



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



Investors' Guide FY 2016

Fiscal Year Ended February 28, 2017

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



WELCIA HOLDINGS CO., LTD.



Welcia is Committed to Creating Innovative Drug Stores to Meet the Needs of New Generations.



Hideharu Mizuno
*President and
Representative Director*

Takamitsu Ikeno
*Chairman and
Representative Director*

Japan is heading into a generation of ultra-advanced aging at a speed faster than any other country in the world. Advancing population aging is expected to lead to increased medical and nursing costs and an increase in the number of people involved in family long-term care. Amid such significant social changes, the government is introducing policies aimed at extending healthy lifespan and the development of a community-based care system. Such policies continue to drive dramatic changes in our operating environment.

The Welcia Group believes it is our mission to offer preventative care, medical care, and long-term care products and services to community residents. Our Group has achieved growth through the Welcia Model, which is centered on the operation of drug store with dispensing pharmacy, counseling services, late-night services, and long-term care (home-based medical care) provision.

To support communities and further grow as a company that is trusted by communities, we will go beyond simply supplying various products. We are

promoting our Welcia Model in order to offer the products and services necessary to maintaining and improving health and, to develop drug stores that are “comprehensive specialty stores” capable of serving as a gateway for government agencies and medical institutions.

We are aiming for net sales of JPY 800 billion by FYE February 2020, the final year of our current medium-term management plan, and eventually becoming a corporation with JPY 1 trillion in net sales. We will promote mergers and partnerships with like-minded drug store companies while continuing our commitment to being and fulfilling the duties of Corporate Group in which all our stakeholders, including employees and their families, customers, transactions partners, shareholders, and communities can take pride.

We ask that you look forward to our ongoing business developments, and ask for your continued support and understanding.

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Corporate History



- June 2017** ● WELCIA YAKKYOKU Co., Ltd. merged with Nihonbashi Pharma Co., 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 Meiriling 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.

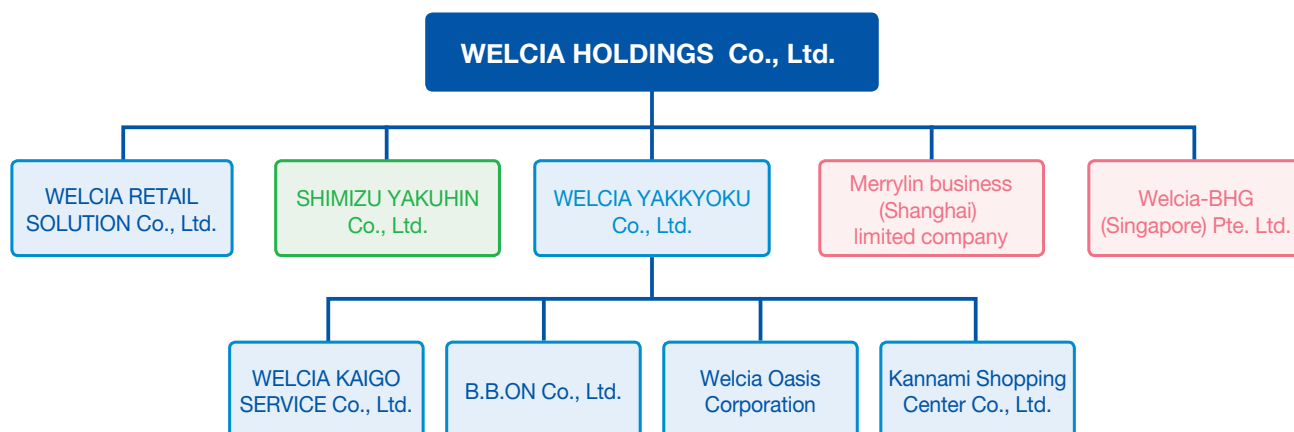
- April 2012** ● Our stock was listed on the First Section of the Tokyo Stock Exchange.

- 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.

Cosmetics 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.

