

Notice of Convocation of the 6th General Meeting of Shareholders

Date and Time

August 10, 2022 (Wednesday) at 10:00 a.m.
(Check-in will begin at 9:00 a.m.)

Venue

3-1-1 Minami 10-jo Nishi, Chuo-ku, Sapporo
Sapporo Park Hotel, 3F, Park Hall

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SATUDORA HOLDINGS CO., LTD.

July 15, 2022

To our shareholders:

4-1-20, Kita 8-jo Higashi, Higashi-ku, Sapporo
SATUDORA HOLDINGS CO., LTD.
President and CEO H i r o k i T o m i y a m a

Notice of Convocation of the 6th General Meeting of Shareholders

We would like to take this opportunity to express our sincere gratitude for your continued support.

The 6th General Meeting of Shareholders of SATUDORA HOLDINGS CO., LTD. (hereinafter referred to as “the Company”) will be held as follows.

In an effort to prevent the spread of COVID-19, shareholders are kindly requested to exercise their voting rights in advance in writing or via the Internet whenever possible, and to refrain from attending the General Meeting of Shareholders in person.

Please review the Reference Documents for the General Meeting of Shareholders below and exercise your voting rights in accordance with the instructions on pages 3 and 4 no later than 6:00 p.m. on Tuesday, August 9, 2022.

Meeting Details

1. Date and Time August 10, 2022 (Wednesday) at 10:00 a.m.
(Check-in will begin at 9:00 a.m.)
2. Venue 3-1-1 Minami 10-jo Nishi, Chuo-ku, Sapporo
Sapporo Park Hotel, 3F, Park Hall
(This year’s venue is different than last year)
3. Purpose
Matters to be reported
 1. 6th Term (from May 16, 2021 to May 15, 2022)
Contents of the Business Report and the Consolidated Financial Statements, and the Audit Reports of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
 2. 6th Term (from May 16, 2021 to May 15, 2022)
Report on the contents of Financial Statements

Resolutions

- | | |
|----------------|---|
| Proposal No. 1 | Appropriation of surplus |
| Proposal No. 2 | Partial amendment to the Articles of Incorporation |
| Proposal No. 3 | Appointment of six (6) Directors (excluding those who are Members of the Audit and Supervisory Committee) |
| Proposal No. 4 | Appointment of three (3) Directors who are Members of the Audit and Supervisory Committee. |
| Proposal No. 5 | Appointment of one (1) Director who is a Substitute Member of the Audit and Supervisory Committee. |

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- If you plan to attend the meeting, please submit the enclosed voting form at the check-in desk. In addition, please bring this booklet with you to minimize waste.
 - Please note that the following documents are not included with this Notice of Convocation: "System for ensuring proper business operations" and "Outline of the operation status of the system for ensuring proper business operations" in the Business Report, "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements, and "Notes to Financial Statements" in the Financial Statements. These documents are not included here because they are posted on the Company's website (<https://satudora-hd.co.jp/ir>) in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation. Furthermore, the Business Report, Consolidated Financial Statements, and Financial Statements, which were audited by the Audit and Supervisory Committee and the Accounting Auditor in preparing the Audit Report and the Accounting Audit Report, respectively, include the items described in this document, and the documents posted on the Company's website as mentioned above.
 - If you wish to attend the meeting by proxy, in accordance with the provisions of Article 17 of the Articles of Incorporation of the Company, your proxy may only be one other shareholder who is entitled to vote. On the day of the meeting, the proxy is requested to submit the proxy's own voting form, the shareholder's own voting form, and a document evidencing the proxy's power of representation (power of attorney) at the venue reception.
 - Any amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, and the Financial Statements will be posted on the Company's website (<https://satudora-hd.co.jp/ir>).
 - A video of the General Meeting of Shareholders will be broadcast on the Internet at a later date.
 - There will be no "souvenirs" nor "shareholders banquet" for those who attend the meeting.
 - Please note that no Company briefing session will be held.

In order to keep the risk of infection from COVID-19 as minimal as possible, the General Meeting of Shareholders will be conducted with the utmost care as described below, and we ask for the understanding and cooperation of our shareholders.

- Elderly persons, persons with underlying medical conditions, pregnant women, and people who have coughs, fevers, or other health problems are requested not to enter the General Meeting of Shareholders on the day of the meeting.
- We kindly request that you consider exercising your voting rights by mail or via the Internet, etc., as an alternative method of exercising your voting rights without attending the meeting.
- Please wear a mask and use the hand sanitizer available at the venue and near the registration desk.
- To ensure the well-being and safety of other shareholders, please note that we reserve the right to refuse attendance (or ask to leave the meeting) to those who have been found to have a fever or any other unusual symptoms, or who are otherwise deemed inappropriate to attend the meeting.
- After entering, should you feel unwell, please do not hesitate to ask the nearest operational staff member for assistance.
- The Company's officers, employees, and operational staff will wear masks and verify that they are in good health before participating in the meeting.
- Seating arrangements at the venue will be arranged with ample space to ensure adequate spacing. If there are not enough seats available, admission may be denied.
- In the event of any major changes in the operation or venue of the General Meeting of Shareholders due to circumstances in the future, the Company will announce such changes on our website.

Company's website
<https://satudora-hd.co.jp>

Information on the Exercise of Voting Rights

If you are able to attend the General Meeting of Shareholders



Date and Time August 10, 2022 (Wednesday) at 10:00 a.m.



Please bring the enclosed voting form and submit it at the check-in desk.
In addition, please bring this booklet.

If you are unable to attend the General Meeting of Shareholders

< Exercise of voting rights by mail >



Voting Deadline Must arrive by 6:00 p.m. on August 9 2022 (Tuesday)

Please indicate your approval/disapproval of the proposals on the Voting Form and mail it to us.

< Exercise of voting rights via the Internet >



Voting Deadline Until 6:00 p.m. on August 9, 2022 (Tuesday)

Please either scan the QR code on the lower right corner of the voting form or visit the voting website (<http://www.web54.net>) and respond with your approval or disapproval of the agenda items.

[Note: Duplicate exercise of voting rights]

- ① If you exercise your voting rights more than once via the Internet, we will treat the last vote as the valid vote.
- ② If you exercise your voting rights by mail and via the Internet, your voting right exercised via the Internet and others will be deemed the valid vote.

[Using the Electronic Voting Platform]

(For institutional investors)

Institutional investors may also exercise their voting rights at this meeting via the Electronic Voting Platform operated by ICJ, Inc.

[To shareholders exercising their voting rights via the Internet, etc.]

During the period from 5:00 a.m. on July 16, 2022 (Saturday) to 5:00 a.m. on July 19, 2022 (Tuesday), due to website maintenance work, you will not be able to exercise your voting rights via the voting website or via “Smart Exercise.”

Reference Documents for the General Meeting of Shareholders

Proposals and reference items

Proposal No. 1 Appropriation of surplus

The Company considers it to be an important management policy to respond to the trust of our shareholders and to provide stable dividends in the future.

In addition, it is our policy to use internal reserves for investing in new businesses and other activities that will enhance our future corporate value in order to respond to anticipated changes in the business environment. Furthermore, we would like to propose that the year-end dividends be as follows.

Matters concerning year-end dividends

(1) Class of dividend property

In the form of cash.

(2) Matters concerning the allocation of dividend property to shareholders and the total amount thereof

Per one (1) ordinary share of the company	9.34 yen
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Total amount	128,828,984 yen
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(3) Date on which dividends of surplus become effective

August 12, 2022 (Friday)

Proposal No. 2 Partial amendment to the Articles of Incorporation

1. Reasons for the change

(1) Amendment to the Convocation of General Meetings of Shareholders.

With the legalization of holding general meetings of shareholders without a fixed place (so called virtual-only General Meeting of Shareholders) by listed companies as a result of enforcement of the "Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts," the Company proposes to add Article 13 (2) to the Articles of Incorporation to allow the holding of General Meetings of Shareholders without a specific place. The Company believes that expanding the method of holding General Meetings of Shareholders that can be selected will contribute to the safety and interests of shareholders, bearing in mind such factors as large-scale disasters including infectious diseases and natural disasters, as well as the progress of digitalization of society as a whole. Therefore, we are adding Article 13 (2) to the Articles of Incorporation to allow shareholders' meetings to be held without a fixed place.

(2) System change related to the General Meeting of Shareholders materials to be provided in electronic format
The amended provisions in the proviso of Article 1 of the Supplementary Provisions to the Act Partially Amending the Companies Act (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of a system for providing materials for the general meeting of shareholders in electronic format, the Company proposes to amend the Articles of Incorporation as follows:

- (i) Article 15-1 of the proposed amendment stipulates that information contained within the reference documents and other documents for general meetings of shareholders shall be provided in electronic format.
- (ii) Article 15-2 of the proposed amendment establishes a provision to limit the items in the documents to be delivered to shareholders who have requested hardcopies of documents.
- (iii) The provision of referential materials, etc. via internet disclosure and deemed delivery of reference materials, etc. for the general meeting of shareholders (Article 15 of the current Articles of Incorporation) will become unnecessary and shall be deleted.
- (iv) Supplementary provisions relating to the effective date due to the aforementioned establishment of new provisions and the deletion of the current provisions shall be added.

2. Details of the amendments

The details of the amendments are shown on the following pages

(Underlined areas indicate amendments.)

Current Articles of Incorporation	Proposed Amendments
<p>(Time of Convocation)</p> <p>Article 13 An Annual General Meeting of Shareholders of the Company shall be convened within three (3) months after the end of each fiscal year, and an Extraordinary General Meeting of Shareholders shall be convened at any time when necessary.</p> <p style="text-align: center;"><Newly added></p>	<p>(Time of Convocation)</p> <p>Article 13 An Annual General Meeting of Shareholders of the Company shall be convened within three (3) months after the end of each fiscal year, and an Extraordinary General Meeting of Shareholders shall be convened at any time when necessary.</p> <p style="text-align: center;"><u>2 The Company can hold General Meetings of Shareholders without a specific place.</u></p>

(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)

Article 15 The Company may, at the time of convening a General Meeting of Shareholders, by disclosing information pertaining to matters to be stated or indicated in the Reference Documents for the General Meeting of Shareholders, Business Report, Financial Statements and Consolidated Financial Statements by means of the Internet in accordance with the provisions of the Ordinance of the Ministry of Justice, shall be deemed to have provided such information to its shareholders.

<Newly added>

<Newly added>

<Delete>

(Measures for Providing in Electronic Format Etc.)

