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# THE NOTICE OF THE 62nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

## Other Matters Concerning Electronic Provision Measure

- ■ Business Report
  - Matters Concerning Subscription Rights to Shares, Etc.
  - Status of Accounting Auditor
  - System to Ensure Proper Business Execution and its Operational Status
  - Policy for Determining Dividends of Surplus, Etc.
- ■ Consolidated Financial Statements
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  - Notes to the Consolidated Financial Statements
- ■ Non-Consolidated Financial Statements
  - Non-Consolidated Statement of Changes in Equity
  - Notes to the Non-Consolidated Financial Statements

(May 16, 2023 – May 15, 2024)

# 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.

Note that, for this general meeting of shareholders, documents stating Matters Concerning Electronic Provision Measure, excluding the above matters, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

For matters provided in the Notice of the 62nd Ordinary General Meeting of Shareholders, we ask that you please reference the convocation notice.

**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 | 65 | 13,000 | 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 | 72 | 14,400 | 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 | 80 | 16,000 | Gratis | ¥1 | From September 28, 2010 to September 27, 2030 | Directors (excluding Audit and Supervisory Committee Members and Outside Directors) | 18 | 3,600 | 2 |
| | | | | | | Outside Directors | – | – | – |
| | | | | | | Directors (Audit and Supervisory Committee Members) | 9 | 1,800 | 1 |
| 2011 subscription rights to shares | 89 | 17,800 | Gratis | ¥1 | From September 28, 2011 to September 27, 2031 | Directors (excluding Audit and Supervisory Committee Members and Outside Directors) | 18 | 3,600 | 2 |
| | | | | | | Outside Directors | – | – | – |
| | | | | | | Directors (Audit and Supervisory Committee Members) | 9 | 1,800 | 1 |

| 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 | 82 | 16,400 | 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 | 43 | 8,600 | 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 | 39 | 7,800 | 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 | 24 | 4,800 | 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 |

| 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 |
| 2016 subscription rights to shares | 26 | 5,200 | 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

Not applicable.

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 | ¥60 million |
| • Total amount of money and other property interests payable to Accounting Auditor by the Company and its subsidiaries | ¥111 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 such action 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 the Accounting Auditor with "due diligence services for finance and taxes" as services other than those set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services).

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 develops and operates a structure to ensure proper execution of business. The Company 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 ¥133.5 per share as initially planned based on the business results. Together with the interim dividend of ¥133.5 per share already paid on January 5, 2024, the full-year dividend will be ¥267 per share.

# Consolidated Statement of Changes in Equity

(May 16, 2023 – May 15, 2024)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of the period | 11,433 | 29,486 | 221,256 | (5,313) | 256,863 |
| Change of items during the period | | | | | |
| Issuance of new shares | 101 | 101 | | | 202 |
| Dividends of surplus | | | (13,465) | | (13,465) |
| Net income attributable to owners of the parent | | | 24,105 | | 24,105 |
| Purchase of treasury shares | | | | (0) | (0) |
| Purchase of shares of consolidated subsidiaries | | (8,137) | | | (8,137) |
| Net changes of items other than shareholders' equity | | | | | |
| Total change of items during the period | 101 | (8,036) | 10,640 | (0) | 2,704 |
| Balance at end of the period | 11,535 | 21,449 | 231,896 | (5,314) | 259,567 |

| | 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 | 19,613 | 90 | 19,704 | 1,779 | 25,797 | 304,144 |
| Change of items during the period | | | | | | |
| Issuance of new shares | | | | | | 202 |
| Dividends of surplus | | | | | | (13,465) |
| Net income attributable to owners of the parent | | | | | | 24,105 |
| Purchase of treasury shares | | | | | | (0) |
| Purchase of shares of consolidated subsidiaries | | | | | | (8,137) |
| Net changes of items other than shareholders' equity | 2,537 | 116 | 2,654 | 238 | (1,998) | 894 |
| Total change of items during the period | 2,537 | 116 | 2,654 | 238 | (1,998) | 3,598 |
| Balance at end of the period | 22,150 | 207 | 22,358 | 2,017 | 23,799 | 307,743 |

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

2) Names of important non-consolidated subsidiaries
TSURUHA (Thailand) Co., Ltd.

