

Investors' Guide

FY 2018

Fiscal Year Ended Feb.28, 2019

Welcia Holdings' fiscal year begins on March 1 and ends on last day of February of the following calendar year.



To promote higher quality of life and healthy lifestyles for our customers



WELCIA HOLDINGS CO., LTD.

Message from the Chairman and President Toward the next stage A fresh start with a new leadership



Takamitsu Ikeno
*Chairman and
Representative Director*



Tadahisa Matsumoto
*President and
Representative Director*

Dear shareholders,

On behalf of Welcia, we want to thank you for your continued support.

On March 1 this year, there were some changes in the leadership team. Hideharu Mizuno became Vice Chairman and Director, and Matsumoto became President and Representative Director. The new leadership team looks forward to serving you.

In September last year, Welcia celebrated its tenth anniversary. Over the ten years, our sales have grown to among the highest in Japan. To keep growing over the next ten years, we must innovate. Our business model focuses on delivering counseling services and other services that our customers seek. To make this model a success, we must stay relevant to the market and society at large and make ourselves more competitive. The most important task in this respect is to train our workforce. We want to create a workplace that is diverse and inclusive, that accommodates

flexible work arrangements, and that allows all employees to fulfill their potential, thereby creating value.

Performance in FYE February 2019 was very pleasing. Net sales and income broke company records. This outcome is thanks in part to the fact that our existing stores performed well in FYE 2019 as they did in the preceding fiscal year.

Our group has also expanded. On March 1 last year, we acquired Tokyo-based drugstore chain Ippondo. Then on December 1, we acquired Masaya Co., Ltd., making the cosmetic store operator a fully consolidated subsidiary. On February 28 this year, we took over Juntendo's six-store drugstore business, extending our drugstore network to the Chugoku region. These acquisitions will help pave the way to the next stage in our development.

Japan's era name has changed from Heisei to Reiwa, but we remain unchangeably committed to the Welcia Model, which embodies our corporate ethos. Japan's population continues to age. With a growing number of centenarians, this is said to be an age of longevity, or the 100-year life. Against this backdrop, demand for health and beauty products will only grow stronger, which spells a big opportunity for us.

We already contribute to local communities, but we will extend the focus of our CSR efforts to the broader, global challenges described in the UN's Sustainable Development Goals. In this way, we aim to become part of the fabric of the communities we serve.

Thank you again for your ongoing support. We look forward to hearing your feedback and sharing in future success.

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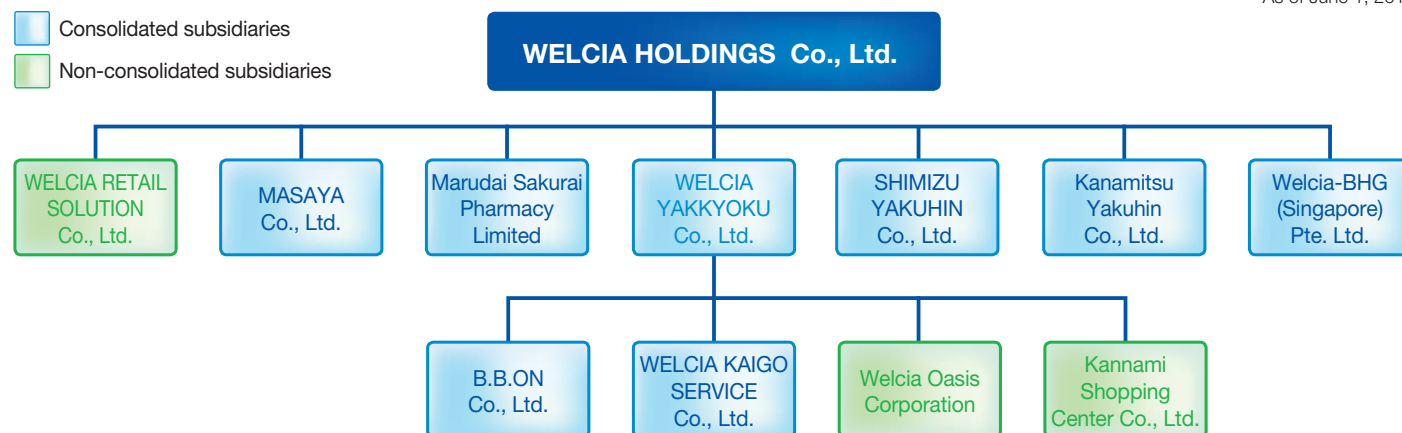


Corporate History

- June 2019** ● We acquired Kanamitsu Yakuhin Co., Ltd.
- March 2019** ● WELCIA YAKKYOKU Co., Ltd. merged with Ippondo Co., Ltd.
- December 2018** ● We acquired MASAYA Co., Ltd.
- March 2018** ● We acquired Ippondo Co., Ltd.
- September 2017** ● We acquired Marudai Sakurai Pharmacy Limited
- June 2017** ● WELCIA YAKKYOKU Co., Ltd. merged with Nihonbashi Pharma Co., Ltd.
- March 2017** ● We established a joint venture, Welcia-BHG (Singapore) Pte. Ltd. (a consolidated subsidiary), with BHG Holdings Pte. Ltd.
- September 2016** ● WELCIA YAKKYOKU Co., Ltd. merged with CFS Corporation.
- February 2016** ● WELCIA YAKKYOKU Co., Ltd. acquired 100% ownership of Nihonbashi Pharma Co., Ltd. and Weltech LLC through a stock acquisition.
- December 2015** ● WELCIA YAKKYOKU Co., Ltd. merged with TAKIYA Co., Ltd.
- September 2015** ● We acquired 100% ownership of CFS Corporation through a stock exchange.
- March 2015** ● We acquired 100% ownership of TAKIYA Co., Ltd. and SHIMIZU YAKUHIN Co., Ltd. through a stock exchange.
- November 2014** ● We became a subsidiary of AEON Co., Ltd. through a takeover bid. Lianhua Merrylin Business (Shanghai) Co., Ltd. became our subsidiary as we additionally acquired its shares.
- September 2014** ● We acquired 100% ownership of Welcia Kanto Co., Ltd. through a share exchange. Welcia Kanto Co. Ltd. absorbed Takada Yakkyoku Co., Ltd., Welcia Kansai Co., Ltd. and Welcia Kyoto Co., Ltd. Welcia Kanto Co., Ltd. changed its name to WELCIA YAKKYOKU Co., Ltd.
- March 2013** ● Following a company split by Terashima Co., Ltd., its drug store business was absorbed by Welcia Kanto Co., Ltd.
- September 2012** ● Our name was changed to WELCIA HOLDINGS Co., Ltd. Drug Fujii Co., Ltd. was acquired by us through a share exchange and merged with Welcia Kanto Co., Ltd. Eleven Co., Ltd. changed its name to Welcia Kansai Co., Ltd.
- April 2012** ● Our stock was listed on the First Section of the Tokyo Stock Exchange.
- March 2010** ● We acquired ownership of Eleven Co., Ltd. through a share exchange.
- November 2008** ● Welcia Kanto Co., Ltd. acquired ownership of Terashima Co., Ltd., through a take-over bid.
- September 2008** ● Welcia Kanto Co., Ltd. and Takada Yakkyoku Co., Ltd. established Growell Holdings Co., Ltd. through a share transfer. Our common stock was listed on the Second Section of the Tokyo Stock Exchange.

