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THE NOTICE OF THE 63rd ORDINARY GENERAL MEETING OF SHAREHOLDERS

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(May 16, 2024 – February 28, 2025)

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 63rd Ordinary General Meeting of Shareholders, we ask that you please reference the convocation notice.

Trends in Assets and Income

Category	The 60th fiscal term (Year ended May 15, 2022)	The 61st fiscal term (Year ended May 15, 2023)	The 62nd fiscal term (Year ended May 15, 2024)	The 63rd fiscal term (fiscal year under review) (Year ended February 28, 2025)
Net sales (Millions of yen)	915,700	970,079	1,027,462	845,603
Ordinary income (Millions of yen)	40,052	45,689	47,466	37,840
Net income attributable to owners of the parent (Millions of yen)	21,388	25,258	21,743	17,207
Net income per share (Yen)	440.59	519.90	447.27	353.67
Total assets (Millions of yen)	562,363	539,830	549,551	583,362
Net assets (Millions of yen)	284,046	304,144	305,297	306,377
Book value per share (Yen)	5,314.48	5,690.49	5,748.63	5,778.90

(Notes) 1. The fiscal year under review represents an irregular period of 9.5 months, due to a change in the fiscal year-end (from May 15 to the end of February).

2. The figures presented for the 62nd fiscal term (Year ended May 15, 2024) reflect the correction of the prior period financial statement.

Issues to Be Addressed

Regarding future economic conditions, the global economy is expected to sustain steady growth, supported by solid domestic demand in the United States and economic measures in China. Although personal consumption remains sluggish in the Japanese economy due to rising food prices, the trend of wage increases is continuing, and the economy is expected to gradually recover.

In the drugstore sector, the market continues to expand through ongoing store openings that meet the needs of areas such as dispensing pharmacies and food categories. However, efforts to improve productivity and control expenses have a significant impact on differences in profitability among companies.

In this situation, the Company will work to enhance profitability by making improvements to its store strategy, dispensing strategy, PB strategy, and DX strategy, all of which were outlined in the previous Medium-Term Management Plan, for the time being. In addition, the Company will proceed with the business integration with WELCIA HOLDINGS CO., LTD. and AEON CO., LTD. and work toward generating integration synergies.

Based on the above, our forecast for the next fiscal year's consolidated results is net sales of ¥1,113.4 billion, operating income of ¥51.1 billion, ordinary income of ¥50.3 billion, and net income attributable to owners of the parent of ¥24.8 billion.

Priority policies for fiscal year ending February 28, 2026 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 opening new stores with higher quality by strengthening the store management system including the establishment of the Store Development and Management Department. 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 the development and sale of products “Kurashi Rhythm” and “Kurashi Rhythm Medical.” At the same time, we will work to develop environmentally friendly products and adopt environmentally conscious packaging, striving to improve our corporate value through product development.

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. To this end, working on implementing promotional measures through MA tools and enhancing the efficiency of management decision-making by utilizing BI tools.

5) 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 2,716 stores as of the end of the fiscal year ending February 28, 2026, by opening 120 stores and closing 62 stores. In addition, the Company is proceeding with the business integration with AEON CO., LTD. and WELCIA HOLDINGS CO., LTD. and will aim at showing synergy in various fields through working in cooperation with the two companies by making the best use of the three companies’ management resources.

Principal Business (as of February 28, 2025)

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

The Group consists of the Company and 11 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 February 28, 2025)

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: 2,658 (Others: 22 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	437	Osaka	24
Aomori	67	Hyogo	24
Iwate	78	Wakayama	18
Miyagi	148	Tottori	43
Akita	83	Shimane	57
Yamagata	97	Okayama	15
Fukushima	120	Hiroshima	201
Ibaraki	51	Yamaguchi	58
Tochigi	35	Tokushima	25
Saitama	9	Kagawa	51
Chiba	151	Ehime	119
Tokyo	162	Kochi	30
Kanagawa	39	Fukuoka	104
Niigata	30	Saga	6
Yamanashi	32	Nagasaki	7
Nagano	19	Kumamoto	12
Shizuoka	102	Oita	9
Aichi	91	Miyazaki	11
Shiga	5	Kagoshima	37
Kyoto	5	Okinawa	46
		Total	2,658

Employees (as of February 28, 2025)

1) Status of the Group

Category	Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average length of service
Male	5,538	(142)	38 years and 11 months old	14 years and 4 months
Female	5,776	(177)	34 years and 1 month old	10 years and 2 months
Total or average	11,314	(319)	36 years and 6 months old	12 years and 2 months

Note: The number of employees above includes 16 employees seconded from the Company to companies outside the Company and excludes 542 fixed-term employees as well as part-time employees. The annual average number of part-time employees is 21,333 (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	164	8	46 years and 6 months old	20 years and 4 months
Female	47	9	45 years and 4 months old	19 years and 3 months
Total or average	211	17	46 years and 3 months old	20 years and 1 month

Notes: 1. The number of employees above excludes fixed-term employees and part-time employees. The annual average number of part-time employees is two (converted based on eight hours a day per person) and that of fixed-term employees is 18.

2. The number of employees above includes 125 employees seconded from the Group and 2 employees seconded to the Group.

Major Lenders (as of February 28, 2025)

Name of lender	Borrowing amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	25,000
North Pacific Bank, Ltd.	6,000
Sumitomo Mitsui Trust Bank, Limited	5,375
MUFG Bank, Ltd.	1,500

Other Important Information Concerning the Company Group

Not applicable.

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	44	8,800	Gratis	¥1	From September 26, 2008 to September 25, 2028	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	4	800	1
						Outside Directors	–	–	–
						Directors (Audit and Supervisory Committee Members)	7	1,400	1
2009 subscription rights to shares	48	9,600	Gratis	¥1	From September 26, 2009 to September 25, 2029	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	8	1,600	1
						Outside Directors	–	–	–
						Directors (Audit and Supervisory Committee Members)	8	1,600	1
2010 subscription rights to shares	53	10,600	Gratis	¥1	From September 28, 2010 to September 27, 2030	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	9	1,800	1
						Outside Directors	–	–	–
						Directors (Audit and Supervisory Committee Members)	9	1,800	1
2011 subscription rights to shares	71	14,200	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	68	13,600	Gratis	¥1	From September 28, 2012 to September 27, 2032	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	14	2,800	2
						Outside Directors	–	–	–
						Directors (Audit and Supervisory Committee Members)	8	1,600	1
2013 subscription rights to shares	33	6,600	Gratis	¥1	From September 28, 2013 to September 27, 2033	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	7	1,400	2
						Outside Directors	–	–	–
						Directors (Audit and Supervisory Committee Members)	4	800	1
2014 subscription rights to shares	32	6,400	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	20	4,000	Gratis	¥1	From September 29, 2015 to September 28, 2035	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	5	1,000	2
						Outside Directors	–	–	–
						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	22	4,400	Gratis	¥1	From September 27, 2016 to September 26, 2036	Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	5	1,000	2
						Outside Directors	–	–	–
						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.

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 Deloitte Touche Tohmatsu LLC

Note: KPMG AZSA LLC, which served as the Accounting Auditor of the Company, retired at the conclusion of the 62nd Ordinary General Meeting of Shareholders held on August 9, 2024.

2) The amount of remuneration, etc.

	Amount paid
• Amount of remuneration, etc. for Accounting Auditor for the fiscal year under review	¥62 million
• Total amount of money and other property interests payable to Accounting Auditor by the Company and its subsidiaries	¥110 million

Notes:
1. Deloitte Touche Tohmatsu 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.
4. During the fiscal year under review, we have paid the former auditor, KPMG AZSA LLC, an amount of ¥24 million as additional fees for an audit of the previous fiscal year and as fees for the transfer of audit duties to the succeeding auditor. Additionally, fees, etc. for audit services related to the correction of our past financial statements in accordance with the Financial Instruments and Exchange Act came to ¥199 million.

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) 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.

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 "Group Execution Meeting Regulations," and regularly holds group execution meetings once a month. At the group execution meeting, which consists of Directors and Executive Officers of the Company and its subsidiaries, Directors and Executive Officers 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 "Group Execution Meeting Regulations," and regularly holds group execution meetings once a month. At the group execution meeting, which consists of Directors and Executive Officers 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 the 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. (The accounting period for the current fiscal year became 9.5 months due to a change in the fiscal year end, leading to three reports being made.)

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. During the current fiscal year, five Internal Control Committee meetings were held.

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 expenditure 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 ¥112.0 per share based on the business results. Together with the interim dividend of ¥155.0 per share already paid on January 10, 2025, the full-year dividend will be ¥267 per share.

Consolidated Balance Sheet

(As of February 28, 2025)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets		**Current liabilities**	
Cash and deposits	92,739	Accounts payable – trade	139,398
Accounts receivable – trade	41,180	Short-term loans payable	5,000
Merchandise	149,090	Current portion of long-term loans payable	4,950
Raw materials and supplies	104	Accounts payable – other	10,517
Other	19,770	Lease obligations	1,896
Allowance for doubtful accounts	(73)	Income taxes payable	6,396
Total current assets	**302,811**	Contract liabilities	18,849
		Provision for bonuses	6,672
Non-current assets		Provision for directors' bonuses	461
Property, plant and equipment		Provision for point card certificates	296
Buildings and structures	83,612	Provision for loss on store closings	745
Tools, furniture and fixtures	15,527	Other	11,461
Land	16,011	**Total current liabilities**	**206,646**
Leased assets	19,442	**Non-current liabilities**	
Construction in progress	3,348	Long-term loans payable	27,925
Other	0	Lease obligations	23,993
Total property, plant and equipment	**137,942**	Deferred tax liabilities	2,279
Intangible assets		Net defined benefit liability	1,324
Goodwill	19,773	Asset retirement obligations	7,554
Software	7,276	Provision for loss on store closings	2,707
Other	1,245	Other	4,553
Total intangible assets	**28,295**	**Total non-current liabilities**	**70,338**
Investments and other assets		**Total liabilities**	**276,984**
Investment securities	31,942	**Net assets**	
Deferred tax assets	6,632	Description	Amount
Retirement benefit asset	209	**Shareholders' equity**	
Guarantee deposits	71,076	Capital stock	11,626
Other	4,506	Capital surplus	21,541
Allowance for doubtful accounts	(54)	Retained earnings	232,706
Total investments and other assets	**114,312**	Treasury shares	(5,315)
Total non-current assets	**280,550**	**Total shareholders' equity**	**260,558**
		Accumulated other comprehensive income	
		Valuation difference on available-for-sale securities	20,503
		Remeasurements of defined benefit plans	175
		Total accumulated other comprehensive income	**20,678**
		Subscription rights to shares	**866**
		Non-controlling interests	**24,273**
		Total net assets	**306,377**
Total assets	**583,362**	**Total liabilities and net assets**	**583,362**

Consolidated Statements of Income

(May 16, 2024 —February 28, 2025)

(Millions of yen)

Description	Amount	
Net Sales		**845,603**
Cost of sales		**588,063**
Gross profit		**257,540**
Selling, general and administrative expenses		**219,645**
Operating Income		**37,894**
Non-operating income		
Interest income	88	
Dividend income	245	
Subsidy income	256	
Gain on donation of equipment	400	
Rent income	252	
Other	539	1,784
Non-operating expenses		
Interest expenses	1,451	
Other	386	1,837
Ordinary Income		**37,840**
Extraordinary income		
Gain on sales of non-current assets	48	
Gain on reversal of share acquisition rights	1,165	
Gain on sale of investment securities	3,830	
Gain on termination of retirement benefit plan	278	5,323
Extraordinary losses		
Loss on retirement of non-current assets	85	
Loss on sales of non-current assets	3	
Impairment loss	10,743	
Provision for loss on store closings	3,110	
Other	840	14,782
Income before income taxes		**28,381**
Income taxes – current	13,236	
Income taxes – deferred	(3,469)	9,767
Net income		**18,613**
Net income attributable to non-controlling interests		1,406
Net income attributable to owners of the parent		**17,207**

Consolidated Statement of Changes in Equity

(May 16, 2024 – February 28, 2025)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,535	21,449	231,896	(5,314)	259,567
Cumulative effects of correction of errors			(2,361)		(2,361)
Restated balance	11,535	21,449	229,535	(5,314)	257,205
Change of items during the period					
Issuance of new shares	91	91			182
Dividends of surplus			(14,035)		(14,035)
Net income attributable to owners of the parent			17,207		17,207
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total change of items during the period	91	91	3,171	(1)	3,352
Balance at end of the period	11,626	21,541	232,706	(5,315)	260,558

	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	22,150	207	22,358	2,017	23,799	307,743
Cumulative effects of correction of errors			–		(84)	(2,446)
Restated balance	22,150	207	22,358	2,017	23,715	305,297
Change of items during the period						
Issuance of new shares						182
Dividends of surplus						(14,035)
Net income attributable to owners of the parent						17,207
Purchase of treasury shares						(1)
Net changes of items other than shareholders' equity	(1,647)	(32)	(1,679)	(1,150)	558	(2,272)
Total change of items during the period	(1,647)	(32)	(1,679)	(1,150)	558	1,080
Balance at end of the period	20,503	175	20,678	866	24,273	306,377

[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: 11

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.
Drug Eleven Co., Ltd.
TSURUHA Group Merchandising Co., Ltd.
TSURUHA Financial Service Inc.
TSURUHA Shurui Hanbai Co., Ltd.
Several Co., Ltd.

(Change in scope of consolidation)

B&D Co., Ltd., has been excluded from the scope of consolidation due to an absorption-type merger carried out on May 16, 2024, in which TSURUHA CO., LTD. was a company surviving the absorption-type merger and B&D Co., Ltd. was a company disappearing in the absorption-type merger.

In addition, on February 1, 2025, an absorption-type merger was carried out in which Tsuruha Group Drug & Pharmacy Nishinihon Inc. was a company surviving the absorption-type merger and Hiroshima Chuo Pharmacy Co., Ltd. was a company disappearing in the absorption-type merger. On August 16, 2024, another absorption-type merger was carried out in which TSURUHA CO., LTD. was a company surviving the absorption-type merger and TSURUHA Pharmacy K.K. was a company disappearing in the absorption-type merger. As a result, both Hiroshima Chuo Pharmacy Co., Ltd. and TSURUHA Pharmacy K.K. have been excluded from the scope of consolidation.

2) Names of important non-consolidated subsidiaries

TSURUHA (Thailand) Co., Ltd.

TSURUHA VIETNAM JOINT STOCK COMPANY

TSURUHA DRUGSTORE VIETNAM 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.

TSURUHA VIETNAM JOINT STOCK COMPANY

TSURUHA DRUGSTORE VIETNAM 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.

The Company and its consolidated subsidiaries have changed their fiscal year-end (business year-end) from May 15 to the end of February, starting with the fiscal year ended February 28, 2025.

(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.

e. Provision for loss on store closings

To prepare for losses associated with store closures, a provision has been recorded based on estimated future losses related to stores designated for closure.