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

(2) Application of the equity method

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

Not applicable.

2) Names of important non-consolidated subsidiaries and affiliates to which the equity method has not been applied
TSURUHA (Thailand) Co., Ltd.

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

(3) Fiscal year of consolidated subsidiaries

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

(4) Accounting policies

1) Valuation criteria and methods for significant assets

a. Valuation criteria and methods for securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at fair value (valuation differences are reported as a separate component of net assets and the cost of securities sold is determined based on the moving average method).

Shares, etc. that do not have a market price

Stated at cost using the moving average method.

b. Valuation criteria and methods for inventories

Merchandise

Valued at cost using the monthly moving average method (balance sheet values are written down to reflect declines in profitability).

However, drugs used for dispensing activities are valued at cost using the retail method (balance sheet values are written down to reflect declines in profitability).

Raw materials and supplies

Last purchase cost method

2) Depreciation and amortization methods for significant depreciable assets

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

Declining-balance method

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

Expected useful lives of principle assets are as follows:

| | |
|---|---|
| Buildings and structures | 3 to 47 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. Notes on Change of Presenting Method

Re: Consolidated Balance Sheets

“Short-term loans receivable” (¥1 million in the previous fiscal year) under “current assets,” “machinery, equipment and vehicles” (¥0 million in the previous fiscal year) under “property, plant and equipment,” “telephone subscription right” (¥103 million in the previous fiscal year) under “intangible assets” and “long-term loans receivable” (¥8 million in the previous fiscal year) under “investments and other assets” that were independently presented in the previous fiscal year have been included in “other” since the fiscal year under review, as they are of little monetary significance.

Re: Consolidated Statements of Income

“Subsidy income” (¥22 million in the previous fiscal year) included in “other” under “non-operating income” in the previous fiscal year is independently presented from the fiscal year under review, as its monetary significance has increased. Meanwhile, “compensation income” (¥29 million in the previous fiscal year) under “non-operating income” and “closed store related expenses” (¥206 million in the previous fiscal year) under “non-operating expenses” that were independently presented in the previous fiscal year have been included in “other” since the fiscal year under review, as their monetary significance has become small.

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 | ¥2,606 million |
| Impairment loss | ¥4,189 million |

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

The Company recognized a sign of impairment in the goodwill of B&D Co., Ltd. at the end of the fiscal year under review. As a result of a review of the business plan according to changes in the market environment, the total amount of undiscounted future cash flow was below the book value of non-current assets of B&D Co., Ltd. including goodwill. Therefore, the Company recognizes impairment loss of ¥4,189 million concerning said goodwill in the fiscal year under review.

The estimate of 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 assumptions may be affected by changes in the economic environment, 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.

Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements

| | |
|---|---|
| Property, plant, and equipment | ¥130,545 million |
| Intangible assets (excluding goodwill) | ¥7,421 million |
| Impairment loss (excluding goodwill) | ¥3,245 million |

(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. Additional information

Execution of a capital and business tie-up agreement with AEON CO., LTD. and WELCIA HOLDINGS CO., LTD.

At the Board of Directors meeting held on February 28, 2024, the Company resolved to start consultation about business integration with AEON CO., LTD. (hereinafter referred to as “AEON”) and WELCIA HOLDINGS CO., LTD. (hereinafter referred to as “WELCIA HD”) and entered into a capital and business tie-up agreement (hereinafter referred to as the “Capital and Business Tie-up Agreement”) with those two companies on said day.

(1) Purpose of and Reasons for Capital and Business Tie-up

The Company, AEON, and WELCIA HD aim at creating the largest union of drugstores in Japan by showing synergy in various fields through making the best use of the companies’ management resources and working in cooperation and at growing to the top Asian global company by acquiring competitiveness, with the aim of creating opportunities for employees to grow without limit and thereby realizing higher-level health and wellness services for local residents.

(2) Details of Capital and Business Tie-up

Details of business tie-up

The scope of the business tie-up agreed on by the Company with AEON and WELCIA HD in the Capital and Business Tie-up Agreement is as follows.