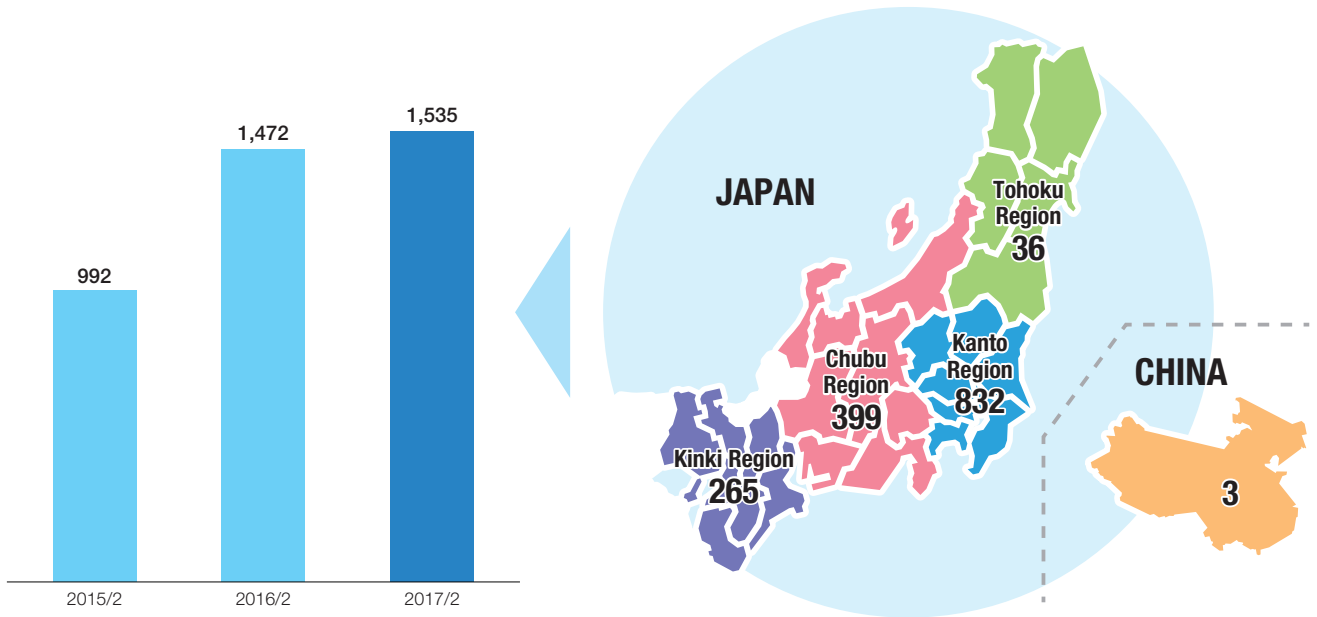
Late-night Hours

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

Financial Highlights

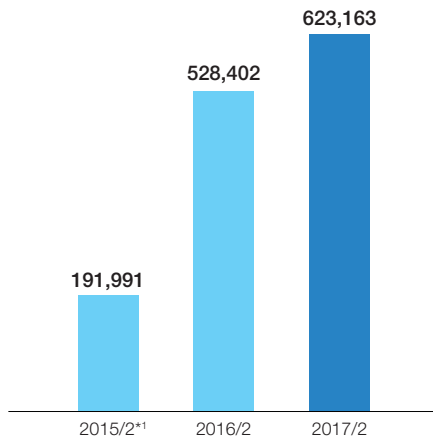
Total Number of Stores

(Stores)



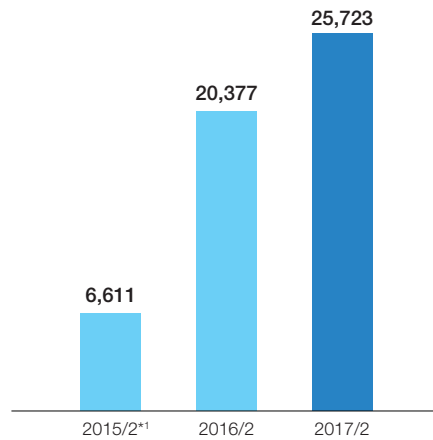
Net Sales

(Million Yen)



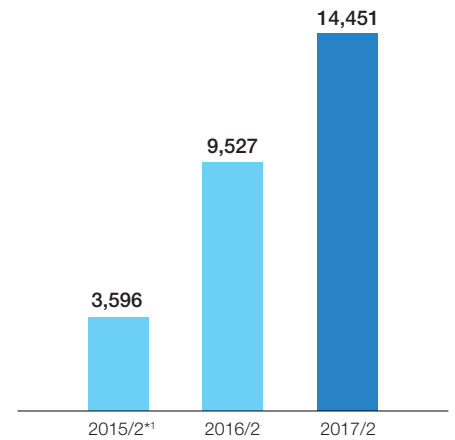
Ordinary Income

(Million Yen)



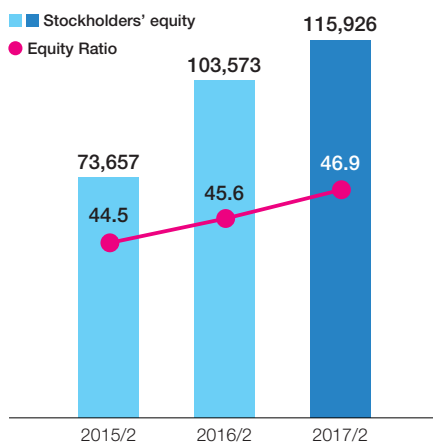
Net Income

(Million Yen)



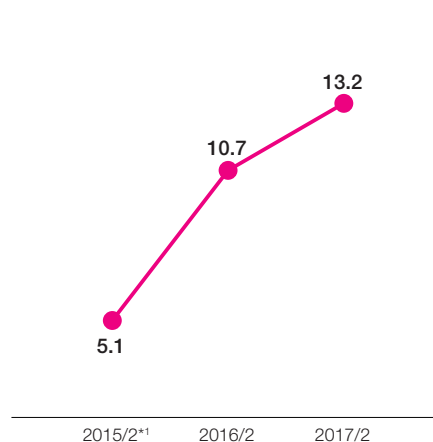
Stockholders' Equity / Equity Ratio

(Million Yen / %)



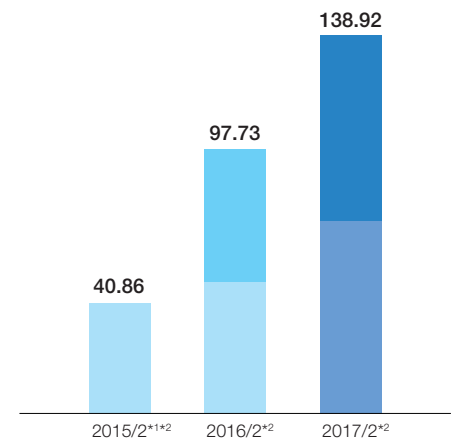
Return on Equity

(%)



Net Income per Share

(Yen)



Notes: 1. The previous consolidated fiscal year (FYE February 2015) consisted of only six months (from September 1, 2014 to February 28, 2015) due to a change in the accounting term.

2. The Company executed a 2-for-1 common stock split on March 1, 2017. Accordingly, net assets per share for FYE February 2015, 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.

Q

Could you tell us about your business activities and earnings for the current fiscal year (FYE February 2017)?

