



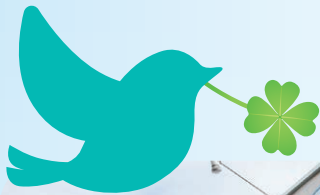
WELCIA HOLDINGS CO., LTD.

Investors' Guide

FY 2019

Fiscal Year Ended
February 29, 2020

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





In a time of upheaval, we continue serving communities by increasing and improving our specialist-cum-general stores



Takamitsu Ikeno
Chairman and
Representative Director



Tadahisa Matsumoto
President and
Representative Director

On behalf of Welcia Group, we want to thank all our shareholders for continually supporting us.

This year, of course, has seen the rise of the novel coronavirus pandemic. Our hearts go out to those who have contracted the virus or who have had their lives turned upside down. An end to this crisis cannot come soon enough.

Tadahisa Matsumoto is now one year into his role as President and Representative Director, having assumed the office in March 2019. With his leadership, we wanted fiscal 2020 to be the year in which we prepare the foundation for the next three years of growth. To that end, we recalibrated our strategy and reined in costs.

Fiscal 2020 was a year like none other. It included some major developments, such as the consumption tax hike and drug pricing reform. It also brought many surprises: a summer of inclement weather, autumnal typhoons that tore through Japan, and an unseasonably warm winter—and then there was the novel coronavirus. Yet amid these twists and turns, we achieved

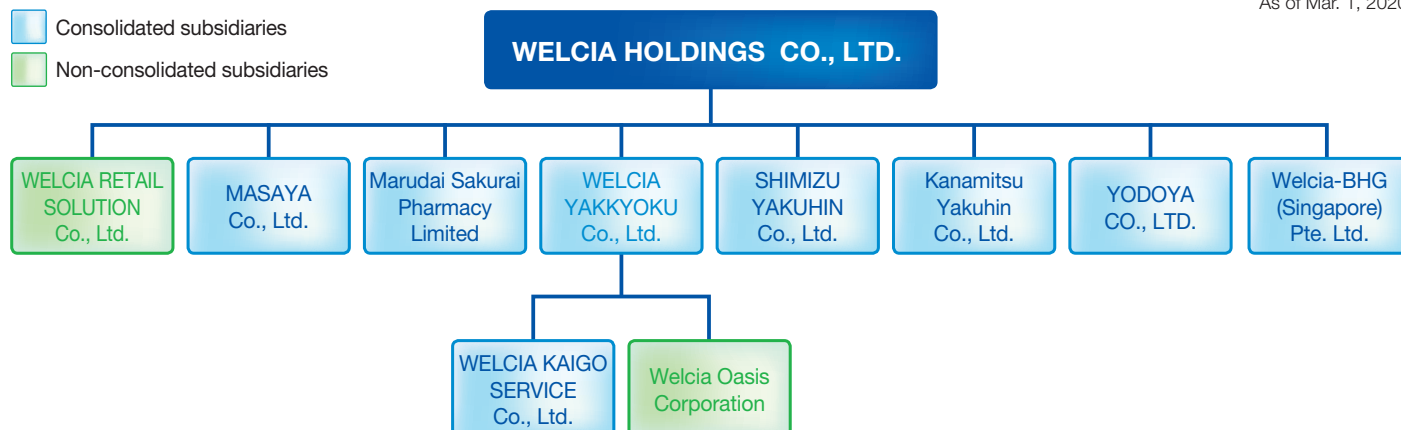
record sales and profits. This result was a testament to the success of our business model, in which we support the health and lifestyles of the local communities we serve. Fiscal 2020 also marked the final year of our three-year plan, and we are pleased to report that we hit our targets for net sales and ordinary income.

To streamline operations, our consolidated subsidiary Welcia Yakkyoku absorbed Ippondo on March 1, 2019, and then B.B.ON on September 1 of the same year. We acquired Okayama-based Kanamitsu Yakuhin as a subsidiary in June 2019, extending our store network to the Chugoku area. Our coverage expanded further still when on March 1, 2020, we bought out Kochi-based YODOYA CO., LTD.

We are operating in testing times; Japan is facing unprecedented levels of depopulation, climate change, and extreme weather. Our society as a whole is in a state of rapid flux, as the novel coronavirus crisis starkly illustrates. Our own industry, likewise, is poised for a massive shakeup, and drug store companies will be forced to adapt and justify their existence. Rising to the challenge, we will continue pursuing the Welcia Model by increasing the quantity and quality of our specialist-cum-general stores to serve the community's needs and make our core values a reality.

Welcia Group

As of Mar. 1, 2020



Contents

01	Top Message, Welcia Group	13	Overview of Business Performance
02	Corporate History	14	Consolidated Balance Sheets
03	Our Mission, Our Business Model	16	Consolidated Statements of Income
04	Financial Highlights	17	Consolidated Statements of Comprehensive Income
05	Top Interview (Q&A)	17	Consolidated Statements of Cash Flows
09	Topics	19	Notes to the Consolidated Financial Statements
11	ESG	20	Company Information / Investor Information
12	Management Indices (Consolidated)		