Article 15 When the Company convenes a General Meeting of Shareholders, it shall take measures to provide in electronic format the information contained in the Reference Documents for the General Meeting of Shareholders etc.

2 Among the items of information provided in electronic format, the Company may exclude all or a part of the items specified in the applicable Ordinance of the Ministry of Justice from the documents to be delivered to shareholders who have requested delivery of such documents by the record date of voting rights.

(Supplementary Provisions)

(Transitional Measures for Measures for Providing Information in Electronic Format, etc.)

The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the enactment of new Article 15 (Measures for Providing in Electronic Format.) of the Articles of Incorporation after Amendment shall take effect as of September 1, 2022.

2 Notwithstanding the preceding paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc) of the present Articles of

Incorporation shall remain in force with respect to General Meetings of Shareholders to be held within six months from September 1, 2022.

3 This provision of the Supplementary Provisions shall be deleted after six months have elapsed from September 1, 2022, or after three months have elapsed from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.

Proposal No. 3 Appointment of six (6) Directors (excluding those who are Members of the Audit and Supervisory Committee)

The terms of office of all seven (7) Directors (excluding those who are Members of the Audit and Supervisory Committee) will expire at the conclusion of this General Meeting so the Company proposes the appointment of six (6) Directors. Furthermore, with respect to this proposal, the Audit and Supervisory Committee has declared that all of the candidates for Director are suitable for the position.

The candidates for Director are as follows.

Candidate No.	Name	Current position in the Company	Attendance at board of directors' meetings
1	<input type="checkbox"/> Reappointment Hiroki Tomiyama	President and CEO	17/17 (100%)
2	<input type="checkbox"/> Reappointment Toshiya Yoshida	Executive Vice President and COO	17/17 (100%)
3	<input type="checkbox"/> Reappointment Satoru Yamatoya	Managing Director	17/17 (100%)
4	<input type="checkbox"/> Reappointment Hiroshi Takada	Managing Director and CHO	17/17 (100%)
5	<input type="checkbox"/> Reappointment <input type="checkbox"/> Outside Director <input type="checkbox"/> Independent Director Maki Nakamura	Outside Director	13/13 (100%)
6	<input type="checkbox"/> New appointment <input type="checkbox"/> Outside Director <input type="checkbox"/> Independent Director Takaaki Hoda	-	-

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
1	Hiroki Tomiyama (Born September 5, 1976) Reappointment	<p>April 1999 Joined Daika Inc. (now ARATA CORPORATION)</p> <p>October 2007 Joined SAPPORO DRUG STORE CO., LTD.</p> <p>October 2009 Operational Reform Promotion Office General Manager of SAPPORO DRUG STORE CO., LTD.</p> <p>April 2010 General Manager of the Sales Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2011 Director of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012 Managing Director of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012 Director of Sapporo Drug Support Co. Ltd. (now Creare Co., Ltd.)</p> <p>August 2013 President and CEO of Regional Marketing Co., Ltd.</p> <p>May 2014 President and CEO of Creare Co., Ltd.</p> <p>May 2015 President and CEO of SAPPORO DRUG STORE CO., LTD.</p> <p>February 2016 Executive Vice President of EZODEN Co., Ltd.</p> <p>August 2016 Founded and became President and CEO of the Company</p> <p>May 2017 Chairman of GRIT WORKS, CO., LTD.</p> <p>July 2017 Chairman of AI TOKYO LAB Co., Ltd. (now AWL, Inc.)</p> <p>December 2018 Chairman of CoelaQanth, Inc.</p> <p>July 2019 Chairman and CEO of Regional Marketing Co., Ltd. (current position)</p> <p>July 2019 Director of CoelaQanth, Inc. (current position)</p> <p>July 2019 Chairman of the Board of Directors of GRIT WORKS, CO., LTD. (current position)</p> <p>July 2019 Director and CMO of AWL, Inc.</p> <p>August 2020 President and CEO of the Company (current position)</p> <p>August 2020 President and CEO of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>August 2020 Director of R×R Innovation Initiative CO., LTD. (current position)</p> <p>November 2020 Outside Director of Demae-can Co., Ltd. (current position)</p> <p>November 2020 Outside Director of Valence Holdings Inc. (current position)</p> <p>April 2021 Outside Director of AWL, Inc. (current position)</p> <p>(Significant concurrent positions)</p> <p>President and CEO of SAPPORO DRUG STORE CO., LTD.</p> <p>Chairman and CEO of Regional Marketing Co., Ltd.</p> <p>Chairman of the Board of Directors of GRIT WORKS CO., LTD.</p> <p>Director of CoelaQanth, Inc.</p> <p>Director of R×R Innovation Initiative CO., LTD.</p> <p>Outside Director of AWL, Inc.</p> <p>Outside Director of Demae-can Co., Ltd.</p> <p>Outside Director of Valence Holdings Inc.</p>	353,073 shares

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
		<p data-bbox="248 203 703 230">[Reasons for selection as candidate for Director]</p> <p data-bbox="248 248 1378 277">He has a wealth of experience and advanced insight into the industry and the business activities of the Company group.</p> <p data-bbox="248 295 1449 423">In addition, he has been engaged in corporate management as a Director of the Company and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>	

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
2	<p>Toshiya Yoshida (Born March 13, 1963)</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p>	<p>April 1986 Joined Shin-kobe Electric Machinery Co., Ltd.</p> <p>April 1991 Joined Combi Corporation</p> <p>April 2005 General Manager of the Corporate Planning Office of Combi Corporation</p> <p>July 2007 Manager of the Corporate Planning Division of Combi Corporation</p> <p>April 2009 Executive Officer, Manager of the Finance Division of Combi Corporation</p> <p>March 2015 Managing Officer, Manager of the General Planning Division of The Zenitaka Corporation</p> <p>November 2015 Joined KM ALUMINIUM CO., LTD. as Assistant Section Manager of the Administrative Division</p> <p>April 2016 Director, Manager of Corporate Planning Division of KM ALUMINIUM CO., LTD</p> <p>June 2017 Managing Executive Officer, General Manager of the Administrative Division of KM ALUMINIUM CO., LTD.</p> <p>November 2017 Joined Kinugawa Rubber Industrial Co., Ltd. as Executive Officer in charge of Global Administration</p> <p>November 2018 Joined the Company as Executive Officer, Assistant to the President</p> <p>May 2019 CFO, Executive Officer, Group Leader of the Business Management Group of the Company</p> <p>May 2019 General Manager of Management Services of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2019 Managing Director, General Manager of Management Services of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2019 CFO of the Company</p> <p>August 2019 Managing Director in charge of Administration of the Company</p> <p>August 2019 Group Leader of Business Management Group of the Company</p> <p>May 2020 Managing Director, General Manager of Management Services of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2020 Executive Vice President and COO of the Company (current position)</p> <p>August 2020 Managing Director and CFO of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>(Significant concurrent positions) Managing Director and CFO of SAPPORO DRUG STORE CO., LTD.</p>	2,604 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight as a management officer at several companies, including global companies, where he was mainly engaged in corporate planning, finance, and other administrative functions. He has been engaged in corporate management as Managing Director of the Company's subsidiary SAPPORO DRUG STORE CO., LTD. since August 2019 and as the Executive Vice President of the Company since August 2020, and has performed his duties appropriately. Therefore, the</p>			

	Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.		
Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
3	Satoru Yamatoya (Born September 13, 1959) Reappointment	<p>March 1987 Joined Matsuhiro Co., Ltd.</p> <p>April 1995 Chief of the General Affairs Department of Matsuhiro Co., Ltd.</p> <p>September 2002 Joined SAPPORO DRUG STORE CO., LTD.</p> <p>November 2003 General Manager of the Corporate Planning Office of SAPPORO DRUG STORE CO., LTD.</p> <p>June 2005 Executive Officer of SAPPORO DRUG STORE CO., LTD.</p> <p>April 2007 Chief of the General Affairs Department and General Manager of the Corporate Planning Office of SAPPORO DRUG STORE CO., LTD.</p> <p>April 2009 General Manager of the Development Division of SAPPORO DRUG STORE CO., LTD.</p> <p>June 2009 Director of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012 Director of Sapporo Drug Support Co. Ltd. (now Create Co., Ltd.)</p> <p>September 2012 General Manager of the Store Development Office of Sapporo Drug Support Co., Ltd. (position became General Manager of the Store Development Division due to a name change in February 2014)</p> <p>May 2015 Managing Director of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>August 2016 Managing Director of the Company (current position)</p> <p>September 2017 Director of VISIT MARKETING CO., LTD. (now Regional Marketing Co., Ltd.)</p> <p>May 2020 Company Auditor of CoelaQanth, Inc. (current position)</p> <p>January 2022 Representative Director of S-Asset Co., Ltd. (current position)</p> <p>(Significant concurrent positions) Managing Director of SAPPORO DRUG STORE CO., LTD. Company Auditor of CoelaQanth, Inc. Representative Director of S-Asset Co., Ltd.</p>	22,228 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight regarding the business activities of the Company Group. Since June 2009, he has been engaged in corporate management as a Director and Head of the Development Department of SAPPORO DRUG STORE CO., LTD. which is a subsidiary company, and since August 2016, he has been engaged in corporate management as a Managing Director of the Company, and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
4	<p style="text-align: center;">Hiroshi Takada (Born January 20, 1964)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Reappointment</div>	<p>April 1986 Joined Kokumin Co., Ltd.</p> <p>October 1988 Joined SAPPORO DRUG STORE CO., LTD.</p> <p>June 2007 Executive Officer, Manager of the Store Operation Division of SAPPORO DRUG STORE CO., LTD. (position became General Manager of the Store Management Division due to a name change in April 2010)</p> <p>May 2011 Director of SAPPORO DRUG STORE CO., LTD.</p> <p>December 2011 Deputy General Manager of Sales and General Manager of the Store Management Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2012 Director of SAPPORO DRUG STORE CO., LTD. (now Creare Co., Ltd.) (current position)</p> <p>February 2014 Deputy General Manager of Sales and General Manager of the Dispensing Pharmacy Management Division of SAPPORO DRUG STORE CO., LTD.</p> <p>February 2015 General Manager of the Education Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2015 Managing Director, General Manager of Sales of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2016 Managing Director of the Company</p> <p>August 2017 Director of TAIWAN SATUDORA CO., LTD. (current position)</p> <p>May 2019 Managing Director, General Manager of Business Integration and Division Manager of the Drug Store Business Division of SAPPORO DRUG STORE CO., LTD.</p> <p>May 2020 Managing Director in charge of the Drugstore Business Division, Wellness Business Division and Global Business Division of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2020 Executive Vice President and COO of SAPPORO DRUG STORE CO., LTD. (current position)</p> <p>August 2021 Managing Director and CHO of the Company (current position)</p> <p>(Significant concurrent positions)</p> <p>Executive Vice President and COO of SAPPORO DRUG STORE CO., LTD.</p> <p>Director of Creare Co., Ltd.</p> <p>Director of TAIWAN SATUDORA CO., LTD.</p>	18,497 shares
<p>[Reasons for selection as candidate for Director]</p> <p>He has a wealth of experience and advanced insight regarding the business activities of the Company Group. Since May 2011, he has been engaged in corporate management as a Director and Head of the Sales Department of SAPPORO DRUG STORE CO., LTD. which is a subsidiary of the Company, and since August 2016, he has been engaged in corporate management as a Managing Director of the Company, and has performed his duties appropriately. Therefore, the Company judged that he is suitable to serve as a Director of the Company and proposes that he be reappointed as a Director of the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
5	<p data-bbox="288 947 456 1021">Maki Nakamura (Born July 21, 1964)</p> <div data-bbox="272 1039 472 1070" style="border: 1px solid black; padding: 2px;">Reappointment</div> <div data-bbox="272 1088 472 1120" style="border: 1px solid black; padding: 2px;">Outside Director</div> <div data-bbox="272 1137 472 1169" style="border: 1px solid black; padding: 2px;">Independent Director</div>	<p data-bbox="571 208 1222 1794"> April 1987 Joined Seiyu Co., Ltd. April 2000 Divisional Manager of the Textile Division and Merchandise Division of Carrefour Japan July 2002 Manager of the Household Products Division of Seiyu Co., Ltd. Feasibility Study Team Member with Walmart January 2003 Senior Director in charge of the Merchandise Division Reformation of Seiyu Co., Ltd. October 2003 Training at the Merchandise Division of Walmart US October 2004 Director of Daily Necessities of Walmart US January 2006 Senior Director of Consumables and Consumer Electronics of Walmart US January 2007 Vice President, GGM (General Merchandising Manager) of Consumables and Consumer Electronics of Seiyu Co., Ltd. March 2008 GMM (General Merchandising Manager) of Groceries and Consumables of Seiyu Co., Ltd. January 2009 Executive Officer, Senior Vice President, Food Supervisor of Seiyu GK. November 2009 Executive Officer, Supervisor, Chief Merchandising Officer (CMO) of Seiyu GK. August 2012 Executive Officer, Senior Vice President of Walmart Japan Holdings K.K. and President and CEO of Wakana Co., Ltd. August 2017 President and CEO of HAVI Supply Chain Solutions Japan G.K. September 2020 President and CEO of Mamma Co., Ltd. (current position) August 2021 Outside Director of the Company (current position) February 2022 Outside Director of OKAN, Inc. (current position) </p> <p data-bbox="528 1800 930 1906">(Significant concurrent positions) President and CEO of Mamma Co., Ltd. Outside Director of OKAN, Inc.</p>	- shares

