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INFORMATION DISCLOSURE ON THE INTERNET REGARDING THE NOTICE OF THE 60th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Matters Concerning Subscription Rights to Shares, etc.

System to Ensure Proper Business Execution and its Operational Status

Consolidated Statement of Changes in Equity

Notes to the Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to the Non-Consolidated Financial Statements

(May 16, 2021 – May 15, 2022)

TSURUHA HOLDINGS INC.

"Matters Concerning Subscription Rights to Shares, etc.," "System to Ensure Proper Business Execution and its Operational Status," "Consolidated Statement of Changes in Equity," "Notes to the Consolidated Financial Statements," "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" have been provided to shareholders on the Company's website on the Internet, pursuant to the provisions of laws and regulations as well as Article 14 of the Articles of Incorporation.

Matters Concerning Subscription Rights to Shares, etc.

1) Status of subscription rights to shares, etc. held by the Company's officers as of the end of the fiscal year under review

Issue number (stock compensation-type stock options)	Number of subscription rights to shares (200 shares per subscription right to shares)	Number of shares subject to subscription rights to shares	Paid-in amount for subscription rights to shares	Exercise value	Exercise period	Status of holding by the Company's officers			
						Category	Number of subscription rights to shares	Number of shares subject to subscription rights to shares	Number of holders
2008 subscription rights to shares	86	17,200	Gratis	¥1	From September 26, 2008 to September 25, 2028	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	14	2,800	2
						Outside Directors	—	—	—
						Directors (Audit and Supervisory Committee Members)	7	1,400	1
2009 subscription rights to shares	108	21,600	Gratis	¥1	From September 26, 2009 to September 25, 2029	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	16	3,200	2
						Outside Directors	—	—	—
						Directors (Audit and Supervisory Committee Members)	8	1,600	1
2010 subscription rights to shares	120	24,000	Gratis	¥1	From September 28, 2010 to September 27, 2030	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	18	3,600	2
						Outside Directors	—	—	—
						Directors (Audit and Supervisory Committee Members)	9	1,800	1
2011 subscription rights to shares	129	25,800	Gratis	¥1	From September 28, 2011 to September 27, 2031	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	18	3,600	2
						Outside Directors	—	—	—
						Directors (Audit and Supervisory Committee Members)	9	1,800	1
2012 subscription rights to shares	124	24,800	Gratis	¥1	From September 28, 2012 to September 27, 2032	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	18	3,600	2
						Outside Directors	—	—	—
						Directors (Audit and Supervisory Committee Members)	8	1,600	1
2013 subscription rights to shares	60	12,000	Gratis	¥1	From September 28, 2013 to September 27, 2033	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	9	1,800	2
						Outside Directors	—	—	—
						Directors (Audit and Supervisory Committee Members)	4	800	1

<table>
<tr><th rowspan="2">Issue number (stock compensation-type stock options)</th><th rowspan="2">Number of subscription rights to shares (200 shares per subscription right to shares)</th><th rowspan="2">Number of shares subject to subscription rights to shares</th><th rowspan="2">Paid-in amount for subscription rights to shares</th><th rowspan="2">Exercise value</th><th rowspan="2">Exercise period</th><th colspan="4">Status of holding by the Company’s officers</th></tr>
<tr><th>Category</th><th>Number of subscription rights to shares</th><th>Number of shares subject to subscription rights to shares</th><th>Number of holders</th></tr>
<tr><td rowspan="3">2014 subscription rights to shares</td><td rowspan="3">53</td><td rowspan="3">10,600</td><td rowspan="3">Gratis</td><td rowspan="3">¥1</td><td rowspan="3">From September 28, 2014 to September 27, 2034</td><td>Directors (excluding Audit and Supervisory Committee Members and Outside Directors)</td><td>7</td><td>1,400</td><td>2</td></tr>
<tr><td>Outside Directors</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Directors (Audit and Supervisory Committee Members)</td><td>3</td><td>600</td><td>1</td></tr>
<tr><td rowspan="3">2015 subscription rights to shares</td><td rowspan="3">34</td><td rowspan="3">6,800</td><td rowspan="3">Gratis</td><td rowspan="3">¥1</td><td rowspan="3">From September 29, 2015 to September 28, 2035</td><td>Directors (excluding Audit and Supervisory Committee Members and Outside Directors)</td><td>3</td><td>600</td><td>1</td></tr>
<tr><td>Outside Directors</td><td>1</td><td>200</td><td>1</td></tr>
<tr><td>Directors (Audit and Supervisory Committee Members)</td><td>2</td><td>400</td><td>1</td></tr>
<tr><td rowspan="3">2016 subscription rights to shares</td><td rowspan="3">37</td><td rowspan="3">7,400</td><td rowspan="3">Gratis</td><td rowspan="3">¥1</td><td rowspan="3">From September 27, 2016 to September 26, 2036</td><td>Directors (excluding Audit and Supervisory Committee Members and Outside Directors)</td><td>3</td><td>600</td><td>1</td></tr>
<tr><td>Outside Directors</td><td>1</td><td>200</td><td>1</td></tr>
<tr><td>Directors (Audit and Supervisory Committee Members)</td><td>1</td><td>200</td><td>1</td></tr>
</table>

Note: Shares held by Directors (Audit and Supervisory Committee Members) were granted to them when they held the position of Director of the Company.
Shares held by Outside Directors were granted to them when they held the position of Corporate Auditor of the Company.