Corporate History



- March 2020** ● We acquired YODOYA CO., LTD.
- June 2019** ● We acquired Kanamitsu Yakuhin Co., Ltd.
- March 2019** ● WELCIA YAKKYOKU Co., Ltd. merged with Ippondo Co., Ltd.
- December 2018** ● We acquired MASAYA Co., Ltd.
- March 2018** ● We acquired Ippondo Co., Ltd.
- September 2017** ● We acquired Marudai Sakurai Pharmacy Limited
- June 2017** ● WELCIA YAKKYOKU Co., Ltd. merged with Nihonbashi Pharma Co., Ltd.
- March 2017** ● We established a joint venture, Welcia-BHG (Singapore) Pte. Ltd. (a consolidated subsidiary), with BHG Holdings Pte. Ltd.
- September 2016** ● WELCIA YAKKYOKU Co., Ltd. merged with CFS Corporation.
- February 2016** ● WELCIA YAKKYOKU Co., Ltd. acquired 100% ownership of Nihonbashi Pharma Co., Ltd. and Weltech LLC through a stock acquisition.
- December 2015** ● WELCIA YAKKYOKU Co., Ltd. merged with TAKIYA Co., Ltd.
- September 2015** ● We acquired 100% ownership of CFS Corporation through a stock exchange.
- March 2015** ● We acquired 100% ownership of TAKIYA Co., Ltd. and SHIMIZU YAKUHIN Co., Ltd. through a stock exchange.
- November 2014** ● We became a subsidiary of AEON Co., Ltd. through a takeover bid. Lianhua Merrylin Business (Shanghai) Co., Ltd. became our subsidiary as we additionally acquired its shares.
- September 2014** ● We acquired 100% ownership of Welcia Kanto Co., Ltd. through a share exchange. Welcia Kanto Co. Ltd. absorbed Takada Yakkyoku Co., Ltd., Welcia Kansai Co., Ltd. and Welcia Kyoto Co., Ltd. Welcia Kanto Co., Ltd. changed its name to WELCIA YAKKYOKU Co., Ltd.
- March 2013** ● Following a company split by Terashima Co., Ltd., its drug store business was absorbed by Welcia Kanto Co., Ltd.
- September 2012** ● Our name was changed to WELCIA HOLDINGS Co., Ltd. Drug Fujii Co., Ltd. was acquired by us through a share exchange and merged with Welcia Kanto Co., Ltd. Eleven Co., Ltd. changed its name to Welcia Kansai Co., Ltd.
- April 2012** ● Our stock was listed on the First Section of the Tokyo Stock Exchange.
- March 2010** ● We acquired ownership of Eleven Co., Ltd. through a share exchange.
- November 2008** ● Welcia Kanto Co., Ltd. acquired ownership of Terashima Co., Ltd., through a take-over bid.
- September 2008** ● Welcia Kanto Co., Ltd. and Takada Yakkyoku Co., Ltd. established Growell Holdings Co., Ltd. through a share transfer. Our common stock was listed on the Second Section of the Tokyo Stock Exchange.

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

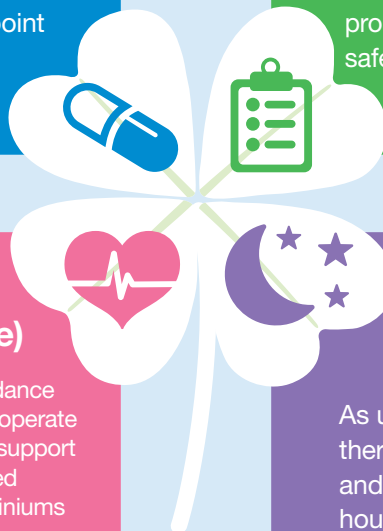
We are responding to the needs of regional society, by building an environment that promotes youth and beauty, and supports safe and healthy lives.

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.

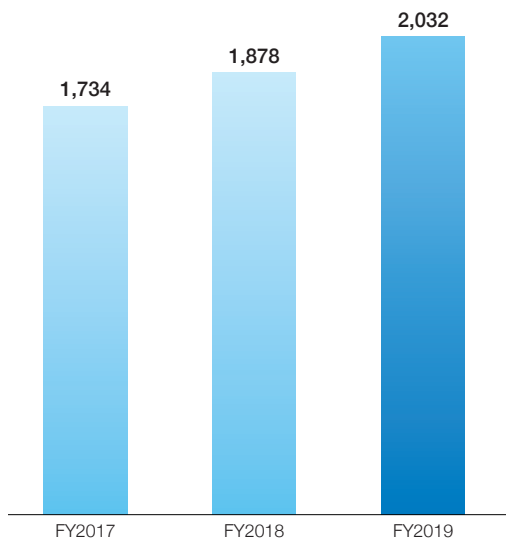


Financial Highlights

Total Number of Stores

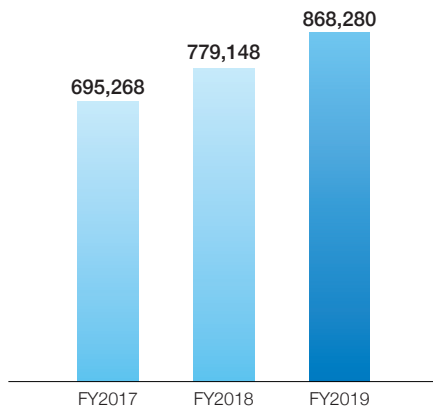
(Stores)

As of Mar.1, 2020



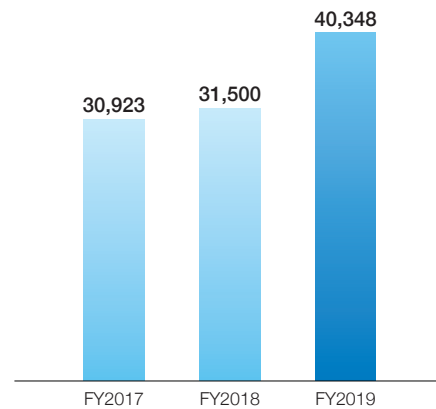
Net Sales

(Million Yen)



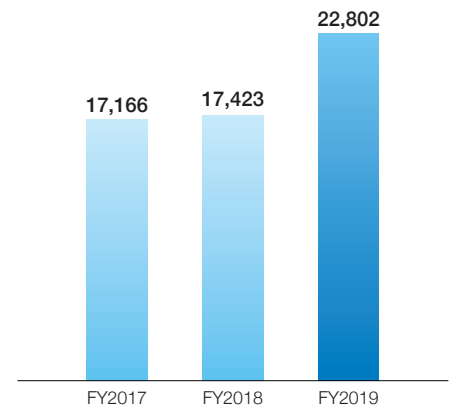
Ordinary Income

(Million Yen)



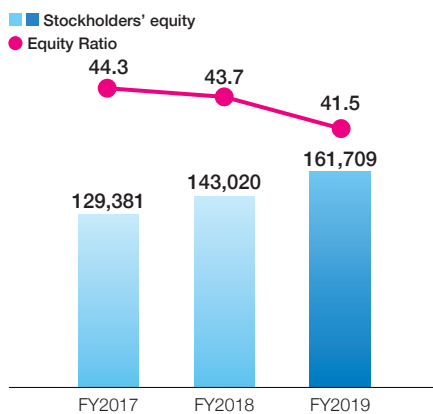
Net Income Attributable to Owners of Parent

(Million Yen)



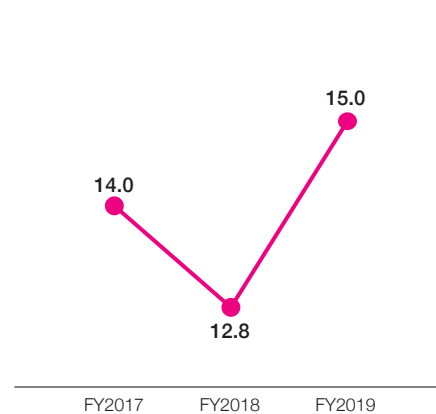
Stockholders' Equity / Equity Ratio

(Million Yen / %)