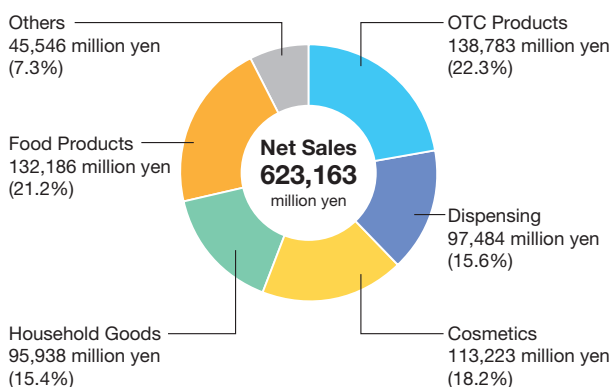
A

We benefitted from our promotion of the Welcia Model and initiatives aimed at strengthening our management platform. We set record highs for both net sales and income.

This fiscal year we did not reach initial targets due to the impact of NHI drug pricing revisions in April and because we fell below our target number of store openings. However, our promotion of the Welcia Model, which focuses on expanding the number of stores with pharmacies, and the expansion of stores operating 24 hours a day, we recorded our highest net sales ever at 623.1 billion yen, up 117.9% year on year.

On the other hand, initiatives aimed at strengthening our management platform, including the concentration of main office functions, the consolidation of vendors, and improvements to distribution, resulted in record highs for all our income categories. As a result, we recorded net income attributable to owners of the parent company totaling 14.4 billion yen, up 151.7% year on year.

Sales and Composition Ratio by Item



Q

Could you tell us about store openings this fiscal year?

A

The domestic network of Welcia Group stores has expanded to 1,532 stores in 25 prefectures. In addition to our focus on strategic dominance in existing areas, we also are opening stores in new areas.

This fiscal year, the Group overall opened 101 new stores and closed 38 stores in Japan. As of the end of the fiscal year, we had 1,532 domestic storefronts (up by 63 stores compared to the end of the previous year). By region, this includes increases of 10 stores in the Tohoku region, 31 stores in the Kanto region, 10 stores in the Chubu region, and 12 stores in the Kinki region, respectively. In total, we have a store presence in 25 prefectures. We also are working to expand our business platform by opening stores in busy urban districts in addition to suburban areas. Our initiatives

for strategic dominance in existing areas combined with openings in new areas is progressing favorably.



Welcia Nagaoka Nakajima store (Nagaoka City, Niigata Prefecture)

The number of domestic stores

1,532

Niigata	54
Toyama	34
Ishikawa	11
Yamanashi	29
Nagano	25
Gifu	3
Shizuoka	208
Aichi	35

Mie	16
Shiga	9
Kyoto	65
Osaka	95
Hyogo	70
Nara	6
Wakayama	4

● Chubu Region 399

● Tohoku Region 36

Miyagi	4
Yamagata	5
Fukushima	27

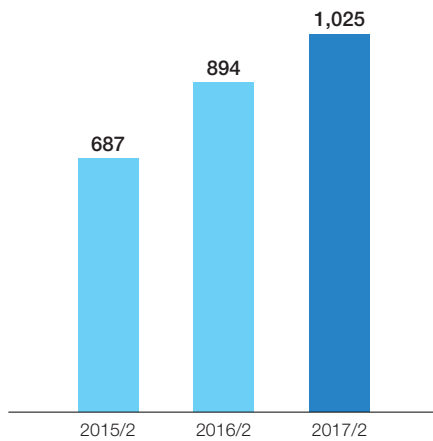
● Kinki Region 265

● Kanto Region 832

Ibaraki	136
Tochigi	55
Gunma	45
Saitama	160
Chiba	119
Tokyo	120
Kanagawa	197

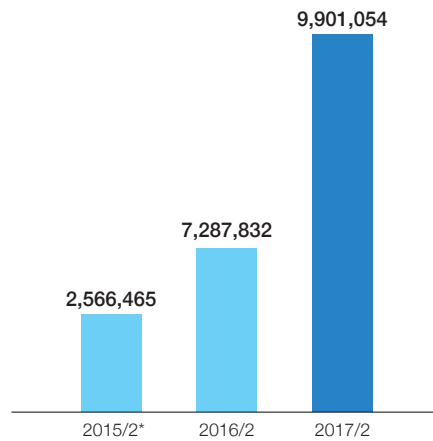
Change of the Number of Stores with Dispensing Pharmacy

(Stores)



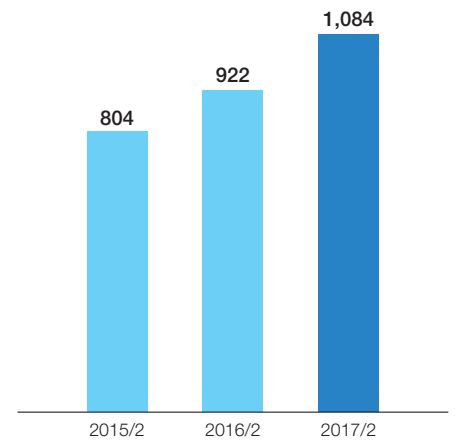
Number of prescriptions

(Prescriptions)



Change of the Number of Stores with Late-night Services

(Stores)



*The previous consolidated fiscal year (FYE February 2015) consisted of only six months (from September 1, 2014 to February 28, 2015) due to a change in the accounting term.

Q

Could you tell us about the status of progress for the Welcia Model?

A

The number of drug stores with pharmacies exceeded 1,000 stores and implementation of the Welcia Model is progressing smoothly.

Our Group is advancing with the implementation of the Welcia Model, which aims to support the health, beauty, and enriched lifestyles of nearby residents by contributing to communities through medical care and enhancing the range of convenient services we provide. The Welcia Model is centered on the operation of drug store with pharmacy, counseling services, late-night services, and long-term care provision.

As of the end of the current fiscal year, 1,025

stores (up 131 stores YoY) accept prescriptions at in-store pharmacies, representing a rate of 66.9%. The number of stores operating late-night business hours increased to 1,084 stores (up 162 stores YoY).