2) Status of subscription rights to shares, etc. granted to employees, etc. during the fiscal year under review
Not applicable.

3) Other important matters concerning subscription rights to share, etc.
Not applicable.

System to Ensure Proper Business Execution and its Operational Status

The Company has resolved basic policies for establishing an internal control system at its Board of Directors meeting. Under these basic policies, the Company developed and operates a structure to ensure proper execution of business, and will promote continual improvement by reviewing its status on an ongoing basis, aiming to establish a more efficient internal control system.

1) System to ensure that Directors and employees of the Company and its subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation
   a) The Company has established and disseminated the “Rules on Administrative Authority” and the “Segregation of Duties and Authority” which clarify the scope of administrative authority for Directors and employees of the Company and its subsidiaries, and is working to establish a system where their execution of duties is in compliance with laws and regulations and the Articles of Incorporation.
   b) The Company has established and disseminated the “Compliance Regulations,” and is working to establish a system for compliance with laws and regulations (including administrative notices and guidelines, etc.), internal rules, and corporate ethics.
   c) The Company has established the “Internal Whistleblowing Regulations” as well as a whistleblowing system, which is independent from business execution departments and is a line of communication separate from the office organization. Besides, for reports from inside and outside the Company, a system is in place where the Compliance Control Group, which is independent from business execution departments, is the recipient of such reports and the contents of whistleblowing is appropriately communicated to Directors as necessary.

2) System for storage and management of information related to the execution of duties of the Company’s Directors
   The Company has established the “Document Management Regulations” and manages documents related to the execution of duties by Directors, including minutes of the Board of Directors meetings, for at least ten years (including past fiscal years), if necessary, during which the documents are available for inspection, so that Directors may obtain necessary information at any time.

3) Regulations or any other systems of the Company and its subsidiaries for the management of risk of loss
   The “Crisis Management Regulations” has been formulated to address the risks surrounding the Company and its subsidiaries, which are classified in the list below. The Company has in place a system to minimize damage to the business by identifying risks at an early stage and responding promptly to them.
   In the event of an unforeseen situation, the Company establishes a response headquarters headed by the Company’s President, and organizes and arranges an information liaison team and an external advisory team including legal counsels to promptly respond to such an event and prevent and minimize the spread of damage.

a) Risks relating to properties/resources (Company's assets and other properties/resources)
b) Risks relating to human resources (management, employees)
c) Risks relating to business management
d) Risks relating to information
e) Other risks relating to violation of laws and regulations

4) System to ensure that the execution of duties of Directors of the Company and its subsidiaries is efficient
   a) The Company has established and disseminated the "Rules on Administrative Authority" and the "Segregation of Duties and Authority" which clarify the roles of organizations within the Company and its subsidiaries and the authority corresponding to their positions, and is working to build a system to ensure efficient execution of duties and lay out a structure of responsibility.
   b) The Company has established the "Board of Directors Regulations." Regular meetings of the Board of Directors are held once a month and extraordinary meetings on an as-needed basis. Efforts are made to to facilitate prompt decision-making on the Company's management policies and strategies.
   c) The Company has established the "Management Meeting Regulations," and regularly holds management meetings once a month. At the management meeting, which consists of officers, general managers and chiefs of the Company and its subsidiaries, Directors of the Company and its subsidiaries smoothly communicate basic management policies, basic plans, and other key management matters and make executive decisions.

5) System to ensure proper business execution within the Company group consisting of the Company and its subsidiaries
   a) In order to establish an internal control system for the entire Company group consisting of the Company and its subsidiaries, as outlined in the Company's "Basic Policies for Establishing Internal Control System," the "Internal Control Committee" has been organized. The committee consists of Directors and Executive Officers of the Company and independently evaluates the operation status of the internal control system. Besides, the Company established the Audit Office, which is independent from business execution departments and monitors business execution departments.
   b) The Company has established the "Management Meeting Regulations," and regularly holds management meetings once a month. At the management meeting, which consists of officers, general managers and chiefs of the Company and its subsidiaries, key management matters are reported in an appropriate manner.

