

Investors' Guide

**First Half of the Fiscal Year
Ended February 28, 2022
(March 1 to August 31, 2021)**

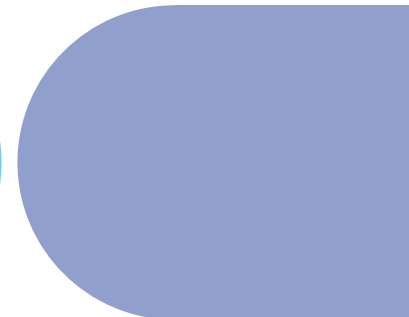
Welcia Holdings' fiscal year begins on March 1 and ends on last day of February of the following calendar year.

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



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**A one-stop store that offers specialist support
—a vision that will contribute to communities and
deliver further business growth**



Takamitsu Ikeno
Chairman and
Representative Director



Tadahisa Matsumoto
President and
Representative Director

First, may we thank our shareholders for their continued support and confidence.

Japan recently experienced a surge in Covid cases, while studies highlighted the limited duration of vaccine immunity and the need for further doses. These developments have contributed to an uncertain outlook for the post-vaccination world.

The pandemic has created growth potential in the healthcare sector, which has encouraged more companies to enter the drugstore industry, our mainstay.

Against that backdrop, we continued rolling out the Welcia Model to achieve our vision of providing communities with a one-stop store that offers specialist support. Results for the period under review were as follows: Net sales and operating income were on par with expectations, and we hit our target for ordinary income.

Over the past couple of years, digitalization has advanced in various ways. While still using paper flyers, we have started digitizing our sales literature. To ensure effective marketing communication, we keep our sales literature useful and relevant to every customer.

In the period under review, we came close to breaking the 1 trillion yen mark. This is not an end goal but a milestone. Our organization will continue to grow as a valued partner of the communities we serve. We look forward to sharing our future success with you.

Welcia Group

- Consolidated subsidiaries
- Non-consolidated subsidiaries

As of Aug. 31, 2021



Contents

01	President's Message, Welcia Group	15	Consolidated Balance Sheets
02	Corporate History	17	Consolidated Statements of Income
03	Our Mission, Our Business Model	18	Consolidated Statements of Comprehensive Income
04	Top Interview (Q&A)	19	Consolidated Statements of Cash Flows
12	Hot Topics	20	Notes
13	Management Indices (Consolidated)	21	Company Information / Investor Information
14	Overview of Business Performance		



Corporate History

- March 2021** ● WELCIA YAKKYOKU Co., Ltd., merged with Neo Pharma Co., Ltd., and Summit Co., Ltd.
- July 2020** ● We acquired Neo Pharma Co., Ltd., and Summit Co., Ltd.
- June 2020** ● We acquired Marue Drug Co., Ltd., after increasing our stake in the company.
- 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.



Top Interview (Q&A)

Q 1 Tell us about the operating activities and earnings in the first half. Also, what is the outlook for the second half?

A 1 Sales were on par with expectations and we hit our target for ordinary income. A big factor was 2-digit growth in our pharmaceutical dispensing operations following the normalization of medical visits.

Japan experienced a wave of infections during the second quarter, but we maintained operations, taking all necessary precautions.

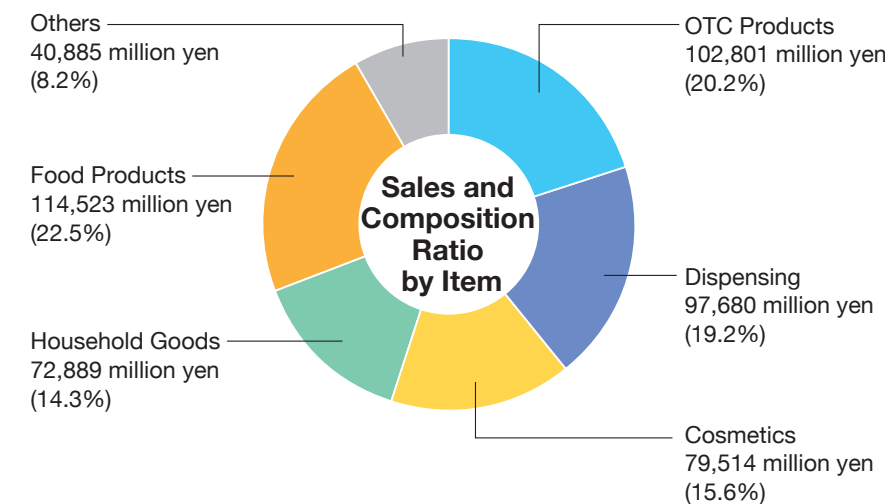
We saw less of a Covid-related boost, compared to the previous year, to sales of anti-infection goods or deli and prepared foods. More encouraging was the performance of our dispensing business, where we have increased the number of pharmacies and stores that open on Saturdays. Thanks in part to the normalization of medical visits, the business grew 16.2% year-on-year.

Among over-the-counter products, sales of anti-infection

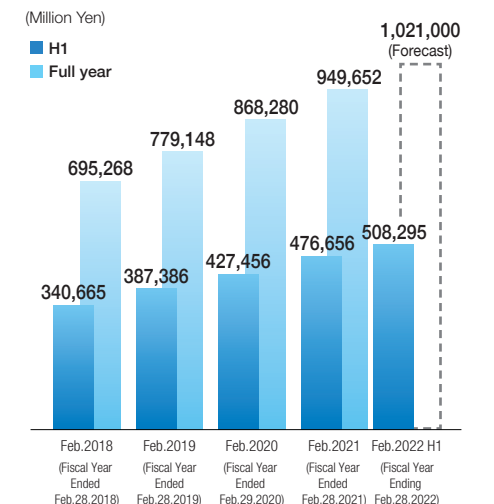
goods declined, but we saw sales growth in PCR test kits and antipyretic analgesics associated with vaccination.