Welcia Group

As of June 1, 2019



* Merrylin business (Shanghai) limited company initiated liquidation procedures on January 1, 2019.

Our Mission

To promote higher quality of life and healthy lifestyles for our customers

Our Business Model

As the preferred pharmacy for many of our customers, we have extended our reach through our OTC products as well as our dispensing and elder care services.

We will continue to evolve our business model centered on the operation of drug store with dispensing pharmacy, counseling services, late-night services, and long-term care services, and expand this model throughout our Group companies. From filling prescriptions from medical institutions to detailed counseling backed by the expert knowledge of pharmacists, registered sellers, and beauty care advisors, we will provide pharmaceuticals, cosmetics, food, and sundries that meet the needs of each

community. We will also expand and enhance services, including ATM access and storage services, to provide greater convenience to our customers, and support the health, beauty, and enriched lifestyles of local residents.

Our long-term care business also operates at-home care services and residential care facilities. We will generate synergy with drug stores to provide a higher level of dedicated services.

Drug Store with Dispensing Pharmacy

As we enter a rapidly aging society, drug stores with dispensing pharmacy are logical developments from the standpoint of social responsibility.



Counseling

We are responding to the needs of regional society, by building an environment that promotes youth and beauty, and supports safe and healthy lives.



Long-term care (home-based medical care)

Our pharmacists provide drug advice and guidance to home-based care patients. Additionally we operate care facilities and comprehensive community support centers, including elderly homes with fee-based long-term care services and serviced condominiums for the elderly.



Late-night Hours

As unexpected illnesses arise, we are there for our customers morning, noon, and night. Certain stores will operate 24 hours a day.

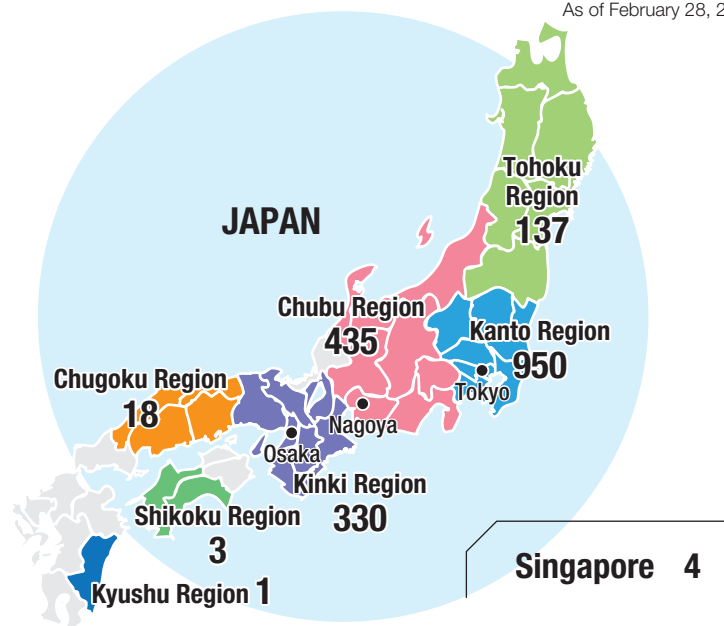
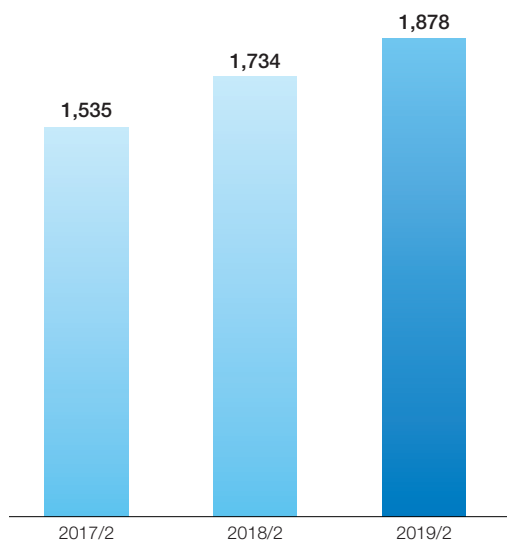


Financial Highlights

Total Number of Stores

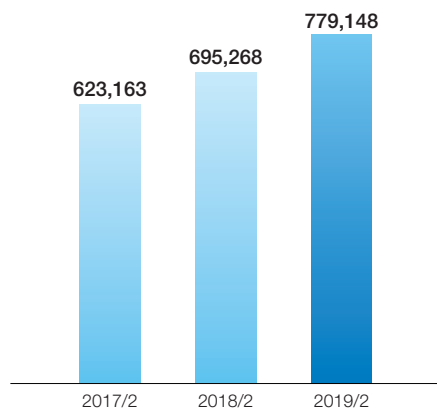
(Stores)

As of February 28, 2019



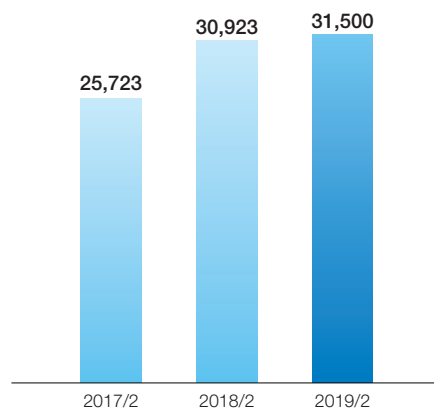
Net Sales

(Million Yen)



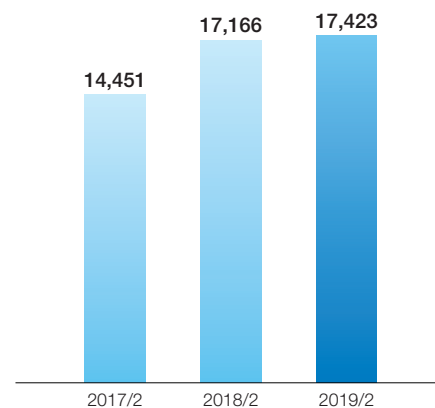
Ordinary Income

(Million Yen)



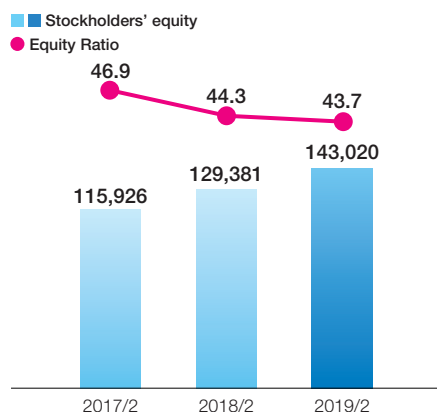
Net Income Attributable to Owners of Parent

(Million Yen)



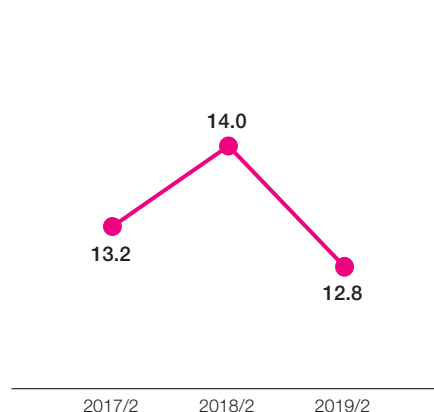
Stockholders' Equity / Equity Ratio

(Million Yen / %)



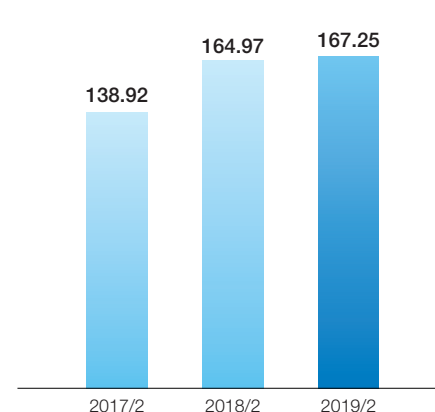
Return on Equity

(%)



Net Income per Share

(Yen)



* The Company executed a 2-for-1 common stock split on March 1, 2017.

