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INFORMATION DISCLOSURE ON THE INTERNET REGARDING THE NOTICE OF THE 59th ORDINARY GENERAL MEETING OF SHAREHOLDERS

Matters Concerning Subscription Rights to Shares, etc.

System to Ensure Proper Business Execution and its Operational Status

Consolidated Statement of Changes in Equity

Notes to the Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to the Non-Consolidated Financial Statements

(May 16, 2020 – May 15, 2021)

TSURUHA HOLDINGS INC.

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

Matters Concerning Subscription Rights to Shares, etc.

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

Issue number (stock compensation-type stock options)	Number of subscription rights to shares (200 shares per subscription right to shares)	Number of shares subject to subscription rights to shares	Paid-in amount for subscription rights to shares	Exercise value	Exercise period	Status of holding by the Company's officers			
						Category	Number of subscription rights to shares	Number of shares subject to subscription rights to shares	Number of holders
2008 subscription rights to shares	93	18,600	Gratis	¥1	From September 26, 2008 to September 25, 2028	Directors (Note)	21	4,200	3
						Outside Directors	7	1,400	1
						Corporate Auditors	7	1,400	1
2009 subscription rights to shares	116	23,200	Gratis	¥1	From September 26, 2009 to September 25, 2029	Directors (Note)	24	4,800	3
						Outside Directors	8	1,600	1
						Corporate Auditors	8	1,600	1
2010 subscription rights to shares	129	25,800	Gratis	¥1	From September 28, 2010 to September 27, 2030	Directors (Note)	27	5,400	3
						Outside Directors	9	1,800	1
						Corporate Auditors	9	1,800	1
2011 subscription rights to shares	138	27,600	Gratis	¥1	From September 28, 2011 to September 27, 2031	Directors (Note)	27	5,400	3
						Outside Directors	9	1,800	1
						Corporate Auditors	9	1,800	1
2012 subscription rights to shares	124	24,800	Gratis	¥1	From September 28, 2012 to September 27, 2032	Directors (Note)	26	5,200	3
						Outside Directors	6	1,200	1
						Corporate Auditors	6	1,200	1
2013 subscription rights to shares	60	12,000	Gratis	¥1	From September 28, 2013 to September 27, 2033	Directors (Note)	13	2,600	3
						Outside Directors	3	600	1
						Corporate Auditors	6	1,200	2
2014 subscription rights to shares	53	10,600	Gratis	¥1	From September 28, 2014 to September 27, 2034	Directors (Note)	10	2,000	3
						Outside Directors	2	400	1
						Corporate Auditors	4	800	2
2015 subscription rights to shares	34	6,800	Gratis	¥1	From September 29, 2015 to September 28, 2035	Directors (Note)	7	1,400	3
						Outside Directors	1	200	1
						Corporate Auditors	3	600	3
2016 subscription rights to shares	38	7,600	Gratis	¥1	From September 27, 2016 to September 26, 2036	Directors (Note)	6	1,200	3
						Outside Directors	2	400	2
						Corporate Auditors	3	600	3

Note: Outside Directors are not included.

2) Status of subscription rights to shares, etc. granted to employees, etc. during the fiscal year under review

Issue number	Number of subscription rights to shares	Class and number of shares subject to subscription rights to shares	Paid-in amount for subscription rights to shares	Exercise value	Exercise period	Status of granting to the Company's employees, etc.			
						Category	Number of subscription rights to shares	Number of shares subject to subscription rights to shares	Number of recipients
The 10th series of subscription rights to shares	4,672	467,200 common shares	Gratis	¥15,370	From September 26, 2022 to September 25, 2024	The Company's employees	106	10,600	55
						Officers and employees of the Company's subsidiaries	4,566	456,600	3,796

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

Not applicable.

System to Ensure Proper Business Execution and its Operational Status

The Company has formulated basic policies for establishing an internal control system by the Board of Directors as described below.

Under these basic policies, the Company will ensure proper business execution and promote continual improvement by reviewing its status on an ongoing basis, aiming to establish a more efficient internal control system.