Out of desire to provide peace of mind and further convenience to community residents, we also are aggressively incorporating 24-hour operation, which as of the end of the current fiscal year was implemented by 92 of the stores offering late-night business hours (up 69 stores YoY).

Q

Could you tell us about the status of subsidiaries and M&A?

A

The implementation of the Welcia Model is progressing and SHIMIZU YAKUHIN Co., Ltd. is transitioning favorably. WELCIA YAKKYOKU Co., Ltd. merged with CFS Corporation to promote business efficiency

SHIMIZU YAKUHIN Co., Ltd. transitioned favorably, having recorded a profit on increased sales and gross margin thanks to the aggressive implementation of the Welcia Model.

Through March 2016, CFS Corporation was working to improve business efficiency, including consolidating its backbone systems with WELCIA YAKKYOKU Co., Ltd. and conducting the reorganization of distribution centers. To achieve an even greater level of optimization, on September 1, 2016 the two companies conducted a merger with WELCIA YAKKYOKU Co., Ltd. as the surviving company. This fiscal year, we have been conducting renovations with the goal of incorporating the Welcia Model and have been working to reap the benefits of the consolidation. Hac Drug, which was

operated by CFS Corporation, stores were changed to the Welcia name except for stores in the Tokyo Metropolis, Kanagawa Prefecture, and 2 stores in Kashiwa, Chiba Prefecture.

To develop our drug store business in Singapore, on March 1, 2017 we created a joint venture company, Welcia-BHG (Singapore) Pte. Ltd. together with BHG Holdings Pte. Ltd., the parent company of BHG (Singapore) Pte. Ltd., an operator of department stores and general retail stores. We currently are proceeding with preparations to open our first store.

We also are proceeding with preparations to make Marudai Sakurai Pharmacy Limited, which operates “Happy Drug” and other businesses in Aomori Prefecture and other parts of northeast Japan, a wholly-owned subsidiary.

Q

Could you tell us about your medium-term business plan (FYE February 2018 – FYE February 2020)?

A

We started our medium-term business plan to establish our position as a local pharmacy that contributes to communities! Becoming a corporation that supports and grows with communities.

With advancing population aging, business environment changes occur faster than ever and industrial restructuring is hitting the drug store industry as well as the speed at which our operating environment is changing is increasing. Amid such an environment, we have outlined as core management topics (1) How can a drug store with an in-store pharmacy contribute to communities and (2) Which strategies do we implement to achieve long-term, sustainable growth? To address these topics, our Group outlined a medium-term business plan that ends in FYE February 2020.

The medium-term business plan outlines a 3-year period during which we will promote aggressive store openings and M&A while also

contributing to communities by improving expertise and convenience. Through these strategies, we will pursue growth as a company that offers the value demanded by society. The plan also focuses on workplace environment and personnel development that provides employees opportunities based on their own motivation and skills. This year, which marks the first year of this medium-term business plan, we plan to open 116 new stores (including 3 overseas), close 26 existing stores, and open 212 new pharmacies (including in-store pharmacies in existing stores), as well as start 24-hour operations at 100 stores.

FYE February 2020 numerical goals

Net sales:

800 billion yen

Ordinary income:

36 billion yen

Ordinary margin:

4.5%

Core themes of the medium-term business plan (FYE February 2018 – FYE February 2020)

- 1 Pharmacy Division** ▶ Aim to be the community-based local drug store with advanced expertise
- 2 New store openings** ▶ Explore existing areas and develop new areas
- 3 Products** ▶ Respond to seniors, 24-hour operations, small-footprint stores in urban areas, new store opening areas
- 4 Existing stores** ▶ Community-based store management with advanced expertise
- 5 Personnel** ▶ Create environment that provides employees opportunities based on their own motivation and skills
- 6 IT / Distribution** ▶ Respond to diverse operating strategies, respond to changes caused by M&A
- 7 Overseas business** ▶ Start development of Southeast Asia region
- 8 Capital strategy** ▶ Maintain balance in terms of growth, financial stability, and shareholder returns while aiming to increase profitability

WELCIA YAKKYOKU CO., LTD.

In September 2016, we merged with our Group company CFS Corporation. We integrated backbone systems, product policies, sales policies, etc. and consolidated the CFS Corporation's main office functions into our Ochanomizu headquarters. The Tokai Branch we newly established in September is working region-specific products and storefront development to promote store operations that respond to region-specific needs and to strengthen our operating platform.

To provide higher quality customer services, we enhanced our tier-based education and specialty training for everyone from store managers and new employees.

We also are promoting the expansion of stores with pharmacies, which exceeded over 1,000 stores in total at the end of the fiscal year. We have established a structure for providing pharmacy services near the communities where our customers live.

Additionally, we are enhancing inventory function and other distribution functions of the Kasukabe Distribution Center (Kasukabe, Saitama Prefecture), which opened in February 2016. By reevaluating the locations and scale of the distribution centers located within our nationwide chain of stores, we are creating a network that improves distribution efficiency and accounts for product supplies in the event of an earthquake and other emergency situations.

Through business consolidation and optimization aimed at strengthening our operating platform, and through our promotion of the Welcia Model, net sales grew by 6.2% year on year and earnings were operating income of 23,245 million yen (up 19.7% YoY), ordinary income of 24,741 million yen (up 17.2% YoY), and net income of 14,179 million yen (up 31.2% YoY), represent record highs for revenues and income.

We will continue our efforts to create stores that are trusted and chosen by customers. We ask that you continue to look forward to our growth and for your continued support.



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

SHIMIZU YAKUHIN CO., LTD.

This fiscal year marks our second year as a member of the Welcia Group. Thus far, we have focused on reaping the benefits of infrastructure development and storefront revitalization investments made during year one.