Accordingly, net income per share for FYE February 2017 are calculated on the basis that the said stock split was implemented at the beginning of the relevant consolidated fiscal year.

Q1

Tell us about operating activities and earnings for the current fiscal year (FYE February 2019).

A1

**Record-breaking sales and income
Excellent performance among existing stores thanks to refurbishments and an increase in drug stores with dispensing pharmacies**

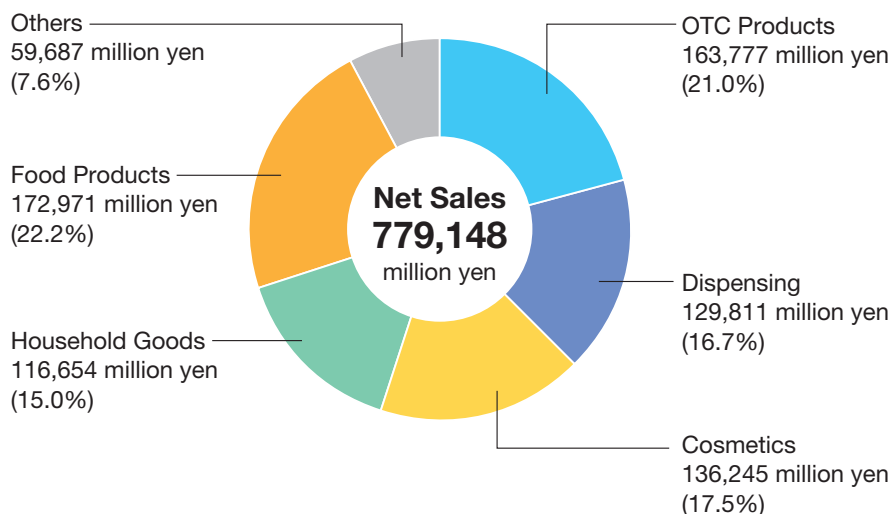
In fiscal 2019, we achieved record-breaking sales and income. Net sales rose to 779.148 billion yen, ordinary income rose to 31.5 billion yen, and net income attributable to owners of parent reached 17.423 billion yen.

We did face some headwinds such as drug price revisions and unfavorable weather conditions. Additionally, delays in new stores led to a shortfall in operation days. However, we aggressively promoted the Welcia Model by refurbishing existing stores, opening more drug stores with dispensing pharmacies, and expanding 24-hour operation. Consequently, existing stores performed well, with sales at 105.2 percent compared to the previous fiscal year.

We are also pleased with the performance of group companies. Welcia Yakkyoku Co. Ltd. and Shimizu Yakuhin Co. Ltd. maintained their high level from the previous fiscal year. Our newer group companies, Marudai Sakurai Pharmacy Limited (which joined the group one and a half years ago) and Ippondo Co., Ltd. (which joined a year ago), continued to integrate the Welcia Model into their business activities. Welcia's strengths are now shared throughout the group, including with Masaya Co., Ltd., which we welcomed into the group last December.

We should mention that Ippondo Co., Ltd. was merged into Welcia Yakkyoku Co., Ltd. on March 1 this year.

Sales and Composition Ratio by Item



Parentheses indicate cosmetics specialty stores

The number of domestic stores

1,874

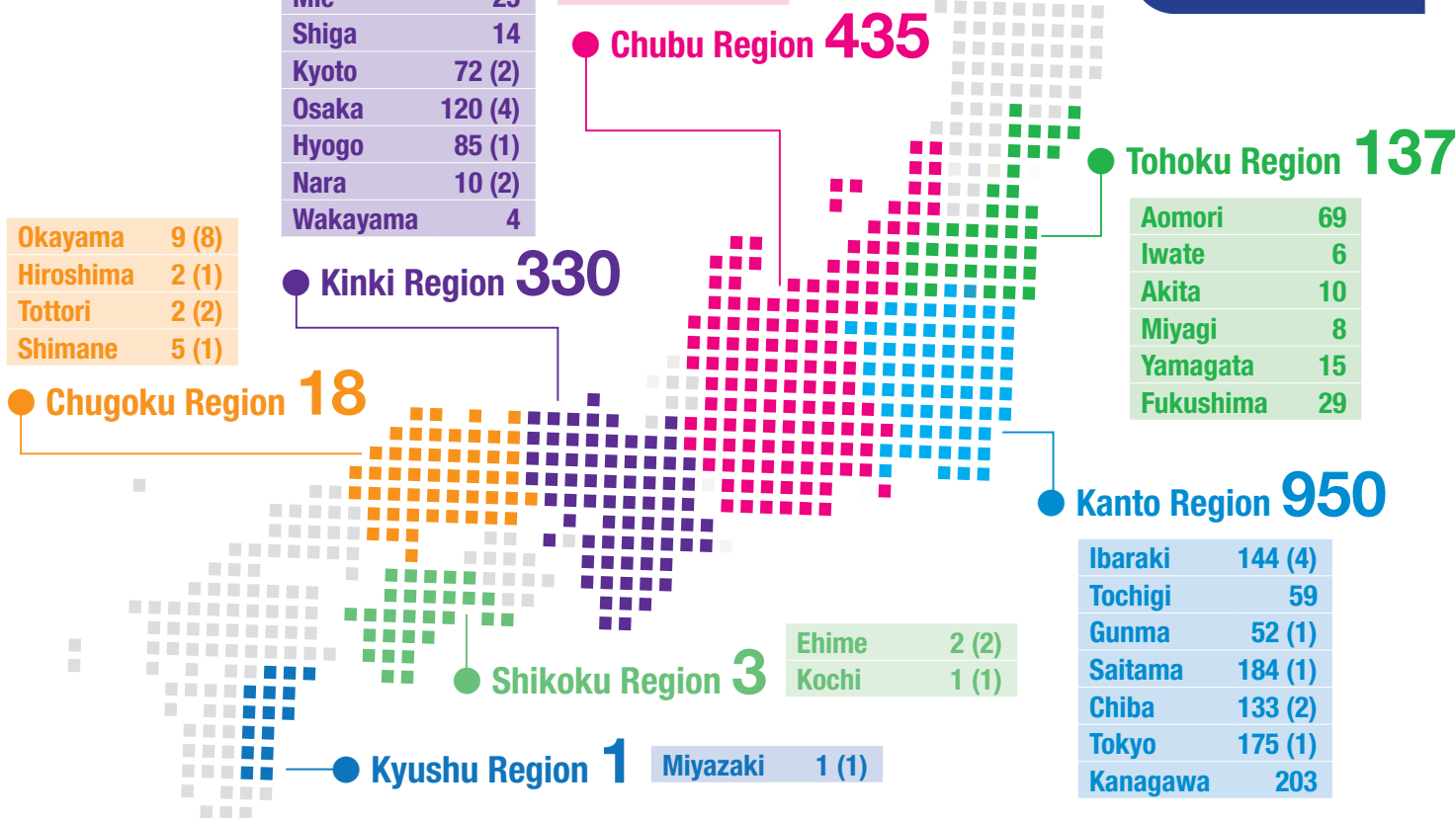
As of February 28, 2019

Niigata	61
Toyama	38
Ishikawa	16
Yamanashi	30
Nagano	29
Gifu	4
Shizuoka	217
Aichi	40