1) System for storage and management of information related to the execution of duties of the Company's Directors
   Information related to the execution of duties of the Company's Directors shall be stored and managed in a highly searchable condition in a proper and secure manner according to the storage media, and shall be available for inspection as needed for at least ten years.
2) Regulations or any other systems of the Company and its subsidiaries for the management of risk of loss
   a) With respect to risks related to the execution of the Group's operations, the Company and its subsidiaries shall establish a system for grasping and controlling such risks as well as persons responsible for managing each risk.
   b) The Company shall establish the Crisis Management Regulations as a basis of the risk management system, determine persons responsible for managing each risk and establish a risk management system in line with the Crisis Management Regulations. In the event that an unexpected event occurs, the Company shall establish a response headquarters headed by the Company's President, and organize and arrange an information liaison team and an external advisory team including legal counsels to promptly respond to such an event and establish a system to prevent and minimize the spread of damage.
3) System to ensure that the execution of duties of Directors of the Company and its subsidiaries is efficient
   a) As a basis of a system to ensure that the execution of duties of Directors is efficient, the Company shall hold a regular meeting of the Board of Directors once a month and an extraordinary meeting as needed. Important matters concerning the Company's management policies and strategies shall be deliberated in advance at a regular meeting held twice a month or management meetings attended by general managers and other equivalent positions, and execution thereof shall be decided after these deliberations.
   b) With respect to the execution of business based on the decision of the Board of Directors, each responsible person and their responsibilities as well as details of the execution process shall be provided for in the Organization Regulations and the Regulations on Segregation of Duties.
4) 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 shall establish the Compliance Regulations as a basis of the compliance system.
      The Company shall establish the Compliance Control Group under the direct control of President to establish, maintain and improve the internal control system, while establishing and maintaining the compliance system of the Group. If necessary, each department in charge shall develop rules and

guidelines and provide training.

b) The Company shall establish the Audit Office independent of executing departments as an internal audit department.

c) A Director who has found a material violation of laws and regulations or other material compliance-related facts within the Company shall immediately report to Corporate Auditors and these facts shall be reported to the Board of Directors without delay.

d) As an internal reporting system on violations of laws, regulations and the Articles of Incorporation as well as other compliance-related facts, the Company shall establish an internal whistleblowing system under which the Compliance Control Group is a direct recipient of information and operate the system based on the Internal Whistleblowing Regulations.

e) A Corporate Auditor who has found any problem about the Company's legal compliance system or operations of the internal whistleblowing system may provide opinions and request the Company to develop remedial measures.

5) System to ensure proper business execution within the Company group consisting of the Company and the subsidiaries

a) Aiming to establish internal controls at the Company and each of the Group's companies, the Compliance Control Group shall establish a system for enabling efficient operations including discussions about internal controls, sharing of information and communication of instructions and requests between the Company and each of the Group's companies. In addition, the Compliance Control Group shall control the management of its subsidiaries through a system requiring approval by and reporting to the Company and perform monitoring as necessary.

A Director who has found a violation of any law, regulation or the Articles of Incorporations or other material compliance-related matters within any of the Group companies shall immediately report to Corporate Auditors.

b) If any issues are recognized in the content of management control and guidance given to a subsidiary from the Company as a violation of any law, regulation or the Articles of Incorporation or otherwise as problems related to compliance, the Audit Office or Compliance Control Group shall immediately report to Corporate Auditors and may provide opinions.

6) System related to employees who should assist the duties of Corporate Auditors and matters regarding independence of those employees from Directors

a) Assistants to Corporate Auditors can be appointed from among employees of the Company as persons who assist the duties of Corporate Auditors. Assistants to Corporate Auditors shall be evaluated by the Corporate Auditors and their independence from Directors shall be secured.

b) Assistants to Corporate Auditors shall not concurrently hold any positions relating to business execution.

7) System to report to Corporate Auditors from Directors and employees of the Company and its subsidiaries, other systems to report to Corporate Auditors and systems to ensure effective audits by Corporate Auditors

a) Directors and employees of the Group shall report to Corporate Auditors on any important matters which may affect the business or business performance of the Company or its subsidiaries on each occasion. Notwithstanding the above, the Corporate Auditors may request Directors and employees to make reports whenever necessary.

b) The Company shall establish regulations concerning internal whistleblowing and maintain its proper operations to secure an appropriate system for reporting to Corporate Auditors on any violation of laws and regulations or other compliance-related problems.

c) The Company shall establish a system for ensuring that persons who have reported as above shall not be treated disadvantageously because of such reporting and clearly stipulate to that effect in the regulations on internal whistleblowing.

d) When a Corporate Auditor requests advance payment or redemption of expenses incurred in the execution of their duties, said expenses or liabilities shall be promptly handled, unless those are found to be unnecessary for the execution of duties of the said Corporate Auditor.

8) System to ensure fairness of financial reporting

The Company shall establish the "Internal Control Committee" to ensure the reliability of financial reporting of the Company and its subsidiaries and build a system for ensuring the fairness of financial reporting required under the Financial Instruments and Exchange Act, other related laws and regulations, etc.

9) 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.

