



July 7, 2023

Listed Company Name	Tsuruha Holdings Inc.
Name of Representative	Jun Tsuruha, President & Executive Officer
Stock Listing	Tokyo Stock Exchange - Prime Market
Code Number	3391
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Notice of Opinion of the Board of Directors Regarding the Shareholder Proposals

Tsuruha Holdings Inc. (“we” or the “Company”) has received a letter of intent to exercise the right to make a shareholder proposal regarding the agenda for the 61st Annual General Meeting of Shareholders to be held on August 10, 2023 (“General Meeting of Shareholders”).

We announce that the Board of Directors, at its meeting held today (July 7, 2023), has resolved to submit agendas and proposals regarding that shareholder proposals (“Shareholder Proposals”) to the General Meeting of Shareholders and oppose the proposal, as described below.

I. Proposing Shareholder

OASIS INVESTMENTS II MASTER FUND LTD. (“Proposing Shareholder”)

II. Details of the Shareholder Proposals and Reason for Proposals

(I) Proposed Agenda Items

- (1) Agenda Item 1 "Election of Three (3) Directors who are Audit and Supervisory Committee Members"
- (2) Agenda Item 2 "Election of Two (2) Directors (Excluding Directors who are Audit and Supervisory Committee Members)"
- (3) Agenda Item 3 "Dismissal of One (1) Director who is Audit and Supervisory Committee Member"
- (4) Agenda Item 4 "Determination of Individual Fixed Compensation Amounts For Outside Directors (Excluding Directors who are Audit and Supervisory Committee Members)"
- (5) Agenda Item 5 "Determination of Individual Fixed Compensation Amounts For Outside Directors who are Audit and Supervisory Committee Members"
- (6) Agenda Item 6 "Change of Restricted Stock Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members)"
- (7) Agenda Item 7 "Determination of Restricted Stock Compensation for Outside Directors who are Audit and Supervisory Committee Members"
- (8) Agenda Item 8 "Amendment to the Articles of Incorporation (Abolition of Director-Chair and Director-Vice Chair positions)"
- (9) Agenda Item 9 "Amendment to the Articles of Incorporation (Selection of Board Chair from among Outside Directors)"

(II) Summary of Proposals and Reasons for the Shareholder Proposals

As described in the attached "Shareholder Proposals Letter".

The attached "Shareholder Proposal Statement" contains the relevant statements from the Shareholder Proposal Letter submitted by the Proposing Shareholder, after formatting adjustments.

III. Opinion to the Board of Directors Regarding Shareholder Proposals

(I) Opinion of the Board of Directors

The Board of Directors opposes all Agenda Items and Proposals of the Shareholder Proposals.

(II) Reasons for opposing the Shareholder Proposals

1. Introduction

- (1) The Board of Directors is functioning effectively and there are no serious governance issues that would require the "replacement of all outside directors" at the Company. In addition, from the perspective of enhancing the Company's corporate value and ensuring the common interests of shareholders, a Board of Directors composed of the director candidates proposed by the Company is appropriate and much better and does not require the Compensation Plan for directors and provisions in the Articles of Incorporation that are claimed by the Proposing Shareholder.
- (2) The Proposing Shareholder claims that there is an "inadequate governance system" in the Company, however, such claim was created by the proposing shareholder with some intention and "set the issue" so to speak, by rapidly purchasing shares in the Company within about 6 months after the end of last year's annual general shareholders' meeting. We do not have an "inadequate governance system" as the Proposing Shareholder claims. The Proposing Shareholder provides various examples to try and demonstrate that the Company has a serious governance issue that would require the "replacement of all outside directors," however, no concrete or objective facts are cited to support these claims, and only abstract and speculative "concerns" are raised. Which in it of itself clearly shows that the Company does not have any serious governance issues that would require the "replacement of all outside directors". In fact, all three outside directors who are Audit and Supervisory Committee Members of the Company have been elected with over 99% of the supporting votes at each annual general meeting of shareholders. All of the Proposing Shareholder's claims or arguments are speculative in nature, as they either dispute facts that existed prior to the election or distort irrelevant circumstances to try and prove that the Company has a serious governance issue that necessitates the "replacement of all outside directors". The Proposing Shareholder's claims or arguments miss or ignore the fact that each of the outside directors who are Audit and Supervisory Committee Members have already gained a high level of trust and confidence in the Company under of these circumstances.
- (3) The Proposing Shareholder point out that the "founding family" maintains control over the Board of Directors in the Company, which "prevents the full realization of business synergies among the subsidiaries and the promotion of non-founding family members," but there is no evidence or specific examples of such control. Proposing Shareholder's "set up" discussion points are simply misguided and regrettable.
- (4) In general, the Board of Directors believes that the process of seeking better governance has no goal in itself, and intends to continue examining and improving itself. We have also been working to strengthen its governance system, including transitioning to include an Audit and Supervisory Committee as of August 10, 2021. We believes that some of the most important traits of its business operations should be stability and continuity, as well as maintaining the trust of the local community, because the Company is a business that closely relates to the lives of general consumers and strives to

honor its Management Philosophy of "Providing affluence and affordability in the lives of our customers." Taking these perspectives into consideration, We believes that a Board of Directors consisting of the Company's proposed director candidates, including the newly-appointed candidates, are in the much better interests of the Company and, therefore, We cannot support the Shareholder Proposals to dismiss director Mr. Fumiyo Fujii (Audit and Supervisory Committee Member), who was elected with 99.57% approval, including the votes of many institutional investors, at the end of last year's annual general meeting of shareholders, for the purpose of "matching the numbers."

- (5) The Board of Directors is in the process of steadily implementing the Medium-term Management Plan that was formulated and published on 21 June, 2022, withstanding the severity of objective environment under the impact of COVID-19. In fact, looking at June 2022 as a starting point, for example, the Company's stock price has remained relatively favorable, which we believe demonstrates that the contents of the Medium-term Management Plan and our subsequent performance have been appreciated by the market. In addition, in order to improve the governance of the Company, the Board of Directors have also been working to incorporate elements that we believe need strengthening, such as further digital transformation (DX), globalization and financial/financing strategies, etc. Taking these results into consideration, we are submitting a proposal at the General Meeting of Shareholders for the election of directors, candidates who can bring new knowledge to the Board of Directors and contribute to various measures to further improve our business performance.
 - (6) We hope that our shareholders will continue to have confidence in the Board of Directors and look forward to the sound and robust growth of the Company.
2. **Regarding Agenda Item 1 "Election of Three (3) Directors who are Audit and Supervisory Committee Members", Agenda Item 2 "Election of two (2) Directors (excluding Directors who are Audit and Supervisory Committee Members)", and Agenda Item 3 "Dismissal of one (1) Director who is an Audit and Supervisory Committee Member"**

(1) **The Company is steadily executing its Medium-term Management Plan under the current management system**

- (A) We aim to be "Japan's No.1 drugstore chain", loved and appreciated by local communities, and to develop stores that from the customer's perspective deliver services that are more accessible and reassuring and act as a leader in community healthcare. Our services are driven by our management philosophy of "providing customers with affluence and comfort in their lives". As a multi-store drugstore operator we are closely connected to the daily lives of local residents and we are developing our stores not only in major metropolitan areas but also in regional areas, where more than 50% of the country's population lives, so that we can provide consumers living in those areas with "affluence and affordability".
- (B) With the goal of further strengthening and realizing this philosophy, the Company, in the "Announcement of Formulation of Medium-term Management Plan (*shin-chuuki-keiei-keikaku-sakutei-ni-kansuru-oshirase*)" published on June 21, 2022, has positioned the three years following FY2023 as the "Earnings Improvement Phase" which will set the stage for gaining a foothold in the Company's subsequent goals, which target net sales of 1,060 billion yen, an operating profit margin of 5.0%, an operating profit of 53 billion yen, and return of equity ("ROE") of 10% or higher for the fiscal year ending in May 2025 as financial KPIs. In addition, we have positioned the four years leading up to the fiscal year ending in May 2029 as the " Re-Growth Phase" where after the realization of a robust corporate structure, the

Company is targeting net sales of 1,500 billion yen, an operating profit margin of 6.0%, an operating profit of 90 billion yen, and ROE of 12% or higher for the fiscal year ending in May 2029 as financial KPIs. In fact, the Company's consolidated results for the fiscal year that ended in May 2023 showed net sales of 970 billion yen, an operating profit of 45.5 billion yen, (an operating profit margin exceeding 4.7%), and ROE rising to 9.4%. Therefore, the Board of Directors believes that the Medium-term Management Plan is already being steadily executed, despite the extremely difficult market environment, which includes the impact of COVID-19 and the resulting decrease in inbound travel.

- (C) In the fiscal year under review and beyond, to achieve the above goals, we will continue to promoting strategic M&A, etc. as we have in the past to achieve overall group growth and steadily implement the Medium-term Management Plan while considering measures to stabilize the management base, while strengthening and improving profitability.

(2) While the Company continues to improve its governance system, there are no serious governance issues that require a "replacement of all outside directors"

- (A) We believe that further enhancement of corporate governance is one of the most important issues in management in order for the Company to achieve sustainable growth and increase its corporate value over the medium to long term. Under the "Management Philosophy" and "Management Purpose" set forth by the Company, all officers and employees of the Company have been aware of the social role as a listed company and have been working to maintain good relationships with all stakeholders and to become a company that is supported by all through our efforts to be closer to the community.
- (B) Specifically, at the 59th annual general meeting of shareholders held on August 10, 2021, the Company decided to change from a company with a Board of Corporate Auditors to a company with an Audit and Supervisory Committee in order to further improve transparency in management and to further expedite decision-making by strengthening the supervision of the Board of Directors and the corporate governance functions of the Company.
- (C) And, in order to strengthen the independence, objectivity and accountability of the Board of Directors' functions regarding nomination and compensation of executives and directors, the Company has established a voluntary Nomination and Compensation Committee under the Board of Directors, consisting of the President & the Representative Director (Committee Chairperson), the Executive Officer and the Chief Administrative Officer, as well as three (3) independent outside directors, Ms. Harumi Sato, Mr. Takuya Okazaki and Mr. Fumiyo Fujii. Furthermore, the Nomination and Compensation Committee is currently chaired by the Representative Director and the President, but We are considering various measures to further enhance its independence, objectivity, and accountability, including having an outside director chair the Committee after this General Meeting of Shareholders. In this way, the Nomination and Compensation Committee is composed of a majority of outside directors who are independent from the Board of Directors, a decision-making body for business execution, and can maintain appropriate involvement and advice when considering important matters such as nomination and compensation.
- (D) In addition, as described below, the Company will increase the number of outside directors (excluding directors who are Audit and Supervisory Committee Members) by two (2) based on the Company Proposals at the General Meeting of Shareholders, striving to further strengthen our supervisory and advisory functions by bringing in a global DX person who will

add value to the Company's business and Board of Directors, and a financial person who will contribute to strengthening the Company's financial/financing strategy, including fund procurement, necessary for M&A, business investment, growth investment, etc.