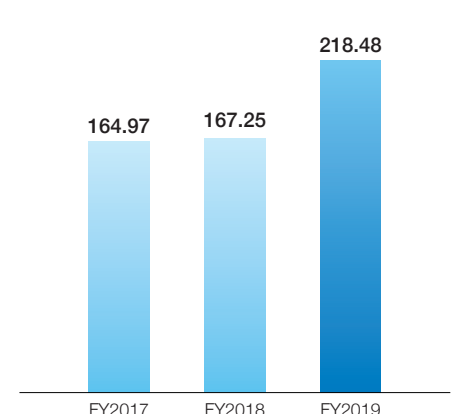
Return on Equity

(%)



Net Income per Share

(Yen)



Top Interview (Q&A)

Q1

Tell us about operating activities and earnings for the current fiscal year (FYE February 2020).

A1

More drug stores with dispensing pharmacies, tighter cost control, excellent store takings.
Net sales and profits break records

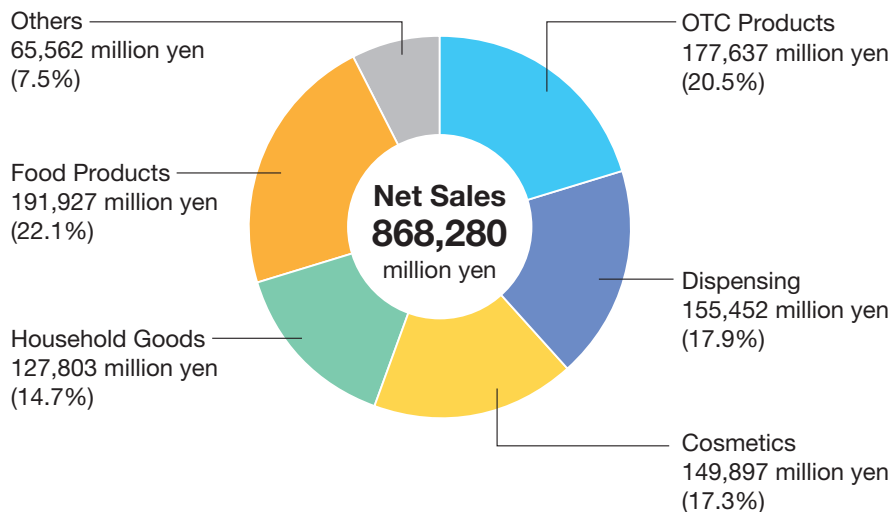
Fiscal 2020 saw a number of challenges. Mother Nature proved uncooperative: An inclement summer and unseasonably warm winter impacted our seasonal merchandise, and massive typhoons, including Typhoon Hagibis, dealt a further blow. Other challenges were societal, including a consumption tax hike, drug pricing reform, and the novel coronavirus crisis. Rolling with the punches, we pressed on with our efforts to boost profitability by aggressively adding dispensing pharmacies to our stores and by controlling SG&A expenses and other sales costs.

We are pleased to report that these efforts culminated in record takings and profits. With strong performance in dispensing pharmacies, net sales rose to 868.28 billion yen (111.4% YOY),

ordinary income rose to 40.348 billion yen (128.1%), and net income attributable to owners of parent rose to 22.802 billion yen (130.9%).

Group companies Welcia Yakkyoku Co. Ltd., Shimizu Yakuhin Co. Ltd., and Marudai Sakurai Pharmacy Limited continued to see strong sales from their existing drug stores. The former Ippondo drug stores, now rebranded as Welcia stores, posted another big sales increase (up 15.6%). As for Kanamitsu Yakuhin Co., Ltd., which entered the scope of consolidation in the second quarter in fiscal 2020, the company incurred upfront investment costs associated with the remodeling and rebranding necessary to integrate the Welcia Model.

Sales and Composition Ratio by Item



Q2

Tell us about your store openings?

A2

Aggressive store expansion brings number of Welcia Group stores to more than 2,000

In fiscal 2020, we opened 126 stores and closed 26 in Japan. Additionally, after acquiring Kanamitsu Yakuhin as a subsidiary in June 2019, we took on the company's 31 stores in Okayama Prefecture. With these openings and acquisitions, we now boast a formidable network of over 2,000 stores. Specifically, as of the end of the period, the group has 2,005 stores in Japan, across

35 prefectures. Of the newly opened stores, 45 are in Kanto, 42 are in Chubu, 20 are in Kinki, 18 are in Tohoku, and one is in Chugoku. In addition to these, three stores opened in Singapore, bringing the global total to 2,012.

On March 1, 2020, we bought out Kochi-based YODOYA CO., LTD., bringing the total number of stores in Japan to 2,025.

Parentheses indicate cosmetics specialty stores

The number of domestic stores 2,025

As of March 1, 2020

Niigata	65
Toyama	40
Ishikawa	19
Yamanashi	32
Nagano	34
Gifu	6
Shizuoka	220 (1)
Aichi	51

Mie	25
Shiga	14
Kyoto	73 (2)
Osaka	128 (4)
Hyogo	87 (1)
Nara	11 (2)
Wakayama	4

Okayama	37 (8)
Hiroshima	2 (1)
Tottori	2 (2)
Shimane	6 (1)

Overseas 7 Singapore 7

Chugoku Region 47

Kinki Region 342

Chubu Region 467

Tohoku Region 150

Aomori	74
Iwate	9
Akita	9
Miyagi	10
Yamagata	18
Fukushima	30

Kanto Region 991

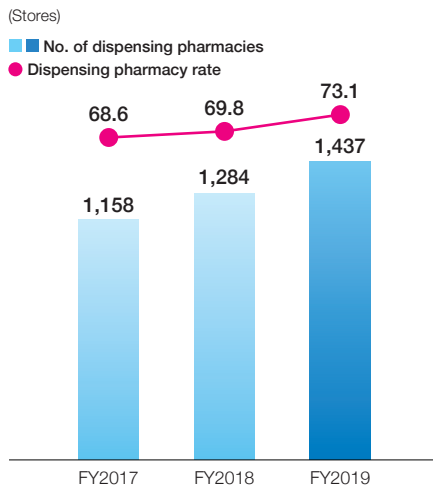
Ibaraki	149 (4)
Tochigi	59
Gunma	57 (1)
Saitama	192 (2)
Chiba	140 (3)
Tokyo	182 (3)
Kanagawa	212