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 Statements of Income)

"Insurance income" (¥44 million in the fiscal year under review) under "non-operating income" and "early withdrawal penalty" (¥140 million in the fiscal year under review) 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.

Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements

Property, plant and equipment	¥137,942 million
Intangible assets (excluding goodwill)	¥8,522 million
Investments and other assets	¥2,201 million
Impairment loss	¥10,743 million

Note: Of investments and other assets, impairment of non-current assets covers a portion of guarantee deposits and long-term prepaid expenses included in "Other."

(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 the growth in net sales and improvement in gross profit have been taken into account as key assumptions, based on the number of years elapsed since the store opening.

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.

Impairment assessment of goodwill related to Kyorindo Group Holdings Co., Ltd.

(1) Amounts recorded in the consolidated financial statements

Goodwill	¥8,047 million

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

With respect to the goodwill related to Kyorindo Group Holdings Co., Ltd., the actual business results have fallen below the business plan at the time of the share acquisition due to intensifying competition, 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 an increase in sales from new stores and an improvement in gross profit 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. Note on the Correction of Errors

In the fiscal year under review, errors were identified in the accounting treatment related to store lease agreements in prior fiscal years. Accordingly, the errors have been corrected. As a result, retained earnings at the beginning of the current fiscal year decreased by ¥2,361 million, and non-controlling interests decreased by ¥84 million.

6. Additional Information

(Changes in income taxes rates after the fiscal year-end)

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) was promulgated on March 31, 2025. As a result, income taxes, etc. will be increased from fiscal years beginning on or after April 1, 2026. Accordingly, the statutory effective tax rate used for the calculation of deferred tax assets and liabilities will be changed from 30.4%, which was applied in the calculation for the fiscal year under review, to 31.3% for temporary differences expected to reverse in fiscal years beginning on or after March 1, 2027.

The impact of this tax rate change is immaterial.

7. Notes on Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment ¥116,661 million

(2) Guarantee obligations

For guarantee deposits of ¥17 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 ¥17 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.

8. Notes on Consolidated Statement of Changes in Equity

(1) Class and total number of shares issued and outstanding as of February 28, 2025

Common shares 49,557,068 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, 2024	Common shares	6,492	133.5	May 15, 2024	July 23, 2024
The Board of Directors meeting on December 19, 2024	Common shares	7,543	155.0	November 15, 2024	January 10, 2025

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 April 11, 2025	Common shares	5,450	Retained earnings	112.0	February 28, 2025	May 8, 2025

(3) Subscription rights to shares as of February 28, 2025

Breakdown of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares as of February 28, 2025
2008 subscription rights to shares	Common shares	8,800 shares
2009 subscription rights to shares	Common shares	9,600 shares
2010 subscription rights to shares	Common shares	10,600 shares
2011 subscription rights to shares	Common shares	14,200 shares
2012 subscription rights to shares	Common shares	13,600 shares
2013 subscription rights to shares	Common shares	6,600 shares
2014 subscription rights to shares	Common shares	6,400 shares
2015 subscription rights to shares	Common shares	4,000 shares
2016 subscription rights to shares	Common shares	4,400 shares
The 11th series of subscription rights to shares	Common shares	475,800 shares
Total		554,000 shares

9. 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 February 28, 2025 are as follows.

	Amount recorded on consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Investment securities (*2)	31,293	31,293	–
(2) Guarantee deposits	70,564	62,898	(7,665)
Total of assets	101,857	94,191	(7,665)
(3) Long-term loans payable (*3)	32,875	32,462	(412)
Total of liabilities	32,875	32,462	(412)

(*1) "Cash and deposits," "accounts receivable – trade," "accounts payable – trade," and "short-term loans payable" are omitted, because they are either cash or short-term instruments whose carrying amounts approximate their fair values.

(*2) 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	649

(*3) 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	29,884	–	–	29,884
Other	–	1,409	–	1,409
Total of assets	29,884	1,409	–	31,293

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	–	62,898	–	62,898
Total of assets	–	62,898	–	62,898
Long-term loans payable	–	32,462	–	32,462
Total of liabilities	–	32,462	–	32,462

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 of guarantee deposits is measured by the discounted present value method, based on the estimated period from the fiscal year-end to the return of the deposits. The calculation uses the future cash flows (after deducting amounts that are not expected to be recovered due to the fulfillment of asset retirement obligations) and the appropriate interest rate that takes into account the yield of government bonds and the credit risk involved in credit management. 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.

10. Notes on Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

		Amount (Millions of yen)
Merchandise	Pharmaceuticals	200,746
	Cosmetics	117,511
	Misc. daily necessities	220,139
	Foods	219,071
	Other	84,470
Subtotal		841,940
Commission income, etc.		2,611
Revenue from contracts with customers		844,551
Revenue from other sources		1,051
Net sales for external customers		845,603

(Notes) 1. "Other" mainly consists of childcare products, health food, and medical supplies.
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 February 28, 2025 (Millions of yen)
Receivables from contracts with customers (beginning balance)	47,504
Receivables from contracts with customers (ending balance)	41,180
Contract liabilities (beginning balance)	16,608
Contract liabilities (ending balance)	18,849

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 ¥9,282 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.

	As of February 28, 2025 (Millions of yen)
Within one year	11,252
Over one year	7,596
Total	18,849

11. Notes on Per Share Information

Net assets per share	¥5,778.90
Net income per share	¥353.67

12. Notes on Business Combination

(Transactions, etc. under common control)

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 summary of transactions

As of May 15, 2024, B&D Co., Ltd. has developed 80 drugstores and pharmacies in Aichi Prefecture. Since B&D Co., Ltd. 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 as a transaction under common control.

13. Notes on Significant Subsequent Events

(Execution of the Definitive Agreement on the Capital and Business Alliance)

The Company resolved that, at a meeting of its Board of Directors held on April 11, 2025, it have decided to enter into a definitive agreement on the Capital and Business Alliance (the "Definitive Capital and Business Alliance Agreement") between AEON Co., Ltd. ("AEON") and WELCIA HOLDINGS Co., Ltd. ("Welcia HD"), and have entered into the Definitive Capital and Business Alliance Agreement on the same day.

(1) Purpose of the Capital and Business Alliance

On February 28, 2024, the Company, AEON, and Welcia HD agreed to begin discussions on a capital and business alliance between AEON, Tsuruha HD, and Welcia HD ("Capital and Business Alliance"), which includes a business integration between Tsuruha HD and Welcia HD ("Business Integration") with the purpose of realizing higher levels of health and wellness for local residents by engaging in people's pre-symptomatic diseases, disease prevention, and disease treatment and contributing to the extension of healthy life expectancy not only in Japan, but also on a global scale, including ASEAN (Association of Southeast Asian Nations). As of April 11, 2025, the parties have decided to enter into the Definitive Capital and Business Alliance Agreement, having determined that the Capital and Business Alliance will lead to

the realization of higher levels of health and wellness for local residents. By doing this, the parties aim to create the largest drugstore alliance in Japan, acquire competitiveness and grow into the No.1 global company in Asia, while also creating unlimited growth opportunities for their employees.

(2) Details of the Capital and Business Alliance as stipulated in the Definitive Capital and Business Alliance Agreement

(i) Details of the capital alliance

As part of the Capital and Business Alliance, the Company, AEON, and Welcia HD will carry out the following transactions.

Through these transactions, Welcia HD will become a wholly owned subsidiary of the Company. In addition, by acquiring shares of the Company so that the ratio of the number of voting rights (the "Voting Rights Ratio") for the Company's Shares held by AEON becomes 50.9%, AEON will make the Company a consolidated subsidiary, and the Company will become a core subsidiary that drives the health and wellness business of the AEON Group.

a. AEON will acquire 3,530,000 shares of the Company's Shares from Nomura Securities Co., Ltd. subject to the satisfaction of conditions such as having the necessary clearances, permits, and approvals being obtained pursuant to laws and regulations. As a result, the number of the Company's Shares held by AEON will be 13,205,200 shares (the Ownership Ratio will be 26.83%) when combined with the 9,675,200 of the Company's Shares already held, and the Company is scheduled to become an equity-method affiliate of AEON.

b. Based on the agreement regarding the share exchange executed by the Company and Welcia HD executed on April 11, 2025, (the "Share Exchange Agreement"), in which the Company will become the wholly owning parent company and Welcia HD will become the wholly owned subsidiary in a share exchange (the "Share Exchange") subject to the satisfaction of conditions such as having obtained the necessary clearances, permits, and approvals pursuant to laws and regulations, and subject to having obtained approvals at the shareholders meeting of each company, the Share Exchange will be implemented with December 1, 2025 as the effective date (scheduled). In addition, the Company plans to conduct a stock split ("Stock Split") whereby one share of the Company's Shares will be divided into 5 shares with September 1, 2025 as the effective date.

c. If, as a result of the Share Exchange taking effect, AEON does not hold 50.9% of the Voting Rights Ratio in the Company's Shares, AEON will promptly initiate a tender offer for the Company's Shares (the "Tender Offer"), settle the Tender Offer and acquire the Company's Shares so that AEON holds 50.9% of the Voting Rights Ratio in the Company's Shares, on or after the effective date of the Share Exchange. The Tender Offer is expected to be completed in January 2026.

d. If, following the settlement of the Tender Offer, the Voting Rights Ratio in the Company's Shares held by AEON is below 50.9%, the Company and AEON will separately consult to determine a suitable course of action by mutual agreement.

(ii) Details of the business alliance

The following describes the details of the business alliance (the "Business Alliance") agreed by the Company, AEON, and Welcia HD in the Definitive Capital and Business Alliance Agreement.

(i) Mutual cooperation on the development of stores and in-store dispensing pharmacies

(ii) Mutual cooperation on the procurement of products and electricity and development

(iii) Mutual cooperation in improving logistics efficiency

(iv) Alignment in settlement, point systems, digital marketing, insurance, and others

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

(vi) Mutual cooperation on the promotion of digital transformation (DX) and e-commerce (EC)

(vii) Exchange of management know-how

(viii) Research and promotion of food and drug business model

(ix) Exchange of human resources and personnel information

(3) Overview of the Companies in the Capital and Business Alliance

(i) AEON

(i) Name	AEON CO., LTD.
(ii) Location	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba, Japan
(iii) Job title and name of representative	Akio Yoshida, Director, President and Representative Executive Officer
(iv) Description of business	Management of business activities of the companies engaged in retail, real estate development, finance, services, or related businesses by holding their shares or interests

(ii) Welcia HD

(i) Name	WELCIA HOLDINGS CO., LTD.
(ii) Location	2-2-15, Soto-kanda, Chiyoda-ku, Tokyo, Japan
(iii) Job title and name of representative	Hideaki Kirisawa, Representative Director, President and Chief Operating Officer
(iv) Description of business	Business management of subsidiaries and group companies that operate chain drug stores with dispensing pharmacy

(4) Timetable for the Capital and Business Alliance

Date of execution of the Capital and Business Alliance Agreement dated February 28, 2024	February 28, 2024
Date of decision of representative executive officer regarding the execution of the Definitive Capital and Business Alliance Agreement (AEON) Date of resolution regarding the execution of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement by the Board of Directors (the Company, Welcia HD)	April 11, 2025
Execution date of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement	April 11, 2025
AEON's further acquisition of the Company's Shares	Around May 2025 (scheduled)

The Company’s shareholders meeting to approve the Share Exchange Agreement	May 26, 2025 (scheduled)
Welcia HD shareholders meeting to approve the Share Exchange Agreement	May 27, 2025 (scheduled)
Delisting of Welcia HD	November 27, 2025 (scheduled)
Effectiveness of the Share Exchange	December 1, 2025 (scheduled)
Commencement of the Tender Offer	Early December 2025 (scheduled)

(Execution of a Share Exchange Agreement)

The Company and Welcia HD, based on the resolutions of their respective boards of directors meetings held on April 11, 2025, as part of the Business Integration, the companies have entered into a share exchange agreement (the "Share Exchange Agreement") to implement a share exchange, whereby the Company will become the wholly owning parent company, and Welcia HD will become a wholly owned subsidiary.

(1) Overview of the Share Exchange

(i) Name and business description of wholly owned subsidiary

Name of wholly owned subsidiary	WELCIA HOLDINGS CO., LTD.
Description of business	Development and operation of the drugstore business

(ii) Purpose of the Share Exchange

The Company, AEON, and Welcia HD have decided to enter into the Definitive Capital and Business Alliance Agreement described in "Notes to the Consolidated Financial Statements, 13. Notes on Significant Subsequent Events (Execution of the Definitive Agreement on the Capital and Business Alliance)." The Share Exchange will be conducted as part of the Capital and Business Alliance.

(iii) Effective date of the Share Exchange

December 1, 2025

(iv) Method of the Share Exchange

The Share Exchange will be implemented through a method that the Company becoming the wholly owning parent company and Welcia HD becoming a wholly owned subsidiary, subject to the approval of the shareholders meetings of both companies and the completion of necessary clearances and approvals under competition laws.

(2) Share exchange ratio, calculation method and number of shares to be delivered

(i) Class of shares, exchange ratio and number of shares to be delivered

	The Company (wholly owning parent company)	Welcia HD (wholly owned subsidiary)
Share allotment ratio in the Share Exchange	1	1.15 (For reference: before considering the stock split) 0.23
Number of shares to be delivered in the Share Exchange	The Company's common share: 237,416,868 shares (scheduled)	

Note: We allocated our treasury shares to be delivered through this Share Exchange.

(ii) Calculation method of share exchange ratio

In calculating the share exchange ratio, both the Company and Welcia HD, in order to ensure fairness, each commissioned an independent third-party institution to calculate and analyze the share exchange ratio. After careful discussions and considerations, we concluded that the share exchange ratio is reasonable and serves the interests of our shareholders.

(Stock Split and Partial Amendment to Articles of Incorporation due to Stock Split)

The Company has resolved, at a meeting of the board of directors held on April 11, 2025, to conduct a stock split and partial amendment to the Articles of Incorporation due to the stock split.

(1) Stock split

(i) Purpose of the stock split

The purpose of this stock split is to enhance the liquidity of Tsuruha shares and broaden the investor base by reducing the minimum investment price.

(ii) Outline of the stock split

a. Method of the stock split

With the record date for the stock split set for Sunday, August 31, 2025 (which is a non-business day for the shareholder registry administrator, effectively making Friday, August 29, 2025 the record date), each share of Tsuruha's common stock held by shareholders recorded or registered in the shareholder registry as of the record date will be split into five shares.

b. Increase in the number of shares due to the stock split

Total number of issued shares before the stock split	49,557,068 shares
Increase in the number of shares due to the stock split	198,228,272 shares
Total number of issued shares after the stock split	247,785,340 shares
Total number of authorized shares after the stock split	760,000,000 shares

Note: The total number of issued shares above is current as of February 28, 2025. This total number of shares may increase before the record date for the stock split due to the exercise of stock acquisition rights or other similar events.

