CO., LTD. and M&A (current position)</p> <p>(Significant concurrent position) President & Representative Director of kusurino FUKUTARO CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) As President & Representative Director of kusurino FUKUTARO CO., LTD., a subsidiary of the Company, Mr. Hisaya Ogawa has abundant experience and knowledge in drug store management and he has been utilizing them for management decisions of the Company. In addition, with a wide range of personal contacts gained through his experience and his ability to take action, he, as a director responsible for M&A, has contributed to making the companies with future growth potential our subsidiaries. We have judged that he will continue to exhibit such capabilities, and thus have renominated him as a candidate for Director.</p>	402,500

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
4	Shoichi Murakami (May 24, 1967) <u>Reelection</u>	<p>November 1992 Joined WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>April 2002 Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>April 2006 Managing Director of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>June 2009 President & Representative Director and President & Chief Executive Officer of WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.) Executive Officer of the Company responsible for WELLNESSKOHOKU INC. (currently Tsuruha Group Drug & Pharmacy Nishinohon Inc.)</p> <p>August 2015 President & Representative Director and President & Chief Executive Officer of Tsuruha Group Drug & Pharmacy Nishinohon Inc. (current position)</p> <p>August 2019 Director of the Company (current position) Executive Officer of the Company responsible for Tsuruha Group Drug & Pharmacy Nishinohon Inc. (current position)</p> <p>(Significant concurrent position) President & Representative Director and President & Chief Executive Officer of Tsuruha Group Drug & Pharmacy Nishinohon Inc.</p> <p>(Reasons for nomination as a candidate for Director) As President & Representative Director of a subsidiary of the Company, Tsuruha Group Drug & Pharmacy Nishinohon Inc., Mr. Shoichi Murakami has greatly contributed to the steady expansion of the subsidiary's business in the Chugoku and Kyushu regions. His management capabilities cultivated through such experience are fully utilized for the management of the Company, thus we have renominated him as a candidate for Director.</p>	2,500

No.	Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
5	Masahiro Yahata (September 12, 1968) <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 & Representative Director of TSURUHA CO., LTD. (current position) President & Chief Executive Officer of TSURUHA CO., LTD. (current position) Director of the Company (current position) Executive Officer of the Company responsible for TSURUHA CO., LTD. (current position)</p> <p>(Significant concurrent position) President & Representative Director and President & Chief Executive Officer of TSURUHA CO., LTD.</p> <p>(Reasons for nomination as a candidate for Director) As the President & Representative Director of TSURUHA CO., LTD., which is the largest company in the Tsuruha Group, Mr. Masahiro Yahata is executing high-quality management by utilizing thorough knowledge about actual stores and experience to greatly contribute to enhancing the corporate value of the Company. We have judged that he will demonstrate his capabilities to achieve management targets, and thus have renominated him as a candidate for Director.</p>	5,000

- Notes:
1. No conflict of interest exists between the Company and each of the candidates for Directors.
 2. In accordance with the Articles of Incorporation of the Company, the Company has entered into a liability limitation contract with Mr. Tatsuru Tsuruha to limit his liability for damages to the amount stipulated by laws and regulations. If his election is approved, the Company will extend the said contract with him.
 3. The Company has entered into a directors and officers liability insurance contract with an insurance company and each candidate will be included in insured persons under the said insurance contract. Please refer to page 30 of the Business Report for brief details of the said insurance contract. At the time of next renewal, the Company plans to renew the contract with same contents.

Proposal No. 3: Election of One Director Who Is an Audit and Supervisory Committee Member

The election of one new Director who is an Audit and Supervisory Committee Member is proposed to further strengthen the corporate governance system of the Company.

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

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

	Name	Current position and assignment at the Company	Attendance at meetings of the Board of Directors
<u>New election</u>	Fumiyo Fujii	Outside Director (Independent)	13/13 (100%)

* Mr. Fumiyo Fujii, a candidate for Director who is an Audit and Supervisory Committee Member, currently serves as Director who is not an Audit and Supervisory Committee Member. His attendance at meetings of the Board of Directors shown above is attendance as a Director who is not an Audit and Supervisory Committee Member for the fiscal year under review.

Name (Date of birth)	Career summary, positions, assignments and significant concurrent positions	Number of shares of the Company held
Fumiyo Fujii (August 20, 1954) <u>New election</u>	<p>April 1979 Joined The Hokkaido Takushoku Bank, Ltd.</p> <p>June 2011 Director of Sapporo Hokuyo Holdings, Inc. Director of North Pacific Bank, Ltd.</p> <p>June 2014 Managing Director of North Pacific Bank, Ltd.</p> <p>August 2015 Outside Corporate Auditor of the Company</p> <p>June 2017 Full-time Audit & Supervisory Board Member of North Pacific Bank, Ltd.</p> <p>June 2017 Outside Audit & Supervisory Board Member of Hokkaido Electric Power Co., Inc.</p> <p>June 2018 Part-time Audit & Supervisory Board Member of Joko Securities Co., Ltd. (Currently North Pacific Securities Co., Ltd.)</p> <p>August 2019 Outside Director of the Company (current position)</p> <p>June 2021 Full-time Audit & Supervisory Board Member of North Pacific Securities Co., Ltd. (current position)</p> <p>(Reasons for nomination as a candidate for Outside Director and expected roles) After serving as Outside Corporate Auditor of the Company, Mr. Fumiyo Fujii, with abundant financial experience and knowledge cultivated over many years at financial institutions, is currently providing active opinions and various pieces of advice on management issues at meetings of the Board of Directors as Outside Director. We have judged that he will utilize his deep insight in corporate management, experience and supervisory capabilities for the management of the Company, and thus propose his election as Director who is an Audit and Supervisory Committee Member.</p>	1,200

Notes: 1. Mr. Fumiyo Fujii is a new candidate for “Director who is an Audit and Supervisory Committee Member,” although he is a “Director who is not an Audit and Supervisory Committee Member.”

2. Mr. Fumiyo Fujii is a candidate for Outside Director.

3. No conflict of interest exists between the Company and Mr. Fumiyo Fujii.

4. The Company will register Mr. Fumiyo Fujii with Tokyo Stock Exchange, Inc. as an Independent Director

as set forth in the regulations of Tokyo Stock Exchange, Inc.