Mie	25
Shiga	14
Kyoto	72 (2)
Osaka	120 (4)
Hyogo	85 (1)
Nara	10 (2)
Wakayama	4

Okayama	9 (8)
Hiroshima	2 (1)
Tottori	2 (2)
Shimane	5 (1)

Overseas 4
Singapore 4



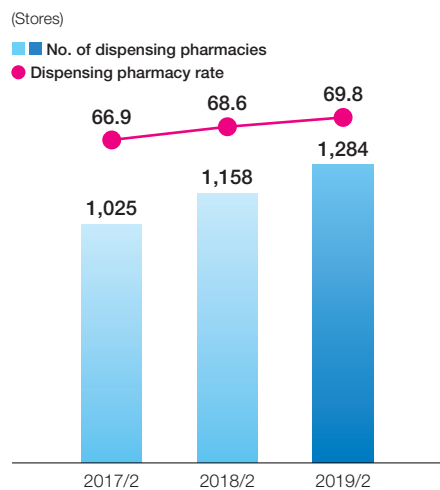
Aomori	69
Iwate	6
Akita	10
Miyagi	8
Yamagata	15
Fukushima	29

Ibaraki	144 (4)
Tochigi	59
Gunma	52 (1)
Saitama	184 (1)
Chiba	133 (2)
Tokyo	175 (1)
Kanagawa	203

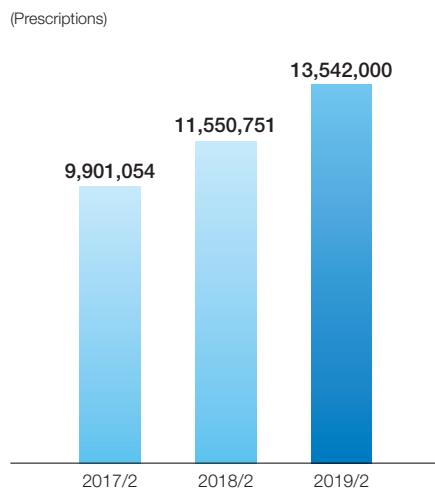
Ehime	2 (2)
Kochi	1 (1)

Miyazaki	1 (1)
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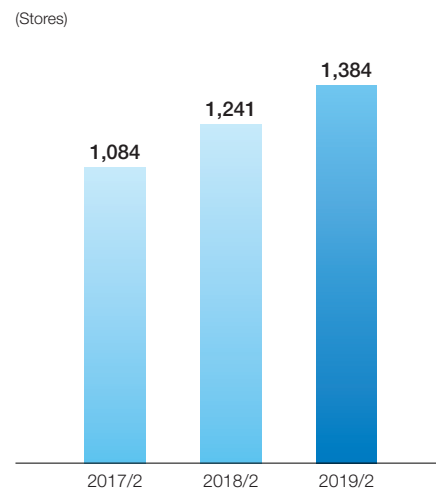
Change of the Number of Stores with Dispensing Pharmacy



Number of prescriptions



Change of the Number of Stores with Late-night Services



* The number of prescriptions and the number of stores with dispensing pharmacy do not include figures from outside Japan.

* The dispensing pharmacy rate does not include the stores of Masaya Co., Ltd..

Q2

Tell us about your store openings?

A2

**Acquisition of Ippondo and Masaya brings number of stores across 35 prefectures to 1,874
Fourth Singapore store opened**

In fiscal 2019, we opened 51 stores in the focal areas of Tohoku and Kinki—19 in the former and 32 in the latter. The group as a whole opened a total of 128 stores and closed 24. We gained a further 81 stores after Ippondo and Masaya became our subsidiaries and ceded their businesses. Consequently, as of the end of the period, the group has a total of 1,874 stores in Japan, across 35 prefectures.

Overseas, our Singapore-based venture, Welcia-BHG (Singapore) Pte. Ltd., opened stores in the previous fiscal year. In this fiscal year, it opened its third and fourth store. On the other hand, our Shanghai-based subsidiary, Merrylin Business (Shanghai) Limited Company, went into liquidation on January 1, 2019.

Total number of stores (Japan + overseas): 1,878
Number of overseas stores: 4 (all in Singapore)

Q3

How is your Welcia Model going?

A3

More drug stores with dispensing pharmacies, counseling services, late-night services, and elder care services to meet everyday life needs

The Welcia Model has four components: dispensing pharmacies, counseling services, 24-hour services, and elder care services. We are promoting each component in tandem with social trends and integrating them into the businesses of our group companies, which share our ethos.

We want our stores to be places where customers can conveniently access a broad range of expert services covering their everyday needs. To this end, we aim for a team of professionals who support local people's health as pharmacists, registered sales clerks, beauty advisers, or registered nutritionists.

As of the end of fiscal 2019, 1,284 stores in Japan offer pharmacy prescription services (126 more than last fiscal year), bringing the rate of stores with pharmacies up to 69.8 percent (up 1.2 points from last fiscal year). The number of prescriptions processed has increased 117.2 percent year on year, to over 13 million.

The number of prescriptions and dispensing pharmacies excludes those overseas.

The rate of stores with dispensing pharmacies excludes those operated by Masaya.

Q4

What is your vision for further growth?

A4

Number 1 choice for locals A retail business that shares its vision and values with communities

Over the past ten years, we have achieved growth in several ways. We have grown our store network, increasing the number of stores (including those with dispensing pharmacies) and expanding the area covered by stores. Alongside this, we have aggressively pursued M&A opportunities and taken on fresh challenges, such as launching overseas businesses and venturing into new business categories. To maintain this growth, we must be the retailer of choice for locals and develop business in lock-step with the communities we serve. To this end, we will, on the one hand, continue to drive forward our business model with its focus on drug stores with dispensing pharmacies. On the other hand, we will actively contribute to ecological sustainability, social and economic development, as well as to the lives of local people, customers, and our employees. In this way, we aim to share our values and goals throughout the group and among our stakeholders.

In December last year, we welcomed Masaya Co., Ltd., into the group as part of our efforts to strengthen our counseling services and cosmetics. Masaya runs an over-the-counter cosmetics business in Japan. We also made a start in expanding into new business fields. For example, in March this year, group company Welcia Yakkyoku opened “Narcis,” a high-end cosmetics boutique, which is a new business category for us.



Narcis store in the DiverCity Tokyo Plaza

Q5

What is the outlook for this fiscal year (FYE February 2020)?

