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## THE NOTICE OF THE 61<sup>st</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

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(May 16, 2022 – May 15, 2023)

## TSURUHA HOLDINGS INC.

Pursuant to the provisions of laws and regulations as well as Article 14 of the Articles of Incorporation, the above matters have been excluded from the documents delivered to shareholders requesting the delivery of documents (Documents Stating Matters Concerning Electronic Provision Measure) and have been provided to shareholders on the Company's website and the Tokyo Stock Exchange's website (Listed Company Search).

For matters provided in the Notice of the 61<sup>st</sup> Ordinary General Meeting of Shareholders, we ask that you please reference the convocation notice.

## Trends in Assets and Income

Category	The 58 <sup>th</sup> fiscal term (Year ended May 15, 2020)	The 59 <sup>th</sup> fiscal term (Year ended May 15, 2021)	The 60 <sup>th</sup> fiscal term (Year ended May 15, 2022)	The 61 <sup>st</sup> fiscal term (fiscal year under review) (Year ended May 15, 2023)
Net Sales (Millions of yen)	841,036	919,303	915,700	970,079
Operating profit (Millions of yen)	46,298	47,688	40,052	45,689
Profit attributable to owners of parent (Millions of yen)	27,899	26,283	21,388	25,258
Profit per share (Yen)	576.85	542.04	440.59	519.90
Total assets (Millions of yen)	414,002	537,027	562,363	539,830
Net assets (Millions of yen)	250,934	276,528	284,046	304,144
Book value per share (Yen)	4,821.26	5,210.88	5,314.48	5,690.49

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards since the 60<sup>th</sup> fiscal term. The figures of assets and income for the 60<sup>th</sup> fiscal term onward are those after the application of those accounting standards.

## Issues to Be Addressed

In Japan, the reclassification of COVID-19 as a “Class 5” infectious disease has led to the normalization of social and economic activities and a gradual economic recovery. However, the lifestyles of consumers have changed greatly through the COVID-19 pandemic, and with falling real wages and rising prices, the future of economic conditions remains unclear. In the drugstore sector, in addition to the continuously intensifying competition to open new stores, there is a strongly rooted desire for lower prices among consumers who are uneasy about the future of the economy. As such, overall, the business environment in Japan remains challenging.

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, 2024 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  
Continuing to promote new openings of dispensing pharmacies mainly by combining them with existing stores and working to improve our healthcare support capabilities through stronger cooperation with combined drugstores. Working to enhance treatment effectiveness and promote prevention through DX initiatives including system-side infrastructure building and data collaboration originating in our in-house apps.

- 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. Working to increase customer connections for digital sales promotion through the new introduction of our in-house cashless payment system “HAPPAY.”
- 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 sustainable management  
Continuing to work toward building the type of sustainable society set forth in the sustainable development goals (“SDGs”), including formulating a “human capital management policy” to encourage employees to pursue autonomous growth as members of the local community and to further contribute to local communities by enhancing the value of our human capital. Simultaneously, aiming to enhance long-term corporate value by further improving our corporate governance system.

The Group plans to achieve 2,650 stores as of the end of the fiscal year ending May 15, 2024, by opening 126 stores and closing 64 stores. On the other hand, the Company will surely implement the aforementioned measures to achieve net sales of ¥1.06 trillion, operating income margin of 5% and ROE of 10% in the fiscal year ending May 15, 2025, as well as to maintain its high growth potential, in accordance with the policies in its Medium-Term Management Plan announced on June 21, 2022. At the same time, the Company intends to focus on maximization of corporate value of the Group by carrying out capital and business alliances with companies which support the Company’s policy in addition to M&As.

### **Principal Business (as of May 15, 2023)**

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.

**Principal Offices (as of May 15, 2023)**

Our Head Office: 20-1-21 Kita 24 Jo Higashi, Higashi-ku, Sapporo, Hokkaido

The number of our Group stores is as follows.

