



Corporate Governance For Tsuruha

June 22, 2023

Oasis urges all Tsuruha shareholders to **vote AGAINST company proposals** and **vote FOR Oasis's proposals** at the AGM

Proposing entity	Proposals	Proposal details	Recommended voting actions
Oasis's Proposal	Reappointment of incumbent outside directors	<ul style="list-style-type: none"> Reappointment of Mr. Harumi Sato and Mr. Takuya Okazaki, who lack independence 	Vote FOR
	Election of new outside directors	<ul style="list-style-type: none"> Appointment of five new highly qualified, independent and diverse directors 	
	Dismissal of existing outside directors	<ul style="list-style-type: none"> Dismissal of "independent director" Mr. Fumiyo Fujii, who lacks independence 	
	Revision of Outside Director Compensation	<ul style="list-style-type: none"> Introduction of a new compensation plan that increases the transparency of outside directors' compensation and aligns their incentives with shareholders 	
Expected proposals by the Company	Amendment to Articles of Incorporation	<ul style="list-style-type: none"> Amend the Articles of Incorporation to: <ul style="list-style-type: none"> Abolish the Kaicho role and remove Mr. Tatsuru Tsuruha from it Elect an outside director as board chairperson 	Vote AGAINST
	Reappointment of incumbent outside directors	<ul style="list-style-type: none"> Reappointment of Mr. Harumi Sato and Mr. Takuya Okazaki, who lack independence 	

Summary: Oasis asks its fellow shareholders to support its proposals to improve Tsuruha's corporate governance and increase its corporate value

Current situation

- Oasis is **the second largest shareholder**, holding approximately **13% of Tsuruha's outstanding shares**, more than any of the founding families. Oasis is a long-term investor, and **seeks to increase corporate value over the medium to long term**
- In an increasingly difficult business environment, Oasis is convinced that only drugstore industry leaders who proactively pursue consolidation to enhance corporate value will thrive in the future. Oasis believes that **Tsuruha is uniquely positioned to seize this opportunity and spearhead a restructuring effort that will increase corporate value through consolidation**
- On the other hand, **Oasis suspects there is strong control exerted by the three founding families, including the Tsuruha family**, while we see strong evidence to support our concerns on the **lack of independence for the outside directors**
- Thus, **we believe there are doubts against the current board's availability to assess any consolidation deals, due to the directors' background as founding family members and concerns over their independence**, a crucial matter for Tsuruha. Despite potential benefits for shareholders and other stakeholders, we believe their primary interest is self-preservation

Oasis proposals and recommended voting for fellow shareholders

- Oasis proposes a dramatic improvement in corporate governance, including **the total replacement of outside directors with new highly qualified, independent and diverse candidates**. Oasis believes this proposal is in **the best interest of all stakeholders**

Oasis recommends the following voting actions to its fellow shareholders:

Vote AGAINST

- the reappointment of the current outside directors **who lack independence from the founding families** and cannot properly oversee them

Vote FOR

- the **election of highly qualified, independent and diverse candidates** nominated by Oasis
- a new compensation proposal that is transparent and contributes to incentives for outside directors
- amendments to the AOI which will abolish the Kaicho role and elect a chairperson of the board from among outside directors

Summary: Oasis proposes corporate governance reforms to free Tsuruha from the influence of the three founding families, enabled by the outside directors where there are doubts about their independency

<p>1 About Oasis</p>	<ul style="list-style-type: none"> ▪ Oasis is the second largest shareholder, holding approximately 13% of Tsuruha's shares, more than any of the founding family members. Oasis is a long-term investor, and seeks to increase corporate value over the medium to long term ▪ Oasis is a long-term investor in the Japanese drugstore industry, and has been involved as a shareholder in the integration of Matsukiyo and Cocokara, among others
<p>2 Industry Overview</p>	<p>2a Amidst population decline and the saturation of the drugstore industry, the overall business environment is growing harsher due to factors such as rising utility costs, product price inflation, and increasing labor costs, and the need for substantial and transformative business enhancements is on the rise</p> <p>2b As the Matsukiyo/Cocokara cases shows, mergers can create significant synergies that increase corporate value and are beneficial to all stakeholders. We believe only companies that actively pursue mergers with major firms will survive over the medium to long term</p> <p>2c However, the drugstore industry, with its complex capital structure, has limited prospects for consolidation in the short-term</p>
<p>3 Overview of Tsuruha and the case for consolidation</p>	<p>3a Tsuruha's share price and valuation has underperformed its competitors. From a business perspective, not only does the company lag behind its competitors on key indicators such as operating profit margin, ROA, and ROE, it has also lagged behind in increasing wages for its employees</p> <p>3b On the other hand, from the perspective of capital structure and corporate scale, Tsuruha is in an advantageous position compared to its competitors to aggressively pursue industry restructuring and can reap the fruits of consolidations. Oasis has already made specific proposals on who the Company should merge with</p> <p>3c Looking at the case of Matsukiyo/Cocokara, if Tsuruha integrates with appropriate competitors, a considerable improvement in profitability and enhancement of corporate value could be achieved</p>
<p>4 Challenges of Corporate Governance</p>	<ul style="list-style-type: none"> ▪ Oasis believes the current corporate governance of the Company is sub-optimal due to 4a the control by the three founding families; 4b quality, independence and diversity of the outside directors, and 4c their relationship with IR Japan ▪ Oasis believes this sub-optimal governance structure, where effective control of the company remains in the hands of the three founding families, including the Tsuruha family, despite their diminished shareholding, could impede Tsuruha from fairly evaluating consolidation opportunities crucial for the company's growth. We believe the Company's current strategy, in keeping the independence of the acquired subsidiaries, is not the best business strategy, but merely in the interest of the founding families
<p>5 Proposals from Oasis</p>	<ul style="list-style-type: none"> ▪ Oasis proposes improving the Company's corporate governance by 1) dismissing the current outside directors, 2) appointing new outside director candidates, 3) implementing a transparent compensation plan with incentives, 4) abolishing the Kaicho position and appointing an outside director as the chairperson of the board, and. This new independent oversight structure will enhance operational supervision by the board and enable better decision-making on strategic opportunities, including consolidation proposals ▪ Oasis encourages other shareholders to vote against the re-election of current outside directors and vote for Oasis's nominees, a transparent compensation system, and changes to the Articles of Incorporation that will improve governance

1 About Oasis

2 Industry overview

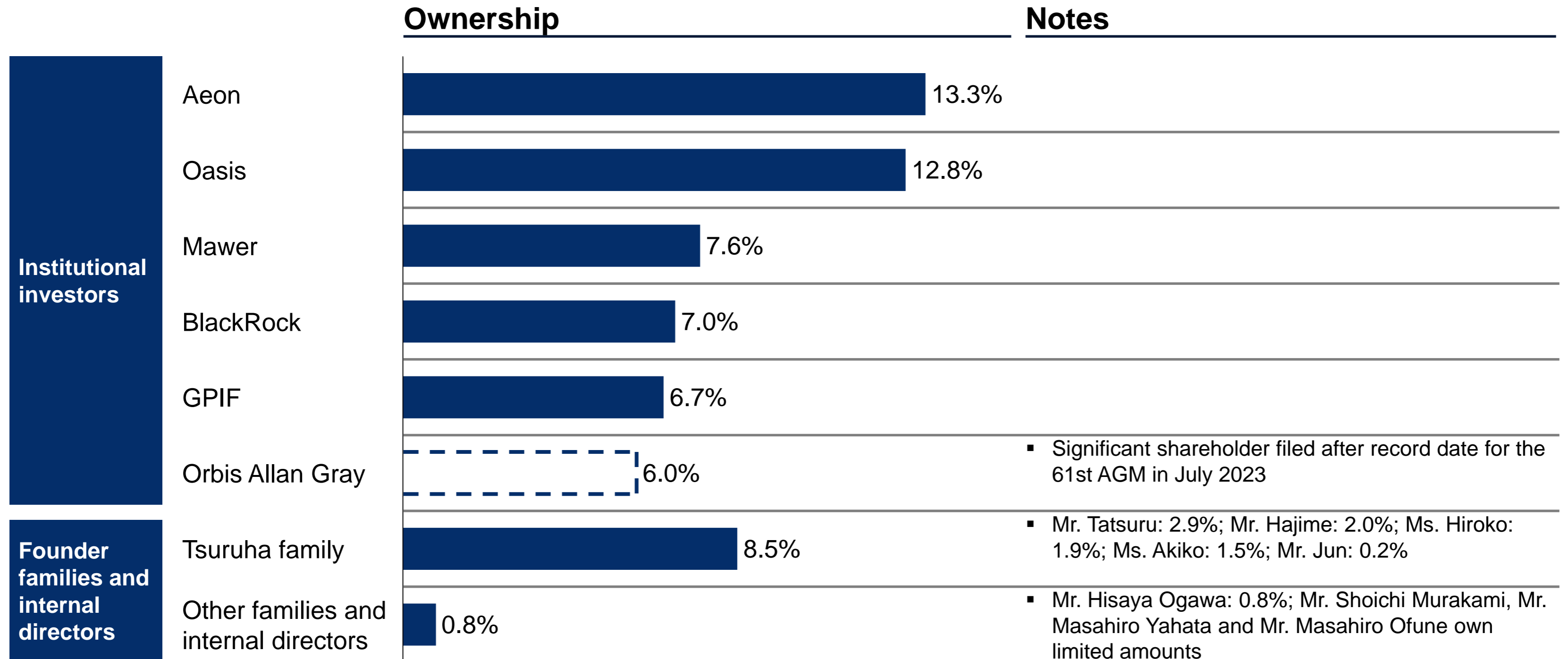
3 Overview of Tsuruha and the case for consolidation

4 Failures in corporate governance

5 Proposals from Oasis

Oasis is the second-largest shareholder of the Company, holding approximately 13% of Tsuruha's shares, far more than any of the founding family members

Ownership by major institutional shareholders and founder families



1: After excluding treasury shares

Source: Company disclosures; Bloomberg; Oasis estimates

Oasis, a long-term investor in the drugstore industry, has made recommendations and proposals for past industry restructuring

Background

Oasis has been a long-term and significant shareholder of CocokaraFine, filing a 8.90% of its shares in a significant shareholder report on April 2, 2021

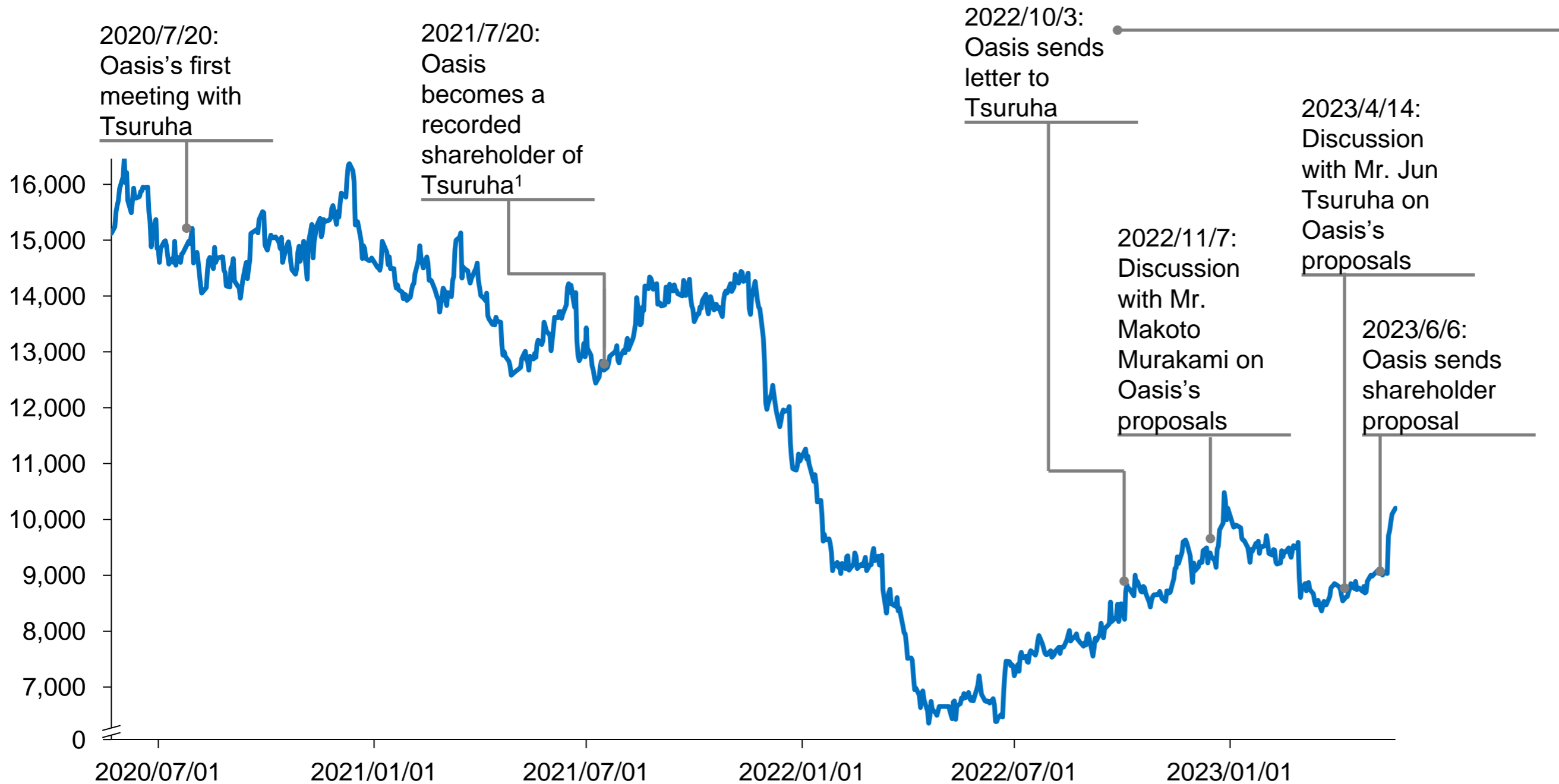


Letter sent by Oasis to CocokaraFine on September 2020 (excerpt)

“We strongly believe that the deal [Oasis note: merger with Matsukiyo] is good for all parties. A strong partner for Cocokara will further strengthen its core competence. We see potential synergies in joint procurement, operational enhancement within the store, introducing Matsumoto PB to Cocokara, and reduction in back office costs, etc.”

Oasis Has Had Continuous Dialogue with the Company since 2020

History of Oasis's engagement in Tsuruha and Tsuruha's stock price; JPY



Key recommendations made to Tsuruha in Oasis's letter

- Accelerate its efforts in key focus areas, such as expansion of private brand offerings, dispensing medicines and food, preparation for the resurgence of inbound travel, and improving margins
- Explore opportunities for a merger to enjoy further benefits of scale, which has proven to be an effective method in multiple examples, and most recently in the Matsukiyo/Cocokarafine merger
- Improve the corporate governance culture, and make efforts to listen to the voices of shareholders, rather than blocking them

1: Oasis has been a shareholder before this date, but only through custody accounts, and with restricted shareholder rights

Source: Bloomberg

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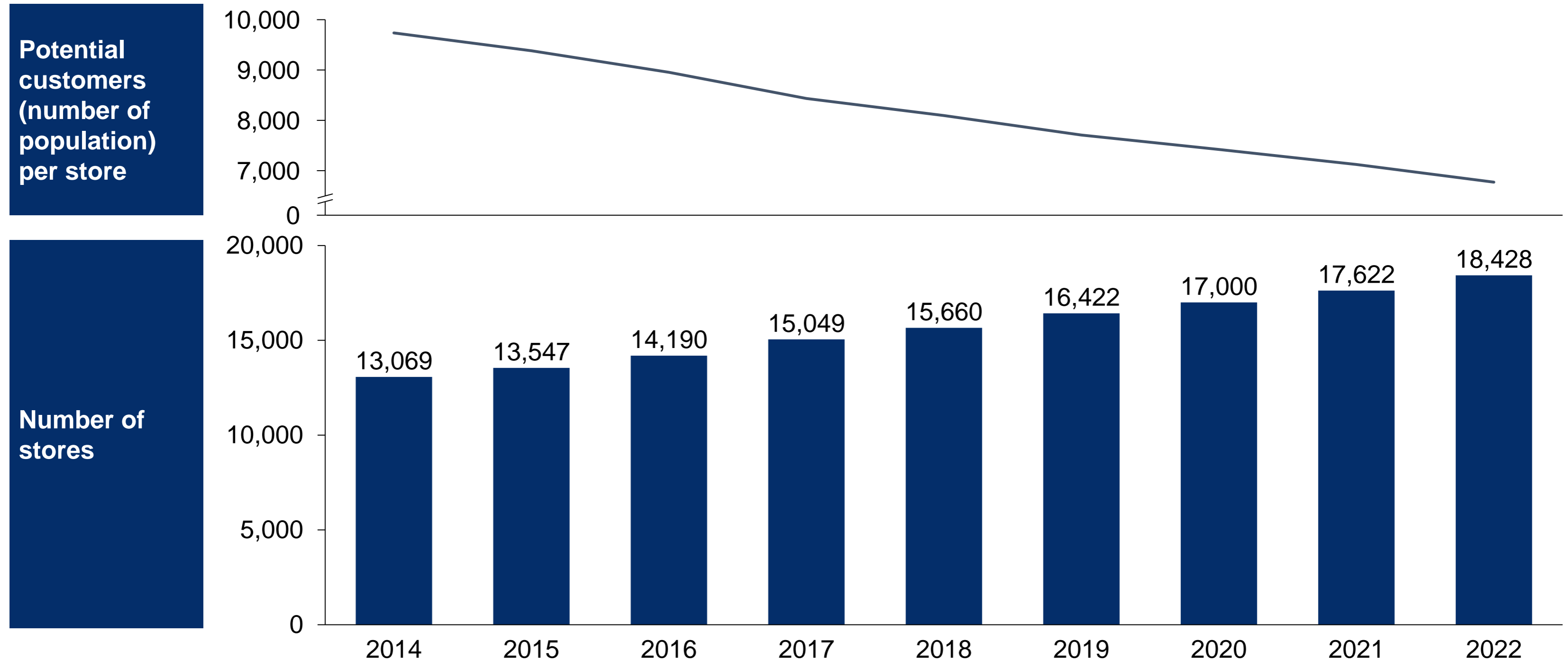
5 Proposals from Oasis