A5

Driving forward the Welcia Model (more drug stores with dispensing pharmacies, more 24-hour operation) while reforming management

This fiscal period will see some important changes such as revisions to medical service fees and a hike in consumption tax. Mindful of these factors, we will continue to drive forward our business model, adding more drug stores with dispensing pharmacies and expanding 24-hour operation. We intend to open 127 stores and close 29. We will also reform management at a store and corporate level and get costs under control, particularly personnel costs—a key

challenge for us.

As for the full-year forecasts, sales and income are set to break records again. We expect sales of 850 billion yen (109.1 percent year-on-year) and ordinary income of 35.6 billion yen (113.0 percent YoY). As of the end of the period, we will have 1,976 stores, of which 1,423 will be domestic drug stores with dispensing pharmacies.

Current Status of the Welcia Group

Messages from Welcia Group Company Presidents

Welcia Yakkyoku Co., Ltd.

Thank you for your patronage of our stores.

My name is Tadahisa Matsumoto and I was appointed President and Representative Director on March 1, 2019. I took over from Hideharu Mizuno, who led the company for about five years since May 2014 (he was appointed Chairman and Representative Director of Welcia Yakkyoku Co., Ltd. on March 1, 2019). I look forward to serving you.

In the year under review, we pushed ahead with the Welcia Model through new store openings (113 stores) and store remodeling (151 stores). In addition, we worked on building product selection and improving operations, for each of our store types that include 1,000 square meter stores in the suburbs, compact stores in cities, and stores operating 24 hours a day. Although there were dispensary fee revisions to go with seasonal factors such as record-breaking heat wave, torrential rains, and a warm winter that affected sales of seasonal products, we managed to boost dispensary sales by increasing the number of our stores with a dispensing pharmacy and expanded the number of stores operating 24 hours a day (201 as at the end of the fiscal year). As a result, we delivered a strong same-store sales growth rate of 5.1%.

Based on the above, our performance for the year included net sales of 724,725 million yen (108.8% YoY) and ordinary income of 32,121 million yen (104.3% YoY), both record highs.

In addition, aimed at expanding store openings in the Chugoku region, we acquired the drug store operations (6 stores) of Juntendo Co., Ltd. on February 28, 2019.

Furthermore, we acquired Ippondo Co., Ltd. on March 1, 2019 in an absorption-type merger with Welcia as the surviving entity to evolve the development of our urban business model.

As our future growth strategy, we will expand our presence and deepen our business model, while working to control SG&A expenses by improving logistics efficiency, etc. and to solidify our business foundation. I ask for the continued support of shareholders toward our initiatives as we move forward.



Tadahisa Matsumoto
*President and
Representative Director*

Marudai Sakurai Pharmacy Limited

We celebrated our 45th anniversary in April 2019. I would like to extend our appreciation to the patronage of customers and the cooperation of our stakeholders over the past four and half decades.

Our goal is to create stores that are indispensable to the community, not to mention useful to customers. Aomori Prefecture has the shortest life expectancy of any prefecture in Japan. There are many seniors, and in communities with a declining population, we aim to increase the number of stores with a dispensing pharmacy to become a specialized operator. By joining the Welcia Group, we plan to harness our new position to improve our product selection, develop employees who can provide considerate explanations, and create stores that communicate, together with all of our people. In the fiscal year ending February 29, 2020, we plan to add six stores with a dispensing pharmacy, open nine new stores, and remodel 18 stores. This will give us a network of 86 stores at the end of the year.

Our themes for this fiscal year include health and beauty shift, organizational changes to improve sales and marketing, increase stores open early in the morning and late at night, employee training, and achieving the budget. I ask for your cooperation as we move forward.



Kiyoshi Sakurai
*President and Representative
Director
Marudai Sakurai Pharmacy
Limited*

Shimizu Yakuhin Co., Ltd.

Since becoming a member of the Welcia Group in 2015, Shimizu Yakuhin Co., Ltd. has built up our store development and customer services for the benefit of customers in the community, including remodeling stores and extending operating hours, following Welcia's business model. This fiscal year, we opened four new stores, bringing our network to 57 stores in the Kyoto Prefecture area. Our business performance has also been strong.

Currently, four of our stores operate 24 hours a day to improve customer convenience and many customers are using these stores.

Looking ahead, aimed at becoming family pharmacies, or "Kakaritsuke Yakkyoku" that contributes to the local community, we will increase the ratio of stores with a dispensing pharmacy, reinforce counseling capabilities focused on pharmaceuticals and cosmetics, and further increase convenience. All employees will further strive to be useful to customers in the community. I ask for your unwavering support and cooperation as we move forward.



Masayuki Hayashi
President and Representative
Director
Shimizu Yakuhin CO., LTD.

Welcia Oasis Co., Ltd.

On March 23, 2019, new employee orientation was held at the Welcia Yakkyoku head office. A total of 52 employees joined our company. From Ibaraki in the East to Hyogo in the West, participants came from throughout Japan, with a total of 140 in attendance including parents/guardians and staff. Currently, the company has grown to employ more than 530 members (persons with a disability) in 22 prefectures across Japan along with 650 other employees including instructors.

Each of our members comes to work on their own and supports the store operations of Welcia. They also attend each sales office to help setup with instructors, expanding their role at the company.

Going forward, we hope to tackle challenges in new initiatives where multiple members can work together, such as farming and horticulture. We will hold training to improve members' skills, along with enhancing training for instructors, to build a support structure that is even more fine-tuned. I ask for the continued support of our shareholders.

*Welcia Oasis is a special subsidiary certified by the MHLW under the Act on Employment Promotion of Persons with Disabilities



Hisayuki Nagata
President and Representative
Director
WELCIA OASIS CO., LTD.

Welcia Kaigo Service Co., Ltd.

We established a new home-visit service office in Kamagaya City, Chiba Prefecture in September last year (home-visit nursing care and in-home nursing care assistance). This is our first attempt to open an office in Chiba Prefecture. Following our new office opening concept of "adjoining or next to a dispensing pharmacy," we opened the office onsite at the Kamagaya Hatsutomi Store of Welcia Yakkyoku. Through our expansion into Chiba Prefecture, we plan to establish a foothold to entering and expanding into the Tokyo metropolitan area in the home-visit services where we excel. We assigned mid-career staff with experience in Ibaraki Prefecture as service managers and general manager. We are now dedicating all of our efforts to securing nursing care human resources to provide our high quality services to even more customers. Our Kamagaya Office will be supported by the entire company so that it can establish a foundation for the company's dynamic growth in Chiba Prefecture.

Welcia Kaigo Service is growing daily so that it can play a major role in supporting Japan's super aging society. I ask for the continued understanding and support of our shareholders.



Kazuo Nohara
President and Representative
Director
WELCIA KAIGO SERVICE CO., LTD.