5. Mr. Fumiyo Fujii is a “Director who is not an Audit and Supervisory Committee Member,” and he will have been in office as an Outside Director for three years at the end of the meeting.
6. If Mr. Fumiyo Fujii takes office as Outside Director who is an Audit and Supervisory Committee Member, the Company will enter into a contract with him to limit his liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages pursuant to the contract will be the amount stipulated by laws and regulations.
7. The Company has entered into a directors and officers liability insurance contract with an insurance company. If Mr. Fumiyo Fujii takes office as Outside Director who is an Audit and Supervisory Committee Member, he will be included in insured persons under the said insurance contract. Please refer to page 30 of the Business Report for brief details of the said insurance contract. At the time of next renewal, the Company plans to renew the contract with same contents.

[Reference] The composition of the Board of Directors skills matrix subject to approval of Proposal No. 2

If Proposal No. 2 “Election of Five Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” and Proposal No. 3 “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	Expertise and Experience					
		Corporate Management	Business Strategy	Finance, Accounting, M&A	Human Resources, Personnel Development	Legal Affairs, Risk Management	ESG
Directors	Tatsuru Tsuruha	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
	Jun Tsuruha	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
	Hisaya Ogawa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>
	Shoichi Murakami	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
	Masahiro Yahata	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
Directors Who Are Audit and Supervisory Committee Member	Masahiro Ofune		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Harumi Sato			<input type="radio"/>			<input type="radio"/>
	Takuya Okazaki					<input type="radio"/>	<input type="radio"/>
	Fumiyo Fujii	<input type="radio"/>		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Notes: 1. Mr. Masahiro Ofune, Ms. Harumi Sato, and Mr. Takuya Okazaki have a remaining term, and their reappointment is not proposed at this ordinary general meeting of shareholders.

2. The skills matrix above does not indicate all the knowledge and experiences each candidate has.

Proposal No. 4: Entrusting the Board of Directors of the Company with the Determination of Subscription Requirements for Stock Acquisition Rights as Stock Options to Executive Officers and Employees of the Company and Its Subsidiaries

Shareholders are asked to give approval for entrusting the Board of Directors of the Company with determining the subscription requirements for stock acquisition rights, which will be issued without consideration, as stock options to Executive Officers and employees of the Company and its subsidiaries in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, as follows.

- I. Reason for the need to invite subscribers to stock acquisition rights under especially favorable conditions
The Company intends to issue stock acquisition rights as stock options to Executive Officers and employees of the Company and its subsidiaries, without consideration, as a way of motivating them and raising their morale to improve the Company’s business performance on a consolidated basis.
- II. The maximum number and the necessity of money payment therefor of the stock acquisition rights for which the subscription requirements can be determined based on the matters determined by this Annual General Meeting of Shareholders are as follows.
 1. The maximum number of the stock acquisition rights for which the subscription requirements can be determined based on the entrustment
The maximum number of the stock acquisition rights, which are described in III. below, shall be 6,000 units.
The maximum number of shares that may be allotted through the exercise of the stock acquisition rights shall be 600,000 common shares of the Company. If the number of shares allotted (hereinafter defined) is adjusted as determined in III. 1. below, the maximum limit shall be the number of shares allotted after adjustment multiplied by the maximum number of the stock acquisition rights above.
 2. No payment of money shall be required with regard to the stock acquisition rights for which the subscription requirements can be determined based on the entrustment.
- III. The nature of the stock acquisition rights for which the subscription requirements can be determined based on the matters determined by this Annual General Meeting of Shareholders is as follows.
 1. Type and number of shares to be issued upon exercise of the stock acquisition rights
The type of shares to be issued upon exercise of the stock acquisition rights shall be the Company’s common shares, and the number of shares per unit of stock options to be issued upon exercise of the stock acquisition rights (hereinafter, the “Number of Shares Allotted”) shall be 100.
Provided, however, that if a stock split (including a gratis allotment of the Company’s shares; hereinafter, the same regarding the description of a stock split) or a stock consolidation is performed by the Company after the conclusion of the meeting, the Number of Shares Allotted shall be adjusted according to the following formula, and any fractional shares arising as a result of the said adjustment shall be truncated.

$$\begin{array}{l} \text{Number of Shares} \\ \text{Allotted after} \\ \text{adjustment} \end{array} = \begin{array}{l} \text{Number of Shares} \\ \text{Allotted before} \\ \text{adjustment} \end{array} \times \begin{array}{l} \text{Stock split or} \\ \text{consolidation ratio} \end{array}$$

With regard to days to which the said Number of Shares Allotted after adjustment is applied, provisions of 3. (2) 1) shall be applied mutatis mutandis.

Furthermore, in addition to the above, in a case the Company is to engage in a merger or a company split or in cases corresponding to the case where any adjustment of the Number of Shares Allotted is required, the Company may adjust the Number of Shares Allotted to the extent reasonable.

When the Number of Shares Allotted is to be adjusted, the Company shall notify those who hold stock acquisition rights and are recorded in the registry of stock acquisition rights (hereinafter, the “Holder of Stock Acquisition Rights) of necessary matters or publicly announce such matters by the previous day of the day on which the Number of Shares Allotted after adjustment will be applied. Provided, however, that in a case where a notice cannot be given or public announcement cannot be made by the previous day of the day of the said application, the necessary matters shall be quickly notified or publicly announced afterwards.

2. The value of assets to be contributed upon exercise of the stock acquisition rights
The value of assets to be contributed upon exercise of each stock acquisition right shall be

determined by multiplying the amount to be paid for one share to be delivered upon exercise of the said stock acquisition rights (hereinafter, the “Exercise Price”) by the Number of Shares Allotted. The Exercise Price shall be equal to 1.05 times the average of closing prices of the Company’s common shares (hereinafter, the “Closing Price”) on the Tokyo Stock Exchange in regular trading on each day (excluding days on which no trading takes place) of the month preceding the month in which the day on which the stock acquisition rights are allotted (hereinafter, the “Allotment Date”) falls (with fractional amounts less than one yen being rounded up to the nearest yen), or the Closing Price on the Allotment Date (if no such Closing Price exists on that day, then the Closing Price on the most recent day on which trading took place), whichever is higher. Provided, however, that the Exercise Price shall be subject to the adjustments specified in the following 3.

3. Adjustment of the Exercise Price

(1) If the Company performs the following 1) or 2) for the Company’s common shares after the Allotment Date, the Exercise Price shall be adjusted in accordance with the formula, respectively specified below, (hereinafter, the “Exercise Price Adjustment Formula”); and fractional amounts less than one yen resulting from the adjustment shall be rounded up to the nearest yen.

