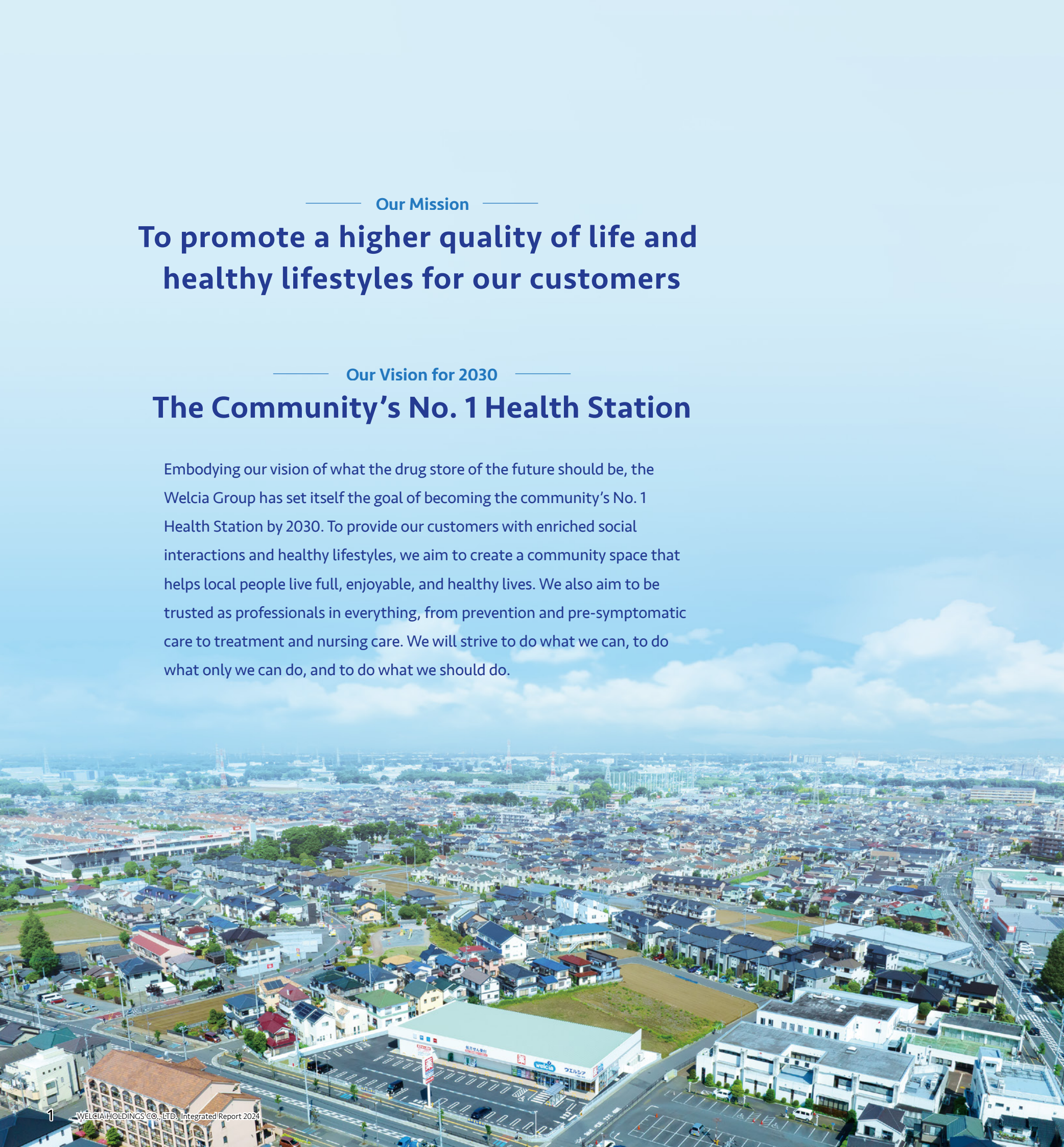




WELCIA HOLDINGS CO., LTD.



Our Mission

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

Our Vision for 2030

The Community's No. 1 Health Station

Embodying our vision of what the drug store of the future should be, the Welcia Group has set itself the goal of becoming the community's No. 1 Health Station by 2030. To provide our customers with enriched social interactions and healthy lifestyles, we aim to create a community space that helps local people live full, enjoyable, and healthy lives. We also aim to be trusted as professionals in everything, from prevention and pre-symptomatic care to treatment and nursing care. We will strive to do what we can, to do what only we can do, and to do what we should do.

INDEX

Pursuing Our Vision

Our Mission / Contents / Editorial Policy 1

Message from the Chairman 3

Value Creation History 5

Social Issues and Welcia 7

At a Glance 9

Value Creation Process 11

Spreading Enriched Lifestyles as the Community's No. 1 Health Station 13

Our Vision for 2030

Message from the President 15

Implementing Business Strategy

Message from the CFO 21

Development of Materiality Initiatives

Corporate Governance and Risk Management for the Sustainability Policy 25

List of Materiality Items 27

Key Initiatives Based on Our Human Rights Policy 29

Key Initiatives Based on Our Products and Services Policy 31

Key Initiatives Based on Our Environmental Policy 35

Evolution of Governance

Corporate Governance 37

Data

Financial and Non-financial Highlights 45

11-Year Summary 47

Corporate Data / Stock Information 49

Editorial Policy

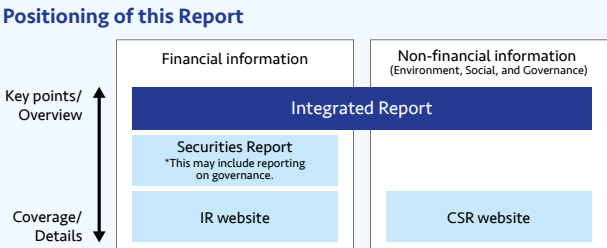
The aim of this report is to communicate the Welcia Group's values, strengths, medium- to long-term strategy, and initiatives to all stakeholders, including investors, so that they can be used to achieve constructive dialogue. When compiling this report, we have focused on including only the most important content in a simple and easy-to-understand format. IR information, CSR-related information, and other content not included in this report can be found on our website.

Period Covered

This report is mainly focused on activities that were carried out in fiscal 2024 (March 2023 to February 2024) but also contains activities carried out before and after this period. The names of organizations and officers are current as of May 28, 2024.

Scope of Report

Financial information included in this report is based on the consolidated financial information of WELCIA HOLDINGS CO., LTD., while non-financial information is based on information covering Welcia Yakkyoku Co., Ltd. only.



Note on Forward-looking Statements

Forward-looking statements in this report reflect the Company's judgment based on information available at the time of writing and include a certain amount of risk and uncertainty. Please understand that performance forecasts and other such statements contain the risk that results may differ from those forecasts.

To fulfill a role in society while chasing a big dream

Takamitsu Ikeno

Representative Director, Chairman and CEO
WELCIA HOLDINGS CO., LTD.



Reforming store operations with youth and speed

Welcia announced a change of President in May 2024. When I look ahead, I am always convinced that the people who progress society in the future will need to utilize companies. For example, what type of company should I bring about in 10 years? Or rather the question should be: what company would be good for when people who are 50 years old now turn 60 or 70 years old? Thinking this way is critical to proper action in my view. I think there is significance not only in making the management team more youthful, but also in creating a system where we can think about the ideal future that the next generation would prefer to see. I feel President Kirisawa has always been trustworthy to implement strategies with a sense of speed so as to help our Company lead the community to a more enriched society in 10 or 20 years. In discussions at the Board of Directors' meetings, we have received a number of instructive opinions demonstrating a variety of perspectives held by outside directors. I would like you to steadily develop as managers while receiving the support of such outstanding individuals.

Additionally, I feel that the world and lifestyles of people have changed dramatically since the outbreak of the COVID-19 pandemic. In order to flexibly respond to these changes and remain one step ahead of customer needs, it is necessary for stores to take the lead in taking action. Currently, Welcia has over 2,000 stores, with

northern and southern stores having completely different climates and consumer trends. I would like us to maintain conditions such that we have an array of products matching the timing of the customer's needs. In order to do so, the ideal is not to have the President or headquarters wave a flag to make all stores move uniformly in the same direction, but for each individual store manager to mull over what the President communicates, and implement store management in alignment with those ideas. Additionally, I think it is the drug store's role to have excellent response whenever a customer comes in for consultation. As lack of personnel can be an issue, optimization of store operations using digitalization is an urgent need in order to secure time for conversations with customers. One of the declarations in our Medium-term Management Plan is that we will implement reform with even greater speed.

I strongly sense that things are already changing in the right direction as our Company is consciously reforming its structure, and stores also change when that is communicated to employees. In order for customers to live vivacious lives, more than anything else, we need our stores to be energized as well.

Developing dreams by expanding our scale

Welcia has begun discussions towards integrating with TSURUHA Holdings Inc. They have scale in terms of customers and society, so they have services they can

provide, and it would enable us to create new opportunities and develop unique systems for ensuring employees' hopes come true.

However, it is not a simple matter for two companies with different histories and past experiences to come together as one and move forward in the same direction. The most important thing is "union of the heart." First of all, if the companies don't integrate their feelings, it doesn't matter how big a company is, or how many times it merges, it won't become more effective. Welcia has joined with over 20 companies so far, and I think we have done this well because we have always thought about the optimal solution for incoming employees and how to thoroughly elevate both companies.

After that, it is important to know how new dreams can be achieved through integration. Dreams refers more to employees' growing dreams, rather than the dreams of management. If we give a lot of water to our aims and grow our dreams big, then I think we will see the results in 10 years and be glad for what we've done.

Delivering an enriched lifestyle and health, as we support "living"

It is clear that we are moving into a future where not only Japan, but many countries in the world are facing an aging society and population decline. What Welcia aims for is to become a health station that supports the community in such an era. I would like to offer enriched

living not only to the customers who come to our store, but also to those customers who cannot come to the store because they don't have the means of transportation or are worried about their health. For those people, we have deployed the mobile sales vehicle "Uetan-go" to deliver such service. This service is not limited to delivery of products or other goods. I believe the important thing is to encourage communication. "Uetan-go" does not deliver products to customer residences, but provides a service where, as a mobile sales vehicle, it stops at locations decided by the government and everyone gathers at those locations to shop. In this course of events, a community naturally builds up around the stopping points of the sales vehicle. I think creating opportunities for people to go outside and have conversations is key for people to living long, healthy lives. In order to support true "living" and not just deliver products, I think the expansion of this type of initiative is critical. I believe that provision of such a service is only possible with the scale of our Company.

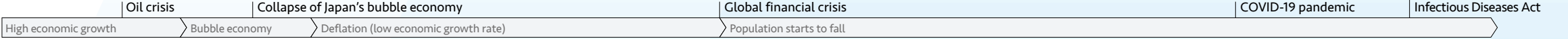
The important thing for living is not so much related to material wealth as it is connected to feeling enriched. I believe that spreading this kind of service to all of Japan through company integration, while maintaining profitability, will be a large force for supporting communities in the future.

Value Creation History

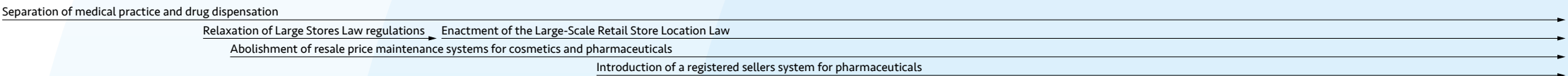
Developing the Welcia Model in anticipation of changes in the social environment

The Welcia Group has expanded its business operations in anticipation of changes in the social environment. Going forward, we will aim to achieve continuous corporate growth while also helping to create a sustainable society, with a constant commitment to connecting closely with the lifestyles of local communities.

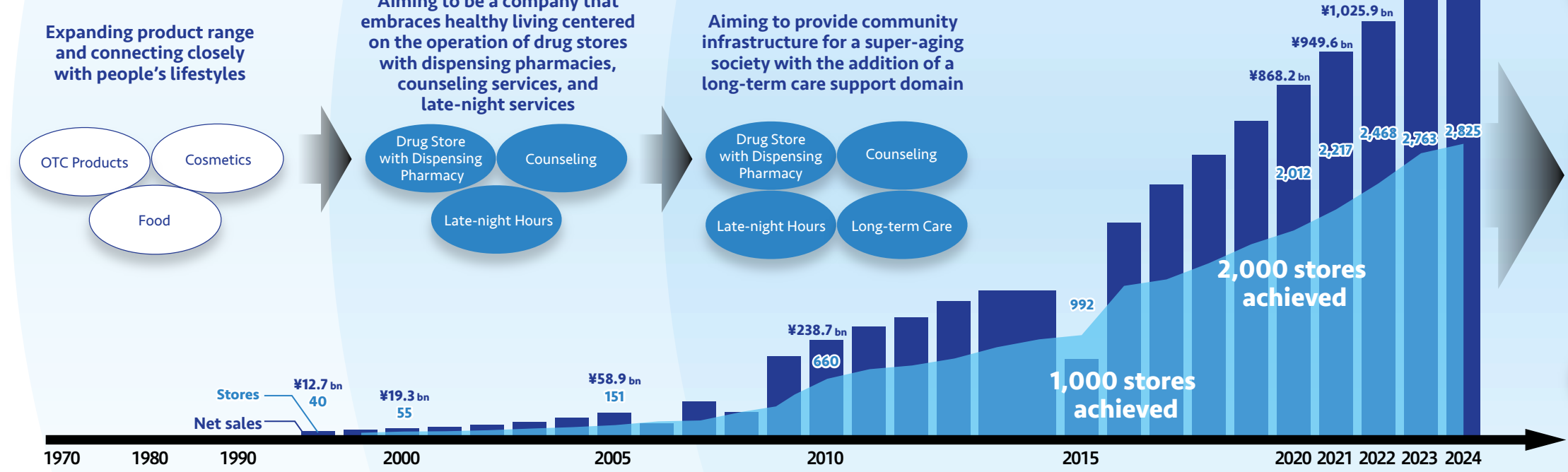
Changes in Japan's social environment



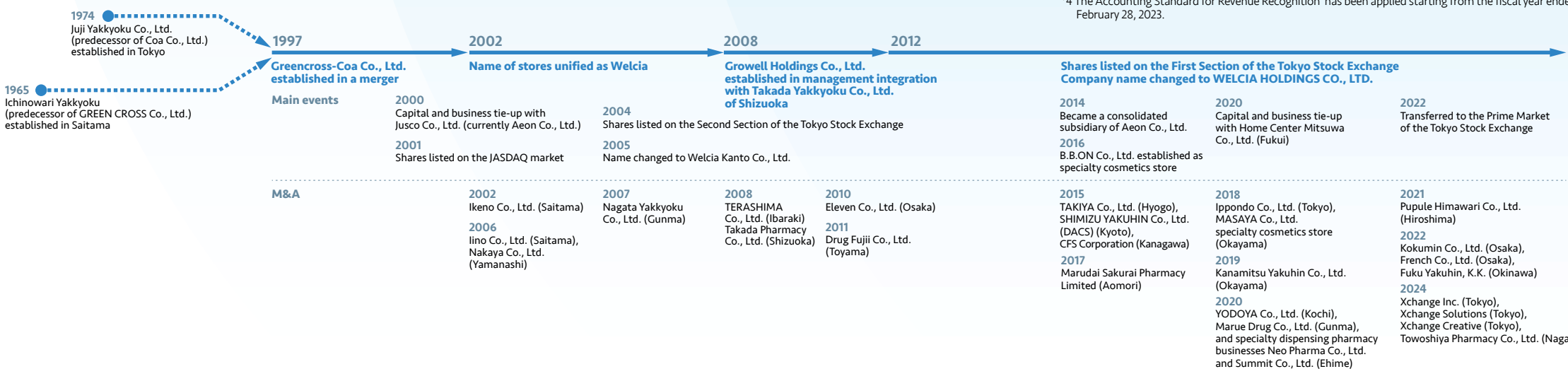
Main regulatory movements in the Japanese drug store industry



Sales trends and value creation



Main events & M&A projects



Drug Store with Dispensing Pharmacy

Counseling

Promoting the Welcia Model and becoming the community's No. 1 Health Station

Late-night Hours

Long-term Care

Welcia continues to take on challenges in society and local communities, leveraging “expertise” and “convenience”

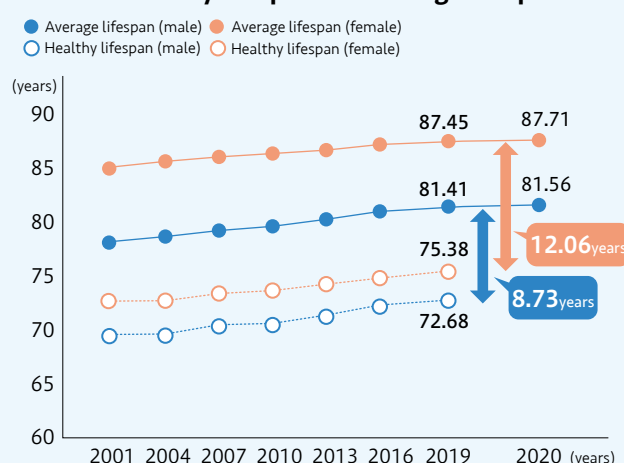
We are always looking for ways to improve our services in the face of wide ranging social issues including a declining population and aging society. We devote our full energies to contributing to the local community as we advance toward the medium-term.