6) Matters related to Directors and employees who should assist the duties of the Audit and Supervisory Committee of the Company and matters regarding independence from Directors (excluding Directors who are Audit and Supervisory Committee Members)

   The Company has established the "Audit and Supervisory Committee Regulations." Recruiting, personnel change, performance evaluation, salary, and disciplinary action of Directors and employees who are to assist the duties of the Audit and Supervisory Committee require prior consent of the Audit and Supervisory Committee Members in order to ensure the independence of such Directors and employees.

7) Matters regarding ensuring efficiency in directions from the Audit and Supervisory Committee given to Directors and employees who are to assist the duties of the Audit and Supervisory Committee of the Company

   The Company established the “Audit and Supervisory Committee Regulations,” and Directors and employees who are to assist the duties of the Audit and Supervisory Committee shall execute duties by following directions given by the committee in order to ensure the effectiveness of such directions.

8) System for Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company and its subsidiaries to report to the Audit and Supervisory Committee of the Company and a system for ensuring that persons who have reported are not be treated unfavorably because of such reporting

   The “Audit and Supervisory Committee Regulations” has been formulated to establish a system for reporting to the Audit and Supervisory Committee, Audit and Supervisory Committee Members, and employees who are to assist the duties of the Audit and Supervisory Committee. The regulations, which includes following contents, shall be administered appropriately.

   a) The Audit and Supervisory Committee shall be able to request reports from Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company and its subsidiaries on their execution of duties as well as conduct investigations on the business and assets of the Company and its subsidiaries.
   b) Appropriate reporting shall be made, if requested from the Audit and Supervisory Committee, Audit and Supervisory Committee Members, and employees who are to assist the duties of the Audit and Supervisory Committee.
   c) A system shall be in place to ensure that persons who have reported to the Audit and Supervisory Committee, Audit and Supervisory Committee Members, or employees who are to assist the duties of the Audit and Supervisory Committee do not suffer any unfavorable treatment because of such reporting.

9) Matters regarding policies on repayment or reimbursement of expenses incurred in connection with the execution of duties by Audit and Supervisory Committee Members of the Company (limited to those related to the execution of duties by the Audit and Supervisory Committee), and treatment of other expenses or liabilities incurred in the performance of such duties

   In the event that audit expenses are incurred by Audit and Supervisory Committee Members or employees who are to assist the duties of the Audit and Supervisory Committee, the Company shall bear such expenses. The same shall apply to advance payments of start-up fees and the like, and to reimbursement of expenses incurred after the fact.

10) Other system to ensure the effective conduct of audits by the Audit and Supervisory Committee of the Company

Audit and Supervisory Committee Members receive regular reports from the Accounting Auditor, and also request internal audit departments to make quarterly reports on the progress of establishing an internal control system. As such, an efficient audit system is in place.

11) System to ensure fairness of financial reporting

The Company has established and is operating a system to ensure the appropriateness of financial reporting as required by the Financial Instruments and Exchange Act and other related laws and regulations. Under the system, "Internal Control Committee," consisting of Directors and Executive Officers of the Company, holds regular meetings every quarter and evaluates the status of internal control over financial results and reporting.

12) System toward elimination of anti-social forces

The Company shall have no relationship with any forces threatening the social order and sound activities of companies and resolutely take countermeasures against any unreasonable demand, if received, in an organizational way.

Consolidated Statement of Changes in Equity

(May 16, 2021 – May 15, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,251	29,303	193,320	(5,312)	228,562
Cumulative effects of changes in accounting policies			(889)		(889)
Restated balance	11,251	29,303	192,431	(5,312)	227,674
Change of items during the period					
Issuance of new shares	71	71			142
Dividends of surplus			(8,106)		(8,106)
Net income attributable to owners of the parent			21,388		21,388
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total change of items during the period	71	71	13,282	(0)	13,424
Balance at end of the period	11,322	29,375	205,714	(5,312)	241,098

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	24,528	(170)	24,358	1,701	21,905	276,528
Cumulative effects of changes in accounting policies						(889)
Restated balance	24,528	(170)	24,358	1,701	21,905	275,639
Change of items during the period						
Issuance of new shares						142
Dividends of surplus						(8,106)
Net income attributable to owners of the parent						21,388
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(7,539)	117	(7,421)	568	1,834	(5,018)
Total change of items during the period	(7,539)	117	(7,421)	568	1,834	8,406
Balance at end of the period	16,988	(52)	16,936	2,269	23,740	284,046

[Notes to the Consolidated Financial Statements]

1. Figures shown are rounded down to the presentation unit.

2. Notes on the Basis of Presenting the Consolidated Financial Statements

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 14

Names of consolidated subsidiaries

TSURUHA CO., LTD.
kusurino FUKUTARO CO., LTD.
Tsuruha Group Drug & Pharmacy Nishinihon Inc.
Lady Drug Store Co., Ltd.
Kyorindo Group Holdings Co., Ltd.
Kyorindo Co., Ltd.
B&D Co., Ltd.
Drug Eleven Co., Ltd.
Hiroshima Chuo Pharmacy Co., Ltd.
TSURUHA Group Merchandising Co., Ltd.
TSURUHA Financial Service Inc.
TSURUHA Pharmacy K.K.
TSURUHA Shurui Hanbai Co., Ltd.
Several Co., Ltd.