Shikoku Region 27

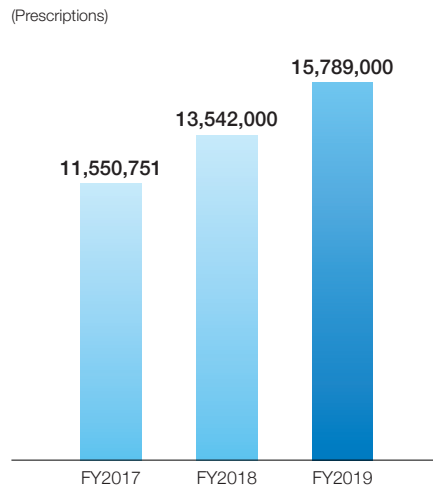
Ehime	2 (2)
Kochi	25 (1)

Kyushu Region 1 Miyazaki 1 (1)

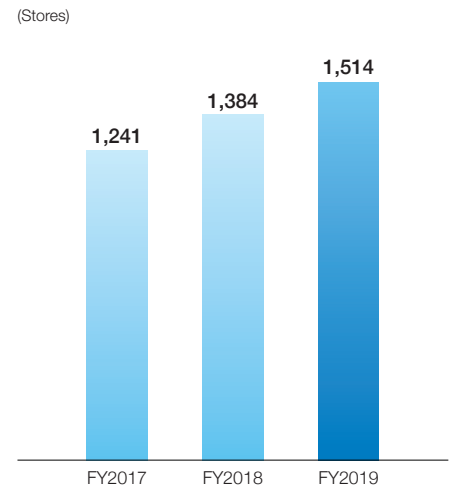
Change of the Number of Stores with Dispensing Pharmacy



Number of prescriptions



Change of the Number of Stores with Late-night Services



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

* The dispensing pharmacy rate excludes stores that specialize in cosmetics (namely, 34 stores operated by Masaya under the Masaya or Color Studio brand, and five stores operated by Welcia Yakkyoku under the Narcis brand).

Q3

How is your Welcia Model going?

A3

The Welcia Model: Pursuing our vision of specialist-cum-general stores with dispensing pharmacies, pharmacy counseling, late-night services, and elder care.

We are integrating the Welcia Model—our core business model—into our group companies, who share our ethos. Together, we aim to provide specialist-cum-general stores that meet the health and lifestyle needs of local communities by combining expertise with a convenient shopping experience.

We want each of our stores to be the local go-to place for advice and support, a place where you can find just the right specialist product and receive expert services from highly trained professionals, including pharmacists, registered sales clerks, beauty care advisers, registered nutritionists, and

dispensing clerks.

We have steadily increased the number of drug stores with dispensing pharmacies, bringing the dispensing pharmacy rate up to 73.1% (a 116.6% increase year on year).

To better serve the needs of local communities, we have also increased the number of drug stores that offer late-night services. A total of 1,514 stores now operate late at night, and 225 of them operate 24 hours a day. We are strategically expanding 24-hour operation to enhance convenience for our customers. Our benchmark is to have one 24-hour store in each region.

Q4

Tell us about the new three-year plan (fiscal years 2021–2023)

A4

Embarking on a new three-year plan: More and better specialist-cum-general stores

The close of fiscal 2020 on February 29, 2020, marked the end of our three-year plan. We managed to meet our three-year targets for net sales, ordinary income, and ordinary income margin.

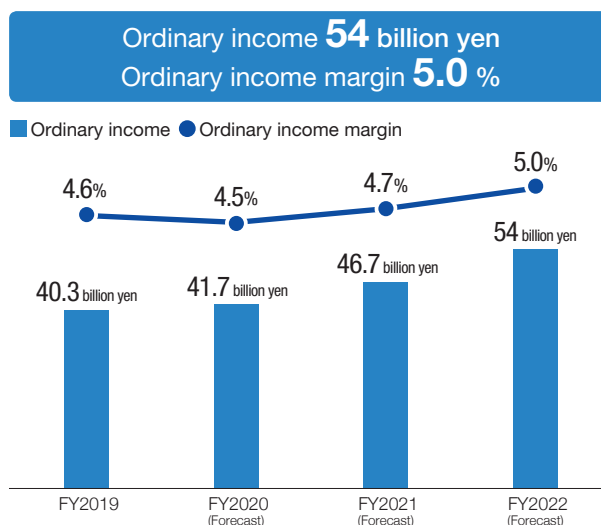
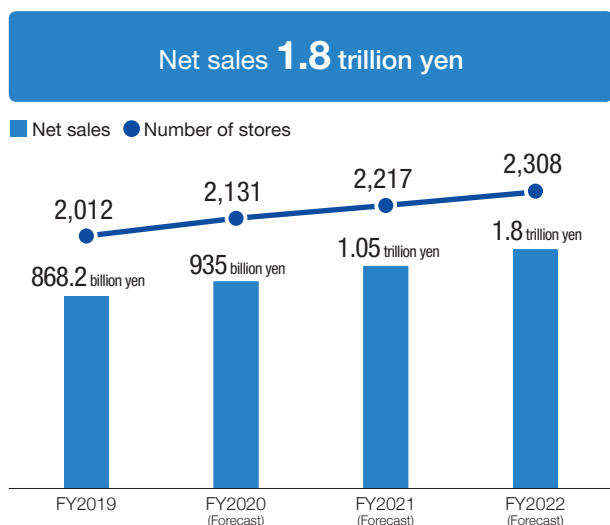
During those three years, we made great progress in building a foundation to differentiate us from the competition. We introduced 24-hour operation, developed a smaller store format for cities, and expanded into the Tohoku, Kinki, and Chugoku areas. We also upgraded staff training and introduced a new

personnel system.

As for the next three-year plan, we know that the coming three years will be no less challenging than the last. We will face tougher inter-sector competition and tougher competition with the big players within the industry.

Against this backdrop, we will continue to pursue the Welcia Model, creating more and better specialist-cum-general stores.