As of the end of the current fiscal year, renovations have been completed on 29 of 54 stores and we have succeeded in extending business hours to midnight at nearly all of those stores. We also added new pharmacies to 8 stores, helping us exceed a ratio of 30% for stores with pharmacies. As a result, we have succeeded in recording a profit in terms of both operating income and net income, achieving earnings performance can significantly outperforms plans. We ask for the continued kind support of our community members.

For the coming fiscal year, our core initiatives will be to (1) improve profitability, (2) promote growth strategies, (3) reform storefront operations, (4) enhance personnel hiring and development, (5) and use group infrastructure to strengthen organizational capabilities. Through these initiatives, we will improve store convenience and elevate the level of our products and services.



Shinji Ishida
*Former President and
Representative Director*
(Current Director of WELCIA
YAKKYOKU Co., Ltd. &
President of the Kansai Branch
and Director of SHIMIZU
YAKUHIN Co., Ltd.)
SHIMIZU YAKUHIN CO., LTD.



Kazuyuki Honda
*President and Representative
Director*
(Appointed May 12, 2017)

WELCIA KAIGO SERVICE CO., LTD.

Looking at earnings this fiscal year, although net sales slightly underperformed plans, we achieved targets for both operating income and ordinary income, marking the first profitable year for WELCIA KAIGO SERVICE Co., Ltd. Our mainstay business, the Home-based Services, fulfilled its role as a growth driver and signs of recovery for the Facility-based Services contributed to earnings this year.

Aiming to maximize the attributes of the Welcia Group and contribute to communities, on April 1, 2017 we opened the Welcia Group's first Community Comprehensive Support Center based on a contract with the city of Shiraoka in Saitama Prefecture. We also are planning to engage in function training-type day services as part of our preventative care business.

In addition to challenging ourselves to these new businesses, we also are focusing on our existing fee-based Cleaning Services and we fulfill work support preventative care, medical care, and long-term care. We ask for your continued understanding and support.



Hisayuki Nagata
President and Representative
Director
WELCIA KAIGO SERVICE CO., LTD.

WELCIA OASIS CO., LTD.

It has been 6 years since we were established in 2011 as a special subsidiary* of WELCIA YAKKYOKU Co., Ltd.

Since our founding, we have worked towards our two-pillar mission, supporting the independence and employment up to retirement age for working people with disabilities as opposed to a focus on the percentage of persons with disabilities employed.

A recent focus of attention is the increasing number of persons leaving their jobs due to a mis-matching of work requirements. Our operations enable the appropriate placement of the appropriate personnel by covering a wide range of positions related to drug store operations, including store sanitation, product arrangement, distribution center logistics, printing, and pharmacist duties. Working with industry physicians to ensure physical and mental health management, we continue to work towards our founding goals and towards contributing to the growth of the Welcia Group.

We ask for your continued understanding and kind support.

*Special subsidiary: A subsidiary established in accordance with the Act on Employment Promotion of Persons with Disabilities that specifically works towards the employment needs of persons with disabilities and is certified by the Ministry of Health, Labor, and Welfare as fulfilling certain requirements.



Naomichi Orihara
President and Representative
Director
WELCIA OASIS CO., LTD.

MERRYLIN BUSINESS (SHANGHAI) CO., LTD.

We moved our main office functions to Suzhou at the end of June last year to concentrate management resources and establish a dominant presence and brand recognition in the Suzhou District where we have 3 stores. This reduced the physical distance between stores and the main office, improving communication and enhancing our structure for storefront and main office cooperation in our pursuit of improved customer satisfaction.

We also have evolved our stores to create an environment that enables us to generate profits at the storefront level. We now are able to provide large-scale products and enhance our efforts to offer the No. 1 selection of products in the region. We are expanding word of mouth and brand recognition on China's SNS, which has promoted our status as a trending business and help us to gain patronage from Suzhou District customers. We still have a long way before we are able to receive the permits required to handle pharmaceuticals but we will work ahead of regulatory easing towards being able to handle pharmaceutical products.



Takaaki Mori
President and Representative
General Manager
MERRYLIN BUSINESS
(SHANGHAI) CO., LTD.

Management Indices (Consolidated)

	Million Yen	
	Previous consolidated fiscal year (March 1, 2015 – February 29, 2016)	Current consolidated fiscal year (March 1, 2016 – February 28, 2017)
Net Sales (million yen)	528,402	623,163
Ordinary income (million yen)	20,377	25,723
Net income (million yen)	9,527	14,451
Comprehensive income (million yen)	9,296	14,419
Net assets (million yen)	103,779	116,233
Total assets (million yen)	227,005	247,026
Net assets per share (yen)	996.62	1,113.75
Net income per share (yen)	97.73	138.92
Diluted net income per share (yen)	97.63	138.78
Capital ratio (%)	45.6	46.9
Return on equity (%)	10.7	13.2
Price earnings ratio (times)	28.5	22.6
Net cash provided by (used in) operating activities (million yen)	15,031	33,303
Net cash provided by (used in) investment activities (million yen)	(4,853)	(18,034)
Net cash provided by (used in) financing activities (million yen)	(10,018)	(12,897)
Cash and cash equivalents at the end of the period (million yen)	13,245	15,613
Number of employees (persons)	6,219	6,776
(Average number of temporary employees)	13,048	14,187

(Notes)

1. Net sales do not include consumption tax, etc.
2. The Company changed the closing date of the consolidated fiscal year from August 31 to the last day of February based on a resolution at the 6th ordinary general meeting of shareholders on November 26, 2014. Accordingly, FYE February 2015 consisted of six months (from September 1, 2014, to February 28, 2015).
3. 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 August 2013.
4. The Company has applied the provisions set forth in Article 39 of the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013). Accordingly, from this consolidated fiscal year onwards, "current net income" is presented as "current net income attributable to owners of the parent company."