Challenges in society and local communities

Increase in social security costs, surging healthcare needs

Trending toward a declining birthrate and aging population, variety of problems are emerging, such as tighter social security resources and a lack of hospital beds nationwide. We need to prevent illness in everyday life, and devise ways to extend a healthy lifespan. Furthermore, to keep the economy growing while the working-age population shrinks, it is vital to encourage all people to participate in work to ensure a working population, and to improve labor productivity. The Ministry of Economy, Trade, and Industry aims for a healthcare and nursing care domestic market of 77 trillion yen not covered by public health insurance by 2050. At Welcia, we not only support health improvements in the healthcare industry, but also devote energy to the nursing care market, which supports people after their healthy lifespan, so we will continue to support people throughout their lifecycle.

Trend in healthy lifespan and average lifespan

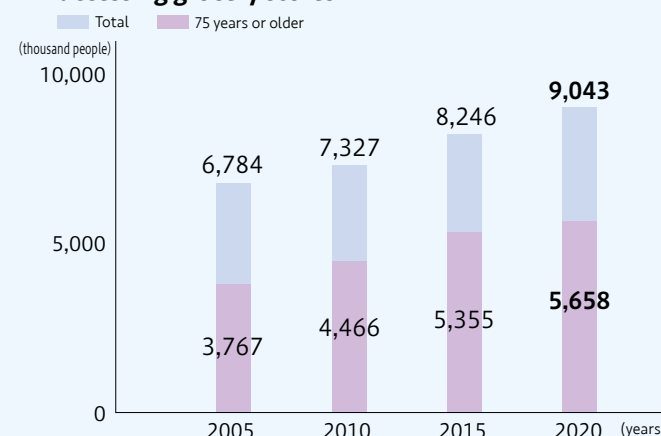


The inconvenience of shopping due to a declining population and aging society

Local grocery stores and shops are trending downward as the population declines and online shopping becomes more popular. This has led to an increase in the number of consumers struggling to buy groceries, particularly among the elderly, and the “grocery access problem” is becoming more apparent as it affects individuals’ health and the existence of communities. Beside the rural regions, this problem also exists in urban areas and an immediate response is required. With currently 2,825 stores under operation*, Welcia will expand the network of stores and has deployed the “Uetan-go” mobile sales vehicle from 2022, as we strive to deliver products to people who may have difficulty in going to a store for shopping

*As of Feb. 29, 2024

Trend in population having issues accessing grocery stores



Example of community contribution 1

Uetan-go contributes by providing groceries and medicine – even to the area stricken by the Noto Peninsula earthquake

Towards achieving our goal of making “a town where no one is left behind” as indicated in our Products and Services Policy, we carry products necessary for everyday life, such as groceries, everyday goods, and OTC products, and deploy the mobile sales vehicle “Uetan-go” in order to function as infrastructure that provides safety and peace of mind to the local community. We are increasing regional cooperation and coexistence with each and every local government. This also applies when there has been a disaster or emergency. When an earthquake with an epicenter in the Noto region of Ishikawa Prefecture struck in January 2024, we implemented a special deployment of Uetan-go, which traveled around the city shelters and areas where shopping was difficult, delivering products.

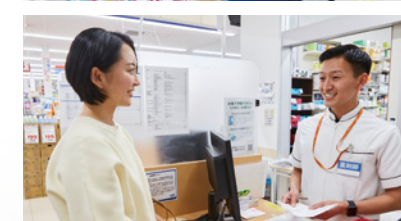
▶ See p.33 for more



Example of community contribution 2

Because we have pharmacists and registered pharmaceutical sellers, we can prevent overdose through dialogue with customers.

In recent years, it is much easier to access various information, right and wrong information from the spread of social media, etc. and for this reason, overdosing by unexpectedly taking a large amount of OTC medicine beyond the proper usage or dosage has become a problem in society. Welcia has professional human resources, such as pharmacists and registered pharmaceutical sellers, who can serve a role by receiving consultations about the proper way to use medicine and by preventing risks, so we will continue to promote a system that offers careful counseling into the future.



Leveraging the Welcia Group’s scale and expertise to grow in an ever-expanding market

Market growth potential

Continuous expansion toward a 10-trillion-yen market

Scale

Scale and collective strength cultivated over many years

Expertise

Leveraging the expertise of a wide variety of specialists

As of February 29, 2024

Drug store market size:
¥10 trillion (2025)

Oligopoly in the drugstore industry
Share owned by the top 10 companies:
76.9% (2023)

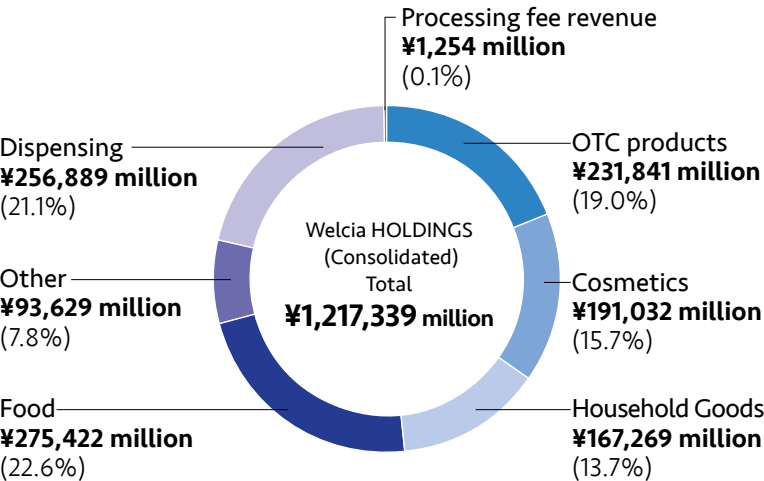
Dispensing market size:
¥8 trillion (2025)

Oligopoly in the dispensing industry
Share owned by the top 10 companies:
25.6% (2023)

Net sales:
¥1,217.3 billion

YoY change in net sales:
+6.4%

Sales by product (share of total sales given in parentheses)



No. of customers visiting store:
33.44 million

No. of prescriptions received:
24.95 million

Welcia members:
11.70 million*
(8.1 million WAON consolidated)
*As of May 31, 2024

No. of employees:
63,520
(including both permanent and temporary employees)

No. of beauty care advisors:
2,551

Registered dietitians / nutritionists:
373 / 188

Area covered by stores:
Consolidated 2,825 stores (2,812 stores in 45 prefectures / 13 stores in Singapore)

Stores offering late-night services:
2,041 stores

No. of stores with a pharmacy open on Saturdays:
1,803 stores

No. of pharmacists:
8,184

No. of registered pharmaceutical sales clerks:
19,237

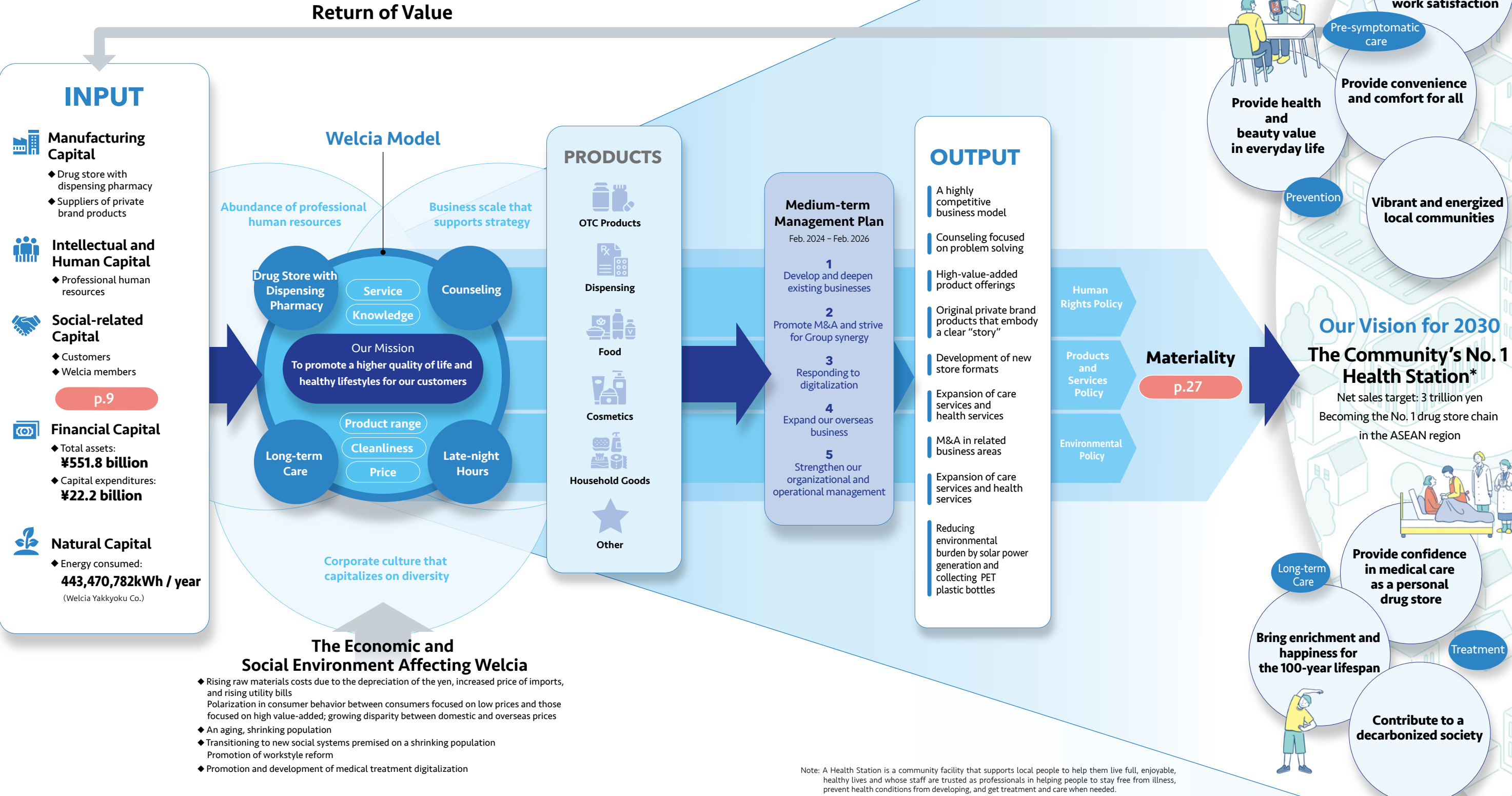
No. of drug stores with dispensing pharmacies (in Japan):
2,155 stores

No. of staff who have obtained the Lifree care advisor qualification:
total: 7,706
(Newly qualified staff in the fiscal year ended February 29, 2024: 766)

No. of stores that offer medication management and advice for in-home medical care:
1,013 stores

Enhancing the Welcia Model
on the way to achieving our Vision

By further enhancing the Welcia Model which can respond to the needs of the times, we secure a competitive advantage, and create new value as a drug store that supports the lifestyles of the community.



Living with peace of mind through close communication with experts

It was so helpful to get online instruction on dosage and dosing support whenever and wherever I want

It gives me peace of mind to have a pharmacist nearby, because there are so many stores with dispensing pharmacies

Being able to live a lifestyle you want

It's a LGBTQ+ friendly store, so we can enjoy personal shopping with peace of mind

The medicine reception lockers allow you to get prescriptions 24 hours a day. It's so convenient!

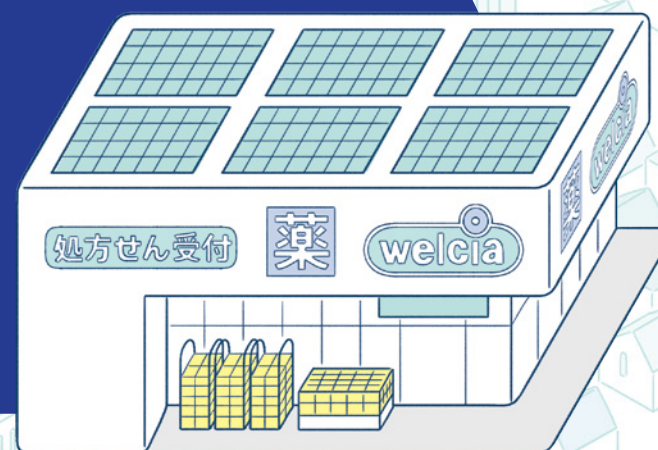
Being able to live a lifestyle befitting the environment and society

I'm happy there are so many environmentally-friendly products

Being able to access services in an environment you are used to and being able to live healthily

Spreading Enriched Lifestyles as the Community's No. 1 Health Station

Life with "Health Stations" is a future in which people in the local community can enjoy healthy, happy lives, supported by professionals who help them with everything from pre-symptomatic care to prevention, treatment, and nursing care whenever they need it. By 2030, the Welcia Group aims to be the community's No. 1 Health Station in providing this kind of lifestyle.



Registered dietitians even offer concrete diet suggestions as part of specific health guidance, making it easy to try!

Self-care to realize an extended healthy lifespan

When I became a Welcia member, they gave me personalized coupons and points too!

There aren't any stores nearby, so it really helped when a mobile salesperson came close to home!

I'm so grateful home visitation prescription and nursing care allow me to live at my home

It's fun to talk about various things with a new community!

The health care app is really convenient! We can use it to manage nutrition, exercise more, and even schedule hospital visits



From community’s No. 1 to Asia’s No. 1 — A “Health Station” that uplifts society

Hideaki Kirisawa
Representative Director,
President and COO
WELCIA HOLDINGS CO., LTD.

Realizing a health station for extending healthy lifespans

I assumed the role of President in May 2024, and the Company had been looking into rejuvenating management when they asked me about taking on the role.

Now, the business environment surrounding our Company is polarizing into a price trend in which customers’ consumption emphasizes low price, and a high value-add trend where added value is in demand no matter how high the price. It is essential to respond to heightened health awareness for extending healthy lifespans and expectations such as the guaranteed safety of products and pharmaceuticals, all the while keeping updated with the latest consumer trends. I think that responding to customer changes sincerely will lead to a big opportunity for the Company. In doing so, we need to demonstrate how our Company can change swiftly, and also are expecting me to have capability to take action rapidly. I will make sure to lead the entire Group with confidence.

Our aim is to become “The Community’s No. 1 Health Station.” This expresses a state in which our Company fully responds to the needs of customers in any health condition, in terms of “pre-symptomatic care, prevention, treatment, and nursing care.”

From the perspectives of pre-symptomatic care and

prevention, I would like our stores to be able to help in extending healthy lifespans. Although treatment is generally considered as handled by doctors, many ailments that can be treated with OTC products. Welcia has a number of experts among our staff, such as pharmacists, registered sellers, and registered dietitians. And there are many ways they can contribute such as leveraging the trust they have earned with customers through service. Our stores are a means to increase touch points with customers, and I think Welcia’s large store network is a strength to advance our business.

I am aware we do not yet have sufficient structure for nursing care. Considering M&A as an option, we will search for new avenues to integrate nursing care with store operation and create a business model unique to Welcia. It is clear that this market will continue to grow as society continues to age. I believe it will be necessary to take bold steps to develop it as a pillar of profit that differs from the current pillar of retail sales. If we can enhance “Health & Wellness,” the Company’s specialty, and become “The Community’s No. 1 Health Station,” then I believe we will be able to differentiate ourselves from other companies. How can we increase the amount of time store staff spends with customers? And how can we integrate nursing care functions with the store? This is the challenge and key to creating a health station.

Close Up

Continuing reform with speed

When I was 25, I was involved with purchase of products as a buyer. This earned me a lot of experience in the product field as I took on different responsibilities. The Products Division involves a lot of work that demand quick decision making, such as selecting products to buy and deciding on prices. Consequently, I developed the habit of frequently using simple PDCA cycles, and started believing to “just try it out if unsure.”

Basically, there are no single right answers in the retail industry. Some things that work today may not work tomorrow, so I think you need to observe the current conditions, set aside the past, and continue to swiftly make decisions. By taking advantage of my experience, I will continue to discover answers to the questions that have no one single answer while making quick, proper management decisions.

Message from the President

The idea is to utilize an app, for example, in order to provide optimized health service consistently from pre-symptomatic care to nursing care based on the customer's health condition. I would like us to make efficient use of Welcia's huge ID-POS (customer purchase information), leading to more One-to-One marketing.