- (E) As mentioned above, the Board of Directors, in general, believes that the process of seeking better governance has no goal in itself, and intends to continue examining and improving itself. In addition, in order to improve the governance of the Company, the Board of Directors have also been working to incorporate elements that we believe need strengthening, such as further digital transformation (DX), globalization and financial/financing strategies, etc. However, there are no governance issues serious enough to warrant the "replacement of all outside directors" as the Proposing Shareholder has suggested (for details, please refer to the "Notice of Election of Candidates for New Directors of the Company and Candidates for New Director and Auditors of the Subsidiaries (*tousya-no-shinnin-torishimariyaku-kouhosya-no-sennin-oyobi-tousya-kogaisya-no-shinnin-torishimariyaku-kouhosya-kansayaku-kouhosya-no-sennin-ni-kansuru-oshirase*)" dated July 7, 2023.).

(3) In light of enhancing the Company's corporate value, it is appropriate and much better for the Board of Directors to be composed of director candidates proposed by the Company

- (A) With respect to the selection of candidates for the Board of Directors, the Board of Directors has decided to submit the agenda items concerning the election of the following director candidates ("Company Proposals") to the General Meeting of Shareholders as a result of the Nomination as well as the Compensation Committee's deliberation regarding the proposed director candidates and the subsequent discussion by the Board of Directors based on the Committee's opinion.

<Director Candidates in the Company Proposals for the General Meeting of Shareholders>

Item	Name	Candidate for outside director
Candidates for Directors (excluding Audit and Supervisory Committee members)	Mr. Tatsuru Tsuruha	
	Mr. Jun Tsuruha	
	Mr. Hisaya Ogawa	
	Mr. Shoichi Murakami	
	Mr. Masahiro Yahata	
	Ms. Wakana Tanaka	○
	Mr. Hiroshi Okuno	○
Candidates for Directors who are Audit and Supervisory Committee members	Mr. Masahiro Ofune	
	Ms. Harumi Sato	○
	Mr. Takuya Okazaki	○

- (B) The Board of Directors has determined that the Board consisting of director candidates in the Company Proposals are appropriate and much better for the Company for the following reasons.
- (a) As a basic policy for the composition of the Board of Directors, the Company has set the number of directors, excluding Audit and Supervisory Committee Members, at seven (7) or less, and the number of directors who are Audit and Supervisory Committee Members at four (4) or less, in order to maximize the corporate value of the Company as a holding company and to strengthen and thoroughly implement corporate governance. The Company strives to ensure that the Board of Directors is optimally sized and effective in

accordance with that the Company appoints several outside directors to benefit from their high qualifications and expertise in specialized fields as well as their ability to effectively address management issues facing the Company, while also taking diversity into consideration.

- (b) In nominating director candidates, the Company believes that it should nominate people with the appropriate qualifications to prompt the sustainable growth of the Company while enhancing the Company's corporate value over the medium to long term. When selecting director candidates, the Company does not focus on gender, nationality, age, or other similar factors, but instead recognizes the need for diversity and considers the balance of knowledge, experience and individual capabilities. In addition, The Company evaluates a director candidate's personality, achievement and insights, as well as their ability to appropriately fulfill decision-making and supervisory functions on the Board of Directors. And, the Company considers whether they are able to help realize the Company's corporate philosophy and enhance the Company's corporate value over the medium to long term. Based on the Basic Policy above, the Company has a system where its major operating subsidiaries appoint the right management personnel for the right positions based on competence, regardless of whether they are from the founding family or not, and the head of each subsidiary, familiar with the actual situation of the major operating subsidiaries, also participates in the overall management of the group companies ("Group") as a whole through the Company as holding company.
- (c) In accordance with the above policy, the Company conducted a careful decision-making process regarding the candidates for the Company's proposed directors to be presented at the General Meeting of Shareholders, including interviews with the candidates and other necessary studies over a period of about six (6) months from January, 2023 to July 2023, as well as discreet reviews on the composition of the Board of Directors and the personnel needed for the Board.
- (d) As stated above, the Nomination and Compensation Committee consists of the President and Representative Director (Chairperson), Executive Officer and General Manager of the Administration Division, as well as three (3) independent outside directors, Ms. Harumi Sato, Mr. Takuya Okazaki, and Mr. Fumiyo Fujii. Ms. Harumi Sato and Mr. Takuya Okazaki are directors who are Audit and Supervisory Committee Member, nominated as candidates at the 59th General Meeting of Shareholders of the Company held on August 10, 2021, with the consent of the then Board of Corporate Auditors, and were elected by more than 99% of the votes cast, in accordance with the provisions of the Companies Act of Japan. Mr. Fumiyo Fujii is also a director who is Audit and Supervisory Committee Member, nominated as a candidate at the 60th annual general meeting of shareholders of the Company held on August 10, 2022, with the consent of the Audit and Supervisory Committee, and was elected by more than 99% of the votes cast, in accordance with the provisions of the Companies Act. And none of these outside directors have been found to be dysfunctional until the Shareholder Proposals, and each has demonstrated their knowledge and expertise in their respective capacities (For details, please refer to the attached (4)(A)(b).).
- (e) Furthermore, the Company has established criteria for selecting outside officers ("Company's Selection Criteria for Outside Officers"), as announced in the "Notice Regarding Selection Criteria for Outside Directors and Outside Corporate Auditors

(*Syagai-Uakuin-no-sennin-kijun-sennteini-kansuru-oshirase*)" dated April 6, 2021, with specific criteria to ensure transparency and objectivity in the selection of candidates of the Board of Directors. The Company's Selection Criteria for Outside Officers is also in line with the independent criteria published by the Tokyo Stock Exchange in its "Practical Notes on Securing Independent Officers (*dokuritsu-yakuin-no-kakuho-ni-kakaru-jitsumujou-no-ryuuijikou*)" (revised September 2022)" ("TSE Criteria"). The criteria itself is not considered problematic, and in fact, the Proposing Shareholder has not claimed that there is any problem with these criteria.

The Company has appointed Ms. Harumi Sato, Mr. Takuya Okazaki, and Mr. Fumiyo Fujii as outside directors in accordance with the Company's Selection Criteria for Outside Officers and the TSE Criteria. In addition, in accordance with these criteria, the Company has designated outside directors Ms. Harumi Sato, Mr. Takuya Okazaki, and Mr. Fumiyo Fujii, who are Audit and Supervisory Committee Members, as independent directors with no possibility of conflicts of interest with shareholders, and notified the Tokyo Stock Exchange of such designation. Thus, in light of laws and regulations, there is no doubt about the independence of any of the three (3) current outside directors.

- (f) Based on the Basic Policy above and the Nomination and Compensation Committee's opinion, the Board of Directors discussed the matter and concluded that (i) the Company is currently in the process of steadily implementing the Medium-term Management Plan formulated and published in 2022, (ii) the Board of Directors, after serious consideration, has determined that the abilities required with high priority in order to strengthen the Company's management structure are elements such as strengthening DX and financial/financing strategies, in addition to internationality, and the candidate for outside director who is not an Audit and Supervisory Committee member in relation to the Company's proposal has sufficient expertise, experience, and abilities in these areas, and (iii) based on the natural premise that we will continue to consider the establishment and realization of a better governance system, the current outside directors, who are Audit and Supervisory Committee Members, have demonstrated sufficient knowledge and ability to perform their duties, and there are no deficiencies, nor any serious audit deficiencies or governance and compliance issues. Therefore, the Board of Directors has determined that there is not necessity to replace all outside directors who are Audit and Supervisory Committee Members, and in fact, such a drastic change would not be appropriate based on the Company's understanding. We believe that the Board of Directors, consisting of the following director candidates, is appropriate and much better in order for the Company to achieve sound and sustainable growth, enhance its corporate value over the medium to long term, and thereby increase the common interests of our shareholders. As described in (4)(A)(c), we have found no doubt of the independence of Ms. Harumi Sato, Mr. Takuya Okazaki and Mr. Fumiyo Fujii.

- ◆ Candidates for Directors (excluding Audit and Supervisory Committee members)
 - Mr. Tatsuru Tsuruha demonstrated his excellent administrative capabilities and built the foundation of the current Tsuruha Group. He has supervised the management that encompasses the entire Group as Chairman. We determined that his abundant knowledge and administrative capabilities cultivated over many years will greatly contribute to the further growth of the Group and strengthen our competitiveness, thus we have renominated him as a candidate

for director.

- Mr. Jun Tsuruha, as President and Representative Director of the Company, has demonstrated appropriate decision-making on important management matters of the Company and has demonstrated his leadership skills and ability to take action, which he has cultivated through his experiences. Further, he has successfully expanded the business scope of operating companies within the Group and enhanced the overall corporate value. We have determined that he will further demonstrate management capabilities as Chief Executive Officer of the Group, thus we have renominated him as a candidate for director.
- Mr. Hisaya Ogawa has abundant experience and knowledge in drug store management and he has utilized them through making management decisions for the Company as the Representative Director and President of Kusurino FUKUTARO Co.,Ltd., a subsidiary of the Company. In addition, with a wide range of personal contacts gained through his experience and ability to take action, he, as a director responsible for M&A, has contributed to making the companies, after future growth, our potential subsidiaries. We have determined that he will continued to exhibit such capabilities and contribute to enhancing the corporate value of the Company, thus we have renominated him as a candidate for director.

While it is true that the issue pointed out by the Proposing Shareholder occurred at Kusurino FUKUTARO Co.,Ltd. during his term as President and Representative Director, We believes that Mr. Ogawa should fulfil his responsibility for these problem by fulfilling his current role, including strict risk management to prevent similar situations from occurring.

- Mr. Shoichi Murakami, as President & Representative Director of a subsidiary of the Company, Tsuruha Group Drug & Pharmacy Nishinohon Inc., has greatly contributed to the steady expansion of the subsidiary's business in the Chugoku and Kyushu regions. His management capabilities cultivated through such experience are fully utilized for the management of the Company, thus we have renominated him as a candidate for director.
- Mr. Masahiro Yahata, as President & Representative Director of Tsuruha Co., Ltd, which is the largest company in the Tsuruha Group, is executing high-quality management by utilizing his knowledge of actual stores and his experiences which greatly contribute to enhancing the corporate value of the Company. We have determined that he will demonstrate his capabilities to achieve management target, thus we have renominated him as a candidate for director.
- Ms. Wakana Tanaka has a high level of management consulting and brand marketing expertise cultivated at pharmaceutical and global IT companies and has served as a member of a special government project. In addition, as a woman, she has a viewpoint that is useful in making management decisions at the Company. We have determined that she is capable of applying these wide-range of knowledge and experience to the promotion of DX and the globalization of the Company, thus we have nominated her as a candidate for outside director.