Our financial results showed growth in revenue, but less profit. Net sales rose to 508.295 billion yen (up 6.6% YOY, 100.0% of target) and ordinary income decreased to 25.145 billion yen (down 9.8% YOY, 101.9% of target). Our forecasts had taken into account that earnings would dip relative to the bulk-buying of hand sanitizers and similar value-added items in the same period last year.

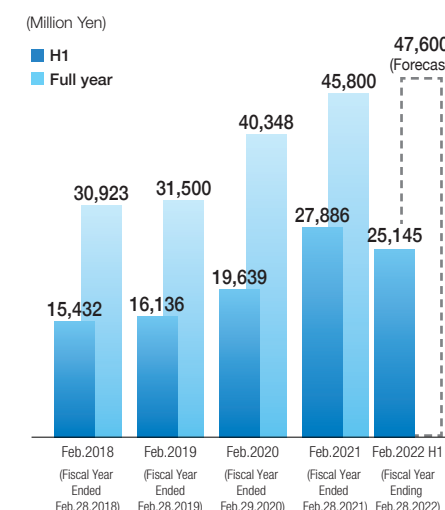
Sales and Composition Ratio by Item



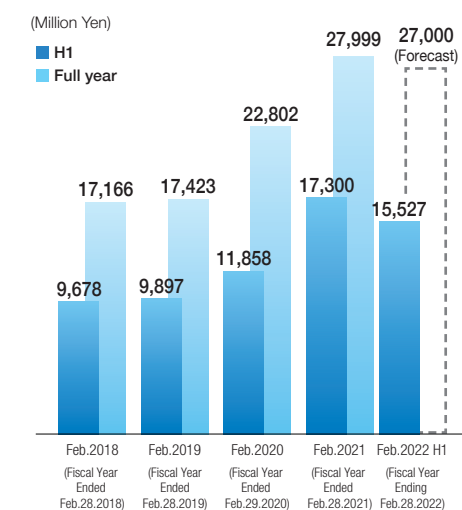
Net Sales



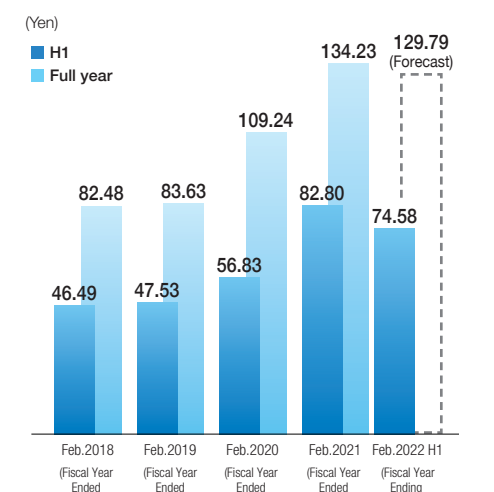
Ordinary Income



Net Income Attributable to Owners of Parent



Net Income per Share



On September 1, 2020, we performed a 2-for-1 split of the shares of common stock. The net income per share was calculated on the basis that the stock split was performed at the start of the year ended Feb. 28, 2019.

