

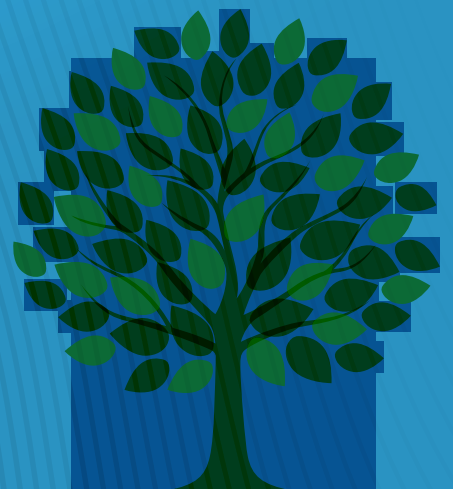
Investors' Guide FY 2017

Fiscal Year Ended February 28, 2018

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

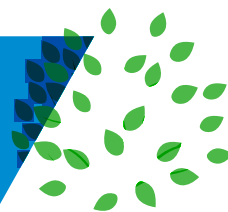


To promote higher quality of life and healthy lifestyles for our customers



WELCIA HOLDINGS CO., LTD.

Staying ahead of the pace of change Creating stores that serve as the greatest contributors to community needs.



Takamitsu Ikeno
*Chairman and
Representative Director*



Hideharu Mizuno
*President and
Representative Director*

FYE February 2018 resulted in record highs for net sales and income, marking a favorable start to as the first year of our medium-term management plan (FYE February 2018 to FYE February 2020).

During the three-year period of the medium-term management plan, we will approach new drug store development with a focus on responding to the changing needs of society. We will develop stores offering comprehensive expertise to provide products and services related to preventative care, treatment, and long-term care. At the same time, we will promote aggressive store openings and an M&A strategy that enables us to increase our profitability and growth potential.

As the first year of the medium-term management plan, this year saw favorable performance by the Pharmacy Department and the Products Department, as well as favorable existing store sales thanks to the expansion

of stores offering 24-hour services. Additionally, we were successful in strengthening our business foundation towards sustainable growth. Marudai Sakurai Pharmacy Limited became a consolidated subsidiary and will serve as the backbone of operations in Northeastern Japan. We also achieved our first store opening in Singapore.

On March 1, 2018, Ippondo Co., Ltd., which operates 41 stores in the Tokyo region, joined the Welcia Group, expanding our Group network to over 1,700 stores.

To continue increasing our corporate value over the next 10 years and the 10 years beyond that, we must stay ahead of the pace of change as we challenge ourselves to store creation in line with our corporate philosophy: to contribute to an enriched society and the healthy lifestyles of people.

We hope you will look forward to our future activities and ask for your continued support.

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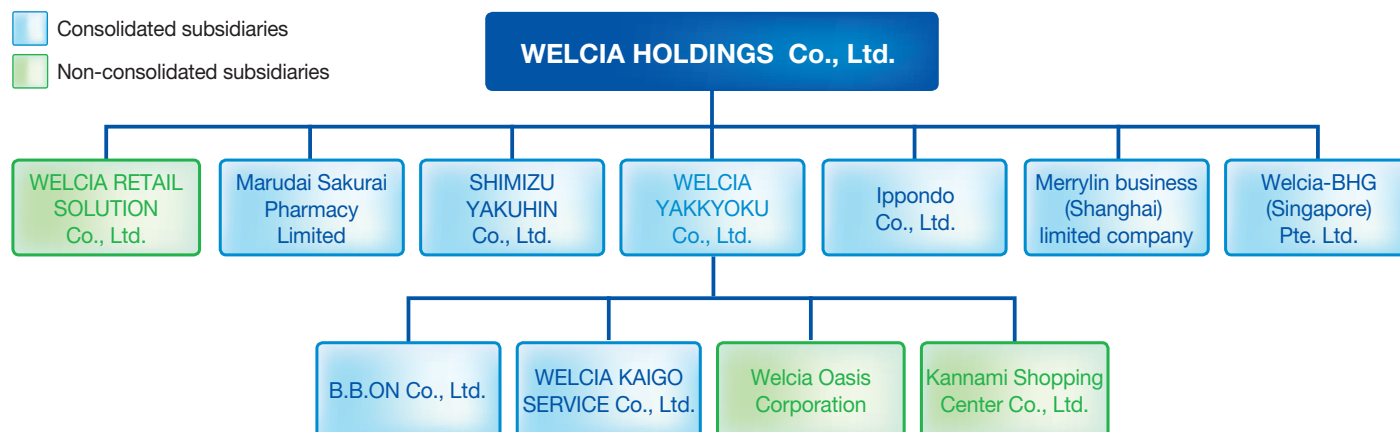
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Corporate History