2.a. Increasingly challenging market environment

2.b. Examples of corporate value enhancement through consolidations

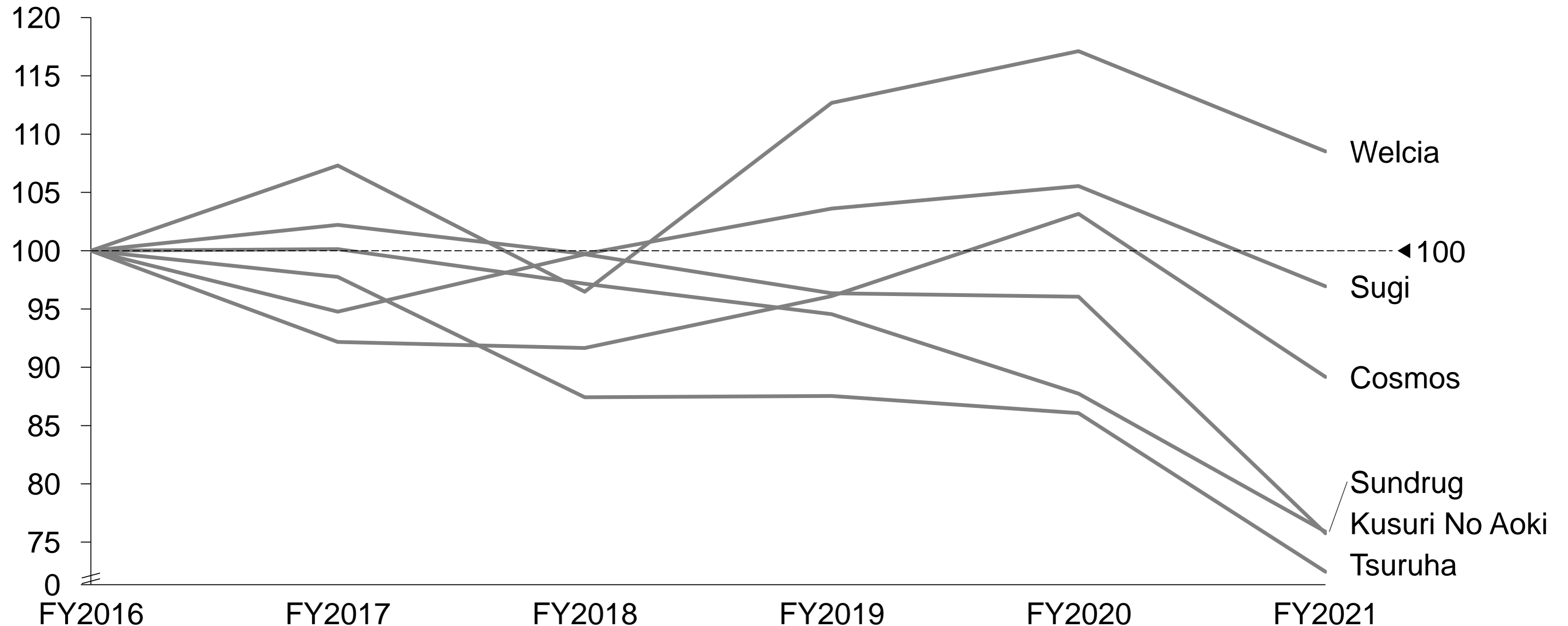
2.c. Overview of the control and shareholder structure of the drugstore industry

Due to increasing stores, potential customers per store has decreased significantly



In most drugstores, the operating profit per floor area has decreased, and the importance of operational excellence to secure profitability is more important than ever

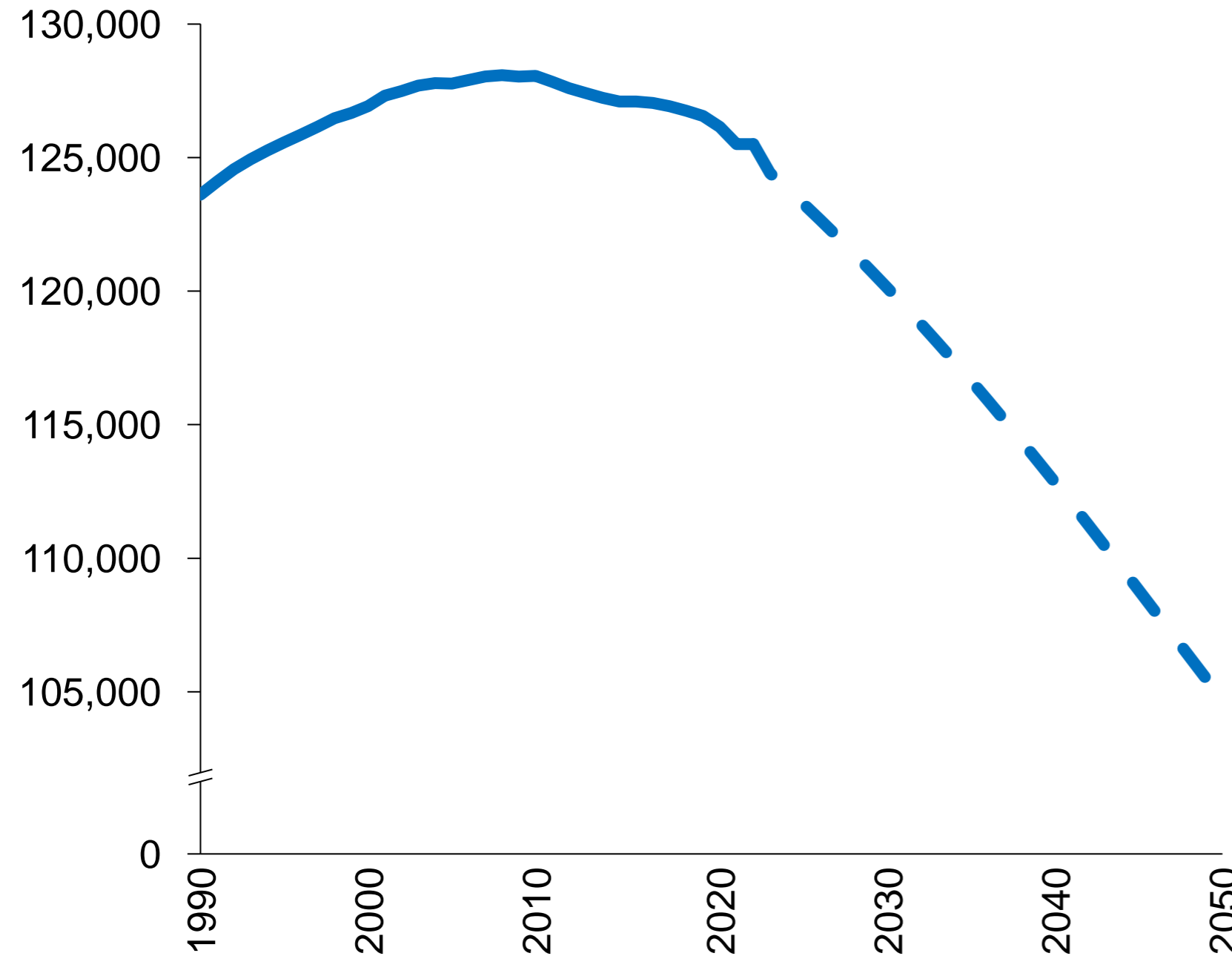
Operating profit per floor area¹; FY2016 as 100



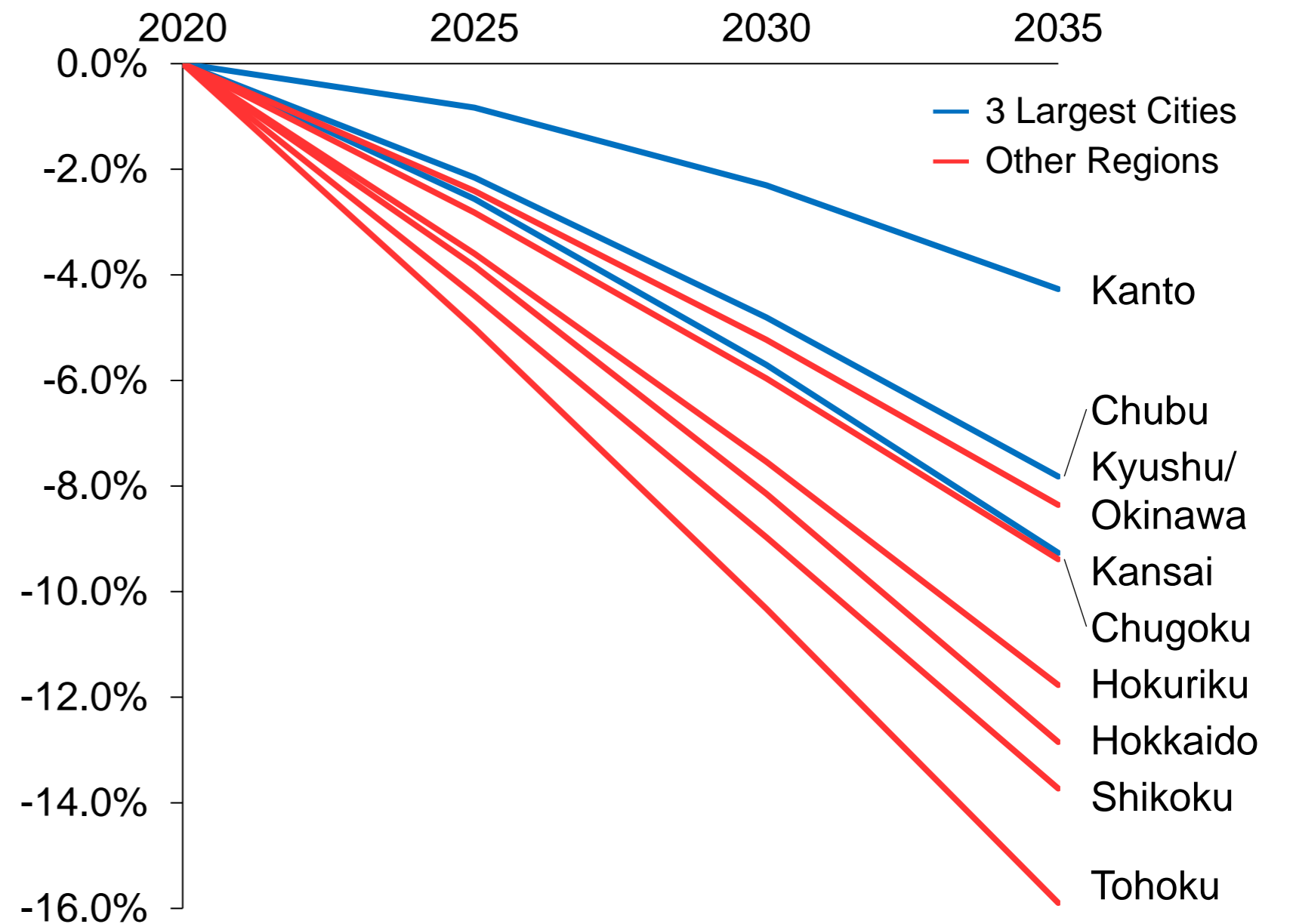
1: Floor area not disclosed in MatsukiyoCocokara
Source: company disclosures

An inevitably deteriorating business environment, especially in rural areas, due to declining population, is the most important macro factor for retail sales

Japan population trends; thousand



Population estimate by region; 2022=0



From a cost standpoint, several factors necessitate a response from the retail industry regarding wage hike requests. Enhancing profitability is crucial to secure funds for these increases promptly

Macro Environment

- The decline of Japan's working-age population, which has been steadily declining since 1995, is accelerating
- By 2030, there is **a projected shortage of 6~9 million workers**, according to multiple studies

Wage increases by retailers

- Industry giants are aggressively raising wages, especially this spring, in order to secure high level talent



Average increase of 7% in hourly wage for part-time employees in the Group



Up to 40% wage increase. **18~36%** increase, for new graduate and younger employees.



6.5% increase for full-time employees and **5.2%** for part-time employees

Government Policy

- The government is also proactively asking companies to respond to wage increases

Requests made by PM Kishida on wage in increases:



*“I ask companies for **wage increases that exceed inflation rates**”*



*“**Wage increases that are in line with workers’ capability is directly related to a company's competitiveness**”*



“The outlook for the Japanese economy will depend on how wage increases are implemented this year”



“We want to encourage wage increase efforts”

In the short term, rising utility costs are weighing on the retail industry, especially firms lacking scale, testing their capability to make profits

Nikkei article; May 17, 2023

小売り・外食80社、3～8月販管費1割増 光熱費負担重く

業績ニュース

2022年10月24日 20:29 (有料会員限定)

保存 共有



Olympicグループは巣ごもり消費需要がなくなったことと光熱費増のダブルパンチに

小売り・外食企業で販売費・一般管理費の増加が業績を圧迫している。2022年3～8月期の主要80社の合計額は前年同期比で1割増えた。円安やエネルギー資源価格上昇で光熱費が膨らんだ影響が大きく、人件費や広告宣伝費などを削りにくい中小規模の企業ほど利益を目減りさせている。電力使用量の削減を進めるものの、光熱費は高止まりする公算が大きく、今後も重荷となりかねない。

日経NEEDSのデータを基に2月期決算の小売り・外食主要80社を対象に集計したところ、22年3～8月期の販管費は前年同期比9.8%増の5兆1972億円だった。伸び率としてはアベノミクス下で円安が進行した14年に10%増えて以来の高水準だった。

売上高が1000億円以上の相対的な大企業と、1000億円未満の小規模企業で見ると、小規模企業で売上高に対する販管費比率の負担の大きさが目立つ。1000億円以上の26社は前年同期比1.6ポイント減の30%の一方、1000億円未満の54社の売上高販管費比率は41%だった。今期から適用している新たな収益認識基準の影響を考慮せず単純比較すると、小規模企業全体で1.0ポイント悪化した。

Article excerpt

*Increases in retail, general, and administrative expenses **are weighing on earnings** at retail and food service companies. The total cost of the 80 major companies in the March-August 2022 period increased by 10% y/y. **The depreciation of the yen and rising energy and resource prices** have had a major impact on utility costs, and small-mid scale companies that have had difficulty cutting labor costs and advertising expenses, **have seen greater declines in their profits**. Despite efforts to reduce electricity consumption and other measures, utility costs are expected to remain high and may continue to be a burden.*

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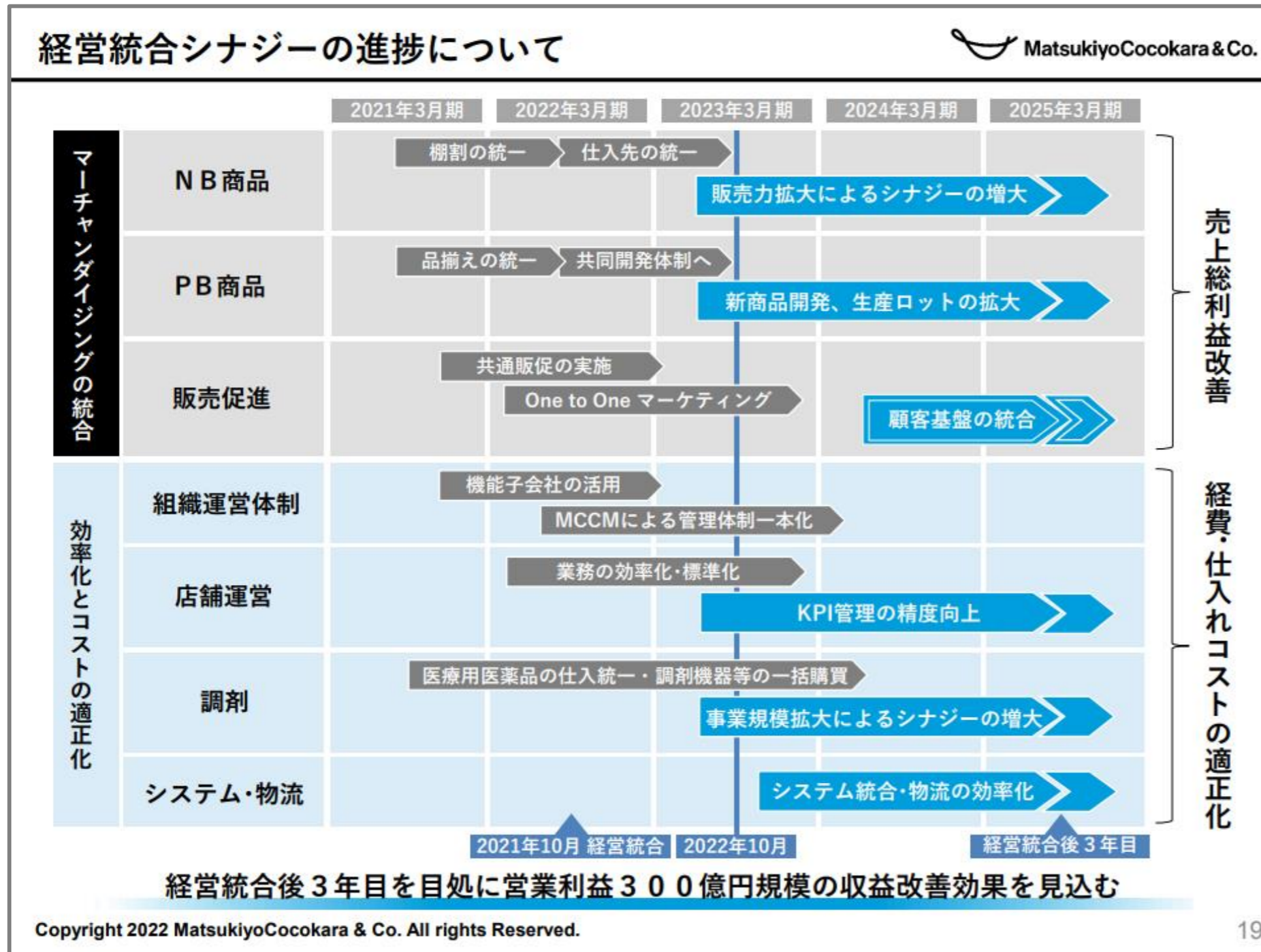
2.a. Increasingly challenging market environment

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2.c. Overview of the control and shareholder structure of the drugstore industry

Consolidation generates enormous synergies. Operating margin is expected to increase by around 3 p.p. at MatsukiyoCocokara.