2) Names of important non-consolidated subsidiaries

TSURUHA (Thailand) Co., Ltd.

(Reasons for exclusion from the scope of consolidation)

Non-consolidated subsidiaries are small in size, with total assets, net sales, net income (based on the Group's equity in earnings) and retained earnings (based on the Group's equity in earnings) that do not have a material impact on the consolidated financial statements of the Group.

(2) Application of the equity method

1) Non-consolidated subsidiaries and affiliates to which the equity method has been applied

Not applicable.

2) Names of important non-consolidated subsidiaries and affiliates to which the equity method has not been applied

TSURUHA (Thailand) Co., Ltd.

(Reasons for non-application of the equity method)

The equity method has not been applied to companies that have a minimal impact on net income (based on the Group's equity in earnings) and retained earnings (based on the Group's equity in earnings) and are immaterial overall to the consolidated financial statements of the Group.

(3) Fiscal year of consolidated subsidiaries

All consolidated subsidiaries have the same fiscal year-ends as the consolidated closing date.

(4) Accounting policies

1) Valuation criteria and methods for significant assets

a. Valuation criteria and methods for securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price	Stated at fair value (valuation differences are reported as a separate component of net assets and the cost of securities sold is determined based on the moving average method).
Shares, etc. that do not have a market price	Stated at cost using the moving average method.

b. Valuation criteria and methods for inventories

Merchandise	Valued at cost using the monthly moving average method (balance sheet values are written down to reflect declines in profitability). However, drugs used for dispensing activities are valued at cost using the retail method (balance sheet values are written down to reflect declines in profitability).
Raw materials and supplies	Last purchase cost method

2) Depreciation and amortization methods for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)

Declining-balance method

However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and structures and facilities attached to buildings acquired on or after April 1, 2016.

Expected useful lives of principle assets are as follows:

Buildings and structures	2 to 45 years
Machinery, equipment and vehicles	6 years
Tools, furniture and fixtures	2 to 20 years

b. Intangible assets (excluding leased assets)

Straight-line method

Internal-use software is amortized using the straight-line method over estimated useful lives (five years).

c. Leased assets	The straight-line method, where lease period is used as an expected useful life with a residual value of zero, is applied. For finance lease transactions where there is no transfer of ownership that started on or before May 15, 2008, the same accounting method as for ordinary lease transactions is used.

3) Accounting for significant allowance

a. Allowance for doubtful accounts	To prepare for potential loss on receivables, the Group provides an allowance for the estimated amount of unrecoverable receivables for general receivables based on the historical rate of default, and for specific debts based on a case-by-case determination of recoverability.
b. Provision for bonuses	To prepare for accrued bonuses for employees, an allowance is provided at the amount based on the estimated bonus obligations for the current fiscal year.
c. Provision for directors' bonuses	To provide for accrued bonuses for directors, an allowance is provided for the actual amount expected to be paid.
d. Provision for point card certificates	Regarding a points system operated by the subsidiaries of the Company, provision for points granted to cardholders other than for the sale of merchandise is provided based on the value of projected point usage in the future.

4) Accounting method for retirement benefits

a. Method of attributing projected retirement benefits to periods	When calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits to the period before the end of the current fiscal year.
b. Amortization of actuarial differences	Actuarial differences are recorded as gains or losses in the fiscal year following the fiscal year in which the difference is recognized using the straight-line method based on certain periods (three to eight years) within the average remaining service years of the eligible employees.

5) Significant revenue and expense recognition standards

a. Revenue recognition for sales of merchandise

The Company’s subsidiaries engage in sales of pharmaceuticals, cosmetics, misc. daily necessities, foods and other products. Revenue from sales of these merchandise is recognized when they are delivered to the customer.

For sales on consignment and other transactions in which the role of the Company and its subsidiaries is determined to be that of an agent, revenue is recognized at the net amount of the amount received from the customer less the amount to be paid to consignor.

Consideration is usually received at the time the merchandise is delivered to the customer, with no adjustment for significant financial elements.

b. Revenue recognition for a points system operated by the subsidiaries of the Company

Regarding a points system operated by the subsidiaries of the Company, revenue from sales is recognized as of the point usage and point expiration. Amount equivalent to points granted in connection with the sale of merchandise is recognized as performance obligation, and the transaction price is allocated based on the stand-alone selling price calculated by taking into account the expected future expiration and other factors.

c. Revenue recognition for a points system operated by other companies

Regarding a points system operated by other companies, revenue from sales is recognized at the net amount of the transaction price less the amount equivalent to points granted in connection with the sale of merchandise.