- 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



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

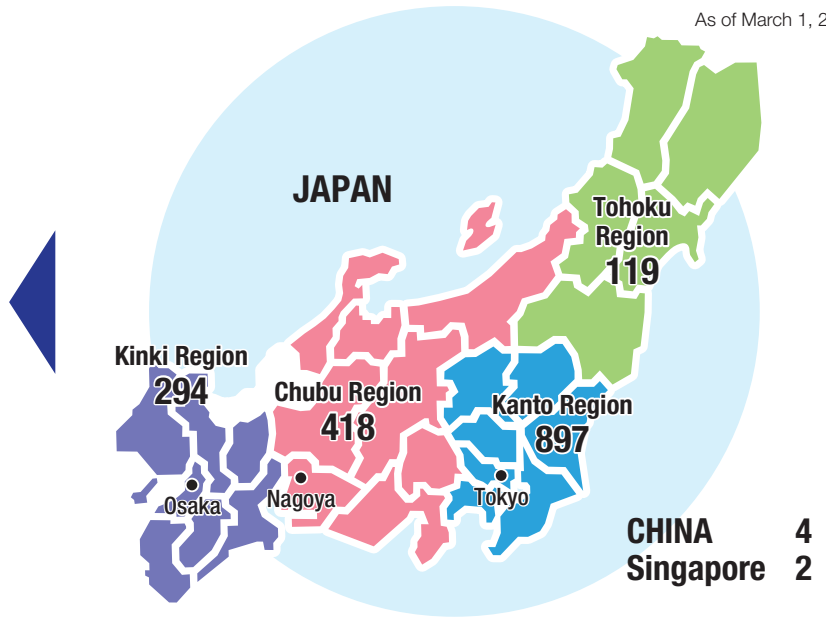
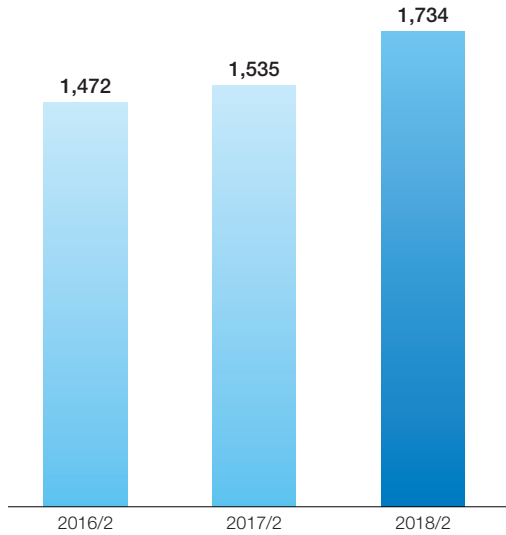
As unexpected illnesses arise, we are there for our customers morning, noon, and night. Certain stores will operate 24 hours a day.

Financial Highlights

Total Number of Stores

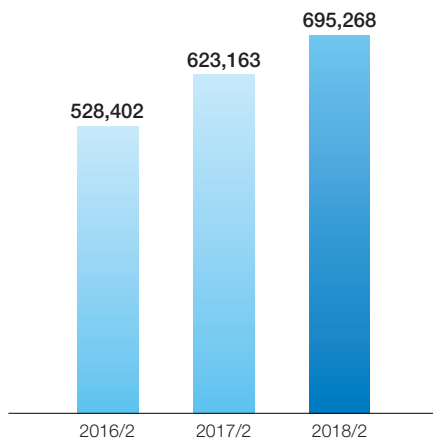
(Stores)

As of March 1, 2018



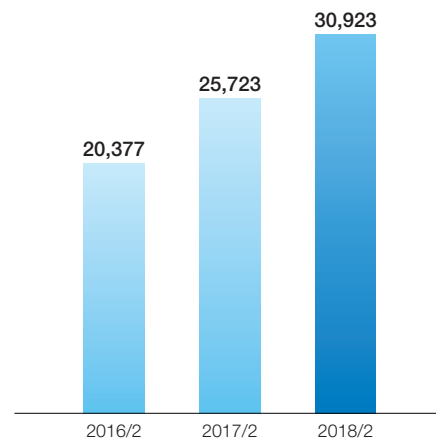
Net Sales

(Million Yen)



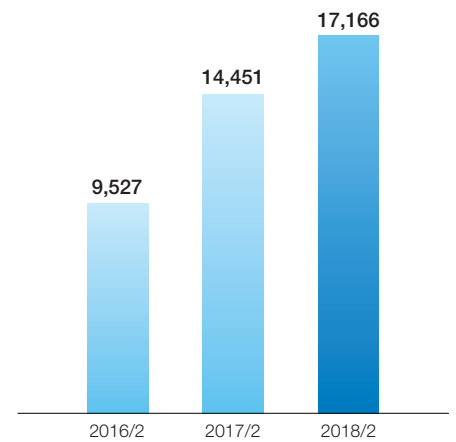
Ordinary Income

(Million Yen)



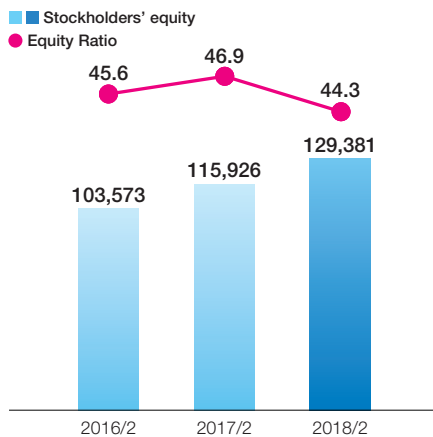
Net Income Attributable to Owners of Parent

(Million Yen)



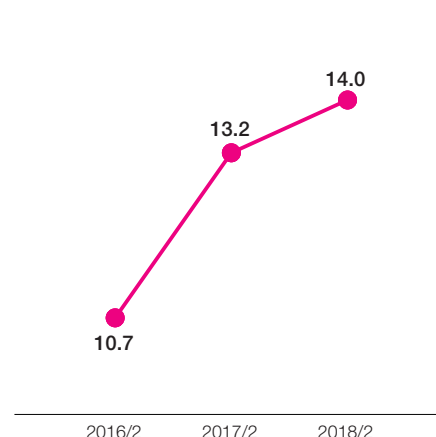
Stockholders' Equity / Equity Ratio

(Million Yen / %)