1) In the event of a stock split or consolidation by the Company

$$\text{Post-adjustment Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

2) In the event of any new share issuance or treasury stock disposal below the market price by the Company (excluding cases such as the sales of treasury stock under Article 194 of the Companies Act (that is, demand for sale of shares less than one unit by shareholders who hold shares in a number less than one unit); the conversion of securities or convertible securities that may be converted into the Company’s common shares; or the exercise of stock acquisition rights (inclusive of those attached to the convertible bonds) with which issuance of the Company’s common shares can be requested)

$$\text{Post-adjustment Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of newly issued shares} \times \text{Amount be paid per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of newly issued shares}}$$

- i) average of Closing Price (including indicative price display; hereinafter, the same) on 30 trading days (excluding days on which no Closing Price exists), which commence on the 45th trading day preceding the “day on which the Post-adjustment Exercise Price is applied” (hereinafter, the “Applicable Date”), which is specified in (2) below. The “average” shall be rounded off to the first decimal place in yen.
- ii) In the Exercise Price Adjustment Formula, “Number of shares already issued” shall be equal to the total number of the Company’s issued shares on the day if there is a record date and on the day one month before the Applicable Date in other cases, less the number of shares of treasury stock owned by the Company.
- iii) In the case of the disposal of treasury stock, “Number of newly issued shares” shall be read as “Number of shares of treasury stock to be disposed.”

(2) The day on which the Post-adjustment Exercise Price is applied shall be as described below.

1) In the case where adjustment is made in accordance with (1) 1), the Post-adjustment Exercise Price shall be applied on and after the following day of the record date (the effective date in the case where the record date is not specified) of the said stock split in the event of a stock split; and on and after the effective date in the event of a stock consideration. Provided, however, that in the case of a stock split whose implementation is subject to approval of a proposal for increasing capital stock or legal capital surplus by decreasing the amount of surplus at the general meeting of shareholders of the Company, and if the record date for the stock split is set on any day before the day on which the said general meeting of shareholders ends, the Post-adjustment Exercise Price shall be applied retroactively on the following day of the said record date on and after the following day of

the day on which the said general meeting of shareholders ends.

Provided, however, that in the case of a stock split whose implementation is subject to approval of a proposal for increasing capital stock or legal capital surplus by decreasing the amount of surplus at the general meeting of shareholders of the Company, and if the record date for the stock split is set on any day before the day on which the said general meeting of shareholders ends, the Post-adjustment Exercise Price shall be applied retroactively on the following day of the said record date on and after the following day of the day on which the said general meeting of shareholders ends.

In the case specified by the above proviso, for the Holders of Stock Acquisition Rights who exercised their Stock Acquisition Rights between the following day of the record date for a stock split and the day on which the said general meeting of shareholders ended (hereinafter, the number of shares that can be allotted upon the exercise of such Stock Acquisition Rights shall be called the “Number of Shares Issued upon Exercise before Stock Split”), the number of common shares of the Company to be allotted shall be adjusted by the following formula, and any fractional shares arising as a result of the said adjustment shall be truncated.

$$\text{Number of newly issued shares} = \frac{(\text{Pre-adjustment Exercise Price} - \text{Post-adjustment Exercise Price}) \times \text{Number of Shares Issued upon Exercise before Stock Split}}{\text{Post-adjustment Exercise Price}}$$

- 2) In the case where adjustment is made in accordance with (1) 2), the Post-adjustment Exercise Price shall be applied on and after the following day of the payment date (if a payment period is set, the final day of the said payment period) for the said issuance or disposal (if a record date is set, on and after the said record date).
- (3) In addition to the cases described in (1) 1) and 2) above, in the event in which the Exercise Price needs to be adjusted such as in cases where the Company conducts a gratis allotment of other class shares to common shareholders or a distribution of dividends to common shareholders who hold shares of any other company after the Allotment Date, the Company may adjust the Exercise Price within reasonable boundaries by taking into account conditions such as those for the said allocation or dividends.
- (4) When the Exercise Price is to be adjusted, the Company shall notify the Holders of Stock Acquisition Rights of necessary matters or publicly announce such matters by the previous day of the Applicable Date. Provided, however, that in a case where a notice cannot be given or public announcement cannot be made by the previous day of the said Applicable Date, the necessary matters shall be quickly notified or publicly announced afterwards.
4. Exercise period of the stock acquisition rights
Within two years commencing two years after the Allotment Date
5. Matters concerning capital stock and legal capital surplus to be increased in the event of issuance of shares upon exercise of the stock acquisition rights
 - (1) The amount of capital stock to be increased when shares are issued upon exercise of the stock acquisition rights shall be one half of the maximum amount of capital stock, etc., to be increased, calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations of Japan, and a fraction of less than one yen arising as a result of the calculation shall be rounded up to the nearest one yen.
 - (2) The amount of legal capital surplus to be increased when shares are issued upon exercise of the stock acquisition rights shall be calculated by subtracting the amount of increase in capital stock stipulated in (1) above from the maximum amount of capital stock, etc., to be increased, as stated in (1) above.
6. Restriction on acquisition of the stock acquisition rights through transfer
Acquisition of the stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors of the Company.
7. Terms and conditions of acquisition of the stock acquisition rights
If any of the proposals (1) through (5) below is approved at a general meeting of shareholders of the Company (or if resolved by the Board of Directors of the Company if a resolution at a general meeting of shareholders is not required), the Company may acquire the Stock Acquisition Rights without consideration on the day separately determined by the Board of Directors.

- (1) a proposal for the approval of a merger agreement, under which the Company will cease to exist;
 - (2) a proposal for the approval of a company split agreement or an incorporation-type company split plan, under which the Company will become a split company;
 - (3) a proposal for the approval of a share exchange agreement or a share transfer plan, under which the Company will become a wholly owned subsidiary;
 - (4) a proposal for approval of an amendment to the Articles of Incorporation to add a provision to the effect that, as a feature of all shares the Company issues, the approval of the Company for the acquisition of the said shares through a transfer is required; or
 - (5) a proposal for approval of an amendment to the Articles of Incorporation to add a provision to the effect that, as a feature of shares to be issued upon exercise of the Stock Acquisition Rights, the approval of the Company for acquisition of the said shares through a transfer is required, or the Company shall acquire all of the said class shares by resolution at a general meeting of shareholders.
8. Policy on determining the nature of stock acquisition rights issued by the restructured company upon organizational restructuring

If the Company is to engage in a merger (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type company split or an incorporation-type company split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to become a wholly owned subsidiary) (all of which are collectively referred to as a “Restructuring Transaction”), the stock acquisition rights in the entity specified under Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (such entity shall be called hereinafter the “Restructured Company”) shall be issued to holders of the stock acquisition rights who hold the stock acquisition rights remaining in effect immediately prior to the effective date of the Restructuring Transaction (hereinafter respectively referring to the effective date of the absorption-type merger in case of an absorption-type merger, the date of formation of a new company incorporated by the merger in case of a consolidation-type merger, the effective date of the absorption-type company split in case of an absorption-type company split, the date of formation of a new company in case of an incorporation-type company split, the effective date of the share exchange in case of a share exchange and the date of the formation of a wholly owning parent company in case of a share transfer) (such rights shall be called hereinafter the “Remaining Stock Acquisition Rights”). Provided, however, that the granting of such rights shall be subject to provisions of issuing the stock acquisition rights of the Restructured Company in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan in accordance with the respective following conditions.