Direct stores: 2,589 (Others: 18 overseas stores and 7 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	425	Osaka	26
Aomori	67	Hyogo	19
Iwate	78	Wakayama	20
Miyagi	153	Tottori	40
Akita	81	Shimane	54
Yamagata	98	Okayama	12
Fukushima	116	Hiroshima	191
Ibaraki	52	Yamaguchi	49
Tochigi	36	Tokushima	24
Saitama	7	Kagawa	50
Chiba	149	Ehime	120
Tokyo	159	Kochi	33
Kanagawa	41	Fukuoka	93
Niigata	36	Saga	6
Yamanashi	32	Nagasaki	4
Nagano	17	Kumamoto	11
Shizuoka	95	Oita	8
Aichi	84	Miyazaki	11
Shiga	7	Kagoshima	40
Kyoto	5	Okinawa	40
		Total	2,589

**Employees (as of May 15, 2023)**

## 1) Status of the Group

Category	Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average length of service
Male	5,568	42	37 years and 9 months old	11 years and 1 month
Female	5,742	89	32 years and 8 months old	7 years and 6 months
Total or average	11,310	131	35 years and 2 months old	9 years and 3 months

Note: The number of employees above includes 12 employees seconded from the Company to companies outside the Company and excludes 526 fixed-term employees as well as part-time employees. The annual average number of part-time employees is 20,069 (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	148	(19)	46 years and 7 months old	18 years and 3 months
Female	35	(4)	44 years and 5 months old	18 years and 8 months
Total or average	183	(23)	46 years and 2 months old	18 years and 4 months

Notes: 1. The number of employees above includes two employees seconded from the Company to companies outside the Company and 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 14.

2. The number of employees above includes 124 employees seconded from the Group and 18 employees seconded to the Group.

**Major Lenders (as of May 15, 2023)**

Name of lender	Borrowing amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	20,000
MUFG Bank, Ltd.	12,000
Sumitomo Mitsui Trust Bank, Limited	7,475

**Other Important Information Concerning the Company Group**

Not applicable.

## Status of Shares

- 1) Total number of shares authorized to be issued 152,000,000 shares
- 2) Total number of shares issued and outstanding 49,488,468 shares
- 3) Number of shareholders 35,033 shareholders
- 4) Major shareholders (top 10 shareholders)

Shareholder name	Number of Shares (Thousand shares)	Shareholding ratio
Aeon Co., Ltd.	6,605	13.59%
The Master Trust Bank of Japan, Ltd. (trust account)	4,931	10.15%
STATE STREET CLIENT OMNIBUS ACCOUNT OM02	2,394	4.92%
Custody Bank of Japan, Ltd. (trust account)	1,868	3.84%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,678	3.45%
NOMURA PB NOMINEES LIMITED OMNIBUS- MARGIN (CASHPB)	1,511	3.11%
Tatsuru Tsuruha	1,412	2.90%
GOLDMAN SACHS INTERNATIONAL	1,218	2.50%
Hiroko Tsuruha	977	2.01%
CGML PB CLIENT ACCOUNT/COLLATERAL	889	1.83%

Note: The shareholding ratio is calculated after excluding treasury shares (886,721 shares) held by the Company.

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

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

- Total number of shares granted to Directors by category

Category	Number of shares	Number of eligible officers
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	5,800	5
Outside Directors (excluding Audit and Supervisory Committee Members)	–	–
Directors (Audit and Supervisory Committee Members)	–	–
Other officers	11,200	16

## 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	72	14,400	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	84	16,800	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	93	18,600	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	102	20,400	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

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
2012 subscription rights to shares	94	18,800	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	49	9,800	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
2014 subscription rights to shares	43	8,600	Gratis	¥1	From September 28, 2014 to September 27, 2034	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	7	1,400	2
						Outside Directors	-	-	-
						Directors (Audit and Supervisory Committee Members)	3	600	1
2015 subscription rights to shares	27	5,400	Gratis	¥1	From September 29, 2015 to September 28, 2035	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	3	600	1
						Outside Directors	1	200	1
						Directors (Audit and Supervisory Committee Members)	2	400	1
2016 subscription rights to shares	30	6,000	Gratis	¥1	From September 27, 2016 to September 26, 2036	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	3	600	1
						Outside Directors	1	200	1
						Directors (Audit and Supervisory Committee Members)	1	200	1

(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

Issue number	Number of subscription rights to shares	Class and number of shares subject to subscription rights to shares	Paid-in amount for subscription rights to shares	Exercise value	Exercise period	Status of grant to the Company's employees			
						Category	Number of subscription rights to shares	Number of shares subject to subscription rights to shares	Number of grantees
The 11th series of subscription rights to shares	5,217	521,700 common shares	Gratis	¥8,170	From September 28, 2024 to September 27, 2026	Employees of the Company	116	11,600	61
						Officers and employees of the Company's subsidiaries	5,101	510,100	4,214

3. Other important matters concerning subscription rights to share, etc.

Not applicable.