(iii) Schedule of the stock split

Public notice of the record date	Friday, August 15, 2025
Record date	Sunday, August 31, 2025
Effective date	Monday, September 1, 2025

(iv) Effect on per share information

Assuming that the stock split was conducted at the beginning of the fiscal year ended February 28, 2025, the per share information is as follows.

	Fiscal year ended February 28, 2025 (From May 16, 2024 to February 28, 2025)
Net income per share	70.73 yen

(2) Partial amendment to the Articles of Incorporation due to stock split

(i) Reason for amendment

In connection with this stock split, Tsuruha will partially amend its Articles of Incorporation effective Monday, September 1, 2025, pursuant to a resolution of the board of directors in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

(ii) Details of the amendment

The details of the amendment are as follows.

(Underlined part indicates amendment)

Current Articles of Incorporation	Post-amendment Articles of Incorporation
(Total number of authorized shares) Article 6. The total number of the Company's authorized shares shall be <u>152,000,000</u> shares.	(Total number of authorized shares) Article 6. The total number of the Company's authorized shares shall be <u>760,000,000</u> shares.

(iii) Amendment schedule

Effective date: Monday, September 1, 2025

Non-Consolidated Balance Sheets

(As of February 28, 2025)

(Millions of yen)

Assets		Liabilities	
Description	Amount	Description	Amount
Current assets		**Current liabilities**	
		Short-term loans payable	5,000
Cash and deposits	24,957	Current portion of long-term loans payable	1,500
Accounts receivable – trade	931	Accounts payable – other	2,116
Supplies	0	Accrued expenses	76
Short-term loans receivable from subsidiaries and affiliates	4,978	Income taxes payable	13
Other	1,432	Deposits received	56
Allowance for doubtful accounts	(178)	Provision for bonuses	68
Total current assets	**32,121**	Provision for directors' bonuses	182
Non-current assets		Other	63
Property, plant and equipment		**Total current liabilities**	**9,077**
Buildings	0	**Non-current liabilities**	
Tools, furniture and fixtures	32	Long-term loans payable	26,000
Total property, plant and equipment	**32**	Other	9
		Total non-current liabilities	**26,009**
Intangible assets		**Total liabilities**	**35,086**
Software	6,807	**Net assets**	
Other	177	Description	Amount
Total intangible assets	**6,985**	**Shareholders' equity**	
Investments and other assets		**Capital stock**	**11,626**
Shares of subsidiaries and affiliates	124,754	**Capital surplus**	
Deferred tax assets	213	Legal capital surplus	44,909
Long-term loans receivable from subsidiaries and affiliates	5,000	Other capital surplus	2,452
Other	200	**Total capital surplus**	**47,362**
Total investments and other assets	**130,168**	**Retained earnings**	
Total non-current assets	**137,186**	Legal retained earnings	15
		Other retained earnings	79,666
		General reserve	861
		Retained earnings brought forward	78,804
		Total retained earnings	**79,681**
		Treasury shares	**(5,316)**
		Total shareholders' equity	**133,353**
		Subscription rights to shares	**866**
		Total net assets	**134,220**
Total assets	**169,307**	**Total liabilities and net assets**	**169,307**

Non-Consolidated Statements of Income

(May 16, 2024 – February 28, 2025)

(Millions of yen)

Description	Amount	
Operating revenue		**23,317**
Operating expenses		**7,612**
Operating Income		**15,705**
Non-operating income		
Interest income	12	
Dividend income	5	
Reversal of allowance for doubtful accounts	15	
Other	8	42
Non-operating expenses		
Interest expenses	57	
Provision of allowance for doubtful accounts	22	
Other	16	95
Ordinary Income		**15,652**
Extraordinary income		
Gain on reversal of share acquisition rights	1,165	1,165
Extraordinary losses		
Expenses related to correction of prior period financial statements	840	840
Income before income taxes		**15,977**
Income taxes – current	13	
Income taxes – deferred	(158)	(145)
Net income		**16,123**

Non-Consolidated Statement of Changes in Equity

(May 16, 2024 – February 28, 2025)

(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	11,535	44,818	2,452	47,270	15	861	76,717	77,593	(5,314)	131,085
Change of items during the period										
Issuance of new shares	91	91		91						182
Dividends of surplus							(14,035)	(14,035)		(14,035)
Net income							16,123	16,123		16,123
Purchase of treasury shares									(1)	(1)
Net changes of items other than shareholders' equity										
Total change of items during the period	91	91	–	91	–	–	2,087	2,087	(1)	2,268
Balance at end of the period	11,626	44,909	2,452	47,362	15	861	78,804	79,681	(5,316)	133,353

	Subscription rights to shares	Total net assets
Balance at beginning of the period	2,017	133,102
Change of items during the period		
Issuance of new shares		182
Dividends of surplus		(14,035)
Net income		16,123
Purchase of treasury shares		(1)
Net changes of items other than shareholders' equity	(1,150)	(1,150)
Total change of items during the period	(1,150)	1,117
Balance at end of the period	866	134,220

[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 Change of Presenting Method

Re: Non-Consolidated Balance Sheets

"Software in progress" (¥177 million in the fiscal year under review) under "intangible assets" that was independently presented in the previous fiscal year has been included in "other" since the fiscal year under review, as its monetary significance has become small.

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 Kyorindo Group Holdings Co., Ltd.

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

Shares of subsidiaries and affiliates	¥23,089 million

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

With regard to Kyorindo Group Holdings Co., Ltd., the net income fell below the business plan at the time of share acquisition due to intensifying competition. 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 an increase in sales from new stores and an improvement in gross profit 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 "6. 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	¥204 million

(2) Guarantee obligations

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

TSURUHA CO., LTD.	¥2,625 million
Drug Eleven Co., Ltd.	¥2,750 million
Total	¥5,375 million

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

Short-term monetary receivables	¥775 million
Short-term monetary payables	¥6 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	¥23,291 million
Operating expenses	¥34 million
Amount of non-operating transactions	¥12 million

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

Class and number of treasury shares as of February 28, 2025

Common shares	890,955 shares

9. Notes on Tax Effect Accounting

Breakdown of deferred tax assets 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. (Note 1)	4,097	Accounts receivable – trade	522
						Guarantee of obligations on loans payable to banks (Note 2)	2,625	–	–

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	Drug Eleven Co., Ltd.	Drug stores	(Directly holding)100.0	2 interlocking officers	Fund lending Management guidance, etc.	Guarantee of obligations on loans payable to banks (Note 2)	2,750	–	–
						Fund lending (Note 3)	3,200	Short-term loans receivable from subsidiaries and affiliates	3,200
								Long-term loans receivable from subsidiaries and affiliates	5,000

Transaction terms and policies on determination of transaction terms, etc.

(Note 1) Receipt of management guidance fees, etc. is reasonably determined upon discussions between the parties.

(Note 2) Although the Company provides guarantees of obligations on loans payable to financial institutions, the Company does not receive fees for guarantees.

(Note 3) 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	¥2,740.18
Net income per share	¥331.40

13. Notes on Significant Subsequent Events

Notes are omitted, since information is included in “13. Notes on Significant Subsequent Events” in the notes to the consolidated financial statements.

Accounting Auditor's Audit Report on the Consolidated Financial Statements

Independent Auditor's Report

April 17, 2025

To the Board of Directors
TSURUHA HOLDINGS INC.

Deloitte Touche Tohmatsu LLC
Tokyo Office
Kazunari Todoroki, CPA
Designated Limited Liability Partner,
Engagement Partner

Yosuke Aizawa, 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, 2024 through February 28, 2025.

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.

Emphasis of Matter

As stated in "Notes to the Consolidated Financial Statements, 5. Note on the Correction of Errors," the Company corrected errors and revised retained earnings at the beginning of the current fiscal year.

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 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.
- Plan and perform audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for our opinion on the consolidated financial statements. The auditor is responsible for directing, supervising, and inspecting 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 where applicable, convey details of any measures taken in order to eliminate obstruction factors or any safeguards applied in order to reduce obstruction factors to an acceptable level.

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.

Accounting Auditor's Audit Report on the Non-Consolidated Financial Statements

Independent Auditor's Report

April 17, 2025

To the Board of Directors
TSURUHA HOLDINGS INC.

Deloitte Touche Tohmatsu LLC
Tokyo Office

Kazunari Todoroki, CPA
Designated Limited Liability Partner,
Engagement Partner

Yosuke Aizawa, 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 63rd fiscal year from May 16, 2024 through February 28, 2025.

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 where applicable, convey details of any measures taken in order to eliminate obstruction factors or any safeguards applied in order to reduce obstruction factors to an acceptable level.

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 63rd fiscal year from May 16, 2024 to February 28, 2025. 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 said resolutions (internal control systems). In addition, 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" (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 Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are fair and reasonable.

April 18, 2025

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	Tatsuichi Asada	Seal

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

●Reference Documents for the General Meeting of Shareholders under “Proposal No. 3: Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD.”, the content of “Details of financial statements and other required documents for the latest business year”

Business Report

(March 1, 2024 to February 28, 2025)

1. Matters Relating to the Current Status of the Corporate Group

(1) Business developments and results

In the consolidated fiscal year under review (March 1, 2024 to February 28, 2025), there was a slight increase in personal consumption due to improvements in employment and income and an increase in the number of visitors from overseas, but real wage growth remains stagnant, and the economy has not yet achieved a full recovery. Meanwhile, Japan's economic outlook remains uncertain due to the impact of factors such as rising prices, U.S. trade and other policy trends, and developments in regions of conflict around the world.

In the drugstore industry in which the Company Group mainly conducts its business, competition over store locations, including competition with other industries, competition for major companies in the drugstore industry to increase their size through M&A, competition to expand customer services beyond the bounds of industries and business categories, and other types of competition are becoming increasingly severe.

Under these circumstances, the Company Group endeavored to provide products and services that meet the needs of customers. In regard to product sales, while sales of cigarettes declined due to the Company moving forward with its discontinuation of cigarette sales to promote health, the Company Group focused on developing and increasing sales of its private brands and on expanding the usage of the WAON point service. In regard to pharmacy sales, the number of prescriptions filled increased due to an increase in the number of stores with pharmacies (2,282 stores as of the end of the consolidated fiscal year under review). As a result, sales at existing stores grew strongly year-on-year.

The Company Group worked to enhance measures to attract customers by increasing the usage of point cards and apps mainly focusing on the WAON point service introduced in the previous business year, and the number of Welcia Members (customers registered with the Company's point service) grew to 13.8 million. In regard to its private brands, the Company Group continued focusing its efforts on developing products with improved functionality, quality, and eco-friendliness, and it worked to expand sales of the Karada Welcia and Kurashi Welcia brands. As of the end of the consolidated fiscal year under review, the private brands had a lineup of 390 products.

In March 2024, the Company acquired all of the shares of Xchange Inc., an IT systems company, and made it a wholly-owned subsidiary. In June, the Company acquired all of the shares of Towoshiya Pharmacy Co., Ltd., which operated 21 stores based in Nagano Prefecture, and made it a wholly-owned subsidiary, and in September, Welcia Yakkyoku Co., Ltd., the Company's subsidiary, merged with and absorbed Towoshiya Pharmacy Co., Ltd. Also in September, the Company acquired all of the shares of Welpark Co., Ltd., which operates 144 stores in the southern Kanto region, and in October, it acquired all of the shares of Welcia Partners Co., Inc. (formerly TEPCO Partners Co., Inc.), which is engaged in the nursing care business in the greater Tokyo area, making both of those companies wholly-owned subsidiaries. Additionally, the Company acquired additional shares in Welcia-Singapore (formerly Welcia-BHG (Singapore)), its consolidated subsidiary, and made it a wholly-owned subsidiary.

The Company Group aims to achieve its vision for 2030 of becoming the community's number one health station, and it has therefore discontinued the sale of cigarettes at all stores except those located within certain facilities. The Company Group promoted efforts to fulfill

infrastructure functions that offer safety and peace of mind to local communities through means such as Welcafe shared community spaces and Uetan-go mobile sales vehicles, each of which won a 2024 Good Design Award.

In regard to store openings and closings, the Company Group as a whole opened 78 stores and closed 55, and the total number of stores of the Company Group as of the end of the consolidated fiscal year under review was 3,013.

Selling, general and administrative expenses increased due to reasons such as higher personnel expenses caused by wage raises.

As a result of the above, in the consolidated fiscal year under review, the Company Group recorded net sales of 1,285,005 million yen, operating income of 36,409 million yen, and ordinary income of 40,837 million yen. Additionally, net income attributable to owners of parent was 14,958 million yen due to reasons such as the recording of 13,127 million yen in impairment loss.

(2) Status of net sales by category

The Company Group does not disclose business segment information as it is engaged in only one business, and instead, information on net sales is presented by category.

Category	Main items	Amount (million yen)	Percentage of total (%)	Year-on-year (%)
Medical and health products	Cold medicine, health foods, digestive medicine, health drinks, health supplements, vitamins, disposable diapers, baby formula, baby food, nursing care goods	233,255	18.2	100.6
Cosmetics	Skin-care products, makeup, male cosmetics, lip cream	203,007	15.8	106.3
Household sundries	Detergents, toilet paper, pet goods, pesticides, stationery, toys, general sundries	178,053	13.9	106.4
Food products	Sweets, rice, general food products	299,514	23.3	108.7
Other	Alcohol, cigarettes, etc.	87,653	6.7	93.6
Total product sales		1,001,484	77.9	104.4
Pharmacy sales	Prescription drugs	282,548	22.0	110.0
Subtotal		1,284,033	99.9	105.6
Commission income		972	0.1	77.5
Total		1,285,005	100.0	105.6

(3) Status of capital expenditures

In the consolidated fiscal year under review, the Company Group opened 78 new stores and remodeled existing stores. As a result, the Company Group conducted 15,966 million yen in capital expenditures.

That amount includes guarantee deposits relating to lease agreements.

(4) Status of financing

There are no applicable matters.

(5) Status of business transfers to other companies, absorption-type company splits, or incorporation-type company splits

There are no applicable matters.

(6) Status of business transfers from other companies

There are no applicable matters.

(7) Status of assumption of rights or obligations related to businesses of other corporations, etc. due to absorption-type mergers or absorption-type company splits

There are no applicable matters.

(8) Status of acquisition or disposal of other companies' shares, other equity, or subscription rights to shares, etc.

There are no applicable matters.

(9) Changes in status of assets and profits/losses

(Million yen)

Item	14th fiscal year (Fiscal year ended February 28, 2022)	15th fiscal year (Fiscal year ended February 28, 2023)	16th fiscal year (Fiscal year ended February 29, 2024)	17th fiscal year (Consolidated fiscal year under review) (Fiscal year ended February 28, 2025)
Net sales	1,025,947	1,144,278	1,217,339	1,285,005
Ordinary income	47,590	52,149	47,756	40,837
Net income attributable to owners of parent	26,453	27,030	26,451	14,958
Net income per share	126.99 yen	129.38 yen	127.83 yen	72.23 yen
Total assets	463,048	537,362	551,860	579,985
Net assets	207,886	232,384	244,367	254,486
Net assets per share	966.66 yen	1,078.97 yen	1,149.88 yen	1,197.11 yen

Note 1: The amounts stated are rounded down to the nearest million yen.