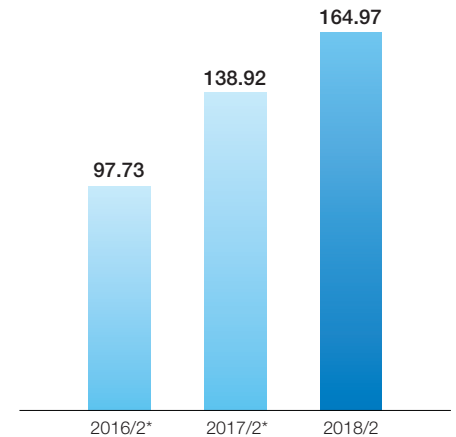
Return on Equity

(%)



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 2016 and 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 2018).

A1

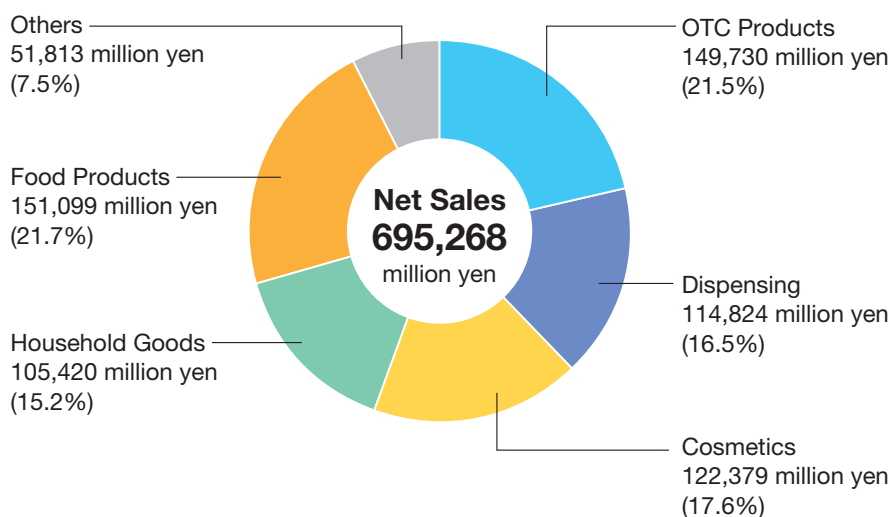
**Sales were favorable at stores incorporating the Welcia Model.
Favorable start as first year of medium-term management plan.**

This fiscal year, existing store net sales were favorable at 105.6% YoY thanks to our promotion of the Welcia Model at stores with pharmacies and increasing stores operating 24-hours a day. By segment, sales increased for both the Pharmacy Division and the Products Division. Looking at Group companies, the former CFS Corporation achieved a steady sales growth rate and Shimizu Yakuhin Co., Ltd., in its third year since joining the Welcia Group, continues to record strong growth thanks to initiatives such as store

renovations and extended store hours.

Current fiscal year net sales were 695,268 million yen (111.6% YoY), ordinary income was 30,923 million yen (120.2% YoY), and income attributable to owners of the parent company was 17,166 million yen (118.8% YoY) thanks to contributions from sales of newly-opened stores and Marudai Sakurai Pharmacy Limited, which became a Group subsidiary on September 1, 2017. These results represent record highs for both net sales and income.

Sales and Composition Ratio by Item



The number of domestic stores 1,728

As of March 1, 2018

Mie	22
Shiga	12
Kyoto	67
Osaka	110
Hyogo	73
Nara	6
Wakayama	4

Niigata	60
Toyama	36
Ishikawa	14
Yamanashi	30
Nagano	27
Gifu	4
Shizuoka	210
Aichi	37

● Chubu Region 418

● Tohoku Region 119

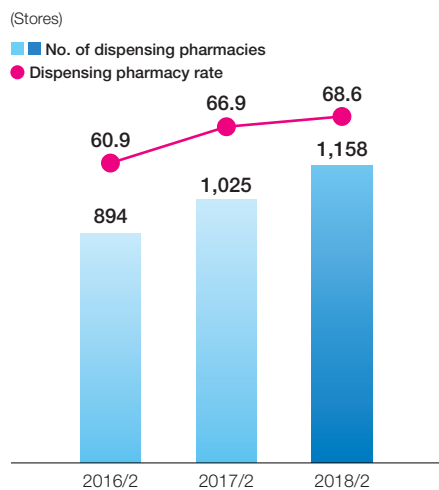
Aomori	65
Iwate	2
Akita	8
Miyagi	7
Yamagata	9
Fukushima	28