Synergies between Matsukiyo and Cocokara



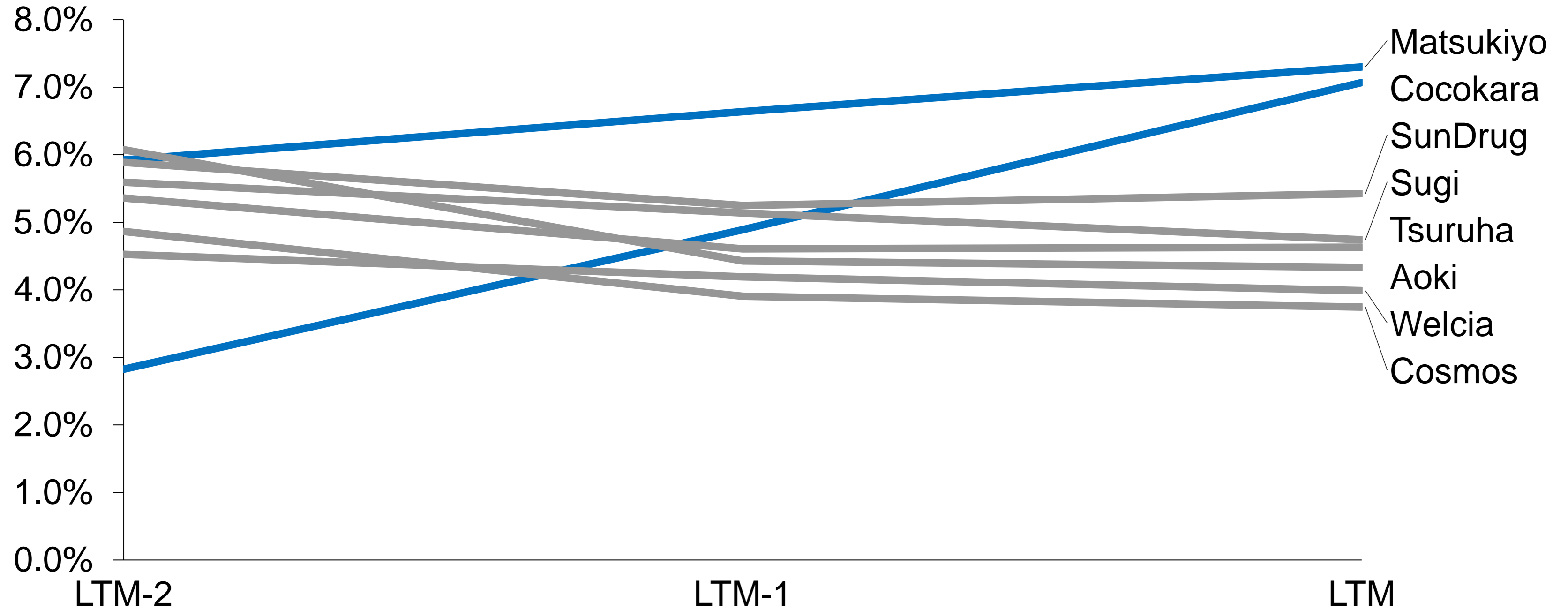
- MatsukiyoCocokara expects to improve profitability by 30 billion yen in operating profit through the merger



- The revenue of MatsukiyoCocokara in the past fiscal year was 951.2Bn JPY, and **the improvement in profitability equates to 3 p.p. in operating profits**

While the OPM of ALL major drug stores declined in the past two years, the OPM of not only Cocokara, the target company, but also Matsukiyo, the acquirer, increased in this period

OPM of major drug companies; LTM-2 through LTM, as of 2023/6/16



Mr. Horikawa, former Tsuruha CEO, acknowledged the importance of consolidation in the drugstore industry, particularly among major players and regional drugstores

Toyo Keizai Online Article;

December 1, 2019

東洋経済 ONLINE 5月18日 (木)

トップ 連載・特集 会員限定 ビジネス 政治・経済 マーケット キャリア・教育

政治・経済 > インタビュー

有料会員限定

ドラッグストアはいずれ「大手3社」に集約されていく

業界首位ツルハホールディングスのトップが激白

若泉 もえな : 東洋経済 記者 2019/12/01 17:00

シェアする ツイートする ブックマーク メールで送る 印刷 A+ 拡大 A- 縮小



堀川政司 (ほりかわ まさし) / 1958年生まれ。1977年ツルハ入社。1997年に同社取締役、2004年に常務取締役。2014年からツルハホールディングスの代表取締役社長兼社長執行役員 (現職)

Article excerpt

*Within a few years, the drugstore industry will **consolidate to about three companies**... There are still about 10 drugstore groups that are loosely affiliated with each other. This is just my personal opinion, but I believe that they will be consolidated into about three groups.*

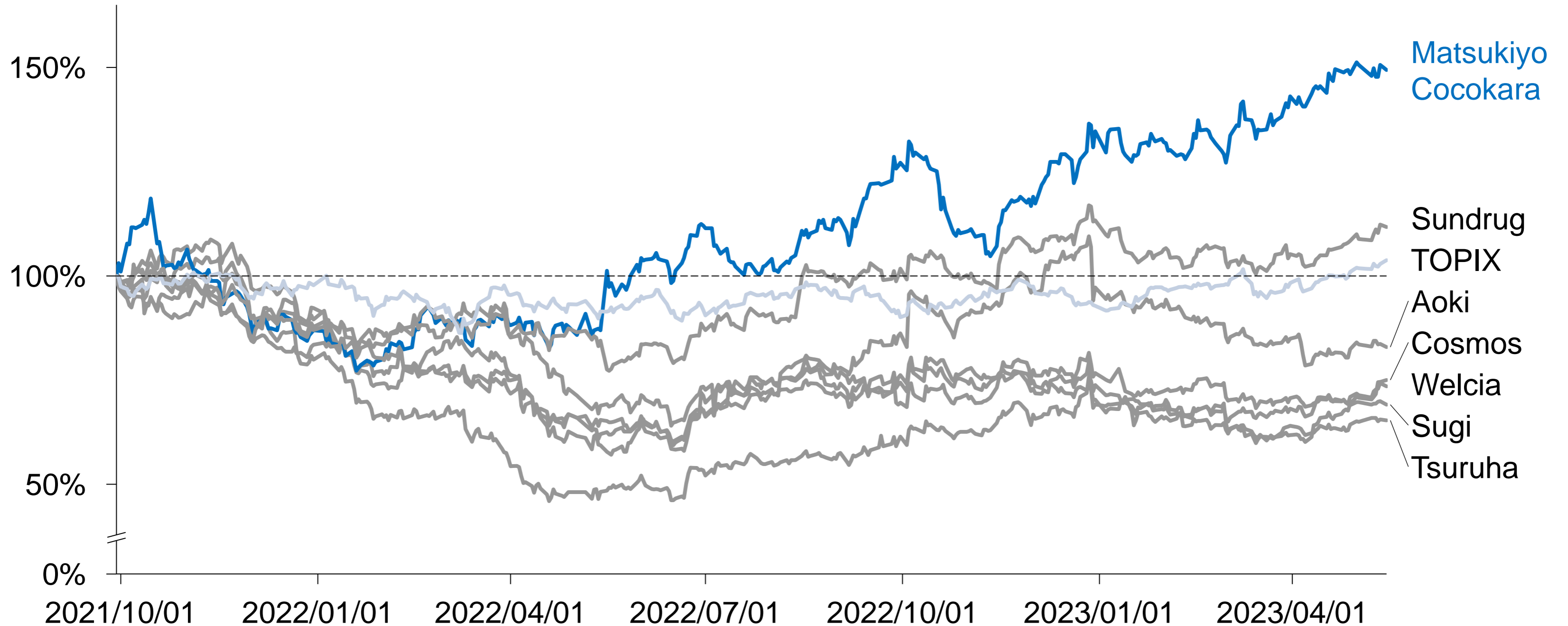
*Until now, in terms of company size, there has been M&A (mergers and acquisitions) where large companies were acquiring medium and small companies. But **from now on there will be M&A, in which large companies will acquire large companies as well. I believe the larger companies will work with other larger companies, and the groups will be consolidated.***

*I think the **local drugstores will start to struggle.***

Following the merger, the stock price of MatsukiyoCocokara has significantly outperformed its competitors

Stock prices of drugstore companies;

2021/9/29¹=100%, until 2023/5/15²



1: MatsukiyoCocokara merger
2: Oasis's second significant shareholder filing
Source: Bloomberg

In the near future, scale and efficiency will become increasingly important

01

Private Brands ("PB"s)



- To create high-quality private brands, scale is essential in terms of product development abilities and negotiations with manufacturers

02

Fresh Produce



- Store density for logistics efficiency will be crucial for temperature-controlled delivery
- In terms of scale, the cost burden will vary greatly depending on whether there are supermarkets or other store formats within a company's group

03

DX Investment



- In DX investments, where economies of scale are highly effective, companies with strength in corporate capital will increasingly gain a competitive advantage in areas such as app development, e-commerce and same day delivery and others

04

Logistic Costs



- As logistics costs continue to rise, store density will become increasingly important to control logistics costs, not only for fresh produce but also for general logistics

05

Wage Increase



- Rising personnel costs and wage increase demands call for increased corporate scale and efficiency to meet these requests and adequately reward employees

Even Tsuruha acknowledges that there are some synergies from M&A

Media Coverage of the Drug Eleven Acquisition

【ツルハHD】ドラッグイレブン統合作業進む-鶴羽社長、シナジー発揮へ意欲示す

2020年12月25日 (金)



ツルハホールディングスの鶴羽順社長は、ウェブ上で開催した2021年5月期中間決算説明会で、今期グループ入りしたJR九州ドラッグイレブンに言及。早期にシナジーを発揮するため、実務レベルで統合作業を進めていることを明らかにした。また、21年5月期の通期業績予想の修正を発表。売上高を前回予想の8600億円から9200億円へ上方修正した。

同社は、5月28日付でJR九州ドラッグイレブンを子会社化した。鶴羽氏は、「9月16日から共同の仕入れがスタートし、仕入れ状況の改善が見込まれる。調剤部門、店舗開発部門、システム部門や管理部門等でも統合が進んでおり、これらも効率化とコスト低減が見込まれる」と説明。

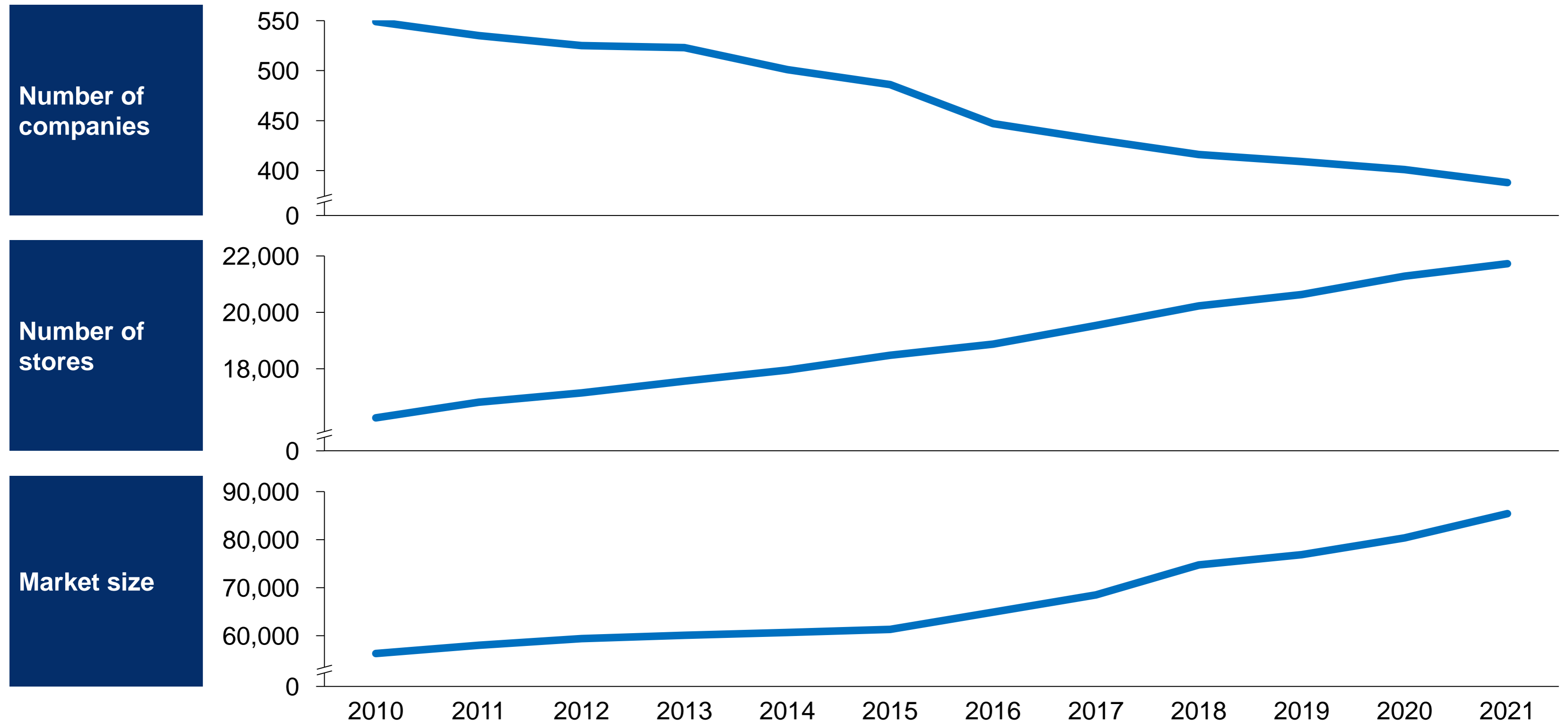
Article excerpt

【Tsuruha Holdings】 Integration with Drug Eleven continues – Tsuruha CEO expresses ambition to realize synergies

Tsuruha Holdings President Jun Tsuruha mentioned JR Kyushu Drug Eleven, which joined the group this term, at a web-based presentation of interim financial results for the fiscal year ending May 31, 2021. He revealed that integration work is underway at the working level in order to realize synergies as soon as possible.

The company also announced a revision to its full-year earnings forecast for the fiscal year ending May 2009. Sales were revised upward from the previous forecast of 860 billion yen to 920 billion yen. The company made JR Kyushu Drug Eleven a subsidiary on May 28, 2009. Mr. Tsuruha commented, “Joint purchasing started on September 16, and we expect the purchasing situation to improve. Integration is also underway in the dispensing, store development, systems, and administrative divisions, which is expected to improve efficiency and reduce costs.”

While the industry has grown significantly in the past decade, number of companies in the industry has shrunk, displaying significant consolidation



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2.a. Increasingly challenging market environment

2.b. Examples of corporate value enhancement through consolidations

2.c. Overview of the control and shareholder structure of the drugstore industry

Tsuruha is a Company that has grown through the acquisitions of multiple brands


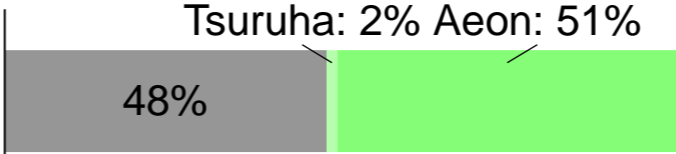

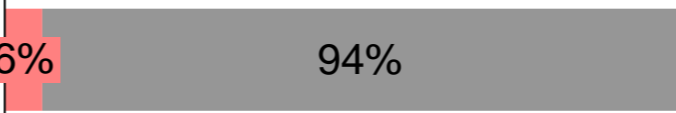

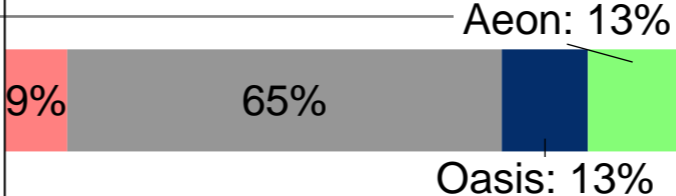







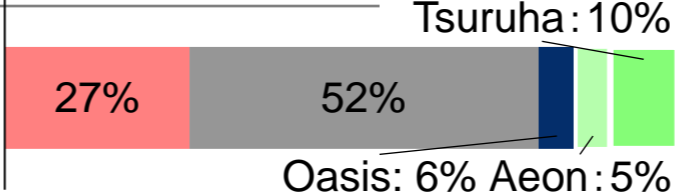
Tsuruha's history

- May 1929: Founded Tsuruha Yakushido in Asahikawa, Hokkaido
- January 1995: Conducted a **business and capital alliance agreement with Jusco Co., Ltd. (currently Aeon Co., Ltd.)**
- December 1997: Conducted a **business and capital alliance agreement with Aoki of Kusuri Co., Ltd.**
- June 1998: Tsuruha Co., Ltd. registers shares over-the-counter with the Japan Securities Dealers Association
- May 2002: Tsuruha Co., Ltd. designated as a stock on the First Section of the Tokyo Stock Exchange
- November 2005: Listed on the First Section of the Tokyo Stock Exchange as a holding company of the Tsuruha Group
- November 2006: Conducted a business and capital alliance agreement with **Kusurino Fukutaro Co., Ltd.** (Chiba Prefecture)
- May 2007: **Kusurino Fukutaro Co., Ltd.** (Chiba Prefecture) became a subsidiary through a share exchange
- February 2009: Acquired shares of **Wellness Co., Ltd.** (Shimane Prefecture)
- October 2015: Acquired shares of **Lady Drug Store** (Ehime Prefecture)
- September 2017: Acquired shares of **Kyorindo Group Holdings Co., Ltd.** (Shizuoka Prefecture)
- May 2018: Acquired shares of **B & D Holdings Co., Ltd.** (Aichi Prefecture)
- May 2020: Acquired shares of **JR Kyushu Drug Eleven Co., Ltd.** (Fukuoka Prefecture)

Overview of the Brand's Tsuruha own and operate

<p>2023年6月15日現在</p> <p>国内 2,576 店舗</p> <p>連売店舗数</p>	 <p>ツルハドラッグ</p>	 <p>くすりの福太郎</p>
 <p>ドラッグストア ウェルネス</p>	 <p>ドラッグストア ウォンツ</p>	 <p>くすりのレデイ</p>
 <p>杏林堂スーパー ドラッグストア</p>	 <p>B&D ドラッグストア</p>	 <p>ドラッグイレブン</p>

While the need for consolidation is widely acknowledged, control by founding families has hindered drugstore industry consolidation

Company	Sales; Hundred Mn JPY, latest FY	Shares held by the founder family and other retailers ¹	Directors from founding families	Directors from founding families of acquired companies
 Welcia	11,443	Tsuruha: 2% Aeon: 51% 		<ul style="list-style-type: none"> Mr. Takamitsu Ikeno
 MatsukiyoCocokara	9,512		<ul style="list-style-type: none"> Mr. Minamio Matsumoto Mr. Kiyono Matsumoto Mr. Takashi Matsumoto 	
 Tsuruha	9,157	Aeon: 13% 	<ul style="list-style-type: none"> Mr. Tatsuhiro Tsuruha Mr. Jun Tsuruha 	<ul style="list-style-type: none"> Mr. Hisaya Ogawa Mr. Shoichi Murakami
 Cosmos	7,554		<ul style="list-style-type: none"> Mr. Masateru Uno 	
 Sundrug	6,905		<ul style="list-style-type: none"> Mr. Naoki Tada Mr. Takashi Tada 	
 Sugi	6,676	Tsuruha: 2% 	<ul style="list-style-type: none"> Mr. Katsunori Sugiura Mr. Shinya Sugiura 	
 Aoki	3,283	Tsuruha: 10% 	<ul style="list-style-type: none"> Mr. Yasutoshi Aoki Mr. Hironori Aoki Mr. Takanori Aoki 	

1: retail companies

Source: Bloomberg; company disclosures

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3.a. Tsuruha's profitability and valuation in the market

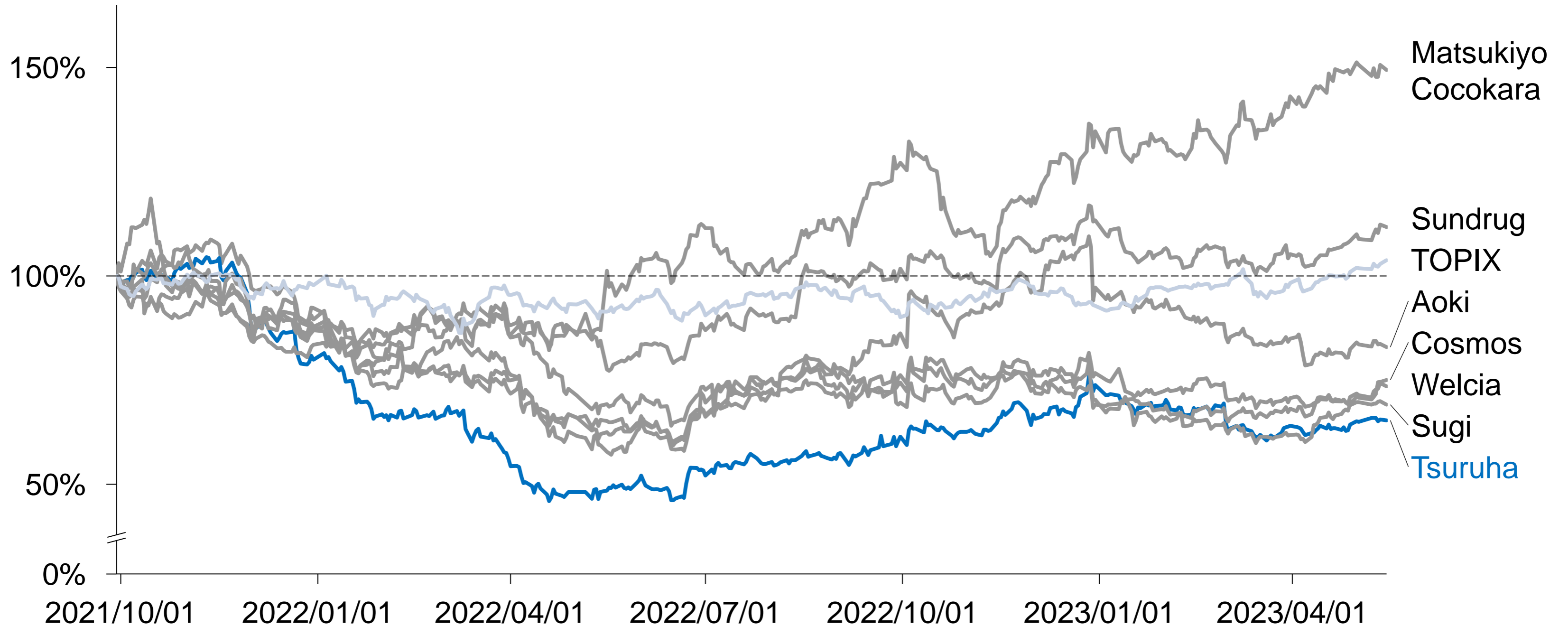
3.b. Tsuruha's position in market consolidation