- (1) The number of the stock acquisition rights of the Restructured Company to be issued
The same number of the stock acquisition rights as the number of the Remaining Stock Acquisition Rights held by respective holders of the stock acquisition rights shall be issued.
- (2) The class of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights
The class of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights shall be the common shares of the Restructured Company.
- (3) The number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights
The number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights shall be determined in accordance with the provisions in 1. above, taking into account the conditions and other factors concerning the Restructuring Transaction.
- (4) The value of assets to be contributed upon exercise of the stock acquisition rights
The value of assets to be contributed upon exercise of each stock acquisition right to be issued shall be the amount obtained by multiplying the Exercise Price after restructuring, which is obtained through adjustment of the Exercise Price as determined in 2. above taking into account the conditions for the Restructuring Transaction, by the number of shares of the Restructured Company to be issued upon exercise of the said stock acquisition rights, which is determined in accordance with (3) above.
- (5) Exercise period of the stock acquisition rights
The exercise period of the stock acquisition rights shall begin on the date of commencement of the exercise period stipulated in 4. above or the effective date of the Restructuring Transaction, whichever is later, and end on the closing date of the exercise of the said stock acquisition rights

- as determined in accordance with 4. above.
- (6) Matters concerning capital stock and legal capital surplus to be increased in the event of the issuance of shares upon exercise of the stock acquisition rights
They shall be determined in accordance with 5. above.
 - (7) Restriction on acquisition of the stock acquisition rights through transfer
Acquisition of the stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors of the Restructured Company.
 - (8) Terms and conditions of acquisition of the stock acquisition rights They shall be determined in accordance with 7. above.
 - (9) Other conditions for the exercise of the stock acquisition rights They shall be determined in accordance with 10. below.
9. Treatment of fractional shares arising upon exercise of the stock acquisition rights
A fractional portion of less than one share in the number of shares delivered to the holders of the stock acquisition rights shall be truncated upon exercise of the stock acquisition rights.
10. Other conditions for the exercise of the stock acquisition rights
Should any holder of the stock acquisition rights forfeit his/her stock acquisition rights, the said stock acquisition rights cannot be exercised.

Business Report

(May 16, 2021 - May 15, 2022)

1. Overview of the Company Group

(1) Business Progress and Results

1) Overview of business

In the fiscal year under review (May 16, 2021 to May 15, 2022), the Japanese economy saw consumer sentiment remain sluggish due to a decrease in personal income and an increase in commodity prices amid the persistent impact of COVID-19.

In the drugstore sector, the importance of medium- to long-term growth strategy was increasing as there is competition to open new stores while corporate consolidation and realignment were conducted, and companies strove to capture customer needs and escape from homogenization.

Against this backdrop, TSURUHA Group (the “Group”) worked on improving customer service taking customer feedback into account, as well as strengthening the incorporation of stay-at-home consumption needs and improving convenience such as the introduction of meat and fresh produce, 100-yen stores, and promotion of dispensing pharmacies which are attached to drugstores.

In addition, as part of its DX strategy, the Group strove to expand registered users of its smartphone apps and utilizing customer data for promotion. As for private brands, the Group expand the private brand business by launching two new brands – Kurashi Rhythm and Kurashi Rhythm Medical.

In store openings, the Group opened 159 new stores and closed 57 stores since the beginning of the fiscal year under review by targeting regional stores based on our dominant strategy and implementing scrap-and-build of existing stores. This resulted in a total of 2,522 directly managed stores as of the end of the fiscal year under review. In Thailand, the Group opened one new store and closed six stores, resulting in a total of 17 stores in Thailand as of May 15, 2022.

Store openings and closures of the Group are as follows:

	End of previous fiscal year	Openings	Closures	Net change	End of current fiscal year	Of which dispensing pharmacies
Hokkaido	414	16	8	8	422	111
Tohoku	533	40	3	37	570	117
Kanto, Koshinetsu	493	37	10	27	520	198
Chubu, Kansai	237	18	8	10	247	135
Chugoku	315	20	9	11	326	109
Shikoku	212	14	6	8	220	63
Kyushu, Okinawa	216	14	13	1	217	29
Total for Japan	2,420	159	57	102	2,522	762

(Number of stores)
(Others: 17 overseas stores and 5 franchise stores)

As a result of the above, for the fiscal year under review, TSURUHA Holdings reported net sales of ¥915,700 million (down 0.4% year on year), operating income of ¥40,568 million (down 16.1%), ordinary income of ¥40,052 million (down 16.0%), and net income attributable to owners of the parent of ¥21,388 million (down 18.6%). One of the main reasons for this is the lower level of net sales of existing stores and number of visiting customers due to the reactionary decline of stay-at-home demand in the previous fiscal year and weak sales of seasonal products. In addition, implementation of the review of inventory valuation for goods designed to prevent COVID-19 such as disinfectants, increasing utilities costs due to the increase in oil price, and increasing payment fees due to increasing cashless payments are also the main reasons.

Status by product category is as follows:

Pharmaceuticals

Net sales were ¥201,259 million, up 3.9% year on year due mainly to the growth of dispensing remuneration resulting from the new opening of 94 dispensing pharmacies despite weak sales of OTC drugs associated with the deteriorating market of cold medicines and other seasonal products.

Cosmetics

Net sales were ¥130,328 million, down 2.3% year on year due mainly to the persistent impact of the spread of COVID-19 toward advice-based sales of cosmetics.

Misc. daily necessities

Net sales were ¥249,129 million, down 4.3% year on year mainly because there was a pause in the increase in demand which was due to the spread of COVID-19 since the previous fiscal year.

Foods

Net sales were ¥220,346 million, up 3.5% year on year due mainly to continuation of stay-at-home demand caused by the prolonged spread of COVID-19, in addition to increasing the lineup of food products including meat and fresh produce through renovations of existing stores.

Other

Net sales were ¥110,526 million, down 4.1% year on year due mainly to a reactionary decline of stay-at-home demand for medical supplies including masks, which had increased in the previous fiscal year.