● Kinki Region 294

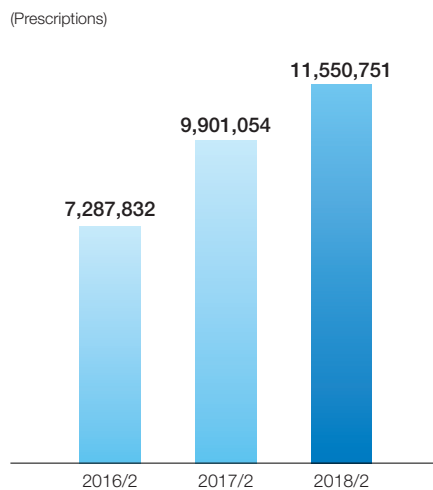
● Kanto Region 897

Ibaraki	140
Tochigi	56
Gunma	47
Saitama	169
Chiba	129
Tokyo	160
Kanagawa	196

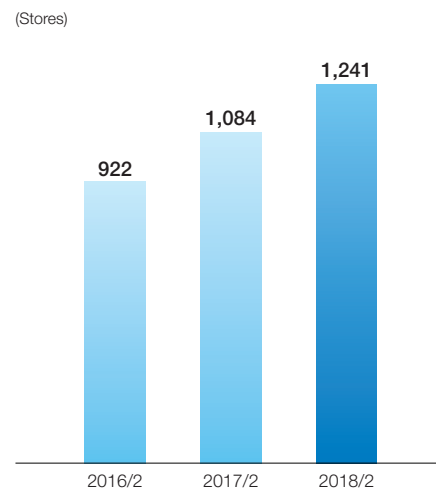
Change of the Number of Stores with Dispensing Pharmacy



Number of prescriptions



Change of the Number of Stores with Late-night Services



* No. of dispensing pharmacies, dispensing pharmacy rate, and no. of prescriptions do not include two stores in Singapore.

Q2

Tell us about the status of new store openings.

A2

Will continue the aggressive opening of new stores. Adding Ippondo Co., Ltd. as a subsidiary expands our Group network to include 28 prefectures and 1,728 stores.

For the Group overall, this fiscal year in Japan we opened 108 new stores and closed 24 stores. The addition of Marudai Sakurai Pharmacy Limited to the Group in September 2017, expands our Group network into three new prefectures – Aomori, Akita, and Iwate – and adds 71 stores. At the same time, the 32 new store openings in the Kinki region are in

line with our medium-term management plan.

Welcia-BHG (Singapore) Pte. Ltd., which is our first subsidiary in Singapore, opened two stores. Combined with the four stores in China, this represents a total of six stores overseas.

As of March 1, 2018, the addition of Ippondo Co., Ltd. brings our total number of domestic stores to 1,728 stores in 28 prefectures.

Q3

What is the status of progress for the Welcia Model?

A3

This fiscal year, the total number of prescriptions processed exceeded 10 million. We will continue implementing the Welcia Model.

We established the Welcia Model, a four-point strategy centered on stores with pharmacies, counseling services, late-night services, and long-term care provision, and are expanding this model throughout the Group.

As of the end of this fiscal year, 1,158 domestic stores (up 133 stores YoY) offered pharmacy prescription services, bring the rate of stores with pharmacies up to 68.6% (up 1.7 points YoY). Prescriptions processed also increased steadily, exceeding 10 million prescriptions per year.

The number of stores offering late-night services increased to 1,241 stores (up 157 stores YoY). Of these stores, 135 stores are

operating 24-hours a day (up 43 stores YoY).

We also are expanding product offerings to include lunch boxes and prepared dishes as a way to provide greater convenience to customers using stores during late-night hours.



Expert staff, including pharmacists, registered sales staff, beauty advisors, and nutritionists, work to support community health.

Q4

Tell us about the progress of your medium-term management plan (FYE February 2018 to FYE February 2020).

A4

This fiscal year, the first year of the plan, saw favorable net sales at existing stores as we significantly outperformed plans.

Our Group is united in our effort to achieving our medium-term management plan goals.

This year, we outlined a medium-term management plan aiming for net sales of 800 billion yen, ordinary income of 36 billion yen, and a network of 1,850 stores. This year marks the first year of this medium-term management plan. The addition of Marudai Sakurai Pharmacy Limited, which operates mainly in Aomori Prefecture, as a subsidiary and the continued development of stores with pharmacies resulted in favorable sales from existing stores. As a result, we got off to a favorable start that significantly outperformed plans.

We will continue to promote the Welcia Model throughout the Group and implement

the policies outlined in our medium-term management plan. With the management merger of Ippondo Co., Ltd. in March 2018, our earnings forecast for FYE February 2019 is net sales of 780 billion yen (112.2% YoY), operating income of 31.8 billion yen (110.3% YoY), ordinary income of 34.1 billion yen (110.3% YoY), and net income attributable to owners of the parent company of 19 billion yen (110.7% YoY). We will continue to evaluate the need for plan revisions as we work towards achieving the goals outlined in our medium-term management plan.

Q5

What is your message to shareholders?

A5

We will continue working to improve our corporate value and enhance shareholder returns.

Dividends for the current fiscal year were 37 yen as an annual dividend. This consists of the originally planned interim dividend of 16 yen and a year-end dividend of 21 yen, which is

5 yen higher than planned.

We want our shareholders to look forward to our Group's business developments and we ask for your continued support.

Current Status of the Welcia Group

Messages from Welcia Group Company Presidents

Welcia Yakkyoku Co., Ltd.

Competition in the drug store industry continues to intensify as companies adopt distinct strategies, including strategies involving food and cosmetics, to distinguish themselves. Amid such an environment, Welcia strives to be a drug store that supports the healthy and enriched lifestyles of local residents. With this in mind, we are aggressively promoting the Welcia Model, which is centered on stores with pharmacies, and the fostering of pharmacists with expert knowledge. We also are working aggressively to increase the number of prescriptions from long-term care facilities. As a result of these efforts, prescription net sales were 112.9 billion yen for the full year and a total of 1,124 stores handle prescriptions.

We also are implementing various measures to improve convenience for customers and meet the needs of local communities. These efforts include expanding stores with 24-hour service, accepting payments for public utilities, opening stores in urban districts, and opening Welcafe as spots for community communication. As of the end of the fiscal year, our Group operated 134 stores providing 24-hour services as we continue to elevate our brand recognition among customers and increase store customer visits.