However, as we look to the future, one issue we cannot avoid is the elimination of tobacco sales. We previously announced that we would eliminate the sale of tobacco for all stores by the end of February 2026. But by looking at sales figures, we see that customers buy other products along with tobacco, so some customers may find our decision confusing. However, in so far as our ideal future image as a "Health Station" is concerned, continuing to sell them could be problematic, and so we made the decision, although regrettably, to stop their sales. I still feel the need to communicate Welcia's desire to support health, either internally or externally, so we must dedicate our full energy, including marketing activities, to pursuits that resonate with our customers' need.

Steadily implementing scale expansion and advancement of the Welcia Model as we aim to realize our ideal future

In order to become a "Health Station," we need to advance the Welcia Model (see P11-12 for details),

which is our Company's unique business model consisting of four policies. Regarding the "Nursing Care mentioned earlier, I consider the "Proper Hours" in "Late-night Hours." Lack of personnel in our industry lead us to the view that long hours may not necessarily be good for our operation; rather, it is better to operate under normal business hours according to the demand in the community.

I think the most crucial regards to our operation is "Counseling." This also is connected to "Drug Store with Dispensing Pharmacy." Welcia's staff members will use their expertise to lend a helping hand to customers who come to the store, and, if necessary, communicate those issues to additional experts, such as doctors. Our ideal is to become a drug store that functions as a hub.

I would like to enhance the customer service and knowledge of Welcia store staff members with high expertise, and also to maximize the time they spend with customers, either for dosing guidance or service. In doing so, I think digitalization that optimizes tasks necessary for store operation, such as retrieving products and taking orders, will be important, so we are assigning higher priority to the tasks.

To be honest, with respect to the previous M&As, our move toward digitalization has been sluggish. We were faced with the task of unifying all systems whenever we acquired one or two companies every year. We would bring in the incoming company's basic

system, and then get overwhelmed by other activities and become unable to find the time or energy to build a unified system. To keep up the pace, we acquired Xchange Inc. in 2024, an information systems company. They managed to built their specialty applications, and have grasped the overall operation of our system, and have begun examining ways to improve and optimize. We will make further steps for improvement by taking in novel ideas and renewed approaches. Welcia Model is not yet complete, and it is something that keeps changing toward the future in line with the times.

Scale is also important for creating "Health Stations" across the country. By expanding scale, we can make new investments, leverage buying power to provide products demanded by customers, and consistently provide Welcia's services and products to people living in regions across Japan, just as any lifeline. Also, we are looking ahead of our operation in ASEAN and Asian countries. As we aim to move from "Community's No. 1" to "Asia's No. 1," they are essential tasks to be accomplished.

In February 2024, we announced that we have begun discussions around management integration with TSURUHA Holdings Inc. I think the secret to the success in Welcia's M&A has been that both of the company shared the "passion" for the future of the integrated business model. It's not simply "let's change the boat ..." but "let's ride the new boat together!" A shared mindset like this brings people together closer,

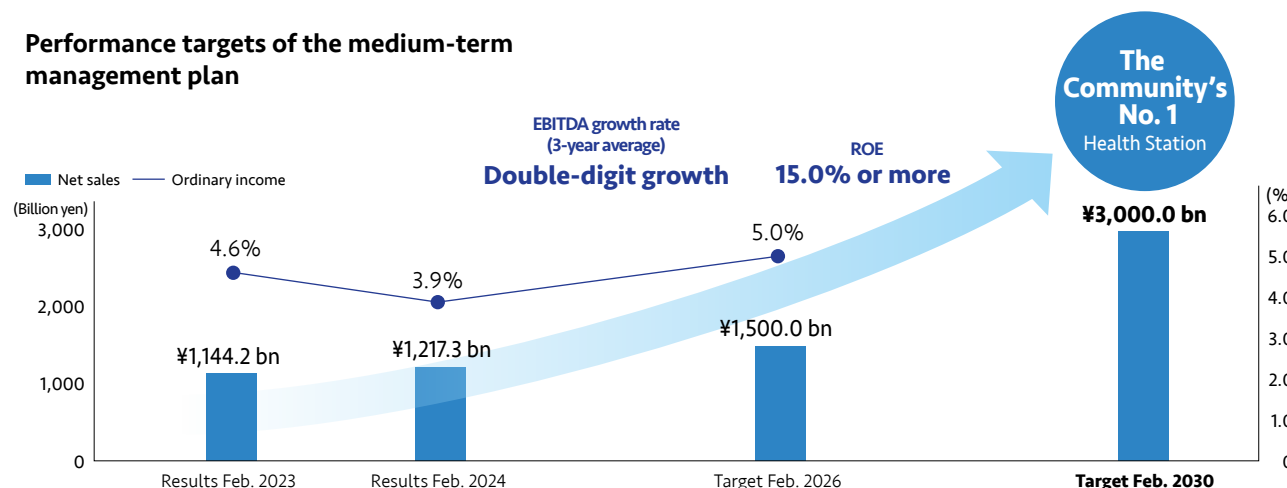
regardless of their origins. Both Welcia and TSURUHA must talk about leaving their old boats behind to ride on this new boat, and it is part of my job to encourage this movement.

Developing measures for specific issues, and improving visible achievement

The fiscal year ending February 2024 is the second year in our Medium-term Management Plan, and we are lagging behind in our initial management targets. Particularly in goods sales, the decrease in sales caused by elimination of tobacco sales was greater than expected. We are aware that our plan for countermeasures turned out to be insufficient. Also, lower sales related to COVID-19 compared to 2023 has also been the factor. To improve the situation, it is important that we increase the top line of sales while lowering costs.

First, PB (private brand) products will strengthen our sales. I would like to develop PB with more presence in comparison to other companies, by exploring two opposing avenues: "Top Value" and other Aeon Group

Performance targets of the medium-term management plan



Close Up

Online health consultation service providing opportunity for customers to consult with a nurse

To respond to the recent increasing demand for remote medical care, starting in February 2024, we began a service at some stores where customers who come to the store can have an health consultation (long-distance health treatment consultation) online with a nurse. Using a dedicated PC set up in a privacy-ensuring booth inside the store, visitors can consult with medical staff, primarily nurses, and receive general medical information or recommendations for a medical examination.

Starting in April 2024, we began offering a similar online health consultation service using a large monitor installed on Uetan-go, the mobile sales vehicle deployed by our Company. We will continue to provide this infrastructure functionality that offers safety and peace of mind to the local community, as we aim to create "a town where no one is left behind," including people in depopulated areas or areas with no access to hospital or clinic nearby.

Message from the President

Initiatives in the major polices of the Medium-term Management Plan

Five major policies		Main activities
1	Evolving and deepening existing businesses	<ul style="list-style-type: none">Strengthen competitiveness by opening new stores, remodeling existing stores, etc.Enhance counseling ability and improve product promotionIncrease in-store dispensing pharmacies and respond to increased sophistication of dispensing operationsDevelop conceptually unique private-brand productsDevelop types of stores, such as drug stores with grocery functions, small urban stores, and mobile vending vehiclesExpand actively the nursing care businessExpand our business domain by enhancing health-related services
2	Driving M&A and pursuing Group synergy	<ul style="list-style-type: none">Conduct M&A of drug store businesses and their peripheral businessesImprove profitability of subsidiaries through the expansion of the Group's synergy by mutually utilizing its common functions and promoting the Welcia Model
3	Responding to digitalization	<ul style="list-style-type: none">Develop digitally enhanced customer servicesImplement labor-saving and efficiency measures in stores and headquarters
4	Expanding overseas business	<ul style="list-style-type: none">Increase the number of Welcia-BHG stores (Singapore) and improve profitabilityExpand into other ASEAN regions
5	Upgrading organizational and business management	<ul style="list-style-type: none">Optimize the headquarters' organization across the Group

PB for customers seeking lower prices; and Welcia’s own BPs, “Karada Welcia” and “Kurashi Welcia,” for customers preferring higher quality. Karada Welcia and Kurashi Welcia have steadily shown increases in sales, and more exposure in media, and are gradually being more recognized.

With regard to NB products, I would like to see Aeon Group’s economy of scale leveraged even further

moving forward. For example, with shared distribution or jointly implemented product development, we can quickly deploy Aeon Group’s assets and expect to see results, so I would like to start on this right away.

Additionally, with regards to store opening strategy, we must improve convenience through a ‘line robbing’ strategy that handles food, including packed lunches, side dishes, and fresh foods in depopulated areas. On the other hand, in urban areas where population decrease is less significant, market is still large, and stores may be organized with little investment as there is no need to build a new large building, since tenancy is the norm in such areas. We will open stores in urban locations leveraging Kokumin Co., Ltd.’s know-how in terms of urban store management and response to rising inbound needs.

Meanwhile, renovation of existing stores is also critical. Our data shows that, to maximize sales and profits, renovation is necessary after a certain number of years. Since we have a large number of stores at approximately 2,800, securing resources for renovation is an issue, but we will continue to rejuvenate and

revitalize stores by systematically renovating while checking the average store age.

The digitalization I mentioned previously will also take into consideration the way customers do their shopping. Aside from the current e-commerce, we will proactively move forward with the development, looking to achieve a seamless shopping experience for customers, so they can check-out and receive their products as they wish. We are also looking at introducing electronic shelves, from the perspective of enhancing efficiency in store tasks. More time spent with customers means more sales of value-add products, which leads to profits. In the area of dispensing, increasing the amount of time spent with a patient, primarily for dosing guidance, will lead to more benefit for the patient, and increase the results for our Company as a system for supporting the local community, which leads to more earnings. I am sending a message out internally stating that, in order to cover gross profit decreases due to drug price revisions, we need to go outside, such as having the pharmacist leave the dispensing room to go to the sales floor or making a home visit.

Although we fell short of goals in the previous fiscal year, we are at the turning point in the Medium-term Management Plan, and I would like to show our commitment visually by improving gross profit as we head into the final fiscal year.

Organizing systems and structure, and changing Company awareness for the future of diverse human resources

Regarding materiality items, we have created a roadmap, each having strengthening measures with higher priority: promotion of digitalization for duty optimization which I mentioned before, and enhancing PB brands that directly lead to increased gross margin in product sales. However, I feel there are still issues in

the area of activity among diverse human resources. We have seen some good signs; with the commencement of training to remove anxiety associated with career advancement among female employees, and an increase in male employees working in the cosmetics section of the sales floor. I think we need to create a situation where this type of activity continues to accelerate, so that, regardless of sex, appropriate job is assigned to the right person. We will continue to think about the structure of human resources and awareness as a Company.

Regarding development of human resources, I feel we require organization and enhancement of our curriculum, when considering the current scale of our Company.

Communicating the value of health stations to stakeholders through dialogue

Creation of “The Community’s No. 1 Health Station” is not something that can be achieved overnight. A “Health Station” is what we feel a drug store should be. In achieving this, we will create the conditions that both satisfy our customers and our employees. In doing so, it is important to be a company that continuously changes, and changes rapidly. “Not next year, change now!” This is the message I’m trying to communicate to our employees, so that we can continue to change and stay one step ahead of our customer.

We are currently increasing pro-active IR activities and opportunities for meetings with investors, and actively engaging in dialogue with all of our investors, so they can understand our way of thinking and support us in the mid- to long-term. Immediate results are crucial, but what is more, I feel it is my job to communicate to investors, employees and customers what it is that we are trying to achieve as a company.



Message from the CFO



Toward robust growth and continuous improvement of corporate value

Takamune Shibazaki
Director and Executive Chief Financial Officer

Looking back on fiscal year ended February, 2024

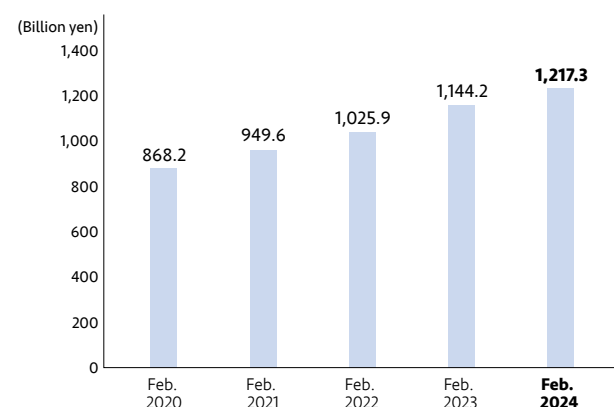
During this year, COVID-19 was downgraded as a Category V infectious disease under the Infectious Diseases Control Law, leading to big changes in the previous coronavirus response of over 3 years. Aside from positive factors, including the solid recovery of the flow of people and increased demand for cosmetics, the rebound loss from the previous year's increased demand for general cold medicine and antigen test kits during COVID-19's 7th and 8th waves was greater than expected, such that we saw an increase in sales and decrease in profits for this year.

Nevertheless, in terms of dispensing, thanks to the lifting of medical examination restrictions during the

height of the COVID-19 pandemic, net sales and number of prescriptions both continued to grow by double digits. Additionally, we raised wages, implemented cost control, and made investment in human resources supporting our dispensing and counseling services, which are central to Welcia's business model.

As a drug store, we strive to become "the community's No.1 Health Station" by 2030 through our corporate mission of providing healthy and enriched lifestyles to our customers. To focus our effort in supporting health, we decided to end the sale of tobacco by fiscal year ending February, 2026. Although sales

Sales trends



Trend in operating income

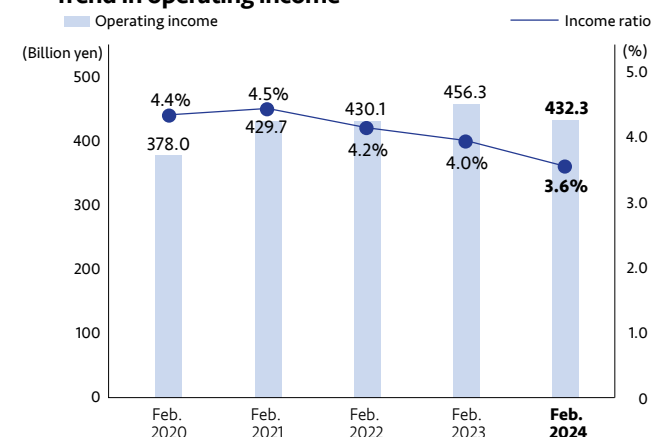
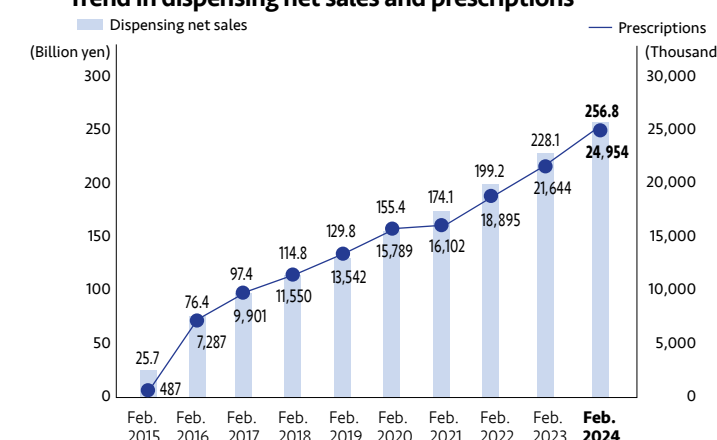


figure may be reduced in the short-term, we made this decision believing that by shifting to healthier support service and health & beauty expertise, we can provide new value to the customer and enhance Welcia's brand and our corporate value in the medium term.

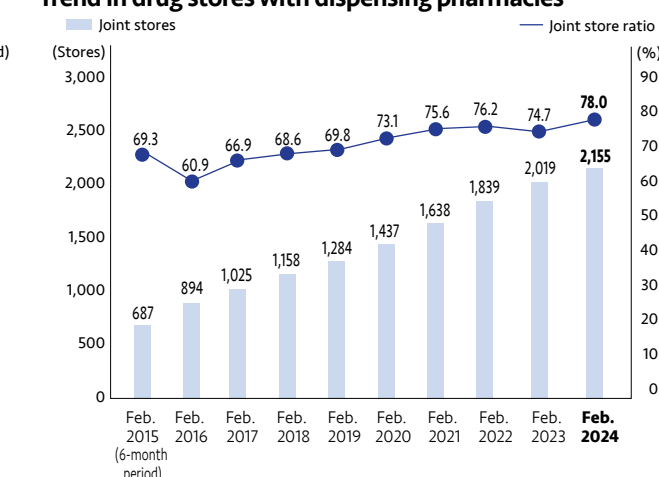
We dedicated our efforts in the first year of the

Medium-term Management Plan, including much-needed improvement in our gross income ratio. Still, we were unable to counter the rebound loss from COVID-19 demand, and are aware of the remaining issues in measures and initiatives.