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
		<p data-bbox="248 203 1070 230">[Reasons for selection as a candidate for Outside Director and outline of expected role]</p> <p data-bbox="248 253 1477 465">She has extensive insight and experience in corporate management, having served for many years in a variety of roles as a corporate officer and manager in several companies, including retail and global companies, and has a proven track record in supporting the development of capable women. Since August 2021, she has served as an Outside Director of the Company and has provided appropriate opinions from a fair and objective standpoint. Therefore, the Company has judged that she is suitable to serve as a Director of the Company and proposes that she be reappointed as a Director of the Company.</p>	

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
6	<p>Takaaki Hoda (Born November 16, 1974)</p> <p><input type="checkbox"/> New appointment</p> <p><input type="checkbox"/> Outside Director</p> <p><input type="checkbox"/> Independent Director</p>	<p>April 1998 Joined Lehman Brothers & Co.</p> <p>June 2002 Joined UBS Securities Japan Ltd.</p> <p>July 2006 Outside Director of Mynet Inc. (current position)</p> <p>April 2010 Associate Professor, Otaru University of Commerce, Graduate School of Commerce (MBA)</p> <p>April 2014 Associate Professor, Faculty of Global Business, Showa Women's University</p> <p>September 2015 Associate Professor, Graduate School of Business Administration, Kobe University</p> <p>April 2021 Professor, Graduate School of Business Administration, Kobe University</p> <p>April 2022 Professor, Faculty of Policy Management, Keio University (current position)</p> <p>(Significant concurrent positions) Outside Director of Mynet Inc. Professor, Faculty of Policy Management, Keio University</p>	- shares
<p>[Reasons for selection as a candidate for Outside Director and outline of expected role]</p> <p>He is a professor at the Faculty of Policy Management at Keio University. As a specialist in financial strategy and corporate governance, we can expect him to provide advice and checks and balances to the Company's management based on his many years of experience and in-depth knowledge. Therefore, the Company has judged that he is capable of appropriately performing the duties of a director of the Company and proposes that he be appointed as an Outside Director.</p>			

(Note)

1. Mr. Hiroki Tomiyama, a candidate for Director, concurrently serves as Chairman and CEO of Regional Marketing Co., Ltd., a subsidiary of the Company, and has conducted transactions between the Company and Regional Marketing Co., Ltd., such as the Company jointly guaranteeing the debts of some WeChat Pay member stores. In addition, he concurrently serves as the President and CEO of SAPPORO DRUG STORE CO., LTD., a subsidiary of the Company, and both SAPPORO DRUG STORE CO., LTD. and Regional Marketing Co., Ltd. have contractual transactions in the point card business. He concurrently serves as Chairman of the Board of Directors of GRIT WORKS, CO., Ltd. and Director of CoelaQanth, Inc., both of which are subsidiaries of the Company, and he concurrently serves as Chairman of the Board of Directors of GRIT WORKS, CO., Ltd. and Director of CoelaQanth, Inc., both of which are subsidiaries of the Company, and both of which have entered into a Cash Loan Agreement with the Company within their respective limits.
2. There are no special interests between any of the other candidates for Director and the Company.
3. Ms. Maki Nakamura is a candidate for Outside Director. The Company has notified the Tokyo Stock Exchange and the Sapporo Securities Exchange of her appointment as an independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in their rules. If the election of Ms. Nakamura is approved, the Company will continue to designate her as an independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange.
4. Mr. Takaaki Hoda is a candidate for Outside Director. If the election of Mr. Hoda is approved, the Company plans to register him with the Tokyo Stock Exchange and the Sapporo Securities Exchange as an independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in their rules.
5. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a Liability Limitation Agreement with Ms. Maki Nakamura, which limits her liability for damages arising from negligence of her duties to the amount specified by law, and if her appointment is approved, the Company plans to continue the same agreement with her.
6. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, if the appointment of Takaaki Hoda is approved, the Company plans to enter into a Liability Limitation Agreement with him to limit his liability for damages due to negligence of his duties as a director to the amount stipulated by law.
7. The Company has entered into a Liability Insurance Contract with an insurance company for its Directors and other Officers, which covers compensation for damages and litigation expenses that the insured may incur. Each candidate for Director will be insured under the relevant insurance policy. Also, this same information is scheduled to be renewed in the next update.

Proposal No. 4 Appointment of three (3) Directors who are Members of the Audit and Supervisory Committee.

As the terms of office of all directors (four (4)) who are Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders, the Company proposes the election of three (3) Directors who are Audit and Supervisory Committee Members.

Furthermore, with respect to this Proposal, the Company has obtained an opinion from the Audit and Supervisory Committee that all of the candidates for Directors who are Audit and Supervisory Committee Members are suited for the position.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows.

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
1	Akihiko Yamamoto (Born January 10, 1958) Reappointment Outside Director Independent Director	<p>April 1980 Joined The Hokkaido Bank, Ltd.</p> <p>August 1999 General Manager of Asahigaoka Branch of the Bank</p> <p>September 2000 CFO of Softfront Holdings</p> <p>August 2005 Non-executive director of Softfront Holdings</p> <p>September 2005 Representative of Yamamoto Consulting Office (current position)</p> <p>December 2006 Outside Audit & Supervisory Board Member of Jigsaw Inc. (current JIG-SAW INC.)</p> <p>December 2006 Outside Audit & Supervisory Board Member of Infoteria Inc.(current Asteria Corporation)</p> <p>May 2012 Outside Director of Kitanotatsujin Corporation</p> <p>May 2013 Outside Audit & Supervisory Board Member of SAPPORO DRUG STORE CO., LTD.</p> <p>March 2016 Outside Director (Audit and Supervisory Committee Member) of Jigsaw Inc. (current JIG-SAW INC.)(current position)</p> <p>August 2016 Outside Audit & Supervisory Board Member of the Company</p> <p>May 2017 Audit & Supervisory Board Member of GRIT WORKS Co., Ltd . (current position)</p> <p>June 2017 Audit & Supervisory Board Member of AI TOKYO LAB & Co. (current AWL, Inc.)</p> <p>August 2020 Outside Director of the Company (Audit and Supervisory Committee Member) (current position)</p> <p>(Significant concurrent positions) Representative of Yamamoto Consulting Office Outside Director (Audit and Supervisory Committee Member) of JIG-SAW INC. Audit & Supervisory Board Member of GRIT WORKS Co., Ltd .</p>	4,900 shares

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
		<p data-bbox="248 253 1437 331">[Reasons for selection as a candidate for Outside Director who is an Audit and Supervisory Committee Member and outline of expected role]</p> <p data-bbox="248 349 1485 562">In light of his past performance as an Outside Director at the Company and other companies, and based on his ample insight into corporate management as a management executive in the consulting business, we expect that he will provide effective advice in auditing the execution of duties by Directors and monitoring overall management. The Company, therefore, judges that he is suited for the position of Outside Director as an Audit and Supervisory Committee Member, and we request his continued reappointment.</p>	