3.c. The case for consolidation for Tsuruha

Tsuruha's stock price has underperformed its competitors

Drugstore Companies' Stock Price Trends;

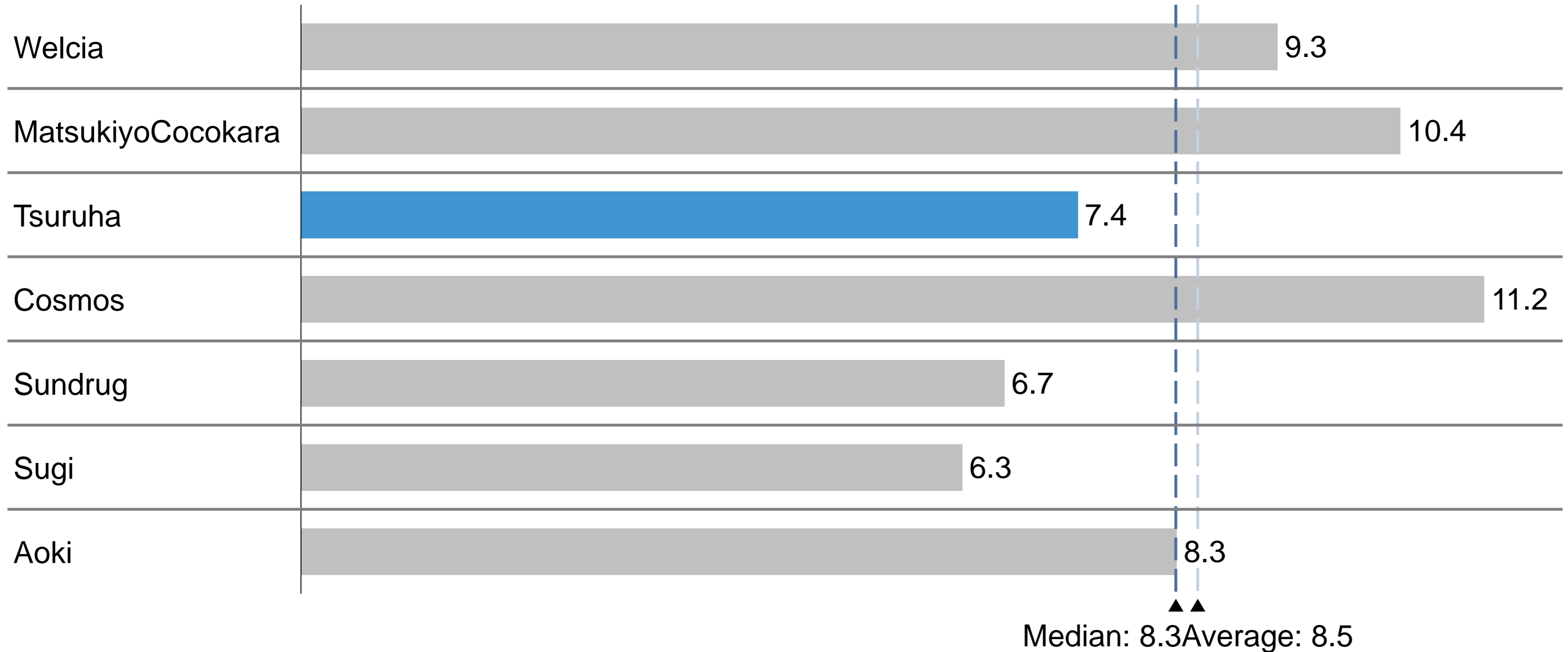
2021/9/29¹=100%, Until 2023/5/22²



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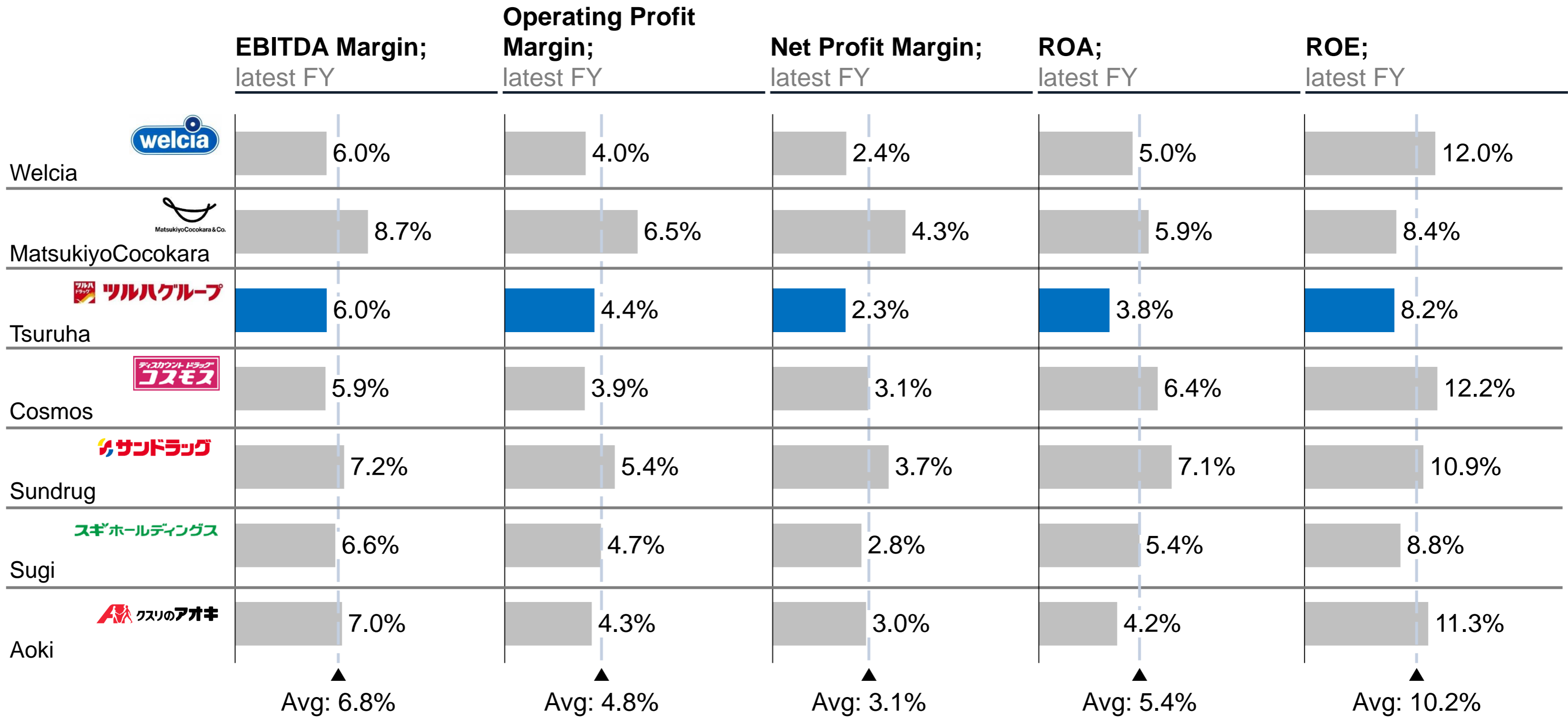
Tsuruha lags behind its competitors' valuation

EV/EBITDA multiple for next fiscal year; As of 2023/5/15¹



1: Oasis's second significant shareholder filing
Source: Bloomberg

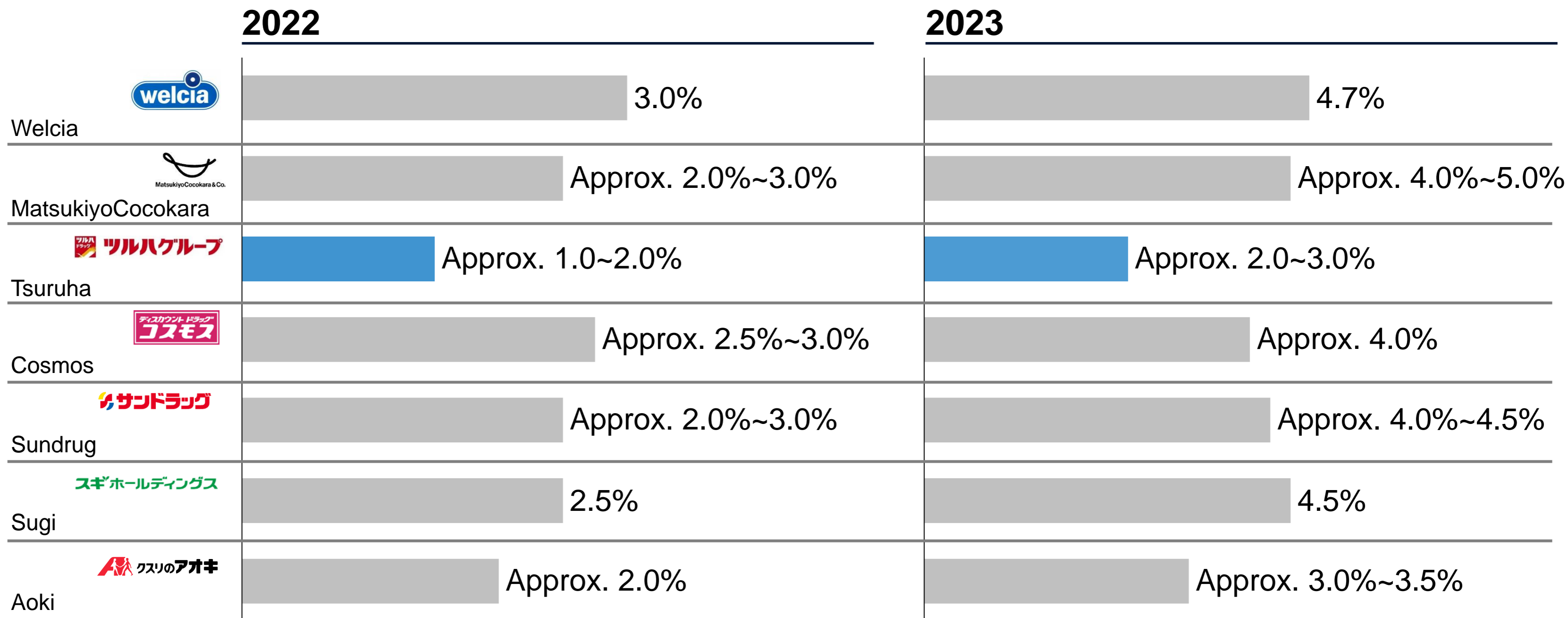
Tsuruha lags behind its competitors in terms of key revenue indicators



Tsuruha also lags behind its competitors in terms of compensating its employees, and a more profitable Tsuruha will be beneficial to its employees too

Wage increase including base and regular salary increase for full-time employees;

Disclosed values only for Welcia and Sugi; Consolidation of analyst estimates based on their hearing to each company



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5 Proposals from Oasis

3.a. Tsuruha's profitability and valuation in the market

3.b. Tsuruha's position in market consolidation

3.c. The case for consolidation for Tsuruha

Tsuruha shareholder structure is not a barrier to consolidation, and the Company should aggressively seek to maximize corporate value through consolidations

Company	Are there any shareholders that may be against even value-enhancing consolidations?	Is there a <i>relative</i> need for reorganization or consolidation?	
		Profitability	Store foot-print
 Welcia	While the parent company, Aeon, is not likely to favor dilution, the company has diverse financing options as a member of the Aeon Group.	Relatively low profitability	Stores mainly in Kanto area
 MatsukiyoCocokara	With the founding family's voting rights below 10%, no major shareholders against dilution for value enhancement with proper corporate governance.	Relatively high profitability	Stores mainly in Kanto/Kansai region
 Tsuruha	With the founding family's voting rights below 10%, no major shareholders against dilution for value enhancement with proper corporate governance.	Relatively low profitability	Stores mainly in the Hokkaido/Tohoku region, which is experiencing significant population decline, with some stores in Kanto and other regions
 Cosmos	~50% stake held by founding family who may not prefer dilution	Profitability is on par with or slightly below the industry average	Stores mainly in Kyushu, where population is expected to decline to some extent
 Sundrug	~40% stake held by founding family who may not prefer dilution	Relatively high profitability	Stores mainly in Kanto region
 Sugi	~40% stake held by founding family who may not prefer dilution	Profitability is on par with or slightly above the industry average	Stores mainly in Kanto/Kansai/Chubu region
 Aoki	~30% stake held by founding family who may not prefer dilution	Relatively low profitability	Stores in the Hokuriku region, which is experiencing significant population decline


 Higher
 Lower

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Tsuruha urgently needs to address the pressing issue of merging with a suitable competitor to enhance profitability, as current management lacks sufficient means for significant improvement

Tsuruha Mid-term Business Plan

新中期経営計画（3か年）の位置づけ
くすりと、暮らしに微笑みを。 ツルハグループ

■ 厳しい外部環境

「2024年5月期 売上高1兆円」到達の前倒しを目論んだが、新型コロナにより業績が上下動

- 前事業年度において、外部環境や消費者のライフスタイル変化に対応できず、目標を達成できなかった
- いまだコロナ禍の影響も先行き不透明であること、ウクライナ情勢によるエネルギー、各種物価の高騰も予測困難である

今後の中長期計画のイメージ

期	売上高
1	919,303
2	915,700
3	1,060,000
4	1,200,000
5	1,500,000

新中期経営計画（3か年）の策定
くすりと、暮らしに微笑みを。 ツルハグループ

筋肉質の企業体質に変換し、次の大きな成長に向けた体制を整えることが中長期の発展に寄与すると判断

- 本事業年度から3年間を「収益改善フェーズ」と位置づけ、その後の目標に向けた足場固めのステージとする
- その後、早期に売上高1兆5000億円、営業利益率6%以上を達成し、改めて「再成長フェーズ」の中長期経営計画を公表する

新中期経営計画概要 ～ 売上高1.5兆円への足場固め ～
くすりと、暮らしに微笑みを。 ツルハグループ

2025年5月期 経営計画

出店精度向上
既存店強化
PB売上構成比12%

調剤売上高
1,400億円

店舗数
2,750店舗

売上高
1兆600億円
営業利益率
5%以上

ROE
10%

DX(Digital Transformation)

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株式会社ツルハホールディングス 10

- Tsuruha's management has **admitted its lack of capability to improve the Company's profitability through its mid-term plan**

5.3% FY 2021/5 Actual Results

5% FY 2025/5 Target

6% FY 2029/5 Target

- On the other hand, (although this is only a reference value that was true only in said case) in the MatsukiyoCocokara case, **the merger is expected to generate synergies increasing the operating profit margin by 3 p.p.**
- In light of the above, **Oasis believes that the search for a consolidation partner is the most urgent issue for Tsuruha to address**
- Oasis has already **made proposals to Tsuruha for consolidation with specific examples** for the Company to consider

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4.b. The quality, independence and diversity of the outside directors

4.c. Issues surrounding IR Japan

Tsuruha's failing corporate governance structure may hinder fair consideration of future mergers with competitors

Corporate Governance Failures at Tsuruha

a Control by the three founding families

- Not only is the **control of Tsuruha Holdings by the Tsuruha family** evident, but also the control of **subsidiaries by the Ogawa and Murakami families** is evident

b Composition and independence of outside directors

- The **quality, independence, and diversity of outside directors and auditors as a whole has regressed** significantly over the past decade
- There are **strong doubts about the independence of each outside director**

c Relationship with IR Japan

- Relationship with IR Japan which has corporate governance issues
- We believe **a strong desire for self-preservation** by the management is driving this relationship with IR Japan, and **wasting shareholder capital for self-preservation**

Oasis's concerns

- **Management may prioritize self-preservation** over considering value enhancement through consolidation
- Possibility that **outside directors who lack independence** may not be able to exercise appropriate checks and balances with respect to the above
- The current outside **directors do not have appropriate business experience** and may be incapable of providing appropriate advice and supervision, even during business as usual

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Doubts arise regarding director selection based on abilities, with four out of five non-audit committee directors from the founding families

○ Founding family Members
○ Non-founding family members

Internal Directors (non-audit and supervisory committee members)



Mr. Tatsuru Tsuruha
From the Tsuruha founding family



Mr. Jun Tsuruha
From the Tsuruha founding family



Mr. Hisaya Ogawa
From the Kusuri No Fukutaro founding family



Mr. Shoichi Murakami
From the Wellness Kohoku founding family



Mr. Masanori Yahata
Not from the founding families

Internal Directors (audit and supervisory committee members)



Mr. Masahiro Ofuna
Not from the founding families

External Directors (Audit & Supervisory Board Member)



Ms. Harumi Sato
Not from the founding families



Mr. Takuya Okazaki
Not from the founding families



Mr. Fumiyo Fujii
Not from the founding families

Oasis is concerned about Mr. Tatsuru Tsuruha's ability to exercise proper governance and oversight over his son, Mr. Jun Tsuruha



Father: Mr. Tatsuru Tsuruha

- Director and Kaicho (Chairman of the Company)
- The Company explained that he is **responsible for overseeing the executive officers/management**

Company insists on proper supervision



Son: Mr. Jun Tsuruha

- Representative Director, President and Chief Executive Officer
- Responsible as the Executive Officer/Head of Management



There is an unclear basis for the company's claim of Kaicho's role in supervising the president, as no provision is found in the articles of incorporation



We are observing a rare power dynamic between Mr. Tatsuru Tsuruha and Mr. Jun Tsuruha. As inferred from interviews and board member introductions, Mr. Tatsuru Tsuruha seems to have stronger influence in the Company, while the representative power solely belongs to Mr. Jun Tsuruha



In addition, the role of chairperson of the board of directors, usually primarily responsible for the supervision of the president, is held by President Jun Tsuruha himself. Due to this, the primary supervisory responsibility within this system is unclear



Additionally, Mr. Tatsuru Tsuruha is Mr. Jun Tsuruha's father, raising doubts about the effectiveness of the so-called oversight function the Company claims exists

Having President Jun Tsuruha serve as Chairperson of the Board of Directors does not meet the recommendations of leading proxy advisors...

Glass Lewis Voting Advisory Criteria

“Separation of the Roles of Board Chair and CEO

(...)

Glass Lewis believes that separating the roles of chief executive officer and chair creates a better governance structure than that of a combined executive/chair position. An executive carries out the company’s objectives as crafted by the board. Over time, executives will report their progress and performance in achieving the company’s objectives to the board. This process is needlessly complicated when a CEO sits on or chairs the board, as a CEO presumably will have a significant influence over the board.

It can become difficult for a board to fulfill its role of overseer and policy-setter when a CEO/chair controls the agenda and the boardroom discussion. Such power can allow a CEO to have an entrenched position, leading to longer-than-optimal terms, fewer checks on management, less scrutiny of the business operation and limitations on independent, shareholder-focused goal-setting by the board.

A CEO should set the strategic course for a company, with the board’s approval, and the board should enable the CEO to carry out the CEO’s vision for accomplishing the board’s objectives. The failure to achieve the board’s objectives should lead it to replace that CEO with someone in whom the directors have more confidence.