Trend in dispensing net sales and prescriptions



Trend in drug stores with dispensing pharmacies



Outlook and measures for fiscal year ending Feb. 2025

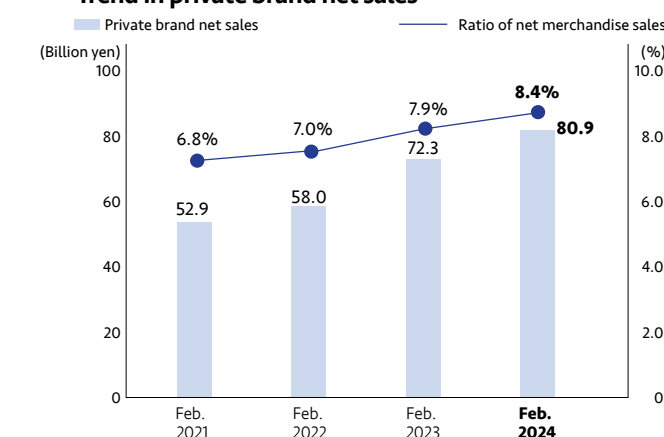
For the fiscal year ending Feb. 2025, in order to surpass the rebound loss from the conclusion of the COVID-19 pandemic and aim for further growth, we are reviewing the composition of our sales floor, expanding the selection of in-demand products, and planning to advance the store format in a way that leads to more customers and more purchases.

We plan to see an increase to 9.2% for our net sales (merchandise) composition ratio for our private brands (PB), which are positioned as a growth driver in our Medium-term Management Plan. We have also launched a new private brand, "IT'S," which is off to a great start. We aim for private brands' net sales (merchandise) composition ratio to reach 10% by fiscal year ending Feb. 2026, the final year of the Medium-term Management Plan, and we will continue to put effort into developing products that earn support due to their role in the health and enriched lifestyle of our customers.

Regarding the WAON POINT service introduced in 2023, we encourage customers to use it and work to make it widely known and adopted as a points service, while also doing effective one-to-one marketing using membership data.

Additionally, regarding wage increases used to secure human resources who form the core of the Company's business model, we believe in strategic implementation, so we are raising wages again this year while simultaneously working to improve productivity. This is a cost increase factor, so continuing from last year, we are implementing thorough cost control by further advancing deployment

Trend in private brand net sales



Message from the CFO

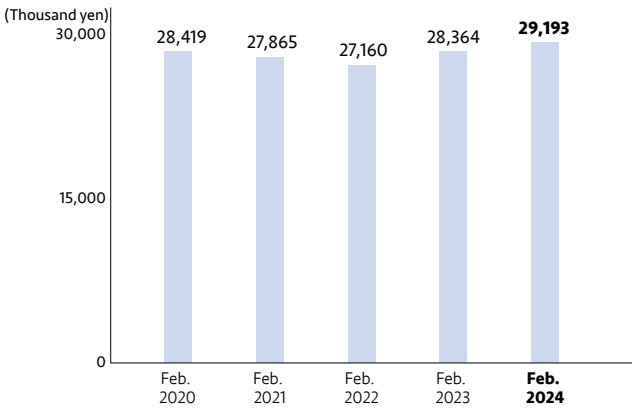
and utilization of systems for optimization at each site, whether stores or distribution sites, etc. In particular, we are putting effort into the digitalization of dispensing, from mechanization of dispensing, which improves the efficiency of pharmacists, and digital messaging of prescriptions through apps that are growing in use, to online instruction on dosage, etc. These initiatives are showing good results, as net sales per employee are continuing to grow. Also, the idea of increasing efficiency by deploying systems is also intended to change the framework, so that the time spent working on ordering or dispensing can be reduced, and more time can be spent giving sufficient service to people coming in for counseling services.

As for M&A, in March 2024, we welcomed Xchange Inc., a software system development company, into the Group, and in June 2024, we brought in Towoshiya Pharmacy Co., Ltd. based in Nagano Prefecture. Furthermore, in September 2024, we plan to add Welpark Co., Ltd., which is a drug store expanding around Tokyo, and then to add TEPCO Partners Co., Inc., a nursing care

business, to the Group in October 2024. Adding corporations with various special characteristics to the Group leads to changes for the future.

For this second year of the Medium-term Management Plan, we will respond even more rapidly, with the whole Company coming together, as we continue to work on getting results and improving the Company’s corporate value.

Net sales per employee

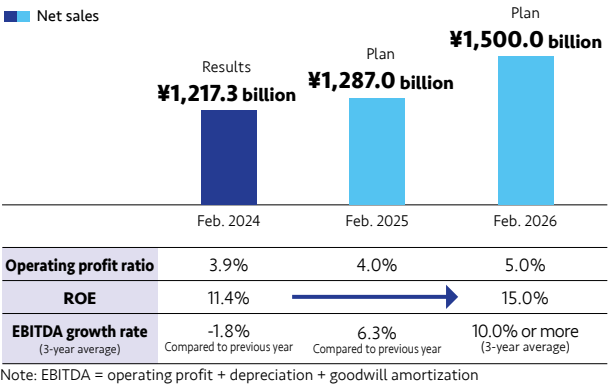


Response toward achieving management aware of capital costs and stock price

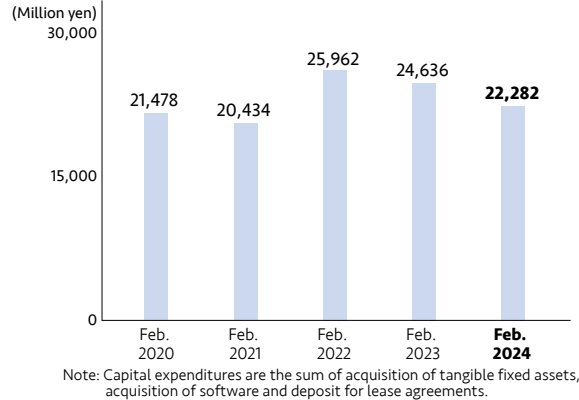
We aim for improvement in our capital efficiency and have established a ROE target of 15% in our Medium-term Management Plan ending Feb. 2026. The ROE for fiscal year ending Feb. 2024 was 11.4%. We have achieved improved profitability, as we move forward with efforts to strengthen product proposal and counseling capabilities, which was a goal of the Medium-term Management Plan. For long-term growth, we will

continue to invest in growth such as through M&A, acquiring new stores, and revitalization investment for existing stores. For existing stores, we aim to maintain the store age and store appeal by investing in interior design and digitalization. With regards to M&A, we are focusing on the creation of Group synergy, while we advance with related business areas in addition to the drug store business.

Medium-term Management Plan Progress (Feb. 2024 – Feb. 2026)



Capital expenditures



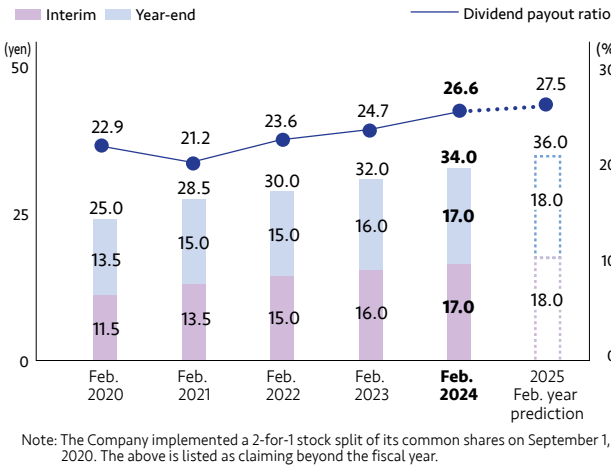
Shareholder returns

Regarding profit sharing for the Company, it is our basic policy to give comprehensive consideration to financial conditions, profit level, dividend payout ratio, etc., while also bearing in mind acquisition of capital for reinvestment and continuation of steady dividends. Additionally, it is our basic policy to payout dividend of surplus twice a year, once as an interim dividend and once as a year-end dividend.

For fiscal year ended Feb. 2024, we paid ¥34 per share annually, with the interim dividend as ¥17 per share and the year-end dividend as ¥17 per share, based on the basic policy above. Dividends have continuously increased annually since the founding of Welcia Holdings in 2010, and we plan for a ¥36 dividend for the fiscal year ending Feb. 2025, a ¥2 rise for the year.

Regarding the use of retained earnings, it is our policy to bolster facility funding by establishing new stores and renovating existing stores, in order to further enhance profitability.

Dividend per share and payout ratios

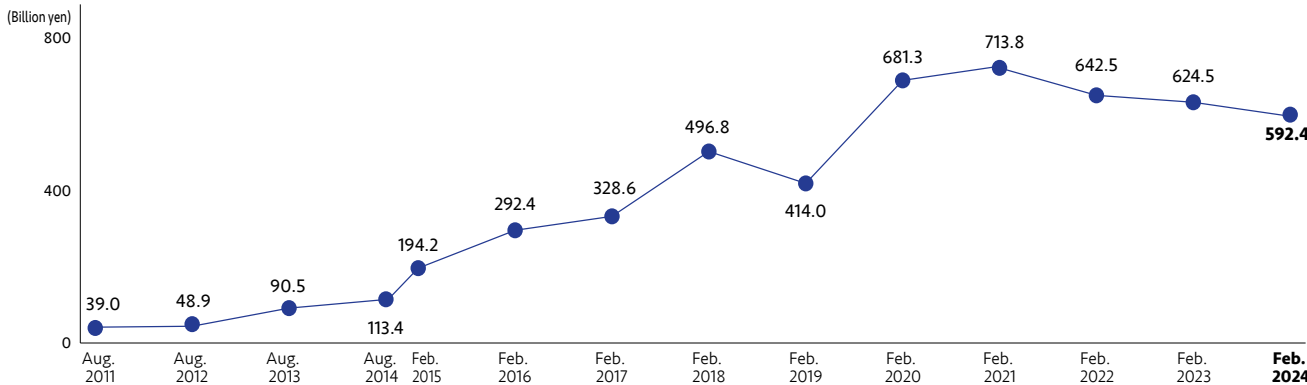


Dialogue with shareholders and investors

For continuous growth and enhancement of medium-term corporate value, we are increasing the number of opportunities for dialogue with all shareholders and investors, primarily through the leadership of the IR department, of which I am in charge. The content of the dialogue is quite varied and diverse, from the business model for continuous growth and enhancing the Company’s corporate value, and management plans, to closing day conditions, issues, and the state of initiatives for

each quarter and each business fiscal year, as well as sustainability efforts, etc. After the dialogue, we regularly report to the Board of Directors and at management meetings, and implement dialogue content in our management. The Company’s management receives a great deal of perspectives and suggestions from the outside, so we are eager to actively continue this type of dialogue in the future.

Trend in market capitalization



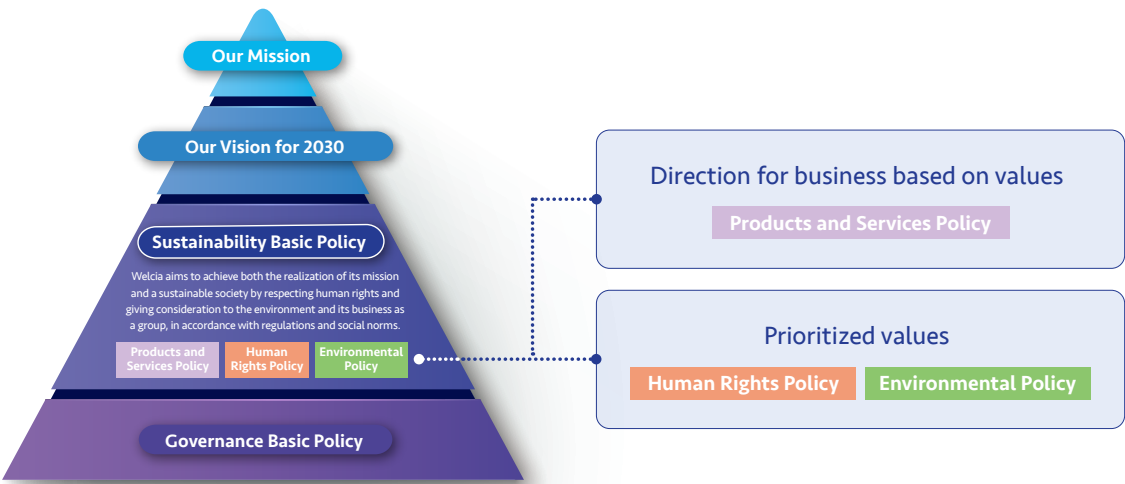
Corporate Governance and Risk Management for the Sustainability Policy

The Welcia Group’s sustainability initiatives are all linked to its core business. By undertaking business activities that embody awareness of our materiality items, we are realizing sustainable growth for our Company while also contributing toward solving social issues and the realization of the United Nations’ Sustainable Development Goals (SDGs).

Promoting sustainability

In 2021, the Welcia Group formulated a Sustainability Basic Policy that emphasizes both fulfilling our corporate philosophy and helping to realize a sustainable society. The Sustainability Basic Policy comprises three individual policies: Our Human Rights Policy and Environmental Policy collate our values with regard to human rights

and the environment, which we consider as particularly important in relation to realizing a sustainable society, while our Products and Services Policy outlines the strategic direction that our core business should be moving in based on these values.

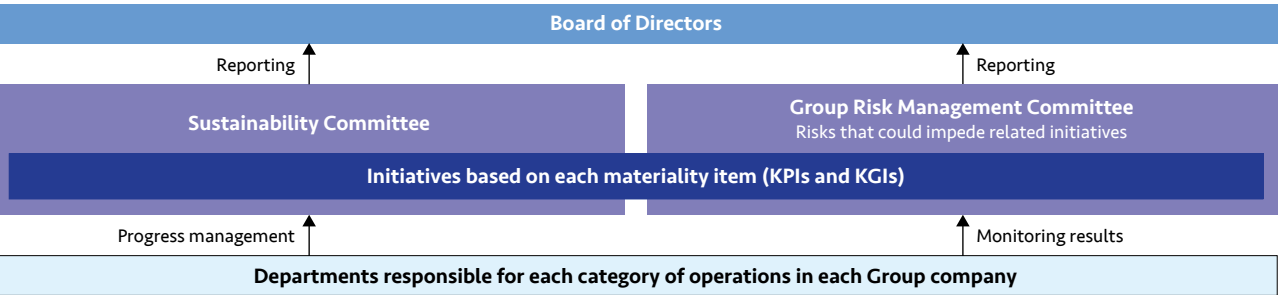


Governance

Taking our Sustainability Basic Policy as the foundation, the Welcia Group has specified 26 materiality items. We have also established a Sustainability Committee, chaired by the president and representative director, as a dedicated organization to oversee and promote the efficient, speedy implementation of initiatives relating to this materiality. The Sustainability Committee monitors the implementation status of sustainability activities in each department within the Group as well as the KPIs and

KGIs established as business objectives for each of the materiality items, analyzes and evaluates these activities, and reports to the Board of Directors twice a year in order to obtain the Board’s views. For each materiality item, a person will be appointed as the responsible party, beginning with the Company’s directors, to serve as members of the Sustainability Promotion Board, an organization subordinate to the Board of Directors. This promotion board will periodically

Multilayered monitoring system utilizing two committees



check the progress of initiatives for each materiality item. Through this cycle, we will effectively advance materiality

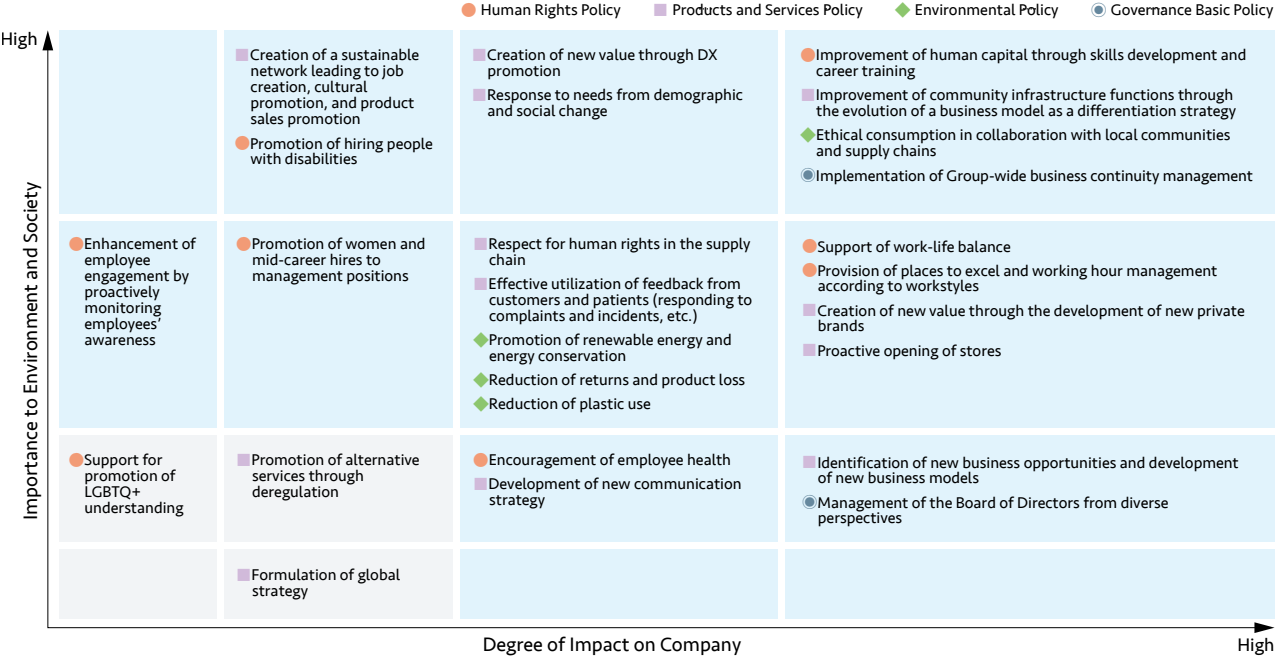
initiatives as part of the normal business operations under the responsibility of each member.