## 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	¥52 million
• Total amount of money and other property interests payable to Accounting Auditor by the Company and its subsidiaries	¥103 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 "advisory services pertaining to reorganization," "due diligence services for finance and taxes," 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.

## **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.
  - d. 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.

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.

- (1) Risks relating to properties/resources (Company’s assets and other properties/resources)
- (2) Risks relating to human resources (management, employees)
- (3) Risks relating to business management
- (4) Risks relating to information
- (5) 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 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

In order to ensure the reliability of financial reporting of the Company and its subsidiaries, 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.

### **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 ¥143.5 per share as initially planned based on the business results. Together with the interim dividend of ¥116.5 per share already paid on January 6, 2023, the full-year dividend will be ¥260 per share.

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## Consolidated Balance Sheets

(As of May 15, 2023)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and deposits	79,050	Accounts payable – trade	108,177
Accounts receivable – trade	43,933	Current portion of long-term loans payable	10,350
Merchandise	140,652	Accounts payable – other	18,685
Raw materials and supplies	89	Lease obligations	1,053
Short-term loans receivable	1	Income taxes payable	9,267
Other	21,561	Contract liabilities	13,948
<b>Total current assets</b>	<b>285,289</b>	Provision for bonuses	6,228
		Provision for directors’ bonuses	748
<b>Non-current assets</b>		Provision for point card certificates	291
<b>Property, plant and equipment</b>		Other	5,564
Buildings and structures	62,614	<b>Total current liabilities</b>	<b>174,316</b>
Machinery, equipment and vehicles	0	<b>Non-current liabilities</b>	
Tools, furniture and fixtures	14,794	Long-term loans payable	29,125
Land	14,957	Lease obligations	14,335
Leased assets	12,271	Deferred tax liabilities	6,254
Construction in progress	3,981	Net defined benefit liability	3,033
<b>Total property, plant and equipment</b>	<b>108,620</b>	Asset retirement obligations	4,149
<b>Intangible assets</b>		Other	4,471
Goodwill	30,069	<b>Total non-current liabilities</b>	<b>61,369</b>
Software	2,919	<b>Total liabilities</b>	<b>235,686</b>
Telephone subscription right	103	<b>Net assets</b>	
Other	1,917	Description	Amount
<b>Total intangible assets</b>	<b>35,010</b>	<b>Shareholders’ equity</b>	
<b>Investments and other assets</b>		Capital stock	11,433
Investment securities	30,478	Capital surplus	29,486
Long-term loans receivable	8	Retained earnings	221,256
Deferred tax assets	6,404	Treasury shares	(5,313)
Guarantee deposits	69,822	<b>Total shareholders’ equity</b>	<b>256,863</b>
Other	4,257	<b>Accumulated other comprehensive income</b>	
Allowance for doubtful accounts	(60)	Valuation difference on available-for-sale securities	19,613
<b>Total investments and other assets</b>	<b>110,910</b>	Remeasurements of defined benefit plans	90
<b>Total non-current assets</b>	<b>254,541</b>	<b>Total accumulated other comprehensive income</b>	<b>19,704</b>
		<b>Subscription rights to shares</b>	<b>1,779</b>
		<b>Non-controlling interests</b>	<b>25,797</b>
		<b>Total net assets</b>	<b>304,144</b>
<b>Total assets</b>	<b>539,830</b>	<b>Total liabilities and net assets</b>	<b>539,830</b>

## Consolidated Statements of Income

(May 16, 2022 – May 15, 2023)

(Millions of yen)