10) Operational status of system to ensure proper business execution

The Company has established the aforementioned internal control system and based on its basic policies, implements specific measures as described below.

a) The operational status of the internal control system is monitored at the meeting of the Internal Control Committee held quarterly every year. In addition, the meeting conducts a final evaluation of the internal control system for each fiscal year.

b) Under the leadership of the Compliance Control Group, explanatory meetings on the importance of the internal control system are held for employees of the Group companies according to their ranks to provide education for raising awareness of internal control.

c) Discussions are held on the understanding of and response policies for management issues and on solutions for various risks revealed at a monthly management meeting attended by executives in the position of general manager or higher at the Group companies, and information sharing is promoted.

d) Audit meetings where the internal audit departments of the Group companies make regular reports on audit implementation status are held to strengthen the audit departments in a group-wide effort. In addition, Corporate Auditors are sharing information on the status of auditing of the business execution departments with the Audit Office at quarterly information exchange meetings.

Consolidated Statement of Changes in Equity

(May 16, 2020 – May 15, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	10,290	28,342	175,590	(5,312)	208,911
Change of items during the period					
Issuance of new shares	960	960			1,921
Dividends of surplus			(8,553)		(8,553)
Net income attributable to owners of the parent			26,283		26,283
Net changes of items other than shareholders' equity					–
Total change of items during the period	960	960	17,730	–	19,651
Balance at end of the period	11,251	29,303	193,320	(5,312)	228,562

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of the period	24,554	(132)	24,421	1,639	15,962	250,934
Change of items during the period						
Issuance of new shares						1,921
Dividends of surplus						(8,553)
Net income attributable to owners of the parent						26,283
Net changes of items other than shareholders' equity	(25)	(37)	(63)	61	5,942	5,941
Total change of items during the period	(25)	(37)	(63)	61	5,942	25,593
Balance at end of the period	24,528	(170)	24,358	1,701	21,905	276,528

[Notes to the Consolidated Financial Statements]

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

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

   (1) Scope of consolidation

      1) Number of consolidated subsidiaries: 14

         Names of consolidated subsidiaries

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

         Drug Eleven Co., Ltd. has been included within the scope of consolidation since the Group acquired 51% of the shares of Drug Eleven Co., Ltd. during the fiscal year ended May 15, 2021. JR KYUSHU DRUG ELEVEN CO., LTD. changed its name to Drug Eleven Co., Ltd. on May 16, 2021.

         On May 16, 2020, B&D Holdings Co., Ltd., a consolidated subsidiary, was extinguished through an absorption-type merger with its subsidiary B&D Co., Ltd. as the surviving company, and was therefore excluded from the scope of consolidation from the fiscal year ended May 15, 2021.

         On November 16, 2020, consolidated subsidiaries TSURUHA Corporation Tohoku Co., Ltd., TSURUHA Corporation Kita Hokkaido Co., Ltd., and TSURUHA Corporation Minami Hokkaido Co., Ltd. were extinguished through an absorption-type merger with consolidated subsidiary TSURUHA CO., LTD. as the surviving company. As a result, the said subsidiaries have been excluded from the scope of consolidation from the fiscal year ended May 15, 2021.

      2) Names of important non-consolidated subsidiaries

         TSURUHA (Thailand) Co., Ltd.

         (Reasons for exclusion from the scope of consolidation)

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

(2) Application of the equity method

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

Not applicable.

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

TSURUHA (Thailand) Co., Ltd.

(Reasons for non-application of the equity method)

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

(3) Fiscal year of consolidated subsidiaries

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

Drug Eleven Co., Ltd. changed the closing date to May 15 during the fiscal year ended May 15, 2021, which is the same as the consolidated settlement date. The accounting period of Drug Eleven Co., Ltd. for the fiscal year ended May 15, 2021 is 11.5 months.

(4) Accounting policies

1) Valuation criteria and methods for significant assets

a. Valuation criteria and methods for securities

Available-for-sale securities

With market value	Stated at fair value based on the market price as of the consolidated closing date (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).
Without market value	Stated at cost using the moving average method.

b. Valuation criteria and methods for inventories

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

2) Depreciation and amortization methods for significant depreciable assets

a. Property, plant and equipment (excluding leased assets)	
	Declining-balance method However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and structures and facilities attached to buildings acquired on or after April 1, 2016. Expected useful lives of principle assets are as follows: Buildings and structures 2 to 45 years Machinery, equipment and vehicles 6 years Tools, furniture and fixtures 2 to 20 years
b. Intangible assets (excluding leased assets)	
	Straight-line method Internal-use software is amortized using the straight-line method over estimated useful lives (five years).
c. Leased assets	The straight-line method, where lease period is used as an expected useful life with a residual value of zero, is applied. For finance lease transactions where there is no transfer of ownership that started on or before May 15, 2008, the same accounting method as for ordinary lease transactions is used.