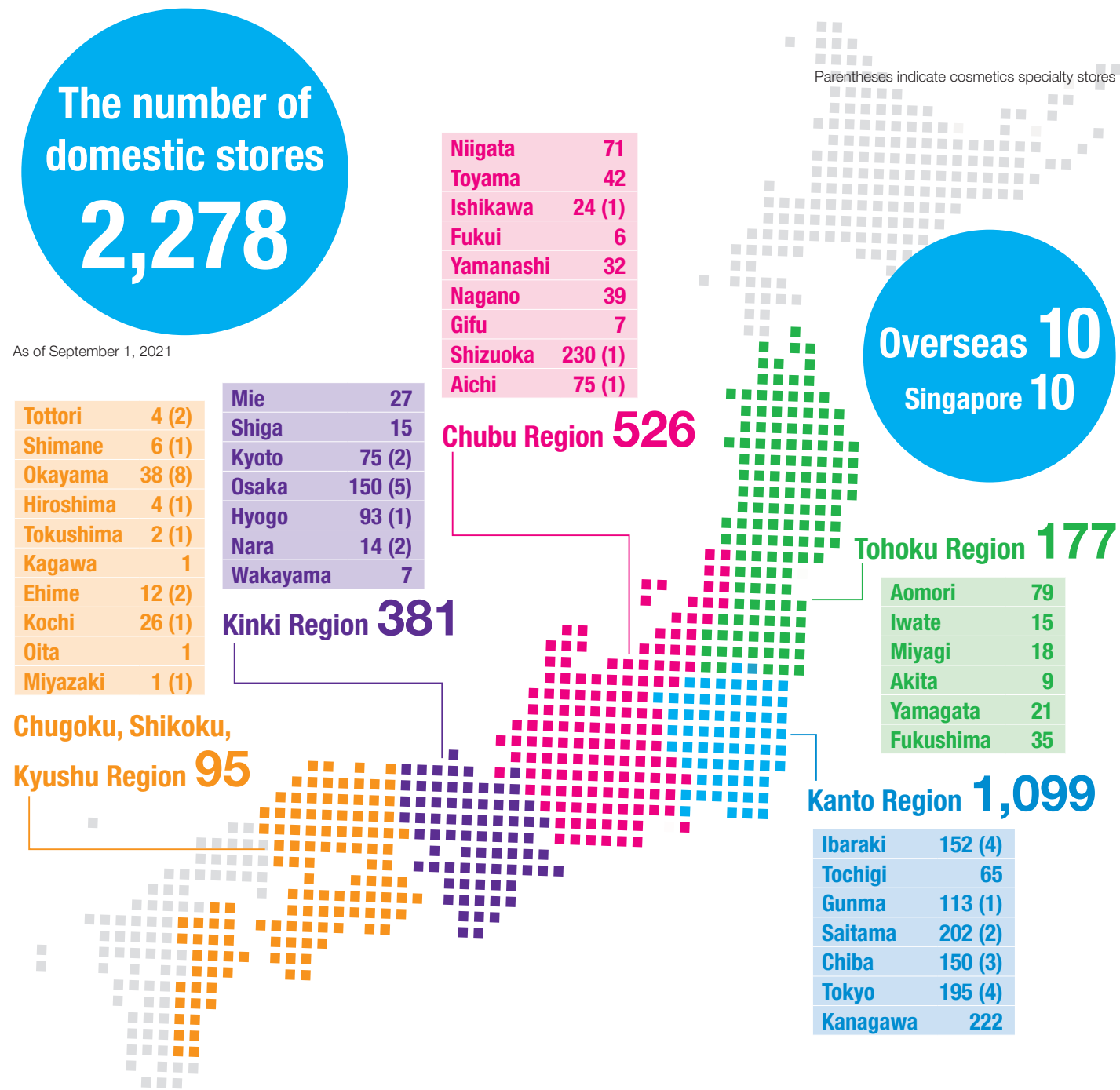
Q 2 Tell us about your store openings

A 2 We continued our proactive expansion strategy, opening our first drugstore in Kyushu. We now have 2,278 stores across 39 prefectures in Japan.

Although the pandemic impacted store openings, by the end of the first half, we had opened 82 stores, and closed 12, in Japan.

Overseas, we opened one store, and closed another, in Singapore amid a surge in cases.

At the end of August 2021, our group counted a total of 2,287 stores in Japan and overseas. On September 1, we opened our first drugstore in Kyushu: Oita Centporta Chucho. We will continue to actively expand our store network.



Q 3 How is your Welcia Model going?

A 3 A four-fold model of one-stop stores with specialist support: drug stores with a dispensing pharmacy, counselling services, late-night operation, and long-term care services.

We are rolling out the Welcia Model among our group companies to achieve our vision of one-stop stores that offer specialist support and customer convenience, and thereby support wellbeing and livelihoods in the community.

Alongside an extensive merchandise lineup, customers can receive advice and other services from a team of professionals, including pharmacists, registered pharmaceutical sales clerks, beauty care advisors, registered dietitians, and dispensing clerks.

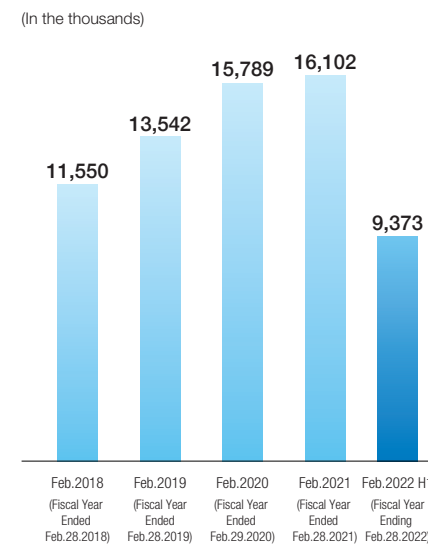
In Japan, we now have 1,742 drugstores with dispensing pharmacies, which comes to 78.0% of our total stores in Japan. Despite rising infections, the number of prescriptions was 122.8% of the previous year's figure thanks to a larger number of dispensing pharmacies and stores that open on Saturdays.

To better serve the needs of local communities, a number of our drugstores stay open late at night. We now have a total of 1,713 such stores, and 254 of them operate 24 hours a day. We continue to expand 24-hour operation to enhance convenience

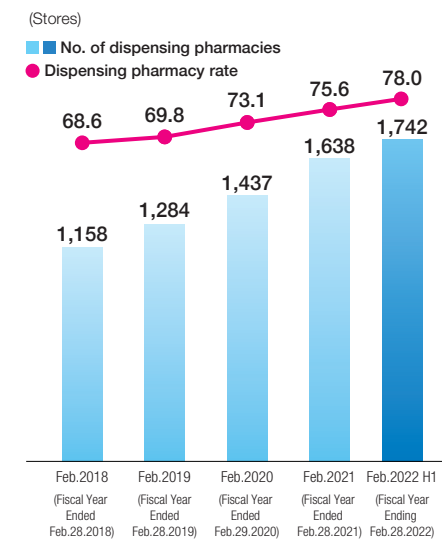
for our customers. Our benchmark is to have one 24-hour store in each region.



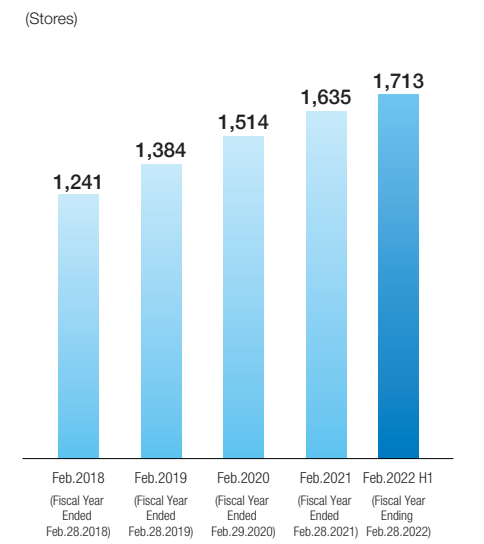
Number of prescriptions



Change of the Number of Stores with Dispensing Pharmacy



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, 36 stores operated by Masaya under the store brand Masaya or Color Studio, and eight stores operated by Welcia Yakkyoku under the Narcis brand).