Description	Amount	
<b>Net Sales</b>		<b>970,079</b>
<b>Cost of sales</b>		<b>676,717</b>
<b>Gross profit</b>		<b>293,361</b>
<b>Selling, general and administrative expenses</b>		<b>247,789</b>
<b>Operating Income</b>		<b>45,572</b>
<b>Non-operating income</b>		
Interest income	124	
Dividend income	269	
Gain on donation of equipment	584	
Rent income	237	
Compensation income	29	
Insurance income	130	
Other	718	2,093
<b>Non-operating expenses</b>		
Interest expenses	1,301	
Closed store related expenses	206	
Early withdrawal penalty	376	
Other	91	1,976
<b>Ordinary Income</b>		<b>45,689</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	40	
Gain on reversal of share acquisition rights	801	841
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	96	
Impairment loss	2,913	
Loss on disaster	65	3,075
<b>Income before income taxes</b>		<b>43,455</b>
Income taxes – current	14,744	
Income taxes – deferred	67	14,812
<b>Net income</b>		<b>28,643</b>
Net income attributable to non-controlling interests		3,384
<b>Net income attributable to owners of the parent</b>		<b>25,258</b>



## Consolidated Statement of Changes in Equity

(May 16, 2022 – May 15, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,322	29,375	205,714	(5,312)	241,098
Change of items during the period					
Issuance of new shares	111	111			222
Dividends of surplus			(9,716)		(9,716)
Net income attributable to owners of the parent			25,258		25,258
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total change of items during the period	111	111	15,542	(0)	15,764
Balance at end of the period	11,433	29,486	221,256	(5,313)	256,863

	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	16,988	(52)	16,936	2,269	23,740	284,046
Change of items during the period						
Issuance of new shares						222
Dividends of surplus						(9,716)
Net income attributable to owners of the parent						25,258
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	2,624	143	2,767	(490)	2,057	4,334
Total change of items during the period	2,624	143	2,767	(490)	2,057	20,098
Balance at end of the period	19,613	90	19,704	1,779	25,797	304,144

[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 Nishinohon 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 5 to 17 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 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.

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 and past service cost

Past service costs are recorded as gains or losses by the straight-line method based on certain periods (three years) within the average remaining service years of the eligible employees when the cost is recognized.

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

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

At the start of the current fiscal year, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Guidance"). According to the transitional treatment provided in paragraph 27-2 of the Guidance, we have applied the new accounting policies stipulated in the Guidance into the future. Furthermore, the Guidance does not affect the consolidated financial statements in 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) Amounts recorded in the consolidated financial statements

Goodwill      ¥7,551 million

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

B&D Co., Ltd.'s business results fell below the business plan as of the time of share acquisition due to delays in store openings and other reasons, and there were signs of impairment. Accordingly, the Company decided whether there was a need to recognize an impairment loss. As a result of this decision, the Company did not recognize an impairment loss because the total amount of undiscounted future cash flow exceeds the book value.

The estimate of undiscounted future cash flow is based on the medium-term business plan and other factors. In the medium-term business plan, factors such as new openings, increases in sales at existing stores through the promotion of dispensing pharmacies attached to drugstores, and increases in gross profits from improvement in purchasing terms have been taken into account as key assumptions.

These key assumptions may be affected by changes in the economic environment and other factors, and if it becomes necessary to revise them, the decision 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)	¥4,519 million
Impairment loss	¥2,913 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 estimate of future cash flow is made based on the budget plans for each store prepared by considering 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, and if it becomes necessary to revise the key assumptions, the decision 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      ¥98,162 million
- (2) Guarantee obligations

For guarantee deposits of ¥65 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 ¥65 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, 2023

Common shares      49,488,468 shares

- (2) Dividends of surplus

##### 1) Dividend amounts

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
The Board of Directors meeting on June 21, 2022	Common shares	4,054	83.5	May 15, 2022	July 20, 2022
The Board of Directors meeting on December 20, 2022	Common shares	5,662	116.5	November 15, 2022	January 6, 2023

- 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 (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Scheduled effective date
The Board of Directors meeting on June 23, 2023	Common shares	6,974	Retained earnings	143.5	May 15, 2023	July 20, 2023