3) Accounting for significant allowance

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

4) Accounting method for retirement benefits

a. Method of attributing projected retirement benefits to periods	When calculating retirement benefit obligations, the benefit formula basis is used to allocate projected retirement benefits to the period before the end of the current fiscal year.

b. Amortization of actuarial differences — Actuarial differences are recorded as gains or losses in the fiscal year following the fiscal year in which the difference is recognized using the straight-line method based on certain periods (three to eight years) within the average remaining service years of the eligible employees.

5) 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.

6) Other significant matters in the preparation of consolidated financial statements

Accounting treatment of consumption taxes

Consumption and local consumption taxes are accounted for by the tax-exclusion method. Non-deductible consumption and local consumption taxes are recorded as expenses in the current fiscal year.

3. Notes on Changes in the Presentation Method

The Company has adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, describing notes on accounting-based estimates in the consolidated financial statements.

4. Notes on Accounting-based Estimates

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

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

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

(1) Amount recorded in the consolidated financial statements

Goodwill	¥9,061 million

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

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

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

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

Impairment of non-current assets

(1) Amounts recorded in the consolidated financial statements

Property, plant and equipment (Note)	¥4,181 million
Impairment loss	¥1,653 million

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

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

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

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

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

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

5. Notes on Consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment ¥84,355 million

(2) Guarantee obligations

For guarantee deposits of ¥173 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 ¥173 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.

Furthermore, the Company has provided a guarantee of obligations as follows for borrowings of the following company.

Tsuruha (Thailand) Co., Ltd. ¥14 million

6. Notes on Consolidated Statement of Changes in Equity

(1) Class and total number of shares issued and outstanding as of May 15, 2021

Common shares 49,423,768 shares

(2) Dividends of surplus

1) Dividend amounts

Resolution	Class of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
The Board of Directors meeting on June 22, 2020	Common shares	4,500	93.0	May 15, 2020	July 21, 2020
The Board of Directors meeting on December 15, 2020	Common shares	4,052	83.5	November 15, 2020	January 8, 2021

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

Resolution	Class of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Scheduled effective date
The Board of Directors meeting on June 22, 2021	Common shares	4,052	Retained earnings	83.5	May 15, 2021	July 20, 2021

(3) Subscription rights to shares as of May 15, 2021

Breakdown of subscription rights to shares	Class of shares subject to subscription rights to shares	Number of shares as of May 15, 2021
2008 subscription rights to shares	Common shares	18,600 shares
2009 subscription rights to shares	Common shares	23,200 shares
2010 subscription rights to shares	Common shares	25,800 shares
2011 subscription rights to shares	Common shares	27,600 shares
2012 subscription rights to shares	Common shares	24,800 shares
2013 subscription rights to shares	Common shares	12,000 shares
2014 subscription rights to shares	Common shares	10,600 shares
2015 subscription rights to shares	Common shares	6,800 shares
2016 subscription rights to shares	Common shares	7,600 shares
The 9th series of subscription rights to shares	Common shares	350,000 shares
Total		507,000 shares

7. Notes on Financial Instruments

(1) Status of financial instruments

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

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

(2) Fair value, etc. of financial instruments

The amounts recorded on the consolidated balance sheets, fair values, and differences thereof as of May 15, 2021 are as follows.

	Amount recorded on consolidated balance sheets (Million yen)	Fair value (Million yen)	Difference (Million yen)
(1) Cash and deposits	116,531	116,531	–
(2) Accounts receivable – trade	46,908	46,908	–
(3) Investment securities	36,849	36,849	–
(4) Guarantee deposits	61,509	59,988	(1,521)
Total of assets	261,799	260,278	(1,521)
(1) Accounts payable – trade	152,611	152,611	–
(2) Long-term loans payable (*)	33,875	33,875	–
Total of liabilities	186,486	186,486	–

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

(Note 1) Calculation methods for fair values of financial instruments

Assets

(1) Cash and deposits, (2) Accounts receivable – trade

Because these items are settled within a short term, their fair values are essentially equal to their book values. Therefore, the corresponding book values are used as fair values.

(3) Investment securities

The share price on the exchange is used as the fair value of shares.

(4) Guarantee deposits

The fair value used is the present value of the amount to be refunded based on the contractual term, discounted using an appropriate interest rate that takes into account the credit risk for the purpose of credit management.