Q 4 How are you contributing to local communities?

A 4 We are providing something unique by leveraging two of the Welcia Model elements: drug stores with a dispensing pharmacy and counselling services.

Hac Drug Kashimada (Kawasaki, Kanagawa) has served as an advisor to its local community by holding educational events for a wide variety of age groups. The events include health seminars led by pharmacists and registered dietitians, visiting lectures at junior high school to warn students of the dangers of substance abuse, and an event where children experience the work of a pharmacist. In recognition of such community engagement, the drugstore was designated a “health support pharmacy” (i.e., a pharmacy that supports public health)* in May 2018.

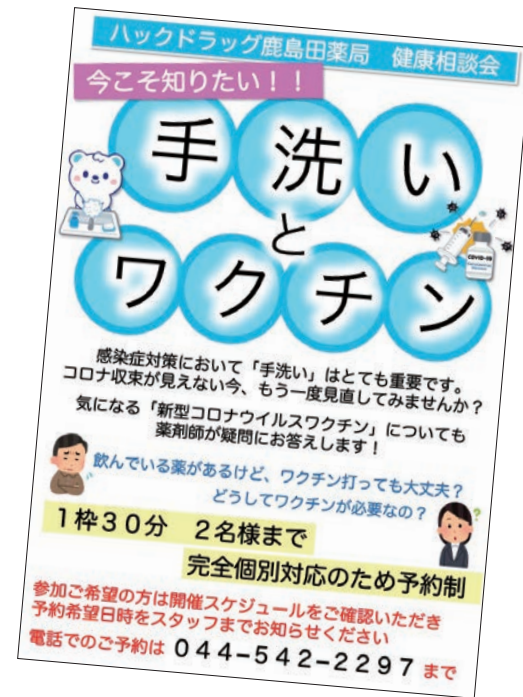
In May 2021, when vaccinations began among elderly residents, the store’s customers asked about vaccinations and complained about how hard it was to book an appointment. In response, the drugstore, as a “health support pharmacy,” started helping elderly people get an appointment and provided follow-ups for the reservation paperwork.

For residents receiving their vaccination from someone other than their family doctor, the drugstore’s dispensing pharmacy handed over all the necessary medication information. Specifically, the pharmacist would reprint a label for the person’s prescription notebook and arrange the records in the notebook in chronological order to clarify the medications the person is taking. The pharmacist would also advise the person on what they need to bring to the vaccination site and other matters concerning the vaccination.

Such support reduced the stress elderly people faced in booking vaccinations. Moreover, by checking the person’s medications, the pharmacist reduced pre-vaccination screening time on the day of the vaccination.

We will continue their efforts to the needs of local residents.

* To qualify as a “health support pharmacy” health (kenkō sapōto yakkyoku), pharmacies must satisfy criteria specified by the Minister of Health, Labour and Welfare. Specifically, in addition to serving as a local, go-to pharmacy, they must offer accessible advice on over-the-counter drugs, health foods, eldercare, and nutrition.



A flyer advertising a health consultation event



A pharmacist advising a customer about vaccinations

Q 5 How are you integrating sustainability into your business?

Environment We work with local communities to address environmental challenges. For example, our stores participate in a return-and-recycle scheme for plastic bottles and encourage customers to bring a reusable shopping bag.



Sustainability forms a central part of our business activities, and we work with stakeholders to address social and environmental challenges.

To give a recent example, Welcia Yakkyoku teamed up with Coca-Cola Bottlers Japan to pilot a return-and-recycle scheme for plastic bottles. The trial, which ran from September 2020 to May 2021, forms part of Bottle to Bottle, a model in which plastic bottles are deposited in storefront collection points and then recycled into new plastic bottles. When customers came to deposit the used bottles, they rinsed the bottles to ensure the material was good for recycling. In June 2021, we expanded the scheme to all stores in Tochigi Prefecture. The team plans to roll out the scheme to other areas and collect a higher volume of used bottles.

Our stores started charging for single-use plastic bags in April 2020. Customers have responded positively and many now bring a reusable shopping bag. Before the bag charge, we used

around 200 tons of single-use plastic bags every month. We have reduced this to 70 tons a month. In the fiscal year ended Feb.28.2021, we took ¥2,678,216 in charges for single-use bags. Up to June 2021, our group companies donated this money to charities involved in greenification and other environmental work.



Bottle to Bottle storefront collection point

Bottle to Bottle monthly results

	2020				2021							
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Phase	Pilot								Rollout			
Total kg collected	3.0	49.0	53.0	53.0	53.9	44.0	74.9	25.0	74.0	100.0	270.0	430.0
Participating stores	11	11	11	11	11	11	11	11	11	58	58	58
Kg collected per store	0.2	4.4	4.8	4.8	4.9	4.0	6.8	2.2	6.7	1.7	4.6	7.4



As an organization rooted in local communities, we contribute to the social fabric in a variety of areas.



In August 2021, Japan launched a program for recognizing pharmacies that help build a bridge between local residents and healthcare services. The program designates such pharmacies as “community-coordinator pharmacies” (Chiiki renkei yakkyoku).