6) Amortization method and period of goodwill

Goodwill is amortized in equal installments over a reasonable period of five to 20 years, with periods determined on a case-by-case basis.

Goodwill with an immaterial impact is amortized in a lump sum.

3. Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition and other standards

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes resulting from the application of Revenue Recognition Standard and other standards are as follows:

1) Revenue recognition for a points system operated by the subsidiaries of the Company

The Company has changed its revenue recognition method for points granted to customers in connection with the sale of merchandise under a points system operated by the Company's subsidiaries. Previously, to prepare for the use of points granted, the amount expected to be used in the future was recorded as provision for point card certificates and provision for point card certificates was recorded as selling, general and administrative expenses. This has been changed to a method that identifies points granted as a performance obligation and defers the recording of revenue.

2) Revenue recognition for a points system operated by other companies

The Company has changed its revenue recognition method for points granted to customers in connection with the sale of merchandise under a points system operated by other companies. Revenue was previously recorded as selling, general and administrative expenses, but is now recognized at the transaction price less the amount equivalent to points granted.

3) Revenue recognition for agent transaction

The Company has changed its revenue recognition method for transactions in which the role in the provision of goods or services to a customer constitutes that of an agent. Revenue was previously recognized at the gross amount of consideration received from customers, but is now recognized at the net amount of the gross amount of such consideration less amounts paid to other parties.

The Company has applied the Revenue Recognition Standard and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

In addition, a part of "provision for point card certificates" which was presented under "current liabilities" in the consolidated balance sheets for the previous fiscal year, has been included under "contract liabilities" from the current fiscal year.

As a result of this change, compared with the figures before the application of the Revenue Recognition Standard, net sales decreased by ¥26,352 million, cost of sales decreased by ¥19,747 million, selling, general and administrative expenses decreased by ¥6,751 million, and operating income, ordinary income, and income before income taxes increased by ¥146 million, respectively, for the current fiscal year.

The cumulative impact of this change has been reflected on net assets at the beginning of the current fiscal year. As a result, the beginning balance of retained earnings decreased by ¥889 million in the consolidated statement of changes in equity.

The effect on per share information is provided in the relevant section.

(2) Application of Accounting Standard for Fair Value Measurement and other standards

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard and other standards in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the consolidated financial statements for the current fiscal year.

4. Notes on Accounting-based Estimates

Reasonable amounts of accounting-based estimates are calculated based on information available as of the preparation of consolidated financial statements.

Of the items whose amounts recorded in the consolidated financial statements for the current fiscal year are based on accounting-based estimates, those with a risk of significantly affecting the consolidated financial statements for the next fiscal year are as follows.

Valuation of goodwill related to B&D Co., Ltd.

(1) Amount recorded in the consolidated financial statements

Goodwill ¥8,306 million

(2) Other information that helps users of consolidated financial statements to better understand the details of accounting-based estimates

With regard to B&D Co., Ltd., the Company has determined that there is a sign of impairment because its business results fell below the business plan as of the time of share acquisition due to delay of store openings and other reasons. Accordingly, the Company has examined whether there is a need to recognize an impairment loss. As a result of the examination, the Company did not recognize an impairment loss because the total amount of undiscounted future cash flow that corresponds to the remaining amortization period of goodwill exceeds the book value of goodwill.

Undiscounted future cash flow has been calculated on the basis of information such as the business plan as of the time of share acquisition. In the business plan, factors such as new openings, increases in sales of existing stores and improvements in gross profits from improvements in purchasing terms have been taken into account as key assumptions.

These assumptions may be affected by changes in the economic environment and other factors. If it becomes necessary to revise the key assumptions, the judgment on the need to recognize an impairment loss for the next fiscal year and the amount of impairment loss to be measured may be significantly affected.

Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements

Property, plant and equipment (Note)	¥4,109 million
Impairment loss	¥2,196 million

(Note) Amounts of the asset groups for which impairment loss was not recognized though there was a sign of impairment

(2) Other information that helps users of consolidated financial statements to better understand the details of accounting-based estimates

The Group uses stores as the basic unit, which is the smallest unit that generates cash flow, and groups leased assets and idle assets by property.

Stores and land whose income generated from operating activities has been a negative amount on an ongoing basis and stores for which fair value of land has significantly fallen are classified into asset groups with a sign of impairment. If the recoverable amount is below the book value, the book value is reduced to the recoverable amount and the amount of reduction is recognized as an impairment loss under extraordinary losses. The calculation of recoverable amount is based on value in use, but value in use is calculated as zero if the valuation based on undiscounted future cash flow is a negative amount.

The future cash flow are based on the budget plans for each store prepared by taking into account the results of prior fiscal years, external environment, and internal environment. In these plans, factors such as increases in net sales from enhancing sales promotion and various other measures, as well as improvements in cost of sales ratio, have been taken into account as key assumptions.