(i) Mutual cooperation in developing stores and attaching dispensaries to drugstores

(ii) Mutual cooperation in purchasing goods and electricity and developing products

(iii) Mutual cooperation in making physical distribution efficient

(iv) Cooperation in settlement, point systems, digital marketing, insurance, and other aspects

(v) Promotion of the joint development and mutual supply of private brand products

(vi) Mutual cooperation in promoting DX and EC

(vii) The exchange of know-how of management

(viii) Research into the food and drug business form and promotion thereof

(ix) Exchanges among staffs and exchange of information about personnel affairs

Details of capital tie-up

The capital tie-up under the Capital and Business Tie-up Agreement contains its outline, the final agreement to carry out the transactions referred to in 1) below, and a basic agreement on the transactions referred to in 2) and 3) below.

When those transactions are completed, WELCIA HD will join the Tsuruha Group as a wholly-owned subsidiary, and the Company will become a consolidated subsidiary of AEON and the core subsidiary in the health and wellness business of the AEON Group.

1) AEON shall acquire the additional common shares of the Company (hereinafter referred to as the "Company Shares") to make the Company an equity method affiliated company.
2) The Company and WELCIA HD shall integrate their management by the method of exchanging shares by which the Company becomes the parent company and WELCIA HD becomes a wholly-owned subsidiary.
3) After the completion of action described in the preceding paragraph, AEON shall make the Company its consolidated subsidiary by acquiring the additional shares of the Company to the extent it will hold a majority or more, and less than 51% of the voting rights pertaining to the Company Shares. At and after the execution of the Capital and Business Tie-up Agreement, the three companies aim at coming to a final arrangement on the transactions referred to in the preceding paragraph and this paragraph and entering into an agreement for the final arrangement by December 31, 2027 at the latest.

(3) Schedule for Capital and Business Tie-up

Date of resolution by the Board of Directors: February 28, 2024

Date of execution of Capital and Business Tie-up Agreement: February 28, 2024

(4) Other matters

The Capital and Business Tie-up Agreement had a slight influence on the Company's business results for the fiscal year under review but, we consider, will contribute to a rise in the Company's business results in a mid to long term.

6. Notes on Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment ¥108,816 million

(2) Guarantee obligations

For guarantee deposits of ¥31 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 ¥31 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.

7. Notes on Consolidated Statement of Changes in Equity

(1) Class and total number of shares issued and outstanding as of May 15, 2024

Common shares 49,518,268 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 23, 2023 | Common shares | 6,974 | 143.5 | May 15, 2023 | July 20, 2023 |
| The Board of Directors meeting on December 19, 2023 | Common shares | 6,490 | 133.5 | November 15, 2023 | January 5, 2024 |

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 21, 2024 | Common shares | 6,492 | Retained earnings | 133.5 | May 15, 2024 | July 23, 2024 |

(3) Subscription rights to shares as of May 15, 2024

| Breakdown of subscription rights to shares | Class of shares subject to subscription rights to shares | Number of shares as of May 15, 2024 |
|---|---|---|
| 2008 subscription rights to shares | Common shares | 13,000 shares |
| 2009 subscription rights to shares | Common shares | 14,400 shares |
| 2010 subscription rights to shares | Common shares | 16,000 shares |
| 2011 subscription rights to shares | Common shares | 17,800 shares |
| 2012 subscription rights to shares | Common shares | 16,400 shares |
| 2013 subscription rights to shares | Common shares | 8,600 shares |
| 2014 subscription rights to shares | Common shares | 7,800 shares |
| 2015 subscription rights to shares | Common shares | 4,800 shares |
| 2016 subscription rights to shares | Common shares | 5,200 shares |
| The 10th series of subscription rights to shares | Common shares | 422,900 shares |
| Total | | 526,900 shares |

8. 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, 2024 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) | 33,570 | 33,570 | – |
| (2) Guarantee deposits | 70,872 | 65,121 | (5,751) |
| Total of assets | 104,443 | 98,691 | (5,751) |
| (3) Long-term loans payable (*2) | 32,275 | 32,145 | (129) |
| Total of liabilities | 32,275 | 32,145 | (129) |

(*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 | 611 |

(*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 | 32,186 | – | – | 32,186 |
| Other | – | 1,384 | – | 1,384 |
| Total of assets | 32,186 | 1,384 | – | 33,570 |

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 | – | 65,121 | – | 65,121 |
| Total of assets | – | 65,121 | – | 65,121 |
| Long-term loans payable | – | 32,145 | – | 32,145 |
| Total of liabilities | – | 32,145 | – | 32,145 |

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.