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
2	<p style="text-align: center;">Kazuo Kawakami (Born September 12, 1954)</p> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Re appointment</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Independent Director</div>	<p>April 1973 Employed by Sapporo Regional Taxation Bureau</p> <p>July 2003 Deputy Commissioner of Nakagawa Tax Office (Nagoya Regional Taxation Bureau)</p> <p>July 2005 Chief of Planning Division, General Affairs Department, Sapporo Regional Taxation Bureau</p> <p>July 2007 Chief of Monbetsu Tax Office</p> <p>July 2008 Chief of Material Investigation Division, Taxation Department No. 2, Sapporo Regional Taxation Bureau</p> <p>July 2009 Chief of Corporate Taxation Division, Taxation Department No. 2, Sapporo Regional Taxation Bureau</p> <p>July 2011 Director, Personnel Section 1, General Affairs Department, Sapporo Regional Taxation Bureau</p> <p>July 2013 Director, Sapporo Kita Taxation Office</p> <p>July 2014 General Manager, Taxation Department No. 2, Sapporo Regional Taxation Bureau</p> <p>November 2015 Director, Kazuo Kawakami Tax Accountant Office (current position)</p> <p>May 2016 Outside Audit & Supervisory Board Member of SAPPORO DRUG STORE CO., LTD.</p> <p>August 2016 Outside Audit & Supervisory Board Member of the Company</p> <p>August 2020 Outside Director of the Company (Audit and Supervisory Committee member) (current position)</p> <p>(Significant concurrent positions) Director, Kazuo Kawakami Tax Accountant Office</p>	5,700 shares
<p>[Reasons for selection as a candidate for Outside Director who is an Audit and Supervisory Committee Member and outline of expected role]</p> <p>He has many years of extensive experience and broad insight into taxation and accounting matters, having worked for the National Tax Administration Bureau. Based on his insight, we expect he will apply to our audit system and provide effective advice in auditing the directors' performance of their duties and monitoring overall management. The Company, therefore, judges that he is suited for the position of Outside Director as an Audit and Supervisory Committee Member, and we request his continued reappointment.</p>			

Candidate No.	Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
3	<p>Hiroko Kono (Born May 8, 1965)</p> <p>New appointment</p> <p>Outside Director</p> <p>Independent Director</p>	<p>April 1989 Joined Mitsubishi Corporation</p> <p>July 1992 Joined Capital International Research Inc. Tokyo Office</p> <p>January 2001 The Capital Group Companies Inc. Los Angeles Headquarters</p> <p>February 2003 Capital International Research Inc. Washington, D.C. Office</p> <p>July 2008 Capital International Inc. Tokyo Office</p> <p>July 2011 Council and Director of International School of Asia, Karuizawa Establishment Preparation Foundation</p> <p>November 2013 Director and Head of Operations of International School of Asia, Karuizawa</p> <p>March 2016 Head of Operations of UWC ISAK Japan</p> <p>November 2018 Executive Coach of COACH A Co., Ltd.</p> <p>May 2021 Outside Director of Life Corporation (current position)</p> <p>March 2022 Professional Officer/Executive Coach of COACH A Co., Ltd. (current position)</p> <p>(Significant concurrent positions) Outside Director of Life Corporation Professional Officer/Executive Coach of COACH A Co., Ltd.</p>	- shares
<p>[Reasons for selection as a candidate for Outside Director who is an Audit and Supervisory Committee Member and outline of expected role]</p> <p>She has been engaged in business activities at investment companies, the establishment and operation of a school corporation, and human resource development at a coaching company and has been highly regarded for her experience and insight. We expect that she will be able to play a sufficient role in providing appropriate advice to the Company's management and supervising business activities based on her experience. Accordingly, the Company judged that she is capable of appropriately performing the duties of an Outside Director as an Audit and Supervisory Committee Member, and proposes that she be appointed as an Outside Director who is an Audit and Supervisory Committee Member.</p>			

(Note)

1. There are no special interests between the candidates for Directors who are Audit and Supervisory Committee Members and the Company.
2. Mr. Yamamoto Akihiko and Mr. Kawakami Kazuo are a candidate for outside directors. The Company has notified the Tokyo Stock Exchange and the Sapporo Securities Exchange of their appointment as an independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in their rules. If the election of they are approved, the Company will continue to designate them as independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange.
3. Ms. Kono Hiroko is a candidate for Outside Director. If the election of Ms. Kono is approved, the Company plans to register her with the Tokyo Stock Exchange and the Sapporo Securities Exchange as an independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in their rules.
4. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a Liability Limitation Agreement with Mr. Yamamoto Akihiko and Mr. Kawakami Kazuo, which limits their liability for damages arising from the negligence of their duties to the amount specified by law, and if their appointment is approved, the Company plans to continue the same agreement with them.
5. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, if the appointment of Kono Hiroko is approved, the Company plans to enter into a Liability Limitation Agreement with her to limit her liability for damages due to negligence of her duties as a director to the amount stipulated by law.
6. The Company has entered into a Liability Insurance Contract with an insurance company for its Directors and other Officers, which covers compensation for damages and litigation expenses that the insured may incur. Each candidate for Director will be insured under the relevant insurance policy. Also, this same information is scheduled to be renewed in the next update.

Proposal No. 5 Appointment of one (1) Director who is a Substitute Member of the Audit and Supervisory Committee.

In preparation for a possible shortage in the number of Directors who are Audit and Supervisory Committee Members as stipulated by law, the Company proposes the election of one (1) alternate Director who is an Audit and Supervisory Committee member. The Audit and Supervisory Committee Members have consented to this Proposal.

The candidates for substitute Audit and Supervisory Committee Member is as follows.

Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
<p>Maki Nakamura (Born July 21, 1964)</p> <p>Outside Director</p> <p>Independent Director</p>	<p>April 1987 Joined Seiyu Co., Ltd.</p> <p>April 2000 Divisional Manager of the Textile Division and Merchandise Division of Carrefour Japan</p> <p>July 2002 Manager of the Household Products Division of Seiyu Co., Ltd. Feasibility Study Team Member with Walmart</p> <p>January 2003 Senior Director in charge of the Merchandise Division Reformation of Seiyu Co., Ltd.</p> <p>October 2003 Training at the Merchandise Division of Walmart US</p> <p>October 2004 Director of Daily Necessities of Walmart US</p> <p>January 2006 Senior Director of Consumables and Consumer Electronics of Walmart US</p> <p>January 2007 Vice President, GGM (General Merchandising Manager) of Consumables and Consumer Electronics of Seiyu Co., Ltd.</p> <p>March 2008 GMM (General Merchandising Manager) of Groceries and Consumables of Seiyu Co., Ltd.</p> <p>January 2009 Executive Officer, Senior Vice President, Food Supervisor of Seiyu GK.</p> <p>November 2009 Executive Officer, Supervisor, Chief Merchandising Officer (CMO) of Seiyu GK.</p> <p>August 2012 Executive Officer, Senior Vice President of Walmart Japan Holdings K.K. and President and CEO of Wakana Co., Ltd.</p> <p>August 2017 President and CEO of HAVI Supply Chain Solutions Japan G.K.</p> <p>September 2020 President and CEO of Mamma Co., Ltd. (current position)</p> <p>August 2021 Outside Director of the Company (current position)</p> <p>February 2022 Outside Director of OKAN, Inc. (current position)</p> <p>(Significant concurrent positions) President and CEO of Mamma Co., Ltd. Outside Director of OKAN, Inc.</p>	<p>- shares</p>

Name (Date of birth)	Career summary, position, and responsibilities within the Company (Significant concurrent positions)	Number of the Company shares owned
<p>[Reasons for selection as a candidate for Outside Director who is a substitute Audit and Supervisory Committee Member and outline of expected role]</p> <p>She has extensive insight and experience in corporate management, having served for many years in a variety of roles as a corporate officer and manager in several companies, including retail and global companies, and has a proven track record in supporting the development of capable women. Since August 2021, she has served as an Outside Director of the Company and has provided appropriate opinions from a fair and objective standpoint. Therefore, the Company has judged that she is qualified to serve as a substitute Audit and Supervisory Committee Member and proposes to appoint her as a substitute Audit and Supervisory Committee Member and Outside Director.</p> <p>[In the event that the candidate assumes office as a Director who is an Audit and Supervisory Committee member]</p> <p>If Proposal No. 3, "Election of Six Directors (excluding Directors who is Audit and Supervisory Committee Members)," is approved and passed as originally proposed, Ms. Maki Nakamura is scheduled to assume the office of Director (excluding Directors who are Audit and Supervisory Committee Members). However, if the number of Audit and Supervisory Committee Members who are Directors falls short of the number stipulated by law, she may resign as a Director (excluding a Director who are Audit and Supervisory Committee Member) and assume the position of Director who is an Audit and Supervisory Committee Member.</p>		

(Note)

1. There are no special interests between the candidate for substitute Audit and Supervisory Committee Member and the Company.
2. Ms. Maki Nakamura is a candidate for Outside Director. The Company has notified the Tokyo Stock Exchange and the Sapporo Securities Exchange of Ms. Maki Nakamura's appointment as an independent officer with no risk of conflict of interest with general shareholders as stipulated in their rules. If her reappointment as a Director (excluding a Director who is an Audit and Supervisory Committee Member) is approved, and if she is subsequently appointed as a Director who is an Audit and Supervisory Committee Member, similarly, the Company will continue to designate her as an independent officer who does not have any risk of conflict of interest with general shareholders as stipulated in the rules of the Tokyo Stock Exchange and the Sapporo Securities Exchange..
3. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a Liability Limitation Agreement with Ms. Maki Nakamura, which limits her liability for damages arising from negligence of her duties to the amount specified by law. If her reappointment as a Director (excluding a Director who is an Audit and Supervisory Committee Member) is approved, and if she is subsequently appointed as a Director who is an Audit and Supervisory Committee Member, the Company plans to continue the same agreement with her.
4. The Company has entered into a Liability Insurance Contract with an insurance company for its Directors and other Officers, which covers compensation for damages and litigation expenses that the insured may incur. If his reappointment as a Director (excluding a Director who is an Audit and Supervisory Committee Member) is approved, and if he is subsequently appointed as a Director who is an Audit and Supervisory Committee Member, he will be insured under the relevant insurance policy. Also, this same information is scheduled to be renewed in the next update.

[Supplementary reference information Diversity on the Board of Directors (skill matrix)]

*In the event that Proposal No. 3・4 is approved

Name	Hiroki Tomiyama	Toshiya Yoshida	Satoru Yamatoya	Hiroshi Takada	Maki Nakamura	Takaaki Hoda	Akihiko Yamamoto	Kazuo Kawakami	Hiroko Kono
Position	President and CEO	Executive Vice President and COO	Managing Director	Managing Director and CHO	Outside Director	Outside Director	Outside Director Audit and Supervisory Committee Member	Outside Director Audit and Supervisory Committee Member	Outside Director Audit and Supervisory Committee Member
Corporate management Management strategy	○	○	○	○	○	○			
Medical care Healthcare				○					
IT and DX	○				○		○		
Finance and accounting		○					○	○	○
Sales Marketing	○		○	○					
Personnel Organization		○		○					○
Governance Compliance						○		○	○
Global		○			○	○			
ESG Sustainability	○				○	○			○

* The above list does not reflect all of the knowledge and experience possessed by the Directors.