These pharmacies play a consistent and ongoing liaison role in healthcare, including in outpatient consultations, in-home care services, hospital admissions, and inpatient discharge. In this role, they facilitate communication between local healthcare providers such as family clinics, hospitals, and elder care providers, ensuring that these services have the medication information necessary to perform high-quality pharmacologic management. The healthcare providers they coordinate with include other pharmacies: Such coordination can involve the provision of pharmaceutical products, pharmaceutical

information, pharmaceutical services, or training services. As of last August, 17 of our pharmacies have applied for designation.

Last April, in a tie-up with Secoma, we launched an original ice cream bar (chocolate and matcha). The product is manufactured by a Secoma subsidiary, Daimaru Nyuuhin. It uses matcha produced in the Kawane district of Shimada, Shizuoka, under a partnership between the municipality and Yokohama University of Pharmacy. The ice cream bar has proven popular. We want to explore other tie-ups for launching tasty and inexpensive products that feature local produce combined with the health values associated with a drugstore.



We embrace workplace diversity



Through multiple waves of post-merger integration, we have demonstrated our inclusivity and openness to change. Diversity is ingrained in our corporate culture.

Our vision of one-stop stores that offer specialist support emphasizes the need to cover a full spectrum of health needs. Accordingly, we require a team of talented and motivated professionals (including pharmacists, registered pharmaceutical sales clerks, beauty care advisors, registered dietitians). That requires us to provide a diverse and empowered workplace. The

steps we took this year in this area include new unisex uniforms for drugstore staff and a webinar on LGBTQ awareness, which was attended by more than 7,000 employees.

In July, Welcia Yakkyoku extended its system of marriage benefits to cover same-sex couples who get a partnership certificate.

We will continue working to provide a workplace in which every employee feels empowered.



How has Welcafe fared during the pandemic?



Although we had to scale it back somewhat, our Welcafe locations have continued to provide a source of information for local residents.

We opened the first Welcafe location in 2015. The government had launched a strategy of promoting a system of community-based integrated care. Welcafe was designed to support this by providing a community anchor for facilitating public health, welfare, and cultural activities in the community.

We then opened more Welcafe locations across Japan. As of the end of August 2021, we have 358 locations. Although we did scale back activities during the states of emergency, we kept the locations open, taking all precautions. Local residents

appreciated this community-grounded initiative, as did the government.

We want each Welcafe location to serve as a not-for-profit community space freely accessible by individuals and organizations in the public and voluntary sectors, including municipal organizations, welfare agencies, community care centers, and neighborhood associations.

We will continue to open more Welcafe locations to provide vital and accessible community anchors.

A smartphone workshop that Welcia Yakkyoku co-organized with a mobile phone provider and local government

Public sector bodies, in their efforts to help elderly people book vaccination spots and shop for essentials, have raised concerns about elderly people’s digital literacy.¹ Welcia Yakkyoku has supported digital education by co-organizing a smartphone workshop with a mobile phone provider.

1. Digital literacy means having the knowledge and skills to use digital technologies like mobile devices and apps.



A cooking class (focusing on simple, quick, and healthy recipes) and exercise class

In partnership with the local community care center, we host monthly cooking classes led by a registered dietician. In August, the class started including instruction on simple exercises to do at home. Such instruction is designed to support the frail² and those with sarcopenia.³

- 2. As a medical condition, frailty refers to age-related physiological decline that makes the person more susceptible to illness.
- 3. Sarcopenia is a condition in which the person loses muscle mass, leading to diminished physical strength and physiological function.



Art and craft workshop for kids

We provided an art and craft workshop for children who were unable to go on summer vacation because of the pandemic. The workshop was held in three locations to prevent too many people congregating in one place.



Q 7 How did your counseling service fare amid the wave of infections?

A 7 We focused on supporting the resumption of activities balanced with anti-infection measures

The coronavirus pandemic and multiple states of emergency transformed people's daily lives. Initially, amid limited information, we worried whether customers could safely shop at our stores. Accordingly, we focused on anti-infection measures.

These measures included asking customers to wear facemasks, providing hand sanitizers, installing plastic barriers at checkouts, and using floor markings in front of checkouts for social distancing. Additionally, at customer touchpoints such as shopping baskets and cosmetic counters, we provided disinfecting coating agents as well as regular hand sanitizers.

Alongside these measures, we used health-management forms to monitor employees' health and followed a rigorous checklist comprising 45 items, including those on sanitation/cleaning and infection prevention.

For a while, we stopped providing in-store makeup testers and cosmetic touch-up services, but we then resumed these items after establishing guidelines for their safe use. For example, in the case of makeup testers, we asked customers to refrain

from touching the makeup testers directly, but allowed them to apply the makeup using a single-use sponge. We also disinfected the samples after each use. As for touch-up services, our beauty care advisors disinfected their fingers and brushes in front of the customer before performing their service.

We also provided contactless cosmetic services on a dedicated iPad, using apps for testing skin and a virtual makeup app. In this way, customers could try out different foundation and lipsticks virtually, avoiding physical contact.

Customers have thanked us for providing tips on makeup that looks good even when the person wears a facemask.

We are mindful of the burden we impose upon customers in asking them to wear a facemask and sanitize their hands. However, we will continue asking for their cooperation in this regard, and to do everything we can on our part, to ensure that our stores remain safe, infection-free places for the local community.



Using a dedicated iPad to provide contactless cosmetic services



An in-store poster informing customers that touchpoints are coated with disinfectant

New Store Brands Launched: Karada Welcia, Kurashi Welcia

In June 2021, we launched two private-label store brands: Karada Welcia and Kurashi Welcia.