## 9. Notes on Revenue Recognition

### (1) Disaggregation of revenue from contracts with customers

| | | Amount (Millions of yen) |
|---|---|---|
| Merchandise | Pharmaceuticals | 240,525 |
| | Cosmetics | 146,605 |
| | Misc. daily necessities | 264,939 |
| | Foods | 261,366 |
| | Other | 109,377 |
| Subtotal | | 1,022,814 |
| Commission income, etc. | | 3,251 |
| Revenue from contracts with customers | | 1,026,065 |
| Revenue from other sources | | 1,397 |
| Net sales for external customers | | 1,027,462 |

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, 2024 (Millions of yen) |
|---|---|
| Receivables from contracts with customers (beginning balance) | 43,933 |
| Receivables from contracts with customers (ending balance) | 47,504 |
| Contract liabilities (beginning balance) | 13,948 |
| Contract liabilities (ending balance) | 16,608 |

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 ¥8,920 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, 2024 |
|---|---|
| Within one year | 10,773 |
| Over one year | 5,835 |
| Total | 16,608 |

10. Notes on Per Share Information

Net assets per share ¥5,797.19

Net income per share ¥495.85

11. Notes on Business Combination

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

12. Notes on Significant Subsequent Events

Absorption-type merger between consolidated subsidiaries

At the Board of Directors meeting held on December 8, 2023, the Company resolved to carry out an absorption-type merger in which TSURUHA CO., LTD., which is its consolidated subsidiary, is a surviving company and B&D Co., Ltd., which is its consolidated subsidiary, is a disappearing company, and carried out the absorption-type merger on May 16, 2024.

An outline of the absorption-type merger is as follows.

(1) Summary of transactions

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

i. Company surviving the absorption-type merger

| | |
|---|---|
| Name of combining company | TSURUHA CO., LTD. |
| Description of business | Management of drugstores and pharmacies |

ii. Company disappearing in the absorption-type merger

| | |
|---|---|
| Name of combined company | B&D Co., Ltd. |
| Description of business | Management of drugstores and pharmacies |

2) Date of business combination

May 16, 2024 (effective date)

3) Legal form of business combination

An absorption-type merger in which TSURUHA CO., LTD. is a company surviving the absorption-type merger and B&D Co., Ltd. is a company disappearing in the absorption-type merger

4) Name of company after combination

TSURUHA CO., LTD.

5) Other matters concerning a summary of transactions

As of May 15, 2024, B&D Co., Ltd. has developed 80 drugstores and pharmacies in Aichi Prefecture. Since B&D has become a member of the Tsuruha Group in May 2018, it has become dominant actively in Aichi Prefecture. Now, TSURUHA CO., LTD., which is the core company of the Tsuruha Group and is carrying on with opening new stores all over Japan, merges with B&D Co., Ltd. in an absorption-type form, thereby making the Tsuruha Group's management efficient and greatly strengthening the basis of management in Aichi Prefecture.

(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 in accounting as a transaction under common control.

# Non-Consolidated Statement of Changes in Equity

(May 16, 2023 – May 15, 2024)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | | | Retained earnings | | | | Treasury shares | Total sharehold-ers' 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 | 11,433 | 44,717 | 2,452 | 47,169 | 15 | 861 | 75,985 | 76,862 | (5,313) | 130,151 |
| Change of items during the period | | | | | | | | | | |
| Issuance of new shares | 101 | 101 | | 101 | | | | | | 202 |
| Dividends of surplus | | | | | | | (13,465) | (13,465) | | (13,465) |
| Net income | | | | | | | 14,196 | 14,196 | | 14,196 |
| Purchase of treasury shares | | | | | | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total change of items during the period | 101 | 101 | – | 101 | – | – | 731 | 731 | (0) | 933 |
| Balance at end of the period | 11,535 | 44,818 | 2,452 | 47,270 | 15 | 861 | 76,717 | 77,593 | (5,314) | 131,085 |

| | Subscription rights to shares | Total net assets |
|---|---|---|
| Balance at beginning of the period | 1,779 | 131,930 |
| Change of items during the period | | |
| Issuance of new shares | | 202 |
| Dividends of surplus | | (13,465) |
| Net income | | 14,196 |
| Purchase of treasury shares | | (0) |
| Net changes of items other than shareholders' equity | 238 | 238 |
| Total change of items during the period | 238 | 1,171 |
| Balance at end of the period | 2,017 | 133,102 |