- Mr. Hiroshi Okuno (Hiroshi Marcus Okuno) has long history of working at a global financial institution and has valuable knowledge to add to the Company's finance/financing strategy, including fundraising, from a highly specialized perspective in the field of finance. In order for the Company to implement various measures for the growth of the Group, including large-scale M&As, the Company's finance/financing strategy, including fund procurement, will become even more important in the future. In addition, as a consultant with considerable overseas experience, he is expected to advise and supervise the Company's management in regard to internationality and business development, which will become increasingly important in the future as well, thus we he has nominated him as a candidate for outside director. Although the candidate has never been involved in the management of a company directly, other than being an outside director, for the reasons stated above, we have determined that he is capable of appropriately performing the duties of an outside director.
- ◆ Candidates for Directors who are Audit and Supervisory Committee members
 - Mr. Masahiro Ofune has experience as a director in charge of administrative divisions and is building the Group's auditing system while strengthening the governance structure as a director who is a full-time Audit and Supervisory Committee Member. We have determined that he will be able to continue to enhance auditing and supervisory functions based on his accumulated knowledge and experience, thus we have renominated him as a director who is Audit and Supervisory Committee Member.
 - Ms. Harumi Sato has expertise in taxation as a certified tax accountant. In addition, as a woman, she has a viewpoint that is useful in making management decisions at the Company. We have determined that she will continue to make various proposals to the Company's management from an objective perspective thus we have renominate her as a candidate for outside director who is Audit and Supervisory Committee Member. Although the candidate has never been involved in the management of a company directly, other than being an outside director, for the reasons stated above, we have determined that she is capable of appropriately performing the duties of an outside director who is also an Audit and Supervisory Committee member.
 - Mr. Takuya Okazaki has abundant experience and expertise as an attorney at law and has provided advice from an independent standpoint based on his deep insight. We believe that he will continue to contribute to the strengthening of the Board of Directors' decision-making as well as in auditing and supervisory functions, thus we have renominate him as a candidate for outside director who is Audit and Supervisory Committee Member. Although the candidate has never been involved in the management of a company directly, other than being an outside director, for the reasons stated above, we have determined that he is capable of appropriately performing the duties of an outside director who is also an Audit and Supervisory Committee Member.
- ◆ Incumbent Director who is also an Audit and Supervisory Committee member
 - Mr. Fumiyo Fujii has an extensive experience and knowledge in finance gained

over many years at a financial institution. As an outside director, Mr. Fujii has provided active opinions to the Board of Directors and has also offered advice on various management matters. As described above, Mr. Fumiyo Fujii has provided useful suggestions and advice to the Company's management based on his extensive knowledge and experience. We, therefore, have determined that there is no need to dismiss him, but rather that he should continue to exercise his expertise to the fullest in order to enhance the Company's corporate value and ensure the common interests of shareholders.

- (g) If the director candidates in the Company Proposals are approved by the General Meeting of Shareholders as proposed, the Skill Matrix of the Board of Directors will be as follows.

< Skill Matrix if Director candidates for the Company Proposals are approved >

Classification	Name	Outside /Independent	Expertise and Experience							
			Corporate Management	Business Strategy	Finance, Accounting, M&A	Human Capital & Personal Development	Legal Affairs & Risk Management	ESG	DX & IT	Global
Director	Tatsuru Tsuruha		○	○	○	○		○		○
	Jun Tsuruha		○	○		○	○	○		○
	Hisaya Ogawa		○	○	○	○		○		
	Shoichi Murakami		○	○		○		○		
	Masahiro Yahata		○	○		○		○		
	Wakana Tanaka	○		○		○		○	○	○
Director who is Audit and Supervisory Committee Member	Hiroshi Okuno	○			○			○		○
Director who is Audit and Supervisory Committee Member	Masahiro Ofune			○	○	○	○	○		
	Harumi Sato	○			○			○		
	Takuya Okazaki	○					○	○		
	Fumiyo Fujii	○	○		○	○	○	○		

(4) Proposing Shareholder's claims are misleading and an arbitrary manipulation of impression (image)

(A) Each and all of the matters pointed out by the Proposing Shareholder involves misrepresentation, misleading facts or arbitrary manipulation of impressions, primarily as follows (Those that include misrepresentation of facts, misdirection, or an arbitrary manipulation of the impression (image) by the Proposing Shareholder are not limited to the following). For further details, please refer to the "Explanatory Material of the Opinion of the Board of Directors Regarding the Shareholder Proposals (*kabunushi-teian-ni-taisurutosyua-torishimariyakukai-no-setsumeishiryuu*) " dated July 7, 2023.

- (a) The Proposing Shareholder actively emphasizes in the presentation materials, etc. published by the Proposing Shareholder itself, that the Proposing Shareholder is the "second largest shareholder holding approximately 13%" of the Company's shares and is a "long-term investor," but as stated in the statement of large-volume holding (*tairyuu-hoyuu-houkokusyo*) submitted by the Proposing Shareholder, approximately 6% of those shares were borrowed on May 8, 2023, just before the record date (May 15, 2023) for the General Meetings of Shareholders. In addition, it is estimated that the majority of the approximately 7% of the shares that are effectively held in treasury were rapidly acquired during a period of only about 6 months after the last year's annual shareholders' meeting of the Company. Furthermore, since the receipt of the letter from the Proposing Shareholder in October 2022, the Company had meetings with the Proposing Shareholder only twice (2) before receiving the Shareholder Proposals,

excluding the usual IR meetings, and in each of those meetings, there was no specific reference to the governance issues claimed by the Proposing Shareholder, or any other issues related to the Shareholder Proposals as these claims. We had received these claims for the first time through the Shareholder Proposals. Therefore, it is misleading or an arbitrary manipulation of impression to say that the Proposing Shareholder has been in "continuous dialogue" with the Company. These claims were proposed suddenly and unilaterally. There is no evidence that the Company has "rejected" any dialogue with shareholders, including the Proposing Shareholder.

- (b) For reasons such as that "four of the five directors who are currently non-Audit and Supervisory Committee Members are from the founding families of the Company and its Group companies," the Shareholder Proposals are made based on claims that "it can be inferred that the three founding families have strong control over each of the founding companies separately from the parent Company, and as a result of this structure, a full realization of business synergies among the subsidiaries and the appointment of personnel other than the founding families are inhibited, resulting in an inappropriate governance system." However, these claims are speculative and clearly misleading, as it is used to set up a superficial and abstract argument without even mentioning specific problems that are occurring.

The Company is a holding company, and personnel who are familiar with the business and management of each operating company under its umbrella work together to improve the value of the entire Group, and there is no fact that the appointment of personnel other than the "founding family" is being impeded. For example, Mr. Masashi Horikawa, former President and Representative Director of the Company, is not from the "three founding families" as defined by the Proposing Shareholder, nor are Mr. Masahiro Yahata, President and Representative Director of Tsuruha Co. Ltd., Mr. Naotaka Kokawaji, President and Representative Director of Kyorindo Co., Ltd, Mr. Akio Shiraishi, President and Representative Director of Lady Drug Store Co., Ltd. or Mr. Tsuyoshi Hanzawa, President and Representative Director of Drug Eleven Co.,Ltd. The candidates for directors for the Company Proposals have assumed their current positions as a result of their leadership, which has been highly evaluated and supported both internally and externally, considering their management skills in growing and expanding the business to date and their extensive experience in M&A, etc. which led to a successful execution of management strategy.

In addition, the assumption that there is a "founding family" in the first place, as if the current directors from the "founding family" is detrimental to the management of the Company, is also misguided. For example, there are empirical results showing that, when comparing the averages of a group of companies in which neither major shareholders nor boards of directors include members of the founding family with a group of companies in which members of the founding family serve on both major shareholders and boards of directors, the latter group has significantly higher current interest rate before taxation of total assets (*sou-shisan-zei-biki-mae-toukirieki-ritsu*) and total capital retention benefit rate (*sou-shihon-ryuuho-rieki-ritsu*) than the former group. The Proposing Shareholder's claims, which makes assumptions as if the existence of the founding family itself has an adverse effect on the Company, without taking issue with specific events, is not only without objective rationale, but is also incorrect.

For these reason, we believe that the selection of directors should be based on whether they will contribute to the realization of the Company's corporate philosophy and the enhancement of corporate value over the medium to long term, regardless of being a "founding family member" or a "non-founding family member," and that the argument of whether they are a "founding family member" or not is pointless.

In addition, when we asked the Proposing Shareholder about his recognition of specific circumstances that "prevented the full realization of business synergies among subsidiaries and the appointment of human resources other than the founding family members" in relation to the existence of the founding family members on the Board of Directors, the Proposing Shareholder had answered that "inferred" that the Company and its subsidiaries place importance on blood and affinity in the appointment of personnel and, as a result, the Proposing Shareholder believe that there are a "possibility" that the Company is unable to secure competent personnel other than those from the founding family or that competent personnel other than those from the founding family in the Company are leaving the Company. However, all of this was nothing more than speculation, and no evidence or specific examples were provided. It is nothing short of regrettable that the Shareholder Proposals were made based solely on baseless speculation and imagination. The Proposing Shareholder claims that Ms. Harumi Sato, Mr. Takuya Okazaki, and Mr. Fumiyo Fujii are "current outside directors who do not contribute to the enhancement of corporate value," based on various hypothetical and one-sided evaluations of these directors as if they were facts. However, these claims are misleading as above because of that all three outside directors who are members of the Audit and Supervisory Committee of the Company were elected by more than 99% of the votes cast at the respective general meeting of shareholders. As a matter of fact, these three outside directors who are members of the Audit and Supervisory Committee have contributed to the enhancement of the Company's corporate value, based on their respective knowledge, in the following ways

- Ms. Harumi Sato has abundant experience and a high-level insight as a certified tax accountant, as well as a useful female perspective on store operations, etc. Based on her skill set, she provides valuable advice and recommendations as an outside director who is Audit and Supervisory Committee member.
- Mr. Takuya Okazaki has abundant experience and expertise as a lawyer. As an outside director and the Audit and Supervisory Committee member, he plays a role in keeping the operation of each committee established to strengthen the decision-making, audit and supervisory functions of the Board of Directors on track from a legal and risk management perspective, and also provides useful advice and recommendations for the establishment and improvement of appropriate organizational systems in response to the external environment and circumstances from time to time, as well as valuable advice and recommendations regarding M&A, business operations, etc.
- Mr. Fumiyo Fujii, as an outside director who Audit and Supervisory Committee member and provides valuable advice and recommendations on M&A, business operations, risk management, compliance, governance, etc. by utilizing his extensive knowledge and experience in finance as well as his ability to problem solve during crisis in regards to risk management, a skill that

he has perfected over his many years at financial institutions.