Note 2: The Company's shares held by the Employee Stock Ownership ESOP Trust, the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type), and the Director Renumeration BIP Trust are recorded as treasury stock. The number of shares of that treasury stock was included in the number of shares of treasury stock deducted when calculating the average number of common shares during the fiscal year to determine the net income per share, and it was included in the number of shares of treasury stock deducted from the total number of issued shares as of the end of the fiscal year used when determining net assets per share.

Note 3: The Company Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued March 31, 2020) and other standards from the 15th fiscal year, and therefore the status of assets and profits/losses for the 15th and subsequent fiscal years indicates the values after applying those standards.

(10) Issues to be addressed

In the drugstore industry in which the Company Group mainly conducts its business, major companies in the industry are continuing to grow in size by opening more stores, and competition that exceeds the bounds of industries and business categories is becoming

increasingly severe. Additionally, consumers have become more conscious of saving money due to the increase in the price of food and other consumer goods caused by the weak yen and high prices of imported goods. In the long term, due to Japan's aging population, the Company Group will also be confronted with active improvements to employee compensation to address a lack of labor and with changes in consumer needs.

Viewing these harsh environmental changes as an opportunity for growth, the Company formulated Welcia 2.0, a set of new strategic policies. Under Welcia 2.0, the Company will promote the digital transformation of the Company Group from the perspectives of customers, stores, headquarters, and pharmacies and implement product strategies, medical care strategies, and region strategies driven by that digital transformation. By doing so, the Company believes that its vision for 2030 of becoming the community's number one health station can be achieved to a high degree and ahead of schedule.

The Company Group will address the above issues as follows.

(i) Product strategies

The Company Group will increase the focus it places on developing its private brands and will strengthen its lineup of products that meet diversifying customer needs. Additionally, it will utilize data to promote product lineups suited to the characteristics of each region.

(ii) Medical care strategies

By using healthcare data to continue responding to changing lifestyles, the Company Group will begin new initiatives to enhance contact with customers and bring medical care and drugstores closer together.

(iii) Region strategies

By visualizing the status of each area and individual store based on data, the Company Group will intensively conduct remodeling and store openings suited to each region.

(iv) Digital transformation

The Company Group will promote data-driven management for all group companies and support the three strategies stated above by acting as a hub that integrates customer data platforms.

(v) Enhancing organization and management administration

The Company Group will optimize its organizations across the entire group.

In addition to these efforts, in order to respond to risks that grow as the group expands, the Company Group is strengthening its internal controls and risk management systems. Furthermore, the Company Group is continuing to promote sustainable management, and it aims to fulfill its mission and achieve a sustainable society based on its basic sustainability policy consisting of a human rights policy, an environmental policy, and a products and services policy.

(11) Main business details

The Company is engaged in directing and administering the management of each of its group companies.

The Company Group is composed of the Company and 22 related companies (17 consolidated subsidiaries, 3 non-consolidated subsidiaries, and 2 affiliates) and is engaged in businesses relating to filling prescriptions and selling medical and health products, cosmetics, household sundries, food products, and other products mainly through drugstores.

(12) Status of significant parent companies and subsidiaries

(i) Status of significant parent companies

Company name	Capital stock	Voting rights ratio	Main business details
Aeon Co., Ltd.	220,007 million yen	50.59%	Managing the business activities of companies engaged in retail, development, finance, services, and related businesses through holding shares or equity in those companies

(ii) Matters relating to transactions with parent companies, etc.

In regard to the Company's transactions with Aeon Co., Ltd., it receives products from the Aeon group's Topvalu and Hapycom private brands, and those products are sold to the Company at the same price as when sold to stores of the Aeon group. Transactions with the Aeon group account for approximately 2% of the amount of all purchases by the Company.

Interest rates for loans obtained under loan agreements with Aeon Co., Ltd. are reasonably determined taking into account market interest rates.

As set out above, transactions with Aeon Co., Ltd. are based on appropriate conditions equivalent to those in arm's length transactions, and the Company's board of directors has determined that the details and conditions of those transactions are appropriate. The Company thereby ensures that such transactions do not disadvantage its non-controlling shareholders.

(iii) Summary of content of agreements, etc. with parent companies, etc. relating to significant financial

and business policies

On April 11, 2025, the Company entered into a capital and business alliance agreement (the "Capital and Business Alliance Agreement") between the Company, Aeon Co., Ltd. ("Aeon"), and Tsuruha Holdings Inc. ("Tsuruha HD"). Under the Capital and Business Alliance Agreement, the Company, Aeon, and Tsuruha HD will conduct the following transactions.

(a) On the condition that Aeon obtains all clearances, permits, and approvals, etc. required under law, Aeon will acquire 3,530,000 shares of Tsuruha HD from Nomura Securities Co., Ltd. Doing so will result in Aeon's voting rights ratio in Tsuruha HD becoming approximately 27.2%, and it is planned that Tsuruha HD will become an equity-method affiliate of Aeon.

(b) Under an agreement executed between Tsuruha HD and the Company on April 11, 2025 regarding a share exchange through which Tsuruha HD will become a wholly-owning parent company and the Company will become a wholly-owned subsidiary (the "Share Exchange"), the Share Exchange will be conducted with an effective date of December 1, 2025 subject to the fulfillment of conditions such as that all clearances, permits, and approvals, etc. required under law have been obtained and that each company has obtained approval from its general meeting of shareholders. Tsuruha HD plans to conduct a share split in which each of its common shares will be split into five shares with an effective date of September 1, 2025. For other details, please refer to Proposal 1 in the reference documents for the general meeting of shareholders.

(c) If Aeon's voting rights ratio in Tsuruha HD does not become 50% or more and less than 51% through the Share Exchange, promptly after the effective date of the Share Exchange, Aeon will conduct a tender offer (the "Tender Offer") for the shares of Tsuruha HD in order to acquire enough shares to bring its voting rights ratio to 50% or more and less than 51%.

(d) If Aeon's voting rights ratio in Tsuruha HD does not become 50% or more and less than 51% after the settlement of the Tender Offer, Aeon and Tsuruha HD will determine what actions to take following discussions and agreement.

In regard to the execution of the Capital and Business Alliance Agreement, on April 11, 2025, the Company received a report from a special committee composed of three members independent from the Company, Aeon, and Tsuruha HD (Katsunori Nozawa (an outside director and independent officer of the Company), Hirohisa Kagami (a former outside corporate auditor of the Company and an attorney), and Masahiko Yasuda (the representative director and president of Benedi Consulting)) stating that the special committee recommends conducting the business integration, etc. to the Company's board of directors and that it believes that the

Company's board of directors deciding to conduct the business integration, etc. (including deciding to execute the Capital and Business Alliance Agreement) is not disadvantageous to the Company's minority shareholders. For details of measures including the establishment of the special committee, please refer to Proposal 1 in the reference documents for the general meeting of shareholders. Given that director Motoya Okada concurrently serves as a director and representative executive officer of Aeon and that there is a risk of conflicts of interest arising as the interests of Aeon and Tsuruha HD may not necessarily align with the interests of the Company's minority shareholders, Motoya Okada did not participate in deliberations or resolutions of the Company's board of directors regarding the proposals relating to the execution of the Capital and Business Alliance Agreement and the Share Exchange Agreement. Additionally, in the process of executing the Capital and Business Alliance Agreement and the Share Exchange Agreement, the Company has taken other measures to ensure the fairness of procedures and avoid conflicts of interest or the suspicion of conflicts of interest.

(iv) Status of significant subsidiaries

As of the end of the business year, the Company has six significant subsidiaries, which are engaged in the drugstore business in Japan.

(Million yen)

	Welcia Yakkyoku Co., Ltd.	Kokumin Co., Ltd.	Pupule Himawari Co., Ltd.	Welpark Co., Ltd.	Marudai Sakurai Pharmacy Limited	Shimizu Yakuhin Co., Ltd.
Capital stock	100	91	49	100	29	48
Voting rights ratio	100.0%	100.0%	51.0%	100.0%	100.0%	100.0%
Item	Amount (Ratio)	Amount (Ratio)	Amount (Ratio)	Amount (Ratio)	Amount (Ratio)	Amount (Ratio)
Net sales	1,054,790 (100.0%)	48,564 (100.0%)	45,226 (100.0%)	24,340 (100.0%)	33,071 (100.0%)	29,044 (100.0%)
Gross profit	323,639 (30.7%)	15,863 (32.7%)	11,720 (25.9%)	7,003 (28.8%)	8,863 (26.8%)	8,677 (29.9%)
Selling, general and administrative expenses	286,590 (27.2%)	14,852 (30.6%)	12,616 (27.9%)	6,923 (28.5%)	7,920 (24.0%)	7,538 (26.0%)
Operating income	37,048 (3.5%)	1,011 (2.1%)	(896) (—)	79 (0.3%)	942 (2.8%)	1,138 (3.9%)
Ordinary income	41,523 (3.9%)	1,221 (2.5%)	(567) (—)	149 (0.6%)	1,004 (3.0%)	1,236 (4.3%)
Net income	18,010 (1.7%)	825 (1.7%)	(833) (—)	57 (0.2%)	791 (2.4%)	789 (2.7%)

Note: The figures for Welpark Co., Ltd. indicate profits/losses for the period from September 1, 2024 to February 28, 2025.

(v) Matters relating to specified wholly-owned subsidiaries

Company name	Address	Total book value	Total assets of the Company
Welcia Yakkyoku Co., Ltd.	2-2-15 Sotokanda, Chiyoda-ku, Tokyo	66,035 million yen	164,697 million yen

(13) Status of main business locations

(i) Company head office: 2-2-15 Sotokanda, Chiyoda-ku, Tokyo

(ii) Number of stores of the Company Group

Prefecture	Stores	Prefecture	Stores
Hokkaido	7	Kyoto	91
Aomori	88	Osaka	244
Iwate	16	Hyogo	124
Miyagi	21	Nara	16
Akita	12	Wakayama	7
Yamagata	25	Tottori	9
Fukushima	39	Shimane	9
Ibaraki	166	Okayama	71
Tochigi	71	Hiroshima	80
Gunma	117	Tokushima	5
Saitama	253	Kagawa	13
Chiba	173	Ehime	30
Tokyo	328	Kochi	28
Kanagawa	265	Fukuoka	23
Niigata	81	Saga	1
Toyama	48	Nagasaki	2
Ishikawa	26	Kumamoto	1
Fukui	9	Oita	2
Yamanashi	35	Miyazaki	2
Nagano	64	Okinawa	23
Gifu	5	Total in Japan	3,001
Shizuoka	235		
Aichi	87		
Mie	30	Singapore	12
Shiga	19	Total	3,013

(14) Status of employees

Number of employees	Increase or decrease compared to end of previous consolidated fiscal year
16,611	Increase of 1,325

Note: The above number of employees does not include part-time employees (27,465 employees; one day is calculated as eight hours).

(15) Main lenders

Lender	Loan balance (million yen)
Resona Bank, Limited	9,168
Mizuho Bank, Ltd.	8,614
MUFG Bank, Ltd.	4,540
Sumitomo Mitsui Banking Corporation	3,058
The Hiroshima Bank, Ltd.	2,938

(16) Other significant matters relating to the current status of the corporate group

The Company and Tsuruha Holdings Inc. ("Tsuruha HD") have agreed to conduct a business integration between the two companies (the "Business Integration"). By a resolution of the board of directors of each company on April 11, 2025, the companies decided to conduct a share exchange through which Tsuruha HD will become a wholly-owning parent company and the Company will become a wholly-owned subsidiary (the "Share Exchange"), and on the same date, the companies executed a share exchange agreement (the "Share Exchange Agreement"), and Tsuruha HD, the Company, and Aeon Co., Ltd. executed a definitive agreement regarding a capital and business alliance that includes the Business Integration.

The Share Exchange is planned to be conducted with an effective date of December 1, 2025 after obtaining approval for the Share Exchange Agreement by a resolution of the annual general meeting of shareholders of Tsuruha HD to be held on May 26, 2025 and a resolution of the annual general meeting of shareholders of the Company to be held on May 27, 2025. Additionally, in advance of the effective date of the Share Exchange, the common shares of the Company are planned to be delisted from the Prime Market of Tokyo Stock Exchange, Inc. (final trading date: November 26, 2025).

2. Matters Relating to Company Shares (as of February 28, 2025)

(1) Total number of authorized shares: 494,947,200

(2) Total number of issued shares: 209,702,842 (excluding 10,958 shares of treasury stock)

(3) Number of shares in a share unit: 100

(4) Number of shareholders: 151,250

(5) Major shareholders (top ten)

Shareholder name	Shares held (thousands)	Shareholding ratio (%)
Aeon Co., Ltd.	105,981	50.54
The Master Trust Bank of Japan, Ltd. (trust account)	10,902	5.20
Welcia Holdings Employee Stock Ownership Association	4,423	2.11
Custody Bank of Japan, Ltd. (trust account)	3,541	1.69
Tsuruha Co., Ltd.	3,352	1.60
SMBC Nikko Securities Inc.	2,560	1.22
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2,058	0.98
Custody Bank of Japan, Ltd. (trust account E)	1,702	0.81
CEP LUX-ORBIN SICAV	1,661	0.79
Ishida Co., Ltd.	1,616	0.77

Note: Shareholding ratios were calculated after deducting treasury stock (10,958 shares). The number of shares of treasury stock does not include the 1,702,100 shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) or the 417,743 shares held by the Director Renumeration BIP Trust.

(6) Status of shares delivered to company officers as consideration for the performance of duties during the business year under review

	Number of shares delivered	Number of recipients
Directors (excluding outside directors)	48,964	1

Note: Of the 48,964 shares stated above, 34,200 were delivered as shares, and the remaining 14,764 were sold for funds to be allocated to paying taxes, and the proceeds were paid in cash in accordance with the scheme of the BIP trust.

(7) Other significant matters relating to shares

There are no applicable matters.