Liabilities

(1) Accounts payable – trade

Because accounts payable – trade are settled within a short term, their fair values are essentially equal to their book values. Therefore, the corresponding book values are used as fair values.

(2) Long-term loans payable

Because long-term loans payable are subject to variable interest rates, which reflect market interest rates in a short term, their fair values are considered close to their book values. Therefore, the corresponding book values are used as fair values.

(Note 2) Financial instruments whose fair values are deemed extremely difficult to ascertain

Category	Amount recorded on consolidated balance sheets (Million yen)
Unlisted shares	560

These items do not have market prices and their future cash flow cannot be estimated. As such, it is deemed extremely difficult to ascertain their fair values, and thus they are not included in “(3) Investment securities.”

8. Notes on Per Share Information

Net assets per share ¥5,210.88

Net income per share ¥542.04

9. Notes on Significant Subsequent Events

Not applicable.

Non-Consolidated Statement of Changes in Equity

(May 16, 2020 – May 15, 2021)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of the period	10,290	43,574	2,452	46,026	15	861	62,686	63,562
Change of items during the period								
Issuance of new shares	960	960		960				
Dividends of surplus							(8,553)	(8,553)
Net income							14,823	14,823
Net changes of items other than shareholders' equity								
Total change of items during the period	960	960	–	960	–	–	6,269	6,269
Balance at end of the period	11,251	44,534	2,452	46,987	15	861	68,955	69,832

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of the period	(5,312)	114,566	1,639	116,205
Change of items during the period				
Issuance of new shares		1,921		1,921
Dividends of surplus		(8,553)		(8,553)
Net income		14,823		14,823
Net changes of items other than shareholders' equity			61	61
Total change of items during the period	–	8,191	61	8,253
Balance at end of the period	(5,312)	122,757	1,701	124,459

[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	
With market value	Stated at fair value based on the market price as of the closing date (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).
Without market value	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) Accounting treatment of consumption taxes

Consumption and local consumption taxes are accounted for by the tax-exclusion method. Non-deductible consumption and local consumption taxes are recorded as expenses in the current fiscal year.

3. Notes on Changes in the Presentation Method

The Company has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, describing notes on accounting-based estimates in non-consolidated financial statements.

4. Notes on Accounting-based Estimates

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

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

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

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

Shares of subsidiaries and affiliates ¥12,418 million

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

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

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

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

5. Notes on Non-consolidated Balance Sheets

(1) Accumulated depreciation of property, plant and equipment ¥92 million

(2) Guarantee obligations

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

B&D Co., Ltd.	¥5,250 million
Drug Eleven Co., Ltd.	¥4,625 million
Tsuruha (Thailand) Co., Ltd.	¥14 million
Total	¥9,889 million

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

Short-term monetary receivables	¥1,480 million
Short-term monetary payables	¥329 million
Long-term monetary payables	¥8 million

6. Notes on Non-Consolidated Statements of Income

Amount of transactions with subsidiaries and affiliates

Amount of operating transactions	
Operating revenue	¥20,502 million
Operating expenses	¥50 million
Amount of non-operating transactions	¥0 million

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

Class and number of treasury shares as of May 15, 2021

Common shares 886,630 shares

8. Notes on Tax Effect Accounting

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

Deferred tax assets: Enterprise tax payable, provision for bonuses

9. Notes on Transactions with Related Parties

Subsidiaries, related companies, etc.

Category	Name of company, etc.	Description of business or occupation	Ratio of voting rights, etc. held (or held of the Company) (%)	Description of relationships		Description of transactions	Amount of transactions (Millions of yen)	Description	Balance at end of the period (Millions of yen)
				Interlocking officers, etc.	Business relationship				
Subsidiary	TSURUHA CO., LTD.	Drug stores	(Directly holding) 100.0	8 interlocking officers	Management guidance, etc.	Receipt of management guidance fees, etc.	2,996	Accounts receivable – trade	618
Subsidiary	B&D Co., Ltd.	Drug stores	(Directly holding) 100.0	3 interlocking officers	Management guidance, etc.	Guarantee of obligations on loans payable to banks	5,250	–	–
Subsidiary	Drug Eleven Co., Ltd.	Drug stores	(Directly holding) 51.0	2 interlocking officers	Management guidance, etc.	Guarantee of obligations on loans payable to banks	4,625	–	–

(Notes) 1. Of the amounts above, amounts of transactions do not include consumption taxes and balances at end of the period include consumption taxes.

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

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

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

10. Notes on Per Share Information

Net assets per share ¥2,529.15

Net income per share ¥305.69

11. Notes on Significant Subsequent Events

Not applicable.