- 3) Subscription rights to shares as of May 15, 2023

Breakdown of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares as of May 15, 2023
2008 subscription rights to shares	Common shares	14,400 shares
2009 subscription rights to shares	Common shares	16,800 shares
2010 subscription rights to shares	Common shares	18,600 shares
2011 subscription rights to shares	Common shares	20,400 shares
2012 subscription rights to shares	Common shares	18,800 shares
2013 subscription rights to shares	Common shares	9,800 shares
2014 subscription rights to shares	Common shares	8,600 shares
2015 subscription rights to shares	Common shares	5,400 shares
2016 subscription rights to shares	Common shares	6,000 shares
The 10th series of subscription rights to shares	Common shares	435,400 shares
Total		554,200 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, 2023 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 (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (*1)	29,913	29,913	–
(2) Guarantee deposits	69,822	66,840	(2,981)
Total of assets	99,735	96,753	(2,981)
(3) Long-term loans payable (*2)	39,475	39,506	31
Total of liabilities	39,475	39,506	31

- (\*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 (Millions of yen)
Unlisted shares	565

(\*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 (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	28,740	–	–	28,740
Other	–	1,172	–	1,172
Total of assets	28,740	1,172	–	29,913

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

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	–	66,840	–	66,840
Total of assets	–	66,840	–	66,840
Long-term loans payable	–	39,506	–	39,506
Total of liabilities	–	39,506	–	39,506

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

Investment securities

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

Because investment trusts do not have a transaction price on the market nor material restrictions that would require market participants to compensate for the risk associated with cancellation, the net asset value is considered the fair value, which is classified as Level 2.

Guarantee deposits

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.

Long-term loans payable

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 (Millions of yen)

Merchandise	Pharmaceuticals	222,813
	Cosmetics	133,560
	Misc. daily necessities	255,575
	Foods	240,956
	Other	112,737
Subtotal		965,644
Commission income, etc.		3,066
Revenue from contracts with customers		968,711
Revenue from other sources		1,367
Net sales for external customers		970,079

(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, 2023 (Millions of yen)
Receivables from contracts with customers (beginning balance)	49,155
Receivables from contracts with customers (ending balance)	43,933
Contract liabilities (beginning balance)	10,418
Contract liabilities (ending balance)	13,948

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 ¥7,271 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.

(Millions of yen)

	As of May 15, 2023
Within one year	9,280
Over one year	4,668
Total	13,948



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	¥5,690.49
Net income per share	¥519.90

10. Notes on Significant Subsequent Events

(Transactions, etc. under common control)

Acquisitions of treasury shares of consolidated subsidiaries by the subsidiaries themselves and additional acquisitions of shares of the subsidiaries by the Company

Our consolidated subsidiary Drug Eleven Co., Ltd. acquired its own treasury shares on May 30, 2023, and the Company acquired additional shares of Drug Eleven Co., Ltd. on May 31, 2023, making it a wholly-owned subsidiary of the Company.

1. Summary of transactions

(1) Name of the company at the time of combination and its description of business

Name of company at the time of combination: Drug Eleven Co., Ltd.

Description of business: Retail of pharmaceuticals, cosmetics, daily necessities, dispensing store

(2) Date of business combination

May 31, 2023

(3) Legal form of business combination

Creation of a wholly-owned subsidiary with the acquisition of shares from a non-controlling shareholder

(4) Name of company after combination

No change.

(5) Other matters concerning summary of transactions

The voting rights of the shares additionally acquired represent 36.9%, and as a result of such transaction, Drug Eleven Co., Ltd. has become a wholly-owned subsidiary of the Company.

2. Summary of accounting method performed

Based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), it has been treated as transaction with non-controlling shareholders, among transactions, etc. under common control.

3. Matters listed when additional shares of subsidiaries are acquired

Acquisition cost of the acquiree and breakdown thereof by type of consideration

Consideration of acquisition of shares of the subsidiary by the Company	Cash	¥7,168 million
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Consideration of acquisition of its own treasury shares by Drug Eleven Co., Ltd.