The first brand, Karada Welcia, includes food, skincare, and sanitary products, as well as pharmaceuticals. The other brand, Kurashi Welcia, consists of household goods that make day-to-day life easier.

The concept behind both brands is to provide everyday products that support physical wellbeing and the daily routine.

As part of our contribution to the SDGs, the products come in eco-friendly packaging made from plant-based

materials and biomass.

We started by overhauling our existing lineup of private-label brands while conducting market research and analytics for new product ideas.

By the end of this fiscal year, we will have launched 100 products, which will include the kind of daily goods that drugstores excel in. As before, the products are co-developed with expert partners, and they embody our drugstore values of supporting physical wellbeing and the daily routine.



Sturdy softie hand towel (triple pack of 200 double-layer towels)

Earth love, skin love body towel (single sheet)



Twice as long, soft as a song toilet paper (12 x 100 m single ply toilet paper)

Fine fibers, fine clean bath sponge (single sponge)



Happy smile fat-free yogurt (400 g)



The best nuts you've ever tasted (7 x 28 g bags)

NEWS

On October 21, Welcia Aeon Town Makuharinishi Store opened two sections devoted to Karada Welcia and Kurashi Welcia products. The two brands also have their own webpage.

<https://www.welcia-yakkyoku.co.jp/karadatokurashi/>
This site is only available in Japanese.

Management Indices (Consolidated)

	FY2020 H1 (March 1 – August 31, 2020)	FY2021 H1 (March 1 – August 31, 2021)	FY2020 (March 1, 2020 – February 28, 2021)
Net Sales (million yen)	476,656	508,295	949,652
Ordinary income (million yen)	27,886	25,145	45,800
Net income attributable to owners of parent (million yen)	17,300	15,527	27,999
Comprehensive income (million yen)	17,378	15,495	28,025
Net assets (million yen)	176,847	194,247	180,351
Total assets (million yen)	390,962	424,680	435,685
Net income per share (yen)	82.80	74.58	134.23
Diluted net income per share (yen)	82.72	74.52	134.10
Equity ratio (%)	45.0	45.5	41.2
Net cash provided by (used in) operating activities (million yen)	5,042	(804)	46,396
Net cash provided by (used in) investment activities (million yen)	(4,129)	(13,813)	(16,147)
Net cash provided by (used in) financing activities (million yen)	(8,874)	(8,172)	(16,970)
Cash and cash equivalents at the end of the period (million yen)	29,676	28,159	50,937

Notes

- The above table shows quarterly consolidated financial statements; these statements do not describe the how the filing company has recently fared in key business metrics.
- Net sales does not include consumption tax.
- On September 1, 2020, the filing company performed a 2-for-1 split of the shares of common stock. The net income per share in the period under review, both before and after adjusting for potential shares, was calculated on the basis that the stock split was performed at the start of the year ended February 28, 2021.

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, including industry consolidation among the big players and increasing competition (including with players from other industries). Meanwhile, the pandemic has massively changed trends among customers and patients. Examples of these changes include a heightened demand for sanitary goods, a rise in stay-at-home lifestyles, and fewer medical visits.

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 personal drug stores that contribute to the local communities. To that end, we roll out the four components of the Welcia Model (drugstores with a dispensing pharmacy, counseling services, late-night services, and long-term care services). In this way, we will grow as an organization that supplies the values society seeks.

Vision

We aim to develop a one-stop store that offers specialist support 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 pharmaceutical sales clerks, registered dietitians, dispensing clerks, healthcare providers, and beauty care advisors, culminating in develop a team of professionals who can offer high-quality expert advice.

In order to boost profitability, we will undergo a digital transformation to streamline store operations and strengthen our digital marketing.

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 FY2021:

Net sales:	¥1.021 trillion
Ordinary income:	¥47.6 billion
Net income attributable to owners of parent:	¥27 billion
Store openings:	127
Store closures:	25
Number of drug stores with a dispensing pharmacy (in Japan):	1,784

Consolidated Balance Sheets

	Million Yen	
	FY2020 (February 28, 2021)	FY2021 H1 (August 31, 2021)
Assets		
Current assets		
Cash and deposits	¥ 51,918	¥ 29,479
Accounts receivable-trade	44,821	45,694
Merchandise	103,283	105,457
Other	15,867	15,864
Allowance for doubtful accounts	(1)	(1)
Total current assets	215,890	196,494
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	84,094	90,821
Land	14,743	14,811
Lease assets, net	42,081	44,198
Other, net	7,309	7,848
Total property, plant and equipment	148,229	157,680
Intangible assets		
Goodwill	16,899	16,031
Other	2,509	2,592
Total intangible assets	19,409	18,624
Investments and other assets		
Guarantee deposits	37,017	38,041
Other	15,161	13,862
Allowance for doubtful accounts	(23)	(22)
Total investments and other assets	52,155	51,881
Total noncurrent assets	219,794	228,186
Total assets	¥ 435,685	¥ 424,680