Results of net sales by products

Item		Year ended May 15, 2022 (May 16, 2021 - May 15, 2022)		
		Amount (Millions of yen)	Share (%)	Year-on-year (%)
Products	Pharmaceuticals	201,259	22.0	103.9
	Cosmetics	130,328	14.2	97.7
	Misc. daily necessities	249,129	27.2	95.7
	Foods	220,346	24.1	103.5
	Other	110,526	12.1	95.9
Subtotal		911,590	99.6	99.6
Real estate rent		1,184	0.1	117.7
Commission income, etc.		2,925	0.3	102.8
Total		915,700	100.0	99.6

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

2) Capital expenditure

The total amount of capital expenditure was ¥31,818 million for the fiscal year under review, mainly consisting of investment in store facilities such as guarantee deposits associated with openings of 159 new stores and renovations.

(New openings)

Number of opened stores by prefecture			
Hokkaido	16 stores	Aichi	5 stores
Aomori	2 stores	Kyoto	1 store
Iwate	10 stores	Osaka	3 stores
Miyagi	9 stores	Hyogo	1 store
Akita	5 stores	Wakayama	3 stores
Yamagata	5 stores	Tottori	5 stores
Fukushima	9 stores	Shimane	2 stores
Ibaraki	1 store	Hiroshima	7 stores
Tochigi	7 stores	Yamaguchi	6 stores
Chiba	4 stores	Tokushima	1 store
Tokyo	7 stores	Ehime	9 stores
Kanagawa	4 stores	Kochi	4 stores
Niigata	8 stores	Fukuoka	12 stores
Yamanashi	2 stores	Kagoshima	1 store
Nagano	4 stores	Okinawa	1 store
Shizuoka	5 stores	Total	159 stores

(Closures)

Number of closed stores by prefecture			
Hokkaido	8 stores	Okayama	1 store
Iwate	1 store	Hiroshima	5 stores
Miyagi	2 stores	Yamaguchi	1 store
Chiba	4 stores	Ehime	2 stores
Tokyo	5 stores	Kochi	4 stores
Nagano	1 store	Fukuoka	7 stores
Aichi	3 stores	Kumamoto	3 stores
Osaka	3 stores	Oita	1 store
Wakayama	2 stores	Kagoshima	1 store
Tottori	2 stores	Okinawa	1 store
		Total	57 stores

- 3) **Financing**
The Group borrowed money from banks to raise funds in the fiscal year under review. The details of the borrowings are stated on page 27, (8) 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) Trends in assets and income

Category	The 57 th fiscal term (Year ended May 15, 2019)	The 58 th fiscal term (Year ended May 15, 2020)	The 59 th fiscal term (Year ended May 15, 2021)	The 60 th fiscal term (fiscal year under review) (Year ended May 15, 2022)
Net sales	¥782,447 million	¥841,036 million	¥919,303 million	¥ 915,700 million
Ordinary income	¥43,313 million	¥46,298 million	¥47,688 million	¥ 40,052 million
Net income attributable to owners of the parent	¥24,824 million	¥27,899 million	¥26,283 million	¥ 21,388 million
Net income per share	¥513.84	¥576.85	¥542.04	¥440.59
Total assets	¥372,293 million	¥414,002 million	¥537,027 million	¥ 562,363 million
Net assets	¥220,214 million	¥250,934 million	¥276,528 million	¥ 284,046 million
Net assets per share	¥4,238.15	¥4,821.26	¥5,210.88	¥5,314.48

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards since the fiscal year under review. The figures of assets and income above are those after the application of those accounting standards.

(3) Status of Significant Parent Companies and Subsidiaries

1) Relationship with parent company
The Company has no applicable parent company.

2) Material subsidiaries

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

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

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

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

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

(4) Issues to be addressed

The outlook for the future economy is likely to remain uncertain as the consumer lifestyles are significantly changing due to the spread of COVID-19, and energy prices and all kinds of commodity prices are increasing. In the drugstore sector, the operating environment is likely to remain challenging due to continuously

intensifying competition to open stores. Besides, consumer spikes in demand for e-commerce, and oligopoly of industry leaders, etc., will accelerate.

Against this backdrop, customers, guided by its business philosophy of “making life better for our customers,” the Group will work to act as a lifeline that protects consumers’ lives in the local community and help to realize health and beauty life, moreover, we will provide opportunities for living, employment, and economic activity for them.

Priority policies for fiscal year ending May 15, 2023 are as follows:

- 1) Store development strategy focused on profitability
Promoting the dominant strategy in the locations where we already operate stores. Also, improving profitability through achieving profitability as early as possible and strengthening the key performance indicator (KPI) management in opening new stores in the payback period, etc., and opening stores with higher quality. At existing stores, aiming to improve profitability through introducing new products and keep implementing scrap-and-build. At the same time, continuing to expand business to new regions through M&As and other methods.
- 2) Promoting new openings of dispensing pharmacies and enhancement
Promoting new openings of mainly dispensing pharmacies attached to existing stores. Improving the environment including the system aspect in order to strengthen cooperation with drugstores which dispensing pharmacies are attached to, and improve therapeutic efficacy and infection prevention through health support.
- 3) Improving corporate value and strengthening competitive power through private brand products
Working on joint development with leading manufacturers, accelerating development of private brand food products, and conducting development of health-conscious and value-added goods, in order to develop superior products leading the TSURUHA Group and improvement of brands by promoting development and sales of products “Kurashi Rhythm” and “Kurashi Rhythm Medical.”
- 4) Promoting digital strategies and strengthening the information technology (IT) platform
Working on marketing initiatives to increase customer satisfaction and acquire new customers through the customer data platform, utilizing the largest store network in the drugstore industry.
Besides, strengthening the IT platform which will become the basis for various business management including these strategies, and establishing a system which can quickly respond to business environmental change.
- 5) Improving business efficiency through the establishment of the performance management system
Strengthening the performance management system by reducing selling and administrative expenses and improving accuracy of budgeting. Improving business efficiency of the Group through, for example, controlling expenses in each store such as personnel expenses and utility costs, etc., minimizing increases in costs accompanying business expansion such as new openings, etc., and developing digital tools that make store operations efficient.
- 6) Promoting sustainability
Providing further contribution to local communities through promotion of the drugstore and dispensing pharmacy businesses while working to create a sustainable society as upheld in the sustainable development goals (SDGs) and at the same time, further improving the corporate governance system to enhance long-term corporate value.

The Group plans to achieve 2,603 stores as of the end of the fiscal year ending May 15, 2023, by opening 151 stores and closing 70 stores. Furthermore, in order to achieve “2,750 stores in the fiscal year ending May 15, 2025” and “net sales of ¥1.06 trillion,” as well as to maintain its high growth potential, the Company intends to focus on maximization of corporate value of the Group while carrying out capital and business alliances with companies which support the Company’s policy in addition to M&As.