Strategy

Through communication with shareholders and institutional investors, we have identified what our stakeholders expect from us from an ESG and sustainability perspectives and have determined that human rights and the environment are the two values that we need to focus on. Linking these values with the strategic direction in our core business, we have compiled

a list of 26 materiality items. We will be ensuring that key initiatives, such as the intention to “Develop and deepen existing businesses,” which is outlined in our new medium-term management plan (starting from March 2023), are all linked to the 26 materiality items. For more details about initiatives relating to our materiality items see p. 27 – 36.

Materiality matrix



Risk management

The Welcia Group’s approach to risk management involves identifying existing risks that could impede the achievement of the operational objectives of each department and then, based on the anticipated frequency of occurrence and impact on business performance, evaluating the ultimate residual risk in light of the extent to which each risk can be effectively controlled at present. As such, risk assessment in relation to the operational objectives of the Group as a whole is performed at the

beginning of each fiscal year, and each Group company monitors risk control status as a factor that hinders business objectives. After receiving the above reports from the Group company every month, the Group Risk Management Committee summarizes and presents the reports to the Board of Directors. Monitoring sustainability-related initiatives from a risk management perspective increases the probability of objectives being achieved.

List of Materiality Items

The Welcia Group follows a basic policy of addressing materiality items within its core business initiatives and managing progress through a governance framework whereby operational execution is undertaken by the personnel, mainly executive officers, responsible for promotion of each materiality item while the Board of Directors performs monitoring.

Policies	Materiality	Risks	KPIs	Performance as of the end of April 30, 2024	Target for the fiscal year ending February 28, 2026
Human Rights Policy	Promotion of women and mid-career hires to management positions	Shortage of next-generation talented employees suitable for management roles	Ratio of store managers who are women	15.6% (as of February 29, 2024)	30%
			Ratio of employees who are mid-career hires	28.5% (as of February 29, 2024)	42% (Feb. 2025)
			Ratio of departmental managers who are women	23.1% (as of February 29, 2024)	30%
	Improvement of human capital through skills development and career training	Training of talented employees is out of sync with the changing business environment	No. of training hours per employee	15.0 hours (as of February 29, 2024) (33.3 hours for full-time employees, and 9.2 hours for part-time employees)	Increased by 10% compared to the previous fiscal year
Products and Services Policy	Creation of new value through DX promotion	Unsatisfactory cost-benefit ratio due to budgetary constraints in relation to IT investment	Cumulative total of downloads of the health care app (Health App) Monthly active users (MAU)	Performance as of March 31, 2024 Downloads: 1.764 million vs. cumulative target of 1.656 million MAUs: 58.8% vs. target MAU rate of 50%, or 670,000 users No. of Welcia members registered via health care app: 124,969 (last year: 56,869)	No. of Health App members: 3.0 million
	Development of new communication strategy (utilizing social media and Big Data)	Failure to realize effective utilization of accumulated data	No. of Welcia members	Cumulative total of 10.70 million members acquired (as of April 17, 2024)	Welcia members: 10.0 million
	Creation of new value through the development of new private brands	Reaching the limits of differentiation that is possible through private-brand products (competition with non-brand products)	Share of Karada/Kurashi Welcia	April marked a new challenge as we ventured into the frozen food category. Conceptualizing the redistribution of benefits in the context of the SDGs. Share of private brand products: 1.8% (as of May 31, 2024)	Share of private brand products: 1.8%
			No. of product items developed through collaboration between industry, government and universities or through joint development of medicinal and food products	9 items (cumulative total: 25 items)	Cumulative total: 30 items
	Promotion of alternative services through deregulation	Intensifying competition in the alternative service markets that Welcia has entered	No. of stores offering specific health guidance	No. of stores offering specific health guidance: 30 (target) vs. 6 (implementing) (as of February 29, 2024)	100 stores
	Improvement of community infrastructure functions through evolution of business model as a differentiation strategy	Reduction in the degree of differentiation that is possible through the Welcia model of having drug stores with dispensing pharmacies due to deregulation	No. of drug stores with dispensing pharmacies	2,154 stores	2,457 stores
			Stores offering 24-hour merchandise services	315 stores	400 stores
	Creation of a sustainable network leading to job creation, cultural promotion, and product sales promotion	Difficulty in reaching consensus between Welcia and the local community	No. of stores with a Welcafe area	468 stores	700 stores
	Response to needs created by demographic and social change	Continuing depopulation making it difficult to continue business in some areas that the Company operates in	No. of mobile sales vehicles	Fiscal Feb. 2024 cumulative total of 17 (15 new vehicles) Fiscal Feb. 2025’s target is 33 new vehicles	Collating the Uetan-go mobile sales vehicle operation knowhow that Welcia has accumulated and establishing a business model (aiming to have a cumulative total of 200 vehicles in operation by 2030)
	Environmental Policy	Promotion of renewable energy and energy conservation	Unpredicted increase in costs due to rising inflation	No. of stores with adjustable indoor LED lighting	1,412 stores (cumulative total)
No. of stores with LED lighting for the parking lot				1,870 stores (cumulative total)	2,269 stores (cumulative total)
Reduction of returns and product loss		Corporate-level measures to address the issue of food loss are evaluated as being inadequate, causing society to lose trust in the Company, with a consequent destruction of corporate value	Returned product rate	1.4% (Feb. 2024)	Under 1.00%
			Waste generation rate (new standard)	0.54% (Feb. 2024)	Under 0.50%
Reduction of plastic use		Corporate-level measures to address sustainability issues are evaluated as being inadequate, preventing the Company from being properly valued by investors and leading to destruction of corporate value	No. of PET bottle recycling collection stations	654	1,500 stations
			Amount of used PET bottles collected	Collected amount: 38.5 tons (Feb. 2024) Reduction in CO ₂ emissions: 28 tons	75 tons (cumulative total)
Ethical consumption in collaboration with local communities and supply chains	Disparity between consumers and businesses in terms of their awareness of social issues	Ethical consumption awareness throughout the Company	Continued the Eco-Katsu point campaign	Continue awareness-raising activities	

Key Initiatives Based on Our Human Rights Policy

We strive to demonstrate respect for the human rights of all people and eliminate all types of harassment. In line with our corporate culture, which emphasizes respect for diversity, we implement management that attaches great importance to human capital.

Improvement of human capital through skills development and career training

In order to achieve continued growth in the future, it is necessary to continuously transform our human resource portfolio with an eye to business portfolio transformation, and to recruit and cultivate talented employees capable of taking action to improve corporate value. It is also vital to build an organization in which the right people are used in the right place, with enhanced mobility of talented employees. The Job Challenge System, introduced in the fiscal year ended February 29, 2024, invites employees working in stores to apply for jobs at the headquarters and district offices. In addition to regular personnel transfers, we aim to revitalize the entire company and lead to job satisfaction by continuously implementing measures that enable employees to take on challenges on their own.

With the continued decline in the birth rate, an aging population, and the shrinking of the working-age population, as well as the likelihood of changes to the healthcare system in local communities, there is a growing need for drug stores that are closely integrated into the community. In order to improve the quality of community medical care, the Group has been offering a program for employees to study at graduate schools at the company's expense since 2015. In addition, to make a positive contribution toward the enhancement of dispensing services and toward self-medication* as a drug store chain that has numerous staff with specialist expertise, including pharmacists and pharmaceutical sales clerks, Welcia is working to expand its education and training system. In the fiscal year ended February 28, 2024, average annual education hours per employee, including training and seminars, came to 15.0 hours (this figure includes part-time employees).

In addition, recognizing its social responsibility to

safeguard the safety and physical and mental health of its employees and viewing this as a management issue that is of great importance in terms of furthering the Company's growth and future development, the Welcia Group is working actively to implement employee health management. In March 2024, Welcia was recognized as the 2024 Certified Health & Productivity Management Outstanding Organization (in the large enterprise category); Certified Health & Productivity Management Outstanding Organizations are chosen jointly by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. We have established the three health management promotion KPIs shown below to prevent future health risks that may result from inappropriate lifestyle habits, and we are proceeding with measures to verify the progress made and facilitate the achievement of the targets we have set.

Going forward, we are aiming to further enhance our human capital by increasing the time dedicated to, and improving the quality of, skills development and career education.

Our three health management targets

- 1 Having employees undergo regular health examinations, with a target of 100.0%
- 2 Reducing the percentage of employees who smoke, with a target of 17.4% or lower (ahead of initial schedule for 2030)
- 3 Improving the ratio of employees with a body mass index (BMI) of 30.0 or higher, with a target of 5.2%* or lower

*The percentage of employees who have a BMI of 30.0 or higher



For more details about the Welcia Group Health and Productivity Management Declaration, please visit our website. <https://www.welcia.co.jp/ja/company/health.html> (Japanese only)

Promotion of women and mid-career hires to management positions

Since June 2023, we have held a training program called "Welcia women's career college (Basic)" once a month for six months with the aim of developing the next generation of managers, especially female managers. In order to acquire the knowledge and skills essential for a career and to improve the capabilities of a winning leader, female

executives and managers discussed how they can utilize themselves in their departments and their careers. Moving forward, we want to continue to expand opportunities for women to be active and promote appointment of women to managerial positions.

Message from the Officer in Charge of Human Capital

Koji Takahashi

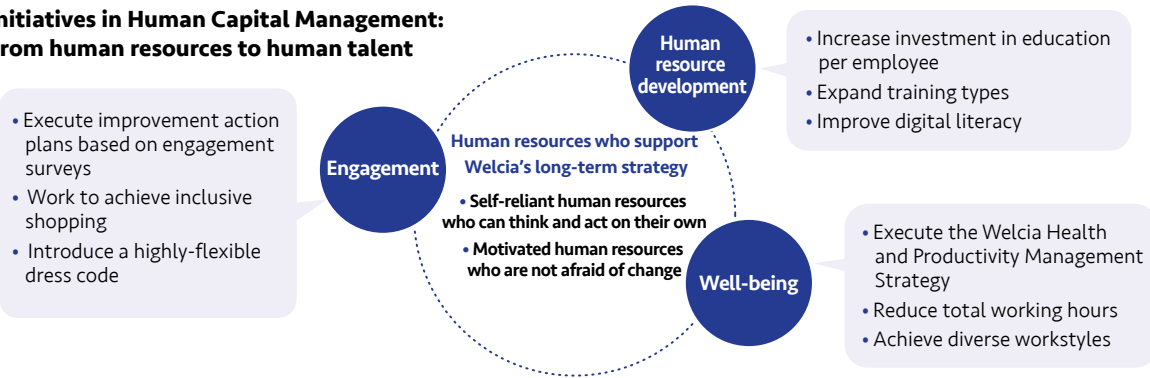
Director, and Executive Officer
in charge of human resources and
administrative departments,
and risk management



We feel that the challenge is how to develop human resources and improve the internal environment while aligning the Group's materiality with the management strategy. For this reason, we have established policies and strategies for human resource development and the improvement of the internal environment, and promote the acquisition, assignment and development of human resources based on the Group's management strategy. We also provide growth opportunities for employees and

support them to improve their knowledge and skills. Our Group has grown through repeated corporate mergers, and employees with diverse backgrounds have accepted each other's corporate cultures while striving to realize our mission. This has naturally created an environment that values diversity. Under a corporate culture that promotes taking on challenges and changes without the fear of failure, self-driven human resources who think and act independently have thrived, achieving a highly competitive business model. In a society that is changing more rapidly and becoming increasingly complex than ever before, I strongly feel the necessity of even more self-directed human resources playing an active role. In order to attract and develop independent human resources and encourage them to play an active role, we will continue to work on a variety of HR measures organically, with well-being, human resource development, and engagement as the pillars of our initiatives.

Initiatives in Human Capital Management: From human resources to human talent



Flexible dress code that respects individuality

We have positioned respect for diversity as an important concept, and have been working to develop stores where anyone can shop with peace of mind by installing AEDs in stores and office buildings, installing ostomate-friendly toilets for people with disabilities, and creating an LGBTQ+ friendly shopping environment. We strive to maintain stores where everyone can shop with peace of mind. In addition, in December 2023, we revised our dress code rules so that employees can be themselves. We hope that the new rules will improve employees' motivation to work, encourage them to embrace a variety of values without being bound by conventional concepts, and encourage them to think more proactively about how they work through their own thoughts and judgement. We believe that our employees are an important asset as well as an important point of contact with the communities in which we operate. We aim to provide even more attentive service to our customers.



自分らしさを尊重した
新しい身だしなみ
のルールに変わりました

ウエルシアは多様性を「たいせつ」にしています。

In-store poster

Key Initiatives Based on Our Products and Services Policy

By rolling out the Welcia Model, we are not only providing products and services that embody a high level of specialist expertise but also taking on the challenge of creating new value to fulfil our role in providing the local community with infrastructure that offers safety and peace of mind.

Creation of new value by developing new private brands

In addition to Group private brands (PB) like Topvalu or the generic OTC HapYcom provided by Aeon Group, Welcia has its own private brand products. By maximally employing Group merits, we provide products in a wide variety of categories in a reasonable price range.

In particular, we are putting effort into our original private brands Karada Welcia and Kurashi Welcia. These brands are carefully developed from the ground up, starting with specifications and ingredients, while we remain careful to create with consideration for the environment. We will continue to launch new products that reflect our customers' feedback, based around the concept of continuing to align ourselves with Karada (physical health) and Kurashi (lifestyle). In addition, in order to ensure safety such that customers can have peace of mind, we implement thorough-going quality control. We have devised ways so anyone can easily recognize our products, including a simple name that encapsulated the product's special characteristics, and packaging that features universal design.

Also, we have established a new private brand "IT'S." This is the Company's first brand in which the product was developed and targeted for a specific audience, and considerable care was given to the contents, for which we pursued true beauty that does not follow the trends.

Net sales for private brands grew well in 2024, up 112% compared to the previous year. By the fiscal year ending Feb. 2025, we plan to grow private brand merchandise sales as a percentage of net sales to 9.2%. In the Medium-term Management Plan, we aim for a 10% private brand sales to net sales ratio, and will continue development of measures so private brands become an important driver of growth in the future.




We welcome your comments regarding Karada Welcia and Kurashi Welcia.
<https://www.welcia-yakkyoku.co.jp/karadatokurashi/voice/> (Japanese only)

Karada Welcia and Kurashi Welcia product concepts

Karada Welcia

Food



Developing guilt-free, health-conscious foods that also reward your taste buds

Healthcare



Developing easy-to-understand products that support health management for a wide range of ages


Kurashi Welcia

Everyday products



Developing value add products from the customers' perspective of reducing the burden of everyday chores

Beauty care

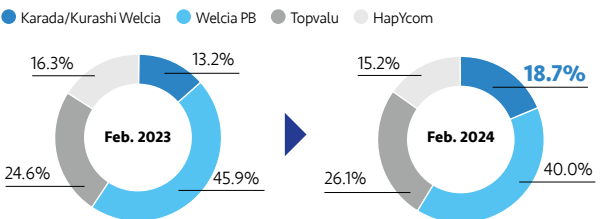


Developing cruelty-free, environmentally-friendly products with safe ingredients that give you peace of mind

Ratio of PB sales to net sales, and brand sales breakdown



Breakdown of PB ratio



New PB "IT'S"



- Unlike other Welcia PB, this product was developed and targeted for a specific audience
- Plan to develop a total beauty care brand in the medium- to long-term



(Japanese only)

Development of new products with collaboration between industry, government, and universities

One of the policies adopted by the Welcia Group is to contribute toward the local community and ethical consumption through the sale and supply of fair trade and environmentally-friendly products and services and the development of new products and services with collaboration between industry, government, and universities. In fiscal Feb. 2023, Welcia Yakkyoku Co., Ltd. formed a four-way comprehensive agreement with Yodoya Co., Utena Co., and the town of Kitagawa, Kochi Prefecture, which faces sever population decline and an aging farming population, despite being one of Japan's best yuzu producers. Thanks to collaboration between the

government and private organizations, we developed a product utilizing the characteristics of yuzu based on the theme of "vitalization of consumers, producers, and the community," and we sold it at group stores throughout the whole country. In November 2023, in collaboration with students at Kitagawa Middle School at Kitagawa village, Utena developed the product "Yutowa Hand Cream," which used yuzu from Kitagawa, and Welcia offered support in the form of sales. Going forward, we will continue to support communities and producers by developing products that leverage a wealth of food ingredients and communicating their appeal to the whole country.