Overview of Business Performance

(1) Business results

Japan's economy during the current consolidated fiscal year showed signs of moderate improvement, being buoyed by the government's economic policies and the continuing effect of the monetary easing strategy. On the other hand, the political situation overseas prompted exchange rate fluctuations. Moreover, there was a sense of uncertainty about overseas business conditions and personal consumption was sluggish as consumers adopted a defensive stance toward spending.

We continued to face a harsh business environment in the drugstore industry, a focal area of the Group. The drugstore industry is one of the few markets in the retail sector that are growing, but this also means intense competition over in store-openings and prices, as well as over customers, with players from in different industries entering the fray. The industry continued to make reorganization efforts aimed at survival, including entry of different industries, business and capital tie-ups, and M&A transactions.

Against this backdrop, we recorded favorable sales increases among existing stores by extensively promoting the Welcia Model, which included remodeling existing stores, introducing 24 hour-stores to provide greater security and convenience to customers (92 such stores as of February 28, 2017), and introducing stores with a dispensing pharmacy (1,025 such stores as of February 28, 2017).

On May 13, 2016, we entered into a capital and business tie-up with KUSURI NO MARUE Co., Ltd., which is based in Gunma Prefecture.

We have also proactively pursued new initiatives. For example, consolidated subsidiary B.B.ON Co., Ltd. opened an urban-style drugstore in Nihonbashi, Tokyo, on June 1, 2016, and another in Kawaramachi, Kyoto, on July 27, 2016.

Furthermore, with a view to raising the efficiency of business operations, consolidated subsidiary WELCIA YAKKYOKU Co., Ltd. conducted an absorption type merger with another consolidated subsidiary, CFS

Corporation.

Regarding store openings and closures, there were 102 openings and 39 closures among the Group. As of the end of the current consolidated fiscal year, the Group has 1,535 stores. This figure includes the three stores of Merrylin Business (Shanghai) Co., Ltd.

Consequently, sales in the current consolidated fiscal year came to 623,163 million yen, operating income came to 24,078 million yen, ordinary income came to 25,723 million yen, and current net income attributable to owners of parent came to 14,451 million yen.

Consolidated Balance Sheets

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 (February 29, 2016)	Current consolidated fiscal year (February 28, 2017)
Assets		
Current assets		
Cash and deposits	¥ 13,469	¥ 15,888
Accounts receivable-trade	19,490	19,759
Merchandise	63,905	68,272
Deferred tax assets	1,633	1,095
Other	7,361	7,834
Allowance for doubtful accounts	(2)	(1)
Total current assets	105,857	112,848
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	91,243	100,812
Accumulated depreciation	(45,046)	(47,704)
Buildings and structures, net	46,197	53,108
Land	10,834	11,051
Lease assets	30,159	38,065
Accumulated depreciation	(10,397)	(12,902)
Lease assets, net	19,761	25,163
Other	15,279	15,951
Accumulated depreciation	(9,635)	(9,940)
Other, net	5,644	6,011
Total property, plant and equipment	82,438	95,334
Intangible assets		
Goodwill	5,374	3,838
Other	2,625	2,488
Total intangible assets	7,999	6,327
Investments and other assets		
Investment securities	704	927
Long-term loans receivable	112	72
Guarantee deposits	24,208	25,862
Deferred tax assets	4,292	4,598
Other	1,460	1,082
Allowance for doubtful accounts	(69)	(25)
Total investments and other assets	30,708	32,516
Total noncurrent assets	121,147	134,177
Total assets	¥ 227,005	¥ 247,026

Million Yen

	Previous consolidated fiscal year (February 29, 2016)	Current consolidated fiscal year (February 28, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	¥ 71,414	¥ 79,200
Short-term loans payable	6,848	2,897
Lease obligations	3,760	4,106
Accounts payable-other	5,252	5,389
Income taxes payable	3,966	5,602
Provision for bonuses	532	490
Provision for point card certificates	1,045	90
Other	7,754	6,770
Total current liabilities	100,576	104,548
Noncurrent liabilities		
Long-term loans payable	6,278	3,647
Lease obligations	8,169	12,120
Asset retirement obligations	4,244	6,279
Retirement benefits-related liabilities	1,485	1,907
Other	2,473	2,290
Total noncurrent liabilities	22,650	26,245
Total liabilities	123,226	130,793
Net assets		
Shareholders' equity		
Capital stock	7,736	7,736
Capital surplus	51,651	51,656
Retained earnings	46,506	58,496
Treasury stock	(2,321)	(1,962)
Total shareholders' equity	103,573	115,926
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	200	220
Foreign currency translation adjustment	(4)	(26)
Accumulated adjustment related to retirement benefits	(160)	(186)
Total accumulated other comprehensive income	35	8
Subscription rights to shares	161	291
Minority interests	8	6
Total net assets	103,779	116,233
Total liabilities and net assets	¥ 227,005	¥ 247,026

Consolidated Statements of 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, 2015 – February 29, 2016)	Current consolidated fiscal year (March 1, 2016 – February 28, 2017)
Net sales	¥ 528,402	¥ 623,163
Cost of sale	378,491	439,347
Gross profit	149,910	183,815
Selling, general and administrative expenses		
Advertising expenses	10,983	12,559
Salaries	54,010	66,722
Bonuses	1,234	1,616
Provision for bonuses	682	549
Retirement benefit expenses	710	966
Rent expenses on real estate	21,373	27,244
Depreciation	8,886	10,553
Commission fees	6,606	8,884
Rent expenses	505	487
Amortization of goodwill	1,123	1,108
Other	25,032	29,044
Total selling, general and administrative expenses	131,150	159,736
Operating income	18,759	24,078
Non-operating income		
Interest income	17	25
Dividends income	7	7
Real estate rent	595	759
Gain on the donation of noncurrent assets	158	179
Commission fees	280	400
Co-sponsor fees	498	330
Other	537	560
Total non-operating income	2,095	2,263
Non-operating expenses		
Interest expenses	225	249
Rent cost of real estate	217	248
Other	34	120
Total non-operating expenses	477	618
Ordinary income	20,377	25,723
Extraordinary income		
Gain on sale of investment securities	35	41
Gain on revision of retirement benefit plan	92	—
Penalty income	40	—
Settlement received	30	—
Compensation for expropriation	—	11
Other	7	10
Total extraordinary income	205	62
Extraordinary loss		
Loss on sale of noncurrent assets	400	18
Loss on closing of stores	146	131
Loss on retirement of noncurrent assets	94	136
Impairment loss	3,082	2,236
Other	348	79
Total extraordinary losses	4,072	2,601
Net income before income taxes and minority interests	16,511	23,184
Income taxes-current	6,446	8,503
Income taxes-deferred	569	233
Total income taxes	7,016	8,737
Net Income	9,494	14,447
Loss attributable to non-controlling interests	(32)	(3)
Net income	¥ 9,527	¥ 14,451