(5) Principal Business (as of May 15, 2022)

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

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

(6) Principal offices (as of May 15, 2022)

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

The number of stores of the Group is as follows:

Directly operated stores 2,522 (Others: 17 overseas stores and 5 franchise stores)

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

Number of stores by prefecture			
Hokkaido	422 stores	Osaka	24 stores
Aomori	60 stores	Hyogo	16 stores
Iwate	76 stores	Wakayama	20 stores
Miyagi	146 stores	Tottori	39 stores
Akita	78 stores	Shimane	52 stores
Yamagata	93 stores	Okayama	11 stores
Fukushima	117 stores	Hiroshima	178 stores
Ibaraki	51 stores	Yamaguchi	46 stores
Tochigi	34 stores	Tokushima	23 stores
Saitama	8 stores	Kagawa	50 stores
Chiba	144 stores	Ehime	115 stores
Tokyo	159 stores	Kochi	32 stores
Kanagawa	42 stores	Fukuoka	95 stores
Niigata	35 stores	Saga	6 stores
Yamanashi	31 stores	Nagasaki	5 stores
Nagano	16 stores	Kumamoto	11 stores
Shizuoka	92 stores	Oita	8 stores
Aichi	81 stores	Miyazaki	11 stores
Shiga	7 stores	Kagoshima	42 stores
Kyoto	7 stores	Okinawa	39 stores
		Total	2,522 stores

(7) Employees (as of May 15, 2022)

1) Status of the Group

Category	Number of employees	Increase from previous fiscal year-end	Average age	Average length of service
Male	5,526	127	37 years and 6 months	10 years and 9 months
Female	5,653	230	32 years and 3 months	7 years and 1 month
Total or average	11,179	357	34 years and 10 months	8 years and 11 months

Note: The number of employees above includes 10 employees seconded from the Company to companies outside the Company and excludes 522 fixed-term employees as well as part-time employees. The annual average number of part-time employees is 19,857 (converted based on eight hours a day per person).

2) Status of the Company

Category	Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average length of service
Male	167	(28)	46 years and 1 month	17 years and 4 months
Female	39	(46)	44 years and 2 months	18 years and 9 months
Total or average	206	(74)	45 years and 9 months	17 years and 7 months

Notes: 1. The number of employees above excludes fixed-term employees and part-time employees. The annual average number of part-time employees is one (converted based on eight hours a day per person) and that of fixed-term employees is 15.

2. The number of employees above includes 138 employees seconded from the Group.

(8) Major Lenders (as of May 15, 2022)

Name of lender	Borrowing amount
Sumitomo Mitsui Banking Corporation	¥20,000 million
MUFG Bank, Ltd.	¥18,000 million
Sumitomo Mitsui Trust Bank, Limited	¥8,675 million

(9) Other Important Information Concerning the Company Group

Not applicable.

2. Matters Concerning the Status of the Company

(1) Status of Shares

- | | |
|---|--------------------|
| 1) Total number of shares authorized to be issued | 152,000,000 shares |
| 2) Total number of shares issued and outstanding | 49,439,968 shares |
| 3) Number of shareholders | 27,569 persons |
| 4) Major shareholders (top 10 shareholders) | |

Shareholder name	Number of shares (Thousand shares)	Shareholding ratio
AEON CO., LTD.	6,313	13.00%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,093	12.55%
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	3,066	6.31%
Custody Bank of Japan, Ltd. (Trust Account)	1,556	3.20%
Tatsuru Tsuruha	1,411	2.91%
SMBC Nikko Securities Inc.	1,324	2.73%
STATE STREET BANK WEST CLIENT – TREATY 505234	1,010	2.08%
Hiroko Tsuruha	977	2.01%
Akiko Tsuruha	951	1.96%
Hajime Tsuruha	765	1.58%

Note: The shareholding ratio is calculated after excluding treasury shares (886,655 shares) held by the Company.

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

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

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

Category	Number of shares	Number of eligible officers
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	2,900 shares	5 persons
Outside Directors (excluding Audit and Supervisory Committee Members)	- shares	- persons
Directors (Audit and Supervisory Committee Members)	- shares	- persons
Corporate Auditors	- shares	- persons

(2) Company Officers

1) Directors

a) Directors

Position	Name	Assignments and significant concurrent positions
Chairman	Tatsuru Tsuruha	Chairman of TSURUHA CO., LTD.
President & Representative Director	Jun Tsuruha	Vice Chairman & Representative Director of TSURUHA CO., LTD.
Director	Hisaya Ogawa	President & Representative Director of kusurino FUKUTARO 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	Fumiyo Fujii	Full-time Audit & Supervisory Board Member of North Pacific Securities Co., 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

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

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.

b) Executive Officers

Position	Name	Assignments
President & Chief Executive Officer	*Jun Tsuruha	
Executive Officer	*Hisaya Ogawa	Responsible for kusurino FUKUTARO CO., LTD. and M&A
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
Executive Officer	Makoto Murakami	Responsible for Group Administration
Executive Officer	Yoshihiro Kobashi	Responsible for Group Management Strategy and Group Information Systems
Executive Officer	Akio Shiraishi	Responsible for Lady Drug Store Co., Ltd.
Executive Officer	Naotaka Kokawaji	Responsible for Kyorindo Co., Ltd.
Executive Officer	Akiko Kamijo	Responsible for B&D Co., Ltd.
Executive Officer	Tsuyoshi Hanzawa	Responsible for Drug Eleven Co., Ltd.
Executive Officer	Yasuyuki Arima	Responsible for Group Product

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

2. Mr. Noriyuki Eguchi and Mr. Shinji Hatai stepped down as Executive Officer on May 15, 2022.

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 non-executive Directors, to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages pursuant to the agreement shall be the amount stipulated by laws and regulations.

3) Summary of the directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract with an insurance company with Directors, Corporate Auditors and Executive Officers of the Company and its consolidated subsidiaries as the insured persons, in accordance with Article 430-3, Paragraph 1 of the Companies Act. The contract shall cover any damages and litigation costs incurred by an insured person due to a claim for damages arising from an act (including an omission) committed by the insured person in his or her capacity as an officer of the Company, etc. However, damage, etc. arising from intent or gross negligence shall not be covered so as to ensure the appropriateness of the execution of duties by officers. 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, the 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.	Shares 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.	Shares 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 59th 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 46th Ordinary General Meeting of Shareholders held on August 12, 2008. The number of Directors at the time of conclusion of said Ordinary General Meeting of Shareholders was eight (including two Outside Directors).