- (c) As described below, there is no doubt regarding the independence of Ms. Harumi Sato, Mr. Takuya Okazaki, and Mr. Fumiyo Fujii as claimed by the Proposing Shareholder. The independence of these three-outside directors, who are Audit and Supervisory Committee Members, was assessed in accordance with the TSE Criteria and the Company's Selection Criteria for Outside Officers, and the claims regarding their doubtful status by the Proposing Shareholder are all factual errors or misleading and an arbitrary manipulation of impression (image). The claim that the Company will improve its corporate governance based on such misrepresentation and misguidance of the facts is irresponsible to the market.
- As for Ms. Harumi Sato, it is pointed out that she has a "family relationship with the Tsuruha family", but she just served as a trustee of the social welfare organization Kakusyo Fukushi Kai from 2008 to 2017 for her knowledge of the management of elderly and disabled people's facilities, and She was only active to the extent of attending about trustee meetings twice (2) a year, and she already retired as a trustee of the organization in 2017. It is also pointed that she "wrote a paper praising the management of Tsuruha", but this paper was the result of her research and deliberation on the growth strategy of Tsuruha, which is one of Hokkaido's leading companies, based on sufficient evidence for a case study of Hokkaido companies, and was conducted during her time as a part-time lecturer at Hokkaido University of Institute of Technology (*Hokkaido-kougyou-daigaku*). It would be extremely misguided to describe it as "praiseworthy" (She has also researched and written papers on other Hokkaido companies besides ours.). The references used in writing the paper are as stated in the paper, and there is no evidence that the Company provided any information when she wrote the paper, and the suggestion that the paper "analyzes the Tsuruha company in a level of detail that would be impossible without access to Tsuruha's internal information" is simply incorrect. Thus, Ms. Harumi Sato has no relationship like "family relationship with the Tsuruha family".
 - As for Mr. Takuya Okazaki, he has no relationship with Mr. Sakai beyond serving as an auditor at Hokuryo, and he has no relationship with "North Pacific Bank (*hokuyou-ginkou*)."
 - As for Mr. Fumiyo Fujii, it is true that he is from the North Pacific Bank (*hokuyou-ginkou*), but from the past to the present, the North Pacific Bank has never been the financial institution with the largest amount of borrowings for the Company, nor has the North Pacific Bank been "the main bank or a near main bank" in terms of transaction volume or position. Further, there have been no loan transactions with North Pacific Bank since year end, on 31 May 2004. In the Business Report in the Notice of the 59th annual general meeting of Shareholders, the Company states that there are deposit and exchange transactions between the Company and North Pacific Bank, but as a participant in the drugstore and service industry, which operates multiple stores, it is not possible for the Company to transfer sales collections at stores to its main deposit account through the exchange network of a financial institution. The deposit and exchange transactions with North Pacific Bank, is in part because North Pacific Bank has the largest network of branch in

Hokkaido, where many of the Group's stores are located and are used for such general fund management and have no special significance. However, these relationship does not indicate that there is a special relationship between the Company and North Pacific Bank. As such, the Proposing Shareholder's claim that North Pacific Bank was the Company's "main bank or close to it" and his assessment based on such claim is a clear misrepresentation of the facts or misleading, and nothing short of arbitrary manipulation of impressions.

- (d) The Proposing Shareholder claims that a disclosure of the process of Mr. Jun Tsuruha's appointment as President of the Company is also pointed out as "refusing to disclose in violation of the Corporate Governance Code." However, as stated in the Company's "Corporate Governance Report" dated June 23, 2023, the Company has responded as disclosed in line with the "Policies and Procedures for the Board of Directors' Election and Removal of Senior Management and Nomination of Candidates for directors and directors who are Audit and Supervisory Committee Member" and "Explanation on the Board of Directors' Individual Election, Removal and Appointment of Senior Management and Nomination of Candidates for directors and directors who are Audit and Supervisory Committee Member". We merely explained that the Corporate Governance Code does not require disclosure of the process of such consideration.
- (e) The Proposing Shareholder has pointed out that the Company maintains multiple trade names as a way to "protect the territory of the founding family," but there are no facts whatsoever to prove this claim. The Company, as a general rule, maintains multiple trade names because it has reached the management decision that maintaining the trade names in principle will contribute to the sustained improvement of the Company's business performance and corporate value as a result of considering that there is recognition and credibility that offers intangible value in the trade name brands developed by each operating company that are rooted in their respective regions; the approach of respecting the independence of each operating company and mutual growth is recognized as having business competitiveness; and it is also important for the employees of each operating company to remain engaged in the business, which in turn will have a positive impact on the continuity of the business. We also believe that not necessarily the forced unification of trade names in consideration of regional characteristics, competitiveness, etc. would have a positive impact on our future M&A strategy and the fact that, the Company has been able to attract many companies to join the Company Group by demonstrating respect for the trade names under which the businesses of acquired operating companies operate. The claim of Proposing Shareholder is forcible and arbitrary in order to give the impression to shareholders that the company is controlled by the founding family, in spite of fact that is not true. In addition, Proposing Shareholder claims that "no other major company recognizes the independence of its acquired companies as much as the Company does, therefore, this approach is highly irregular." However, for the Company, whose main stores are located in regional areas (where more than 50% of the nation's population lives), and who provides "affluence and affordability" to consumers living in each region, there are many advantages to maintaining a brand name that is rooted in each community and respecting its management, as described above.
- (f) The Proposing Shareholder claims that the "exclusion of persons with experience in the

retail industry from the outside officers". However, the nomination of candidates for the Company's directors is the result of deliberation and consideration by the Nomination and Compensation Committee and the Board of Directors and thus the current composition of the Board of Directors. Therefore, there is no evidence to suggest that the Board of Directors or the Nomination and Compensation Committee has intentionally "excluded" those with experience in the retail industry.

- (g) The Proposing Shareholder points out that the current outside directors are exclusively from Hokkaido, but the Company has never deemed the origin of its directors as a factor when considering candidates. We are shocked by Proposing Shareholder's claim that this is purposeful.
- (h) The Proposing Shareholder points out that the relationship between the Company and IR Japan is controlled and protected by the founding family because of the "close private relationship between Mr. Jun Tsuruha and Mr. Shiro Terashita", however, Mr. Jun Tsuruha does not have access to Mr. Terashita's contact information nor have both ever had any relationship, much less a private relationship. Proposing Shareholder's claim is a factually incorrect and distorted assumption, that makes it seem like there is a connection between both companies, based on an observation that because both "Come from the same hometown, they must have a close relationship in their private lives, too." In addition, IR Japan is an independently listed company and receiving advice from IR Japan would have nothing to do with the governance of the Company.
- (B) In response to the Proposing Shareholder's claims, the first question that must be asked is what makes the Company's governance system so "inadequate" that it requires the "replacement of all outside directors"? It is inappropriate to irresponsibly publish a one-sided view that is both factually incorrect and misguided, and to involve the shareholders of the Company and markets in such a situation. The attitude and governance of the Proposing Shareholder is highly questionable.

(5) The candidates for Directors in the Shareholder Proposals are not appropriate because they would not contribute to the enhancement of the Company's corporate value

- (A) As described above (3)(B), in order to ensure fairness in the process of selecting candidates for the Directors, the Nomination and Compensation Committee and the Board of Directors have reviewed and deliberated on the candidates proposed by the Company to be presented to the General Meeting of Shareholders. In the process, we have also made the following evaluation of each candidate in the Shareholder Proposals summarized as follows.
- (B) As summary of the evaluations of each candidate in the Shareholder Proposals are provided in (C) below, but first, the following issues are common to all of the candidates.
 - As a result of interviewing each candidate, we found that within the candidates for proposed shareholders (i) there were several candidates who were not even minimally aware of the various informational (including not only the Company's information but also the business environment) that the Company has made available through its various disclosure documents; (ii) there were several candidates who did not have clear prospects or ideas for the future of the Company, or who lacked knowledge and prospective in regards to the drugstore industry and surrounding industries; (iii) some candidates have given answers that differed from the explanation provided by the Proposing Shareholders regarding their

relationship; and (iv) several statements were made that could not be assessed as having a sufficient understanding of the responsibilities as Audit and Supervisory Committee members, which mainly focuses on the monitoring and supervision of the execution organization.

- If the director candidates in the Shareholder Proposals become outside directors of the Company, there will be an absence of outside directors with specialized knowledge and experience in financial accounting and taxation, while there will be more outside directors with experience in management and business, etc., which would constitute a lack balance compared to the skills matrix if the outside directors for the Company Proposals were then to become directors of the Company.

(C) While the Board of Directors does not deny at all that the candidates in the Shareholder Proposals are individuals with expertise in their respective backgrounds, they do not possess the abilities and qualities expected and required for a director of the Company for the following reasons.

- Mr. Nobuo Gohara is said to have expertise in dealing with compliance and misconduct cases, but the Company currently is not in a situation where serious non-compliance and misconduct issues are being addressed, and the current management system is not considered to be lacking or relatively inferior in these elements, thus there is no need to nominate a person with such expertise to serve as an outside director.
- Mr. Motohiko Nakamura is said to have expertise in the food business, but the industry and field in which the Company operates is different from the convenience store business of Circle K Sunkus, where he served as a director or an employee, and he does not have knowledge of the drugstore and dispensing pharmacy business of the Company. In addition, a considerable amount of time has passed since he retired from his position of President, thus there is no need to nominate a person with such expertise to serve as an outside director.
- Ms. Yuko Nakahata is said to have highly knowledgeable in regard to ESG, but as announced in the medium-term management plan, the Company is also promoting sustainable management that considers ESG perspectives and therefore the Company does not have any specific issues that require a strengthened ESG perspective. Thus, there is no need to nominate a person with such expertise as an outside director. And she is said to also have expertise in inbound sales models. However, the Company has been developing its business for inbound business and, therefore, has sufficient practical experience and know-how in this field. Given the current needs of the Company, there is no need to nominate a person with such expertise as an outside director.
- Mr. Muneto Tamagami is said to have expertise in the retail industry and M&A. However, the industries and fields in which Nitori, etc., where he worked as a director or an employee, are considerably different from those in which the Company operates. During said period he worked as a director and employee of Nitori, Nitori did not have remarkable M&A track record that could be used as reference in light of the Company current situation. In addition, he does not

have any specific vision regarding the necessity of M&A in the Company. Among the candidates for directors for the Company proposals at the General Meeting of Shareholders, there are several persons with extensive experience in M&A and experts in financial/ financing strategies to support such experience, and there is no need to nominate him as an outside director.

- Ms. Akiko Ikeda is said to have expertise in the retail industry, the industries and fields in which the Company operates are different from those of Ito-Yokado, Jolly Pasta, Cocos Japan, etc., where she served as a director or an employee. Further, she does not have any specific knowledge of the drugstore and dispensing pharmacy business. In addition, a considerable period has passed since she retired from her position as President, thus there is no need to nominate a person with such expertise as an outside director.