Management Indices (Consolidated)

	Previous consolidated fiscal year (March 1, 2017 – February 28, 2018)	Current consolidated fiscal year (March 1, 2018 – February 28, 2019)
Net Sales (million yen)	695,268	779,148
Ordinary income (million yen)	30,923	31,500
Net income attributable to owners of parent (million yen)	17,166	17,423
Comprehensive income (million yen)	17,203	17,277
Net assets (million yen)	130,482	143,948
Total assets (million yen)	292,238	327,489
Net assets per share (yen)	1,244.12	1,371.76
Net income per share (yen)	164.97	167.25
Diluted net income per share (yen)	164.77	167.08
Capital ratio (%)	44.3	43.7
Return on equity (%)	14.0	12.8
Price earnings ratio (times)	28.7	23.6
Net cash provided by (used in) operating activities (million yen)	35,902	34,872
Net cash provided by (used in) investment activities (million yen)	(36,726)	(23,955)
Net cash provided by (used in) financing activities (million yen)	(1,249)	(7,348)
Cash and cash equivalents at the end of the period (million yen)	13,585	17,152
Number of employees (persons)	7,807	8,936
(Average number of temporary employees)	16,445	19,001

(Notes)

1. Net sales do not include consumption tax, etc.
2. The Company executed a 2-for-1 common stock split on September 1, 2014, and another 2-for-1 common stock split on March 1, 2017. Accordingly, net assets per share, net income per share, and diluted net income per share are calculated on the basis that the said stock split was implemented at the beginning of FYE Feb. 2017.

Overview of Business Performance

1. Management Policy, Management Climate and Issues to be Addressed, etc.

The Welcia Group operates drug stores with a focus on the segments of drug store with dispensing pharmacy, counseling, long-term care, and late-night hours operations, in order to promote rich social life and healthy living to customers in the community. Following our mission of supplying products and services related to prevention, treatment and long-term care to consumers in the community, we are building our store network according to the concept of 'health and beauty.' We are now promoting multi-store development while working to establish a dominant position in the Tohoku, Kanto, Chubu and Kinki regions.

As for the future business climate, Japan's economy is expected to see a moderate recovery, but uncertainty over the political and economic situations overseas and a sense of unease about the future will prevail, prompting thrifty consumer behavior to persist.

The climate surrounding the drugstore industry is expected to face even stiffer competition in the future given tougher price competition and new store openings, market entry by players from outside the industry, and competition for survival involving business and capital alliances and M&A. In addition, expectations toward drug stores with dispensing pharmacy that are familiar to people in the local community should grow even more in the future as part of the comprehensive regional care system, which provides living, healthcare, nursing care, prevention and lifestyle support in an integrated fashion.

Considering this situation, the Welcia Group will promote the Welcia Model that centers on stores with pharmacies, counseling services, late-night services, and long-term care provision. While enhancing our expertise in these areas, we will work toward 24 hour services to provide customers with peace of mind and pursue convenience and comfort.

In addition, we will not only increase growth potential by reinforcing our store opening strategy, but also actively work to increase profitability by reducing costs led by the head office. With ROE as our management indicator, we will aim to perpetually increase shareholder value in the future.

We will aggressively tackle the following issues:

- 1) We will work quickly to unify our business model to leverage the business integration effects of Group subsidiaries.
- 2) To respond to customer needs, we will provide professional training to pharmacists, registered sellers, pharmacy clerks, and beauty care advisors, as well as hire talent in these fields. We will also enhance employee training to develop talent that can engage in high quality counseling sales.
- 3) We will energize stores through remodeling and make sales floors that appeal to customers.
- 4) We will actively pursue operational improvements to boost earnings power by rationalizing SG&A expenses.
- 5) Given that Group-wide risks will increase in proportion to Group-wide growth through M&A, we will make corporate ethics known to all and seek to instill our action principles, while strengthening internal control and risk management.
- 6) We will strive to reinforce branding by enhancing visibility among customers.
- 7) In the drug business overseas which forms a goal with a mid- to long-term perspective, we will promote store expansion in Southeast Asia.
- 8) Harnessing the counseling sales know-how of Group subsidiary Masaya Co., Ltd., which operates specialty cosmetic stores, we will actively expand in the growing cosmetics market and aim to further grow this business domain.
- 9) In light of our growing social responsibilities with the expansion of our operations, we will actively engage in social contribution activities, such as activities for the environment like reducing disposable plastics, along with setting up Welcafe, AED, and ostomate-friendly restrooms at our stores.

Consolidated Balance Sheets

	Million Yen	
	Previous consolidated fiscal year (February 28, 2018)	Current consolidated fiscal year (February 28, 2019)
Assets		
Current assets		
Cash and deposits	¥ 16,481	¥ 19,364
Accounts receivable-trade	23,514	27,347
Merchandise	76,312	84,527
Deferred tax assets	2,028	2,221
Other	11,844	10,576
Allowance for doubtful accounts	(1)	(1)
Total current assets	130,180	144,036
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	116,003	130,021
Accumulated depreciation	(53,246)	(59,077)
Buildings and structures, net	62,756	70,944
Land	12,410	12,919
Lease assets	47,464	53,994
Accumulated depreciation	(15,626)	(19,203)
Lease assets, net	31,838	34,790
Other	17,544	17,868
Accumulated depreciation	(11,125)	(12,200)
Other, net	6,419	5,668
Total property, plant and equipment	113,423	124,322
Intangible assets		
Goodwill	11,813	16,181
Other	2,417	2,629
Total intangible assets	14,230	18,810
Investments and other assets		
Investment securities	1,138	1,131
Long-term loans receivable	88	64
Guarantee deposits	26,743	31,640
Deferred tax assets	5,064	6,319
Other	1,393	1,369
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	34,403	40,320
Total noncurrent assets	162,058	183,453
Total assets	¥ 292,238	¥ 327,489

Million Yen

	Previous consolidated fiscal year (February 28, 2018)	Current consolidated fiscal year (February 28, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	¥ 89,127	¥ 98,302
Short-term loans payable	4,436	11,635
Lease obligations	4,696	5,151
Accounts payable-other	7,252	5,466
Income taxes payable	6,727	6,827
Provision for bonuses	601	3,241
Provision for point card certificates	4	34
Other	8,031	10,051
Total current liabilities	120,878	140,711
Noncurrent liabilities		
Long-term loans payable	11,355	8,447
Lease obligations	16,894	19,425
Asset retirement obligations	7,005	7,992
Retirement benefits-related liabilities	2,630	3,392
Deferred tax liabilities	146	137
Allowance for executive stock benefit	178	342
Other	2,665	3,091
Total noncurrent liabilities	40,877	42,830
Total liabilities	161,756	183,541
Net assets		
Shareholders' equity		
Capital stock	7,736	7,736
Capital surplus	51,667	51,669
Retained earnings	72,310	85,333
Treasury stock	(2,333)	(1,718)
Total shareholders' equity	129,381	143,020
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	282	277
Foreign currency translation adjustment	(4)	(4)
Accumulated adjustment related to retirement benefits	(198)	(243)
Total accumulated other comprehensive income	78	29
Subscription rights to shares	272	236
Minority interests	750	661
Total net assets	130,482	143,948
Total liabilities and net assets	¥ 292,238	¥ 327,489