Consolidated Balance Sheets

	Million Yen	
	FY2020 (February 28, 2021)	FY2021 H1 (August 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	¥ 150,388	¥ 131,225
Short-term loans payable	6,394	5,971
Lease obligations	7,528	7,977
Accounts payable-other	13,287	10,298
Income taxes payable	7,757	8,219
Provision for bonuses	4,653	2,535
Provision for bonuses for directors (and other officers)	142	23
Provision for point card certificates	26	25
Other	12,868	12,112
Total current liabilities	203,049	178,390
Noncurrent liabilities		
Long-term loans payable	9,222	7,256
Lease obligations	24,406	25,446
Asset retirement obligations	9,955	10,361
Retirement benefits-related liabilities	5,281	5,707
Allowance for executive stock benefit	717	658
Other	2,700	2,613
Total noncurrent liabilities	52,284	52,043
Total liabilities	255,333	230,433
Net assets		
Shareholders' equity		
Capital stock	7,736	7,736
Capital surplus	51,672	51,670
Retained earnings	125,866	138,249
Treasury stock	(5,855)	(4,667)
Total shareholders' equity	179,419	192,989
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	357	316
Foreign currency translation adjustment	3	14
Accumulated adjustment related to retirement benefits	(289)	(257)
Total accumulated other comprehensive income	70	74
Subscription rights to shares	230	183
Minority interests	630	1,000
Total net assets	180,351	194,247
Total liabilities and net assets	¥ 435,685	¥ 424,680

Consolidated Statements of Income

	Million Yen	
	FY2020 H1 (March 1 – August 31, 2020)	FY2021 H1 (March 1 – August 31, 2021)
Net sales	¥ 476,656	¥ 508,295
Cost of sale	328,959	350,480
Gross profit	147,696	157,814
Selling, general and administrative expenses	121,214	135,078
Operating income	26,481	22,735
Non-operating income		
Interest and dividend income	8	6
Real estate rent	494	477
Sponsorship money income	100	153
Income from grants and subsidies	—	956
Other	1,112	1,250
Total non-operating income	1,717	2,844
Non-operating expenses		
Interest expenses	213	222
Share of loss of entities accounted for using equity method	4	1
Rent cost of real estate	79	82
Other	14	127
Total non-operating expenses	312	434
Ordinary income	27,886	25,145
Extraordinary income		
Gain on step acquisitions	169	—
Gain on sales of noncurrent assets	102	4
Other	83	3
Total extraordinary income	354	7
Extraordinary loss		
Loss on sale of noncurrent assets	0	—
Loss on retirement of noncurrent assets	48	156
Impairment loss	314	106
COVID-related loss	460	11
Other	23	35
Total extraordinary losses	846	310
Net income before income taxes and minority interests	27,394	24,842
Income taxes-current	9,220	8,179
Income taxes-deferred	894	1,178
Total income taxes	10,115	9,357
Net Income	17,279	15,485
Loss attributable to non-controlling interests	(21)	(41)
Net income attributable to owners of parent	¥ 17,300	¥ 15,527

Consolidated Statements of Comprehensive Income

	Million Yen	
	FY2020 H1 (March 1 – August 31, 2020)	FY2021 H1 (March 1 – August 31, 2021)
Net income	¥ 17,279	¥ 15,485
Other comprehensive income		
Other valuation difference on available-for sale securities	90	(40)
Foreign currency translation adjustment	(15)	22
Remeasurements of defined benefit plans	25	27
Total other comprehensive income	99	10
Comprehensive income	17,378	15,495
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent company	17,406	15,526
Comprehensive income attributable to non-controlling interests	¥ (27)	¥ (30)

Consolidated Statements of Cash Flows

	Million Yen	
	FY2020 H1 (March 1 – August 31, 2020)	FY2021 H1 (March 1 – August 31, 2021)
Net cash provided by (used in) operating activities		
Net income before income taxes and minority interests	¥ 27,394	¥ 24,842
Depreciation and amortization	7,277	8,055
Impairment loss	314	106
Amortization of goodwill	830	916
Loss (gain) on step acquisitions	(169)	—
Increase (decrease) in the allowance for doubtful accounts	(10)	(0)
Increase (decrease) in the provision for bonuses	(2,063)	(2,118)
Increase (decrease) in provision for bonuses for directors (and other officers)	38	(118)
Increase (decrease) in liabilities for retirement benefit	399	480
Increase (decrease) in the allowance for executive stock benefit	53	(59)
Increase (decrease) in the provision for point card certificates	(0)	(0)
Interest and dividends income	(8)	(6)
Interest expenses	213	222
Rent as a counterbalance to construction assistance funds receivable	516	530
Gain on sales of noncurrent assets	(102)	(4)
Loss on sale of noncurrent assets	0	—
Loss on the retirement of noncurrent assets	25	156
Gain on the donation of noncurrent assets	(120)	(101)
Decrease (increase) in notes and accounts receivable-trade	4,522	(869)
Decrease (increase) in inventories	(3,300)	(2,181)
Increase (decrease) in notes and accounts payable-trade	(19,701)	(19,167)
Increase (decrease) in accrued consumption taxes	258	157
Increase (decrease) in accounts payable – other	(1,219)	(3,093)
Other	(1,305)	(1,320)
Subtotal	13,840	6,426
Interest and dividends income received	13	6
Interest expenses paid	(209)	(227)
Income taxes paid	(9,877)	(8,618)
Income taxes refund	1,275	1,608
Net cash provided by (used in) operating activities	5,042	(804)
Net cash provided by (used in) investing activities		
Payment into time deposits	(555)	(946)
Proceed from the withdrawal of time deposits	945	608
Purchase of property, plant and equipment	(6,153)	(10,028)
Proceeds from the sales of property, plant and equipment	430	4
Purchase of intangible assets	(306)	(372)
Proceeds from refund of deposit paid in subsidiaries and affiliates	7,000	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(2,445)	—
Proceeds from disposal of fixed assets	0	—
Payment for lease deposits	(2,896)	(2,939)
Collection of lease deposits	134	104
Other	(282)	(242)
Net cash provided by (used in) investing activities	¥ (4,129)	¥ (13,813)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	¥ 140	¥ (59)
Repayment of long-term loans payable	(2,127)	(2,330)
Payments for redemption of bonds	(290)	(55)
Cash dividends paid	(2,829)	(3,143)
Repayment of finance lease obligations	(3,443)	(4,118)
Purchase of treasury stock	(506)	(1)
Payments received from minority shareholders	—	396
Purchases of shares in subsidiary's stock not entailing changes in scope of consolidation	—	(21)
Other	181	1,161
Net cash provided by (used in) financing activities	(8,874)	(8,172)
Effect of exchange rate change on cash and cash equivalents	(1)	12
Net increase (decrease) in cash and cash equivalents	(7,963)	(22,778)
Cash and cash equivalents at the beginning of the period	37,599	50,937
Increase in cash and cash equivalents resulting from merger	41	—
Cash and cash equivalents at the end of the period	¥ 29,676	¥ 28,159