Similarly, an independent chair can better oversee executives and set a pro-shareholder agenda without the management conflicts that a CEO or other executive insider may face. Such oversight and concern for shareholders allows for a more proactive and effective board of directors that is better able to look out for the interests of shareholders.

We do not recommend that shareholders vote against CEOs who serve on or chair the board. However, we typically encourage our clients to support separating the roles of chair and CEO whenever that question is posed in a proxy (typically in the form of a shareholder proposal), as we believe that it is in the long-term best interests of the company and its shareholders.

Glass Lewis strongly supports the existence of a presiding or lead director with the authority to set the agenda for the meetings and lead sessions outside the presence of the insider chair.”

... as well as voting guidelines of some institutional investors

Aviva Investors



“We have always viewed the separation of the chair and chief executive roles and in particular, an independent chair, as fundamentally important in protecting shareholder value. For non-independent chairs, we would look at the process undertaken to mitigate the risks such as the appointment of a strong senior independent director, the level of independence/challenge on the board and key committees, and whether this arrangement is for a transitional period. Further, there is a need for much better disclosure in the report & accounts as to why a non-independent chair is considered to be in the best interest of the company and its investors.”

CPP Investments



“We believe that the board chair should be an independent, non-management director. The board chair should lead the board and ensure that it acts in the long-term best interests of the company. In our view, an independent lead director is not a suitable alternative to an independent board chair.”

Legal & General Investment Management



“Given the importance of the role, we expect the chair to be independent at the time of their appointment and to continue to be so during their time in this post.”

Oasis suspects that the Company's representative roles were passed arbitrarily from father to son in the Tsuruha family to maintain control, instead of independent and fair decision-making by the board of directors

History of Mr. Tatsuru Tsuruha and Mr. Jun Tsuruha as directors



Mr. Tatsuru Tsuruha

- Representative Director since listing on the 2nd Section of the Tokyo Stock Exchange in 2001, serving as President and later Kaicho of the Company
- **Relinquished representative role in 2018 to become Kaicho of the Company without any representative authority**



Mr. Jun Tsuruha

- Appointed to Board of Directors in 2015
- **Appointed as Senior Managing Director-Director in 2018, taking over his father's relinquished representative authority, despite not being the CEO**
- President and Representative Director from 2021

President Jun Tsuruha refused to disclose the appointment process related to his position as CEO, in violation of the Corporate Governance Code

Tsuruha's response to Oasis's concerns

“I cannot disclose the process for my appointment to the CEO by the Nomination and Compensation Committee. I cannot also disclose whether the Nomination and Compensation Committee considered other candidates.”

— *President Jun Tsuruha*

Related Corporate Governance Code Items

Principle 3.1 Full Disclosure

In addition to making information disclosure in compliance with relevant laws and regulations, companies should disclose and proactively provide the information listed below (along with the disclosures specified by the principles of the Code) in order to enhance transparency and fairness in decision-making and ensure effective corporate governance:

(...)

- (iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and kansayaku candidates; and
- (v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

Supplementary Principles 4-3-2







Because the appointment/dismissal of the CEO is the most important strategic decision for a company, the board should appoint a qualified CEO through objective, timely, and transparent procedures, deploying sufficient time and resources.

The founding families maintain control of the subsidiaries of Tsuruha Holdings

Subsidiary

Founding family

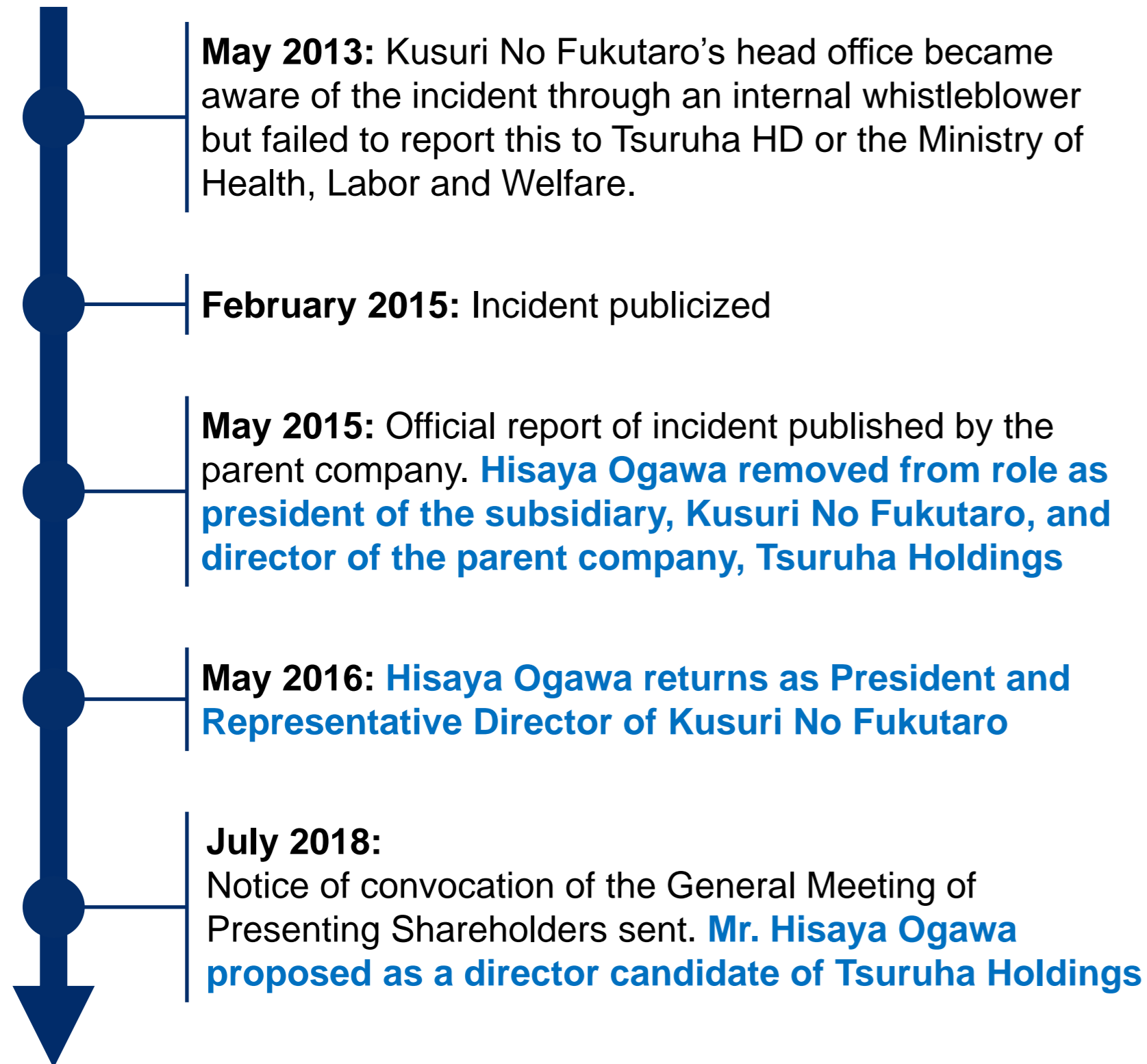
Current Management Structure

 <p>Kusuri No Fukutaro</p>	<p><u>Ogawa family</u></p>	 <p>Representative Director and President Hiasaya <u>Ogawa</u></p>
 <p>Wellness Kohoku¹</p>	<p><u>Murakami family</u></p>	 <p>Representative Director and Kaicho Keisuke Kijima</p> <p>Representative Director and President Shoichi <u>Murakami</u></p>
 <p>Tsuruha</p>	<p><u>Tsuruha family</u></p>	 <p>Representative Director and Deputy-Kaicho Jun <u>Tsuruha</u></p> <p>Representative Director and President Masahiro Yahata</p>

1: Legal entity merged to Tsuruha Group Drug & Pharmacy Nishinihon

Source: company disclosures

Mr. Ogawa, a founding family member, regained his position as director of the holding company and the president of a subsidiary, despite being previously removed from these positions due to misconduct related to failures in drug record-keeping and false billing. This suggests the founding families continue to hold undue influence over each subsidiary



- ! This case exhibits **significant malice**, as the **headquarters of Kusuri No Fukutaro was aware** of the fact that the drug records were not properly managed and dispensing fees were not being billed in a rightful manner to the Japanese insurance system. Acknowledgment of the problem was delayed for nearly two years before reporting to the Ministry of Health, Labor and Welfare.
- ! **It is highly unusual** in Japanese corporate practice for a director and subsidiary president, who resigned and took responsibility for a severely malicious incident related to pharmaceutical affairs and **a breach of trust against the Japanese medical insurance system and patients**, to be reinstated to both positions.

Kusuri No Fukutaro's HQ and some stores are owned by the Ogawa family and rented to the company, further supporting Oasis's view that the company is under the Control of the Ogawa family



Building name	Shin Kamagaya F-Tower Building	N.A.	“ディア・ヴェルジュ”	“ムワトゥール”
Address	2-8-17, Shin-kamagaya, Kamagaya-city, Kamagaya-city, Chiba	1-1-24, Hatsutomi-Honcho, Kamagaya-city, Chiba	1-18-5, Shin-kamagaya, Kamagaya-city, Chiba	1-16-1, Shin-kamagaya, Kamagaya-city, Chiba
Facility	Headquarters	Store [初富本町店]	Store [新鎌ヶ谷北口店]	Store [新鎌ヶ谷店]
Owner	Mr. Osamu Ogawa	Mr. Osamu Ogawa	Mr. Osamu Ogawa	Mr. Hisaya Ogawa

Tsuruha has not integrated the brands and operations of their acquired subsidiaries. Oasis suspects this is done to preserve control by the founder families at each company



What the Company claims

- The **company states that keeping the brands, operations and legal entities of their acquired subsidiaries mostly-as-is is beneficial**, despite running the same business, as this allows the brands to utilize the recognized brand names of each company and allows them to operate their businesses with more flexibility
- The holding company currently has eight brands, each run by its own management

ツルハグループ 2023年6月15日現在 国内 2,576 店舗 <small>連結店舗数</small>			ツルハドラッグ ツルハドラッグ	くすりの福太郎 くすりの福太郎
ドラッグストア ウェルネス	ドラッグストア ウォンツ	くすりのレデイ くすりのレデイ		
杏林堂スーパー ドラッグストア	B&D ドラッグストア	ドラッグイレブン ドラッグイレブン		

OASIS

What Oasis sees


- Apart from MatsukiyoCocokara, which has had a unique issue of significant overlap in the store foot-print of the two merged companies, **there are no notable examples of a company adopting a similar strategy to Tsuruha of keeping subsidiaries intentionally independent¹**. Thus, the Company's approach is clearly an unconventional one
- While the independence of each subsidiary and the continued control of the founding families are essentially separate issues, it is possible that Tsuruha is intentionally conflating the two
- The fact that each founding family continues to control the major subsidiaries, as well as the reinstatement of Mr. Ogawa to his president role at Kusuri No Fukutaro, suggests the possibility that the subsidiaries' brands and operations may have not been unified in order to **protect each subsidiary and trade name as the "territory" of each of the respective founding families**

1: Although Welcia has kept some of the brands of the acquired companies, most of such brands are much smaller in footprint, compared to its main brand, Welcia

Source: Tsuruha disclosures

Granting perpetual control of respective subsidiaries to the founding families and establishing “territories” poses numerous challenges

Problems caused by each founding family having its own “territory”

Lack of synergy	<ul style="list-style-type: none">▪ The independent operation by each subsidiary may provide flexibility in their operations, but hinders the realization of synergies and other benefits that come with integration
Challenges in Corporate Governance	<ul style="list-style-type: none">▪ Each founding family operates its business independently from the parent company, Tsuruha Holdings, leading to poor governance▪ For example, despite being aware of incidents involving mismanagement of drug history and improper remuneration for drug dispensing, Kusuri No Fukutaro’s head office chose not to report the issue to Tsuruha HD▪ Attorney Mr. Yamaguchi, corporate governance expert, highlighted in his blog:  <i>“If the former pharmacist of “Fukutaro” had an established route to file a complaint directly to the parent company, it is possible that Tsuruha HD would have been able to identify the problems that occurred at Fukutaro earlier, and moreover, if such a system had been established, Fukutaro itself would have acted earlier.”</i>
Talent management	<ul style="list-style-type: none">▪ The prolonged dominance of the founding families, both in the holding company and its subsidiaries, not only obstructs the advancement of talented individuals but also diminishes employee motivation▪ At Kusuri No Fukutaro, Mr. Mitsunobu Abe was promoted to president when Mr. Hisaya Ogawa was dismissed from the role, but when Ogawa returned as president 12 months later, Mr. Abe was “promoted” to deputy-Kaicho

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4.b.1. Composition of the Board

4.b.2. Concerns over individual Directors

4.c. Relationship with IR Japan

Oasis raises concerns about Tsuruha's board composition, with specific concerns over each of the directors' independence

Concerns regarding board composition

Board quality, independence, and diversity have regressed over the past 15 years



Exclusion of retail industry experience among outside directors



Replacement of directors with people from Hokkaido business community



Decline in ratio of outside directors



Minimum required levels for the percentage of female directors, percentage of outside directors, etc.

Concerns regarding individual outside directors



Harumi Sato:

Concerns on independence due to family ties to the Tsuruha family



Takuya Okazaki:

Concerns on independence due to ties to his predecessor, Jun Sakai, mainly at Hokuriyou and Hokkaido Bank



Fumiyo Fujii:

From former main bank of Tsuruha, North Pacific Bank, and concerns about independence

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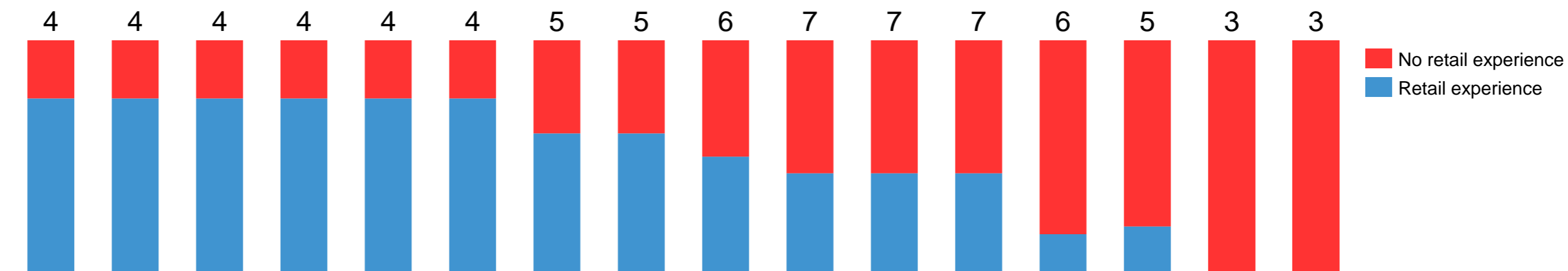
4.b.1. Composition of the Board

4.b.2. Concerns over individual Directors

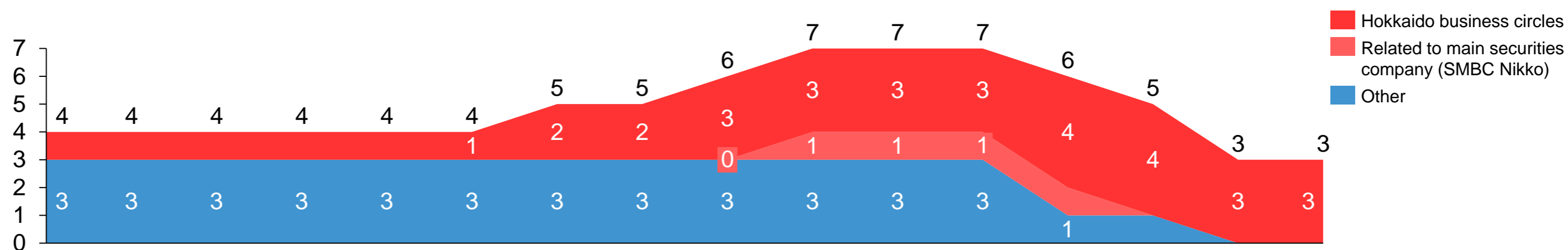
4.c. Relationship with IR Japan

Tsuruha's directors auditors have regressed in quality, independence and diversity over the past decade, in contrast with the corporate governance improvements seen at other Japanese companies

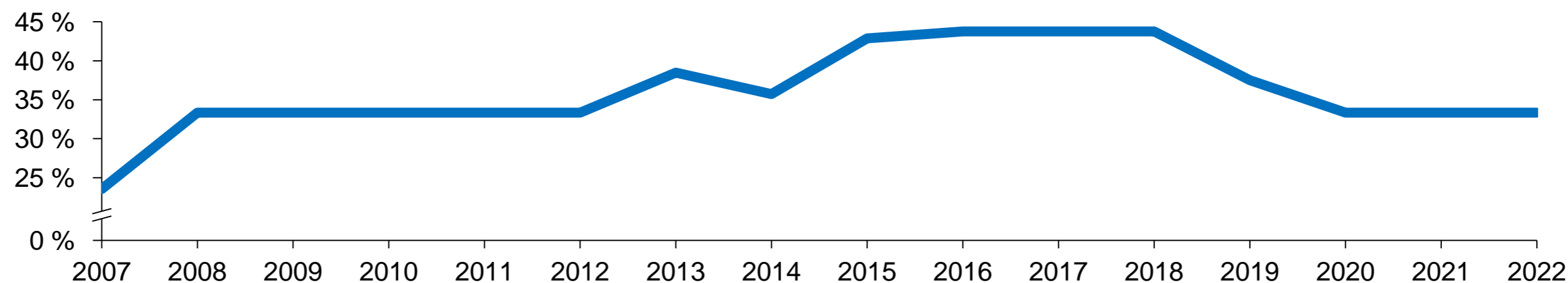
Breakdown of retail industry experience among outside directors and auditors