In addition to aggressive store openings in the Tohoku and Kansai regions, we also conducted renovations at 174 stores to help reinvigorate existing stores. CFS Corporation, which we absorbed via a merger last fiscal year, is contributing to increased existing store sales. Stores sales improved significantly thanks to strong customer support after the completion of store renovations.

Revenues and income increased, with earnings this fiscal year were net sales of 666.1 billion yen (109.7% YoY), operating income of 28.8 billion yen (118.4% YoY), ordinary income of 30.7 billion yen (118.1% YoY), and net income of 17.5 billion yen (119.2% YoY).

We are working to create stores that are supported by local customers and we ask for your continued support.



Hideharu Mizuno
President and Representative
Director
WELCIA YAKKYOKU CO., LTD.

Marudai Sakurai Pharmacy Limited

This fiscal year saw major change for us as Marudai Sakurai Pharmacy Limited became a member of the Welcia Group. Embracing a new stage of development, we are positioning this year as a year for challenging ourselves. We are undertaking four challenges based on the belief that we know local customers better than anyone and that our job is to bring greater happiness to our customers.

- (1) Promote employee growth: Build an independent organization centered on people with creative thinking, the ability to act autonomously, and the ability to produce results independently
- (2) Promote the Welcia Model: With renovations to 14 stores and 10 newly opened stores, we are enhancing our storefront capabilities engaging with local communities to strengthen relationships with our customers. We are focused on being fun, convenient stores that offer the products customers need.
- (3) Enhance counseling services: Engage in friendly communication with community customers and reinforce product knowledge and sales knowhow among our staff to ensure our ability to provide explanations with confidence.
- (4) Maximize merger synergy: Strengthen storefront capabilities and product appeal in order to focus on enhancing our competitiveness.

Our employees are united in our commitment to these challenges and achieving the goals outlined for this fiscal year.

We ask all our shareholders for your continued guidance and support.



Kiyoshi Sakurai
President and Representative
Director
Marudai Sakurai Pharmacy
Limited

Shimizu Yakuhin Co., Ltd.

As recent news for Shimizu Yakuhin, we opened two new stores in March and April of 2018. These marked our first new store openings in two years. Both stores got off to a favorable start and we are excited about their future progress. New store development can be extremely difficult in the city of Kyoto but we are planning on two additional store openings this fiscal year. We will enhance our development capabilities as we aim to increase our store openings.

Our efforts for the current fiscal year focus on the central theme of “striving for another level”. We aim to be a community-based pharmacy that meets the needs of our customers. We will enhance marketing and aim to attract customers through product appeal. Since last year we have conducted surveys to identify the products desired by customers. In addition to offering these products at the stores voicing a desire for them, we also will concentrate on popular products at stores with limited shelf space as we strive to create stores our customers trust and depend on.

We also continue to increase the number of stores with pharmacies. Growth in prescriptions processed has been very favorable and is driving overall growth. The rate of non-hospital prescription dispensing for Kyoto Prefecture is still at around 50%, which is low compared to the national average. As such, we believe the market has much room for growth.

All our employees will continue working to be a pharmacy that is trusted and supported by customers.



Kazuyuki Honda
President and Representative
Director
Shimizu Yakuhin Co., Ltd.

Welcia Oasis Co., Ltd.

On March 24, 2018, on a day when Tokyo cherry blossoms were declared to be in full bloom, Welcia Oasis Co., Ltd. welcomed 53 new employees, bringing our total work force to 555 employees.

As a special subsidiary* of Welcia Yakkyoku Co., Ltd., we are involved in a wide range of operations. Some of the services our dedicated staff provide include product deliveries to Welcia stores, store cleaning and lot gardening, and internal mail delivery. We boast a turnover rate of less than 5% and promote a safe and reassuring work environment for all staff, including persons with disabilities.

This fiscal year, we are planning on the opening of a new sales office. We will further enhance the support and guidance provided by instructors as we aim to hire 150 people, including mid-career hires and new graduates. Welcia Yakkyoku Co., Ltd. continues to achieve growth amid market competition. As the Group continues to increase the number of stores that serve as workplaces for our employees, we will continue using those opportunities to expand our own possibilities and work to contribute to the workplace and the community.

*Special subsidiary.... Refers to a company certified by the MHLW as having established a subsidiary that fulfills certain conditions and that gives special consideration to the hiring of persons with disabilities as outlined by the Act on Employment Promotion of Persons with Disabilities.



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

Welcia Kaigo Service Co., Ltd.

It has been one full year since we took over operations of the Community Comprehensive Support Center Welcia House based on a contract with the city of Shiraoka in Saitama Prefecture. During that period, we have steadily increase user numbers.

The work we accomplished during this one-year period was recognized and led to new three-year consignment contract that began in April of this year.

We will work to strengthen our alliance with Welcia Yakkyoku and serve the needs of local residents.

With the simultaneous enactment of revisions to medical compensation and long-term care compensation, long-term care earnings were largely unchanged and we were able to avoid year-on-year decline. This fiscal year we are focused on the following issues.