Fiscal 2023 Numerical targets



Key actions

1 Store openings Pursue aggressive store expansion

- (1) Open around 120 new stores a year
- (2) Format of new stores to reflect location (larger format in suburbs, smaller format in cities)
- (3) Increase dominance in suburbs of big cities

2 Dispensing pharmacies Forge local partnerships and strengthen customer interface

- (1) Work with local healthcare providers to get more dispensing pharmacies (at least 80% of stores to have pharmacy)
- (2) Engage in home healthcare (with pharmaceutical services)
- (3) Systematize and mechanize

3 Merchandise Customize merchandise to store format and local needs

- (1) Make merchandise better fit the store format (larger format in suburbs, smaller format in cities)
- (2) Tailor merchandise to local needs
- (3) Develop private-label products that fit the mood of the times (desire for wellbeing, sustainability, etc.)
- (4) Develop digital marketing

4 Stores Prepare for streamlined store operations to boost profitability

- (1) Strengthen area management (marketing, pharmaceutical, cosmetics)
- (2) Standardize store operations (manage work schedules, use automated ordering)
- (3) Scrap and build

5 IT and distribution Develop a system for streamlining store operations

- (1) Ensure system can handle a range of business policies and can handle M&A transactions
- (2) Streamline store operations (new checkouts, payment slip-free)
- (3) Ensure system can handle store expansion and optimize costs

6 HR / training Create job satisfaction and a workplace where employees grow with the company

- (1) Reform workstyles (cut working hours of regular employees by 10%, add new work categories)
- (2) Provide bespoke training opportunities online

7 Key performance indicators Seek better profitability balanced with growth potential, fiscal stability, and shareholder returns

- (1) Use ordinary income margin as measure of profitability (fiscal 2023 target: 5.0%)
- (2) Provide stable shareholder returns (>20% payout ratio)

Current Status of the Welcia Group

Messages from Welcia Group Company Presidents

Welcia Yakkyoku Co. Ltd.

On behalf of Welcia Yakkyoku, I thank you for your continued support.

For Welcia, fiscal 2020 was a year of reform. To plant the seeds of future growth, we made changes to our organizational structures, our stores, and our merchandise strategy. To bolster our urban business, we absorbed Ippondo Co., Ltd., and B.B.ON Co., Ltd., and developed location-sensitive merchandise, sales campaigns, and operations. We also opened five pilot stores under the Narcis brand, a new kind of enterprise that focuses on luxury cosmetics.

Fiscal 2020 also brought challenging circumstances, including inclement summer weather, massive typhoons, a hike in consumption tax, drug pricing reform, a warm winter, and the novel coronavirus. Nonetheless, we achieved excellent results, with net sales of 810.308 billion yen and ordinary income of 39.77 billion yen. One reason was that our existing stores performed well, driven by strong pharmaceutical sales. Another was that we controlled SG&A expenses, primarily by reining in labor costs.

We are now embarking on the next three-year plan, and I look forward to our continued journey together.



Tadahisa Matsumoto
President and
Representative Director

Sakurai Pharmacy Limited

On behalf of Sakurai Pharmacy, I thank you for your continued support.

The second half of fiscal 2020 saw a spate of numerically unpredictable circumstances, such as the consumption tax hike and the novel coronavirus. However, managed to meet our budgetary targets.

During the period, we opened two new stores and added a dispensing pharmacy in four existing ones. We also incorporated the Welcia Model into our existing stores to enliven them. Buoyed by pharmaceutical takings, we achieved a 125% year-on-year increase in net sales.

Our strategy for the new year has three components: 1) tightly manage operating income (enliven stores and strengthen their specialist products/services), 2) shift to a next-gen organizational structure, and 3) create an employee-friendly workplace with job satisfaction (a workplace where employees are highly motivated and can grow professionally). As part of a proactive push to enliven stores, we will, at an early opportunity, open five new stores and add a dispensing pharmacy to eight existing ones.

I look forward to hearing your valuable feedback as we move forward in the new fiscal year.



Kiyoshi Sakurai
President and Representative
Director

Shimizu Yakuhin Co., Ltd.

Shimizu Yakuhin joined Welcia Group in March 2015. Sharing Welcia's ethos, we have built up a formidable network of 60 drug stores that are grounded in local values and that deliver local solutions. During the second half of fiscal 2020, we opened two new stores and added a dispensing pharmacy to three existing ones. We also remodeled seven existing stores, some large and some small, to further enliven them. These actions all proved successful, yielding us results that exceeded our initial expectations.

As for fiscal 2021, aiming for the vision of specialist-cum-general stores, we will focus on leveling up each employee's skills in terms of customer service, product knowledge, merchandising, and store cleanliness. In this way, we hope to earn the trust of local shoppers and ensure that our stores serve as vital infrastructure in the community. I look forward to your continued support as we go forward.



Masayuki Hayashi
President and Representative
Director

Kanamitsu Yakuhin Co. Ltd.

Kanamitsu Yakuhin joined Welcia Group in June 2019. Based in the south of Okayama Prefecture, we operate 28 stores, 12 of which have a dispensing pharmacy.

After joining the group, we started applying the Welcia Model by completely remodeling seven of our stores and adding a dispensing pharmacy in four of them. The new Welcia-Kanamitsu merchandise resonated with local patrons, leading to increased sales.

Working as one team, we will further enhance the shopping experience and the quality of pharmacy counseling to ensure that our stores play an indispensable and treasured role in supporting our customers' lives. I look forward to your continued support as we work toward further growth.



Koji Fujioka
Representative Director and
President

Masaya Co. Ltd.

For a cosmetics chain such as Masaya, fiscal 2020 proved to be a tough year. China's 2019 e-commerce law curtailed demand from overseas visitors. Moreover, the novel coronavirus pandemic imposed restrictions on physical contact with customers, preventing us from showcasing products as we would have liked.

Despite these circumstances, we managed to hit our income targets by improving margins and controlling sales costs.

For fiscal 2021, we will open stores in new areas (such as in Aeon shopping centers), introduce new brands, undertake sales campaigns, and spruce up our shopping spaces. We will also level up the workforce through training and recruitment. I look forward to your continued support.



Masahiro Uemura
Representative Director and
President

Welcia Kaigo Service Co., Ltd.

Based in Ibaraki Prefecture, Welcia Kaigo Service has expanded to Saitama and Chiba and offers elder care services in partnership with Welcia Yakkyoku and local healthcare providers. In fiscal 2020, we struggled to secure enough staff and missed our targets, but we did finish the period in the black. As part of our efforts to support communities, we promoted elder health; for example, our care managers provided elder care advice at a community space called Welcafe, and registered nutritionists from Welcia Yakkyoku organized health seminars at one of our day centers.

For future growth, we will further strengthen synergy with Welcia Yakkyoku and enhance our services for home healthcare, the demand for which is set to grow further. I look forward to your continued support.



Tetsuya Matsunuma
Representative Director and
President

Welcia Oasis Co., Ltd.