Breakdown of outside directors and auditors by their origin



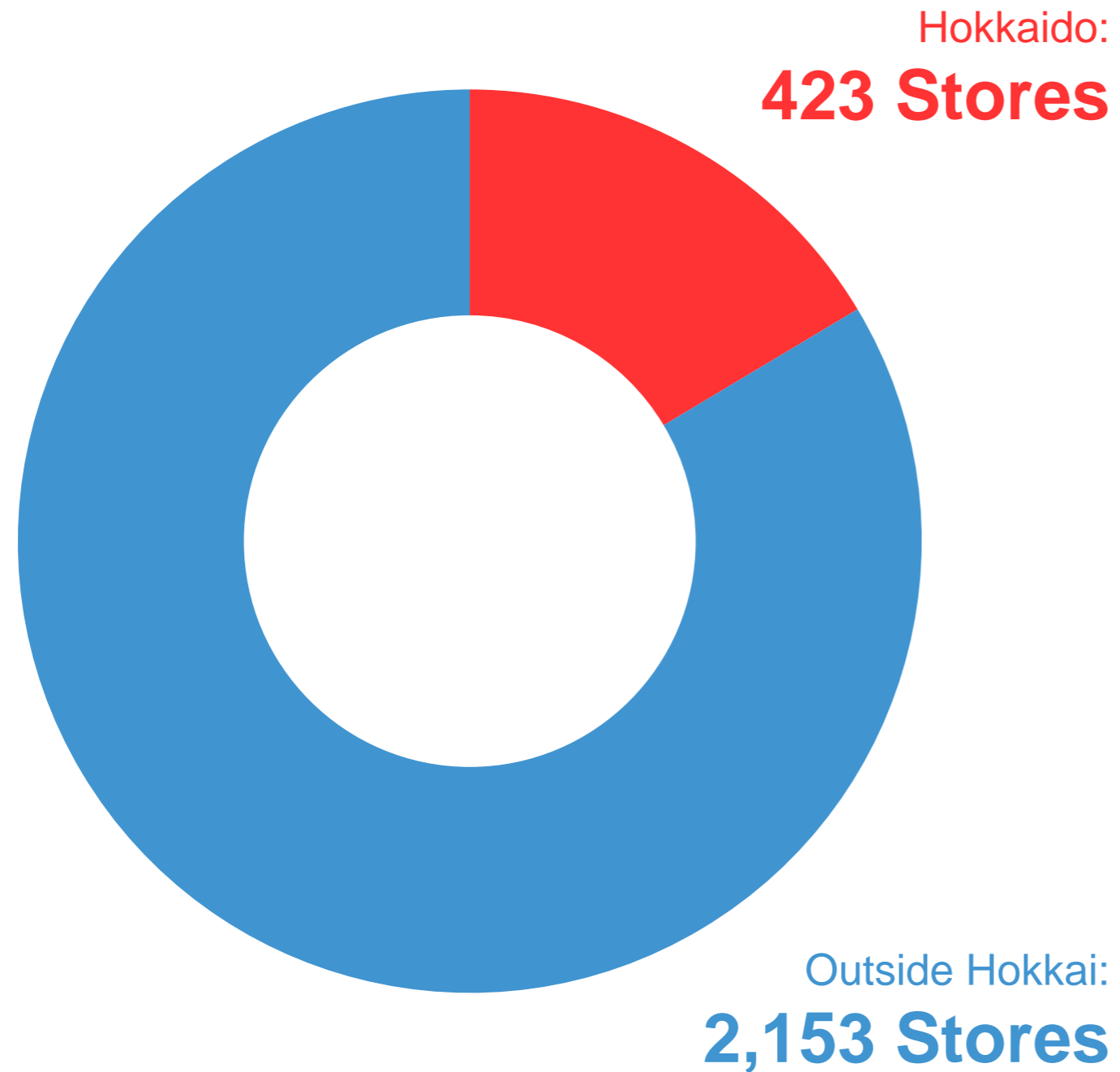
Ratio of outside directors and auditors amongst all



The current representation from Hokkaido business circles among Tsuruha's outside directors is not justifiable, especially considering the demographic trends

Store Distribution;

As of 2023/6/15, domestic stores only



Outside Director Composition



Tsuruha's skills matrix shows that none of their outside directors have skills in business strategy

氏名	Management		Finance, accounting, M&A		Legal/ risk management	
	Business strategy	HR	ESG	ESG	ESG	ESG
氏名	専門性と経験					
	企業経営	事業戦略	財務・会計・M&A	人的資源・人材開発	法務・リスクマネジメント	ESG
鶴羽 樹	○	○	○	○		
鶴羽 順	○	○		○		○
小川 久哉	○	○	○	○		○
村上 正一	○	○		○		○
八幡 政浩	○	○		○		○
大船 正博		○	○	○	○	○
Ms. Sato Harumi 佐藤はるみ			○			○
Mr. Takuya Okazaki 岡崎 拓也					○	○
Mr. Fumiyo Fujii 藤井 文世	○		○	○	○	○

Outside directors

The lack of retail industry experience among Tsuruha's Board of Directors violates proxy advisory firm guidelines recommendations ...

Glass Lewis Voting Advisory Criteria

*“We believe that boards should have diverse backgrounds and members with a breadth and depth of relevant experience. We believe that the board or the nominating committee should consider diversity when making director nominations within the context of each specific company and its industry. In our view, shareholders are best served when boards make an effort to ensure a constituency that is not only reasonably diverse on the basis of age, race, gender and ethnicity, but also on the basis of geographic knowledge, industry experience, board tenure and culture. In addition, **we believe that at least one of the outside directors should have relevant industry experience.**”*

... as well as voting guidelines of some institutional investors

Norges Bank Investment Management



*“The board should have sufficient industry expertise to monitor management’s implementation of corporate strategy. **At least two of the independent members should have worked in the industry.**”*

abrdn



*“Effective decision making requires a mix of skills around the table and constructive debate between diverse and different-minded individuals. A range of skills, experience and perspectives should be drawn together on the board. **These include industry knowledge, experience from other sectors and relevant geographical knowledge.**”*

Tsuruha's current board composition only barely achieves minimum guidelines, demonstrating a "tick the box" approach to governance, and shows no intent of the Company to go beyond this to achieve better Corporate Governance

Contents of the guidelines

Tsuruha's current board structure

Outside director ratio



Corporate Governance Code Principle 4.8 Effective Use of Independent Directors

- Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint **at least one-third of their directors as independent directors** (two directors if listed on other markets) that sufficiently have such qualities.

- Of the nine board members, only three are outside directors, which makes **only one-third of the board**

Number of female directors



2023 ISS Japan Proxy Voting Guidelines Benchmark Policy Recommendations

- vote for the election of directors, except:
 - Top executive(s) if the board, after the shareholder meeting, will not include **at least one female director**;

- Ms. Harumi Sato is the **only female director**

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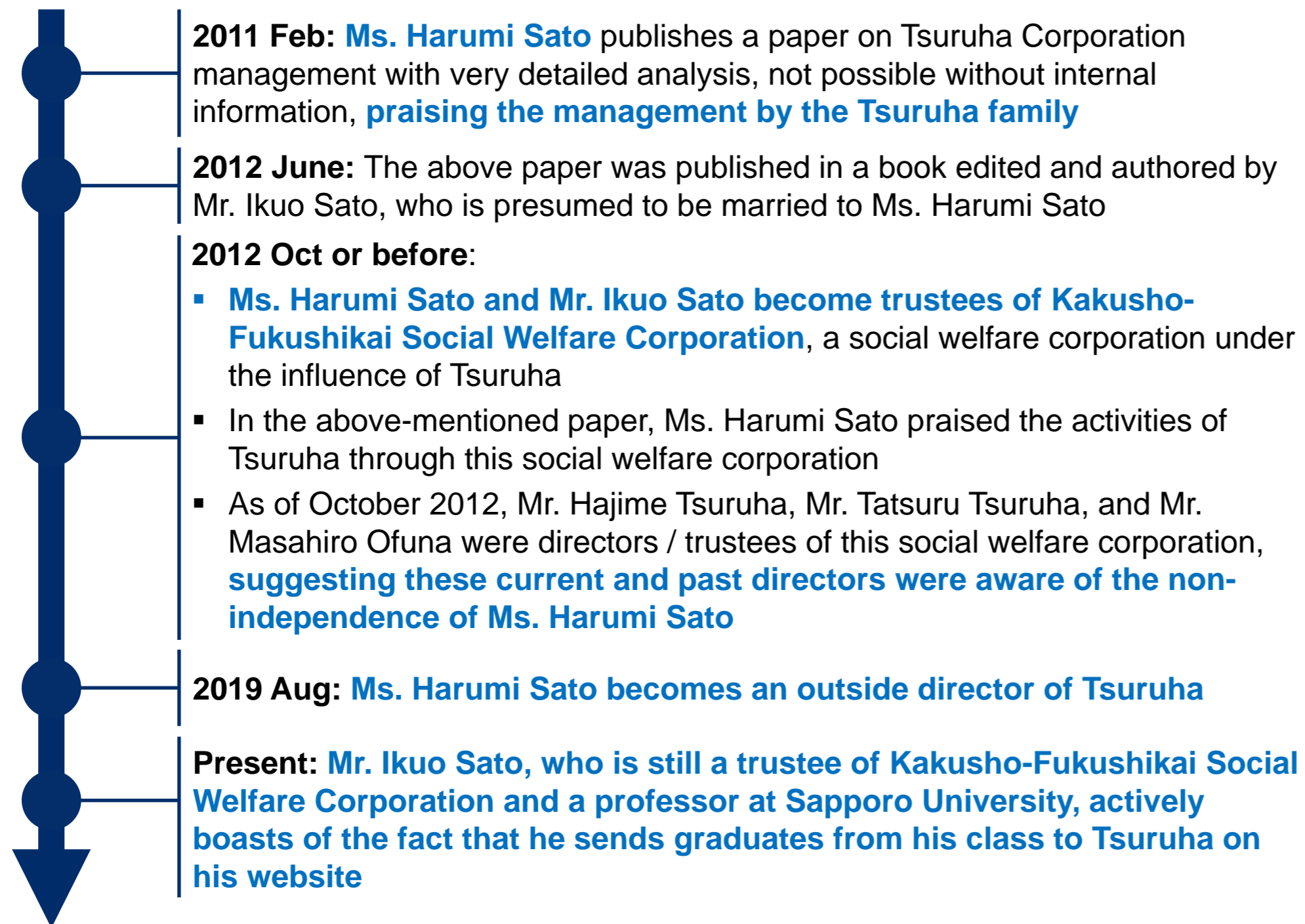
4.b.1. Composition of the Board

4.b.2. Concerns over individual Directors

4.c. The case for integration for Tsuruha

The Company has made unclear explanations to Oasis about the independence of their outside directors, in contrast to the longstanding, near-decade-long relationship between the Tsuruha and Sato families

History of the Tsuruha family and the Sato family's relationship



Explanations by the Company regarding the independence of the outside directors

*"I don't remember how I got to know each of the outside directors, but **the independence of all outside directors is assured.**"*

— Mr. Jun Tsuruha
President and Representative Director

(In response to Oasis's question regarding the appointment of personnel from the Hokkaido business community as outside directors, asking about potential relationships with the company or the management)

*"Within the Hokkaido business community, we are choosing candidates who are independent, although **they have a "certain connection" with the Company management, such as meeting each other at some conferences or having mutual acquaintances.**"*

— Mr. Makoto Murakami,
Executive Officer for Group Management

Evidence suggests outside director Ms. Harumi Sato is married to Mr. Ikuo Sato, implying their close personal relationship with the Tsuruha family, and lack of independence

Co-ownership of residence

- When we check the ownership records for Ms. Harumi Sato's address, we see that this residence is co-owned by Ms. Harumi Sato and Mr. Ikuo Sato

"Related" signs in filings

- In the filing in Kakusho-Fukushikai Social Welfare Corporation, both have the "related" signs ticked, implying both had some relatives in the organization – i.e., it is likely that the two are related to each other

Overlap in career

- Both were born in 1955
- Career overlap suggests they met in IEEJ¹
 - Ms. Harumi Sato worked at IEEJ from 1977, presumably until 1990
 - Mr. Ikuo Sato worked at IEEJ from 1988, presumably until 1990

Co-authoring of papers

- Ms. Harumi Sato and Mr. Ikuo Sato have co-authored at least two papers together
- One of Ms. Harumi Sato's single-authored reports about Tsuruha was included in a book edited by Mr. Ikuo Sato, while another was included in a journal published by an institute which was headed by Mr. Ikuo Sato

- As both Ms. Harumi Sato and Mr. Ikuo Sato have sat in the boards of Kakusho-Fukushikai Social Welfare Corporation, we believe there is a family-wide relationship between the Tsuruha family and the Sato family
- **Mr. Ikuo Sato still holds his role as a trustee of the Kakusho-Fukushikai Social Welfare Corporation**, further raising concerns over Ms. Harumi Sato's independency

1: The Institute of Energy Economics Japan

Source: web search; land registry; Kakusho-Fukushikai Social Welfare Corporation disclosures

Before becoming an outside director, Ms. Harumi Sato wrote a 2011 paper titled “Tsuruha Holdings, Inc.: From Family Business to Innovator,” praising the Tsuruha family’s management

産研論集 41(2011.2)

1

〔論 文〕

(株)ツルハホールディングス －家業からイノベーターへ－

佐藤 はるみ
(税理士)

はじめに

北海道で誕生し全国展開する規模に成長した企業は数多い。雪印乳業(株)を筆頭に家具・インテリアの製造物流小売業をチェーン展開する(株)ニトリホールディングス、ホームセンターを展開するホームック(株) (DCM Japanホールディングス(株)) など流通業界をリードする企業群はマスコミ等をにぎわしている。ドラッグストアの(株)ツルハホールディングスもその一つであるが、他社と大きく異なるのは全国的グループ企業となっても本社機能を北海道に据え置き全国展開を続けて

の中で「ドラッグストア」という言葉を使い、この業態への認識が一般にも広まった。

定義については、業界団体として1999年(平成11)に発足した日本チェーンドラッグストア協会が、「医薬品と化粧品、そして、日用家庭用品、文房具、フィルム、食品等の日用雑貨を取扱う小売店」と規定している。卸・小売業の監督官庁である経済産業省が商業統計で2002年(平成14)に取り上げられるまで国や行政によって公式に定められた業態は存在していなかった。その商業統計では、
①ドラッグストア(店舗全体の50%以上)が

Ms. Harumi Sato and her suspected husband, Mr. Ikuo Sato, served as trustees of the Tsuruha-funded Kakusho-Fukushikai Social Welfare Corporation from 2012 or earlier

Trustees of Kakusho-Fukushikai Social Welfare Corporation

	定員	現員				
	21	20				
氏名	職業	任期	親族等特殊関係者の有無			
			親族	他の社会福祉法人の役員	その他	
評議員	辻 正親	理事長	H24.10.24 ~ H26.10.23			
	鶴羽 肇	会社役員	H24.10.24 ~ H26.10.23	○		○
	鶴羽 樹	会社役員	H24.10.24 ~ H26.10.23	○		○
	大船 正博	会社役員	H24.10.24 ~ H26.10.23			○
	佐藤 完二	無職	H24.10.24 ~ H26.10.23			
	寺崎 一正	自営業	H24.10.24 ~ H26.10.23			
	藤枝 正道	専門学校長	H24.10.24 ~ H26.10.23			
	佐藤 正義	福祉法人職員	H24.10.24 ~ H26.10.23			
	伊藤 敏幸	障害者支援施設長	H24.10.24 ~ H26.10.23			
	高森 廣明	特別養護老人ホーム施設長	H24.10.24 ~ H26.10.23			
	佐藤 郁夫	大学教授	H24.10.24 ~ H26.10.23	○		
	須磨 征史	住職	H24.10.24 ~ H26.10.23			
	高橋 唯之	無職	H24.10.24 ~ H26.10.23		○	
	柳澤 健	歯科医師	H24.10.24 ~ H26.10.23			
	渡部 信幸	無職	H24.10.24 ~ H26.10.23			
	佐藤はるみ	税理士	H24.10.24 ~ H26.10.23	○	○	
	星 正博	団体職員	H24.10.24 ~ H26.10.23			
	伊藤 勝昌	無職	H24.10.24 ~ H26.10.23			
河部 輝幸	学校法人職員	H24.10.24 ~ H26.10.23				
荘司 玲子	元町にこにこ保育園長	H25.4.1 ~ H26.10.23				
		~				

Mr. Ikuo Sato, suspected husband of Outside Director Ms. Harumi Sato and a professor at Sapporo University, boasts about sending graduates from his class to Tsuruha

Mr. Ikuo Sato's class's home page

ゼミのセールスポイント

この自分達の生活を意識したゼミの運営は、かなりの部分、就職に強い学生やたくましく生きることのできる学生を育てることを意識しています。このため、元気で明るく、失敗を経験として踏み台にできる人の集まりにしたい、というのがこれまでのゼミの努力目標でした。また、自分発見につながるような心理ゲームを通じた話し合いなども頻繁に行っていました。このような試みが結果として、就職で成功できるような学生を送り出すことにも成果をみせつつあると感じています。これまでのゼミ生の就職先は、北洋銀行、北海道漁連、**ツルハ**、スズケン、北一硝子、音更農協、ニトリ、ホームックなど道内で広く名を知られた会社から、自分で居酒屋を創業し、現在は2店舗を経営して頑張っている学生もいて、多士済々です。

Article excerpt

The management of this seminar, which is conscious of our own lives, is, to a large extent, designed to nurture students who are strong in finding employment and who can live strong lives. For this reason, the goal of the seminar has been to create a group of energetic and cheerful people who can use their failures as stepping stones to success. We have also frequently held discussions through psychological games that lead to self-discovery. I feel that these attempts have been successful in sending out students who will be successful in finding employment. The students who have been employed so far range from well-known companies in Hokkaido, such as North Pacific Bank, Hokkaido Federation of Fisheries Cooperative Associations, **Tsuruha**, Suzuken, Kitaichi Glass, JA Otofuke, Nitori, and Homac. One student has founded his own izakaya and is now running two, and our seminar has many talents.

Mr. Fumiyo Fujii is from North Pacific Bank, which owns shares of Tsuruha used to be Tsuruha's main bank or played a similar role, raising concerns over his independence

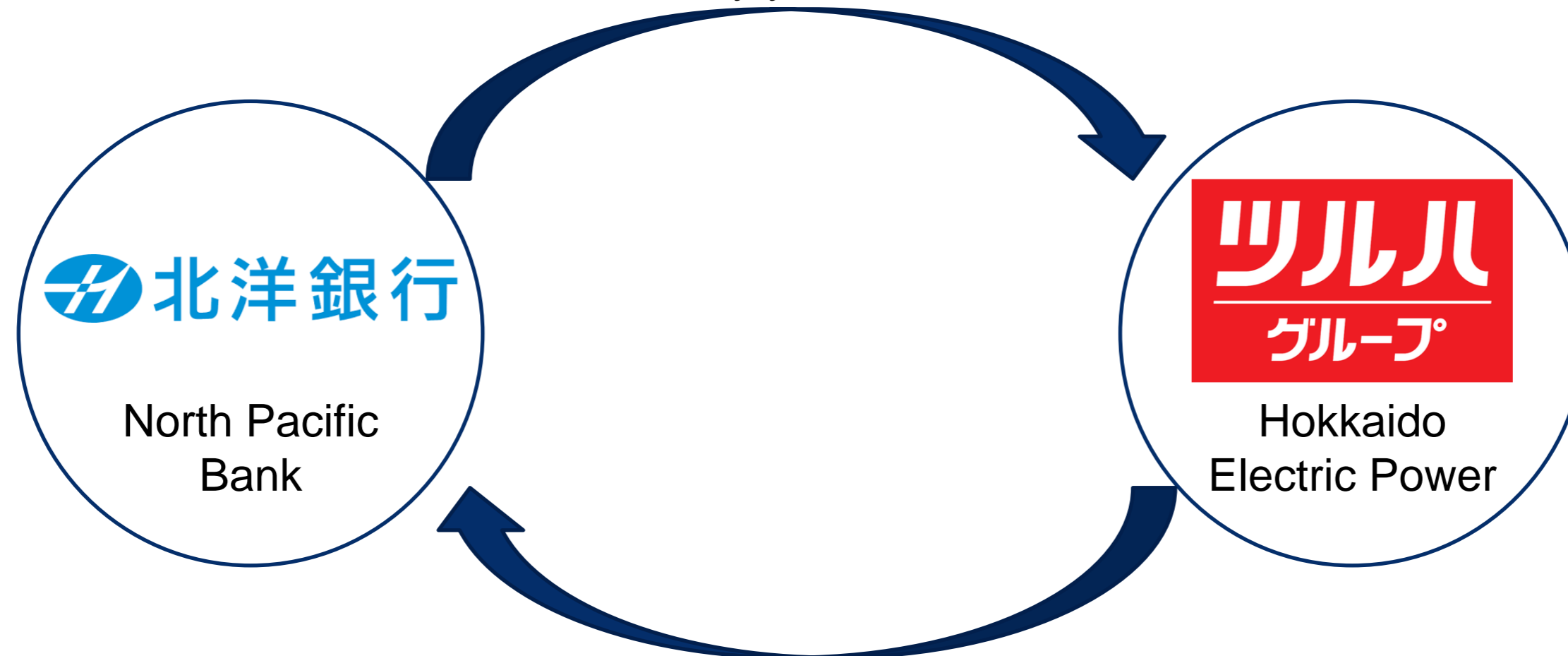


Mr. Fumiyo Fujii's profile



Tsuruha and North Pacific Bank have had a long-standing and deep relationship

- North Pacific Bank has held Tsuruha's shares for more than twenty years



- North Pacific Bank used to be Tsuruha's main bank, or performed a similar function
- Their business relationship has remained at least until 2021