In addition, remuneration for monetary remuneration claims for granting restricted shares 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 59th 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 59th 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 and Corporate Auditors

Officer category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Restricted shares	
Directors (excluding Audit and Supervisory Committee Members) (of which Outside Directors)	235 (9)	98 (9)	117 (0)	19 (-)	6 (3)
Directors (Audit and Supervisory Committee Members) (of which Outside Directors)	45 (14)	45 (14)	- (-)	- (-)	3 (2)
Corporate Auditors (of which, Outside Corporate Auditors)	8 (4)	8 (4)	- (-)	- (-)	3 (2)

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

2. The amount of remuneration, etc. for Directors includes the amount paid for two retired Directors.

3. The amount of remuneration, etc. paid by consolidated subsidiaries to three of the six Directors (excluding Directors who are Audit and Supervisory Committee Members) and three retired

Directors was ¥185 million from. No Outside Directors received such remuneration.

4. Indicators for the above performance-linked remuneration, etc. are “operating income and net income” of the consolidated results and results for the relevant fiscal year are stated on page 38 “Consolidated Statements of Income.”
5. Regarding remuneration amounts for each person, President & Representative Director Jun Tsuruha, to whom authority has been delegated based on a resolution of the Board of Directors, determines the amount of basic remuneration for Directors and the amount of bonus distribution for each Director based on the payment criteria. The reason for delegation of such authority is that the Company believes that the Representative Director is suitable to evaluate divisions to which each Director was assigned while considering the Company’s results.
6. The particulars of remuneration, etc., for each person for the relevant fiscal year were deliberated at the 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 Mr. Fumiyo Fujii

He is a Full-time Audit & Supervisory Board Member of North Pacific Securities Co., Ltd. There are no special relationships between the Company and North Pacific Securities Co., Ltd.

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

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

b) Outside Director (Audit and Supervisory Committee Member) Ms. Harumi Sato

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

She attended all 13 meetings of the Board of Directors held during the fiscal year under review. 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 10 meetings of the Audit and Supervisory Committee and contributed to the auditing of the Directors’ performance of their duties.

The Company has registered her 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) Mr. Takuya Okazaki

He is the Representative of Okazaki Takuya Law Offices. There are no special relationships between the Company and Okazaki Takuya Law Offices.

He attended all 10 meetings of the Board of Directors after taking office as a Director of the Company 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 10 meetings of the Audit and Supervisory Committee and contributed to the auditing of the Directors’ performance of their duties.

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

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

(3) Status of Accounting Auditor

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

	Payment amount
• Amount of remuneration, etc. for Accounting Auditor for the fiscal year under review	¥47.5 million
• Total amount of money and other property interests payable to Accounting Auditor by the Company and its subsidiaries	¥201.5 million

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

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

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

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

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

4) Description of non-Audit services

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

5) Summary of the agreement on limitation of liability

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

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

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

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

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

For the fiscal year under review, the Company has decided to pay a year-end dividend of ¥83.50 per share as initially planned based on the business results. Together with the interim dividend of ¥83.50 per share already paid on January 7, 2022, the full-year dividend is ¥167 per share.

Consolidated Balance Sheets

(As of May 15, 2022)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets		Current liabilities	
Cash and deposits	127,026	Accounts payable – trade	155,660
Accounts receivable – trade	49,155	Current portion of long-term loans payable	7,200
Merchandise	132,314	Accounts payable – other	20,347
Raw materials and supplies	121	Lease obligations	551
Short-term loans receivable	1	Income taxes payable	5,278
Other	19,895	Contract liabilities	10,418
Total current assets	328,514	Provision for bonuses	5,996
Non-current assets		Provision for directors' bonuses	680
Property, plant and equipment		Provision for point card certificates	291
Buildings and structures	52,948	Other	7,188
Machinery, equipment and vehicles	0	Total current liabilities	213,613
Tools, furniture and fixtures	14,702	Non-current liabilities	
Land	14,435	Long-term loans payable	39,475
Leased assets	7,098	Lease obligations	8,294
Construction in progress	2,113	Deferred tax liabilities	5,204
Total property, plant and equipment	91,299	Net defined benefit liability	4,119
Intangible assets		Asset retirement obligations	3,847
Goodwill	34,281	Other	3,763
Software	2,494	Total non-current liabilities	64,704
Telephone subscription right	104	Total liabilities	278,317
Other	1,145	Net assets	
Total intangible assets	38,025	Description	Amount
Investments and other assets		Shareholders' equity	
Investment securities	26,723	Capital stock	11,322
Long-term loans receivable	9	Capital surplus	29,375
Deferred tax assets	6,647	Retained earnings	205,714
Guarantee deposits	65,481	Treasury shares	(5,312)
Other	5,723	Total shareholders' equity	241,098
Allowance for doubtful accounts	(62)	Accumulated other comprehensive income	
Total investments and other assets	104,523	Valuation difference on available-for-sale securities	16,988
Total non-current assets	233,849	Remeasurements of defined benefit plans	(52)
		Total accumulated other comprehensive income	16,936
		Subscription rights to shares	2,269
		Non-controlling interests	23,740
		Total net assets	284,046
Total assets	562,363	Total liabilities and net assets	562,363

Consolidated Statements of Income

(May 16, 2021 – May 15, 2022)

(Millions of yen)

Description	Amount	
Net Sales		915,700
Cost of sales		644,217
Gross profit		271,483
Selling, general and administrative expenses		230,914
Operating Income		40,568
Non-operating income		
Interest income	130	
Dividend income	257	
Gain on donation of equipment	765	
Rent income	229	
Compensation income	206	
Insurance income	98	
Other	692	2,380
Non-operating expenses		
Interest expenses	802	
Closed store related expenses	706	
Early withdrawal penalty	1,029	
Other	357	2,896
Ordinary Income		40,052
Extraordinary income		
Gain on sales of non-current assets	58	
Subsidy income	68	127
Extraordinary losses		
Loss on retirement of non-current assets	159	
Loss on sales of non-current assets	28	
Impairment loss	2,196	
Loss related to infectious disease	35	
Loss on termination of retirement benefit plan	114	2,534
Income before income taxes		37,645
Income taxes – current	13,024	
Income taxes – deferred	210	13,234
Net income		24,411
Net income attributable to non-controlling interests		3,022
Net income attributable to owners of the parent		21,388