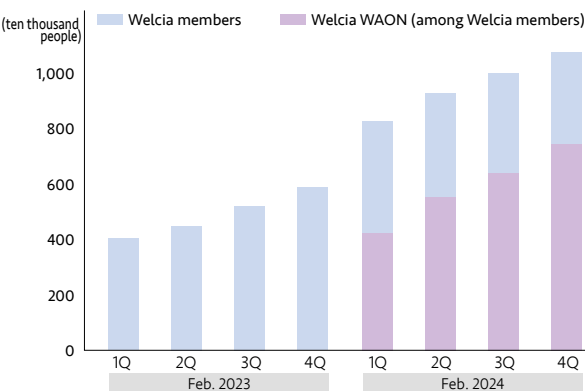
Building a new communication strategy (utilizing social media and Big Data)

Beginning in January 2023, we have been gradually introducing WAON POINT in order to further enhance services that use points as we aim to increase convenience for our customers. In February 2024, the number of Welcia members had risen to 10.7 million, including 7.5 million WAON POINT members.

Starting in May 2024, we will be transitioning from what had been T-Point (currently V-Point) to focus on

WAON POINT. In order to make the transition smooth, we are bolstering return policies that encourage card display and use, and doing even more notification activities, such as putting signs up in the store. We will continue to maximally express our Group synergy by enhancing card display and use by members, and promoting measures for use in marketing, in order to promote customer use into the future.

Trend in Welcia member registrations



Welcia member WAON POINT card



Response to needs created by demographic and social change

To contribute toward achieving our goal of “leaving no one behind,” the Welcia Group has been collaborating with municipalities and other local communities by, for example, creating Welcafe areas as a venue for people living in the community to strengthen ties with one another and deploying the “Uetan-go” mobile sales vehicles. Uetan-go

is not limited to selling products, but also will feature provision of services, such as online health consultations with pharmacists or registered sellers, so that it will serve the function of infrastructure that provides safety and peace of mind to the local community.

Commencing online health consultation service with mobile sales vehicle “Uetan-go”

First deployed in Shimada-shi, Shizuoka Prefecture in May 2022, mobile sales vehicle “Uetan-go” has been successively deployed to more cities, with a total of 17 vehicles operating in 15 cities and towns in 8 prefectures by the end of February 2024. In 2024, we began operating in Sato City, Niigata Prefecture, Natori City, Miyagi Prefecture, Hirakata City, Osaka Prefecture, and Shizuoka City, Shizuoka Prefecture. But in addition to the mountainous areas covered thus far, we are implementing mobile sales in urban sectors where the aging population has trouble with transportation and shopping closer to home is increasingly in demand.

In addition to food and daily necessities, Uetan-go sells cosmetics, and Class 1 medicines, as well as other generic OTC products*. Also, the vehicle is outfitted with a large monitor, such that we can implement online health consultations with pharmacists or registered dieticians at the store. Furthermore, we are enhancing convenience, by accepting credit or cashless payments, allotting WAON POINTs, and serving as a storage agent for utility bills.

Lastly, Uetan-go not only solves difficulties related to shopping, but it also acts as a place for local residents

to communicate while they are out shopping. We will continue to actively promote future developments as we believe that contributing to the creation of local communities also helps contribute to the health of the local society. We are planning to increase the number of deployed vehicles to 20 by the fiscal year ending Feb. 2025.

*The mobile sales vehicle brings products ordered in advance at the designated Welcia store.



Product sales from an Uetan-go mobile sales vehicle (in Nagatoro Town, Saitama Prefecture)

Support at an earthquake-stricken area

When an earthquake with an epicenter in the Noto region of Ishikawa Prefecture struck on January 1st, 2024, Welcia Suzunoe store near the epicenter experienced considerable damage, but we contacted each department head and the Welcia group worked together to swiftly restore the store and resume operation.

When Gifu Pharmaceutical University’s Mobile Pharmacy* went to Suzu City, Welcia’s pharmacists also participated by collaborating with the on-site medical team in dispensing medication, engaged in prompt action from medical examination to dosing.

Uetan-go was also specially deployed, traveling

around to city shelters and places where shopping was difficult and delivering food, everyday products and generic OTC products beyond the store’s premises.

* A vehicle dispatched during disasters carrying medicine to disaster-stricken areas to serve as a makeshift pharmacy



Mobile Pharmacy operating at a disaster-stricken area

Ending the sale of tobacco products

Based on Welcia Group’s whole company policy aimed at becoming “The Community’s No. 1 Health Station,” we announced in March 2023 to end the sale of tobacco products. We will gradually phase out the sale of tobacco products at the approximately 2,000 participating stores by February 2026. In addition, we have begun the “Welcia Helps You Quit Smoking Program” starting December 1st, 2023, as we support customers looking to quit smoking.

About the “Welcia Helps You Quit Smoking Program”

- Provides advice on how to quit smoking in the store
- Provides useful information on the Welcia Pharmacy official social media, apps, and websites
- Provides discount coupons on OTC products, products that assist in quitting smoking, and other related products to customers who have consulted the store about how to quit

Improvement of community infrastructure functions through an evolution of our business model as a differentiation strategy

Welcia has a high rate of adjoined dispensing pharmacies in the industry, but to further enhance our expertise, we are proactively seeking certification as either a “community affiliated pharmacy” or a “specialized medical institution affiliated pharmacy.” We are working on handling specialized dispensing as well. A “community affiliated pharmacy” is a pharmacy that collaborates with medical institutions and other pharmacies in the region and can comprehensively and continuously grasp and respond to customer medication information, not only during outpatient exams, but also at time of hospital admission or discharge, as well as during home treatment. Welcia has 86 certified stores nationwide.

A “specialized medical institution affiliated pharmacy” is a pharmacy that can perform higher medical administration and specialized dispensing while closely collaborating with other medical providers for patients who require expert pharmacy management, such as cancer patients. As of February 2024, Welcia has 3 stores which have been certified. These pharmacies support treatment by linking with the hospital and the patient through

performing a hearing of the patient’s conditions, and by submitting tracing reports* and suggesting medications that may improve side effects to the hospital. There are few places where patients receiving treatment via anti-cancer drugs can go to consult for expert advice, but our Company has provided a closer place for consulting face-to-face by acquiring the “specialized medical institution affiliated pharmacy” certification.

By raising our expertise in these ways, we will continue to enhance our function as infrastructure for a lifestyle of continued safety and peace of mind in local, familiar communities.

* Medication information form. Form for sharing patient information with the prescribing doctor

Characteristics of a “specialized medical institution affiliated pharmacy”

- Store layout and facilities are considerate of patient privacy
- Information sharing with medical provider institutions (sharing treatment policy, implementing joint research, sharing dosage information, etc.)
- Organization of a business duty system, such as placement of pharmacists with high expertise

Key Initiatives Based on Our Environmental Policy

Recognizing its responsibility as a company that has 2,825 stores throughout Japan (as of February 29, 2024), the Welcia Group is implementing measures to reduce the greenhouse gas emissions associated with its stores and logistics and to collect and recycle the PET bottles sold at its stores.

Promotion of renewable energy and energy conservation

Disclosure based on the TCFD recommendations

The Welcia Group believes that addressing environmental issues is vitally important for realizing its corporate philosophy and building a sustainable society, and it has been striving to help make a decarbonized, resource-circulating, and symbiotic society. To contribute to the realization of a decarbonized society, as a member of the Aeon Group, the Welcia Group is working toward the goal of reducing the total volume of greenhouse gases (hereafter “CO₂ emissions”) emitted by our stores to zero through both energy conservation and energy production,

based on the Aeon Decarbonization Vision.

In addition, we have set sustainability KPIs and targets, including climate change related items, referencing the risk analysis conducted by the Aeon Group in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Governance, strategy, risk management, and indicators and targets based on the TCFD recommendations are disclosed on P25-28 as a general description of sustainability.

	Medium-term target	Achievement target
Aeon Decarbonization Vision (Revised 2021)	Switch 50% of stores' energy consumption to renewable energy by 2030 → Achieved the goal 7 years ahead of schedule in the fiscal year ended February 29, 2024	Reduce CO ₂ emissions by stores to zero in total by 2040

Reducing greenhouse gas emissions at stores

In line with our Environmental Policy, we are working towards reducing CO₂ emissions by switching the lighting in our stores and parking lots to LED, electrifying our business vehicles, installing charging facilities, thoroughly cleaning and replacing air conditioning and refrigeration systems, and utilizing solar power generation for self-

consumption to promote energy efficiency and renewable energy. In particular, since the fiscal year ended February 29, 2024, we have been proactively introducing renewable energy in each region, and the ratio of non-fossil energy installed in total electricity consumption (stores) was 60.2% (1,010 stores) as of February 29, 2024.

Greenhouse gas emissions (Welcia Yakkyoku)

	2018/4 - 2019/3	2019/4 - 2020/3	2020/4 - 2021/3	2021/4 - 2022/3	2022/4 - 2023/3	2023/4 - 2024/3
Greenhouse gas emissions (t-CO ₂)	191,482	194,278	213,331	204,329	213,654	191,178
Stores at end of period (stores)	1,660	1,757	1,899	2,023	2,145	2,199

*Submitted to METI Agency for Natural Resources and Energy

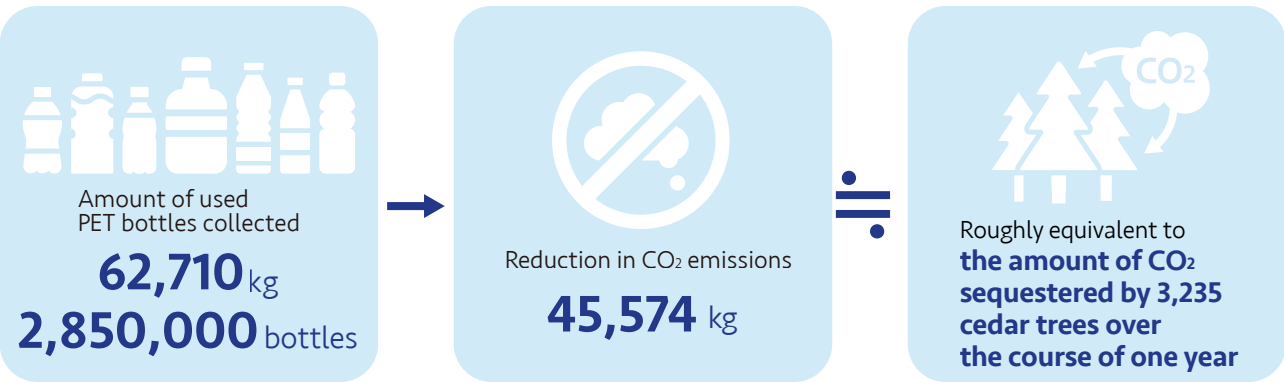
Reduction of plastic use

The “bottle to bottle” movement to recycle used PET bottles into new PET bottles is being promoted mainly in the beverage industry. The Group, which sells many PET bottle beverages, is also increasing the number of stores that collect PET bottles in order to contribute to this initiative. As of February 29, 2024, Welcia had realized the recycling of a total of 2,850,000 PET bottles, representing a reduction in CO₂ emissions of 45,574 kg.

This is equivalent to the amount of CO₂ sequestered by 3,235 cedar trees over a one-year period.

We are also proceeding with the replacement of plastic cutlery provided free of charge with certain products with cutlery made from paper, and we have already completed the transition to paper for all new products we procure.

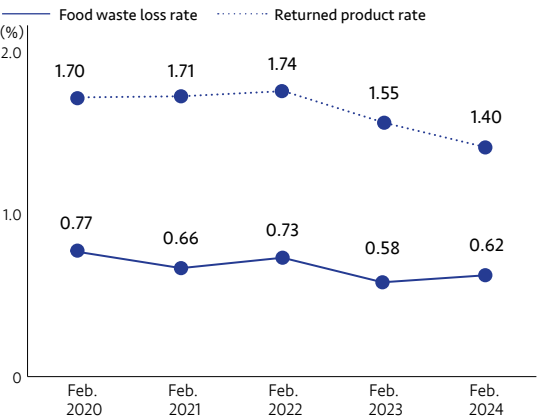
CO₂ emission reduction from horizontal plastic bottle recycling (September 1, 2021 - February 29, 2024)



Reduction of food waste loss and returned products

Welcia is working to maintain appropriate order quantities and inventory volumes, and to improve the efficiency of the supply chain in cooperation with our business partners. We are working to reduce our waste loss and returned product rates by utilizing an automatic ordering system. In addition, we are expanding the target categories to food products such as daily deliveries, and conducting experiments that incorporate AI-based demand forecasting in an effort to improve inventory management and stabilize logistics.

Trend in food waste loss and returned product rates (Welcia Yakkyoku)



Corporate governance system

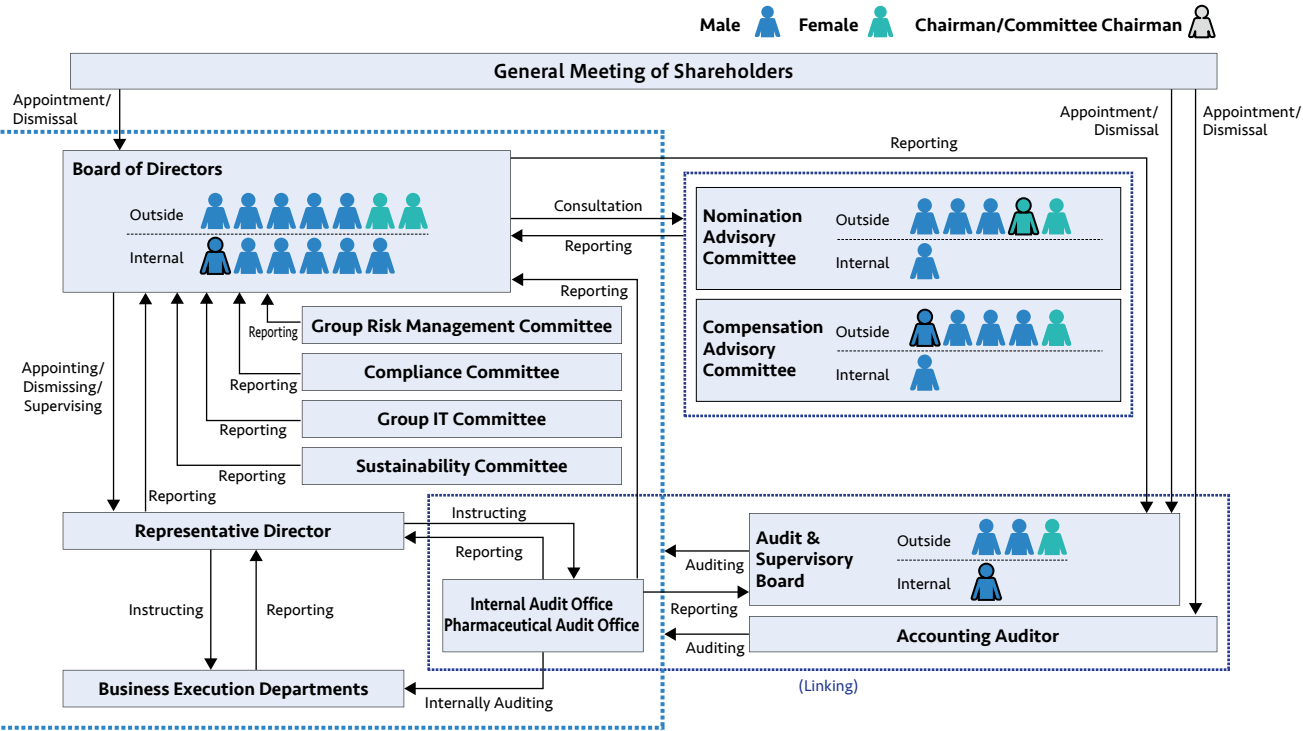
The Welcia Group is building an organizational system for reacting quickly and making swift, highly transparent decisions with a focus on compliance. Furthermore, we aim to be a corporate group that is trusted by all stakeholders, and we are continually striving to improve our governance and maximize our corporate value. We have become a company with an Audit & Supervisory Board as the system for corporate governance, and we are building a system for implementing fairer audits. Furthermore, we are separating decision-making functionality and duty-executing functionality and are implementing an executive officer system to enable faster decision-making and clearer responsibilities. The standards for determining the independence of our

outside Directors and outside Audit & Supervisory Board Members are listed in our securities report.