Consideration of acquisition of its own treasury shares by Drug Eleven Co., Ltd.	Cash	¥4,600 million
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Acquisition cost

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¥11,768 million

4. Matters concerning the Company's change of interest on the transaction with non-controlling shareholders

(1) Major factors of change in capital surplus

Additional acquisition of shares of subsidiaries and acquisition of treasury shares of consolidated subsidiaries

(2) Amount of capital surplus decreased by transactions with non-controlling shareholders

¥8,137 million

## Non-Consolidated Balance Sheets

(As of May 15, 2023)

(Millions of yen)

<b>Assets</b>		<b>Liabilities</b>	
Description	Amount	Description	Amount
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and deposits	41,701	Current portion of long-term loans payable	6,000
Accounts receivable – trade	736	Accounts payable – other	1,400
Supplies	1	Accrued expenses	6
Short-term loans receivable from subsidiaries and affiliates	189	Income taxes payable	147
Income taxes receivable	2,131	Deposits received	1
Other	273	Provision for bonuses	59
Allowance for doubtful accounts	(189)	Provision for directors' bonuses	253
<b>Total current assets</b>	<b>44,844</b>	Other	100
<b>Non-current assets</b>		<b>Total current liabilities</b>	<b>7,970</b>
<b>Property, plant and equipment</b>		<b>Non-current liabilities</b>	
Buildings	0	Long-term loans payable	26,000
Tools, furniture and fixtures	67	Guarantee deposits received	8
<b>Total property, plant and equipment</b>	<b>68</b>	Other	73
<b>Intangible assets</b>		<b>Total non-current liabilities</b>	<b>26,081</b>
Telephone subscription right	0	<b>Total liabilities</b>	<b>34,051</b>
Software	2,328	<b>Net assets</b>	
Software in progress	1,017	Description	Amount
<b>Total intangible assets</b>	<b>3,345</b>	<b>Shareholders' equity</b>	
<b>Investments and other assets</b>		<b>Capital stock</b>	<b>11,433</b>
Shares of subsidiaries and affiliates	117,441	<b>Capital surplus</b>	
Deferred tax assets	46	Legal capital surplus	44,717
Other	235	Other capital surplus	2,452
<b>Total investments and other assets</b>	<b>117,723</b>	<b>Total capital surplus</b>	<b>47,169</b>
<b>Total non-current assets</b>	<b>121,137</b>	<b>Retained earnings</b>	
<b>Total assets</b>	<b>165,982</b>	Legal retained earnings	15
		Other retained earnings	76,847
		General reserve	861
		Retained earnings brought forward	75,985
		<b>Total retained earnings</b>	<b>76,862</b>
		<b>Treasury shares</b>	<b>(5,313)</b>
		<b>Total shareholders' equity</b>	<b>130,151</b>
		<b>Subscription rights to shares</b>	<b>1,779</b>
		<b>Total net assets</b>	<b>131,930</b>
		<b>Total liabilities and net assets</b>	<b>165,982</b>

## Non-Consolidated Statements of Income

(May 16, 2022 – May 15, 2023)

(Millions of yen)

Description	Amount	
<b>Operating revenue</b>		<b>18,003</b>
<b>Operating expenses</b>		<b>6,755</b>
<b>Operating Income</b>		<b>11,247</b>
<b>Non-operating income</b>		
Interest income	0	
Dividend income	1	
Reversal of allowance for doubtful accounts	18	
Sponsorship money income	11	
Other	10	41
<b>Non-operating expenses</b>		
Interest expenses	53	
Other	5	59
<b>Ordinary Income</b>		<b>11,230</b>
<b>Extraordinary income</b>		
Gain on reversal of share acquisition rights	801	801
<b>Income before income taxes</b>		<b>12,031</b>
Income taxes – current	249	
Income taxes – deferred	6	255
<b>Net income</b>		<b>11,775</b>