* The list only shows up to 4 of the most prominent skills possessed by the Directors.

1. Matters Concerning the Current State of the Corporate Group

(1) Business progress and results

In the current consolidated fiscal year (May 16, 2021 to May 15, 2022), the Japanese economy continued to face a severe situation with restrictions on socio-economic activities due to the Declaration of a State of Emergency and the intermittent issuance of priority measures to prevent the spread in various parts of Japan, including Hokkaido, in response to the spread of COVID-19. Also, despite the trend toward normalization of socioeconomic activities, the future economic outlook remains uncertain due to concerns about the re-expansion of the COVID-19 disease, the tense situation in Ukraine, and the impact of rising oil and raw material prices on consumer spending.

In the drugstore industry, in which our Group mainly operates, while the demand for masks and hygiene-related products remained strong due to the impact of the COVID-19 infection, it was affected by a reactionary decline in hoarding demand, which surged in the same period of the previous year. The digital shift by consumers also continues to progress, as they are increasingly using cashless payment methods due to their growing preference for contactless transactions. Moreover, the business environment is undergoing drastic changes, including a decline in demand for cosmetics due to lifestyle changes such as the popularization of remote work, a decrease in demand for common cold remedies as infection prevention measures take hold, the disappearance of inbound demand, intensifying competition across industry boundaries and moves to reorganize the industry.

Under such circumstances, while implementing infection prevention measures and thorough hygiene management, our Group provided workplace COVID-19 vaccinations and continued to operate stores in order to fulfill our role as a social infrastructure for local communities and supplier of products in the region. We also provide vaccination support such as dispatching pharmacists to some areas in Hokkaido. In addition, on December 17, 2021, based on the view that it is essential for the Company to enhance its business value and achieve sustainable growth and medium- to long-term corporate value enhancement, we selected the Prime Market in the new market segment of the Tokyo Stock Exchange, Inc. and submitted a plan to comply with the listing maintenance standards for the new market segment.

Under the theme of "evolving into a regional integrated lifestyle group" in the medium-term management plan ending in May 15, 2026, our Group is pursuing three growth strategies (integrated lifestyle store strategy, regional platform strategy, and collaboration strategy) and an organizational strategy.

The integrated lifestyle store strategy includes expansion of the number of stores that provide fresh foods, which is part of our line-robbing efforts to expand our product categories, and provision of lifestyle services such as continuous in-store nutritional consultation sessions with nutritionists in an attempt to create stores that are supported by local residents.

The regional platform strategy includes the continuously growing "EZOCA" ecosystem centered on Hokkaido's common point card "EZOCA," the members of which surpassed 2 million in August 2021. The number of "EZOCA" partner stores expanded to 747 stores with 164 companies. "Esashi EZOCA" was launched as part of the initiatives based on a comprehensive cooperation agreement with Esashi Town. A portion of the purchase amount will be donated to the town, aiming to contribute to the revitalization of the local economy. Together

with the town, we are also engaged in a MaaS demonstration experiment to maintain and secure public transportation, aiming to establish a sustainable service by utilizing data acquired from the Esashi EZOCA.

The collaboration strategy includes a franchise store agreement with the daily necessities division of COOP SAPPORO store business which was concluded in May 2021 under the comprehensive business alliance. This agreement will lead to improved convenience for our customers, members, and other residents of Hokkaido through the supply of more favorable products. We also concluded various agreements with the city of Hakodate, Taiki Town and Sapporo University, aiming to contribute to the revitalization of the region, the improvement of services for residents, and the resolution of social issues.

In terms of organizational strategy, we established a D&I Committee in order to create an environment in which diverse human resources can play an active role, and are actively promoting health management through the establishment of a Chief Health Officer (CHO) and the enactment of the Satudora Group Health and Productivity Management Declaration. In addition, we have identified material issues (materiality) in order to establish our Group's sustainable business operations and to contribute to the sustainability of society by positioning them as the foundation for advancing our management strategies.

As a result of the above, net sales were 82,905 million yen (down 0.4%, or 335 million yen, year on year), operating profit was 747 million yen (up 16.7%, or 106 million yen, year on year), ordinary profit was 793 million yen (up 30.5%, or 185 million yen, year on year), and profit attributable to owners of parent was 316 million yen (down 44.9%, or 257 million yen, year on year).

An overview of the segment performance is as follows.

<Retail Business>

We operate a chain of drugstore-format stores aimed at becoming a dominant player primarily in Hokkaido, as well as dispensing pharmacies and inbound format stores in tourist areas and other locations which many foreign visitors to Japan frequent. On the sales front, we aim to promote a low-price strategy centered on Everyday Same Low Price (ESLP) in order to gain more customer support and to improve operational efficiency by leveling work operations. We also aim to expand product categories by strengthening line robbing, including fresh foods. In addition, we are working to improve the quality and speed of decision-making through the area divisional organization and to promote digital marketing with official apps. As for dispensing pharmacies, in addition to the operation of near hospital pharmacies, we have also established them within drugstores. At the same time, we are working to provide lifestyle services such as fitness businesses and specific health guidance by registered dietitians.

Thanks to the patronage of our customers and the support of our stakeholders, Sapporo Drugstore Co., Ltd. celebrated its 50th anniversary since the opening of its first store. The company is planning and holding a fair to commemorate the 50th anniversary and making efforts to be the most familiar and beloved company by staying close to the lives of the community for another 50 years as well.

During the consolidated fiscal year under review, the special demands for hygiene-related products, which occurred in the same period of the previous fiscal year, subsided. On the other hand, in response to the growing need for one-stop shopping, the number of customers decreased due to a decline in the frequency of customer visits. Net sales in the drugstore format increased year on year, excluding the impact of the adoption of the revenue recognition standard, as a result of a net increase in the number of stores, in addition to an increase in

the price per customer due to an increase in the number of items purchased and other factors. In terms of the inbound-format, sales continued to be marginal due to the slowdown in the number of foreign visitors to Japan. As for dispensing pharmacies, amid a trend of eased restraint on visits to medical institutions during the COVID-19, net sales grew year on year, partly due to the increased sales from the dispensing pharmacies within a drugstore which opened in the previous fiscal year.

In terms of store openings and closings, the table below shows the results of our efforts to close unprofitable stores, primarily in the inbound format.

(Status of store openings and closures)

Store classification	Format classification	End of FY May 2021	Openings	Closures	End of FY May 2022
Drugstores	Drugstore format	171 stores	7 stores	3 stores	175 stores
	Inbound format	17 stores	-	3 stores	14 stores
Pharmacies	Near hospital pharmacies	10 stores	-	-	10 stores
Other stores	The Kurashi Store of Hokkaido	2 stores	-	-	2 stores
Total		200 stores	7 stores	6 stores	201 stores

As a result of the above, sales in the retail business segment amounted to 82,051 million yen (down 0.9%, or 709 million yen year on year), and segment profit amounted to 659 million yen (up 11.7%, or 68 million yen year on year).

<IT Solutions Business>

Based on the technology developed for the Group, we are engaged in the sale of POS applications and other products that aim to solve issues from the user's point of view.

Net sales in the IT Solutions business segment amounted to 157 million yen (up 47.9%, or 50 million yen year on year), and segment profit amounted to 34 million yen (up 78.5%, or 15 million yen year on year).

<Other Businesses>

Our Group is engaged in the regional marketing business that utilizes the Hokkaido common point card "EZOCA", payment service business and the operation of programming schools for elementary and junior high school students, and information provision services for domestic and overseas companies looking for solutions to issues on the theme of retail and communities. As of the end of April 2022, the number of members of "EZOCA," Hokkaido's common point card, which is our Group's strength, surpassed 2 million. In the payment service business, cashless payment targeted at inbound customers was sluggish due to the disappearance of inbound demand, but domestic cashless payment expanded due to the increased needs for contactless payment for infection prevention.

Net sales in other business segment amounted to 1,069 million yen (up 43.8%, or 325 million yen year on year), and segment profit amounted to 6 million yen (a segment loss of 22 million yen in the same period of the previous fiscal year, an increase of 28 million yen year on year).

(2) Capital Expenditures

Major capital investments made by the Company Group during the current consolidated fiscal year were for the opening of seven new stores.

(3) Financing

The Company Group raised 1,600 million yen in the form of long-term borrowings during the current consolidated fiscal year.

(4) Assets, Profit, and Loss

① Profit and loss of the corporate group

(Unit: millions of yen)

Category	3rd Term FY May 2019	4th Term FY May 2020	5th Term FY May 2021	6th Term FY May 2022 (current consolidated fiscal year)
Net sales	84,649	89,304	83,240	82,905
Ordinary profit	448	885	607	793
Profit attributable to owners of parent	29	115	574	316
Net income per share	2.13 yen	8.40 yen	41.70 yen	22.98 yen
Total assets	35,867	36,642	38,299	41,398
Net assets	8,463	8,251	8,672	8,888
Net assets per share	599.99yen	595.90yen	625.59yen	637.45yen

(Note)

1. The above amounts are rounded down to the nearest unit.
2. The Company conducted a 3-for-1 stock split of common shares effective November 16, 2021. Net income per share and Net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 15, 2019.

② Assets, profit and loss of the Company

(Unit: millions of yen)

Category	3rd Term FY May 2019	4th Term FY May 2020	5th Term FY May 2021	6th Term FY May 2022 (current consolidated fiscal year)
Operating revenue	756	822	778	792
Ordinary profit	183	257	170	178
Profit	160	130	152	157
Net income per share	11.29 yen	9.46 yen	11.09yen	11.41 yen
Total assets	8,634	8,639	8,662	8,697
Net assets	8,513	8,517	8,543	8,579
Net assets per share	617.61 yen	617.74 yen	619.49 yen	621.64 yen

(Note)

1. The above amounts are rounded down to the nearest unit.
2. The Company conducted a 3-for-1 stock split of common shares effective November 16, 2021. Net income per share and Net assets per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 15, 2019.