- (D) In connection with the selection of director candidates in the Shareholder Proposals, we asked the Proposing Shareholder about the contents of the "establishment of a strategic vision for the Company in both business activities and corporate restructuring" that the Proposing Shareholder advocates in the Shareholder Proposals and whether there are any changes in the Company's current strategy as indicated in the Medium-term Management Plan of the Company. The Proposing Shareholder answered, "it is not in the nature of our company (the Proposing Shareholder) to make definitive 'assumptions' about the contents and communicate them to your Company," "we are not in a position to answer that question." In addition, taking into consideration the fact that, as a result of the interviews with the candidates for directors in the Shareholder Proposals, their stance on the Medium-term Management Plan was not consistent, it cannot be denied that the election of the candidates for the Board of Directors which consists of the candidates for directors in the Shareholder Proposals may have an adverse effect on the continuation of the Company's business, such as making it difficult to achieve the goals of the Medium-term Management Plan, which has been steadily implemented by the current Board of Directors which consists of the candidates for directors the Company proposals.
- (E) In the presentation material published by the Proposing Shareholder, the Proposing Shareholder also proposes that the Company should establish a "Strategy Committee" consisting of outside directors and that such Strategy Committee should actively consider the management policies of the Group and other strategic matters such as M&A. However, the Board of Directors, which is consist of the director candidates for the Company proposals, has a track record of implementing M&A that strengthens and improves the Group's earning power and profitability, thereby increasing the Company's corporate value. In order to steadily carry out M&A in the drugstore industry, including large-scale M&A that will lead to the Group's dramatic growth in the future, it is essential that the Company be led by directors who have extensive experience in drugstore management, knowledge and personal connections and have experience and a successful track record in M&A within the drugstore industry. The Shareholder Proposals deny and restrict the involvement of director candidates for the Company proposals who have the above track record and specific experiences including M&A within the drugstore industry that the Company is prioritizing, and entrust the consideration of these matters to Strategic Committee that consists solely of outside directors who have neither the above track record nor experience. This Shareholder Proposals are not only impractical, but it could also have a negative impact on the M&A strategy that

the Company has implemented to date. The Company will continue to implement the M&A strategy through the Company's Board of Directors, which is composed of the candidates for the directorships proposed by the Company in order to continue enhancing the corporate value of the Group.

(6) Conclusion

Based on the above, the Board of Directors believes that the candidates for directors in the Shareholder Proposals do not have the qualities that the Company currently seeks in its directors, and that the Board of Directors which is consist of director candidates in the Company Proposals is appropriate and much better in light of sound survival and realization of sustainable growth of the Company, medium- to long-term enhancement of corporate value, and ultimately, the improvement of the common interests of shareholders.

Therefore, the Board of Directors opposes the Shareholder Proposals.

3. Regarding Agenda Item 4 " Determination of Individual Fixed Compensation Amounts For Outside Directors (Excluding Directors who are Audit and Supervisory Committee Members)," Agenda Item 5 "Determination of Individual Fixed Compensation Amounts For Outside Directors who are Audit and Supervisory Committee Members," Agenda Item 6 " Change of Restricted Stock Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members)," and Agenda Item 7 "Determination of Restricted Stock Compensation for Outside Directors who are Audit and Supervisory Committee Members"

(1) Reasons for opposition to Agenda Item 4 and 5

(A) The Company believes that compensation for directors is an important incentive for realizing our Management Philosophy and has established the following as its basic policy and a systematic design that considers each of the following elements: Specifically, compensation for Directors includes (i) "fixed compensation" (monetary compensation) which is based on the job title (position) as basic compensation, (ii) "bonuses" (monetary compensation) which are based on performance and individual evaluations during each fiscal year, and (iii) "stock-based compensation" (restricted share compensation) which is based on the job title (position), and as is customary, its determined through a composition ratio for Directors who are Audit and Supervisory Committee Members and Outside Directors, with significantly different responsibilities, that differ from those of other Directors.

- Encouraging the corporate philosophy of "providing affluence and affordability to our customers' living"
- The amount of money and design must support the participation and performance of excellent management.
- It should raise the awareness of their contribution to the medium- to long-term growth of the Company
- It should be linked to the company's performance and have a built-in mechanism to curb the bias toward short-term orientation.
- It should be designed with transparency, fairly and rationally, and should be determined through appropriate processes to ensure these qualities, while considering the perspective of accountability to shareholders, employees and other stakeholders.

- (B) Specifically, in regard to the composition of compensation for directors who are Audit and Supervisory Committee members and directors other than Outside directors, the ratio of basic compensation, bonus and stock-based compensation is set with an awareness that it functions as an important incentive to realize management policies, however, only basic compensation is paid to directors who are Audit and Supervisory Committee members, outside directors who are Audit and Supervisory Committee members and outside directors, because they are independent from the execution of the business.
- (C) The amount of compensation for individual directors who are Audit and Supervisory Committee members is determined through discussion amongst the directors who are Audit and Supervisory Committee members, within the limit of the amount of compensation approved in advance at the General Meeting of Shareholders and with reference to proposals from the Nomination and Compensation Committee. This way, the amount of compensation for individual directors who are Audit and Supervisory Committee members is determined through a process that secures independence from the Board of Directors, which is the decision-making body for business execution. In addition, no specific process has been established for determining the amount of individual compensation for outside directors (other than directors who are Audit and Supervisory Committee members) because there are no such outside directors at this time; however, if the election of director candidates for the Company proposals is approved as proposed, the Board of Directors think that the Board of Directors will make an appropriate decision based on their roles as outside directors.
- (D) On the other hand, if, as in the Shareholder Proposals, individual compensation amounts for directors who are Audit and Supervisory Committee members and outside directors other than directors who are Audit and Supervisory Committee members are to be resolved in advance at the General Meeting of Shareholders, it would be difficult to maintain flexibility during the designing of compensation in light of changes in the market environments, and in turn, it would be difficult to maintain flexibility in accommodating the roles and responsibilities required of directors who are Audit and Supervisory Committee members and outside directors other than directors who are Audit and Supervisory Committee members. Consequently, making appropriate compensation amounts would not be feasible, which could in turn make it difficult to recruit useful personnel to the Company.
- (E) In addition, the “Practical Guideline on Corporate Governance Systems (CGS Guideline)” published by the Ministry of Economy, Trade and Industry on July 19, 2022, points out the importance of setting an appropriate level of compensation according to the burden and responsibilities of outside directors, and we believe that compensation should also be set individually for outside directors in a manner that takes into account that each has a different role.
- (F) Based on the above, the Company believes that it is not appropriate to resolve in advance at the General Meeting of Shareholders the amount of individual compensation for directors who are (i) Audit and Supervisory Committee members and (ii) outside directors who are not Audit and Supervisory Committee members, because they should monitor and supervise executive officers.

(2) Reasons for opposition to Agenda Items 6 and 7

- (A) With regard to the restricted stock compensation plan, in accordance with the Company's transition to a company with Audit and Supervisory Committee as resolved at the General

Meeting of Shareholders held on August 10, 2021, it was determined that the Company would introduce a restricted share compensation plan that is similar to the plan made at the General Meeting of Shareholders held on August 10, 2017, with the aim of providing incentives for the sustained improvement of the corporate value of the Company and promoting even greater value sharing between eligible directors and shareholders. In introducing the primary system, the Company examined the appropriateness of its introduction while receiving advice from outside experts, and also examined the appropriateness of the amount of compensation by referring to the executive compensation survey data from an external research organization, and the Nomination and Compensation Committee, which was established as a voluntary advisory body to the Board of Directors in order to ensure objectivity and fairness in the compensation of directors and of which the majority of members are independent outside directors, conducts deliberations before submitting the results to the General Meeting of Shareholders.

- (B) After that, in regard to the composition of compensation for directors who are Audit and Supervisory Committee members and directors other than outside directors, while the ratio of basic compensation, bonus and stock-based compensation is set with an awareness that it functions as an important incentive to realize management policies, (as stated in (1)(B) above) the Company shall pay only basic compensation to directors who are Audit and Supervisory Committee members, outside directors who are Audit and Supervisory Committee members and outside directors, because they are independent from the execution of business.
- (C) With the aim of strengthening the monitoring and supervisory function of the Board of Directors, the Company has a policy of excluding directors who are Audit and Supervisory Committee members and outside directors (other than Audit and Supervisory Committee members) from the scope of the Restricted Share Compensation Plan.
- (D) The payment of restricted share compensation to directors who are Audit and Supervisory Committee members and outside directors (other than Audit and Supervisory Committee members), as proposed in the Shareholder Proposals, would provide strong incentives to directors above, who should be kept independent of the Board of Directors, to instead only wish for a rise in the stock price without considering the risks as a means to maximize their own compensation. Therefore, we recognize there are many opinions on the pros and cons of such payment, which has been found to require examination regarding its appropriateness. In fact, currently, even the voting standards for many of domestic institutional investors state that they would oppose stock-based compensation proposals.
- (E) Based on the above, the Company has determined that granting restricted share compensation to outside directors and directors who are Audit and Supervisory Committee members may distort its governance system and jeopardize the enhancement of corporate value. Therefore, the Board of Directors is against the Shareholder Proposals.
- (F) We have confirmed of the candidates for outside directors and directors who are Audit and Supervisory Committee members in the Company Proposals that they have no intention of receiving restricted share compensation even if the agenda item for their own election is approved. Moreover, we have confirmed from our current directors who are Audit and Supervisory Committee members that they have no intention of receiving restricted share compensation even if the agenda item for their own dismissal is disapproved. Therefore, even if Agenda Item (6) or (7) is approved, restricted share compensation will be granted only to

candidates for outside directors or candidates for directors who are Audit and Supervisory Committee members by Proposing Shareholder.

(3) Conclusion

Therefore, the Board of Directors oppose the Shareholder Proposals.

4. Regarding Agenda item 8 "Amendment to the Articles of Incorporation (Abolition of Director-Chair and Director-Vice Chair positions) "

(1) Position of Director-Chair and Director Vice-Chair in the Company

(A) The Company has decided to delegate the positions of Chairperson and Vice Chairperson to persons who have served as President, are familiar with the management of the Company, and have a wealth of knowledge and management skills that have been cultivated over many years. The Company believes that the positions of Chairperson and Vice Chairperson will continue to be useful, having determined that their external activities at industry associations and other organizations will make a significant contribution to the growth and competitiveness of the Group.

(B) Moreover, the Company is a corporate group consisting of the Company as a holding company and its subsidiaries as operating companies. The Company has introduced an executive officer system to strengthen its governance functions by separating the business execution and business supervision functions of corporate management while clarifying the functions and responsibilities of directors and executive officers. Within the Company and in accordance with these systems the President, the Chief Executive Officer and other executive officers are in charge of the execution of the Company's business, while the internal directors including the director-chair, director-vice chair, outside directors and outside directors who are members of the Audit and Supervisory Committee are in charge of supervising the management team related to the Group, based on their respective expertise and experience. By doing so, the Group aims to speed up decision-making, etc., improve and enhancing quickness and ultimately increase corporate value.

(2) Current operational status

On the basis of (1)(B) above, the Chairperson and Vice Chairperson of the Company provide supervision and advice on the overall management of the Group's business management at the request of the President and others, based on their experience and knowledge of recent changes in the business environment as well as efforts to improve performance and increase corporate value over the medium to long term, and also, as a member of the Board of Directors, the Chairperson and Vice Chairperson contributes to the strengthening of the functions of the Board of Directors in many ways, for example by stimulating discussion at Board of Directors meetings.

Thus, positions of Chairperson and Vice Chairperson have an important role in the Company and we do not consider it necessary to abolish the positions at the present time.

(3) Conclusion

Therefore, the Board of Directors oppose the Shareholder Proposals.