Consolidated Statements of Income

	Million Yen	
	Previous consolidated fiscal year (March 1, 2017 – February 28, 2018)	Current consolidated fiscal year (March 1, 2018 – February 28, 2019)
Net sales	¥ 695,268	¥ 779,148
Cost of sale	485,320	542,488
Gross profit	209,948	236,659
Selling, general and administrative expenses		
Advertising expenses	13,856	16,230
Salaries	76,035	82,431
Bonuses	1,238	3,099
Provision for bonuses	534	3,237
Retirement benefit expenses	1,071	1,293
Rent expenses on real estate	29,930	33,427
Depreciation	11,630	12,541
Commission fees	11,081	13,973
Rent expenses	446	515
Amortization of goodwill	1,360	1,688
Other	33,935	39,174
Total selling, general and administrative expenses	181,121	207,614
Operating income	28,826	29,045
Non-operating income		
Interest income	17	23
Dividends income	7	8
Real estate rent	716	794
Gain on the donation of noncurrent assets	247	300
Commission fees	438	469
Co-sponsor fees	381	573
Other	761	808
Total non-operating income	2,570	2,979
Non-operating expenses		
Interest expenses	250	311
Rent cost of real estate	163	156
Other	60	55
Total non-operating expenses	474	524
Ordinary income	30,923	31,500
Extraordinary income		
Gain on sale of investment securities	1	28
Insurance fund income	—	41
Compensation for expropriation	14	—
Damage compensation income	9	—
Other	4	1
Total extraordinary income	28	71
Extraordinary loss		
Loss on sale of noncurrent assets	28	3
Loss on retirement of noncurrent assets	95	287
Loss on closing of stores	28	9
Impairment loss	2,208	2,724
Transitory expenses related to reform of personnel system	1,789	—
Other	24	36
Total extraordinary losses	4,174	3,060
Net income before income taxes and minority interests	26,777	28,511
Income taxes-current	11,018	12,354
Income taxes-deferred	(1,357)	(1,169)
Total income taxes	9,661	11,185
Net Income	17,115	17,326
Loss attributable to non-controlling interests	(50)	(97)
Net income attributable to owners of parent	¥ 17,166	¥ 17,423

Consolidated Statements of Comprehensive Income

The previous consolidated fiscal year was an irregular term which consisted of only six months (from September 1 to February 29, 2016) due to a change in the accounting term.

Million Yen		
	Previous consolidated fiscal year (March 1, 2017 – February 28, 2018)	Current consolidated fiscal year (March 1, 2018 – February 28, 2019)
Net income	¥ 17,115	¥ 17,326
Other comprehensive income		
Other valuation difference on available-for sale securities	61	(14)
Foreign currency translation adjustment	38	9
Remeasurements of defined benefit plans	(12)	(44)
Total other comprehensive income	87	(49)
Comprehensive income	17,203	17,277
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	17,237	17,364
Comprehensive income attributable to non-controlling interests	¥ (33)	¥ (87)

Consolidated Statements of Cash Flows

Million Yen		
	Previous consolidated fiscal year (March 1, 2017 – February 28, 2018)	Current consolidated fiscal year (March 1, 2018 – February 28, 2019)
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	¥ 26,777	¥ 28,511
Depreciation and amortization	11,906	12,808
Impairment loss	2,208	2,724
Amortization of goodwill	1,360	1,688
Increase (decrease) in the allowance for doubtful accounts	(0)	(2)
Increase (decrease) in the provision for bonuses	49	2,628
Increase (decrease) in liabilities for retirement benefit	454	500
Increase (decrease) in the allowance for executive stock benefit	178	163
Increase (decrease) in the provision for point card certificates	(149)	(64)
Interest and dividends income	(24)	(32)
Interest expenses	250	311
Gain (loss) on sales of investment securities	—	(41)
Rent as a counterbalance to construction assistance funds receivable	946	962
Loss on sale of noncurrent assets	28	3
Loss on the retirement of noncurrent assets	92	287
Transitory expenses related to reform of personnel system	1,789	—
Gain on the donation of noncurrent assets	(247)	(300)
Decrease (increase) in notes and accounts receivable-trade	(3,527)	(3,692)
Decrease (increase) in inventories	(5,419)	(6,610)
Increase (decrease) in notes and accounts payable-trade	7,746	8,190
Increase (decrease) in accrued consumption taxes	1,243	1,235
Other	557	1,518
Subtotal	46,221	47,756
Interest and dividends income received	17	32
Interest expenses paid	(252)	(312)
Income taxes paid	(10,825)	(13,381)
Income taxes refund	742	777
Net cash provided by (used in) operating activities	35,902	34,872
Net cash provided by (used in) investing activities		
Payment into time deposits	(1,867)	(691)
Proceed from the withdrawal of time deposits	881	1,944
Purchase of property, plant and equipment	(13,850)	(15,118)
Proceeds from the sales of property, plant and equipment	59	249
Purchase of intangible assets	(658)	(1,033)
Payments into subsidiaries and affiliates	(3,000)	—
Proceeds from refund of deposit paid in subsidiaries and affiliates	—	3,000
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(13,247)	(5,339)
Payment for lease deposits	(5,170)	(6,823)
Collection of lease deposits	764	460
Other	(637)	(605)
Net cash provided by (used in) investing activities	(36,726)	(23,955)

	Million Yen	
	Previous consolidated fiscal year (March 1, 2017 – February 28, 2018)	Current consolidated fiscal year (March 1, 2018 – February 28, 2019)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ (100)	¥ 7,000
Proceeds from long-term loans payable	10,000	—
Repayment of long-term loans payable	(3,400)	(4,784)
Payments for redemption of bonds	—	(320)
Cash dividends paid	(3,352)	(4,400)
Repayment of finance lease obligations	(4,796)	(5,424)
Purchase of treasury stock	(832)	(4)
Proceeds from stock issuance to minority shareholders	777	—
Funds used for the purchase of investments in subsidiaries not resulting in change in scope of consolidation	—	(16)
Other	453	601
Net cash provided by (used in) financing activities	(1,249)	(7,348)
Effect of exchange rate change on cash and cash equivalents	45	(2)
Net increase (decrease) in cash and cash equivalents	(2,028)	3,567
Cash and cash equivalents at the beginning of the period	15,613	13,585
Cash and cash equivalents at the end of the period	¥ 13,585	17,152

Notes to the Consolidated Financial Statements

(Explanatory notes regarding the going concern assumptions)

1. Scope of the Consolidation

(1) Number of consolidated subsidiaries: 7

Names of the consolidated subsidiaries:

WELCIA YAKKYOKU Co., Ltd., WELCIA KAIGO SERVICE Co., Ltd., Merrylin business (Shanghai) limited company, SHIMIZU YAKUHIN Co., Ltd., B.B. ON Co., Ltd., Welcia-BHG (Singapore) Pte. Ltd., Marudai Sakurai Pharmacy Limited, Ippondo Co., Ltd., Masaya Co., Ltd.

(Notes)

- (1) Ippondo Co., Ltd. was incorporated into the scope of consolidation after shares therein were purchased on March 1, 2018.
- (2) Masaya Co., Ltd. was incorporated into the scope of consolidation after shares therein were purchased on December 3, 2018. The deemed acquisition date is December 1, 2018.
- (3) Nihonbashi Pharma Co., Ltd. merged with WELCIA YAKKYOKU Co., Ltd. on June 1, 2017, and so is not included in the scope of consolidation. However, the company's statements of income and cash flows prior to the merger are included in the consolidated statements of income, consolidated statements of comprehensive income, and consolidated statements of cash flows.
- (4) Marudai Sakurai Pharmacy Limited was incorporated into the scope of consolidation after shares therein were purchased on September 1, 2017.