(5) Significant subsidiaries

① Significant subsidiaries

Company name	Share capital	Capital contribution ratio	Description of main business activities
SAPPORO DRUG STORE CO., LTD.	100 million yen	100.0%	Sales of pharmaceuticals, medicines, cosmetics, daily necessities, foods, and other goods through drugstores and prescription pharmacies
Creare Co., Ltd.	10 million yen	100.0% (100.0%)	Import, export, manufacturing, wholesaling, and sales of goods
TAIWAN SATUDORA CO., LTD.	145 million New Taiwan dollar	100.0% (100.0%)	Wholesale business
Regional Marketing Co., Ltd.	156 million yen	68.2%	Marketing operations in the point card business and payment service business Inbound marketing business Community business and Media business
GRIT WORKS, CO., LTD.	10 million yen	66.0%	Development, sales, and leasing of POS systems and other products
CoelaQanth, Inc.	25 million yen	100.0%	Education and language classes, coworking space business
RxR Innovation Initiative CO., LTD.	10 million yen	75.0%	Planning, production, and operation of various online services, events, and seminars for the corporate community
S-Asset Co., Ltd	50 million yen	100.0% (100.0%)	Real estate asset management business

(Note)

1. The figures in parentheses in the Capital contribution ratio column indicate the percentage of indirect ownership.
2. The above amounts have been rounded down to the nearest unit.

② Specified wholly-owned subsidiaries at the end of the fiscal year

Company name	Address	Total carrying amount	Total assets of the Company
SAPPORO DRUG STORE CO., LTD.	4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo	8.095 billion yen	8.697 billion yen

(6) Issues to be addressed

In the drugstore industry, in which our Group mainly operates, while the demand for masks and hygiene-related products remained strong due to the impact of the COVID-19 infection, it was affected by a reactionary decline in hoarding demand, which surged in the same period of the previous year. The digital shift by consumers also continues to progress, as they are increasingly using cashless payment methods due to their growing preference for contactless transactions. Moreover, the business environment is undergoing drastic changes, including a decline in demand for cosmetics due to lifestyle changes such as the popularization of remote work, a decrease in demand for common cold remedies as infection prevention measures take hold, the disappearance of inbound demand, intensifying competition across industry boundaries and moves to reorganize the industry.

Under this business environment, the Company Group will actively pursue the <Promotion of the Medium-term Management Plan>.

<Promotion of the Medium-term Management Plan>

The Company has formulated a medium-term management plan covering the period from FY May 2022 to FY May 2026, the theme of which is "evolving into a regional integrated lifestyle group," and will actively promote the following 4 priority initiatives.

(Growth Strategies)

① Integrated lifestyle store strategy

- Strengthening the revenue base

Pursue low-cost operations centered on full-scale ESLP, and improve the revenue structure to build a revenue base to boost the integration of stores into daily life

- Expansion of merchandise categories

Expand the product line of stores including perishables and other food products to establish a revenue model viable even in small trading area for the expansion of the potential of new store openings

- Implementation of life services

Linking the Company Group's growth with the enhancement of regional value through the implementation of services that support the daily-life of regional residents in dominant stores in Hokkaido

② Regional platform strategy

- Expansion of the EZOCA economic zone

Expand the membership and transactions, and accumulate data by improving the convenience of the card through the increase of the number of affiliated stores and services of the card

- Utilization of big data

Create new value by utilizing big data on customer and payment information accumulated through the expansion of the EZOCA economic zone, and healthcare data from the SATUDORA Walk app

- Realization of a regional currency concept

Social implementation of a regional currency that can be used for daily consumption throughout Hokkaido, drawing on a base of approximately 200 physical stores in Hokkaido and over 2 million EZOCA members, in order to revitalize the regional economy

③ Collaboration strategy

- Expansion and deepening of partnerships with local governments
Strengthen partnerships with local governments, sports teams, and schools to create a successful business model for solving regional social issues by utilizing the diverse resources acquired through diversification of business
- Strengthening corporate partnerships
Strengthen corporate partnerships in a manner that goes beyond simple outsourcing by addressing regional issues with an issue-driven mindset while leveraging the corporate and economic communities
- Promotion of open innovation
Leverage the strength of having physical stores and high-frequency contact points with local residents to collaborate with external partners, including venture companies, for the promotion of innovation

④ Organizational strategies

- Creation of diverse organizations
To maximize the performance of collaborative strategies, the Company will work to create a system and culture that allows diverse human resources to play an active role, and build an organization that actively incorporates knowledge from both inside and outside the company.
- Enhancement of governance
In striving to become a regional integrated lifestyle group, the Company will fulfill its accountability to a wide range of stakeholders, and will continue to enhance its corporate governance system to improve corporate value.
- Increase in productivity
With the aim of improving group productivity, the Company is continuously streamlining its business processes by actively incorporating technology and promoting digital transformation.

(7) Description of main business activities (as of May 15, 2022)

The Company is engaged in the management of group companies and other operations incidental or related thereto.

The Company Group consists of the Company and eight consolidated subsidiaries, and is mainly engaged in the retail business of operating drugstores and dispensing pharmacies, the development and sale of POS applications in the IT solutions business, and other businesses such as regional marketing and payment services.

(8) Main business offices and stores (as of May 15, 2022)

① The Company

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

② Subsidiaries

SAPPORO DRUG STORE CO., LTD.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Stores 201 locations

The distribution of stores (names of municipalities, and the number of stores) is as follows.

Name of municipality	Number of stores	Name of municipality	Number of stores	Name of municipality	Number of stores
Sapporo, Hokkaido	74	Fukagawa, Hokkaido	1	Shimizu, Kamikawa District, Hokkaido	1
Hakodate, Hokkaido	14	Furano, Hokkaido	1	Memuro, Kasai District, Hokkaido	1
Obihiro, Hokkaido	6	Date, Hokkaido	1	Taiki, Hiroo District, Hokkaido	1
Chitose, Hokkaido	6	Kutchan, Abuta District, Hokkaido	2	Makubetsu, Nakagawa District, Hokkaido	1
Otaru, Hokkaido	5	Iwanai, Iwanai District, Hokkaido	2	Ikeda, Nakagawa District, Hokkaido	1
Asahikawa, Hokkaido	4	Esahi, Hiyama District, Hokkaido	2	Ashoro, Ashoro District, Hokkaido	1
Eniwa, Hokkaido	4	Bihoro, Abashiri District, Hokkaido	2	Akkeshi, Akkeshi District, Hokkaido	1
Kitami, Hokkaido	4	Otofuke, Kato District, Hokkaido	2	Shibecha, Kawakami District, Hokkaido	1
Hokuto, Hokkaido	3	Kushiro (Town), Kushiro District, Hokkaido	2	Teshikaga, Kawakami District, Hokkaido	1
Kushiro (City), Hokkaido	3	Kuriyama, Yubari District, Hokkaido	1	Shiranuka, Shiranuka District, Hokkaido	1
Tomakomai, Hokkaido	3	Tobetsu, Ishikari District, Hokkaido	1	Nakashibetsu, Shibetsu District, Hokkaido	1
Wakkanai, Hokkaido	3	Niseko, Abuta District, Hokkaido	1	Rusutsu, Abuta District, Hokkaido	1
Ebetsu, Hokkaido	3	Yoichi, Yoichi District, Hokkaido	1	Nakasatsunai, Kasai District, Hokkaido	1
Kitahiroshima, Hokkaido	3	Toyako, Abuta District, Hokkaido	1	Fukuoka, Fukuoka Prefecture	1
Noboribetsu, Hokkaido	2	Hidaka, Saru District, Hokkaido	1	Tomigusuku, Okinawa Prefecture	3
Muroran, Hokkaido	2	Urakawa, Urakawa District, Hokkaido	1	Naha, Okinawa Prefecture	1
Rumoi, Hokkaido	2	Shinhidaka, Hidaka District, Hokkaido	1		
Nemuro, Hokkaido	2	Nanae, Kameda District, Hokkaido	1		
Takikawa, Hokkaido	2	Mori, Kayabe District, Hokkaido	1		
Monbetsu, Hokkaido	2	Yakumo, Futami District, Hokkaido	1		
Iwamizawa, Hokkaido	1	Setana, Kudo District, Hokkaido	1		
Abashiri, Hokkaido	1	Hamatombetsu, Esashi District, Hokkaido	1		
Bibai, Hokkaido	1	Rishiri, Rishiri District, Hokkaido	1		
Shibetsu, Hokkaido	1	Shari, Shari District, Hokkaido	1		
Sunagawa, Hokkaido	1	Engaru, Monbetsu District, Hokkaido	1		

Creare Co., Ltd.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

TAIWAN SATUDORA CO., LTD.

Head office 2F, No. 189, Gangqian Rd., Neihu District, Taipei City, Taiwan (R.O.C.)

Regional Marketing Co., Ltd.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Business office 5-23-1 Minami Ni-jo Nishi, Chuo Ward, Sapporo

GRIT WORKS, CO., LTD

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Business office 1-2-4 Kinshi, Sumida-ku, Tokyo

CoelaQanth, Inc.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

Classrooms 1 Classroom (In Sapporo)

(as of May 15, 2022)

RxR Innovation Initiative CO., LTD.

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

S-Asset Co., Ltd

Head office 4-1-20 Kita 8-jo Higashi, Higashi-ku, Sapporo

(9) Employees (as of May 15, 2022)

Employees of the corporate group

Number of employees	Change from the end of the previous consolidated fiscal year
1,067 people (1,516 people)	+12 people (-46 people)

(Note) The number of employees in the above table is the number of full-time employees, and the average annual number of temporary employees is shown in parentheses.

a

(10) Main creditors (as of May 15, 2022)

Creditor	Borrowings
	Millions of yen
The Hokkaido Bank, Ltd.	3,600
Mizuho Bank, Ltd.	2,999
North Pacific Bank, Ltd.	1,100
The Aomori Bank, Ltd.	1,000
Sumitomo Mitsui Trust Bank, Limited	800
Resona Bank, Limited	800

(Note) The above amounts are rounded down to the nearest unit.

(11) Other significant matters concerning the corporate group

None.

2. Matters Regarding Shares of the Company

(1) Shares (as of May 15, 2022)

- ① Total number of shares authorized to be issued 56,904,000 shares
- ② Total number of issued shares 14,226,000 shares (Treasury shares: 432,747 shares)
- ③ Number of shareholders 10,799
- ④ Major shareholders (top 10)

Shareholder name	Number of shares held	Shareholding ratio
	shares	%
Tommy Corporation	4,149,000	30.07
The Master Trust Bank of Japan, Ltd. (trust account)	706,000	5.11
BBH Fidelity Puritan Fidelity Series Intrinsic Opportunities Fund	456,100	3.30
Hiroki Tomiyama	353,073	2.55
Mutsuhiro Tomiyama	352,107	2.55
SDS Employee Stock Ownership Association	277,300	2.01
The Hokkaido Bank, Ltd.	259,800	1.88
Hirooka Seiji	248,700	1.80
Sangensyoku, Ltd	190,700	1.38
PALTAC CORPORATION	180,000	1.30

(Note)

1. The names of major shareholders and the number of shares held are based on the shareholder registry, with treasury shares excluded from the above major shareholders.
2. The shareholding ratio is calculated based on the number of shares (13,793,253 shares) obtained by subtracting treasury shares from the total number of outstanding shares, and rounded down to the second decimal.