* The previous consolidated fiscal year (FYE February 2015) consisted of only six months (from September 1, 2014 to February 28, 2015) due to a change in the accounting term.

* Our company executed a common stock split 2 for 1, effective March 1, 2017.

Thus the net profit per share is calculated under the assumption that the share splitting was carried out at the beginning of each consolidated fiscal year.

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, 2015 – February 29, 2016)	Current consolidated fiscal year (March 1, 2016 – February 28, 2017)
Net income	¥ 9,494	¥ 14,447
Other comprehensive income		
Other valuation difference on available-for sale securities	8	19
Foreign currency translation adjustment	(12)	(22)
Remeasurements of defined benefit plans	(194)	(25)
Total other comprehensive income	(198)	(28)
Comprehensive income	9,296	14,419
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	9,327	14,423
Comprehensive income attributable to non-controlling interests	¥ (30)	¥ (4)

Consolidated Statements of Cash Flows

	Million Yen	
	Previous consolidated fiscal year (March 1, 2015 – February 29, 2016)	Current consolidated fiscal year (March 1, 2016 – February 28, 2017)
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	¥ 16,511	¥ 23,184
Depreciation and amortization	9,160	10,845
Impairment loss	3,082	2,236
Amortization of goodwill	1,123	1,108
Increase (decrease) in the allowance for doubtful accounts	(2)	(14)
Increase (decrease) in the provision for bonuses	(241)	(43)
Increase (decrease) in the provision for directors' retirement benefits	(56)	—
Increase (decrease) in liabilities for retirement benefit	169	386
Increase (decrease) in the provision for point card certificates	(934)	(954)
Interest and dividends income	(25)	(33)
Interest expenses	225	249
Rent as a counterbalance to construction assistance funds receivable	989	952
Loss on sale of noncurrent assets	400	18
Loss on the retirement of noncurrent assets	94	136
Gain on the donation of noncurrent assets	(158)	(179)
Decrease (increase) in notes and accounts receivable-trade	(2,420)	(255)
Decrease (increase) in inventories	(2,523)	(4,381)
Increase (decrease) in notes and accounts payable-trade	(6,009)	7,776
Increase (decrease) in accrued consumption taxes	1,450	(298)
Other	(20)	(35)
Subtotal	20,814	40,698
Interest and dividends income received	25	15
Interest expenses paid	(224)	(248)
Income taxes paid	(5,805)	(7,603)
Income taxes refund	221	440
Net cash provided by (used in) operating activities	15,031	33,303
Net cash provided by (used in) investing activities		
Payment into time deposits	(279)	(240)
Proceed from the withdrawal of time deposits	268	245
Purchase of property, plant and equipment	(9,673)	(12,483)
Proceeds from the sales of property, plant and equipment	488	97
Purchase of intangible assets	(512)	(439)
Payments into subsidiaries and affiliates	(7,000)	—
Proceeds from cancellation of deposit in subsidiaries and affiliates	15,000	—
Payment for lease deposits	(2,716)	(5,279)
Collection of lease deposits	294	615
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(445)	—
Other	(277)	(550)
Net cash provided by (used in) investing activities	(4,853)	(18,034)

	Million Yen	
	Previous consolidated fiscal year (March 1, 2015 – February 29, 2016)	Current consolidated fiscal year (March 1, 2016 – February 28, 2017)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ 1,400	¥ (2,800)
Proceeds from long-term loans payable	2,544	—
Repayment of long-term loans payable	(5,588)	(3,782)
Cash dividends paid	(2,057)	(2,462)
Repayment of finance lease obligations	(3,858)	(4,208)
Purchase of treasury stock	(2,448)	(113)
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(165)	—
Other	154	468
Net cash provided by (used in) financing activities	(10,018)	(12,897)
Effect of exchange rate change on cash and cash equivalents	(3)	(4)
Net increase (decrease) in cash and cash equivalents	155	2,366
Increase in cash and cash equivalents resulting from merger	—	0
Cash and cash equivalents at the beginning of the period	9,036	13,245
Cash and cash equivalents of newly consolidated subsidiaries	4,054	—
Cash and cash equivalents at the end of the period	¥ 13,245	¥ 15,613

Notes to the Consolidated Financial Statements

(Explanatory notes regarding the going concern assumptions)

1. SCOPE OF THE CONSOLIDATION

(1) Number of consolidated subsidiaries: 6

Names of the consolidated subsidiaries:
WELCIA YAKKYOKU Co., Ltd., WELCIA KAIGO SERVICE Co., Ltd., Merrylin Business (Shanghai) Co., Ltd., SHIMIZU YAKUHIN Co., Ltd., B.B.ON Co., Ltd., and Nihonbashi Pharma Co., Ltd.

(Notes)

- (1) On March 25, 2016, Weltech LLC changed its trade name to B.B.ON Co., Ltd.
- (2) On September 1, 2016, CFS Corporation merged with WELCIA YAKKYOKU Co., Ltd. CFS Corporation is not included in the above number of consolidated subsidiaries, but its 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.