5. Regarding Agenda item 9 " Amendment to the Articles of Incorporation (Selection of Board Chair

from among Outside Directors) "

(1) **Current recognition**

- (A) While we are aware of the viewpoint regarding the separation of the chairperson of the Board of Director from the chief executive officer, and while we are not ruling out the possibility of such a system to be adopted in the Company in the future, at present, the Board of Directors has determined that the best system is one in which the President & Representative Director, who is knowledgeable about business matters, chairperson the Board of Directors and the management is checked and supervised by independent outside directors, who make up one-third (1/3) of the Board of Directors.
- (B) The Company believes that the role of the chairperson of the Board of Directors should be more than just a facilitator of agendas, but a leader who can guide important company decisions, including responsibilities like knowledge of relevant information and creating the environment necessary to facilitate full and substantive discussions at the Board of Directors meetings. Currently, the best person to assume the role of chairperson of the Board of Directors is a director who can provide leadership based on a thorough understanding of the Company's business structure, organization and management. Under such structure, the Company is taking various measures under the leadership of the President and Representative Director to realize an effective Board of Directors and further revitalize the Board of Directors by strengthening the functions equivalent to the secretariat of the Board of Directors, including providing opportunities to explain important agenda items to outside directors in advance by two (2) to three (3) days before the Board of Directors meeting, and making efforts to secure sufficient time for deliberation of proposals. The Board of Director will continue to consider various measures to further strengthen the corporate governance function but does not consider it necessary to fix the chairperson as an outside director at this point in time.

(2) **Evaluation of the Proposed Agenda Items**

The Proposing Shareholder states that "not only will there be discrepancies in the recognition of the importance and necessity of projects between the executive side, where the founding family is the majority, and supervisory side, but conflicts of interest may also arise," and that "constructive discussions cannot be expected." However, there is a general consensus on the importance and necessity of projects that have been achieved through discussions of the Board of Directors' Regulations and the submission criteria established by the Board itself. Moreover, the claim based on an alleged abstract conflict of interest that the request for a change in the system cannot be discussed constructively by the Board of Directors with the President as chairperson is only a perfunctory formality and does not reflect the current situation of our Board of Directors at all.

(3) **Conclusion**

Therefore, the Board of Directors oppose the Shareholder Proposals.

END

Appendix “Shareholder Proposal Letter”

* The relevant statements in the Shareholder Proposal Letter submitted by the Proposing Shareholder have been adjusted in terms of format and are now presented here.

I Proposed agenda items

- Agenda Item 1: Election of Three (3) Directors who are Audit and Supervisory Committee Members
- Agenda Item 2: Election of two (2) Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Agenda Item 3: Dismissal of one (1) Director who is an Audit and Supervisory Committee Member
- Agenda Item 4: Determination of Individual Fixed Compensation Amounts For Outside Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Agenda Item 5: Determination of Individual Fixed Compensation Amounts For Outside Directors who are Audit and Supervisory Committee Members
- Agenda Item 6: Change of Restricted Stock Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members)
- Agenda Item 7: Determination of Restricted Stock Compensation for Outside Directors who are Audit and Supervisory Committee Members
- Agenda Item 8: Amendment to the Articles of Incorporation (Abolition of Director-Chair and Director-Vice Chair positions)
- Agenda Item 9: Amendment to the Articles of Incorporation (Selection of Board Chair from among Outside Directors)

II Outline of Proposals and Reasons for Proposals

1. Agenda Item 1: Election of three Directors who are Audit and Supervisory Committee Members and Agenda Item 2: Election of two Directors (excluding Directors who are Audit and Supervisory Committee Members).

The cause for the proposals in agenda items 1 and 2 are as follows. In view of the possibility that the Company’s stock handling rules limit the reasons for proposals on one agenda item to 400 characters, the total number of characters for the proposals of agenda items 1 and 2 is limited to 2,000 characters.

Consent has been obtained from each candidate to become a Director of the Company. In addition, agenda Items 1 and 2 of the Shareholder’s Proposal Document call for the election of each candidate individually and, therefore, are not contingent on the election of the other candidates being approved and passed.

Reorganizing the Board of Directors to increase corporate value

Oasis proposes a reorganization of the Tsuruha Holdings’ Board of Directors, with the election of five new outside Directors and a total replacement of its outside Directors. Oasis aims to improve Tsuruha’s corporate value over the medium to long term by ensuring the quality, independence and diversity of its Board of Directors and fundamentally improving its governance, as well as by building a strategic vision for the Company in both its business activities and corporate restructuring, and by strengthening its management structure. For information on how each candidate will contribute to the enhancement of the Company’s corporate value, please refer to the “Reasons for candidate for Director” section of each candidate’s career summary and other relevant information.

Appearance of strong control over the Board of Directors by the three founding families (Tsuruha and the founders of its acquired companies)

Of the current five Directors who are not Audit and Supervisory Committee Members, four are from the founding families of the Company and its group companies. In addition to the father and son of the Tsuruha family,

Mr. Ogawa and Mr. Murakami are from the founding families of Kusurino FUKUTARO Co.,Ltd. and Wellness Kohoku. In 2015, Mr. Ogawa resigned from the positions of Director and President of Kusurino FUKUTARO Co.,Ltd., taking responsibility for misconduct related to failures in drug record-keeping and false billing. However, he has since returned to both positions, showing the strength of his position is based on his status as a member of the founding family.

It is presumed that the three founding families have strong control over each of the founding companies separately from the Company, that is the parent company. As a result of this structure, the full attainment of business synergies among the subsidiaries and the appointment of personnel other than the founding families are inhibited, resulting in a poor governance structure.

Current composition of outside Directors lacks oversight function

Board quality, independence, and diversity at the Company have regressed over the past 15 years as a result of the exclusion of retail industry experience among outside Directors, replacing said Directors with persons from the Hokkaido business community, and a decline in ratio of outside Directors.

Currently, only three of the nine Directors are outside Directors, which is the minimum level required for a TSE Prime-listed company.

In addition, none of the three outside Directors has experience in retail business management and cannot be expected to be effective in overseeing business execution. Furthermore, less than 20% of the Company's stores are located in Hokkaido, and there is no business requirement for the Company's outside Directors to consist entirely of people from Hokkaido business circles, as is the case now.

Current outside Directors who do not contribute to increasing corporate value

(1) Ms. Harumi Sato

Regarding the appointment of Directors from the Hokkaido business community, Mr. Murakami has explained: "Within the Hokkaido business community, we are choosing candidates who are independent, although they have a "certain connection" with the Company management, such as having met each other at conferences or having mutual acquaintances." In fact, however, prior to assuming the position of Director, Ms. Sato wrote a paper praising the management of Tsuruha by the Tsuruha family. Subsequently, she and Mr. Ikuo Sato, who is presumed to be her relative, served as trustees of the social welfare organization Kakusyo Fukushi Kai, in which the Company participates in management. Their ties to the Company are thus clear. Therefore, the family relationship between the Tsuruha and Sato families clearly goes beyond a "certain connection," raising doubts regarding the Boards independence.

(2) Mr. Takuya Okazaki

Prior to Mr. Okazaki's appointment as an outside Director (Audit and Supervisory Board Member) of the Company, Mr. Jun Sakai had served as an Auditor and outside Director of the Company for over 20 years prior to the Company's listing until May 2020. Mr. Okazaki was appointed as an outside Director of the Company in May 2020 upon Mr. Sakai's resignation, where Mr. Okazaki effectively become Mr. Sakai's successor as an outside Director of the Company. In addition, both also serve as outside Auditors at Hokuryo, a listed company headquartered in Sapporo.

The fact that both Mr. Okazaki and his predecessor Mr. Sakai concurrently serve as Directors of Hokuryo and the Company suggests a certain affiliation between the Company and Hokuryo, and raises concerns about Mr. Okazaki's independence.

(3) Mr. Fumiyo Fujii

As per the reasons for the proposal on agenda item 3.

Outside Directors proposed by Oasis

The five individuals proposed as candidates for the Board of Directors are governance and industry experts with a high degree of expertise, a wealth of experience, and independence, and will be responsible for restructuring the Company's management structure. By appointing such highly knowledgeable individuals as outside Directors, the Board of Directors can expect more effective oversight of management. Furthermore, if all of the proposals for the appointment of Oasis are realized, outside Directors will comprise nearly half of the Company's Board of Directors. Further, among outside Directors, 40% will be female, a majority will have management experience in consumer businesses, and all will be from outside Hokkaido, achieving an excellent balance in terms of diversity. Diversity on the Board of Directors enables management to take into account the perspectives of customers, employees, and various other stakeholders, leading to enhanced overall corporate value.

The current outside Directors should be completely replaced, the two outside Directors should not be reappointed, and one outside Director currently in office should also be dismissed, as discussed below

It is clear that the current outside Directors were appointed under the guise of independence for the sake of convenience, and that they do not have the experience or qualifications to achieve improvements in corporate and shareholder value.

Therefore, it is an urgent issue for the Company to renew the current three outside Directors to ensure their independence and improve the governance structure, as well as to encourage the Company's corporate growth.

(1) Agenda item 1: Election of Three (3) Directors who are Audit and Supervisory Committee Members

(a) Proposal 1

(A) Outline of proposal

Elect Mr. Nobuo Gohara as a director who is an Audit and Supervisory Committee member.

(B) Reason for the proposal

As stated above in the common reasons for the proposals.

(C) Career summary, etc. of candidate

Nobuo Gohara	Date of birth: March 2, 1955
	Number of shares of the Company held: 0
■ Career summary, positions, assignments and significant concurrent positions	
April 1983	Appointed as prosecutor
April 2001	Deputy Chief Prosecutor, Nagasaki District Public Prosecutors Office
October 2003	Specially Appointed Professor, Graduate School of Law, Toin University of
January 2004	Deputy General Manager, Hachioji Branch, Tokyo District Public Prosecutors
April 2004	Chief Research Officer and Instructor, Research and Training Institute of the
April 2005	Professor, Graduate School of Law & Director, Toin University of Yokohama Head, Compliance Research Center, Toin University of Yokohama
April 2006	Registered as attorney-at-law
April 2006	Lecturer, National Police Academy
2006	Member, Fair Bid Research Council, Ministry of Land, Infrastructure,
April 2008	Specially Appointed Professor, Graduate School of Law, Toin University of
May 2008	Member; Safety Subcommittee; Commerce, Distribution and Information
June 2008	External Statutory Auditor, IHI Corporation

April 2009	Professor, Research Institute, Meijo University
October 2009	Advisor, Ministry of Internal Affairs and Communications
April 2010	Director, Office of Compliance, Ministry of Internal Affairs and
April 2010	Chairman, Commission on Inspection of Public Pension Service, Ministry of
April 2012	Specially Appointed Professor, Faculty of Societal Safety Sciences, Kansai
April 2014	Guest Professor, Kansai University
September 2017	Compliance Advisor, City of Yokohama
	Significant concurrent positions Representative Attorney, Gohara Compliance and Law Office

(Existence of special interests)

There is no special interest between Mr. Nobuo Gohara and Tsuruha.

■ Reason for Nomination as a Director Candidate

Mr. Gohara is a lawyer with significant experience regarding corporate misconduct, and within the Japanese judicial and corporate legal communities is one of the most knowledgeable lawyers on compliance. He has developed unparalleled expertise especially in crisis management across his career, leading independent committees of listed companies, such as Fujiya and Kirin Holdings and Kyushu Electric Power, as well as councils and committees for government ministries and agencies. Moreover, Mr. Gohara and his law firm have no past or current interest in the Company, and there is no concern of a familiar relationship with Company management.