These assumptions may be affected by changes in the economic environment and other factors. If it becomes necessary to revise the key assumptions, the judgment on the need to recognize an impairment loss for the next fiscal year and the amount of impairment loss to be measured may be significantly affected.

5. Notes on Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment ¥89,341 million

(2) Guarantee obligations

For guarantee deposits of ¥134 million on certain stores, TSURUHA CO., LTD., a consolidated subsidiary of the Company, has entered into a subrogated deposit agreement with a financial institution and lessors. In accordance with the agreement, the financial institution has deposited ¥134 million, an amount equivalent to the guarantee deposits, to the lessors on behalf of TSURUHA CO., LTD., and TSURUHA CO., LTD. guarantees the obligations of the lessors to refund the deposits to the financial institution.

6. Notes on Consolidated Statement of Changes in Equity

(1) Class and total number of shares issued and outstanding as of May 15, 2022

Common shares 49,439,968 shares

(2) Dividends of surplus

1) Dividend amounts

Resolution	Class of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
The Board of Directors meeting on June 22, 2021	Common shares	4,052	83.5	May 15, 2021	July 20, 2021
The Board of Directors meeting on December 21, 2021	Common shares	4,053	83.5	November 15, 2021	January 7, 2022

2) Dividends whose record date is during this fiscal year, but whose effective date is during the following fiscal year

Resolution	Class of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Scheduled effective date
The Board of Directors meeting on June 21, 2022	Common shares	4,054	Retained earnings	83.5	May 15, 2022	July 20, 2022

(3) Subscription rights to shares as of May 15, 2022

Breakdown of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares as of May 15, 2022
2008 subscription rights to shares	Common shares	17,200 shares
2009 subscription rights to shares	Common shares	21,600 shares
2010 subscription rights to shares	Common shares	24,000 shares
2011 subscription rights to shares	Common shares	25,800 shares
2012 subscription rights to shares	Common shares	24,800 shares
2013 subscription rights to shares	Common shares	12,000 shares
2014 subscription rights to shares	Common shares	10,600 shares
2015 subscription rights to shares	Common shares	6,800 shares
2016 subscription rights to shares	Common shares	7,400 shares
The 9th series of subscription rights to shares	Common shares	341,100 shares
Total		491,300 shares

7. Notes on Financial Instruments

(1) Status of financial instruments

Regarding asset management, the Company manages financial instruments in a way that sensible returns can be gained by placing the highest priority on certainty of recovering the principal. When selecting financial institutions, the Company strives to ensure security while paying attention to credit aspects.

Investment securities are cross-shareholdings, and the Company assesses market values of listed shares every quarter.

(2) Fair value, etc. of financial instruments

The amounts recorded on the consolidated balance sheets, fair values, and differences thereof as of May 15, 2022 are as follows. Cash is omitted, and deposits, accounts receivable – trade, and accounts payable – trade, are omitted, because they comprise short-term instruments whose carrying amount approximates their fair value.

	Amount recorded on consolidated balance sheets (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Investment securities (*1)	26,111	26,111	–
(2) Guarantee deposits	65,481	62,918	(2,563)
Total of assets	91,592	89,029	(2,563)
(3) Long-term loans payable (*2)	46,675	46,700	25
Total of liabilities	46,675	46,700	25

(*1) Shares, etc. that do not have a market price are not included in "(1) Investment securities." The carrying amount of these financial instruments on the consolidated balance sheets are as follows:

Category	Amount recorded on consolidated balance sheets (Million yen)
Unlisted shares	612

(*2) Current portion of long-term loans payable is included in long-term loans payable.

(3) Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using unadjusted quoted prices of identical assets or liabilities in active markets

Level 2 fair value: Fair value measured using direct or indirect observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using important unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

1) Financial assets measured at fair value

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities	24,985	–	–	24,985
Total of assets	24,985	–	–	24,985

(Note) Fair value of investment trusts are not included in the above. The amounts investment trusts recorded on the consolidated balance sheets is ¥1,125 million.

2) Financial assets and financial liabilities other than those measured at fair value

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	–	62,918	–	62,918
Total of assets	–	62,918	–	62,918
Long-term loans payable	–	46,700	–	46,700
Total of liabilities	–	46,700	–	46,700

(Note) A description of the valuation techniques and inputs used in the fair value measurements

<u>Investment securities</u>

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

<u>Guarantee deposits</u>

The fair value is measured by the discounted present value method, based on an appropriate interest rate that takes into account the yield of government bonds corresponding to the scheduled repayment period and the credit risk involved in credit management, as well as the scheduled repayment amount reasonably calculated based on the contractual period and other factors. The fair value is classified as Level 2.