(2) Number of non-consolidated subsidiaries: 3

Names of the non-consolidated subsidiaries:

Welcia Oasis Co., Ltd., Kannami Shopping Center Co., Ltd., and Welcia Retail Solution Co., Ltd.

(Reason for non-inclusion in scope of consolidation)

Each of the unconsolidated subsidiaries are small in scale, and their total assets, sales, net income, and retained earnings have no significant impact on the consolidated financial statements. On this basis, they have not been included in the scope of consolidation.

2. Application of the Equity Method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: None

(2) Number of affiliates accounted for by the equity method: None

(3) Non-consolidated subsidiaries and affiliates not accounted for by the equity method:

Subsidiaries: Welcia Oasis Co., Ltd., Kannami Shopping Center Co., Ltd., and Welcia Retail Solution Co., Ltd.

Affiliates: KUSURI NO MARUE Co., Ltd.

(Reason for not employing the equity method)

These non-consolidated subsidiaries and affiliates are excluded from the scope of the equity method because their contribution to the consolidated net income and loss (the amount proportional to the relevant equity shares) and consolidated retained earnings (the amount proportional to the relevant equity shares) have a negligible effect on the consolidated financial statements and are immaterial in the aggregate.

3. Notes on the Fiscal Year-End of Consolidated Subsidiaries

Merrylin business (Shanghai) limited company has December 31 as its fiscal year-end. The consolidated subsidiary prepares financial statements using data as of the closing date, and necessary adjustments are then made to reflect important transactions that occurred between the closing date and the closing date of the consolidated fiscal year.

Welcia and the SDGs

Welcia will work to resolve social issues to serve as a platform that supports community lifestyles.

The Welcia Group provides value required by society through realization of the Welcia Model. As we continue with social contribution activities, we recognize the importance of fulfilling our responsibilities to stakeholders such as employees, their families, customers, suppliers, shareholders, and local communities.

Furthermore, companies are expected to take responsible action at an even higher level together with social contribution activities in helping achieve the Sustainable Development Goals (SDGs) adopted by the United Nations for eliminating poverty and inequality in the world and combatting climate change.

We recognize that the Welcia Group's corporate philosophy "To promote higher quality of life and healthy lifestyles for our customers" shares the same perspective as the SDGs. In order to become a platform underpinning community lifestyles, Welcia will further expand its view to promote efforts to resolve these issues actively and quickly.

Examples of Welcia's initiatives

 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none">• We operate drug stores with dispensing pharmacy where pharmacists, registered sellers, nutritionists and other staff with professional expertise support the health of their community.• AEDs installed in all of our stores are used in-store and in the community, saving people's lives.
 <p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none">• Ostomate-friendly restrooms have been installed in all our stores for an environment where everyone can enjoy shopping. <p>Ostomate: a person who has undergone a surgical procedure due to cancer or other illness to create an opening in the body that is used to discharge wastes</p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none">• Community is vital to maintaining physical and mental health. We established Welcafe inside our stores to be used as a gathering place for local community activities.
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none">• The use of disposable plastics is being reduced or banned around the world. Environmental issues, such as plastic bags and straws, are closely related to where we shop. We promote the reduced use of plastic bags, encourage customers to bring their own reusable bag, and shift to paper straws.



What are the SDGs?

The SDGs were adopted by the United Nations in September 2015 as set of international goals to achieve a sustainable world. The SDGs comprise 17 goals that include elimination of poverty and hunger, health and welfare, decent work and climate change countermeasures.

We are sincerely grateful to all who donated to our charity donation drive.

This year, we conducted storefront charity donation drives for 24-Hour TV 41, the Japan Guide Dog Association, emergency assistance for the torrential rains that struck Western Japan, and emergency assistance for Typhoon No. 21 (Typhoon Jebi) and the Hokkaido earthquake. Also, as part of our support for Fukushima Prefecture in the Tohoku Region, an area still recovering from the Great East Japan Earthquake, we donated a portion of proceeds from sales of Fukushima Prefecture Koshihikari rice and Aizuhomare Japanese sake to the Yomiuri Light and Humanity Association.

The Welcia Group is involved in social contribution activities as an Aeon 1% Club Foundation Member.

The Aeon 1% Club Foundation was founded in 1989 and uses 1% of pre-tax income contributed by major Aeon Group companies towards various activities, including the sound development of the next generation, promotion of friendship with foreign countries, and the sustainable development of local communities.

Company Information / Investor Information

(As of February 28, 2019)

Company Overview

Company Name

WELCIA HOLDINGS Co., Ltd.

Established

September 2008

Paid-in-Capital

7,736 million yen

Business Description

Business management of subsidiaries and group companies that run chain drugstores with dispensing pharmacies

Head Office Location

2-2-15, Sotokanda, Chiyoda-ku, Tokyo
101-0021

Tel

03-5207-5878

Fax

03-5209-1406

Website

<http://www.welcia.co.jp/>

Number of Group Employees

8,936 (excluding part-time employees)

Executives (As of May 28, 2019)

Chairman and Representative Director

Takamitsu Ikeno

Vice Chairman and Director

Hideharu Mizuno

President and Representative Director

Tadahisa Matsumoto

Senior Managing Director

Norimasa Sato

Managing Director

Juichi Nakamura

Directors

Takashi Abe

Motoya Okada

Outside Directors

Yukari Narita

Tomoko Nakai

Corporate Auditor

Toshio Miyamoto

Outside Corporate Auditors

Hirohisa Kagami

Atsuko Sugiyama

Yasuo Ichikawa

Number of Shares

Number of Shares Authorized

247,473,600

Number of Shares Issued

104,788,248

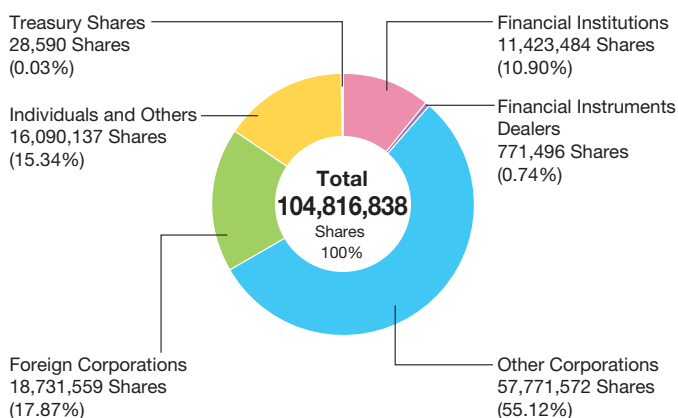
Number of Shareholders

29,417

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
AEON Co., Ltd.	52,970	50.55
THE CHASE MANHATTANBANK 385036	2,535	2.42
The Master Trust Bank of Japan, Ltd. (trust account)	2,166	2.07
Japan Trustee Services Bank, Ltd. (trust account)	2,085	1.99
Tsuruha Co., Ltd.	1,676	1.60
Welcia Holdings Employee Stock Ownership	1,641	1.57
Japan Trustee Services Bank, Ltd. (trust account 5)	1,022	0.98
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS—UNITED KINGDOM	967	0.92

Breakdown of Holdings by Shareholder Type





WELCIA HOLDINGS Co., Ltd.

2-2-15, Sotokanda, Chiyoda-ku, Tokyo 101-0021

Tel. 03-5207-5878 (main)

<http://www.welcia.co.jp/>