[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 (five 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 Change of Presenting Method

Re: Non-Consolidated Balance Sheets

"Telephone subscription right" (¥0 million in the previous fiscal year) under "intangible assets" and "guarantee deposits received" (¥8 million in the previous fiscal year) under "non-current liabilities" that were independently presented in the previous fiscal year have been included in "other" since the fiscal year under review, as they are of little monetary significance.

4. Notes on Accounting-based Estimates

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

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

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

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

| | |
|---|---|
| Shares of subsidiaries and affiliates | ¥12,418 million |

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

With regard to B&D Co., Ltd., the net income fell below the business plan as of the time of share acquisition due to delay of store openings and other reasons. However, the Company did not recognize a valuation loss, because the Company judged that the real value has not markedly fallen, as a result of a comparison between the real value that reflects the excess earning power, etc. and the acquisition value.

The Company's judgment that the real value has not markedly fallen 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.

5. Additional information

Notes are omitted, since information is included in "5. Additional information" in the notes to the consolidated financial statements.

6. Notes on Non-consolidated Balance Sheets

| | |
|---|---|
| (1) Accumulated depreciation of property, plant and equipment | ¥189 million |

(2) Guarantee obligations

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

| | |
|---|---|
| B&D Co., Ltd. | ¥3,150 million |
| Drug Eleven Co., Ltd. | ¥3,125 million |
| Total | ¥6,275 million |

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

| | |
|---|---|
| Short-term monetary receivables | ¥1,009 million |
| Short-term monetary payables | ¥208 million |
| Long-term monetary payables | ¥8 million |

7. Notes on Non-Consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates

| | |
|---|---|
| Amount of operating transactions | |
| Operating revenue | ¥22,515 million |
| Operating expenses | ¥41 million |
| Amount of non-operating transactions | ¥14 million |

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

Class and number of treasury shares as of May 15, 2024

| | |
|---|---|
| Common shares | 886,797 shares |

9. 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

10. 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.

11. 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. | 4,140 | Accounts receivable – trade | 436 |
| 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 | 3,150 | – | – |

<table>
<tr><th rowspan="2">Category</th><th rowspan="2">Name of company, etc.</th><th rowspan="2">Description of business or occupation</th><th rowspan="2">Ratio of voting rights, etc. held (or held of the Company) (%)</th><th colspan="2">Description of relationships</th><th rowspan="2">Description of transactions</th><th rowspan="2">Amount of transactions (Millions of yen)</th><th rowspan="2">Description</th><th rowspan="2">Balance at end of the period (Millions of yen)</th></tr>
<tr><th>Interlocking officers, etc.</th><th>Business relationship</th></tr>
<tr><td rowspan="2">Subsidiary</td><td rowspan="2">Drug Eleven Co., Ltd.</td><td rowspan="2">Drug stores</td><td rowspan="2">(Directly holding)100.0</td><td rowspan="2">2 interlocking officers</td><td rowspan="2">Management guidance, etc.</td><td>Guarantee of obligations on loans payable to banks</td><td>3,125</td><td>–</td><td>–</td></tr>
<tr><td>Fund lending</td><td>5,000</td><td>Long-term loans receivable from subsidiaries and affiliates</td><td>5,000</td></tr>
</table>

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.

The Company sets interest rates in lending funds taking into account market rates of interest.

12. Notes on Per Share Information

| | |
|---|---|
| Net assets per share | ¥2,695.48 |
| Net income per share | ¥292.03 |

13. Notes on Business Combination

Notes are omitted, since information is included in “11. Notes on Business Combination” in the notes to the consolidated financial statements.

14. Notes on Significant Subsequent Events

Notes are omitted, since information is included in “12. Notes on Significant Subsequent Events” in the notes to the consolidated financial statements.