

(Translation)



April 28, 2023

To whom it may concern:

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### **Notice Regarding Change of Equity-Method Affiliate (Share Transfer)**

Kyushu Railway Company (hereinafter, “JR Kyushu”) announces that, at a Board of Directors meeting held on April 28, 2023, it resolved to transfer (hereinafter, the “transfer”) to the Tsuruha Group all its shareholdings (hereinafter, the “shares”) in equity-method affiliate DRUG ELEVEN CO., LTD. (hereinafter, “Drug Eleven”), and that JR Kyushu and TSURUHA Holdings, Inc. (hereinafter, “Tsuruha Holdings”) have concluded a share transfer agreement.

After this transfer, Drug Eleven will no longer be an equity-method affiliate of JR Kyushu.

#### **1. Reason for the transfer**

In May 2020, in order to further grow the business and increase the business value of Drug Eleven, which had been a wholly owned subsidiary, JR Kyushu transferred 51% of the outstanding shares in Drug Eleven to the Tsuruha Group, which operates 2,584 drugstores and dispensing pharmacies nationwide (as of April 15, 2023). As an equity-method affiliate of JR Kyushu, Drug Eleven has been working to expand the scale of its business and improve profitability, while utilizing the business know-how and other management resources of the Tsuruha Group. (For details, please refer to the April 30, 2020 news released entitled “Notice Regarding Change of Subsidiary (Share Transfer).”)

However, the drugstore industry continues to face a challenging business environment, as competitors open new stores that cross industry and business categories, move into new areas to expand their scope of operation, and increase scale through M&A. Also, the drugstore industry faces growing competition from other industries that are becoming more homogeneous, causing the commercial area of individual stores to shrink.

Given these circumstances, after much consideration JR Kyushu has decided that the best way for Drug Eleven to further grow its business and increase its corporate value is to operate as a wholly owned subsidiary of Tsuruha Holdings. Accordingly, we have decided to conduct a transfer of shares to the Tsuruha Group.

## 2. Share transfer method

JR Kyushu expects to transfer 1,558,327 of the shares to Tsuruha Holdings.

Prior to the execution of that transaction, JR Kyushu expects to transfer 1,000,000 of the shares to Drug Eleven.

As a result, Tsuruha Holdings is expected to acquire 100% of the voting rights in Drug Eleven.

## 3. Outline of the equity-method affiliate to change (As of March 31, 2023)

(1) Name	DRUG ELEVEN CO., LTD.		
(2) Location	1-2-1 Kawakubo, Onojo-shi, Fukukoka		
(3) Position and name of representative	Representative director, president, and CEO: Tsuyoshi Hanzawa		
(4) Business activities	Retail sales of pharmaceuticals, cosmetics, daily-use items, etc.; dispensing pharmacy operations		
(5) Capital stock	¥100 million		
(6) Date of establishment	June 16, 1989		
(7) Major shareholders and shareholding ratios	TSURUHA Holdings, Inc.		51.0%
	Kyushu Railway Company		49.0%
(8) Relationship between the listed company and the company concerned	Capital relationship	JR Kyushu holds 49% of the shares in Drug Eleven, making it an equity-method affiliate	
	Personnel relationship	One of Drug Eleven's employees is an employee who has been dispatched from JR Kyushu	
	Business relationship	Drug Eleven has lease contracts, etc., with JR Kyushu	
(9) Operating results and financial condition of the company concerned for the most recent three years			
Fiscal year	Fiscal year ended February 29, 2020	Fiscal year ended May 15, 2021	Fiscal year ended May 15, 2022
Net assets	¥7,804 million	¥7,795 million	¥7,819 million
Total assets	¥20,030 million	¥22,691 million	¥21,894 million
Net sales	¥52,214 million	¥59,654 million	¥44,033 million
Operating income	¥964 million	¥980 million	¥408 million
Ordinary income	¥1,027 million	¥861 million	¥334 million
Net income	¥501 million	¥296 million	¥23 million

Note: The fiscal year ended May 15, 2021 was a 14.5-month period (March 1, 2020 to May 15, 2021), due to a change the fiscal year-end.

4. Outline of company purchasing the shares (As of May 15, 2022)

(1)	Name	TSURUHA Holdings, Inc.	
(2)	Location	20-1-21 Kita 24 Jo-higashi, Higashi-ku, Sapporo-shi, Hokkaido	
(3)	Position and name of representative	Representative Director, President, and CEO: Jun Tsuruha	
(4)	Business activities	Management guidance and supervision of drugstores conducting sales of pharmaceuticals, cosmetics, daily-use items, etc.	
(5)	Capital stock	¥11,322 million	
(6)	Date of establishment	June 1, 1963	
(7)	Major shareholders and shareholding ratios	Aeon Co., Ltd.	13.00%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	12.55%
		STATE STREET CLIENT OMNIBUS ACCOUNT OM02 (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Department)	6.31%
		Custody Bank of Japan, Ltd.(Trust Account)	3.20%
		Tatsuru Tsuruha	2.91%
		SMBC Nikko Securities Inc.	2.73%
		STATE STREET BANK WEST CLIENT -TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	2.08%
		Hiroko Tsuruha	2.01%
		Akiko Tsuruha	1.96%
		Hajime Tsuruha	1.58%
(8)	Consolidated net assets	¥284,046 million	
(9)	Consolidated total assets	¥562,363 million	
(10)	Relationship between the listed company and the company concerned	Capital relationship	There are no matters requiring mention.
		Personnel relationship	There are no matters requiring mention.
		Business relationship	There are no matters requiring mention.
		Status as a related party	There are no matters requiring mention.

5. Number of transferred shares, transfer price, and status of shareholding before and after the transfer

(1)	Number of shares owned before transfer	2,558,327 shares (Number of voting rights: 2,558,327) (Ratio of voting rights: 49.0%)
(2)	Number of transferred shares	Transferred to Drug Eleven: 1,000,000 shares (Number of voting rights: 1,000,000) Transferred to Tsuruha Holdings: 1,558,327 shares (Number of voting rights: 1,558,327)
(3)	Transfer price	The transfer price will not be disclosed due to the duty of confidentiality among the parties, but it will be determined through negotiations with the other party after a fair process.
(4)	Number of shares owned after transfer	0 shares (Number of voting rights: 0) (Ratio of voting rights: 0%)

## 6. Schedule

(1)	Date of resolution of the Board of Directors	April 28, 2023
(2)	Date of conclusion of the share transfer contract	April 28, 2023
(3)	Effective date of share transfer	Transfer to Drug Eleven: May 30, 2023 (scheduled) Transfer to Tsuruha Holdings: May 31, 2023 (scheduled)

## 7. Future outlook

Accompanying this transfer, from the fiscal year ending March 31, 2024, Drug Eleven will no longer be an equity-method affiliate of JR Kyushu. The consolidated results forecast for the fiscal year ending March 31, 2024 is currently under consideration.