As the control of the Company's Board of Directors by the three founding families is apparent, the Company needs management supervision by truly independent outside directors. Shareholders can expect Mr. Gohara, as a truly independent external expert and outside director, to monitor management's performance of duties with neutrality and fairness, to ensure the transparency of the process of appointing and removing officers, and to provide beneficial advice.

For the above reasons, Oasis proposes the election of Mr. Gohara as a candidate for outside director.

(Note) Mr. Nobuo Gohara is a candidate for outside Director.

(b) Proposal 2

(A) Outline of proposal

Elect Mr. Motohiko Nakamura as a director who is an Audit and Supervisory Committee member.

(B) Reason for the proposal

As stated above in the common reasons for the proposals.

(C) Career summary, etc. of candidate

Motohiko Nakamura	Date of birth: December 26, 1959
	Number of shares of the Company held: 0
■ Career summary, positions, assignments and significant concurrent positions	
March 1982	Joined Circle K Japan Operations Division, UNY Co., Ltd.
March 1999	General Manager, 2nd Product Department, Product Division, Circle K Japan
March 2002	Deputy General Manager, Product Division, Circle K Japan Co., Ltd.
May 2005	Director and General Manager, Marketing Division, Circle K Sunkus Co., Ltd.
May 2007	President and Representative Director, Circle K Sunkus Co., Ltd.

March 2013	President, Representative Director and Chief Operating Officer, UNY Group Holdings Co., Ltd.
March 2015	Senior Advisor, UNY Group Holdings Co., Ltd.
June 2017	Advisor, Hongo Tsuji Business Consulting
June 2017	Outside Director, Atnavi Japan Co., Ltd. (currently Skywork Co., Ltd.)
October 2017	Advisor, Fukuyama Reizo Co., Ltd. (Current position)
	Significant concurrent positions Not applicable.

(Existence of special interests)

There is no special interest between Mr. Motohiko Nakamura and Tsuruha.

■ Reason for Nomination as a Director Candidate

Mr. Nakamura has served as Representative Director of major retail companies and, particularly while working in the product division of Circle K Sunkus Co. Ltd., participated in product development and procurement, and achieved merger synergies via logistics integration. He has expert knowledge drawing on his diverse experiences in product development and store development.

Given the saturation of the drug store industry, the Company will need to provide a comprehensive range of food and other products. Mr. Nakamura can be expected to provide appropriate advice to management and appropriately supervise the performance of duties by the Company's management based on his long years of experience and knowledge as a manager in the retail industry and in handling food and various other products.

For the above reasons, Oasis proposes the election of Mr. Nakamura as a candidate for director.

(Note) Mr. Motohiko Nakamura is a candidate for outside Director.

(c) Proposal 3

(A) Outline of proposal

Elect Ms. Yuko Nakahata as a director who is an Audit and Supervisory Committee member.

(B) Reason for the proposal

As stated above in the common reasons for the proposals.

(C) Career summary, etc. of candidate

Yuko Nakahata	Date of birth: September 22, 1973
	Number of shares of the Company held: 0
■ Career summary, positions, assignments and significant concurrent positions	
April 1994	Joined Flash, Inc.
June 1995	Joined Backs Group, Inc.
March 2002	President and Representative Director, Smart Co., Ltd. (100% subsidiary of
March 2005	Established Partir Co., Ltd., Representative Director and President
August 2010	Joined Honor Circle HK Limited
June 2016	Chief Administrative Officer, Honor Circle Limited
April 2018	Outside Director, AMAGASA Co., Ltd.
June 2019	Outside Director, Kourakuen Holdings Corporation
June 2021	Established SustainaSeed Inc., Representative Director and CEO (current

June 2021	Outside Director, NAC Co., Ltd. (current position)
	Significant concurrent positions Representative Director and CEO, SustainaSeed Inc. Outside Director, NAC Co., Ltd.
(Existence of special interests) There is no special interest between Ms. Yuko Nakahata and Tsuruha.	
<p>■ Reason for Nomination as a Director Candidate</p> <p>Ms. Nakahata has extensive experience and achievements in management, having served in senior positions, including president, at several domestic and overseas enterprises, and is also a serial entrepreneur. While in Hong Kong, she also gained experience in establishing and managing new companies, primarily in South East Asia, and in managing domestic and overseas group companies.</p> <p>The Company urgently needs to prepare for the expected demand recovery from inbound tourists in the post-COVID period. Continued success in overseas businesses such as in Thailand is also imperative, over the medium and long term. In the restructuring of the Company's sales model for inbound tourists and expansion into overseas markets, Ms. Nakahata can be expected to provide beneficial advice from a global perspective based on her overseas experience.</p> <p>Additionally, ESG is increasingly important in the drugstore industry, and Ms. Nakahata has strong knowledge of ESG from her experience running a global business directory of sustainability problem-solving companies at her startup.</p> <p>For these reasons, Oasis proposes the election of Ms. Nakahata as a candidate for outside director.</p>	

(Note) Ms. Yuko Nakahata is a candidate for outside Director.

(2) Agenda item 2: Election of two Directors (Excludes Directors who are Audit and Supervisory Committee Members).

(a) Proposal 1

(A) Outline of proposal

Elect Mr. Muneto Tamagami as a director (excluding directors who are Audit and Supervisory Committee members).

(B) Reason for the proposal

As stated above in the common reasons for the proposals.

(C) Career summary, etc. of candidate

Muneto Tamagami	Date of birth: June 15, 1966
	Number of shares of the Company held: 0
■ Career summary, positions, assignments and significant concurrent positions	
April 1991	Joined Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
April 2006	Executive Officer, Cosmo Communications Inc.
August 2007	Joined Nitori Holdings Co., Ltd.
April 2015	Executive Officer, Nitori Holdings Co., Ltd.
April 2016	Senior Executive Officer, Nitori Holdings Co., Ltd.
June 2017	Director-Managing Director, Nitori Holdings Co., Ltd.
May 2018	Joined RIZAP Group, Inc.
April 2019	Executive Officer, RIZAP Group, Inc.

January 2020	Assistant to the President, Culture Convenience Club Co., Ltd.
April 2020	General Manager, Corporate Planning Office, TSUTAYA BOOKS Co., Ltd.
April 2020	Director, SKIYAKI Inc.
April 2021	Joined Laox Co., Ltd. (seconded to Shaddy)
April 2021	Head of Corporate Marketing Division, Shaddy Co., Ltd.
	Significant concurrent positions Not applicable.
(Existence of special interests) There is no special interest between Mr. Muneto Tamagami and Tsuruha.	
<p>■ Reason for Nomination as a Director Candidate</p> <p>Mr. Tamagami has held key positions at major consumer businesses, and has extensive knowledge of and experience in corporate management and M&A. For example, at Nitori Holdings, he led the proposal for the establishment of, and managed, the General Planning Office, which is responsible for M&A, and the Public Relations Department.</p> <p>More mergers between drugstore operators are expected in the future, as the industry shows signs of maturity and saturation. It is increasingly important that the Company lead this industry consolidation, build an advantage over its peers, increase profit margins through cost reductions, invest in new areas, and expand into overseas markets. In this context, Mr. Tamagami can provide appropriate advice and supervision of management's performance of its duties from a position independent of management to help the Company seize this M&A trend and opportunity, and benefit from synergies, based on his expert knowledge concerning corporate management.</p> <p>For the above reasons, Oasis proposes the election of Mr. Tamagami as a candidate for director.</p>	

(Note) Mr. Muneto Tamagami is a candidate for outside Director.

(b) Proposal 2

(A) Outline of proposal

Elect Ms. Akiko Ikeda as a director (excluding directors who are Audit and Supervisory Committee members).

(B) Reason for the proposal

As stated above in the common reasons for the proposals.

(C) Career summary, etc. of candidate

Akiko Ikeda	Date of birth: July 26, 1960
	Number of shares of the Company held: 0
■ Career summary, positions, assignments and significant concurrent positions	
April 1983	Joined Department Store Operations Division (currently Daimaru Matsuzakaya Department Stores Co., Ltd.), Daimaru Co., Ltd.
April 2003	Merchandiser (MD), Ladies', Men's, Children's and Underwear Department, Clothing Business Division, Ito-Yokado Co., Ltd.
April 2011	Executive Officer, Deputy General Manager and Senior MD, Underwear
May 2014	Executive Officer and General Manager, Clothing Business Division, Ito-

May 2015	Executive Officer and General Manager, Quality Control, Ito-Yokado Co., Ltd.
March 2016	President and Representative Director, Jolly Pasta Co., Ltd.
April 2017	President and Representative Director, Cocos Japan Co., Ltd.
January 2019	Director and General Manager, Product Division, Okamoto Co., Ltd.
January 2023	Outside Director, Kura Sushi, Inc. (Current position)
	Significant concurrent positions Outside Director, Kura Sushi, Inc.
(Existence of special interests) There is no special interest between Ms. Akiko Ikeda and Tsuruha.	
<p>■ Reason for Nomination as a Director Candidate</p> <p>Ms. Ikeda has extensive experience in the overall management of consumer businesses, having previously served as Representative Director and President of both Jolly Pasta Co., Ltd. and Cocos Japan Co., Ltd. She achieved record profits in her first year at Jolly Pasta and implemented measures for store and human resource development at Cocos Japan. Her experience in the consumer business is long and broad, including serving as merchandiser for Ito-Yokado's various clothing divisions and managing and leading the development of the first apparel line in the Seven Premium series, a private brand ("PB") of Seven-Eleven, from its product development to launch, achieving sales on the order of JPY 100 billion. Ms. Ikeda's experience positions her well to advise the Company, including on its own PB, particularly as there is room for improvement in the penetration and value-addition to their products.</p> <p>Based on the above, Ms. Ikeda can provide advice to the Company's management based on her broad knowledge of management and appropriately supervise the management's operation of business. For these reasons, Oasis proposes the election of Ms. Ikeda as a candidate for outside director.</p>	

(Note) Ms. Akiko Ikeda is a candidate for outside Director.

2. Agenda item 3: Dismissal of one (1) Director who is an Audit and Supervisory Committee Member

(1) Summary of the Agenda Item

Dismiss Fumiyo Fujii as a director.

(2) Reason for the proposal

While Mr. Fujii held multiple successive important posts at North Pacific Bank, Ltd., we conjecture that North Pacific was the Company's main bank or performed a similar function in the past. According to disclosures, North Pacific still has some business dealings with the Company. North Pacific, also lends money to Hokuryo Co., Ltd., where Mr. Okazaki serves as outside auditor, and holds cross-shareholdings with Hokuryo. These facts suggest a relationship of friendly cross boarding between the Company, Hokuryo and North Pacific that calls into question Mr. Fujii's independence.

Reforming the Board of Directors is impossible without replacing all three current outside directors, each of whom lack expertise, independence, and diversity. To improve the Company's governance, the Company must have truly independent outside directors who possess both diverse backgrounds and strong expertise. Oasis proposes outside directors who can effectively supervise The Company's operations and achieve growth through industry restructuring and new business development.