For more details about our corporate governance system, please visit our website

Overview of corporate governance

Institutional design	A company with an Audit & Supervisory Board
Total no. of Directors	13 (including 7 independent outside Directors)
Total no. of Audit & Supervisory Board Members	4 (including 3 independent outside Audit & Supervisory Board Members)
Female Directors as share of total	15%
Directors' term of office	1 year
Adoption of executive officer system	Has been adopted
Voluntary consultative body for the Board of Directors	Nomination Advisory Committee/ Compensation Advisory Committee
Accounting Auditor	Deloitte Touche Tohmatsu LLC



Main Meeting Bodies	Function	Chairman/ Committee Chairman	Times held in fiscal 2024
Board of Directors	Deciding on issues stipulated in laws, articles of incorporation and internal regulations as issues to be resolved by the Board of Directors, and overseeing the duty implementation conditions of the management staff, etc.	Hideaki Kirisawa Representative Director	18
Audit & Supervisory Board	Implementing audits across all duties executed by the directors, following the audit policy and audit plan in accordance with the Corporate Auditor Standards established by the Audit & Supervisory Board.	Toshio Miyamoto Full-time Audit & Supervisory Board Member	17
Nomination Advisory Committee	Examining director appointment proposals and proposals for appointment or dismissal of the Representative Director made to the General Meeting of Shareholders based on director appointment standards, examining formulations of plans to foster Representative Director successors, and examining creation and organization of plans for successors to management executives, and reporting these to the Board of Directors	Tomoko Nakai Outside Director	6
Compensation Advisory Committee	Formulating policies on compensation, etc. received by directors and executive officers, examining individual compensation, etc. received by directors and executive officers, and reporting these to the Board of Directors	Katsunori Nozawa Outside Director	3

Management of the Board of Directors from diverse perspectives

Evaluating the effectiveness of the Board of Directors

The Board of Directors implements a yearly self-evaluation survey regarding its effectiveness. Based on the results of the survey, analysis and evaluation of the effectiveness of the Board of Directors are conducted, and reviews are made of operations in order to improve its effectiveness. In addition, at the May 2022 General Meeting of Shareholders, a majority of the Board of Directors was composed of independent outside directors. The self-evaluation survey regarding the effectiveness of the Board of Directors in

the fiscal year ended February 29, 2024 was implemented utilizing a 5-level rating* for questions from a variety of perspectives on the effectiveness of the Board of Directors, and the average value was taken as the evaluation for each question. The survey analysis and evaluation results are summarized in the figure below.

*For each question, there were five levels of choices: "I don't think so at all", "I don't think so", "I can't say either way", "I think so", "I definitely think so"; set as values 1 to 5 of the 5-level evaluation system, and the average value from all participants' chosen level was calculated

Items to be discussed and their evaluations in fiscal 2024

- Monitoring progress made in implementation of the Medium-term Management Plan, etc.
Executive officers evaluation of the progress on implementation of business duties have been positive, based on the monitoring of regular reports to the Board of Directors. Opinion included encouraging further discussion based on the reports that focus on issues Welcia is currently facing (store impairments, slow sales, etc.)
- Discussing the management strategy, business strategy and human resources strategy needed in response to a changing business environment and societal role
Executing aggressive governance in which the Outside Directors support the risk-taking of the Executive Officers engaged in executing business duties in the Board of Directors in response to a changing business environment and societal role. Opinion included possibility of deeper discussion of individual themes such as utilization of expert human resources and leveraging the diverse skill matrix of the Board of Directors.
- Oversight and management of Group companies (Group governance)
Group governance was rated highly by Directors, particularly by Outside Directors. Opinion also included request to evaluate each Group company's internal system on an annual basis

Issues to be addressed in the future and measures to be implemented

- Improving the method used for briefing Outside Directors
- Organizing the deliberation process to promote deeper discussion at each stage for important dealings, such as M&A.
- Increasing the opportunities for discussion of overseas business

Compensation system for executives and Audit & Supervisory Board Members

Aiming to ensure transparency and objectivity in the process of determining Directors' compensation, Welcia has adopted a process whereby the Compensation Advisory Committee deliberates on the appropriateness of the compensation system, compensation levels, etc. and reports to the Board of Directors, with proposals being approved at the Shareholders Meeting. The compensation for individual Directors is decided by the Board of

Directors following deliberation by the Compensation Advisory Committee. The compensation system features a basic salary, which is a fixed amount, and performance-based bonuses (monetary compensation), and performance-based stock options, which are both variable forms of compensation. Additionally, at the 14th Annual General Meeting of Shareholders held in 2022, it was resolved that total monetary compensation for

Directors for fiscal February 2024 would be no more than 400 million yen per year, including performance-based compensation (of which up to 60 million yen per year is allocated for outside Directors). In addition, at the 15th Annual General Meeting of Shareholders held in 2023, it was resolved, regarding the amount of performance-based stock options, that the upper limit on contributions by the Company over a period of three fiscal years would be set at 500 million yen, and the upper limit on the amount of shares that could be transferred to qualifying persons and for which payment could be made would be set at 200,000 shares. The objective of the performance-based bonuses (monetary compensation) and performance-based stock options is to raise the desire

to contribute to improving business performance and increasing corporate value in the medium to long term. The amount of each type of compensation is determined based on an evaluation of the net sales of the entire Group (consolidated), ordinary income, net income attributable to owners of the parent in the final fiscal year of the medium-term management plan and ROE, which are KPIs in the Company’s medium-term management plan. The compensation framework for Audit & Supervisory Board Members comprises a fixed amount of basic salary only, with the maximum amount of compensation set at 42 million yen (covering three Audit & Supervisory Board Members), as resolved at the 1st Annual General Meeting of Shareholders, held in 2009.

Type of compensation		Target		
		Directors engaged in executing business duties	Directors not engaged in executing business duties (outside Directors, etc.)	Audit & Supervisory Board Members
Fixed compensation	Basic salary	●	●	●
	Performance-based bonus (monetary compensation)	●		
Performance-based compensation	Performance-based stock options	●		

Succession plan

Our succession plan consists roughly of two plans: the plan for promoting general employees to management positions and the plan for promoting management employees to executive and Director positions. Going forward, we will continue to incorporate the knowledge of outside directors as part of efforts to enhance the effectiveness of each plan.

Protection of minority shareholders

Aeon Co., Ltd. is our parent company, and it owns a 50.58% share of Welcia’s voting rights. Welcia receives a supply of private-brand products from the Aeon Group, and roughly 2% of Welcia’s purchase costs are from business dealings with companies in the Group. Regarding our transactions with Aeon, we utilize standards similar to our normal transaction conditions, and we make decisions regarding the reasonableness of these transactions at the meetings of the Board of Directors, such that minority shareholders are not disadvantaged. Moreover, we implement business administration based on our own management policy and—as a publicly traded company— have secured sufficient independence from our parent company.

Policy-holding shares

In principle, Welcia maintains a policy of not owning policy-holding shares. In the case that policy-holding shares are owned, we will thoroughly examine and evaluate the propriety of the respective shares each year at the meetings of the Board of Directors. In the event that voting rights from listed stocks held for purposes such as obtaining information from other companies in the industry are exercised, we will recognize the motion as an exercise of voting rights and will make a determination as to its agreeableness upon comprehensive consideration of whether it improves medium- to long-term corporate value for the Group and the issuing company.

Constructive dialogue between the Board of Directors and shareholders

We aim for improvement in our capital efficiency and have established a ROE target of 15% in our Medium-term Management Plan ending in fiscal 2026. We will continue to actively invest, return profits to shareholders, and enhance communication with all stakeholders to achieve our Medium-term Management Plan and our Vision, as we seek to increase our corporate value. Our policy for structured organization and efforts in creating a constructive dialogue with stockholders and investors is as follows.

- (1) The CFO is responsible for IR activities and will engage with stockholders and investors through internal links and collaborating with Group companies. Additionally, the CFO must report conditions of the dialogue to the Board of Directors, Executive Officers, and relevant departments in a timely manner.
- (2) Investor briefings and other related meetings will be held regularly as a part of the dialogue with shareholders and investors.
- (3) All important company information will be properly managed, internal information management and insider

trading prevention regulations will be defined in order to prevent insider trading before it occurs, and notifications will be made thoroughly.
(4) In order to ensure fairness for all shareholders and investors, comments regarding the outlook of results will not be issued during the period from the closing date to the financial results announcement date in each quarter.

Additionally, dialogue topics, Q&A sessions, summaries of opinions, analyst reports, etc., are shared with the management or the Board of Directors with regular reports, as we implement feedback after the dialogue. We proactively adopt requests expressed during the dialogue, holding small meetings after the closing date, or hosting financial results briefings on the date of releasing financial results, based on the requests of institutional investors, for example, adding opportunities for dialogue with top management or early hosting of financial results briefings. We are also implementing further disclosure of new shareholder meetings and sustainability initiatives, and expansion of English language disclosure of the Securities Report.

Dialogue conditions (Feb. 2024)*

- Financial results briefings
For domestic/overseas institutional investors: **4 times**
- IR Top Meetings
For domestic institutional investors: **1 time**
- IR Meetings
For domestic/overseas institutional investors: **195 times**
- IR Overseas Roadshow
For overseas institutional investors: **1 time**
- Conferences held by securities companies
For domestic/overseas institutional investors: **1 time**
- IR Phone Meetings (monthly) For domestic institutional investors: **figures announced monthly**
- Store tours for IR institutional investors
For domestic institutional investors: **1 time**
- General Meeting of Shareholders: **1 time**
- Meeting of shareholders: **5 times**
- Company briefings for individual investors: **5 times**

*Main participants in the dialogue
Chairman and Representative Director, President and Representative Director, Executive Vice President, Chief Financial Officer, Executive Officers, Officer in charge of Sustainability Promotion, IR Department

Main themes

- Corporate value improvement for the Company, business model and initiatives for continuous growth
- Medium-term Management Plan, and annual base plans
- Conditions of financial results for every quarter and business year, and conditions regarding issues and initiatives
- M&A policy and progress of PMIs after management integration
- Capital policy
- Content and progress of initiatives based on the Sustainability Basic Policy

Directors and Audit & Supervisory Board Members

(As of May 28, 2024)

Reappointed/ Newly appointed	Name	Sex	Age	Term of appointment	Independence	Current position in the Company			No. of public listed companies where serving additional role	Attendance rate* (Apr. 2024 Board of Directors)	Attendance* (Apr. 2024 Board of Directors)	Expertise									
						Committee		Position				Management	Sales/ Marketing	Merchandise planning		New business/ M&A	Law/Risk management	Finance/ Accounting	Internationality	ESG	Digital transformation/ ICT
Reappointed	Takamitsu Ikeno	Male	80	15 years		Member			Representative Director	0	100%	(18/18 times)	●	●	●					●	
Newly appointed	Hideaki Kirisawa	Male	50	0 years				Representative Director	0	—	—	●	●	●						●	
Newly appointed	Junichi Tanaka	Male	50	0 years				Director	0	—	—	●	●	●							
Reappointed	Takamune Shibazaki	Male	52	2 years		Member		Director	0	100%	(18/18 times)				●		●				
Newly appointed	Koji Takahashi	Male	47	0 years				Director	0	—	—					●					●
Reappointed	Motoya Okada	Male	72	9 years				Director (not full-time)	3	89%	(16/18 times)	●						●	●		
Reappointed	Tomoko Nakai	Female	51	5 years	Independent	Chairman		Outside Director	0	100%	(18/18 times)					●		●		●	
Reappointed	Kunio Ishizuka	Male	74	3 years	Independent	Member		Outside Director	1	94%	(17/18 times)	●	●	●							
Reappointed	Tadashi Nagata	Male	72	2 years	Independent	Member		Outside Director	1	100%	(18/18 times)	●							●		
Reappointed	Katsunori Nozawa	Male	65	2 years	Independent		Chairman	Outside Director	1	100%	(18/18 times)		●		●		●	●			
Reappointed	Shigeo Horie	Male	63	2 years	Independent	Member		Outside Director	0	100%	(18/18 times)					●		●			
Reappointed	Noriko Ishizaka	Female	52	1 years	Independent	Member		Outside Director	0	100%	(14/14 times)	●							●		
Newly appointed	Yasuo Nakayama	Male	71	0 years	Independent		Member	Outside Director	1	—	—	●				●			●		
Reappointed	Toshio Miyamoto	Male	74	9 years				Full-time Audit & Supervisory Board Member	0	100% (100%)	(18/18 times) (17/17 times)					●			●		
Reappointed	Atsuko Sugiyama	Female	49	7 years	Independent		Member	Outside Audit & Supervisory Board Member	2	100% (100%)	(18/18 times) (17/17 times)						●		●		
Reappointed	Takashi Fujii	Male	69	2 years	Independent		Member	Outside Audit & Supervisory Board Member	0	100% (100%)	(18/18 times) (17/17 times)		●	●			●				
Newly appointed	Shuichi Tanaka	Male	61	0 years	Independent		Member	Outside Audit & Supervisory Board Member	1	—	—					●			●		

Note: Figures in parentheses indicate the attendance at the Audit & Supervisory Board

Executive Officers

(As of May 28, 2024)

Name	Position	Primary duty or responsibility	Expertise										
			Management	Sales/ Marketing	Merchandise planning		New business/ M&A	Law/Risk management	Finance/ Accounting	Internationality	ESG	Digital transformation/ ICT	Labor/Human resources/ Human resource development
Juichi Nakamura	Vice President and Executive Officer	Business promotion and nursing care business					●	●					●
Shinji Ishida	Executive Officer	Medicine business	●	●	●								
Takashi Abe	Executive Officer	Information system		●								●	
Kazuhiko Hata	Executive Officer	Development of new stores		●	●								
Taro Eguro	Executive Officer	Overseas business	●	●						●			

Risk management and compliance system/
Business continuity management

Risk management and compliance system

Welcia Group accurately collects and evaluates a variety of risks, and takes measures such as risk reduction and risk transfer measures. When a source of risk emerges, we handle it an organized and speedy manner. In our risk management structure, we define risk management regulations for our basic policy and structure of risk management, and then organize and build a system based on these regulations. In addition, we have established an internal Group Risk Management Committee that holds bimonthly meetings. At Group Risk Management Committee meetings, we promote risk management across the entire Group, share information and evaluate risks. Regarding compliance risks, we have established a Compliance Committee, as we strive to maintain and improve our Group’s internal control and our legal compliance system. Also, we have built a cross-sectional compliance system within the Welcia Group, in order to systematically and efficiently prepare for and handle amendments to laws and regulations that would affect our business duties, for example with pharmaceuticals, foods, and alcohol.

Business continuity management

When faced with a state of emergency, such as a natural disaster, the Group attempts to minimize damage to business assets and enable the resumption or quick restoration of core businesses. In order to do so, we stipulate routine actions to take when not in a state of emergency, as well as the means and methods to employ during a response to emergencies. Also, as a member of the Aeon Group, we periodically implement cross-section training across the Aeon Group and maintain a system for handling unusual events. The Group is aware of its function in society’s infrastructure, and we have made “implementation of continuous management for all businesses in the Group” one of our materiality items, such that we can express our function whenever necessary. To ensure good BCM, we feel it is a urgent issue to ensure that a system is in place before new companies join the Group.