<u>Long-term loans payable</u>

The fair value is determined using the discounted present value method based on the sum of the principal and interest, plus an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2.

8. Notes on Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

		Amount (Million yen)
Merchandise	Pharmaceuticals	201,259
	Cosmetics	130,328
	Misc. daily necessities	249,129
	Foods	220,346
	Other	110,526
Subtotal		911,590
Commission income, etc.		2,925
Revenue from contracts with customers		914,516
Revenue from other sources		1,184
Net sales for external customers		915,700

(Notes) 1. "Other" mainly consists of childcare products, health food, and medical supplies, etc.
2. "Revenue from other sources" consists of real estate rent, etc.

(2) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as presented in "2. Notes on the Basis of Presenting the Consolidated Financial Statements, (4) Accounting policies, 5) Significant revenue and expense recognition standards" in the notes to the consolidated financial statements.

(3) Relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year or later

1) Contract liability balances

	As of May 15, 2022 (Million yen)
Receivables from contracts with customers (beginning balance)	46,908
Receivables from contracts with customers (ending balance)	49,155
Contract liabilities (beginning balance)	5,514
Contract liabilities (ending balance)	10,418

Contract liabilities are performance obligations in the amount equivalent to points granted to customers in connection with the sale of merchandise under a points system operated by the Company's subsidiaries, with the transaction price allocated based on the stand-alone selling price calculated by taking into account the expected future expiration and other factors. Revenue is recognized when points are used or when they expire, and contract liabilities are reversed.

Revenue recognized in the current fiscal year that was included in the beginning balance of contract liability in the fiscal year was ¥2,386 million.

2) Transaction price allocated to the remaining performance obligations

Remaining performance obligations are associated with the points granted to customers in connection with the sale of merchandise under a points system operated by the Company's subsidiaries. The aggregate transaction price allocated to remaining performance obligations and the period over which revenue is expected to be recognized are as follows.

(Million yen)

	As of May 15, 2022
Within one year	7,295
Over one year	3,122
Total	10,418

Effective May 16, 2021, the points system operated by the Company's subsidiaries has been changed so that each point can be used as the equivalent of one yen.

9. Notes on Per Share Information

Net assets per share ¥5,314.48

Net income per share ¥440.59

(Note) As disclosed in "3. Changes in Accounting Policies," the Company applied the Revenue Recognition Standard and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. As a result of this change, net assets per share and net income per share increased by ¥2.09 and ¥2.10, respectively, for the current fiscal year.

10. Notes on Significant Subsequent Events

Not applicable.

Non-Consolidated Statement of Changes in Equity

(May 16, 2021 – May 15, 2022)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of the period	11,251	44,534	2,452	46,987	15	861	68,955	69,832
Change of items during the period								
Issuance of new shares	71	71		71				
Dividends of surplus							(8,106)	(8,106)
Net income							13,077	13,077
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total change of items during the period	71	71	–	71	–	–	4,970	4,970
Balance at end of the period	11,322	44,606	2,452	47,058	15	861	73,926	74,802

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of the period	(5,312)	122,757	1,701	124,459
Change of items during the period				
Issuance of new shares		142		142
Dividends of surplus		(8,106)		(8,106)
Net income		13,077		13,077
Purchase of treasury shares	(0)	(0)		(0)
Net changes of items other than shareholders' equity			568	568
Total change of items during the period	(0)	5,112	568	5,681
Balance at end of the period	(5,313)	127,870	2,269	130,140

[Notes to the Non-Consolidated Financial Statements]

1. Figures shown are rounded down to the presentation unit.

2. Notes on Significant Accounting Policies

(1) Valuation criteria and methods for assets

Valuation criteria and methods for securities

Shares of subsidiaries and affiliates	Stated at cost using the moving average method.
Available-for-sale securities	
Securities other than shares, etc. that do not have a market price	Stated at fair value (valuation differences are reported as a separate component of net assets and the cost of securities sold is determined based on the moving average method).
Shares, etc. that do not have a market price	Stated at cost using the moving average method.

(2) Depreciation and amortization methods for non-current assets

Property, plant and equipment

Declining-balance method

However, the straight-line method is used for buildings (excluding facilities attached to buildings), as well as structures and facilities attached to buildings acquired on or after April 1, 2016.

Expected useful lives of principle assets are as follows:

Buildings	15 years
Tools, furniture and fixtures	5 to 10 years

Intangible assets

Straight-line method

Software for internal use is amortized by the straight-line method based on the period of internal use (5 years).

(3) Accounting for allowance

1) Allowance for doubtful accounts	To prepare for potential loss on receivables, the Company provides an allowance for the estimated amount of unrecoverable receivables for general receivables based on the historical rate of default, and for specific debts based on a case-by-case determination of recoverability.
2) Provision for bonuses	To prepare for accrued bonuses for employees, an allowance is provided at the amount based on the estimated bonus obligations for the current fiscal year.
3) Provision for directors' bonuses	To provide for accrued bonuses for directors, an allowance is provided for the actual amount expected to be paid.