Thus, in addition to the two outside directors whose terms are expiring, shareholders must remove Mr. Fujii during his term.

3. Agenda item 4 :Determination of Individual Fixed Compensation Amounts For Outside Directors (Excluding Directors who are Audit and Supervisory Committee Members); Agenda item 5: Determination of Individual Fixed Compensation Amounts For Outside Directors who are Audit and Supervisory Committee Members; Agenda item 6: Change of Restricted Stock Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members); and Agenda item 7: Determination of Restricted Stock Compensation for Outside Directors who are Audit and Supervisory Committee Members

The common reasons for the proposals to each of agenda items 4 through 7 are as follows: Considering the possibility that the Company's stock handling rules limit the reasons for proposals on one agenda item to 400 characters, the total number of characters for the reasons for the proposals on these agenda items is limited to 1,600 characters.

Reasons for our Proposals (the “Shared Reasons for Compensation Restructuring”).

During the annual general meeting on August 10, 2021, shareholders approved compensation for the Company's directors (excluding directors who are Audit and Supervisory Committee Members) of no more than JPY 500 million per year in fixed compensation, which consists of monetary monthly compensation and bonuses, and no more than JPY 150 million for performance-linked variable compensation in the form of a grant of restricted shares, while only granting outside directors a fixed compensation of no more than JPY 50 million per year. Shareholders also approved fixed compensation for directors who are members of the Audit and Supervisory Committee of no more than JPY 100 million per year.

Currently, the Company has only fixed a total upper limit on compensation for all outside directors, regardless of membership in the Audit and Supervisory Committee, while the amount to be paid to any single such outside director remains variable depending on the number of outside directors. Although fixing total compensation is common practice, individual compensation should also be fixed, especially for outside directors to offer predictability and to recruit talented candidates who can perform supervisory functions over management. Moreover, clearly determining the compensation in advance at a shareholder meeting, as opposed to this being left to the common determination of the Board of Directors and the Audit and Supervisory Committee, will ensure transparency and secure the independence of outside directors.

Outside directors are also, as a class, currently excluded from participation in stock-based compensation and performance-linked compensation. While it is desirable to attract diverse and high-quality talent from across Japan, the current Board of Directors composition is, as mentioned above, skewed in favor of regional and industry connection. Therefore, to attract such diverse and high-quality talent, the Company should implement stock-based compensation as an incentive for all outside directors.

Background of Oasis's Proposal.

Oasis proposes that compensation for outside directors should (1) be at a level appropriate for independent outside directors with knowledge, expertise and abilities in relevant business fields; (2) be determined for outside directors as a class regardless of their membership in the Audit and Supervisory Committee, ensuring transparent and reasonable compensation by fixing the amount for each director; and (3) include restricted stock awards, regardless of membership in the Audit and Supervisory Committee, with a fixed upper threshold for each director, in order to incentivize their engagement following their appointment.

Specific Content of the Proposal.

The Company should compensate Outside Directors with an amount that reflects the value of their

substantive performance of duties. Thus, the Company shall offer JPY 10 million fixed compensation per outside director per fiscal year, and offer monetary compensation claims for the allotment of shares with restrictions on transfer equal to JPY 3 million per outside director per year, in each case regardless of membership in the Audit and Supervisory Committee. If passed, these proposals would offer internal directors, excluding Audit and Supervisory Committee members, in total up to JPY 150 million per year and outside directors, regardless of membership in the Audit and Supervisory Committee, up to JPY 3 million per year and per person, in monetary compensation claims for the allotment of shares with restrictions on transfer. However, even after these proposals, the internal directors who are a member of the Audit and Supervisory Committee would not be eligible for monetary compensation claims for the allotment of shares with restrictions on transfer.

- (1) Agenda item 4: Determination of Individual Fixed Compensation Amounts For Outside Directors (Excluding Directors who are Audit and Supervisory Committee Members)
 - (a) Outline of proposal
The amount of fixed remuneration for each outside Director (excluding Directors who are Audit and Supervisory Committee Members) shall be ¥10 million per fiscal year.
 - (b) Reason for the proposal
As stated above in the common reasons for the proposals.
- (2) Agenda item 5: Determination of Individual Fixed Compensation Amounts For Outside Directors who are Audit and Supervisory Committee Members
 - (a) Outline of proposal
The amount of fixed remuneration for each outside Director excluding Directors who are Audit and Supervisory Committee Members shall be ¥10 million per fiscal year.
 - (b) Reason for the proposal
As stated above in the common reasons for the proposals.
- (3) Agenda item 6: Change of Restricted Stock Compensation for Directors (Excluding Directors who are Audit and Supervisory Committee Members)
 - (a) Outline of proposal
Under the Restricted Stock Compensation Plan (“the Plan”) resolved at the 59th General Meeting of Shareholders held on August 10, 2021, remuneration shall be paid to Directors (excluding Directors who are Audit and Supervisory Committee Members and outside Directors) as remuneration for the allocation of restricted stock, the total amount of such remuneration paid shall be limited to ¥150 million per year. It will be amended as follows.
 - The Company’s outside Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be eligible Directors to whom the Plan shall apply.
 - The amount of remuneration to be paid to outside Directors (excluding Directors who are Audit and Supervisory Committee Members) as compensation for restricted stock shall be set at ¥3 million per Director per fiscal year, in addition to the maximum amount of ¥150 million in total set under the Plan.
 - The specific terms and conditions of payment to each of the other outside Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be in accordance with the provisions of the Plan.
 - Other than the above, no other provisions of the Plan will be changed.

(b) Reason for the proposal

As stated above in the common reasons for the proposals.

(4) Agenda item 7: Determination of Restricted Stock Compensation for Outside Directors who are Audit and Supervisory Committee Members

(a) Outline of proposal

Under the Restricted Stock Compensation Plan (“the Plan”) resolved at the 59th General Meeting of Shareholders held on August 10, 2021, remuneration shall be paid to Directors (excluding Directors who are Audit and Supervisory Committee Members and outside Directors) as remuneration for the allocation of restricted stock, and the total amount of such remuneration paid shall be limited to ¥150 million per year. It will be amended as follows.

- Outside Directors who are who are Audit and Supervisory Committee Members of the Company shall be eligible Directors for the Plan.
- The amount of remuneration to be paid to outside Directors who are Audit and Supervisory Committee Members in the form of restricted stock shall be set at ¥3 million yen per person per fiscal year, in addition to the upper limit of ¥150 million in total set under the Plan.
- Other specific conditions for payment to outside Directors who are Audit and Supervisory Committee Members shall be in accordance with the provisions of the Plan.
- Other than the above, no other provisions of the Plan will be changed.

(b) Reason for the proposal

As stated above in the common reasons for the proposals.

4. Agenda item 8: Amendment to the Articles of Incorporation (Abolition of Director-Chair and Director-Vice Chair positions)

(1) Summary of the Agenda Item

Article 22.3 will be amended as follows. Also, if the passage of another proposal (including proposals in company proposals) at this Annual General Meeting of Shareholders necessitates a formal adjustment (including, but not limited to, the correction of a deviation in article numbers) to the text included as this proposal, the text of this proposal shall be replaced with the text after the necessary adjustment.

Current Articles of Incorporation	Proposed Amendments
Article 22.3. The Company may, by resolution of the Board of Directors, select <u>one director-chairperson</u> and one director-president from among the directors (excluding directors who are audit and supervisory committee members), <u>as well as several director-vice president, director-senior managing directors and director-managing directors</u> from among the directors (excluding directors who are audit and supervisory committee members).	Article 22.3. The Company may, by resolution of the Board of Directors, select <u>one director-president and several director-vice presidents, director-senior managing directors and director-managing directors</u> from among the directors (excluding directors who are audit and supervisory committee members). <u>The Company shall not have a director-chairperson or director-vice chairperson.</u>

(2) Reason for the Proposal

The Ministry of Economy, Trade and Industry’s guidelines¹ state that while the role of the director-chairperson is different at each company in various ways, such as those who execute business together with the President, those who oversee management as the Chairperson of the Board, etc., companies should consider the appropriate authority and title for the chairperson. In addition, voting advisory firms generally recommend separating the post of president from that of the chairperson of the board.

While the Company explains the role of a chairperson to be “supervision of the management,” the Company’s articles provide that the Company’s president shall serve as the chairperson of the Board, which means there is no separation between the chairperson of the Board and the president. This creates confusion about the role and purpose of a chairperson. Also, because the chairperson is the father of the current president, it is unclear whether the chairperson can effectively and appropriately supervise the president and make governance effective in this structure.

Not only is the position of chairperson unnecessary, but it also undermines the governance of the Company. The abolition of this position is an essential institutional reform for the proper execution of business by management and the supervision thereof.

5. Agenda item 9: Amendment to the Articles of Incorporation (Selection of Board Chair from among Outside Directors)

(1) Outline of proposal

Article 23 shall be amended as follows. Also, if the passage of another proposal (including proposals in company proposals) at this Annual General Meeting of Shareholders necessitates a formal adjustment (including, but not limited to, the correction of a deviation in article numbers) to the text included as this proposal, the text of this proposal shall be replaced with the text after the necessary adjustment.

Current Articles of Incorporation	Proposed Amendments
Article 23 Except as otherwise provides by laws and regulations, the Board of Directors of the Company shall be <u>convened and chaired by the President</u> .	Article 23 Except as otherwise provides by laws and regulations, the Board of Directors of the Company shall be convened by the President and <u>chaired by an outside director (excluding those who are audit and supervisory committee members)</u> .

(2) Reason for the proposal

The Ministry of Economy, Trade and Industry’s guidelines² point out that it is easier to ensure the effectiveness of the supervisory function of the Board of Directors when the chairperson of the Board is a non-executive director, such as an outside director. As mentioned in the guidelines, when submitting matters to the Board of Directors, important matters should be taken up for discussion in a timely manner and substantive discussions should be held on management strategies, etc., but at the Company, the executive and supervisory sides may have not only different views on the importance and necessity of a given matter, but also conflicts of interest, given that the founding families form the majority within the internal directors.

In the Board of Directors’ current situation, internal directors—the majority of whom are from the

¹Please refer to page 53 of Ministry of Economy, Trade and Industry’s “Practical Guidelines for Corporate Governance Systems (CGS Guidelines)” (https://www.meti.go.jp/policy/economy/keiei_innovation/keizaihousei/pdf/cgs/guideline2022.pdf)

²Please refer to page 21 of Ministry of Economy, Trade and Industry’s “Practical Guidelines for Corporate Governance Systems (CGS Guidelines)” (https://www.meti.go.jp/policy/economy/keiei_innovation/keizaihousei/pdf/cgs/guideline2022.pdf)

founding families—lead discussions. Shareholders cannot in this environment expect constructive discussions to take place, especially on reforms like those described above, including corporate restructuring. In order to benefit the Company as a whole and to engage in dialogue with shareholders from a medium- to long-term perspective under appropriate governance, the chairperson of the board of directors should be appointed from among outside directors. This will strengthen the involvement of outside directors, and eliminate the appearance of strong influence by the founding families.

END