When Oasis asked Tsuruha about its relationship to North Pacific Bank, Tsuruha’s responses conflicted with its public disclosures

Answer from Tsuruha after Oasis’s questions

- When Oasis asked Tsuruha about its relationship with North Pacific Bank, after sharing concerns over Mr. Fujii’s independence, Tsuruha answered as below:
 - [Question from Oasis] Please confirm that North Pacific Bank was one of the “main banks” of the Company or its group companies at one point in the past
 - [Answer from Tsuruha over e-mail] “*The last time we had a business relationship with the Bank was in 2003, before we changed the Company’s structure to a holding company, and do not have a business relationship now*”

過去の一定時期において北洋銀行が貴社ないしは貴社のグループ企業の主要な取引行であったことの確認
⇒過去お取引があったのは現在のホールディングス体制に移行する前の 2003 年であり、現在取引関係はございません。

Conflicting disclosures

- A release on 2007/3/2 shows North Pacific Bank as the Company’s first bank among its list of “main banks”

(14) 主要取引銀行	北洋銀行、三菱東京UFJ銀行	千葉銀行、みずほ銀行
(15) 当事会社の関係	資本関係	当社はくすりの福太郎の発行済み株式総数の36.5%を保有しております。

- AGM notice released on 2021/7/19 discloses that the Company uses North Pacific Bank for banking and FX purposes

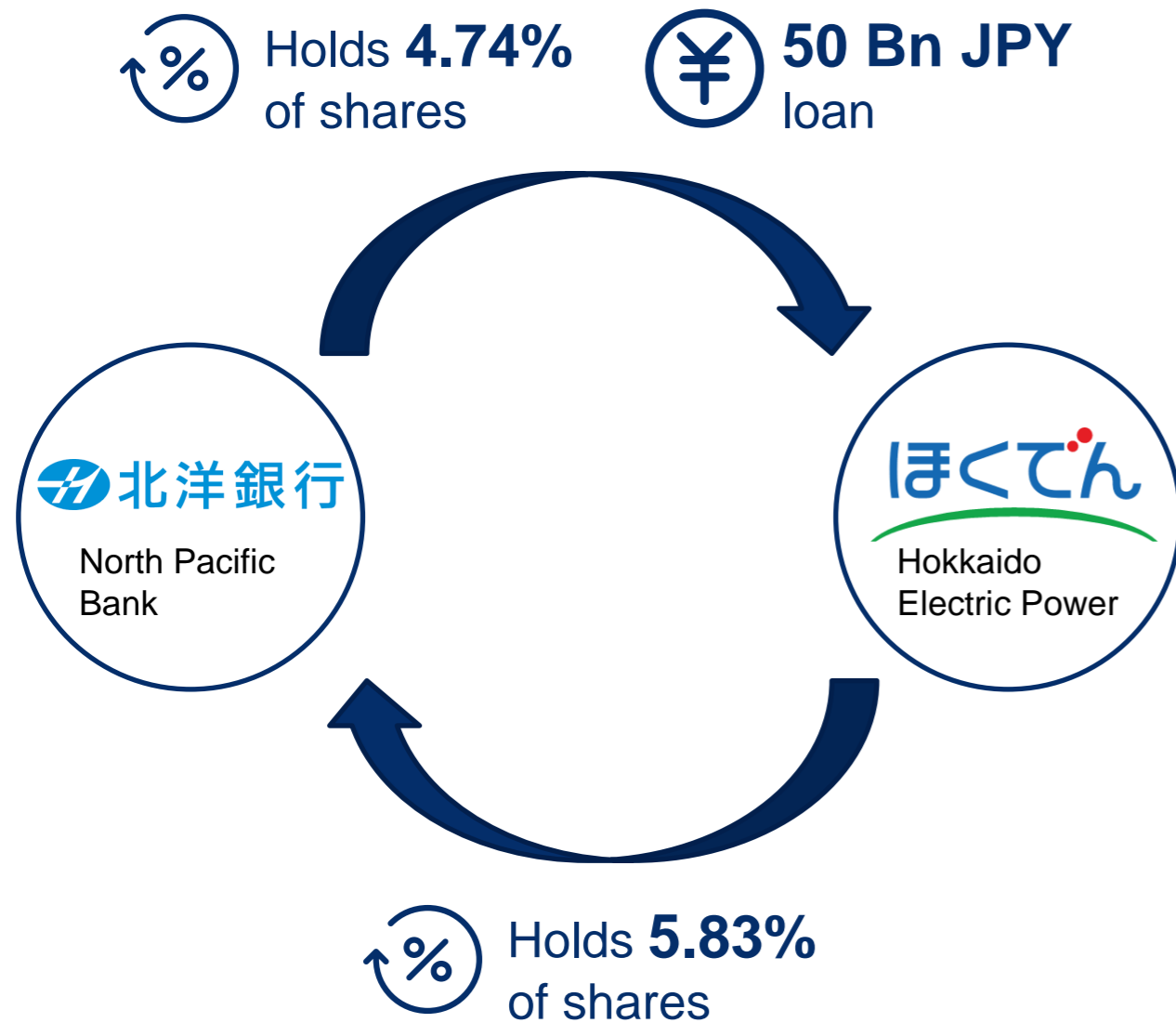
b) 社外取締役 藤井 文世氏 (株)北洋銀行常勤監査役であります。当社と同行との間では預金と為替取引はありますが、融資取引はありません。当期に開催された取締役会13回全てに出席し、金融業務に精通した豊富な経験と幅広い見識に基づき経営上有用な意見、助言をいただいております。
なお、同氏は東京証券取引所の定めに基づく独立役員として、同取引所に届け出ております。

Many of the ex-directors and ex-auditors of North Pacific Bank have gained outside director and auditor positions at companies which the bank own shares in. Tsuruha is one of such examples, raising concerns about the Company's governance

Name	Role in North Pacific Bank	Outside director and auditor roles in companies which have their shares held by North Pacific Bank
Suguru Nagano	2018: Director 2019: Representative director and deputy-CEO (current)	<ul style="list-style-type: none"> Hokkaido Electrical Construction: Outside director (A listed subsidiary of Hokkaido Electric Power, owned 4.74% by North Pacific Bank) Nakamichi Leasing: Outside auditor (Owned 4.74% by North Pacific Bank)
Iwao Takeuchi	2018: Director 2019: Representative director and deputy-CEO (current)	<ul style="list-style-type: none"> Hokkaido Electric Power: Outside director (Audit and supervisory committee) (Owned 4.74% by North Pacific Bank) Kanamoto: Outside auditor (Owned 1.97% by North Pacific Bank)
Katsunori Matsushita	2017: Director 2018: Auditor (current)	<ul style="list-style-type: none"> Kanamoto: Outside auditor (Owned 1.97% by North Pacific Bank)
Junji Ishii	2016: Director CEO 2017: Director-Kaicho (current)	<ul style="list-style-type: none"> Hokkaido Electric Power: Outside auditor (Owned 4.74% by North Pacific Bank)
Fumiyo Fujii	2012: Director 2017: Auditor	<ul style="list-style-type: none"> Hokkaido Electric Power: Outside auditor (Owned 4.74% by North Pacific Bank) Tsuruha Holdings: Outside director (Audit and supervisory committee) (Owned 0.21% by North Pacific Bank)
Ryuzo Yokouchi	2005: Representative director and deputy CEO 2006: Representative director and CEO 2012: Representative director and Kaicho	<ul style="list-style-type: none"> Wellnet: Outside auditor, Outside director (Audit and supervisory committee) (Owned 1.54% by North Pacific Bank) Hokuyaku Takeyama Holdings: Outside auditor (Owned 3.31% by North Pacific Bank)
Koji Soga	2014: Auditor	<ul style="list-style-type: none"> Kanamoto: Outside auditor (Owned 1.97% by North Pacific Bank)
Yukihiro Shimomura	2013: Auditor	<ul style="list-style-type: none"> Hokkaido Electric Power: Outside auditor (Owned 4.74% by North Pacific Bank)
Eisaku Nakamura	2012: Director	<ul style="list-style-type: none"> Hokkaido Electrical Construction: Outside director (A listed subsidiary of Hokkaido Electric Power, owned 4.74% by North Pacific Bank)

Mr. Fujii took place in the longstanding friendly cross-boarding between North Pacific Bank and Hokkaido Electric Power, raising concerns over his integrity as an outside director and his will and capability to oversee management from an independent position

Relationship between North Pacific Bank and Hokkaido Electric Power



History of director and auditor appointments between North Pacific Bank and Hokkaido Electric Power

- Mr. Masahiro Dekura**
 After joining North Pacific Bank, he served as President and Director of Hokkaido Sogo Credit Guarantee, and Auditor of Hokkaido Electric Power Company **from June 2003 to June 2007**
- Mr. Toshihiko Aoyama**
 After serving as Director and Corporate Auditor of North Pacific Bank, he was the Corporate Auditor of Hokkaido Electric Power Company **from June 2007 to June 2009**
- Mr. Junji Ishii**
 After serving as Vice President of North Pacific Bank, he was Auditor of Hokkaido Electric Power Company **from June 2009 to June 2014**
- Mr. Yukihiro Shimomura**
 After serving as a corporate auditor of North Pacific Bank, he was an outside corporate auditor of Hokkaido Electric Power Company **from June 2014 to June 2017**
- Mr. Fumiyo Fujii**
 After serving as Director and Corporate Auditor of North Pacific Bank, he was an Outside Auditor of Hokkaido Electric Power Company **from June 2017 to June 2021**
- Mr. Iwao Takeuchi**
 After serving as Director and Deputy President of North Pacific Bank, he was an Outside Auditor of Hokkaido Electric Power Company **from June 2021**, and subsequently Director and Audit Committee Member of the same (current).



As a director of North Pacific Bank, Mr. Fujii was in a position to address governance issues between the Bank and Hokkaido Electric Power Company



Rather, Mr. Fuji actively participated in the company's friendly cross-boarding and undermined the governance of Hokkaido Electric Power



It is apparent that he prioritizes securing positions and loyalty to his organization over enhancing true governance

Continuation of Mr. Fujii's role as an outside director would be against the best practice model made by Japan Association of Corporate Directors

Basic principles for corporate governance and best practice model



Mr. Fumiyo Fujii's experience in Tsuruha

*“Article 15 The board of directors shall, in their standards for independency, include that **any directors that were first elected eight years ago or before, should not be considered independent**”*

- External auditor **from August 2015**
- Outside director from August 2019
- **This August will mark Mr. Fumiyo Fujii's full eight years** since he started his position as an auditor

Mr. Takuya Okazaki became an outside director at Tsuruha in August 2021, succeeding Mr. Jun Sakai, who served as a Tsuruha director for over 20 years

History of Mr. Jun Sakai and Mr. Takuya Okazaki as directors of Tsuruha



Mr. Jun Sakai

- Certified Public Accountant
- Has been Tsuruha HD's director **for more than twenty years**, from before the Company's listing
- Left his auditor role at Tsuruha HD in **August 2021**



Mr. Takuya Okazaki

- Lawyer
- Appointed as a Director in August 2021, **as a successor to Mr. Jun Sakai**

Mr. Takuya Okazaki served as an auditor at Hokuryo, together with a long-time auditor of Tsuruha, Mr. Jun Sakai, implying a relationship between the two and lack of independence of Mr. Takuya Okazaki

Directors and auditors of Hokuryo

役員	代表取締役社長	米山 大介
	専務取締役管理本部長	津元 淳
	専務取締役（企画担当）	松岡 昌哉
	常務取締役営業本部長	福島 尚樹
	社外取締役	竹林 孝
	社外取締役	日浅 尚子
	監査役	工藤 泰宏
	社外監査役	酒井 純
	社外監査役	岡崎 拓也
	上級執行役員	松野 慎太郎
執行役員	加藤 公明	
執行役員	相田 正行	

Mr. Jun Sakai, who Oasis suspects a connection with Mr. Takuya Okazaki, still serves an auditor of the Company's subsidiary, implying a strong relationship between Mr. Takuya Okazaki, Mr. Jun Sakai and the Company

Subsidiary's¹ corporate registry; as of April 2023

監査役	酒 井 純	平成28年 8月10日重任
		平成28年 8月25日登記
監査役	酒 井 純	令和 2年 8月11日重任
		令和 2年 8月25日登記

1: a subsidiary of Tsuruha

Source: Tsuruha's corporate registry

There is a possibility that friendly cross-boardings based on existing cross-shareholding relationships with North Pacific Bank are taking place

- North Pacific Bank holds cross-holding shares of Tsuruha Holding
- As of 2012 or before, North Pacific Bank used to be Tsuruha's main bank or played a similar function. Their business relationship has remained at least until 2021



Mr. Fumiyo Fujii

- 1979-Present: North Pacific Bank
- 2015-Present: Tsuruha Holdings



- North Pacific Bank holds cross-holding shares of Hokuryo



Mr. Takuya Okazaki

- 2013-Present: Hokuryo
- 2021-Present: Tsuruha Holdings



Mr. Jun Sakai

- 2013-Present: Hokuryo
- 1995-2021 : Tsuruha Holdings



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4.a. Control by the three founding families

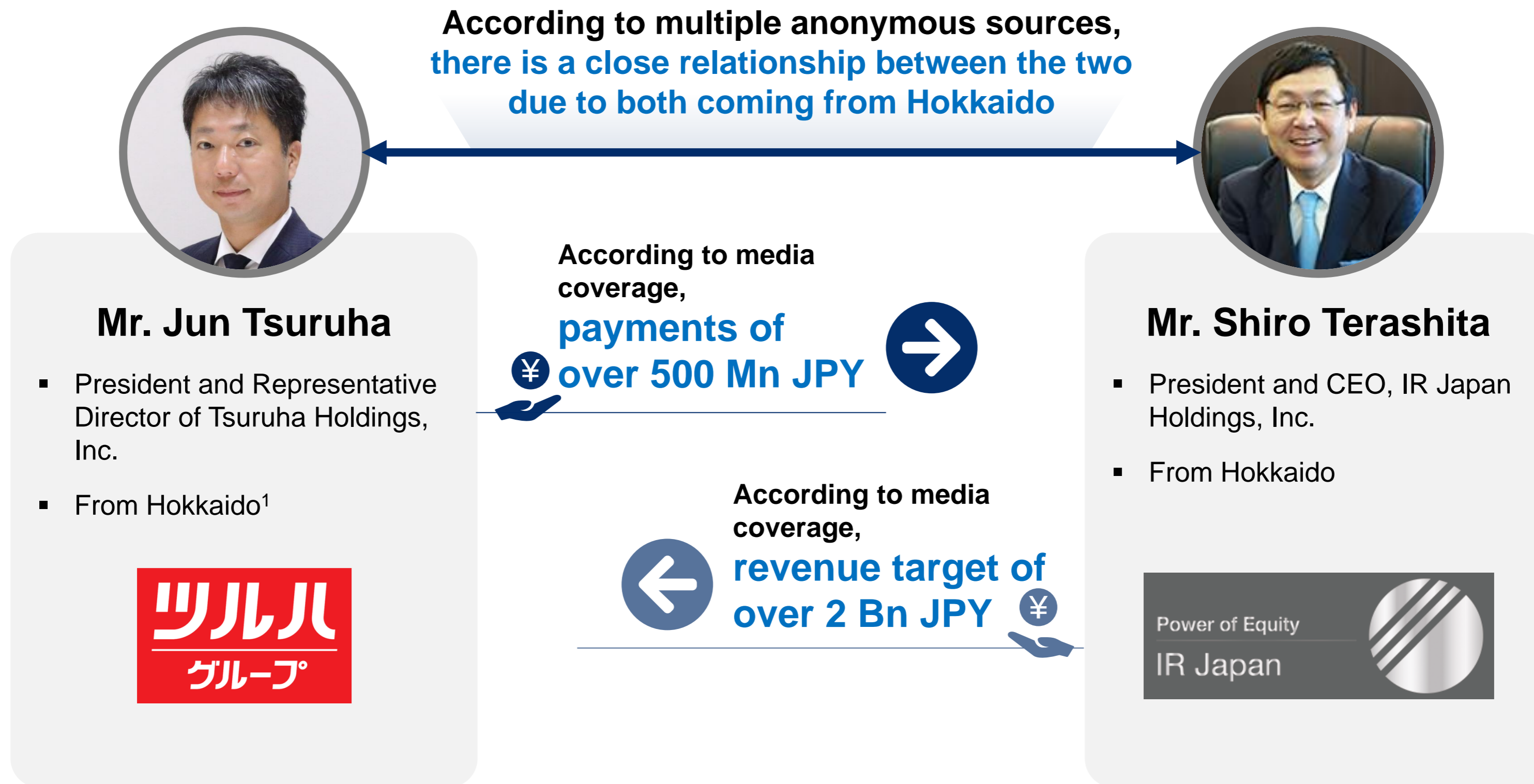
4.b. The quality, independence and diversity of the outside directors

4.c. Relationship with IR Japan

Oasis's concerns over Tsuruha's relationship with IR Japan

- ① Use of shareholder capital for the self-preservation of the management / founder families
- ② Payment of funds to a company that is led by a friend of the Tsuruha family
- ③ The risks of a relationship with a poorly governed firm

According to media reports and other sources, it is possible that Tsuruha made a large payment to IR Japan in the context of a close private relationship between Jun Tsuruha and Shiro Terashita



1: In an interview article, mentions that “Although I claim myself to be from Hokkaido, I was actually born in Amagasaki, Hyogo” (translation by Oasis)

Source: Diamond Online articles; news articles; multiple anonymous sources

Despite media reports stating that IR Japan's sales target of 2 Bn JPY against Tsuruha, accounting for nearly 10% of Tsuruha's operating income, Tsuruha refuses to disclose its relationship with IR Japan

Media coverage of relationship between IR Japan

【スクープ】ツルハから20億円、ニトリから8億円！
IRジャパンの「皮算用」が内部資料で判明

村上カ: フリーライターダイヤモンド編集部 重石岳史: 副編集長

特集 インサイダー IRジャパンの凋落

2022.9.5 5:10 有料会員限定



Photo:ImageGap/gettyimages

IRジャパンが下方修正の必要性を認識しながら、固執し続けた通期売上高120億円の業績予想。その根拠となる案件名と報酬額が、ダイヤモンド編集部が入手した内部資料で明らかになった。その内容を検証すると、ドラッグストア大手ツルハホールディングスをはじめ有名企業から億円単位の巨額フィーを得る計画など、無謀な「皮算用」が通期見通しの根拠となっていた実態があった。特集『インサイダー IRジャパンの凋落』（全7回）の#1は、その詳細を明らかにする。（フリーライター 村上カ、ダイヤモンド編集部副編集長 重石岳史）

Tsuruha's response to concerns raised by Oasis

In response to Oasis's question about Tsuruha's relationship with IR Japan:

“As for IR Japan, we cannot disclose other than that we are using it for shareholder identification research. We also cannot disclose the fees we are paying.”