Non-Consolidated Balance Sheets

(As of May 15, 2022)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets		Current liabilities	
Cash and deposits	45,969	Current portion of long-term loans payable	6,000
Accounts receivable – trade	1,337	Accounts payable – other	1,769
Supplies	4	Accrued expenses	4
Short-term loans receivable from subsidiaries and affiliates	207	Income taxes payable	104
Income taxes receivable	2,503	Deposits received	9
Other	470	Provision for bonuses	61
Allowance for doubtful accounts	(207)	Provision for directors' bonuses	199
Total current assets	50,284	Other	57
Non-current assets		Total current liabilities	8,205
Property, plant and equipment		Non-current liabilities	
Buildings	1	Long-term loans payable	32,000
Tools, furniture and fixtures	66	Guarantee deposits received	8
Total property, plant and equipment	68	Other	6
Intangible assets		Total non-current liabilities	32,014
Telephone subscription right	0	Total liabilities	40,220
Software	1,891	Net assets	
Software in progress	321	Description	Amount
Total intangible assets	2,212	Shareholders' equity	
Investments and other assets		Capital stock	11,322
Shares of subsidiaries and affiliates	117,441	Capital surplus	
Deferred tax assets	52	Legal capital surplus	44,606
Other	301	Other capital surplus	2,452
Total investments and other assets	117,794	Total capital surplus	47,058
Total non-current assets	120,075	Retained earnings	
		Legal retained earnings	15
		Other retained earnings	74,787
		General reserve	861
		Retained earnings brought forward	73,926
		Total retained earnings	74,802
		Treasury shares	(5,313)
		Total shareholders' equity	127,870
		Subscription rights to shares	2,269
		Total net assets	130,140
Total assets	170,360	Total liabilities and net assets	170,360

Non-Consolidated Statements of Income

(May 16, 2021 – May 15, 2022)

(Millions of yen)

Description	Amount	
Operating revenue		20,158
Operating expenses		6,618
Operating Income		13,539
Non-operating income		
Interest income	0	
Dividend income	1	
Other	9	11
Non-operating expenses		
Interest expenses	48	
Provision of allowance for doubtful accounts	62	
Other	73	184
Ordinary Income		13,366
Income before income taxes		13,366
Income taxes – current	294	
Income taxes – deferred	(5)	289
Net income		13,077

Independent Auditor's Report

July 4, 2022

To the Board of Directors
TSURUHA HOLDINGS INC.

KPMG AZSA LLC
Sapporo Office

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

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, the consolidated statements of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of TSURUHA HOLDINGS INC. (the "Company") for the fiscal year from May 16, 2021 through May 15, 2022.

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

Basis for the Opinion

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

Other Information

The other information consists of the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. The Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors related to designing and operation of the financial reporting process of the other information.

The other information does not fall under the scope of our opinion on the consolidated financial statements, and we express no opinion on the other information.

Our responsibility for the audit of the consolidated financial statements is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the consolidated financial statements or the knowledge we obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on our audit, we determine that there are material errors in the other information, we are required to report that fact.

We have nothing to report with respect to the other information.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

Interest

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

Independent Auditor's Report

July 4, 2022

To the Board of Directors
TSURUHA HOLDINGS INC.

KPMG AZSA LLC
Sapporo Office

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

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statement of changes in equity and the related notes, and the accompanying supplementary schedules of TSURUHA HOLDINGS INC. (the "Company") for the 60th fiscal year from May 16, 2021 through May 15, 2022.

In our opinion, the non-consolidated financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of May 15, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

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

Other Information

The other information consists of the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. The Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors related to designing and operation of the financial reporting process of the other information.

The other information does not fall under the scope of our opinion on the non-consolidated financial statements, and we express no opinion on the other information.

Our responsibility for the audit of the non-consolidated financial statements is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the non-consolidated financial statements or the knowledge we obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on our audit, we determine that there are material errors in the other information, we are required to report that fact.

We have nothing to report with respect to the other information.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-Consolidated Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in

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

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

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

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

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

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

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

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

Interest

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

Audit Report

The Audit and Supervisory Committee audited the execution of duties by Directors for the 60th fiscal year from May 16, 2021 to May 15, 2022. The committee hereby reports the method and results of the audits as follows.

1. Methods and Descriptions of Audits

The Audit and Supervisory Committee periodically received reports from Directors and employees and other personnel on the contents of resolutions by the Board of Directors regarding the matters set forth in Article 399-13, Item 1 of Paragraph 1 (b) and (c) of the Companies Act and the status of the establishment and operation of the systems developed based on the said resolutions (internal control systems). Besides, the Audit and Supervisory Committee requested explanations as necessary, expressed its opinions and conducted audits by the following methods.

- (1) The Audit and Supervisory Committee, in accordance with the auditing policies, allocation of duties, and other matters established by the Audit and Supervisory Committee, in cooperation with the internal audit division and the internal control division, attended important meetings, received reports from Directors, employees, and other personnel on the matters regarding execution of their duties, requested explanations as necessary, reviewed important approval documents and other materials, and studied the status of operations and assets at the head office and principal offices. In addition, with regard to subsidiaries, The Audit and Supervisory Committee worked to communicate and exchange information with Directors, Corporate Auditors, and other personnel of subsidiaries, and received reports from subsidiaries on their businesses as necessary.
- (2) The Audit and Supervisory Committee monitored and verified whether the Accounting Auditor is maintaining an independent position and conducting proper audits. In addition, the Audit and Supervisory Committee received reports from the Accounting Auditor on the status of execution of its duties, and requested explanations as necessary. Furthermore, the Audit and Supervisory Committee was notified by the Accounting Auditor that it has developed “systems for ensuring that the performance of the duties is being carried out correctly” (matters stipulated in each item of Article 131 of the Regulation on Corporate Accounting) in accordance with the “Quality Control Standard for Audit” (October 28, 2005, Business Accounting Council) and other standards, and requested explanations as necessary.

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

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

July 5, 2022

The Audit and Supervisory Committee, TSURUHA HOLDINGS INC.

Standing Audit and Supervisory Committee Member	Masahiro Ofune
Audit and Supervisory Committee Member	Harumi Sato
Audit and Supervisory Committee Member	Takuya Okazaki

Notes: 1. Audit and Supervisory Committee Members Ms. Harumi Sato and Mr. Takuya Okazaki are Outside Directors set forth in Articles 2-15 and 331-6 of the Companies Act.

2. The Company transitioned to a Company with an Audit and Supervisory Committee from a Company with a Board of Corporate Auditors on August 10, 2021 by the resolution of the 59th Ordinary General Meeting of Shareholders held on the same date, so the status for the period from May 16, 2021 to the conclusion of the same Ordinary General Meeting of Shareholders was audited based on the record that the Audit and Supervisory Committee had taken over from the defunct Board of Corporate Auditors.

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