(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.

(Notes)

- (1) On June 1, 2016, Home Pharmacy Co., Ltd. merged with CFS Corporation.
- (2) On September 1, 2016, CSF Suns Co., Ltd. merged with Welcia Oasis 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

- (1) Merrylin Business (Shanghai) Co., Ltd. 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.

- (2) In the past, Nihonbashi Pharma Co., Ltd. prepared consolidated statements on the basis of a provisional closing of accounts as of the closing date of the consolidated fiscal year. However, in the current consolidated fiscal year, the consolidated subsidiary changed its fiscal year-end date from March 31 to the last day of February, which is the closing date of the consolidated fiscal year.
- (3) In the past, B.B.ON Co., Ltd. prepared consolidated statements on the basis of a provisional closing of accounts as of the closing date of the consolidated fiscal year. However, in the current consolidated fiscal year, the consolidated subsidiary changed its fiscal year-end date from January 31 to the last day of February, which is 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.



Signed “Cooperation Agreement for Society of Mutual Assistance” with Saitama Prefecture

On November 11, 2016, WELCIA YAKKYOKU Co., Ltd. executed a “Cooperation Agreement for Society of Mutual Assistance” with Saitama Prefecture. The goal of this agreement is to cooperate on initiatives related to community social development by working to resolve the various community issues being tackled by citizens, NPOs, and corporations, and by supporting activities related to community revitalization. The signing ceremony was attended by Saitama Prefecture Governor Kiyoshi Ueda and WELCIA YAKKYOKU Co., Ltd. Chairman Takamitsu Ikeno, who both signed the agreement.



* Realize the “Society of Mutual Assistance” = the ‘society built up by all, where new “ties” are established, while the various values and wills of individuals are respected’
(Source: https://www.npo-homepage.go.jp/uploads/report33_8_gaiyou_e.pdf)

Industry-Government-Academic Partnership between Shimada City in Shizuoka Prefecture, Yokohama University of Pharmacy, and Welcia

We used green tea powder produced in Shimada, Shizuoka, which is known as one of Japan’s premier tea-producing regions, to develop “Hojun Green Tea Chocolate”. The core theme of this product is “health” and is the result of an industry-government-academic partnership with the Yokohama University of Pharmacy, which is conducting research on the effects of green tea, and Shimada City, which is promoting its “Shimada Green Ci-TEA Japan”. This chocolate uses “cha-shibu”, a tea byproduct generated during the tea production process, which features a high concentration of catechin. Research suggests that the chocolate will offer numerous health benefits. We also have executed an agreement for community cooperation with the city.



Supported communities impacted by the Kumamoto Earthquake

Stores in our Group execute an agreement outlining that, in the event of a disaster, they will provide a portion of their stock as relief materials for affected areas. As support for people impacted by the Kumamoto Earthquake, during April 25-27, 2016, we dispatched two pharmacists mainly to the work on the recovery work of stores inside Aeon stores within Kumamoto. These staff helped supply communities with materials lacking at evacuation shelters such as garbage bags, tooth paste, hand soap, and poultice patches. Combines, we contributed 1 million yen through the Drug Store Distribution Press Club.

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

The Aeon 1% Club was established in 1989 and is involved in various activities funded by Aeon Group companies in good standing that contribute 1% of pre-tax profits towards environmental conservation, international culture, human resource exchange, and human resource development, and community culture and social development.

Company Information / Investor Information

(As of February 28, 2017)

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

6,776 (excluding part-time employees)

Executives (As of May 23, 2017)

Chairman and Representative Director

Takamitsu Ikeno

Vice Chairman and Director

Yuji Miyashita

President and Representative Director

Hideharu Mizuno

Vice President and Director

Tadahisa Matsumoto

Managing Director

Norimasa Sato
Juichi Nakamura

Director

Motoya Okada

Outside Directors

Toru Takenaka
Yukari Narita

Corporate Auditors

Toshio Miyamoto

Outside Corporate Auditors

Hajime Matsuda
Hirohisa Kagami
Atsuko Sugiyama

Number of Shares

Number of Shares Authorized

123,736,800

Number of Shares Issued

52,046,908

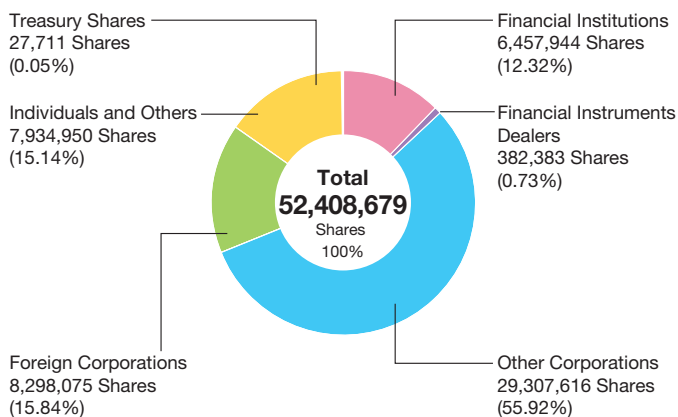
Number of Shareholders

14,399

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
AEON Co., Ltd.	26,485	50.88
THE CHASE MANHATTANBANK 385036	1,880	3.61
Japan Trustee Services Bank, Ltd. (trust account)	1,208	2.32
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,122	2.15
The Master Trust Bank of Japan, Ltd. (trust account)	1,086	2.08
Tsuruha Co., Ltd.	838	1.61
Welcia Holdings Employee Stock Ownership	817	1.57
Japan Trustee Services Bank, Ltd. (trust account 9)	749	1.43
Takamitsu Ikeno	522	1.00
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS—UNITED KINGDOM	475	0.91

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/>