(2) Status of shares issued to Company officers as compensation for the execution of their duties during the fiscal year under review

The Company issued 3,225 shares of common stock as restricted share remuneration to six Directors (excluding those who are Outside Directors and Audit and Supervisory Committee Members) on September 1, 2021.

(3) Other significant matters regarding shares

To improve the liquidity of the stock and expand the investor base, the Company conducted a 3-for-1 stock split of common shares effective November 16, 2021.

3. Matters Regarding Share Acquisition Rights of the Company

(1) Share acquisition rights granted to Officers of the Company as compensation for performing their duties

- Number of share acquisition rights
200
- The class and number of shares intended to be issued
Ordinary shares 60,000 shares (300 shares per share acquisition right)
- Total share acquisition rights held by Directors of the Company by category

	Session order (exercise price)	Exercise period	Number of rights	Number of holders
Directors (excluding those who are Members of the Audit and Supervisory Committee and Outside Directors)	1st session (197,600 yen)	April 11, 2021 to April 10, 2024	67 rights	5 people

(Note) On November 16, 2021, the Company conducted a three-for-one stock split of its common stock, resulting in the above change in the “class and number of shares to be issued upon exercise of the stock acquisition rights.

(2) Share acquisition rights of employees of the Company as compensation for performing their duties during the current fiscal year

None

4. Matters Regarding Company Officers

(1) Directors (as of May 15, 2022)

Position in the Company	Name	Responsibilities and significant concurrent positions
Chairman of the Board of Directors and Founder	Mutsuhiro Tomiyama	President and CEO of Tommy Corporation
Vice-Chairman of the Board of Directors and Founder	Mitsue Tomiyama	
President and CEO	Hiroki Tomiyama	President and CEO of SAPPORO DRUG STORE CO., LTD. Chairman and CEO of Regional Marketing Co., Ltd. Chairman of the Board of Directors of GRIT WORKS CO., LTD. Director of CoelaQanth, Inc. Director of RxR Innovation Initiative CO., LTD. Outside Director of AWL, Inc. Outside Director of Demae-can Co., Ltd. Outside Director of Valuence Holdings Inc.
Executive Vice President and COO	Toshiya Yoshida	Managing Director and CFO of SAPPORO DRUG STORE CO., LTD.
Managing Director	Satoru Yamatoya	Managing Director of SAPPORO DRUG STORE CO., LTD. Company Auditor of CoelaQanth, Inc. Representative Director of S-Asset Co., Ltd.
Managing Director and CHO	Hiroshi Takada	Executive Vice President and COO of SAPPORO DRUG STORE CO., LTD. Director of Create Co., Ltd. Director of TAIWAN SATUDORA CO., LTD.
Director	Maki Nakamura	President and CEO of Mamma Co., Ltd. Outside Director of OKAN, Inc.
Director (Audit and Supervisory Committee Member)	Yoshiharu Endo	Outside Director of Sagami Holdings Corporation
Director (Audit and Supervisory Committee Member)	Jun Sekine	
Director (Audit and Supervisory Committee Member)	Akihiko Yamamoto	Representative of the Yamamoto Consulting Office Outside Director (Audit and Supervisory Committee Member) of JIG-SAW INC. Company Auditor of GRIT WORKS, CO., LTD.
Director (Audit and Supervisory Committee Member)	Kazuo Kawakami	Director of the Kazuo Kawakami Tax Accountant Office

(Note)

- Ms. Maki Nakamura was newly appointed at the 5th Annual General Meeting of Shareholders held on August 11, 2021.
- Directors Ms. Maki Nakamura, Mr. Yoshiharu Endo, Mr. Jun Sekine, Mr. Akihiko Yamamoto, and Mr. Kazuo Kawakami are Outside Directors.
- The Company does not appoint a full-time Audit and Supervisory Committee Member because the Company ensures the effectiveness of audits by appointing a selected Audit and Supervisory Committee Member from among the Audit and Supervisory Committee Members, collecting information through their attendance at important meetings, and by conducting systematic audits through the internal control system.
- Mr. Yoshiharu Endo and Mr. Jun Sekine, both Members of the Audit and Supervisory Committee, have many years of experience in corporate management and extensive knowledge of economics and other fields. Mr. Akihiko Yamamoto, a Member of the Audit and Supervisory Committee, possesses sufficient insight into corporate management as a manager in the consulting business. In addition, Mr. Kazuo Kawakami, a Member of the Audit and Supervisory Committee, is a licensed tax accountant and has a professional perspective on taxation and considerable knowledge of finance and accounting.
- Directors Ms. Maki Nakamura, Mr. Yoshiharu Endo, Mr. Jun Sekine, Mr. Akihiko Yamamoto, and Mr. Kazuo Kawakami have been certified by the Tokyo Stock Exchange and the Sapporo Securities Exchange as Independent Officers free from any risk of conflict of interest with general shareholders.

(2) Outline of the details of the Limited Liability Agreement

The Company has entered into the Limited Liability Agreement stipulated in Article 427, Section 1 of the Companies Act with all Outside Directors, and the maximum amount of liability for damages under the said agreement is the minimum liability amount stipulated in Article 425, Section 1 of the Companies Act.

(3) Matters regarding Liability Insurance Contracts for Directors and other Officers

A) Scope of the insured

All of the Company's Officers (including Officers of group companies)

B) Outline of the description of Liability Insurance Contracts for Directors and other Officers

Compensation for damages and litigation expenses incurred by the insured due to damages resulting from acts (including inactions) committed by the insured as an Officer of the Company. However, measures are taken to ensure that the proper performance of duties by Officers is not impaired by excluding from compensation for any damages caused by criminal acts or intentional illegal acts committed by the Officers themselves. Insurance premiums will be fully paid by the Company.

(4) Total amount of remuneration for Directors and Company Auditors

Category	Total of remuneration	Fixed remuneration	Non-monetary remuneration	number of people to be paid
Directors (excluding Audit and Supervisory Committee Members) (of which are Outside Directors)	75 million yen (4 million yen)	68 million yen (4 million yen)	6 million yen (-)	7 (1)
Directors (Audit and Supervisory Committee Members) (of which are Outside Directors)	18 million yen (18 million yen)	18 million yen (18 million yen)	- million yen (-)	4 (4)
Total (of which are Outside Officers)	93 million yen (22 million yen)	86 million yen (22 million yen)	6 million yen (-)	11 (5)

(Note)

1. The amount of remuneration for Directors (excluding Audit and Supervisory Committee Members) was decided at the 4th General Meeting of Shareholders held on August 12, 2020 to be within the total amount of 170 million yen per year.
2. The amount of remuneration for Directors (Audit and Supervisory Committee Members) was decided at the 4th General Meeting of Shareholders held on August 12, 2020 to be within the total amount of 40 million yen per year.
3. A resolution was passed at the 4th General Meeting of Shareholders held on August 12, 2020, regarding remuneration for the grant of restricted shares to Directors (excluding those who are Outside Directors and Audit and Supervisory Committee Members), with the amount being 30 million yen per year, the total amount of common stock within 19,000, and the number of members 6 (including 0 outside directors).
4. Non-monetary remuneration (restricted share compensation) to Directors (excluding those who are Outside Directors and Audit and Supervisory Committee Members) consisted of the allocation of 3,225 shares of common stock to six directors based on a resolution of the Board of Directors meeting held on August 31, 2021.
5. The above number of personnel represent the actual number of remuneration recipients.
6. The above amounts are rounded down to the nearest unit.
7. In addition to the above, the amount of remuneration received by Outside Directors from the Company's subsidiaries was 600,000 yen.

Policy regarding content of individual remuneration for Directors (excluding those who are Audit and Supervisory Committee)

The determination policy regarding individual remuneration for Directors was decided at the Board of Directors meeting held on January 29, 2021 based on the consideration on how the remuneration structure should be in order to achieve sustainable improvement of corporate value.

■ Policy regarding content of individual remuneration for Directors who are Audit and Supervisory Committee Members

The amount of remuneration for each individual Director who is an Audit and Supervisory Committee Member shall be determined by consultation with such Director who is an Audit and Supervisory Committee Member, within the limits approved by the General Meeting of Shareholders for such Director.

■ Matters regarding the determination of individual remuneration for Directors

<Composition of remuneration>

Remuneration for Directors (excluding those who are Audit and Supervisory Committee Member) consists of fixed remuneration and non-monetary remuneration as mid- to long-term incentive remuneration (restricted share compensation). The ratio of fixed remuneration to non-monetary remuneration shall be approximately 90:10.

Remuneration for Outside Directors and Audit and Supervisory Committee Members is limited to fixed remuneration only and is not subject to non-monetary remuneration (restricted share compensation).

<Fixed remuneration>

The total amount of fixed remuneration is within the range determined by the report of the Nomination and Compensation Committee, a resolution of the Board of Directors, and the maximum amount submitted to the General Meeting of Shareholders. As for the fixed remuneration of Directors, which is a component of the total amount of remuneration, the Company determines the amount to be allocated, taking into consideration the standards of the industry or of other similarly sized companies. The fixed remuneration shall be paid in pre-determined amounts during the term of office.

< Non-monetary remuneration (restricted share compensation)>

The Company has introduced a restricted share compensation system so that Directors (excluding those who are Outside Directors and Audit and Supervisory Committee Members) can share the benefits and risks of stock price fluctuations with shareholders and be more motivated than ever to contribute to the increase in stock price and corporate value.

■ Reasons the Board of Directors determined that the details of individual remuneration of Directors is in line with the Determination Policy

In determining the terms of individual remuneration for Directors, the Nomination and Compensation Committees comprehensively reviewed the drafts, including consistency with the Determination Policy, and the Board of Directors respected the content of their report and judged that it was in line with the Determination Policy.

(5) Matters regarding Outside Directors

① Significant concurrent positions held as an Executive at other companies, and the relationship between the Company and said other companies

Ms. Maki Nakamura, an Outside Director, is the President and CEO of Mamma Co., Ltd. There is no special relationship between the Company and this company.

Mr. Akihiko Yamamoto, an Outside Director (Audit and Supervisory Committee Member), is the representative of the Yamamoto Consulting Office. There is no special relationship between the Company and this office.

Mr. Kazuo Kawakami, an Outside Director (Audit and Supervisory Committee Member), is the Director of the Kazuo Kawakami Tax Accountant Office. There is no special relationship between the Company and this office.