As a disability-friendly employer, Welcia Oasis has been granted the status of a special subsidiary by the MHLW minister under the Act for the Promotion of Employment of Persons with Disabilities.

In fiscal 2020, we hired a further 66 people with disabilities. Now, around 600 of our members work in Welcia Group, 700 when mentors are included. The members continue to make up over 3.0% of the group's workforce, exceeding the mandatory 2.2% rate.

Of the members who work in the group, over 70% (around 450) work in drug stores, where they stack shelves or manage the shop floor. Members do a range of other work too, such as cleaning stores and distribution centers, repurposing store fixtures, and sorting internal mail.

We will continue to play our role in Welcia Group by creating a friendly workplace for our members. We will also lead the way in our industry by promoting the employment of people with disabilities. Thank you for supporting the work we do.



Hisayuki Nagata
Representative Director and
President

How are you contributing to the Sustainable Development Goals? Addressing sustainability challenges as a group. This year's focus: Plastic bags



Welcia Group is committed to a sustainable future. We are making sustainability part of our business, and working with stakeholders to address social and environmental challenges.

Our main sustainability focus in fiscal 2020 was to reduce single-use plastic bags in order to cut resource use and mitigate our environmental impact. Previously, we had promoted the use of reusable bags and ensure that the bags that cashiers provide are not excessively large. Adding to these measures, we raised awareness through in-store communications and a TV advertising campaign, adjusted the thickness of the bags, and switched to biomass plastic. We also launched our own eco-friendly reusable bag, which has proven popular.

Our stores started charging a fee for plastic bags from April onward, which is some months ahead of July 2020, when all retailers in Japan will be required to charge a plastic bag fee.



Welcia's original reusable bag certified with the Eco Mark



エコマーク認定番号
19101001

The Eco Mark certifies that the product is eco-friendly, leaving only a small carbon footprint across its life cycle (from production to disposal).

Our stores are setting aside floorspace for community outreach. The spaces host community activities in partnership with local stakeholders (local government, social welfare council, local care center).

To connect with the local community, some of our stores have opened a Welcafe—a relaxed and friendly space for a range of community activities, including elder care seminars run by the community care center and learning support classes for elementary school students run by a local NPO. Welcafes also host events run by store staff, such as nutrition classes run by a registered nutritionists, health-check events, and beauty seminars.



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

- In fiscal 2020, our stores collected charitable donations for 24-Hour TV 42, the Japan Guide Dog Association, and a relief fund for the victims of 2019's Typhoon Hagibis. We donated 1% of the proceeds of commemorative items to the Japan Guide Dog Association and Solaputi Kids' Camp.
- As part of our support for Fukushima Prefecture in the Tohoku Region, an area still recovering from the Great East Japan Earthquake, we donated a portion of proceeds from sales of Fukushima Prefecture Koshihikari rice and Aizuhomare Japanese sake to the Yomiuri Light and Humanity Association.

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

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

Management Indices (Consolidated)

	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Net Sales (million yen)	779,148	868,280
Ordinary income (million yen)	31,500	40,348
Net income attributable to owners of parent (million yen)	17,423	22,802
Comprehensive income (million yen)	17,277	22,582
Net assets (million yen)	143,948	162,418
Total assets (million yen)	327,426	390,006
Net assets per share (yen)	1,371.76	1,547.90
Net income per share (yen)	167.25	218.48
Diluted net income per share (yen)	167.08	218.26
Capital ratio (%)	43.7	41.5
Return on equity (%)	12.8	15.0
Price earnings ratio (times)	23.6	29.8
Net cash provided by (used in) operating activities (million yen)	34,872	70,156
Net cash provided by (used in) investment activities (million yen)	(23,955)	(27,459)
Net cash provided by (used in) financing activities (million yen)	(7,348)	(22,241)
Cash and cash equivalents at the end of the period (million yen)	17,152	37,599
Number of employees (persons)	8,936	9,882
(Average number of temporary employees)	19,001	20,670

(Notes)

1. Net sales do not include consumption tax, etc.
2. The Company executed a 2-for-1 common stock split on March 1, 2017. Accordingly, net assets per share, net earnings per share, and diluted earnings per share for FYE 2016 are calculated on the basis that said stock split was implemented at the beginning of that period.
3. The Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) has been applied as of the beginning of the period under review. The principal performance indices for FYE 2019 have been adjusted retroactively in accordance with the amended standard.

Overview of Business Performance

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

Although the drugstore industry is expanding with chains eager to open new stores and the demand for healthcare being strong, the industry faces challenging conditions. These include industry consolidation among the big players, increasing competition (including with players from other industries), a labor shortage and accompanying rises in personnel expenses, higher transportation costs, and drug pricing reform.

Against this backdrop, we will continue to pursue growth based on the general strategy described below (all forward looking statements contained in this description are based on information available as of the end of the consolidated fiscal year under review).

General Strategy

Guided by our corporate philosophy to “promote higher quality of life and healthy lifestyles for our customers,” we aim to provide go-to drugstores that contribute to the local communities. In this way, we will grow as an organization that supplies the values society seeks.

Vision

We aim to develop specialist-cum-general stores that serve as lifestyle platforms.

Targets in Medium- to Long-Term Plan (target year: FY2022)

Net sales	¥1.08 trillion
Ordinary income	¥54 billion (ordinary margin: 5.0%)
Number of stores	2,308

Issues to be Addressed

We will aggressively pursue M&A opportunities (M&As being a key strategic focus) to expand our group and increase synergies. Group companies will integrate the Welcia Model to increase the value of our group.

We will continue our aggressive store-opening program, ensuring that each new store is tailored to local needs.

We will make our products and services more attractive by tailoring our merchandising strategy to fit more precisely the characteristics of the local community and store. We will also focus on adding value and

differentiating our products from those of our competitors.

We will work to attract exceptional talent to meet customer needs. We will improve training for pharmacists, registered sales clerks, registered nutritionists, dispensing clerks, and beauty care advisers, culminating in develop a team of professionals who can offer high-quality expert advice.

To boost profitability, we will streamline business processes by standardizing store processes and leveraging digital technology.

As our group grows and becomes increasingly exposed to risks, we will strengthen internal controls and risk management to prevent or mitigate these risks (including risks of natural disasters).

Overseas, we will continue strengthening store development in Singapore.

We will strive to be a sustainable business by linking our strategies to Sustainable Development Goals.