- (1) Reinforcing compliance
- (2) Improving profitability
- (3) Human resource development

We will identify unnecessary tasks and focus on improving our productivity by eliminating waste, inconsistency, and futility in order to contribute to the Welcia Group. We ask for the continue 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, 2016 – February 28, 2017)	Current consolidated fiscal year (March 1, 2017 – February 28, 2018)
Net Sales (million yen)	623,163	695,268
Ordinary income (million yen)	25,723	30,923
Net income attributable to owners of parent (million yen)	14,451	17,166
Comprehensive income (million yen)	14,419	17,203
Net assets (million yen)	116,233	130,482
Total assets (million yen)	247,026	292,238
Net assets per share (yen)	1,113.75	1,244.12
Net income per share (yen)	138.92	164.97
Diluted net income per share (yen)	138.78	164.77
Capital ratio (%)	46.9	44.3
Return on equity (%)	13.2	14.0
Price earnings ratio (times)	22.6	28.7
Net cash provided by (used in) operating activities (million yen)	33,303	35,902
Net cash provided by (used in) investment activities (million yen)	(18,034)	(36,726)
Net cash provided by (used in) financing activities (million yen)	(12,897)	(1,249)
Cash and cash equivalents at the end of the period (million yen)	15,613	13,585
Number of employees (persons)	6,776	7,807
(Average number of temporary employees)	14,187	16,445

(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) Business results

Japan's economy during the current consolidated fiscal year showed signs of moderate improvement, being buoyed by corporate earnings and an improved employment environment. On the other hand, with an uncertain political and economic situation overseas and heightened geopolitical risks, a sense of unease about the future prevailed, prompting thrifty consumer behavior. Consequently, personal consumption was steady but lackluster.

We continued to face a harsh business environment in the drugstore industry, a focal area of the Group. The industry continued to expand steadily with buoyant store-openings, but this meant heightened competition from players within and outside the industry. Furthermore, the retail sector as a whole has been plagued with rising personnel costs attributed to staff shortages.

Against this backdrop, we extensively promoted the Welcia Model, which included remodeling existing stores. Under this model, we opened more dispensing pharmacies (1,160 stores as of February 28, 2018), resulting in higher dispensing pharmacy sales, and we introduced 24 hour-stores to provide greater security and convenience to customers (135 such stores as of February 28, 2018), resulting in strong sales among existing stores. In addition to these efforts, we developed health-oriented products and aggressively promoted sales of convenience-oriented products such as bentos and deli items.

On March 1, 2017, we founded a joint venture, Welcia-BHG (Singapore) Pte. Ltd. to promote the drugstore business in Singapore. Welcia-BHG opened the first local store in November 2018 and the second in December of the same year.

On September 1, 2017, we acquired Tohoku-based pharmacy business, Marudai Sakurai Pharmacy Limited, as a subsidiary by purchasing shares therein.

As of the end of the current consolidated fiscal year, the Group has 1,693 stores, including the 71 stores of Marudai Sakurai Pharmacy Limited. There were 111 openings and 24 closures.

Consequently, sales in the current consolidated fiscal year came to 695,268 million yen, operating income came to 28,826 million yen, ordinary income came to 30,923 million yen, and current net income attributable to owners of came to 17,166 million yen

On March 1, 2018, we acquired Ippondo Co., Ltd. (41 stores—primarily in Tokyo) as a subsidiary by purchasing shares therein.

Consolidated Balance Sheets

	Million Yen	
	Previous consolidated fiscal year (February 28, 2017)	Current consolidated fiscal year (February 28, 2018)
Assets		
Current assets		
Cash and deposits	¥ 15,888	¥ 16,481
Accounts receivable-trade	19,759	23,514
Merchandise	68,272	76,312
Deferred tax assets	1,095	2,028
Other	7,834	11,844
Allowance for doubtful accounts	(1)	(1)
Total current assets	112,848	130,180
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	100,812	116,003
Accumulated depreciation	(47,704)	(53,246)
Buildings and structures, net	53,108	62,756
Land	11,051	12,410
Lease assets	38,065	47,464
Accumulated depreciation	(12,902)	(15,626)
Lease assets, net	25,163	31,838
Other	15,951	17,544
Accumulated depreciation	(9,940)	(11,125)
Other, net	6,011	6,419
Total property, plant and equipment	95,334	113,423
Intangible assets		
Goodwill	3,838	11,813
Other	2,488	2,417
Total intangible assets	6,327	14,230
Investments and other assets		
Investment securities	927	1,138
Long-term loans receivable	72	88
Guarantee deposits	25,862	26,743
Deferred tax assets	4,598	5,064
Other	1,082	1,393
Allowance for doubtful accounts	(25)	(24)
Total investments and other assets	32,516	34,403
Total noncurrent assets	134,177	162,058
Total assets	¥ 247,026	¥ 292,238

Million Yen

	Previous consolidated fiscal year (February 28, 2017)	Current consolidated fiscal year (February 28, 2018)
Liabilities		
Current liabilities		
Accounts payable-trade	¥ 79,200	¥ 89,127
Short-term loans payable	2,897	4,436
Lease obligations	4,106	4,696
Accounts payable-other	5,389	7,252
Income taxes payable	5,602	6,727
Provision for bonuses	490	601
Provision for point card certificates	90	4
Other	6,770	8,031
Total current liabilities	104,548	120,878
Noncurrent liabilities		
Long-term loans payable	3,647	11,355
Lease obligations	12,120	16,894
Asset retirement obligations	6,279	7,005
Retirement benefits-related liabilities	1,907	2,630
Deferred tax liabilities	—	146
Allowance for executive stock benefit	—	178
Other	2,290	2,665
Total noncurrent liabilities	26,245	40,877
Total liabilities	130,793	161,756
Net assets		
Shareholders' equity		
Capital stock	7,736	7,736
Capital surplus	51,656	51,667
Retained earnings	58,496	72,310
Treasury stock	(1,962)	(2,333)
Total shareholders' equity	115,926	129,381
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	220	282
Foreign currency translation adjustment	(26)	(4)
Accumulated adjustment related to retirement benefits	(186)	(198)
Total accumulated other comprehensive income	8	78
Subscription rights to shares	291	272
Minority interests	6	750
Total net assets	116,233	130,482
Total liabilities and net assets	¥ 247,026	¥ 292,238