3. Matters Relating to Subscription Rights to Shares, etc. of the Company

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

Series 1 subscription rights to shares (stock options as share-based compensation)

(i) Number of subscription rights: 83 (800 shares per subscription right)

(ii) Class and number of shares subject to subscription rights: 66,400 common shares

(iii) Paid-in amount for subscription rights: Gratis

(iv) Value of assets to be contributed when exercising subscription rights: 1 yen

(v) Period during which subscription rights may be exercised:

July 17, 2014 to July 16, 2044

(vi) Status of holding by the Company's officers

	Number of subscription rights	Class and number of shares subject to subscription rights	Number of holders
Directors (excluding outside directors)	15	12,000 common shares	2

Series 2 subscription rights to shares (stock options as share-based compensation)

(i) Number of subscription rights: 64 (800 shares per subscription right)

(ii) Class and number of shares subject to subscription rights: 51,200 common shares

(iii) Paid-in amount for subscription rights: Gratis

(iv) Value of assets to be contributed when exercising subscription rights: 1 yen

(v) Period during which subscription rights may be exercised:

February 17, 2015 to February 16, 2045

(vi) Status of holding by the Company's officers

	Number of subscription rights	Class and number of shares subject to subscription rights	Number of holders
Directors (excluding outside directors)	20	16,000 common shares	2

Series 3 subscription rights to shares (stock options as share-based compensation)

(i) Number of subscription rights: 33 (800 shares per subscription right)

(ii) Class and number of shares subject to subscription rights: 26,400 common shares

(iii) Paid-in amount for subscription rights: Gratis

(iv) Value of assets to be contributed when exercising subscription rights: 1 yen

(v) Period during which subscription rights may be exercised:

March 17, 2016 to March 16, 2046

(vi) Status of holding by the Company's officers

	Number of subscription rights	Class and number of shares subject to subscription rights	Number of holders
Directors (excluding outside directors)	12	9,600 common shares	2

Series 4 subscription rights to shares (stock options as share-based compensation)

(i) Number of subscription rights: 46 (800 shares per subscription right)

(ii) Class and number of shares subject to subscription rights: 36,800 common shares

(iii) Paid-in amount for subscription rights: Gratis

(iv) Value of assets to be contributed when exercising subscription rights: 1 yen

(v) Period during which subscription rights may be exercised:

February 17, 2017 to February 16, 2047

(vi) Status of holding by the Company's officers

	Number of subscription rights	Class and number of shares subject to subscription rights	Number of holders
Directors (excluding outside directors)	16	12,800 common shares	2

(2) Status of delivery of subscription rights to shares, etc. to employees, etc. during the business year under review

There are no applicable matters.

(3) Other significant matters relating to subscription rights to shares, etc.

There are no applicable matters.

4. Matters Relating to Company Officers

(1) Names, etc. of directors and corporate auditors

Position	Name	Responsibilities and significant concurrent positions
Representative director	Takamitsu Ikeno	Chairman and chief executive officer

Position	Name	Responsibilities and significant concurrent positions
Representative director	Hideaki Kirisawa	President and chief operating officer
Director	Junichi Tanaka	Executive officer; in charge of Welcia Yakkyoku President and representative director of Welcia Yakkyoku Co., Ltd.
Director	Takamune Shibazaki	Executive officer and chief financial officer
Director	Koji Takahashi	Executive officer; in charge of human resources, administration, and risk management Managing director in charge of personnel and general affairs of Welcia Yakkyoku Co., Ltd.
Director	Motoya Okada	Director, chairman, and representative executive officer of Aeon Co., Ltd. Director and advisor of Aeon Mall Co., Ltd. Director and advisor of United Super Markets Holdings Inc. Outside director of Kusuri No Aoki Holdings Co., Ltd.
Outside director	Tomoko Nakai	Member and executive director of Management Lawyers Council Partner of Makoto Nakamachi Law Office
Outside director	Kunio Ishizuka	Outside director of Itochu Corporation
Outside director	Tadashi Nagata	Senior corporate advisor of Keio Corporation Outside director of Ukai Co., Ltd.
Outside director	Katsunori Nozawa	Director and managing executive officer of Iguazu Corporation
Outside director	Shigeo Horie	Professor of Department of Urology of Juntendo University Graduate School of Medicine
Outside director	Noriko Ishizaka	President and representative director of Ishizaka Industry Co., Ltd. Temporary member of Industrial Structure Committee of Ministry of Economy, Trade and Industry (member of Resource Circulation Subcommittee) Full-time director of Saitama Environmental Industry Promotion Association, Inc. Director of Japan RPF Industry Association Director of Glass Recycling Committee of Japan
Outside director	Yasuo Nakayama	Special advisor of Secom Co., Ltd.

Position	Name	Responsibilities and significant concurrent positions
Corporate auditor	Toshio Miyamoto	Full-time corporate auditor
Outside corporate auditor	Atsuko Sugiyama (Current last name: Matsumoto)	Vice president of Masaaki Sugiyama CPA Office Vice president of Masaaki Sugiyama Tax Accountant Office Outside director and audit and supervisory committee member of Fuji Kosan Company, Ltd. Outside director and audit and supervisory committee member of Yushiro Chemical Industry Co., Ltd.
Outside corporate auditor	Takashi Fujii	—
Outside corporate auditor	Hidekazu Tanaka	Partner of Ginza Law Office Outside corporate auditor of Topre Corporation

Note 1: Directors Tomoko Nakai, Kunio Ishizuka, Tadashi Nagata, Katsunori Nozawa, Shigeo Horie, Noriko Ishizaka, and Yasuo Nakayama are outside directors as specified in the Companies Act.

Note 2: Director Tomoko Nakai and corporate auditor Hidekazu Tanaka are qualified as attorneys and possess a significant degree of knowledge in regard to corporate legal affairs.

Note 3: Corporate auditors Atsuko Sugiyama, Takashi Fujii, and Hidekazu Tanaka are outside corporate auditors as specified in the Companies Act.

Note 4: Corporate auditor Atsuko Sugiyama is qualified as a certified public accountant and certified public tax accountant and possesses a significant degree of knowledge in regard to accounting and tax affairs.

Note 5: The Company has designated directors Tomoko Nakai, Kunio Ishizuka, Tadashi Nagata, Katsunori Nozawa, Shigeo Horie, Noriko Ishizaka, and Yasuo Nakayama and corporate auditors Atsuko Sugiyama, Takashi Fujii, and Hidekazu Tanaka as independent officers under the provisions of Tokyo Stock Exchange, Inc. and has registered them as such therewith.

Note 6: Changes in directors and corporate auditors during the business year under review:

(1) Representative director and president Tadahisa Matsumoto resigned from office as representative director on April 17, 2024.

(2) Representative director and chairman Takamitsu Ikeno also assumed office as president on April 18, 2024.

(3) At the 16th annual general meeting of shareholders held on May 28, 2024, Hideaki Kirisawa, Junichi Tanaka, Koji Takahashi, and Yasuo Nakayama newly assumed office as directors and Hidekazu Tanaka newly assumed office as corporate auditor.

(4) At the close of the 16th annual general meeting of shareholders held on May 28, 2024, Juichi Nakamura left office as director and Hirohisa Kagami left office as corporate auditor due to the expiration of their terms of office.

(5) Representative director, chairman, and president Takamitsu Ikeno assumed office as representative director, chairman, and chief executive officer on May 28, 2024, and Hideaki Kirisawa assumed office as representative director, president, and chief operating officer.

(2) Summary of content of liability limitation agreements

Under the provisions of Article 427, paragraph (1) of the Companies Act and the provisions of the Company's articles of incorporation, the Company has entered into agreements with its outside directors and outside corporate auditors limiting their liability for damages under Article 423, paragraph (1) of the Companies Act. The limit for liability for damages under those agreements is the minimum liability amount stipulated by law.

(3) Summary of content of directors and officers liability insurance agreements

(i) Scope of insured persons

The Company has executed directors and officers liability insurance agreements with insurance companies insuring all of the directors, corporate auditors, and executive officers of the Company and all of its subsidiaries.

(ii) Summary of content of directors and officers liability insurance agreements

1. Ratio of actual burden of insurance, etc. borne by insured persons

   Insurance premiums, including those under riders, are borne by the Company, and the insured persons do not bear any actual insurance premiums.

2. Summary of insured events that qualify for compensation

   The insurance agreements, including riders, provide compensation for damage that may arise due to the insured officers, etc. bearing liability in relation to the performance of their duties or due to being subject to a claim pursuing their liability. However, there are certain grounds for exemption from compensation, such as cases in which an officer, etc. engages in an act while knowing that it violates the law.

3. Measures to not impair the appropriateness of duties of officers, etc.

The insurance agreements contain provisions on deductible amounts, and any damage that arises up to those deductible amounts does not qualify for compensation.

(4) Compensation, etc. of directors and corporate auditors

(i) Policy on deciding compensation, etc.

The compensation of directors and corporate auditors is decided within the compensation limit for all directors and the compensation limit for all corporate auditors established by resolutions of the general meeting of shareholders.

When deciding the details of the compensation, etc. of directors, in order to ensure the transparency and objectivity of the process of deciding compensation, the Compensation Advisory Committee, in which a majority of the members are outside officers and the chairperson is an outside director, deliberates on the appropriateness of the compensation system and compensation proposals mainly from the three perspectives of (a) whether the compensation provides sufficient incentives for sustainably increasing corporate value, (b) whether the compensation contributes to securing outstanding management personnel, and (c) whether the compensation is at an appropriate level for the Company's size and business domain, and the committee reports the results of its deliberations to the board of directors.

The compensation system consists of base compensation, which is a fixed amount, and performance-based bonuses (cash) and performance-based stock compensation, which are variable.

The Compensation Advisory Committee deliberates on the amount of base compensation for each position and reports the details of its deliberations to the board of directors, which passed a resolution regarding the base compensation of each individual director at its meeting held on May 25, 2023.

In order to increase desire to contribute to improving medium to long-term business performance and increasing corporate value, using the medium-term management plan as a key performance indicator, performance-based bonuses (cash) and performance-based stock compensation are decided based on an evaluation of business performance taking into account the Company Group's (consolidated) net sales and ordinary income ratio as well as the ROE of the final fiscal year under the medium-term management plan.

The policy on deciding the details of the compensation, etc. of each individual director is determined by a resolution of the board of directors following deliberation by the Compensation Advisory Committee, which is an advisory body to the board of directors.

(ii) Reasons why the board of directors determined that the details of compensation, etc. of each individual director in the business year under review were in accordance with the policy

When deciding the details of compensation, etc. of each individual director, the Compensation Advisory Committee conducted a multifaceted examination of the compensation proposal, including whether or not the proposal was consistent with the policy on deciding compensation, and reported the results of that examination to the board of directors. The board of directors fundamentally respects that report and therefore determined that the details of compensation, etc. are in accordance with the policy.

Outside directors and corporate auditors receive only base compensation, which is a fixed amount.

(iii) Total amount, etc. of compensation, etc. of directors and corporate auditors

Category	Recipients	Amount of compensation, etc. (Million yen)	Breakdown of compensation, etc.		
			Base compensation (Million yen)	Performance-based bonuses (Million yen)	Stock compensation (non-cash compensation) (Million yen)
Directors (Outside directors included therein)	14 (7)	271 (57)	197 (57)	19 (—)	53 (—)
Corporate auditors (Outside corporate auditors included therein)	5 (4)	31 (21)	31 (21)	— (—)	— (—)
Total	19	302	228	19	53

Note 1: The 14th annual general meeting of shareholders held on May 24, 2022 resolved to set the compensation limit for directors at 400 million yen or less per year (including 60 million yen or less per year for outside directors). At the time of that resolution, there were 11 directors (including six outside directors).

As a separate limit, the 15th annual general meeting of shareholders held on May 25, 2023 resolved to set the amount of performance-based stock compensation to 500 million yen or less and 200,000 points or less for three business years (to be paid to four directors and seven executive officers; one share per point).

Note 2: The 1st annual general meeting of shareholders held on November 27, 2009 resolved to set the compensation limit for corporate auditors at 42 million yen or less per year (to be paid to three corporate auditors).

Note 3: There are 13 directors (including seven outside directors) and four corporate auditors (including three outside corporate auditors) as of the end of the business year under review. Those numbers differ from the numbers of directors and corporate auditors to be paid compensation stated above because they include two directors and one outside corporate auditor who left office at the close of the 16th annual general meeting of shareholders held on May 28, 2024 and do not include one director who does not receive compensation.

Note 4: Other than the compensation stated above, the outside officers do not receive any compensation as officers from the Company's parent companies or subsidiaries of the Company's parent companies.

Note 5: The amounts of compensation, etc. of outside directors and outside corporate auditors include compensation received as special committee members.

(iv) Matters relating to performance-based compensation, etc. and non-cash compensation, etc.

From the fiscal year ended February 28, 2018, the Company introduced a performance-based stock compensation system for its directors and executive officers, who enter into delegation agreements with the Company (excluding outside directors and non-residents of Japan; "Directors, Etc."), and the 15th annual general meeting of shareholders held on May 25, 2023 approved the continuation of that system through the fiscal year ending February 28, 2026.

Performance-based bonuses (cash) and performance-based stock compensation are compensation systems for the purpose of increasing desire to contribute to improving medium to long-term business performance and increasing corporate value, and using the Company's medium-term management plan as a key performance indicator, performance-based bonuses (cash) and performance-based stock compensation are decided based on the Company Group's (consolidated) net sales, ordinary income ratio, ROE for the final fiscal year under the medium-term management plan, and net income attributable to owners of parent.

Changes in the performance figures for net sales, ordinary income, and net income attributable to owners of parent for the entire Company Group (consolidated), including those for the business year under review, are stated in "1.(9) Changes in status of assets and profits/losses," and the consolidated ordinary income ratio for the business year under review is 3.2%.

Under the performance-based stock compensation system, at a certain time after the end of each business year, the directors in office as of the last day of February for each year of the subject period (the three business years from the business year ended February 29, 2024 to the business year ending February 28, 2026) receive a number of points calculated based on the director's position and the Company's performance, etc. for the business year ending on that date. After the end of the subject period, the number of points granted during that period are increased or

decreased based on the level of achievement of performance targets set out in the medium-term management plan. The number of points granted during the subject period accumulate each year, and after a director ceases to hold office as a director or executive officer of the Company or any of its subsidiaries, shares, etc. of the Company are delivered to the former director based on the number of accumulated points. In cases such as if a former director who received shares is found to have significantly breached their duties or significantly violated internal regulations, the Company can request the former director to repay the amount equivalent to the shares received.

The shares delivered to directors as performance-based stock compensation are stated in "2.(6) Status of shares delivered to company officers as consideration for the performance of duties during the business year under review."

(5) Matters relating to outside officers

(i) Relationship between the Company and corporations, etc. at which outside officers hold significant concurrent positions

There are no relationships such as those involving significant transactions between the Company and the corporations, etc. at which its outside directors hold concurrent positions.

(ii) Status of main activities during the business year under review

Position	Name	Attendance		Status of activities at board of directors and board of corporate auditors meetings and summary of duties performed in regard to roles expected of outside directors
		Board of directors meetings	Board of corporate auditors meetings	
Outside director	Tomoko Nakai	17/17 (100%)	—	Tomoko Nakai attended all 17 board of directors meetings held during the business year, and from her expert perspective as an attorney, she fulfilled her role in overseeing management by means such as asking questions regarding information security and risks relating to corporate acquisitions.