## Non-Consolidated Statement of Changes in Equity

(May 16, 2022 – May 15, 2023)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						General reserve	Retained earnings brought forward			
Balance at beginning of the period	11,322	44,606	2,452	47,058	15	861	73,926	74,802	(5,313)	127,870
Change of items during the period										
Issuance of new shares	111	111		111						222
Dividends of surplus							(9,716)	(9,716)		(9,716)
Net income							11,775	11,775		11,775
Purchase of treasury shares									(0)	(0)
Net changes of items other than shareholders' equity										
Total change of items during the period	111	111	–	111	–	–	2,059	2,059	(0)	2,281
Balance at end of the period	11,433	44,717	2,452	47,169	15	861	75,985	76,862	(5,313)	130,151

	Subscription rights to shares	Total net assets
Balance at beginning of the period	2,269	130,140
Change of items during the period		
Issuance of new shares		222
Dividends of surplus		(9,716)
Net income		11,775
Purchase of treasury shares		(0)
Net changes of items other than shareholders' equity	(490)	(490)
Total change of items during the period	(490)	1,790
Balance at end of the period	1,779	131,930

[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. 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 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 the medium-term business plan and other factors. In the medium-term business plan, factors such as new openings, increases in sales at existing stores through the promotion of dispensing pharmacies attached to drugstores, and increases in gross profits from improvement in purchasing terms have been taken into account as key assumptions.

These key assumptions may be affected by changes in the economic environment and other factors, and if it becomes necessary to revise them, the decision 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.

#### 4. Notes on Non-consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment	¥158 million
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#### (2) Guarantee obligations

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

B&D Co., Ltd.	¥3,850 million
<u>Drug Eleven Co., Ltd.</u>	<u>¥3,625 million</u>
Total	¥7,475 million

#### (3) Monetary receivables from and payables to subsidiaries and affiliates

Short-term monetary receivables	¥736 million
Short-term monetary payables	¥427 million
Long-term monetary payables	¥8 million

#### 5. Notes on Non-Consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates

Amount of operating transactions

Operating revenue	¥18,003 million
Operating expenses	¥45 million
Amount of non-operating transactions	¥0 million

#### 6. Notes on Non-Consolidated Statement of Changes in Equity

Class and number of treasury shares as of May 15, 2023

Common shares	886,721 shares
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#### 7. 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

#### 8. Notes on Revenue Recognition

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.

## 9. 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	4 interlocking officers	Management guidance, etc.	Receipt of management guidance fees, etc.	3,411	Accounts receivable – trade	369
Subsidiary	B&D Co., Ltd.	Drug stores	(Directly holding) 100.0	2 interlocking officers	Management guidance, etc.	Guarantee of obligations on loans payable to banks	3,850	–	–
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	3,625	–	–

(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.

## 10. Notes on Per Share Information

Net assets per share ¥2,677.92

Net income per share ¥242.38

## 11. Notes on Significant Subsequent Events

Notes are omitted since information is included in “10. Notes on Significant Subsequent Events” in the notes to the consolidated financial statements.

## Independent Auditor's Report

July 7, 2023

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, 2022 through May 15, 2023.

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. This includes establishing and operating such internal controls as management determines necessary to enable the preparation 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 to express opinions on the consolidated financial statements. The auditor is responsible for directing, supervising, and conducting the audit of the consolidated financial statements. The auditor is solely responsible for its 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 7, 2023

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 61<sup>st</sup> fiscal year from May 16, 2022 through May 15, 2023.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company for the period, for which the financial statements were prepared, 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. In addition, the Audit and Supervisory Committee is responsible for monitoring the execution of duties by Directors in the development and operation of the reporting process for the other statements.

Other information is not included in the scope of Audit Opinion on the financial statements, and we express no opinion on 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 financial statements, etc. in accordance with accounting principles generally accepted in Japan. This includes establishing and operating such internal controls as management determines necessary for the preparation and fair presentation of the financial statements, etc. 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.

## The Audit and Supervisory Committee's Audit Report

### Audit Report

The Audit and Supervisory Committee audited the execution of duties by Directors for the 61<sup>st</sup> fiscal year from May 16, 2022 to May 15, 2023. 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 7, 2023

The Audit and Supervisory Committee, TSURUHA HOLDINGS INC.

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

Note: Audit and Supervisory Committee Members Ms. Harumi Sato, Mr. Takuya Okazaki and Mr. Fumiyo Fujii are Outside Directors set forth in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.