Consolidated Statements of Income

	Million Yen	
	Previous consolidated fiscal year (March 1, 2016 – February 28, 2017)	Current consolidated fiscal year (March 1, 2017 – February 28, 2018)
Net sales	¥ 623,163	¥ 695,268
Cost of sale	439,347	485,320
Gross profit	183,815	209,948
Selling, general and administrative expenses		
Advertising expenses	12,559	13,856
Salaries	66,722	76,035
Bonuses	1,616	1,238
Provision for bonuses	549	534
Retirement benefit expenses	966	1,071
Rent expenses on real estate	27,244	29,930
Depreciation	10,553	11,630
Commission fees	8,884	11,081
Rent expenses	487	446
Amortization of goodwill	1,108	1,360
Other	29,044	33,935
Total selling, general and administrative expenses	159,736	181,121
Operating income	24,078	28,826
Non-operating income		
Interest income	25	17
Dividends income	7	7
Real estate rent	759	716
Gain on the donation of noncurrent assets	179	247
Commission fees	400	438
Co-sponsor fees	330	381
Other	560	761
Total non-operating income	2,263	2,570
Non-operating expenses		
Interest expenses	249	250
Rent cost of real estate	248	163
Other	120	60
Total non-operating expenses	618	474
Ordinary income	25,723	30,923
Extraordinary income		
Gain on sale of investment securities	41	—
Insurance fund income	—	14
Compensation for expropriation	11	—
Damage compensation income	—	9
Other	10	4
Total extraordinary income	62	28
Extraordinary loss		
Loss on sale of noncurrent assets	18	28
Loss on retirement of noncurrent assets	136	95
Loss on closing of stores	131	28
Impairment loss	2,236	2,208
Transitory expenses related to reform of personnel system	—	1,789
Other	79	24
Total extraordinary losses	2,601	4,174
Net income before income taxes and minority interests	23,184	26,777
Income taxes-current	8,503	11,018
Income taxes-deferred	233	(1,357)
Total income taxes	8,737	9,661
Net Income	14,447	17,115
Loss attributable to non-controlling interests	(3)	(50)
Net income attributable to owners of parent	¥ 14,451	¥ 17,166

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, 2016 – February 28, 2017)	Current consolidated fiscal year (March 1, 2017 – February 28, 2018)
Net income	¥ 14,447	¥ 17,115
Other comprehensive income		
Other valuation difference on available-for sale securities	19	61
Foreign currency translation adjustment	(22)	38
Remeasurements of defined benefit plans	(25)	(12)
Total other comprehensive income	(28)	87
Comprehensive income	14,419	17,203
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	14,423	17,237
Comprehensive income attributable to non-controlling interests	¥ (4)	¥ (33)

Consolidated Statements of Cash Flows

	Million Yen	
	Previous consolidated fiscal year (March 1, 2016 – February 28, 2017)	Current consolidated fiscal year (March 1, 2017 – February 28, 2018)
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	¥ 23,184	¥ 26,777
Depreciation and amortization	10,845	11,906
Impairment loss	2,236	2,208
Amortization of goodwill	1,108	1,360
Increase (decrease) in the allowance for doubtful accounts	(14)	(0)
Increase (decrease) in the provision for bonuses	(43)	49
Increase (decrease) in liabilities for retirement benefit	386	454
Increase (decrease) in the allowance for executive stock benefit	—	178
Increase (decrease) in the provision for point card certificates	(954)	(149)
Interest and dividends income	(33)	(24)
Interest expenses	249	250
Rent as a counterbalance to construction assistance funds receivable	952	946
Loss on sale of noncurrent assets	18	28
Loss on the retirement of noncurrent assets	136	92
Transitory expenses related to reform of personnel system	—	1,789
Gain on the donation of noncurrent assets	(179)	(247)
Decrease (increase) in notes and accounts receivable-trade	(255)	(3,527)
Decrease (increase) in inventories	(4,381)	(5,419)
Increase (decrease) in notes and accounts payable-trade	7,776	7,746
Increase (decrease) in accrued consumption taxes	(298)	1,243
Other	(35)	557
Subtotal	40,698	46,221
Interest and dividends income received	15	17
Interest expenses paid	(248)	(252)
Income taxes paid	(7,603)	(10,825)
Income taxes refund	440	742
Net cash provided by (used in) operating activities	33,303	35,902
Net cash provided by (used in) investing activities		
Payment into time deposits	(240)	(1,867)
Proceed from the withdrawal of time deposits	245	881
Purchase of property, plant and equipment	(12,483)	(13,850)
Proceeds from the sales of property, plant and equipment	97	59
Purchase of intangible assets	(439)	(658)
Payments into subsidiaries and affiliates	—	(3,000)
Payment for lease deposits	(5,279)	(5,170)
Collection of lease deposits	615	764
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(13,247)
Other	(550)	(637)
Net cash provided by (used in) investing activities	(18,034)	(36,726)