Position	Name	Attendance		Status of activities at board of directors and board of corporate auditors meetings and summary of duties performed in regard to roles expected of outside directors
		Board of directors meetings	Board of corporate auditors meetings	
Outside director	Kunio Ishizuka	13/17 (76.5%)	—	Kunio Ishizuka attended 13 of the 17 board of directors meetings held during the business year, and based on his rich experience and breadth of knowledge developed as a corporate manager, he fulfilled his role in overseeing management by means such as raising potential issues by confirming business judgment standards from multiple perspectives in order to ensure the appropriateness of decision-making by the board of directors.
Outside director	Tadashi Nagata	17/17 (100%)	—	Tadashi Nagata attended all 17 board of directors meetings held during the business year, and based on his rich experience and breadth of knowledge developed as someone experienced in corporate management, he fulfilled his role in overseeing management by means such as raising potential issues by identifying risks from multiple perspectives in order to ensure the appropriateness of decision-making by the board of directors.
Outside director	Katsunori Nozawa	17/17 (100%)	—	Katsunori Nozawa attended all 17 board of directors meetings held during the business year, and based on his experience and breadth of knowledge developed as a financial institution manager, he fulfilled his role in overseeing management by means such as identifying risks and raising potential issues relating to the matters deliberated on by the board.

Position	Name	Attendance		Status of activities at board of directors and board of corporate auditors meetings and summary of duties performed in regard to roles expected of outside directors
		Board of directors meetings	Board of corporate auditors meetings	
Outside director	Shigeo Horie	15/17 (88.2%)	—	Shigeo Horie attended 15 of the 17 board of directors meetings held during the business year, and based on his experience and breadth of knowledge developed as a medical doctor, a holder of a PhD in medicine, and a long-serving university professor and his experience in organizational operations at universities, etc., he fulfilled his role in overseeing management by means such as raising potential issues by identifying risks.
Outside director	Noriko Ishizaka	16/17 (94.1%)	—	Noriko Ishizaka attended 16 of the 17 board of directors meetings held during the business year, and based on her rich experience and breadth of knowledge developed as someone experienced in corporate management, she fulfilled her role in overseeing management by means such as raising potential issues from a workplace-focused perspective in order to ensure the appropriateness of decision-making by the board of directors.
Outside director	Yasuo Nakayama	12/13 (92.3%)	—	Yasuo Nakayama attended 12 of the 13 board of directors meetings held after he assumed office as an outside director, and based on his rich experience and breadth of knowledge developed as someone experienced in corporate management, he fulfilled his role in overseeing management by means such as stating opinions regarding overall management from multiple perspectives in order to ensure the appropriateness of decision-making by the board of directors.

Position	Name	Attendance		Status of activities at board of directors and board of corporate auditors meetings and summary of duties performed in regard to roles expected of outside directors
		Board of directors meetings	Board of corporate auditors meetings	
Outside corporate auditor	Atsuko Sugiyama	17/17 (100%)	17/17 (100%)	Atsuko Sugiyama attended all 17 board of directors meetings and all 17 board of corporate auditors meetings held during the business year. Based on her rich experience and expert knowledge as a certified public accountant and certified public tax accountant, she fulfilled her corporate auditing role by means such as expressing opinions on governance by presenting examples from other companies at board of directors meetings and exchanging opinions on audit methods and results and engaging in discussions on significant matters at board of corporate auditors meetings.
Outside corporate auditor	Takashi Fujii	16/17 (94.1%)	16/17 (94.1%)	Takashi Fujii attended 16 of the 17 board of directors meetings and 16 of the 17 board of corporate auditors meetings held during the business year. He fulfilled his corporate auditing role by means such as asking questions and stating opinions at board of directors meetings based on his rich experience and knowledge as a corporate manager and exchanging opinions on audit methods and results and engaging in discussions on significant matters at board of corporate auditors meetings.
Outside corporate auditor	Hidekazu Tanaka	10/13 (76.9%)	10/13 (76.9%)	Hidekazu Tanaka attended 10 of the 13 board of directors meetings and 10 of the 13 board of corporate auditors meetings held after he assumed office as an outside corporate auditor. From his expert perspective as an attorney, he fulfilled his corporate auditing role by means such as making comments to ensure the appropriateness of materials that contribute to decision-making at board of directors meetings and exchanging opinions on audit methods and results and engaging in discussions on significant matters at board of corporate auditors meetings.

5. Matters relating to the accounting auditor

(1) Name: Deloitte Touche Tohmatsu LLC

(2) Amount of compensation, etc.

	Amount paid (Million yen)
Amount of compensation, etc. for the business year under review	94
Total amount of money and other economic benefits to be paid by the Company and its subsidiaries	164

Note 1: The board of corporate auditors decided to consent to the amount of compensation, etc. of the accounting auditor after conducting the necessary examinations regarding whether the details of the audit plan of the accounting auditor, the status of its performance of audit duties, the basis on which it calculated the estimate of its compensation, and other such matters were appropriate.

Note 2: The audit agreement between the Company and the accounting auditor does not distinguish between audit compensation for audits under the Companies Act and audits under the Financial Instruments and Exchange Act, and it is not possible to substantially make such a distinction. Accordingly, the above amount includes the amount of compensation, etc. for audits under the Financial Instruments and Exchange Act.

(3) Policy on deciding to dismiss or to not reappoint the accounting auditor

The board of corporate auditors will decide the content of a proposal to be submitted to a general meeting of shareholders regarding dismissing or not reappointing the accounting auditor if the board of corporate auditors determines it to be necessary, such as cases in which there is an obstacle to the accounting auditor performing its duties.

Additionally, if the board of corporate auditors finds that the accounting auditor falls under any item of Article 340, paragraph (1) of the Companies Act, it will dismiss the accounting auditor with the unanimous consent of the corporate auditors. In that case, the corporate auditor selected by the board of corporate auditors will report the fact that the accounting auditor was dismissed and the reasons therefor at the first general meeting of shareholders held after the dismissal.

6. Company Systems and Policies

(1) Systems to ensure that the performance of duties by directors conforms to laws and the articles of

incorporation and other systems to ensure the appropriateness of operations

At the board of directors meeting held on April 21, 2015, the Company established a basic policy on establishing internal control systems as follows.

Based on that basic policy, the Company will endeavor to ensure lawful and effective operations and will work to manage risks and comply with relevant laws.

(i) Systems to ensure that the performance of duties by directors and employees of the Company and its subsidiaries conforms to laws and the articles of incorporation

The basic policy for the management of the Company and the Company Group is to increase corporate value for shareholders, transaction partners, local communities, employees, and all other partners, and in order to achieve that, the Company works to ensure that the directors and employees of the Company and its subsidiaries comply with laws and the articles of incorporation and endeavors to enhance its internal control systems by means such as strengthening risk management systems. In particular, the Company works to strengthen ethics and compliance systems in order to ensure awareness of and compliance with laws and the articles of incorporation.

(ii) Systems relating to the retention and management of information regarding the performance of duties by directors of the Company and systems relating to reports to the Company regarding the performance of duties by directors, etc. of subsidiaries

1. Information and documents regarding the performance of duties by directors is appropriately recorded, retained, and managed in accordance with the Document Management Regulations.
2. Pursuant to the Related Company Management Regulations, the directors, etc. of the Company's subsidiaries report matters regarding the performance of duties thereby by submitting to the Company documents such as copies of the statutory minutes of the subsidiary. Additionally, the Company's directors and corporate auditors are able to view those materials at any time.

(iii) Regulations and other systems to manage the risk of loss by the Company and its subsidiaries

In order to establish the risk management systems of the Company and the Company Group, the Risk Management Regulations set out provisions regarding the basic policies and systems for risk management, and the Company develops and establishes its risk management systems in accordance therewith.

Furthermore, as a department under the direct control of the representative directors, the Company has established the Internal Audit Office, which conducts internal audits of the Company and the companies of the Company Group. The Internal Audit Office periodically considers operational audit items and methods and conducts audits.

(iv) Systems to ensure that the duties of directors of the Company and its subsidiaries are performed efficiently

1. The term of office of directors of the Company and its subsidiaries is one year in order to clarify responsibility for business execution.
2. The Company's board of directors conducts resolutions in a timely manner regarding significant management matters and individual items at ordinary board of directors meetings held once each month and at extraordinary board of directors meetings held when necessary. The boards of directors of the Company's subsidiaries also conduct resolutions in a timely manner regarding significant management matters and individual items at ordinary board of directors meetings and at extraordinary board of directors meetings held when necessary. In order to further ensure the effectiveness and efficiency of the performance of duties, significant matters relating to the Company and the Company Group are deliberated on by the Company's management council and then decided by the Company's board of directors.

(v) Systems to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

The appropriateness of the operations of the Company and the Company Group is managed in accordance with the Related Company Management Regulations. Additionally, the Company has developed a system in which personnel from each of the Company's subsidiaries periodically attend meetings of the Company's board of directors and report on the status of operations at the subsidiary.

Pursuant to the Internal Audit Regulations, the Internal Audit Office evaluates the status of internal audits at each company of the Company Group and directly conducts internal audits as necessary.

(vi) Matters relating to employees in cases where corporate auditors request that employees be assigned to assist in their duties

If the board of corporate auditors requests that employees be assigned to assist the board of corporate auditors in its duties, the Company assigns employees to do so.

(vii) Matters relating to ensuring the independence of the above employees from directors and the effectiveness of instructions to those employees

1. The consent of the board of corporate auditors is required to appoint, dismiss, or otherwise make changes, etc. regarding the above employees, and the Company endeavors to ensure the independence of those employees from the directors and the effectiveness of instructions to those employees from the board of corporate auditors.
2. If the above employees also hold positions as employees in other departments, they prioritize their work relating to the board of corporate auditors.

(viii) Systems for reports to the Company's corporate auditors by the directors and employees of the Company, the directors, corporate auditors, and employees of its subsidiaries, and persons who receive reports therefrom and other systems relating to reports to the corporate auditors

The directors and employees of the Company, the directors, corporate auditors, and employees of its subsidiaries, and persons who receive reports therefrom must promptly report to the Company's corporate auditors not only in regard to statutory reporting matters but also in cases where they learn of any fact that they believe will have a significant impact on the Company or its subsidiaries. Additionally, the corporate auditors attend board of directors meetings and other important meetings, receive reports as appropriate in regard to significant information, and thereby maintain an understanding of the status of business execution.

(ix) Systems to ensure that persons making the above reports are not subject to detrimental treatment due thereto

The Company prohibits any detrimental treatment against a person making an above report due to having done so. Additionally, the internal whistleblowing system also stipulates that no one will be subject to detrimental treatment due to having made a whistleblowing report, and that system is appropriately operated.

(x) Systems relating to the processing of expenses, etc. arising in regard to the performance of duties by corporate auditors

If a corporate auditor makes a request for advance payments or reimbursement, etc. of expenses arising in regard to the performance of duties by the corporate auditor, the Company promptly processes those expenses or debts, except in cases where they are found to not be necessary for the performance of duties by the corporate auditor.

(xi) Other systems to ensure that audits by corporate auditors are conducted effectively

Opportunities for the corporate auditors to hold individual meetings with the representative directors and directors are provided approximately once every six months. The Company elects outside corporate auditors based on standards for determining independence, and the Company elects one outside corporate auditor who is an attorney.

(2) Operation status of internal control systems

At the end of the consolidated fiscal year under review, the Company and its subsidiaries evaluated the status of the development and operation of the internal control systems and confirmed that the internal control systems were appropriately developed and operated pursuant to the basic policy. The main matters in regard to the operation status of the internal control systems are as follows.

(i) Performance of duties by directors

In the consolidated fiscal year under review, the Company's board of directors was composed of 13 directors, including seven outside directors, and held 17 meetings, which were attended by the four corporate auditors, including three outside corporate auditors. The board of directors passed resolutions on significant matters relating to operations and oversaw the performance of duties by the Company's subsidiaries by receiving reports therefrom. Additionally, the management council, composed of the executive directors, held regular meetings once each month and carefully considered significant matters.

Information regarding the performance of duties by directors is retained and managed in accordance with the Document Management Regulations, and the Company has established a system in which the directors and corporate auditors can view important statutory documents of the Company and its subsidiaries at any time.

(ii) Performance of duties by corporate auditors

The corporate auditors ensure the effectiveness of audits of the Company and its subsidiaries by attending board of directors meetings and management council meetings and viewing important internal documents such as written proposals circulated for approval. Additionally, in the consolidated fiscal year under review, the board of corporate auditors held 17 meetings, and the corporate auditors endeavored to achieve the effective performance of their duties by means such as working to communicate among each other, collaborating and exchanging information with the accounting auditor and internal audit departments, etc., and establishing opportunities for individual meetings with the representative directors and directors.

(iii) Ensuring the appropriateness of operations in the Company Group

The Internal Audit Office conducts internal audits of the Company and its subsidiaries based on annual audit plans, confirms whether operations are conducted in accordance with the various regulations of the Company and its subsidiaries, and provides guidance and exercises control to ensure that they are.

(iv) Compliance and risk management

The Company has established the Group Risk Management Committee to promote risk management systems throughout the group and to share necessary information regarding risk management and the Compliance Committee to strengthen checks and oversight of systems and measures, etc. relating to compliance, and each committee meets every month.

Additionally, by establishing a framework for whistleblowing methods and appropriate responses to whistleblowing reports pursuant to the Whistleblower Protection Act, the Company endeavors to avoid or quickly discover and address incidents such as misconduct, and it has established the Welcia Compliance Hotline and the Welcia Business Partner Hotline for the purpose of contributing to strengthening management by constantly enhancing ethics and compliance.

(v) Basic approach to eliminating antisocial forces and status of development thereof

The Company Group has no relationships with any antisocial activities or forces that threaten the order and safety of civil society, and it firmly and resolutely stands against the pressure of such activities and forces and endeavors to eliminate that pressure.

This approach is set out in the Welcia Group Code of Conduct, which is shared throughout the group as a guide for acting with good social sense pursuant to the Company Group's mission.

(3) Basic policy on control of the joint stock company

The Company has not established a basic policy regarding the suitability of persons who control decisions on the Company's financial and business policies.

(4) Policy on determining dividends from surplus, etc.

Dividends as a means of profit sharing are determined by comprehensively taking into account factors such as the Company's financial status, revenue levels, and dividend payout ratios while also giving consideration to securing funds for reinvestment and maintaining stable dividends.

The Company's policy is to allocate internal reserves to capital expenditures such as opening new stores and remodeling existing stores in order to further increase profitability.

Under this policy, in regard to year-end dividends for the business year under review, the Company's board of directors resolved at its meeting held on April 11, 2025 to pay a dividend from surplus of 18.00 yen per share. (The Company's articles of incorporation stipulate that dividends from surplus may be determined by a resolution of the board of directors.)