② Significant concurrent positions held as an Outside Director at other companies, and the relationship between the Company and said other companies

Ms. Maki Nakamura, an Outside Director, is an Outside Director of OKAN, Inc. There is no special relationship between the Company and this company.

Mr. Yoshiharu Endo, an Outside Director (Audit and Supervisory Committee Member), is an Outside Director of Sagami Holdings Corporation. There is no special relationship between the Company and this company.

Mr. Akihiko Yamamoto, an Outside Director (Audit and Supervisory Committee Member), is also an Outside Director (Audit and Supervisory Committee Member) of JIG-SAW INC. There is no special relationship between the Company and this company. Mr. Yamamoto concurrently serves as an Outside Director of GRIT WORKS Co., Ltd., and the Company and GRIT WORKS Co., Ltd. have entered into a monetary loan agreement within the maximum amount.

③ Major activities in the current fiscal year

Category	Name	Outline of activities and roles expected to be played by Outside Directors
Director	Maki Nakamura	<p>Board of Directors meetings 13/13</p> <p>She attended 13 of the 13 meetings of the Board of Directors held during the current fiscal year after assuming office as Director</p> <p>Based on her insights gained from her extensive experience as a corporate executive at other companies, she makes necessary statements from an objective standpoint regarding the adequacy of management decision-making at Board of Directors meetings, as needed, in an appropriate manner.</p>
Director (Audit and Supervisory Committee Member)	Yoshiharu Endo	<p>Board of Directors meetings 17/17</p> <p>Audit and Supervisory Committee meetings 5/5</p> <p>Nomination and Compensation Committee meetings 3/3</p> <p>Based on his insights gained from his extensive experience as a corporate executive at other companies, he makes necessary statements from an objective standpoint regarding the adequacy of management decision-making at Board of Directors meetings, as needed, in an appropriate manner. In addition to the above, he serves as the Chairman of the Audit and Supervisory Committee and makes necessary statements from an objective standpoint in exchanges of opinions with the Internal Audit Department and in dialogues with the Secretariat, as needed, in an appropriate manner.</p>
Director (Audit and Supervisory Committee Member)	Jun Sekine	<p>Board of Directors meetings 17/17</p> <p>Audit and Supervisory Committee meetings 5/5</p> <p>Nomination and Compensation Committee meetings 3/3</p> <p>Based on his insights gained from his extensive experience as a corporate executive at other companies, he makes necessary statements from an objective standpoint regarding the adequacy of management decision-making at Board of Directors meetings, as needed, in an appropriate manner. In addition to the above, he serves as the Chairman of the Nomination and Compensation Committee and makes recommendations on how the remuneration system should be structured.</p>
Director (Audit and Supervisory Committee Member)	Akihiko Yamamoto	<p>Board of Directors meetings 17/17</p> <p>Audit and Supervisory Committee meetings 5/5</p> <p>Based on his experience as an Outside Company Auditor at other companies and his insight as a manager in the consulting business, he makes necessary statements at Board of Directors meetings and Audit and Supervisory Committee meetings, as needed, in an appropriate manner.</p>
Director (Audit and Supervisory Committee Member)	Kazuo Kawakami	<p>Board of Directors meetings 17/17</p> <p>Audit and Supervisory Committee meetings 5/5</p> <p>He makes necessary statements at Board of Directors meetings and Audit and Supervisory Committee meetings from his professional perspective as a tax accountant, as needed, in an appropriate manner.</p>

5. Matters Regarding Accounting Auditors

(1) Name of the Accounting Auditor Ernst & Young ShinNihon LLC

(2) Amount of remuneration

	Amount of payment
Amount of remuneration as Accounting Auditor for the current fiscal year	12 million yen
Total sum and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	24 million yen

(Note)

1. In the audit contract between the Company and the Accounting Auditor, the audit fees for audits based on the Companies Act and the audit fees for audits based on the Financial Instruments and Exchange Act are not clearly distinguished and cannot be practically distinguished. Therefore, the amount of remuneration paid to the Accounting Auditor for the current fiscal year includes the total sum of these amounts.
2. The Audit and Supervisory Committee made a decision to consent to the amount of remuneration of the Accounting Auditor after conducting necessary verifications on the appropriateness of the content of the audit plan, the performance of duties by the Accounting Auditor, and the basis for calculating the remuneration estimate.
3. The above amounts are rounded down to the nearest unit.

(3) Policies for determination of dismissal of or refusal to reappoint Accounting Auditors

The Audit and Supervisory Committee will dismiss the Accounting Auditor with the unanimous consent of all Audit and Supervisory Committee Members if it is deemed that the Accounting Auditor falls under any of the items stipulated in Article 340, Section 1 of the Companies Act. In addition, if the Audit and Supervisory Committee determines that the appropriateness and reliability of the audit cannot be ensured following a comprehensive assessment of the Accounting Auditor's performance of duties and other factors, the Audit and Supervisory Committee will determine the details of a proposal for the dismissal of or refusal to reappoint the Accounting Auditor for submission to the General Meeting of Shareholders.

Consolidated Balance Sheet

(as of May 15, 2022)

(Unit: millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	20,069	Current liabilities	18,366
Cash and deposits	2,957	Accounts payable - trade	12,334
Accounts receivable - trade	3,085	Short-term borrowings	300
Merchandise	10,771	Current portion of long-term borrowings	1,014
Accrued receivable - other	2,681	Accounts payable - other	3,246
Income taxes receivable	88	Lease obligations	59
Other	484	Income taxes payable	51
Non-current assets	21,329	Accrued consumption taxes	30
Property, plant and equipment	13,077	Provision for bonuses	536
Buildings and structures	7,358	Other	794
Tools, furniture and fixtures	829	Non-current liabilities	14,143
Land	3,869	Long-term borrowings	11,734
Leased assets	781	Lease obligations	769
Construction in progress	239	Retirement benefit liability	634
Intangible assets	451	Asset retirement obligations	532
Software	336	Other	472
Other	115	Total Liabilities	32,510
Investments and other assets	7,799	Net assets	
Investment securities	263	Shareholders' equity	8,857
Leasehold and guarantee deposits	6,222	Share capital	1,000
Deferred tax assets	896	Capital surplus	2,095
Other	435	Retained earnings	6,061
Allowance for doubtful accounts	△18	Treasury shares	△299
		Accumulated other comprehensive income	△65
		Valuation difference on available-for-sale securities	1
		Foreign currency translation adjustment	△65
		Adjustments of defined benefit plans	△0
		Share acquisition rights	4
		Non-controlling interests	91
		Total net assets	8,888
Total assets	41,398	Total liabilities and net assets	41,398

(Note) All amounts are rounded down to the nearest million yen.

Consolidated Statement of Income

(From May 16, 2021
to May 15, 2022)

(Unit: millions of yen)

Item	Amount	
Net sales		82,905
Cost of sales		62,862
Gross profit		20,042
Selling, general and administrative expenses		19,295
Operating profit		747
Non-operating income		
Interest and dividend income	19	
Gain on donation of non-current assets	25	
Foreign exchange gains	22	
Other	75	143
Non-operating expenses		
Interest expenses	92	
Commission expenses	2	
Other	2	97
Ordinary profit		793
Extraordinary income		
Gain on sale of non-current assets	41	41
Extraordinary losses		
Loss on retirement of non-current assets	14	
Impairment losses	376	
Loss on store closings	12	402
Profit before income taxes		431
Income taxes - current	184	
Income taxes - deferred	△81	102
Profit		328
Profit attributable to non-controlling interests		11
Profit attributable to owners of parent		316

(Note) All amounts are rounded down to the nearest million yen.

Consolidated Statement of Changes in Equity

(From May 16, 2021
to May 15, 2022)

(Unit: millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,000	2,099	5,873	△306	8,666	4	△42	△5	△43	4	44	8,672
Changes during period												
Dividends of surplus			△128		△128							△128
Profit attributable to owners of parent			316		316							316
Disposal of treasury shares		0		6	6							6
Capital increase of consolidated subsidiaries		△3			△3						35	31
Net changes of items other than shareholders' equity						△3	△22	4	△21	-	11	△9
Total changes during period	-	△3	188	6	191	△3	△22	4	△21	-	46	216
Balance at end of period	1,000	2,095	6,061	△299	8,857	1	△65	△0	△65	4	91	8,888

(Note) All amounts are rounded down to the nearest million yen.

Balance Sheet

(as of May 15, 2022)

(Unit: millions of yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	153	Current liabilities	118
Cash and deposits	110	Accounts payable - other	46
Income taxes receivable	15	Accrued expenses	48
Other	27	Income taxes payable	9
Non-current assets	8,544	Accrued consumption taxes	10
Property, plant and equipment	0	Other	2
Equipment	0	Total liabilities	118
Intangible assets	18	Net assets	
Trademark right	13	Shareholders' equity	8,574
Software	4	Share capital	1,000
Investments and other assets	8,525	Capital surplus	7,416
Investment securities	204	Legal capital surplus	250
Shares of subsidiaries and associates	8,294	Other capital surplus	7,166
Deferred tax assets	26	Retained earnings	456
Other	0	Other retained earnings	456
		Retained earnings brought forward	456
		Treasury shares	△299
		Share acquisition rights	4
		Total net assets	8,579
Total assets	8,697	Total liabilities and net assets	8,697

(Note) All amounts are rounded down to the nearest million yen.

Statement of Income

(From May 16, 2021
to May 15, 2022)

(Unit: millions of yen)

Item	Amount	
Operating revenue		792
Operating expenses		616
Operating profit		176
Non-operating income		
Interest income	0	
Other	4	5
Non-operating expenses		
Interest expenses	0	
Amortization of organization expenses	1	2
Ordinary profit		178
Profit before income taxes		178
Income taxes - current	21	
Income taxes - deferred	0	21
Profit		157

(Note) All amounts are rounded down to the nearest million yen.

Statement of Changes in Equity

(From May 16, 2021
to May 15, 2022)

(Unit: millions of yen)

	Shareholders' equity								Share acquisition rights	Total net assets
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	1,000	250	7,166	7,416	428	428	△306	8,538	4	8,543
Changes during period										
Dividends of surplus					△128	△128		△128		△128
Profit					157	157		157		157
Disposal of treasury shares			0	0			6	6		6
Net changes of items other than shareholders' equity										
Total changes during period	-	-	0	0	28	28	6	35	-	35
Balance at end of period	1,000	250	7,166	7,416	456	456	△299	8,574	4	8,579

(Note) All amounts are rounded down to the nearest million yen.