	Million Yen	
	Previous consolidated fiscal year (March 1, 2016 – February 28, 2017)	Current consolidated fiscal year (March 1, 2017 – February 28, 2018)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ (2,800)	¥ (100)
Proceeds from long-term loans payable	–	10,000
Repayment of long-term loans payable	(3,782)	(3,400)
Cash dividends paid	(2,462)	(3,352)
Proceeds from share issuance to non-controlling shareholders	–	777
Repayment of finance lease obligations	(4,208)	(4,796)
Purchase of treasury stock	(113)	(832)
Other	468	453
Net cash provided by (used in) financing activities	(12,897)	(1,249)
Effect of exchange rate change on cash and cash equivalents	(4)	45
Net increase (decrease) in cash and cash equivalents	2,366	(2,028)
Increase in cash and cash equivalents resulting from merger	0	–
Cash and cash equivalents at the beginning of the period	13,245	15,613
Cash and cash equivalents at the end of the period	¥ 15,613	¥ 13,585

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

(Notes)

- (1) Welcia-BHG (Singapore) Ptd. Ltd. was incorporated into the scope of consolidation when it was founded on March 1, 2017.
- (2) Lianhua Meiriling Business (Shanghai) Co., Ltd. changed its trade name to Merrylin business (Shanghai) limited company in May 2017.
- (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.

Corporate Social Responsibility Activities

The Welcia Group embraces a corporate philosophy “To promote higher quality of life and healthy lifestyles for our customers.” Based on this philosophy, we develop family pharmacies, or “Kakaritsuke Yakkyoku,” that contribute to the local community and provide the value that society needs. We also conduct various activities that contribute to society. We believe it vital that we fulfill our responsibilities to all our stakeholders, including our employees and their families, our customers, business partners, shareholders, and the local community.



▲Ostomate-friendly toilets are labeled with this type of symbol on the door.

Gradually renovating store toilets to ostomate-friendly toilets.

It is said that ostomates* can lose the desire to leave the home due to a lack of facilities such as ostomate-friendly toilets. If alleviated from concerns about toilet facilities when going outside, ostomates would have more opportunities to go outside. We live in an age in which people can continue to work and live their lives while undergoing treatment for cancer and other digestive system illnesses. The Welcia Group is proceeding with the installation of ostomate-friendly toilets to provide comfort to more community residents visiting our stores.

* Ostomate refers to people who have had stoma implanted in their stomach to allow urination and bowel movements due to the loss of digestive system functions resulting from an accident or illness such as cancer.

Conducted AED training at Welcafe

The Welcia Group continues to create Welcafe in stores as community spaces for local residents. We now have Welcafe in 148 stores (as of February 28, 2018). To further utilize Welcafe, we conducted training for the AED (Automated External Defibrillator) devices installed at stores. Training was conducted at nine stores in total, including the Sakai-Fukaimizugaike Store in Osaka.

With cooperation from local fire departments and participation from numerous local residents, we used the time to increase understanding of how to use AED devices. We will continue to promote activities that take advantage of our commitment to being a drug store that contributes to the community.



▲Participants received real training directly from fire department personnel. AED are established in all Welcia Yakkyoku stores.

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

This year, we conducted storefront charity donation drives for the Myanmar school construction support project donation campaign, 24-Hour TV 40, and the Japan Guide Dog Association. Also, as part of our support for Fukushima Prefecture in the Tohoku Region, area still recovering from the Great Japan East 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, 2018)

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

7,807 (excluding part-time employees)

Executives (As of May 22, 2018)

Chairman and Representative Director

Takamitsu Ikeno

President and Representative Director

Hideharu Mizuno

Vice President and Director

Tadahisa Matsumoto

Senior Managing Director

Norimasa Sato

Managing Director

Juichi Nakamura

Directors

Takashi Abe

Motoya Okada

Outside Directors

Toru Takenaka

Yukari Narita

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

104,057,600

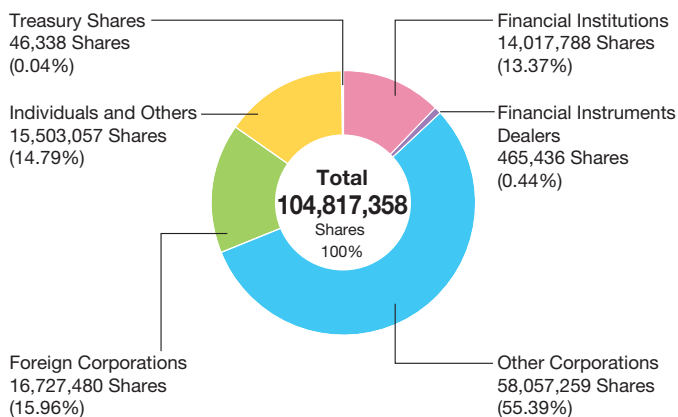
Number of Shareholders

21,656

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
AEON Co., Ltd.	52,970	50.90
THE CHASE MANHATTANBANK 385036	3,559	3.42
Japan Trustee Services Bank, Ltd. (trust account)	3,360	3.23
The Master Trust Bank of Japan, Ltd. (trust account)	2,372	2.28
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	2,087	2.01
Tsuruha Co., Ltd.	1,676	1.61
Welcia Holdings Employee Stock Ownership	1,637	1.57
Takamitsu Ikeno	1,044	1.00
Japan Trustee Services Bank, Ltd. (trust account 5)	994	0.96
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS—UNITED KINGDOM	958	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/>