(4) Revenue and expense recognition standards

The Company provides management guidance to its subsidiaries and recognizes revenue when the services are rendered. Consideration is usually received within one year, with no adjustment for significant financial elements.

3. Changes in Accounting Policies

(1) Application of Accounting Standard for Revenue Recognition and other standards

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company has applied the Revenue Recognition Standard and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard from the beginning balance of the current fiscal year. There is no impact on the non-consolidated financial statements for the current fiscal year.

(2) Application of Accounting Standard for Fair Value Measurement and other standards

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard and other standards in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the non-consolidated financial statements for the current fiscal year.

4. Notes on Accounting-based Estimates

For accounting-based estimates, reasonable amounts are calculated based on information available as of the preparation of non-consolidated financial statements.

Of the items whose amounts recorded in the non-consolidated financial statements for the current fiscal year are based on accounting-based estimates, those with a risk of significantly affecting the non-consolidated financial statements for the next fiscal year are as follows.

Valuation of shares of B&D Co., Ltd.

(1) Amount recorded in the non-consolidated financial statements

Shares of subsidiaries and affiliates ¥12,418 million

(2) Other information that helps users of non-consolidated financial statements to better understand the details of accounting-based estimates

With regard to B&D Co., Ltd., the net income fell below the business plan as of the time of share acquisition due to delay of store openings and other reasons. However, the Company did not recognize a valuation loss, because the Company judged that no decreases in the excess earning power, etc. were found as a result of an evaluation by comparison between the effective value that reflects the excess earning power, etc. and the acquisition value.

The Company's judgement that no decreases in the excess earning power, etc. were found is based on information such as the business plan as of the time of share acquisition, and factors such as new openings, increases in sales of existing stores and improvements in gross profits from improvements in purchasing terms, have been taken into account as key assumptions of the business plan.

These assumptions may be affected by changes in the economic environment and other factors. If it becomes necessary to revise the key assumptions, the judgment on the need to recognize a valuation loss for the next fiscal year and the amount of valuation loss to be measured may be significantly affected.

5. Notes on Non-consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment ¥121 million

(2) Guarantee obligations

The Company provides guarantees for other companies' loans payable to financial institutions and other lenders.

B&D Co., Ltd.	¥4,550 million
Drug Eleven Co., Ltd.	¥4,125 million
Total	¥8,675 million

(3) Monetary receivables from and payables to subsidiaries and affiliates that are not separately presented.

Short-term monetary receivables	¥1,574 million
Short-term monetary payables	¥376 million
Long-term monetary payables	¥8 million

6. Notes on Non-Consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates

Amount of operating transactions	
Operating revenue	¥20,158 million
Operating expenses	¥44 million
Amount of non-operating transactions	¥0 million

7. Notes on Non-Consolidated Statement of Changes in Equity

Class and number of treasury shares as of May 15, 2022

Common shares 886,655 shares

8. Notes on Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by their primary cause of accrual

Deferred tax assets: Enterprise tax payable, provision for bonuses

9. Notes on Revenue Recognition

(1) Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue from contracts with customers is as presented in "2. Notes on Significant Accounting Policies, (4) Revenue and expense recognition standards" in the notes to the non-consolidated financial statements.

10. Notes on Transactions with Related Parties

Subsidiaries, related companies, etc.

Category	Name of company, etc.	Description of business or occupation	Ratio of voting rights, etc. held (or held of the Company) (%)	Description of relationships		Description of transactions	Amount of transactions (Millions of yen)	Description	Balance at end of the period (Millions of yen)
				Interlocking officers, etc.	Business relationship				
Subsidiary	TSURUHA CO., LTD.	Drug stores	(Directly holding) 100.0	8 interlocking officers	Management guidance, etc.	Receipt of management guidance fees, etc.	3,444	Accounts receivable – trade	698
Subsidiary	B&D Co., Ltd.	Drug stores	(Directly holding) 100.0	3 interlocking officers	Management guidance, etc.	Guarantee of obligations on loans payable to banks	4,550	–	–
Subsidiary	Drug Eleven Co., Ltd.	Drug stores	(Directly holding) 51.0	2 interlocking officers	Management guidance, etc.	Guarantee of obligations on loans payable to banks	4,125	–	–

(Note) Transaction terms and policies on determination of transaction terms, etc.

Receipt of management guidance fees, etc. is reasonably determined upon discussions between the parties.

Although the Company provides guarantees of obligations on loans payable to financial institutions, the Company does not receive fees for guarantees.

11. Notes on Per Share Information

Net assets per share ¥2,633.61

Net income per share ¥269.38

12. Notes on Significant Subsequent Events

Not applicable.