1. Matters relating to year-end dividends

   18.00 yen per common share of the Company

   Total amount: 3,774,651,156 yen

2. Effective date of dividends from surplus

   May 12, 2025

Consolidated Balance Sheet

(As of February 28, 2025)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	280,890	Current liabilities	236,616
Cash and deposits	35,011	Accounts payable – trade	168,758
Accounts receivable	68,376	Short-term loans payable	15,015
Merchandise	149,011	Lease obligations	10,446
Other	28,523	Accounts payable – other	15,527
Allowance for doubtful accounts	(32)	Income taxes payable	6,850
Noncurrent assets	299,094	Provision for bonuses	5,063
Property, plant and equipment	180,756	Provision for bonuses for directors (and other officers)	22
Buildings and structures	108,348	Contract liabilities	758
Land	20,805	Provision for loss on store closings	819
Leased assets	45,477	Other	13,355
Other	6,125	Noncurrent liabilities	88,882
Intangible assets	43,018	Long-term loans payable	24,004
Goodwill	36,072	Lease obligations	31,784
Other	6,946	Asset retirement obligations	20,401
Investments and other assets	75,319	Retirement benefits-related liabilities	8,917
Investment securities	956	Deferred tax liabilities	602
Long-term loans receivable	24	Allowance for executive stock benefit	767
Guarantee deposits	51,110	Other	2,404
Deferred tax assets	21,171	Total liabilities	325,498
Other	2,182	Net assets	
Allowance for doubtful accounts	(125)	Shareholders' equity	247,199
		Capital stock	7,792
		Capital surplus	51,878
		Retained earnings	193,719
		Treasury stock	(6,191)
		Accumulated other comprehensive income	1,301
		Valuation difference on available-for-sale securities	329
		Foreign currency translation adjustment	202
		Accumulated adjustment related to retirement benefits	768
		Subscription rights to shares	114
		Non-controlling interests	5,871
		Total net assets	254,486
Total assets	579,985	Total liabilities and net assets	579,985

Consolidated Statement of Income

(March 1, 2024 to February 28, 2025)

(Million yen)

Item	Amount	
Net sales		1,285,005
Cost of sales		894,648
Gross profit		390,356
Selling, general and administrative expenses		353,947
Operating income		36,409
Non-operating income		
Interest and dividend income	28	
Rental income from real estate	1,604	
Gain on receipt of donated noncurrent assets	154	
Commission income	416	
Subsidy income	689	
Sponsorship money income	912	
Other	2,329	6,134
Non-operating expenses		
Interest expenses	785	
Share of loss of entities accounted for using equity method	447	
Rent cost of real estate	303	
Other	170	1,706
Ordinary income		40,837
Extraordinary income		
Gain on sale of noncurrent assets	8	
Gain on sale of investment securities	80	
Compensation income	66	154
Extraordinary loss		
Loss on sale of noncurrent assets	3	
Loss on retirement of noncurrent assets	219	
Impairment loss	13,127	
Provision for loss on store closings	819	
Other	544	14,714
Net income before income taxes		26,277
Income taxes – current	14,314	
Income taxes – deferred	(2,375)	11,938
Net income		14,338
Loss attributable to non-controlling interests		(619)
Net income attributable to owners of parent		14,958

Consolidated Statement of Changes in Equity

(March 1, 2024 to February 28, 2025)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,748	51,682	186,099	(8,942)	236,587
Changes during period					
Issuance of new shares	44	44			88
Dividends of surplus			(7,338)		(7,338)
Net income attributable to owners of parent			14,958		14,958
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		2,752	2,752
Change in ownership interest of parent due to transactions with non-controlling interests		152			152
Net changes in items other than shareholders' equity					
Total changes during period	44	196	7,619	2,751	10,611
Balance at end of period	7,792	51,878	193,719	(6,191)	247,199

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated adjustment related to retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of period	452	198	314	965	158	6,654	244,367
Changes during period							
Issuance of new shares							88
Dividends of surplus							(7,338)
Net income attributable to owners of parent							14,958
Purchase of treasury stock							(0)
Disposal of treasury stock							2,752
Change in ownership interest of parent due to transactions with non-controlling interests							152
Net changes in items other than shareholders' equity	(122)	3	454	335	(44)	(783)	(492)
Total changes during period	(122)	3	454	335	(44)	(783)	10,119
Balance at end of period	329	202	768	1,301	114	5,871	254,486

Non-consolidated Balance Sheet

(As of February 28, 2025)

(Million yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	27,095	Current liabilities	65,326
Cash and deposits	11,660	Short-term loans payable	63,319
Prepaid expenses	39	Accounts payable – other	1,830
Short-term loans receivable	9,328	Expenses payable	24
Accounts receivable – other	103	Income taxes payable	109
Deposits of subsidiaries and affiliates	5,000	Other	42
Other	962	Noncurrent liabilities	18,800
Noncurrent assets	137,602	Long-term loans payable	18,003
Property, plant and equipment	17	Long-term accounts payable – other	28
Buildings and structures	0	Allowance for executive stock benefit	767
Tools, equipment and fixtures	17	Total liabilities	84,126
Intangible assets	25	Net assets	
Software	25	Shareholders' equity	80,456
Investments and other assets	137,560	Capital stock	7,792
Investment securities	118	Capital surplus	63,611
Shares of subsidiaries and affiliates	137,096	Capital reserves	36,969
Long-term loans to subsidiaries and affiliates	200	Other capital surplus	26,641
Deferred tax assets	43	Retained earnings	15,243
Other	101	Other retained earnings	15,243
		Retained earnings carried forward	15,243
		Treasury stock	(6,190)
		Subscription rights to shares	114
		Total net assets	80,571
Total assets	164,697	Total liabilities and net assets	164,697

Non-consolidated Statement of Income

(March 1, 2024 to February 28, 2025)

(Million yen)

Item		Amount
Operating revenue		14,823
Gross operating profit		14,823
Selling, general and administrative expenses		5,275
Operating income		9,548
Non-operating income		
Interest income	25	
Layoff subsidies	71	
Other	13	110
Non-operating expenses		
Interest expenses	156	
Other	1	158
Ordinary income		9,499
Extraordinary loss		
Loss on valuation of shares of subsidiaries and affiliates	779	
Other	295	1,074
Net income before taxes		8,425
Income taxes – current	106	
Income taxes – deferred	32	138
Net income		8,286

Non-consolidated Statement of Changes in Equity

(March 1, 2024 to February 28, 2025)

(Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Capital reserves	Other capital surplus	Total capital surplus
Balance at beginning of period	7,748	36,925	26,641	63,567
Changes during period				
Issuance of new shares (exercise of subscription rights to shares)	44	44		44
Dividends of surplus				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes in items other than shareholders'				

equity				
Total changes during period	44	44	0	44
Balance at end of period	7,792	36,969	26,641	63,611

	Shareholders' equity				Subscription rights to shares	Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity		
	Other retained earnings	Total retained earnings				
	Retained earnings carried forward					
Balance at beginning of period	14,295	14,295	(8,942)	76,669	158	76,828
Changes during period						
Issuance of new shares (exercise of subscription rights to shares)				88		88
Dividends of surplus	(7,338)	(7,338)		(7,338)		(7,338)
Net income	8,286	8,286		8,286		8,286
Purchase of treasury stock			(0)	(0)		(0)
Disposal of treasury stock			2,752	2,752		2,752
Net changes in items other than shareholders' equity					(44)	(44)
Total changes during period	947	947	2,751	3,787	(44)	3,743
Balance at end of period	15,243	15,243	(6,190)	80,456	114	80,571

Notes to the Financial Statements

1. Significant accounting policies

(1) Valuation standards and methods for securities

1) Shares of subsidiaries and affiliates …… Stated at cost using the moving-average method.
2) Available-for-sale securities
Shares, etc. without market price …… Stated at cost using the moving-average method.

(2) Valuation standards and methods for inventories

Supplies …… Stated at cost using the last-purchase-price method (using the inventory write-down method based on decreased profitability).

(3) Depreciation and amortization methods for noncurrent assets

1) Property, plant and equipment (excluding leased assets) … The declining-balance method is adopted. However, straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016.
2) Intangible assets … They are amortized using the straight-line method. However, straight-line method is used for software based on the internally usable period (five years).

(4) Accounting standards for allowances

1) Provision for bonuses for officers … To provide for the future payments of bonuses for Directors and Executive Officers, the Company has provided an allowance for the estimated payment amount, reflecting the performance in the current fiscal year.
2) Allowance for executive stock benefit … To provide for issuance of the Company's shares as well as the payment of cash to Directors and Executive Officers, the Company has provided an allowance for the estimated amount based on the expected issuance of shares and the payment of cash commensurate with the number of points granted pursuant to the Rules for the Delivery of Shares to Executives to the eligible Directors and Executive Officers at the end of the current fiscal year.

(5) Accounting standards for significant revenue and expenses

Sources of revenues of the Company consist primarily of dividend income and consulting fee income received from subsidiaries. Dividend income is recognized at the effective date of dividend. The Company identifies provision of business management service to the Group companies as its performance obligations. Since such obligations are satisfied over a period of time, revenues are recognized over the term of contract for providing such service.

2. Significant accounting estimates

Valuation of shares of subsidiaries and associates

1) Amount recorded in the financial statements for the current fiscal year

(Million yen)

	Amount recorded in the financial statements	Of which, Pupule Himawari Co., Ltd.
Shares of subsidiaries and associates	137,096	13,229

2) Information regarding the details of significant accounting estimates on identified items

(a) Method of calculation

For Pupule Himawari Co., Ltd., although the Company changed the store opening strategy planned at the time of stock acquisition, switched point-cards, and altered the sales pricing strategy, the results fell below the business plan at the time of stock acquisition. As a result of comparing the actual value reflecting excess earning capacity with the acquisition price, it was determined that excess earning capacity had not decreased, and therefore, no valuation loss was recognized.

(b) Main assumptions

The estimates of undiscounted future cash flows are based on business plans, which include key assumptions such as improvements in net sales growth rate and gross margin ratio through initiatives that leverage group synergies. These initiatives include the integration of bookkeeping and logistics, the switching of point cards, changes in product policies, and other measures.

(c) Impact on the financial statements for the following fiscal year

Since assumptions used for the aforementioned estimates are subject to changes in economic environment, if review is necessary due to such changes, it may cause material impacts on the determination of whether valuation losses should be recognized in the following fiscal year and the amount of valuation losses to be measured.

3. Additional information

(1) Notes on transactions for delivering the Company's shares to employees through a trust, and on (2) performance-linked stock compensation plan are omitted as the same information is stated in "Notes to the Consolidated Financial Statements (7. Additional information)" in the Consolidated Financial Statements.

4. Figures are presented in millions of yen and rounded down to the nearest million.

5. Balance sheets

(1) Accumulated depreciation of property, plant and equipment16 million yen

(2) Monetary claims and monetary obligations to subsidiaries and associates

Short-term monetary claims	9,582 million yen
Short-term monetary obligations	56,599 million yen

6. Statements of income

Transactions with subsidiaries and associates

Operating transactions	Operating revenue	14,823 million
	Selling, general and administrative expenses	2,763 million yen
Amount of non-operating transactions	Non-operating income	23 million yen
	Non-operating expenses	65 million yen

7. Statements of changes in equity

Number of treasury shares at the end of the current fiscal year

Common shares	2,130,801 shares

8. Tax effect accounting

(1) Breakdown of major causes for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Accrued enterprise tax	6 million yen
Long-term accounts payable - other	8 million yen
Subscription rights to shares	19 million yen
Allowance for executive stock benefit	82 million yen
Shares of subsidiaries and associates	474 million yen
Other	1 million yen
Subtotal of deferred tax assets	593 million yen
Valuation allowance	(538) million yen
Total deferred tax assets	55 million yen
Deferred tax liabilities	
Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)	(11) million yen
Total deferred tax liabilities	(11) million yen
Net deferred tax assets	43 million yen

(2) Change in corporate income tax rate, etc. after the closing date

With the enactment of the Act on Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) by the Diet on March 31, 2025, a new Defense Special Corporate Tax will be introduced for fiscal years starting on or after April 1, 2026.

As a result, the statutory effective tax rate for calculating deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in the fiscal years starting on or after March 1, 2027, will change from 30.62% to 31.52%. If the statutory effective tax rate after the change is applied at the end of the current fiscal year, the amount of deferred tax assets (net of deferred tax liabilities) will decrease by ¥1 million, while the amount of income taxes-deferred (debit) will increase by ¥1 million.

9. Transactions with related parties

(1) Parent company and major corporate shareholders

(Million yen)

Class	Name of the company, etc.	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts	Item	Balance at end of period
Parent company	AEON CO., LTD.	(held) Direct ownership 50.59%	Consumption entrustment, royalty payments, concurrent service by officers, etc.	Consumption entrustment	5,000	Deposits paid to subsidiaries and associates	5,000
				Return of consumption entrustment	5,000	Accrued interest	0
				Interest income	0	Accounts payable - other	1,478
				Royalty payments	2,589		
				(Notes)1, 2			

Terms of transaction and the policies for determining the terms of transaction

(Notes) 1. Interest rate conditions for consumption entrustment are reasonably determined with taking market interest rates into consideration.

2. Royalties are negotiated between the parties and finalized at the Board of Directors.

(2) Subsidiaries and associates, etc.

(Million yen)

Class	Name of the company, etc.	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts	Item	Balance at end of period
Subsidiary	Welcia Yakkyoku Co., Ltd.	Direct ownership 100.0%	Management guidance, fund borrowing, concurrent service by officers, etc.	Management guidance fees	4,821	–	–
				Fund borrowing	63,937	Short-term loans	54,986
				Payment of interest	64	Accrued expenses	5
				(Notes)1, 2			
Subsidiary	Marudai Sakurai Pharmacy Limited	Direct ownership 100.0%	Fund lending	Fund lending	2,766	Short-term loans receivable	3,220
				Interest income	8	Accrued interest	0
				(Notes) 2			
Subsidiary	Shimizu Yakuhin Co., Ltd.	Direct ownership 100.0%	Fund lending	Fund lending	1,671	Short-term loans receivable	2,096
				Interest income	5	Accrued interest	0
				(Notes) 2			
Subsidiary	Yodoya Co., Ltd.	Direct ownership 50.1%	Fund lending	Fund lending	1,867	Short-term loans receivable	2,136
				Interest income	5	Accrued interest	0
				(Notes) 2			

Terms of transaction and the policies for determining the terms of transaction

(Notes) 1. Receipt of management guidance fees, etc. is reasonably determined upon negotiation between the parties.

2. The Company has introduced a Cash Management System (CMS), and fund lending and borrowing transactions with subsidiaries are related to those conducted through this CMS. Interest rates are determined based on market interest rates. The transaction amount is the average balance during the period.

(3) Companies, etc. sharing the same parent

(Million yen)

Class	Name of the company, etc.	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts	Item	Balance at end of period
Subsidiary of the parent	Inageya Co., Ltd.	–	Acquisition of shares	Acquisition of shares of subsidiaries and associates (Notes) 1	6,989	–	–

Terms of transaction and the policies for determining the terms of transaction

(Notes) 1. Decisions are made after confirming the appropriateness and economic rationality of the transaction details, such as whether they are equivalent to general transaction terms, and take appropriate measures to ensure that minority shareholders are not disadvantaged.