Notes

Material Subsequent Events

Merger Following Acquisition of Stock

On July 16, 2021, the Board of Directors approved the signing of a memorandum of understanding with Pupule Himawari (the acquiree) concerning a business and capital alliance (the acquisition). The memorandum of understanding was signed on the same day.

On September 20, 2021, the Board of Directors approved the acquisition of the acquiree's stock. An agreement to purchase the stock was signed on the same day.

1. Overview of Merger

(1) Name of acquiree and description of acquiree's business

Name Pupule Himawari
Business description Drugstore management

(2) Reason for merger

Welcia Holdings and its corporate group have built a network of drugstores beginning in the Kanto area and now stretching from Tohoku to the Shikoku region.

The company's vision statement declares that its purpose is "to promote higher quality of life and healthy lifestyles for our customers." To achieve this purpose, the company has developed a business model for delivering one-stop stores that offer specialist support and serve as everyday life platforms, providing health-related, value-added products and services. This business model emphasizes four elements: drug stores with a dispensing pharmacy, counselling services, late-night operation, and long-term care services.

In line with this vision and business model, the company wants to ensure that its stores serve the needs of local residents in terms of health, beauty, and the daily routine. To that end, it is cultivating professional talent (pharmacists, registered sales clerks, beauty care advisors, registered nutritionists, and registered dispensing clerks) who can deliver expert and empathetic counseling and customer service. It is also providing merchandise tailored to local needs and making its stores more convenient to shop at.

Pupule Himawari has built a network of drugstores beginning in Hiroshima Prefecture and now covering the prefectures of Okayama, Shimane, Tottori, Hyogo, Ehime, and Kagawa.

The company's corporate philosophy commits the

company to...

- being an organization that helps local residents lead healthy, beautiful, and enriched lives;
- taking a customer-first approach in which staff always express their gratitude, greet customers with a warm welcome and beaming smile, and give accurate information about products;
- providing a mutually respectful workplace that encourages professional development and quality of life.

Welcia Holdings wants to expand its network of stores in the Chugoku and Shikoku regions. It also believes that it will be possible to expand corporate scale and strengthen corporate structure by pooling each other's knowhow, workforce, and other corporate resources.

(3) Date of merger

December 1, 2021

(4) Legal form of merger

Acquisition of stock for cash consideration

(5) Names of companies following merger

No change

(6) Percentage of voting rights to be acquired

51.0%

(7) Main grounds for deciding on acquisition

Welcia Holdings will acquire the stock for a cash consideration.

2. Value of Acquiree's Stock, Breakdown of Stock Classes

Consideration for acquisition	¥13,200 million in cash
Acquisition cost	¥13,200 million

The actual acquisition cost will reflect market value adjustments made at the time the stock is purchased, pursuant to the stock transfer agreement. The figure quoted above is the current estimate; this will likely differ from the final acquisition cost as a result of the value adjustments.

3. Description and Amounts of any Expenses Associated with the Acquisition

To be determined

4. Amount of and Reason for any Goodwill, Method and Period of Amortization

To be determined

5. Description and Amounts of any Assets and Liabilities Inherited on day of Merger

To be determined

Company Information / Investor Information

(As of August 31, 2021)

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

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

Number of Group Employees

12,756 (excluding part-time employees)

Executives

Chairman and Representative Director

Takamitsu Ikeno

President and Representative Director

Tadahisa Matsumoto

Executive vice president

Norimasa Sato

Juichi Nakamura

Directors

Motoya Okada

Outside Directors

Yukari Narita

Tomoko Nakai

Kunio Ishizuka

Corporate Auditor

Toshio Miyamoto

Outside Corporate Auditors

Hirohisa Kagami

Atsuko Sugiyama

Yasuo Ichikawa

Number of Shares

Number of Shares Authorized

494,947,200

Number of Shares Issued

209,621,214

(excluding 12,462 treasury shares)

Number of Shareholders

21,523

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
AEON Co., Ltd.	105,940	50.54
The Master Trust Bank of Japan, Ltd. (trust account)	9,337	4.45
Custody Bank of Japan, Ltd. (trust account)	5,848	2.79
Tsuruha Co., Ltd.	3,352	1.60
Welcia Holdings Employee Stock Ownership	3,352	1.60
BNYM AS AGT / CLTS NON TREATY JASDEC	2,827	1.35
STATE STREET BANK WEST CLIENT-TREATY 505234	2,482	1.18
JP MORGAN CHASE BANK 385635	1,822	0.87
Custody Bank of Japan, Ltd. (trust account 5)	1,671	0.80
ISHIDA CO.,LTD.	1,616	0.77

(Note) In calculating shareholding ratio, we omitted 12,462 shares of treasury shares. The treasury shares do not include the 817,300 shares held in the ESOP Trust or the 440,442 shares held in the BIP Trust.

Breakdown of Holdings by Shareholder Type