We forecast the following results for FY2020:

Net sales:	¥935 billion
Ordinary income:	¥41.7 billion
Net income attributable to owners of parent:	¥23 billion
Store openings:	118
Store closures:	23
Number of drug stores with a dispensing pharmacy (in Japan):	1,575

Consolidated Balance Sheets

	Million Yen	
	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Assets		
Current assets		
Cash and deposits	¥ 19,364	¥ 38,838
Accounts receivable-trade	27,347	43,307
Merchandise	84,527	89,318
Other	10,576	18,751
Allowance for doubtful accounts	(1)	(12)
Total current assets	141,814	190,203
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	130,021	142,592
Accumulated depreciation	(59,077)	(65,650)
Buildings and structures, net	70,944	76,942
Land	12,919	13,268
Lease assets	53,994	62,616
Accumulated depreciation	(19,203)	(23,163)
Lease assets, net	34,790	39,452
Other	17,868	19,280
Accumulated depreciation	(12,200)	(13,034)
Other, net	5,668	6,246
Total property, plant and equipment	124,322	135,910
Intangible assets		
Goodwill	16,181	15,179
Other	2,629	2,434
Total intangible assets	18,810	17,613
Investments and other assets		
Investment securities	1,131	1,169
Long-term loans receivable	64	56
Guarantee deposits	31,640	33,452
Deferred tax assets	8,477	10,480
Other	1,369	1,143
Allowance for doubtful accounts	(24)	(23)
Total investments and other assets	42,479	46,279
Total noncurrent assets	185,612	199,802
Total assets	¥ 327,426	¥ 390,006

Consolidated Balance Sheets

	Million Yen	
	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	¥ 98,302	¥ 137,845
Short-term loans payable	11,635	4,654
Lease obligations	5,151	6,377
Accounts payable-other	5,466	8,752
Income taxes payable	6,827	9,059
Provision for bonuses	3,241	4,160
Provision for point card certificates	34	24
Other	10,051	12,358
Total current liabilities	140,711	183,234
Noncurrent liabilities		
Long-term loans payable	8,447	5,549
Lease obligations	19,425	22,660
Asset retirement obligations	7,992	8,719
Retirement benefits-related liabilities	3,392	4,062
Deferred tax liabilities	74	75
Allowance for executive stock benefit	342	589
Other	3,091	2,696
Total noncurrent liabilities	42,767	44,353
Total liabilities	183,478	227,587
Net assets		
Shareholders' equity		
Capital stock	7,736	7,736
Capital surplus	51,669	51,669
Retained earnings	85,333	103,525
Treasury stock	(1,718)	1,222
Total shareholders' equity	143,020	161,709
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	277	262
Foreign currency translation adjustment	(4)	(38)
Accumulated adjustment related to retirement benefits	(243)	(245)
Total accumulated other comprehensive income	29	(21)
Subscription rights to shares	236	236
Minority interests	661	493
Total net assets	143,948	162,418
Total liabilities and net assets	¥ 327,426	¥ 390,006

Consolidated Statements of Income

	Million Yen	
	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Net sales	¥ 779,148	¥ 868,280
Cost of sale	542,488	600,825
Gross profit	236,659	267,454
Selling, general and administrative expenses		
Advertising expenses	16,230	18,414
Salaries	82,431	89,700
Bonuses	3,099	3,373
Provision for bonuses	3,237	4,137
Retirement benefit expenses	1,293	1,499
Rent expenses on real estate	33,427	36,523
Depreciation	12,541	13,880
Commission fees	13,973	16,413
Rent expenses	515	631
Amortization of goodwill	1,688	1,514
Other	39,006	43,317
Total selling, general and administrative expenses	207,614	229,652
Operating income	29,045	37,801
Non-operating income		
Interest income	23	17
Dividends income	8	7
Real estate rent	794	899
Gain on the donation of noncurrent assets	300	335
Commission fees	469	614
Co-sponsor fees	573	498
Other	808	800
Total non-operating income	2,979	3,174
Non-operating expenses		
Interest expenses	311	393
Share of loss of entities accounted for using equity method	—	25
Rent cost of real estate	156	159
Other	55	49
Total non-operating expenses	524	627
Ordinary income	31,500	40,348
Extraordinary income		
Gain on sale of investment securities	28	3
Insurance fund income	41	—
Compensation for expropriation	—	157
Damage compensation income	—	64
Other	1	33
Total extraordinary income	71	258
Extraordinary loss		
Loss on sale of noncurrent assets	3	130
Loss on retirement of noncurrent assets	287	554
Loss on closing of stores	9	120
Impairment loss	2,724	3,536
Transitory expenses related to reform of personnel system	—	—
Other	36	328
Total extraordinary losses	3,060	4,670
Net income before income taxes and minority interests	28,511	35,936
Income taxes-current	12,354	15,196
Income taxes-deferred	(1,169)	(1,921)
Total income taxes	11,185	13,275
Net Income	17,326	22,661
Loss attributable to non-controlling interests	(97)	(141)
Net income attributable to owners of parent	¥ 17,423	¥ 22,802

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	
	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Net income	¥ 17,326	¥ 22,661
Other comprehensive income		
Other valuation difference on available-for sale securities	(14)	(14)
Foreign currency translation adjustment	9	(61)
Remeasurements of defined benefit plans	(44)	(2)
Total other comprehensive income	(49)	(78)
Comprehensive income	17,277	22,582
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	17,364	22,752
Comprehensive income attributable to non-controlling interests	¥ (87)	¥ (169)