— President Jun Tsuruha

Oasis is concerned that Tsuruha’s may have retained IR Japan for the self-preservation of management, while exposing the Company to various risks

Matters certified by the third-party committee¹ regarding IR Japan

<p>Accusations over conflicts of interests</p>	<p>The third-party committee report recognized that Mr. Kurio, former Executive Vice President of IR Japan, “made the proposal” to the acquiring company in question regarding the alleged conflicts of interests and also that “it is highly probable that this proposal was made as part of his duties as the representative director of IR Japan”</p>
<p>Insider Trading</p>	<p>Mr. Kurio, then Executive Vice President, was found to have engaged in transactions “in violation of IR Japan's Insider Trading Control Regulations”, as per the report</p>
<p>Failure to Block Information</p>	<p>Mr. Terashita and Mr. Ishigaki, who are currently serving as directors, were implicated in a case where they provided services to multiple clients with conflicts of interest, despite the presence of an “extremely large conflict of interest”. Despite this, the report concluded that they had access to a folder containing “confidential information that was not adequately protected” under such conflicts of interests</p>
<p>Governance Structure</p>	<p>“Inadequate checks and balances by governance bodies such as the Board of Directors, the Audit Committee led by outside directors, and the internal Audit Committee members” was identified in the report</p>

There is a possibility that Tsuruha's appointment of IR Japan, which has various governance issues, was **primarily for the self-preservation of the management**

However, this decision not only wastes shareholders' capital but also



exposes Tsuruha to risks such as information leaks and insider trading

1: Third party investigation over allegations of serious conflicts of interests made by Diamond Online

Source: third party investigation committee report for IR Japan

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5.a. Shareholder proposals for the AGM

5.a.1. Election of new directors and new compensation plan

5.a.2. Changes in AOI to improve corporate governance

5.b. Other proposals from Oasis to the new board

5.c. Summary: Oasis's recommendation to fellow shareholders

Oasis suggests a comprehensive, four-pronged shareholder proposal to drive fundamental improvements in corporate governance at Tsuruha

Dismissal of existing outside directors

Dismiss Mr. Fumiyo Fujii, who lacks independence

Revision of Outside Director Compensation

Implement a revamped compensation system for outside directors that enhances predictability and aligns their incentives with shareholder interests



Election of new outside directors

Appoint five highly qualified, independent, and diverse outside directors to enhance effective oversight of management

Amendments to Articles of Incorporation to Improve Corporate Governance

Amend the Articles of Incorporation to enhance corporate governance by removing the Kaicho position and appointing an outside director as chairperson

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Oasis proposes outside director candidates with true independence and relevant experience



Mr. Nobuo Gohara

Proposal as Outside Director
(Audit Committee Member)

- After working as a prosecutor, he is currently working as a representative attorney of Gohara Sogo Compliance Office
- He has chaired third-party committees for numerous listed companies, and his knowledge of compliance is the best in Japan
- In the past, he served as an Outside Auditor for IHI



Mr. Motohiko Nakamura

Proposal as Outside Director
(Audit Committee Member)

- After serving as President and Representative Director of Circle K Sunkus, he became President and Representative Director of UNY Holdings
- Years of management experience and in-depth knowledge in the retail industry



Ms. Yuko Nakahata

Proposal as Outside Director
(Audit Committee Member)

- Has experience in management of multinational companies and business start-ups in Southeast Asia, as well as selling businesses as an entrepreneur
- Currently offers ESG-related services
- In addition to general corporate management expertise, he also has extensive international and ESG experience



Mr. Muneto Tamagami

Proposed as Outside director
(Non-member of audit committee)

- Participated in the management of various companies after working for a major bank, an advertising agency, and as a director of Nitori
- With extensive experience in the retail industry and a deep understanding of finance and M&A practices gained from banking and M&A promotion at Nitori, his expertise spans multiple domains



Ms. Akiko Ikeda

Proposed as Outside director
(Non-member of audit committee)

- President of several restaurant chains including Coco's Japan after working for Ito-Yokado
- Currently serves as an outside director of Kura Sushi
- With extensive management experience in the consumer business, particularly in PB, she has played a pivotal role in the remarkable success of Seven Premium, Japan's leading PB

Candidate profile: Mr. Nobuo Gohara

– Japan’s leading compliance, corporate governance and crisis management lawyer



Career history

April 1983	Appointed as prosecutor
April 2001	Deputy Chief Prosecutor, Nagasaki District Public Prosecutors Office
October 2003	Specially Appointed Professor, Graduate School of Law, Toin University of Yokohama (concurrent position)
January 2004	Deputy General Manager, Hachioji Branch, Tokyo District Public Prosecutors Office
April 2004	Chief Research Officer and Instructor, Research and Training Institute of the Ministry of Justice
April 2005	Professor, Graduate School of Law & Director, Toin University of Yokohama Head, Compliance Research Center, Toin University of Yokohama
April 2006	Registered as attorney-at-law
April 2006	Lecturer, National Police Academy
2006	Member, Fair Bid Research Council, Ministry of Land, Infrastructure, Transport and Tourism (current position)
April 2008	Specially Appointed Professor, Graduate School of Law, Toin University of Yokohama
May 2008	Member; Safety Subcommittee; Commerce, Distribution and Information Committee; Industrial Structure Council; Ministry of Economy, Trade and Industry
June 2008	External Statutory Auditor, IHI Corporation
April 2009	Professor, Research Institute, Meijo University
October 2009	Advisor, Ministry of Internal Affairs and Communications
April 2010	Director, Office of Compliance, Ministry of Internal Affairs and Communications
April 2010	Chairman, Commission on Inspection of Public Pension Service, Ministry of Internal Affairs and Communications
April 2012	Specially Appointed Professor, Faculty of Societal Safety Sciences, Kansai University
April 2014	Guest Professor, Kansai University
September 2017	Compliance Advisor, City of Yokohama

Oasis’s reason for proposal

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

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

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

Candidate profile: Mr. Motohiko Nakamura

– ex-representative director of mega-retailer Uny, who lead the growth of Circle K Sunkus



Career history

March 1982	Joined Circle K Japan Operations Division, UNY Co., Ltd.
March 1999	General Manager, 2nd Product Department, Product Division, Circle K Japan Co., Ltd.
March 2002	Deputy General Manager, Product Division, Circle K Japan Co., Ltd.
May 2005	Director and General Manager, Marketing Division, Circle K Sunkus Co., Ltd.
May 2007	President and Representative Director, Circle K Sunkus Co., Ltd.
March 2013	President, Representative Director and Chief Operating Officer, UNY Group Holdings Co., Ltd.
March 2015	Senior Advisor, UNY Group Holdings Co., Ltd.
June 2017	Advisor, Hongo Tsuji Business Consulting
June 2017	Outside Director, Atnavi Japan Co., Ltd. (currently Skywork Co., Ltd.)
October 2017	Advisor, Fukuyama Reizo Co., Ltd. (Current position)

Oasis's reason for proposal

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

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

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

Candidate profile: Ms. Yuko Nakahata

– Wide business experience in multiple industries and geography, with ESG expertise



Career history

April 1994	Joined Flash, Inc.
June 1995	Joined Backs Group, Inc.
March 2002	President and Representative Director, Smart Co., Ltd. (100% subsidiary of Backs Group, Inc.)
March 2005	Established Partir Co., Ltd., Representative Director and President
August 2010	Joined Honor Circle HK Limited
June 2016	Chief Administrative Officer, Honor Circle Limited
April 2018	Outside Director, AMAGASA Co., Ltd.
June 2019	Outside Director, Kourakuen Holdings Corporation
June 2021	Established SustainaSeed Inc., Representative Director and CEO (current position)
June 2021	Outside Director, NAC Co., Ltd. (current position)

Oasis's reason for proposal

Ms. Nakahata has extensive experience and achievements in management, having served in senior positions, including president, at several domestic and overseas enterprises, and is also a serial entrepreneur. While in Hong Kong, she also gained experience in establishing and managing new companies, primarily in South East Asia, and in managing domestic and overseas group companies.

The Company urgently needs to prepare for the expected demand recovery from inbound tourists in the post-COVID period. Continued success in overseas businesses such as in Thailand is also imperative, over the medium and long term. In the restructuring of the Company's sales model for inbound tourists and expansion into overseas markets, Ms. Nakahata can be expected to provide beneficial advice from a global perspective based on her overseas experience.

Additionally, ESG is increasingly important in the drugstore industry, and Ms. Nakahata has strong knowledge of ESG from her experience running a global business directory of sustainability problem-solving companies at her startup.

For these reasons, Oasis proposes the election of Ms. Nakahata as a candidate for outside director.

Candidate profile: Mr. Muneto Tamagami

– ex-director of Nitori, with experience in large scale business planning, as well as expertise on finance and M&A



Career history

April 1991	Joined Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
April 2006	Executive Officer, Cosmo Communications Inc.
August 2007	Joined Nitori Holdings Co., Ltd.
April 2015	Executive Officer, Nitori Holdings Co., Ltd.
April 2016	Senior Executive Officer, Nitori Holdings Co., Ltd.
June 2017	Director-Managing Director, Nitori Holdings Co., Ltd.
May 2018	Joined RIZAP Group, Inc.
April 2019	Executive Officer, RIZAP Group, Inc.
January 2020	Assistant to the President, Culture Convenience Club Co., Ltd.
April 2020	General Manager, Corporate Planning Office, TSUTAYA BOOKS Co., Ltd.
April 2020	Director, SKIYAKI Inc.
April 2021	Joined Laox Co., Ltd. (seconded to Shaddy)
April 2021	Head of Corporate Marketing Division, Shaddy Co., Ltd.

Oasis's reason for proposal

Mr. Tamagami has held key positions at major consumer businesses, and has extensive knowledge of and experience in corporate management and M&A. For example, at Nitori Holdings, he led the proposal for the establishment of, and managed, the General Planning Office, which is responsible for M&A, and the Public Relations Department.

More mergers between drugstore operators are expected in the future, as the industry shows signs of maturity and saturation. It is increasingly important that the Company lead this industry consolidation, build an advantage over its peers, increase profit margins through cost reductions, invest in new areas, and expand into overseas markets. In this context, Mr. Tamagami can provide appropriate advice and supervision of management's performance of its duties from a position independent of management to help the Company seize this M&A trend and opportunity, and benefit from synergies, based on his expert knowledge concerning corporate management.

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

Candidate profile: Ms. Akiko Ikeda

– Deep consumer business experience as management/CEO, both in retail and outside of retail



Career history

April 1983	Joined Department Store Operations Division (currently Daimaru Matsuzakaya Department Stores Co., Ltd.), Daimaru Co., Ltd.
April 2003	Merchandiser (MD), Ladies', Men's, Children's and Underwear Department, Clothing Business Division, Ito-Yokado Co., Ltd.
April 2011	Executive Officer, Deputy General Manager and Senior MD, Underwear Department, Ito-Yokado Co., Ltd.
May 2014	Executive Officer and General Manager, Clothing Business Division, Ito-Yokado Co., Ltd.
May 2015	Executive Officer and General Manager, Quality Control, Ito-Yokado Co., Ltd.
March 2016	President and Representative Director, Jolly Pasta Co., Ltd.
April 2017	President and Representative Director, Cocos Japan Co., Ltd.
January 2019	Director and General Manager, Product Division, Okamoto Co., Ltd.
January 2023	Outside Director, Kura Sushi, Inc. (Current position)

Oasis's reason for proposal

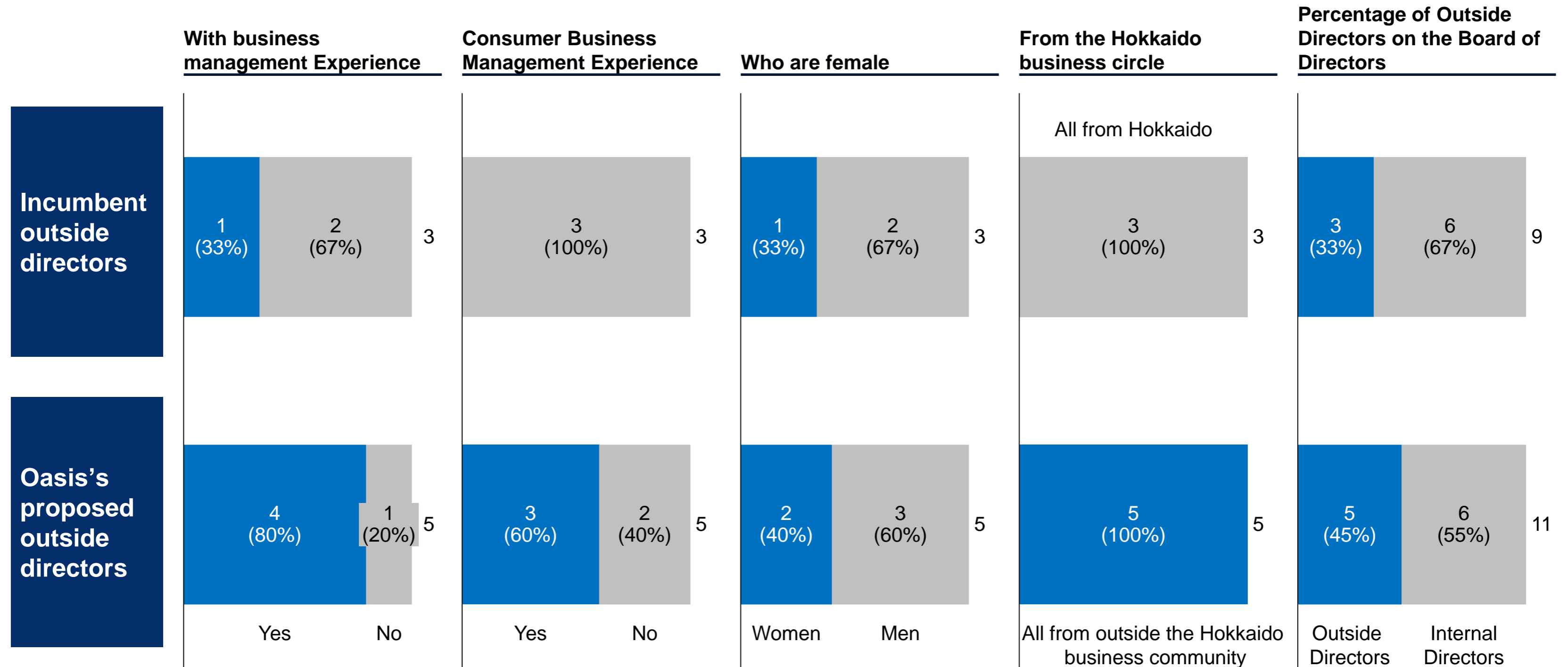
Ms. Ikeda has extensive experience in the overall management of consumer businesses, having previously served as Representative Director and President of both Jolly Pasta Co., Ltd. and Cocos Japan Co., Ltd. She achieved record profits in her first year at Jolly Pasta and implemented measures for store and human resource development at Cocos Japan. Her experience in the consumer business is long and broad, including serving as merchandiser for Ito-Yokado's various clothing divisions and managing and leading the development of the first apparel line in the Seven Premium series, a private brand ("PB") of Seven-Eleven, from its product development to launch, achieving sales on the order of JPY 100 billion. Ms. Ikeda's experience positions her well to advise the Company, including on its own PB, particularly as there is room for improvement in the penetration and value-addition to their products.

Based on the above, Ms. Ikeda can provide advice to the Company's management based on her broad knowledge of management and appropriately supervise the management's operation of business.

For these reasons, Oasis proposes the election of Ms. Ikeda as a candidate for outside director.

We firmly believe that the Oasis's proposed outside director candidates are superior than the Company's current outside directors in quality, independence and diversity, and will greatly enhance Tsuruha's corporate value

Within the outside directors, number of people ...



Oasis's proposed outside directors offer superior oversight and better capabilities for business strategy review

Incumbent outside directors



No experience or knowledge

in retail or consumer businesses, as well as important functions such as mergers and acquisitions, which will be vital in the coming industry restructuring



Strong ties with the Tsuruha family, and acceptance of the company's control

by the three founding families, including the Tsuruha family



Minimum level of diversity,

such as 1 female and 1/3 outside directors

Oasis's proposed directors



Extensive experience and knowledge

in retail and consumer businesses, as well as important functions such as mergers and acquisitions, which will be vital in the coming industry restructuring



Independent of the Tsuruha family and able to appropriately monitor

internal directors



High level of diversity

with two females and 45% outside directors

Oasis proposes introducing a new compensation plan that attracts top talent nationwide and aligns the incentives of outside directors with the shared interests of shareholders

Fixed remuneration of **10 Mn JPY**

- Average payments in line with the current payout
- Change of AGM resolution from deciding total remuneration for all directors to individual amounts, enhancing remuneration transparency to attract highly qualified, genuinely independent director candidates



3 Mn JPY in RSUs

- Currently provided only to internal directors
- Introduce compensation by RSU for outside directors, in order to attract exceptional candidates and align their interests with those of shareholders
- Utilize the current system designed for internal directors, and expand this to external directors

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3 Overview of Tsuruha and the case for consolidation

4 Failures in corporate governance

5 Proposals from Oasis

5.a. Shareholder proposals for the AGM

5.a.1. Election of new directors and new compensation plan

5.a.2. Changes in AOI to improve corporate governance

5.b. Other proposals from Oasis to the new board

5.c. Summary: Oasis's recommendation to fellow shareholders

To enhance corporate governance at Tsuruha, Oasis proposes the elimination of the Kaicho position and the appointment of an outside director as Chairperson of the Board

Proposal Details

- **Abolition of the Kaicho position and removal of Mr. Tatsuru Tsuruha from the position of Kaicho**, while he will remain as a director
- **Nomination of an Outside Director to the position of Chairperson of the Board**



Reasons for the proposals

- Maintaining a corporate governance structure where **the Kaicho (Mr. Tatsuru Tsuruha) oversees his son, the President (Mr. Jun Tsuruha)**, raises concerns and is not conducive to sound governance practices
- To **have outside directors significantly participate** in the decision-making processes and to ensure **effective governance and shareholder engagement**, especially considering the Company is still led by the founding families

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5.c. Summary: Oasis's recommendation to fellow shareholders

Oasis proposes that the new Board of Directors, if elected, establish a Strategic Committee following the AGM

Proposal Details

Members of the Strategic Committee

- **Outside Directors**

Strategic Committee Considerations

- Consideration of the below:
 - **Strategic options, including the operations of the group companies and the usage of brands**
 - **Proactively consider integrations and acquisitions with other companies**

Reasons for the proposals

- As stated in this presentation, we believe that:
 - there is a possibility that **Tsuruha's current strategy is based on the need for protecting the founding family members' positions**, and not on sound business rationale
 - **the search for a consolidation partner is an urgent management issue for Tsuruha to evaluate**
- Additionally, internal directors, particularly those affiliated with the founding family, may **face challenges in aligning their decision-making with the shared interests of shareholders, given potential biases** and other factors, particularly in strategic matters

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Oasis urges all Tsuruha shareholders to **vote AGAINST** company proposals and **vote FOR** Oasis's proposals at the AGM

Proposing entity	Proposals	Proposal details	Recommended voting actions
<p>Expected proposals by the Company</p>	<p>Reappointment of incumbent outside directors</p>	<ul style="list-style-type: none"> Reappointment of Mr. Harumi Sato and Mr. Takuya Okazaki, who lack independence 	<p>Vote AGAINST</p>
	<p>Election of new outside directors</p>	<ul style="list-style-type: none"> Appointment of five new highly qualified, independent and diverse directors 	
	<p>Dismissal of existing outside directors</p>	<ul style="list-style-type: none"> Dismissal of "independent director" Mr. Fumiyo Fujii, who lacks independence 	
	<p>Revision of Outside Director Compensation</p>	<ul style="list-style-type: none"> Introduction of a new compensation plan that increases the transparency of outside directors' compensation and aligns their incentives with shareholders 	
<p>Oasis's Proposal</p>	<p>Amendment to Articles of Incorporation</p>	<ul style="list-style-type: none"> Amend the Articles of Incorporation to: <ul style="list-style-type: none"> Abolish the Kaicho role and remove Mr. Tatsuru Tsuruha from it Elect an outside director as board chairperson 	<p>Vote FOR</p>

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