10. Revenue recognition

The description of useful information in understanding revenue from contracts with customers is omitted as it is provided in "1. Significant accounting policies, (5) Accounting standards for significant revenue and expenses."

11. Per share information

(1) Net assets per share ¥387.59

(2) Net income per share ¥40.01

The basis for the calculation of net income per share is as follows.

Net income in the income statement	8,286 million yen
Net income attributable to common shares	8,286 million yen
Average number of common shares outstanding during the fiscal year	207,091,743 shares

(Notes) The number of shares of the Company held in the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust was included in the number of treasury stock, which was to be deducted from the calculation of the average number of shares outstanding during the year (2,596,471 shares).

12. Significant subsequent events

Notes are omitted, since the same information is included in the notes to the consolidated financial statements (Notes on Significant Subsequent Events).

Accounting Auditor's Consolidated Audit Report

Independent Auditor's Report

April 18, 2025

WELCIA HOLDINGS CO., LTD.
To the Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	CPA Yuji Takei
Designated Limited Liability Partner Engagement Partner	CPA Hideki Oi

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 WELCIA HOLDINGS CO., LTD. (the "Company") for the fiscal year from March 1, 2024 through February 28, 2025.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of WELCIA HOLDINGS CO., LTD., 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. In addition, the Corporate Auditor and the Audit and Supervisory Committee are 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 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, the Corporate Auditor, 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 Corporate Auditor and 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 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 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 Corporate Auditor and 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 Corporate Auditor and 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.

END

Accounting Auditor's Audit Report

Independent Auditor's Report

April 18, 2025

WELCIA HOLDINGS CO., LTD.
To the Board of Directors

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	CPA	Yuji Takei
Designated Limited Liability Partner Engagement Partner	CPA	Hideki Oi

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheets, the statements of income, the statement of changes in equity and the related notes, and the accompanying supplementary schedules (the "Financial Statements, etc.") of WELCIA HOLDINGS CO., LTD. for the 17th fiscal year from March 1, 2024 through February 28, 2025.

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 Financial Statements, etc." 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 Corporate Auditor and the Audit and Supervisory Committee are 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 Financial Statements, etc., and we express no opinion on the other information.

Our responsibility for the audit of the Financial Statements, etc. 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 Financial Statements, etc. 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, the Corporate Auditor, and the Audit and Supervisory Committee for the Financial Statements, etc.

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 Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. 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 Corporate Auditor and 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 Financial Statements, etc.

Our responsibility is to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the Financial Statements, etc. 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 Financial Statements, etc..

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 Financial Statements, etc. 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 Financial Statements, etc. 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 Financial Statements, etc. in the audit report, or if the notes to the Financial Statements, etc. pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the Financial Statements, etc. 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 Financial Statements, etc. are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the Financial Statements, etc. including related notes, and whether the Financial Statements, etc. fairly present the transactions and accounting events on which they are based.

The auditor reports to the Corporate Auditor and 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 Corporate Auditor and 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.

END

Audit Report by Audit and Supervisory Committee

Audit Report

The Audit and Supervisory Committee hereby reports as set out below concerning the Directors' performance of their duties during the 17th fiscal year beginning March 1, 2024 and ending February 28, 2025, upon deliberations based on the audit reports prepared by each of the Audit and Supervisory Committee Members.

1. Method and Content of Audit Conducted by Audit and Supervisory Committee Members and Audit and Supervisory Committee

(1) The Audit and Supervisory Committee formulated Audit Policy, Audit Plan and other relevant matters regarding auditing, received reports from each of the Audit and Supervisory Committee Members regarding the progress and the results of their audit, received reports from the Directors, etc. and the Accounting Auditor regarding the performance of their respective duties, and requested further explanation as necessary.

(2) In conformity with Standards of Audit by Audit and Supervisory Committee Members adopted by the Audit and Supervisory Committee and in accordance with the Audit Policy and Division of Duties, each of the Audit and Supervisory Committee Members communicated with Directors, the internal audit division, and other employees, and collected information, maintained the audit environment and conducted the audit by the following methods.

1) We attended meetings of the Board of Directors and other 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) As concerns the resolutions of the Board of Directors to establish such systems that ensure Directors carry out their duties in accordance with laws and regulations and the Company's Articles of Incorporation and other systems to ensure appropriateness of the operations of the corporate group consisting of the Company and its subsidiaries as provided by Article 100, Sections 1 and 3 of the Ordinance for Enforcement of Companies Act and the systems established under such resolutions (internal control systems), stated in the Business Report, the Audit and Supervisory Committee periodically received reports from Directors and employees, obtained explanation as necessary and expressed opinions concerning the status of the establishment and operation of such systems.

3) With regard to the matters noted in Article 118, Item 5, (a) of the Ordinance for Enforcement of the Companies Act and the judgment and reasons in (b) of the same item described in the Business Report, we examined the content of such matters based on the status of deliberations at the Board of Directors and other meetings.

4) We further monitored and examined whether the Accounting Auditor maintained their independence and conducted the audit in an appropriate manner, as well as received reports concerning the performance of their duties and obtained explanation as necessary from the Accounting Auditor. We also received notice and explanation from the Accounting Auditor stating that they have in place "a system to ensure performance of duties in an appropriate manner" (matters provided for by each item of Article 131 of the Corporate Accounting Regulations) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council) and other applicable standards.

Based on the forgoing methods, we have reviewed the Business Report and the supplementary schedules thereto, the financial statements (balance sheets, statements of income, statement of changes in equity, and notes to the 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.

4) With regard to the transactions with the parent company, etc., described in the Business Report, there are no matters to be pointed out regarding the matters that were taken into consideration not to harm the interests of the Company when conducting the transactions, and the Board of Directors' judgment as to whether the transactions will harm the interests of the Company and the reasons therefor.

(2) Results of Audit of Financial Statements and Supplementary Schedules

In our opinion, the audit methods employed and results rendered by Deloitte Touche Tohmatsu 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 Deloitte Touche Tohmatsu LLC, the Accounting Auditor, are fair and reasonable.

April 18, 2025

WELCIA HOLDINGS CO., LTD.Audit and Supervisory Committee

Corporate Auditor	Toshio Miyamoto	Seal
Independent Outside Corporate Auditor	Atsuko Sugiyama	Seal
Independent Outside Corporate Auditor	Takashi Fujii	Seal
Independent Outside Corporate Auditor	Hidekazu Tanaka	Seal

END

●Reference Documents for the General Meeting of Shareholders under "Proposal No. 3: Approval of the Share Exchange Agreement with WELCIA HOLDINGS CO., LTD." the content of "Details of any disposal of important assets, significant assumption of debts, or other events that materially affect the status of company assets that occurred after the end of the latest business year of the Company"

(Execution of the Definitive Agreement on the Capital and Business Alliance)

The Company resolved that, at a meeting of its Board of Directors held on April 11, 2025, it have decided to enter into a definitive agreement on the Capital and Business Alliance (the "Definitive Capital and Business Alliance Agreement") between AEON Co., Ltd. ("AEON") and WELCIA HOLDINGS Co., Ltd. ("Welcia HD"), and have entered into the Definitive Capital and Business Alliance Agreement on the same day.

(1) Purpose of the Capital and Business Alliance

On February 28, 2024, the Company, AEON, and Welcia HD agreed to begin discussions on a capital and business alliance between AEON, Tsuruha HD, and Welcia HD ("Capital and Business Alliance"), which includes a business integration between Tsuruha HD and Welcia HD ("Business Integration") with the purpose of realizing higher levels of health and wellness for local residents by engaging in people's pre-symptomatic diseases, disease prevention, and disease treatment and contributing to the extension of healthy life expectancy not only in Japan, but also on a global scale, including ASEAN (Association of Southeast Asian Nations). As of April 11, 2025, the parties have decided to enter into the Definitive Capital and Business Alliance Agreement, having determined that the Capital and Business Alliance will lead to the realization of higher levels of health and wellness for local residents. By doing this, the parties aim to create the largest drugstore alliance in Japan, acquire competitiveness and grow into the No.1 global company in Asia, while also creating unlimited growth opportunities for their employees.

(2) Details of the Capital and Business Alliance as stipulated in the Definitive Capital and Business Alliance Agreement

(i) Details of the capital alliance

As part of the Capital and Business Alliance, the Company, AEON, and Welcia HD will carry out the following transactions.

Through these transactions, Welcia HD will become a wholly owned subsidiary of the Company. In addition, by acquiring shares of the Company so that the ratio of the number of voting rights (the "Voting Rights Ratio") for the Company's Shares held by AEON becomes 50.9%, AEON will make the Company a consolidated subsidiary, and the Company will become a core subsidiary that drives the health and wellness business of the AEON Group.

a. AEON will acquire 3,530,000 shares of the Company's Shares from Nomura Securities Co., Ltd. subject to the satisfaction of conditions such as having the necessary clearances, permits, and approvals being obtained pursuant to laws and regulations. As a result, the number of the Company's Shares held

by AEON will be 13,205,200 shares (the Ownership Ratio will be 26.83%) when combined with the 9,675,200 of the Company's Shares already held, and the Company is scheduled to become an equity-method affiliate of AEON.

b. Based on the agreement regarding the share exchange executed by the Company and Welcia HD executed on April 11, 2025, (the "Share Exchange Agreement"), in which the Company will become the wholly owning parent company and Welcia HD will become the wholly owned subsidiary in a share exchange (the "Share Exchange") subject to the satisfaction of conditions such as having obtained the necessary clearances, permits, and approvals pursuant to laws and regulations, and subject to having obtained approvals at the shareholders meeting of each company, the Share Exchange will be implemented with December 1, 2025 as the effective date (scheduled). In addition, the Company plans to conduct a stock split ("Stock Split") whereby one share of the Company's Shares will be divided into 5 shares with September 1, 2025 as the effective date.

c. If, as a result of the Share Exchange taking effect, AEON does not hold 50.9% of the Voting Rights Ratio in the Company's Shares, AEON will promptly initiate a tender offer for the Company's Shares (the "Tender Offer"), settle the Tender Offer and acquire the Company's Shares so that AEON holds 50.9% of the Voting Rights Ratio in the Company's Shares, on or after the effective date of the Share Exchange. The Tender Offer is expected to be completed in January 2026.

d. If, following the settlement of the Tender Offer, the Voting Rights Ratio in the Company's Shares held by AEON is below 50.9%, the Company and AEON will separately consult to determine a suitable course of action by mutual agreement.

(ii) Details of the business alliance

The following describes the details of the business alliance (the "Business Alliance") agreed by the Company, AEON, and Welcia HD in the Definitive Capital and Business Alliance Agreement.

(i) Mutual cooperation on the development of stores and in-store dispensing pharmacies
(ii) Mutual cooperation on the procurement of products and electricity and development
(iii) Mutual cooperation in improving logistics efficiency
(iv) Alignment in settlement, point systems, digital marketing, insurance, and others
(v) Promotion of joint development and mutual supply of private-brand products
(vi) Mutual cooperation on the promotion of digital transformation (DX) and e-commerce (EC)
(vii) Exchange of management know-how
(viii) Research and promotion of food and drug business model
(ix) Exchange of human resources and personnel information

(3) Overview of the Companies in the Capital and Business Alliance

(i) AEON

(i) Name	AEON CO., LTD.
(ii) Location	1-5-1 Nakase, Mihama-ku, Chiba-shi, Chiba, Japan
(iii) Job title and name of representative	Akio Yoshida, Director, President and Representative Executive Officer

(iv) Description of business	Management of business activities of the companies engaged in retail, real estate development, finance, services, or related businesses by holding their shares or interests

(ii) Welcia HD

(i) Name	WELCIA HOLDINGS CO., LTD.
(ii) Location	2-2-15, Soto-kanda, Chiyoda-ku, Tokyo, Japan
(iii) Job title and name of representative	Hideaki Kirisawa, Representative Director, President and Chief Operating Officer
(iv) Description of business	Business management of subsidiaries and group companies that operate chain drug stores with dispensing pharmacy

(4) Timetable for the Capital and Business Alliance

Date of execution of the Capital and Business Alliance Agreement dated February 28, 2024	February 28, 2024
Date of decision of representative executive officer regarding the execution of the Definitive Capital and Business Alliance Agreement (AEON) Date of resolution regarding the execution of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement by the Board of Directors (the Company, Welcia HD)	April 11, 2025
Execution date of the Definitive Capital and Business Alliance Agreement and the Share Exchange Agreement	April 11, 2025
AEON's further acquisition of the Company's Shares	Around May 2025 (scheduled)
The Company's shareholders meeting to approve the Share Exchange Agreement	May 26, 2025 (scheduled)
Welcia HD shareholders meeting to approve the Share Exchange Agreement	May 27, 2025 (scheduled)
Delisting of Welcia HD	November 27, 2025 (scheduled)
Effectiveness of the Share Exchange	December 1, 2025 (scheduled)
Commencement of the Tender Offer	Early December 2025 (scheduled)

(Execution of a Share Exchange Agreement)

The Company and Welcia HD, based on the resolutions of their respective boards of directors meetings held on April 11, 2025, as part of the Business Integration, the companies have entered into a share exchange agreement (the "Share Exchange Agreement") to implement a share exchange, whereby the Company will become the wholly owning parent company, and Welcia HD will become a wholly owned subsidiary.

(1) Overview of the Share Exchange

(i) Name and business description of wholly owned subsidiary

Name of wholly owned subsidiary	WELCIA HOLDINGS CO., LTD.
Description of business	Development and operation of the drugstore business

(ii) Purpose of the Share Exchange

The Company, AEON, and Welcia HD have decided to enter into the Definitive Capital and Business Alliance Agreement described in "Notes to the Consolidated Financial Statements, 13. Notes on Significant Subsequent Events (Execution of the Definitive Agreement on the Capital and Business Alliance)." The Share Exchange will be conducted as part of the Capital and Business Alliance.

(iii) Effective date of the Share Exchange

December 1, 2025

(iv) Method of the Share Exchange

The Share Exchange will be implemented through a method that the Company becoming the wholly owning parent company and Welcia HD becoming a wholly owned subsidiary, subject to the approval of the shareholders meetings of both companies and the completion of necessary clearances and approvals under competition laws.

(2) Share exchange ratio, calculation method and number of shares to be delivered

(i) Class of shares, exchange ratio and number of shares to be delivered

	The Company (wholly owning parent company)	Welcia HD (wholly owned subsidiary)
Share allotment ratio in the Share Exchange	1	1.15 (For reference: before considering the stock split) 0.23
Number of shares to be delivered in the Share Exchange	The Company's common share: 237,416,868 shares (scheduled)	

Note: We allocated our treasury shares to be delivered through this Share Exchange.

(ii) Calculation method of share exchange ratio

In calculating the share exchange ratio, both the company and Welcia HD, in order to ensure fairness, each commissioned an independent third-party institution to calculate and analyze the share exchange ratio. After careful discussions and considerations, we concluded that the share exchange ratio is reasonable and serves the interests of our shareholders.