Consolidated Statements of Cash Flows

	Million Yen	
	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	¥ 28,511	¥ 35,936
Depreciation and amortization	12,808	14,149
Impairment loss	2,724	3,536
Amortization of goodwill	1,688	1,514
Increase (decrease) in the allowance for doubtful accounts	(2)	9
Increase (decrease) in the provision for bonuses	2,628	891
Increase (decrease) in liabilities for retirement benefit	500	637
Increase (decrease) in the allowance for executive stock benefit	163	246
Increase (decrease) in the provision for point card certificates	(64)	(9)
Interest and dividends income	(32)	(25)
Interest expenses	311	393
Gain (loss) on sales of investment securities	(41)	—
Rent as a counterbalance to construction assistance funds receivable	962	1,035
Loss on sale of noncurrent assets	3	130
Loss on the retirement of noncurrent assets	287	554
Gain on the donation of noncurrent assets	(300)	(335)
Decrease (increase) in notes and accounts receivable-trade	(3,692)	(15,688)
Decrease (increase) in inventories	(6,610)	(4,329)
Increase (decrease) in notes and accounts payable-trade	8,190	39,223
Increase (decrease) in accrued consumption taxes	1,235	1,094
Other	(1,518)	4,594
Subtotal	47,756	83,561
Interest and dividends income received	32	257
Interest expenses paid	(312)	(401)
Income taxes paid	(13,381)	(14,297)
Income taxes refund	777	1,036
Net cash provided by (used in) operating activities	34,872	70,156
Net cash provided by (used in) investing activities		
Payment into time deposits	(691)	(955)
Proceed from the withdrawal of time deposits	1,944	1,987
Purchase of property, plant and equipment	(15,118)	(14,644)
Proceeds from the sales of property, plant and equipment	249	329
Purchase of intangible assets	(1,033)	(950)
Purchase of shares of subsidiaries and associates	—	(90)
Payments into subsidiaries and affiliates	—	(7,000)
Proceeds from refund of deposit paid in subsidiaries and affiliates	3,000	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,339)	(399)
Payment for lease deposits	(6,823)	(5,883)
Collection of lease deposits	460	387
Other	(605)	(240)
Net cash provided by (used in) investing activities	¥ (23,955)	¥ (27,459)

	Million Yen	
	FY2018 (March 1, 2018 – February 28, 2019)	FY2019 (March 1, 2019 – February 29, 2020)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ 7,000	¥ (7,300)
Repayment of long-term loans payable	(4,784)	(4,148)
Payments for redemption of bonds	(320)	(280)
Cash dividends paid	(4,400)	(4,609)
Repayment of finance lease obligations	(5,424)	(6,400)
Purchase of treasury stock	(4)	(3)
Funds used for the purchase of investments in subsidiaries not resulting in change in scope of consolidation	(16)	—
Other	601	500
Net cash provided by (used in) financing activities	(7,348)	(22,241)
Effect of exchange rate change on cash and cash equivalents	(2)	(8)
Net increase (decrease) in cash and cash equivalents	3,567	20,446
Cash and cash equivalents at the beginning of the period	13,585	17,152
Cash and cash equivalents at the end of the period	¥ 17,152	¥ 37,599

Notes to the Consolidated Financial Statements

(Explanatory notes regarding the going concern assumptions)

1. Scope of the Consolidation

(1) Number of consolidated subsidiaries: 8

Names of the consolidated subsidiaries:

Welcia Yakkyoku Co., Ltd., Welcia Kaigo Service Co., Ltd., Merrylin Business (Shanghai) Limited Company, Shimizu Yakuhi Co., Ltd., Welcia-BHG (Singapore) Pte. Ltd., Marudai Sakurai Pharmacy Limited, Masaya Co., Ltd., Kanamitsu Yakuhi Co., Ltd.

(Notes)

- (1) Kanamitsu Yakuhi Co., Ltd., was incorporated into the scope of consolidation after shares therein were purchased on June 3, 2019. The deemed acquisition date is June 1, 2019.
- (2) Ippondo Co., Ltd. merged with Welcia Yakkyoku Co., Ltd., on March 1, 2019, and so is no longer counted as a subsidiary.
- (3) B.B.ON merged with Welcia Yakkyoku Co., Ltd., on September 1, 2019, and so is no longer counted as a subsidiary. However, the company's statements of income and cash flows prior to the merger are included in the consolidated statements of income.

(2) Number of non-consolidated subsidiaries: 3

Names of the non-consolidated subsidiaries:

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

(Reason for removal from scope of consolidation)

These subsidiaries were removed from the scope of consolidation because they have a negligible effect on the consolidated statements of income due to their small size (in terms of gross assets, net sales, net income, and retained earnings).

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: 1

Subsidiaries: Aeon Reve Cosmetics Co., Ltd.

(Note)

Aeon Reve Cosmetics Co., Ltd. became entered the scope of affiliation in the period under review after it was founded on August 27, 2019.

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

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

Company Information / Investor Information

(As of February 29, 2020)

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

9,882 (excluding part-time employees)

Executives (As of May 21, 2020)

Chairman and Representative Director

Takamitsu Ikeno

Vice Chairman and Director

Hideharu Mizuno

President and Representative Director

Tadahisa Matsumoto

Executive vice president

Norimasa Sato

Juichi Nakamura

Directors

Takashi Abe

Kazuhiko Hata

Motoya Okada

Outside Directors

Yukari Narita

Tomoko Nakai

Corporate Auditor

Toshio Miyamoto

Outside Corporate Auditors

Hirohisa Kagami

Atsuko Sugiyama

Yasuo Ichikawa

Number of Shares

Number of Shares Authorized

247,473,600

Number of Shares Issued

104,787,632

(excluding 29,206 treasury shares)

Number of Shareholders

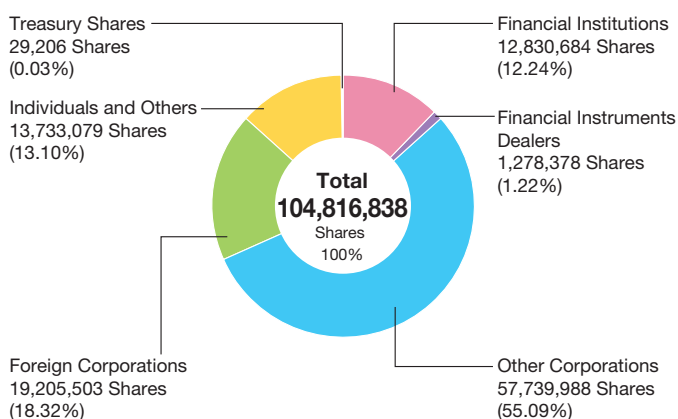
22,937

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
AEON Co., Ltd.	52,970	50.55
The Master Trust Bank of Japan, Ltd. (trust account)	3,461	3.30
Japan Trustee Services Bank, Ltd. (trust account)	2,205	2.10
THE CHASE MANHATTANBANK 385036	1,694	1.62
Tsuruha Co., Ltd.	1,676	1.60
Welcia Holdings Employee Stock Ownership	1,652	1.58
STATE STREET BANK AND TRUST COMPANY 505224	1,347	1.29
Japan Trustee Services Bank, Ltd. (trust account 5)	1,188	1.13
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	980	0.94
THE BANK OF NEW YORK 133972	841	0.80

(Note) In calculating shareholding ratio, we omitted 29,206 shares of treasury shares. The treasury shares do not include the 127,600 shares held in the ESOP Trust or the 203,016 shares held in the BIP Trust.

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/>