Reason for Appointment of Independent Directors and Attendance at Committee Meetings

Name/Reason for appointment	Term of appointment	Nomination Advisory Committee	Compensation Advisory Committee
Outside Directors			
Tomoko Nakai In addition to expert legal knowledge and insight as a lawyer, she has an useful perspective as a woman on how to improve the Company's corporate value. She has been appointed as a Director at the Company since May 2019, and as an expert in law, we expect her to continue to strengthen the efficacy of decision-making and auditing by the Board of Directors from an independent position. Furthermore, we have judged that, owing to the above reasons, she can properly carry out the duties of an Outside Director, even though she has not participated in company management through means other than an Outside Director or Outside Audit & Supervisory Board Member. Additionally, she is an Outside Director, which carries no risk of conflict of interest with general shareholders, so she is designated as an Independent Director.	5 years	6/6 times	3/3 times
Kunio Ishizuka As part of top-level management when Isetan Mitsukoshi Holdings, Ltd. was established, he gained experience getting the company on the right track after the corporate cultures merged and integrated. Moreover, he has rich experience and knowledge in corporate management, earned as a manager for the retail service industry. We judge that he will be able to improve the functioning of the Board of Directors by leveraging the experience and knowledge he gained over many years in corporate governance and as a top-level manager in the retail service industry, and by overseeing our execution of business duties from an independent position. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	3 years	6/6 times	—
Tadashi Nagata Having served as Representative Director of Keio Corporation, he has rich work experience as a manager and insight into company management generally. We judge that he will be able to improve the functioning of the Board of Directors by leveraging the experience and knowledge he gained over many years in corporate governance and as a top-level manager, and by overseeing our execution of business duties from an independent position. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	2 years	6/6 times	—
Katsunori Nozawa In addition to his experience in a financial institution and his broad insights and experience fostered as a manager, he has considerable working knowledge of duties and management experience in overseas business. We judge that he will be able to improve the functioning of the Board of Directors by leveraging the experience and knowledge he gained over many years, and by overseeing our execution of business duties from an independent position. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	2 years	—	4/4 times
Shigeo Horie He has experience and broad knowledge fostered not only as a doctor and a doctor of medicine, but also over many years as a college professor. He also has experience in organization management. We judge that he will be able to improve the functioning of the Board of Directors by overseeing our execution of business duties from an independent position and an expert perspective in the health management promoted by our Company and in the fields of dispensing and healthcare as business areas of our Company. Furthermore, we have judged that, owing to the above reasons, he can properly carry out the duties of an Outside Director, even though he has not participated in Company management through means other than an Outside Director or Outside Audit & Supervisory Board Member. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	2 years	5/6 times	—
Noriko Ishizaka She has broad knowledge of corporate management, and in particular, has rich insights in the field of ESG management, gained as a top-level manager for Ishizaka Inc. We judge that she will be able to improve the functioning of the Board of Directors by leveraging the experience and knowledge she gained as a top-level corporate manager who boldly enacted corporate reform, and by overseeing our execution of business duties from an independent position. Additionally, she is an Outside Director, which carries no risk of conflict of interest with general shareholders, so she is designated as an Independent Director.	1 years	—	1/1 time
Yasuo Nakayama As a top-level manager for Secom Co., Ltd., he has rich work experience in regards to safe and trustworthy service in a variety of fields, such as security, fire prevention, medical, and cyber security. He also has insight in general company management. We judge that he will be able to improve the functioning of the Board of Directors by leveraging the experience and knowledge he gained over many years in corporate governance and as a top-level manager in the security industry, and by overseeing our execution of business duties from an independent position. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	0 years	—	—
Outside Audit & Supervisory Board Members			
Atsuko Sugiyama We judge that she has expert knowledge and work experience as a certified public accountant and tax accountant, and is fit for strengthening our Company's audit system. Additionally, she is an Outside Director, which carries no risk of conflict of interest with general shareholders, so she is designated as an Independent Director.	7 years	—	4/4 times
Takashi Fujii In addition to a wide variety of experience and expert knowledge at a financial institution over many years, he engaged in various forms of management, primarily with duties in the financial and accounting departments at the Nissei Oillio Group, Ltd., but also with proposals for management planning and M&A. So, he has rich experience and knowledge in management generally. We judge that he will be able to improve the functioning of the Board of Directors by leveraging diverse knowledge and by overseeing our execution of business duties from an independent position. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	2 years	2/2 times	1/1 time
Shuichi Tanaka He has experience in legal circles as a lawyer. We judge that he will be able to improve the functioning of the Board of Directors by overseeing our execution of business duties from an independent position based on expert knowledge and insight. Additionally, he is an Outside Director, which carries no risk of conflict of interest with general shareholders, so he is designated as an Independent Director.	0 years	—	—

Board Member

Director



Takamitsu Ikeno
Representative Director



Hideaki Kirisawa
Representative Director



Junichi Tanaka
Director



Takamune Shibazaki
Director



Koji Takahashi
Director



Motoya Okada
Director (not full-time)



Tomoko Nakai
Outside Director



Kunio Ishizuka
Outside Director



Tadashi Nagata
Outside Director



Katsunori Nozawa
Outside Director



Shigeo Horie
Outside Director



Noriko Ishizaka
Outside Director



Yasuo Nakayama
Outside Director

Audit & Supervisory Board Members



Toshio Miyamoto
Full-time Audit & Supervisory Board Member



Atsuko Sugiyama
Outside Audit & Supervisory Board Member



Takashi Fujii
Outside Audit & Supervisory Board Member



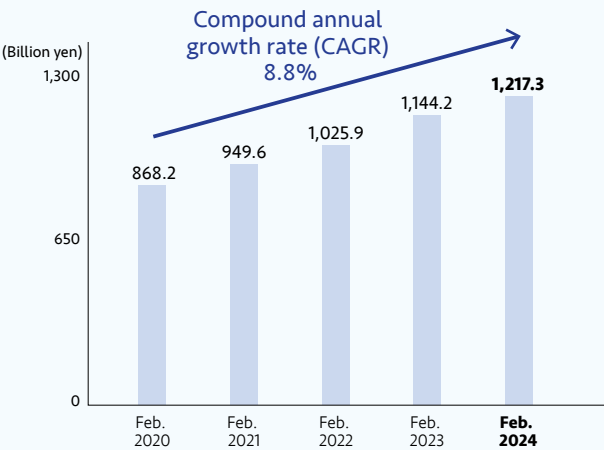
Shuichi Tanaka
Outside Audit & Supervisory Board Member

Financial and Non-financial Highlights

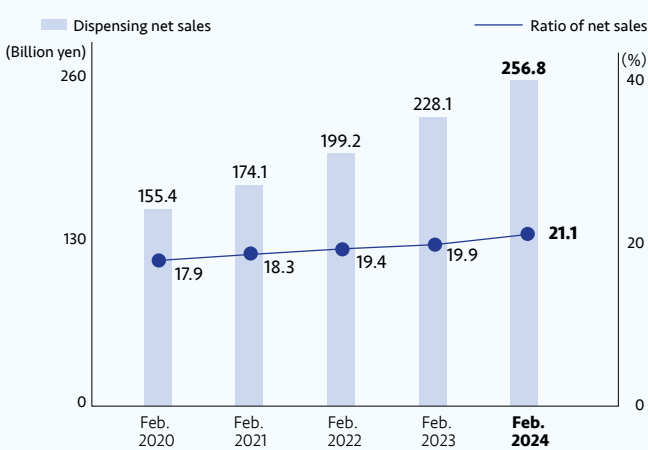
Financial information

The Accounting Standard for Revenue Recognition (ASB) Statement No. 29, dated March 31, 2020), etc. has been applied starting from the beginning of the consolidated fiscal year ended February 28, 2023.

Net sales

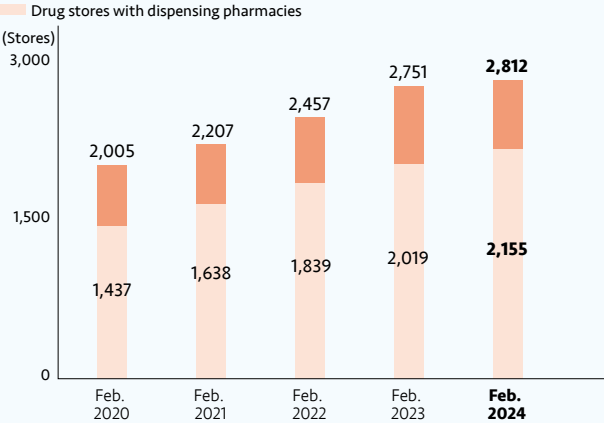


Dispensing net sales / Ratio of net sales

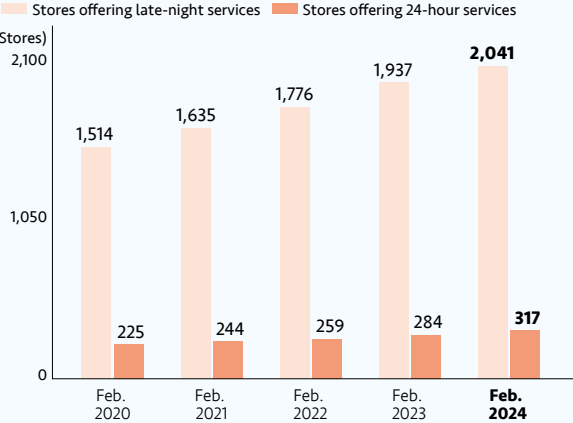


Non-financial information

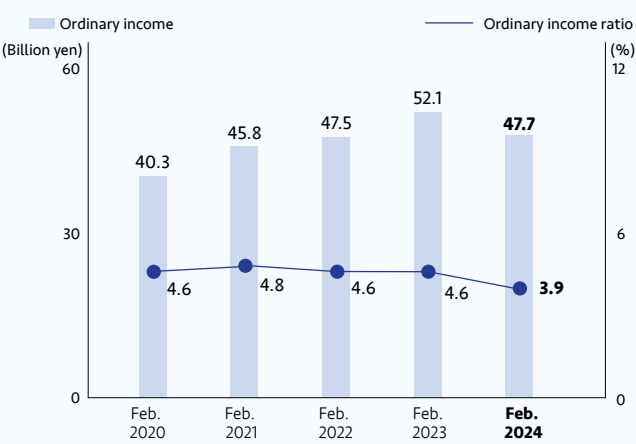
No. of stores in Japan at the end of the period (of which are drug stores with dispensing pharmacies)



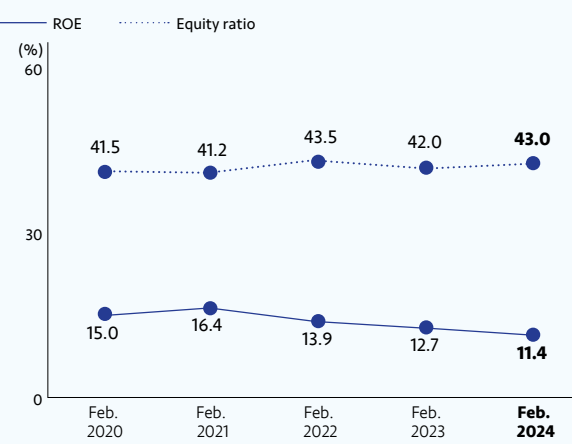
Stores offering late-night services / Stores offering 24-hour services



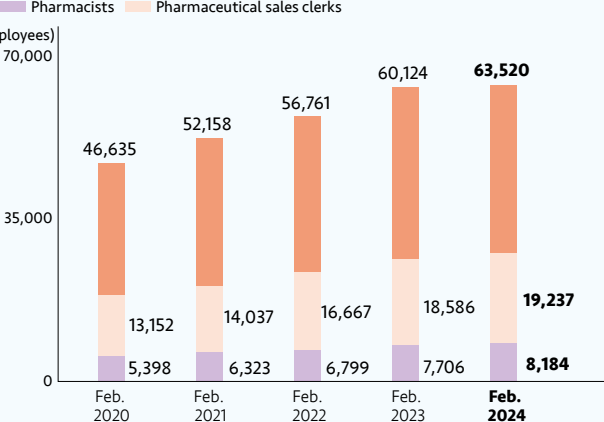
Ordinary income / Ordinary income ratio



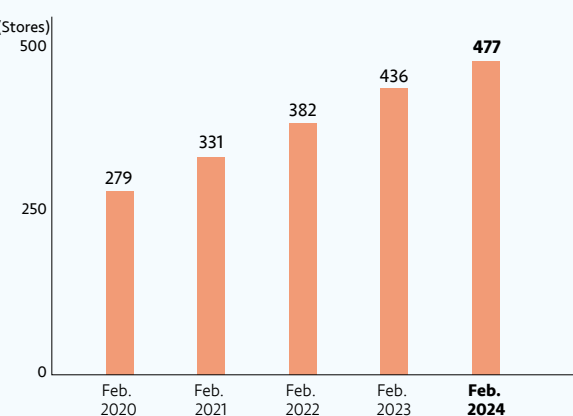
Return on equity (ROE) / Equity ratio



No. of employees (of which are pharmacists/pharmaceutical sales clerks)

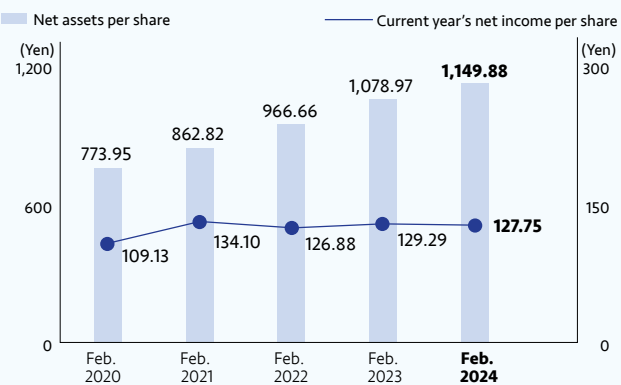


No. of stores with a Welcafe area



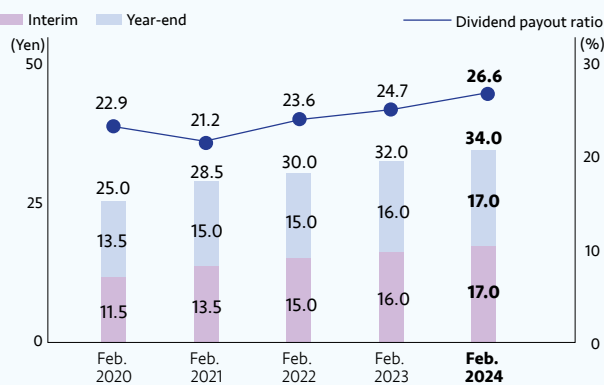
Note: The number of people who are pharmacists/registered pharmaceutical sales clerks does not include people from cosmetic specialty stores (MASAYA, COLOR STUDIO, and NARCIS).

Net assets per share / Current year's net income per share



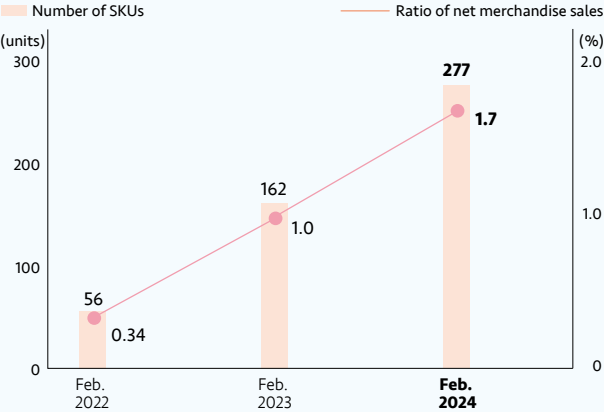
Note: The Company implemented a 2-for-1 stock split of its common shares on September 1, 2020. Figures are calculated retroactively for prior periods.

Dividend per share / Dividend payout ratio



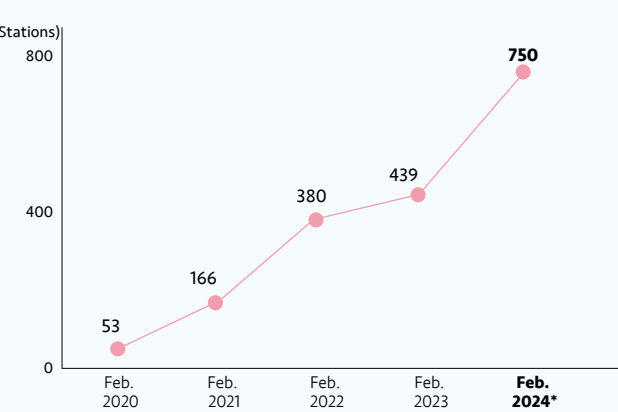
Note: The Company implemented a 2-for-1 stock split of its common shares on September 1, 2020. The above is listed appealing to previous fiscal years.

Number of SKUs* and share of total Welcia retail merchandise sales held by Karada Welcia and Kurashi Welcia brand products



* Stock Keeping Units

No. of PET bottle recycling collection points



* The total amount of used PET bottles collected was 62.7 tons (cumulative)

11-Year Summary

	Aug. 2014	Feb. 2015*1	Feb. 2016	Feb. 2017	Feb. 2018	Feb. 2019	Feb. 2020	Feb. 2021	Feb. 2022	Feb. 2023	Feb. 2024
Operating Results (Units: million yen)											
Net sales	360,797	191,991	528,402	623,163	695,268	779,148	868,280	949,652	1,025,947	1,144,278	1,217,339
Gross profit	107,424	57,393	149,910	183,815	209,948	236,659	267,454	296,044	320,944	349,254	370,107
Selling, general and administrative expenses	93,216	51,394	131,150	159,736	181,121	207,614	229,652	253,070	277,925	303,619	326,875
Operating income	14,207	5,999	18,759	24,078	28,826	29,045	37,801	42,974	43,018	45,635	43,231
Ordinary income	14,973	6,611	20,377	25,723	30,923	31,500	40,348	45,800	47,590	52,149	47,756
Net income attributable to owners of the parent	7,835	3,596	9,527	14,451	17,166	17,423	22,802	27,999	26,453	27,030	26,451
Net income per share (yen)*2	47.63	20.43	48.87	69.46	82.49	83.63	109.24	134.23	126.99	129.38	127.83
Net income per share (fully diluted) (yen)*2	47.63	20.42	48.82	69.39	82.39	83.54	109.13	134.10	126.88	129.29	127.75
Return on equity (ROE)	13.4%	5.1%	10.7%	13.2%	14.0%	12.8%	15.0%	16.4%	13.9%	12.7%	11.4%
Financial Condition (Year-end for each business) (Units: million yen)											
Net assets	70,809	74,225	103,779	116,233	130,482	143,948	162,418	180,351	207,886	232,384	244,367
Total assets	165,355	165,828	227,005	247,026	292,238	327,426	390,006	435,685	463,048	537,362	551,860
Net assets per share (yen)*2	404.44	419.46	498.31	556.88	622.06	685.88	773.95	862.82	966.66	1,078.97	1,149.88
Equity ratio	41.4%	44.5%	45.6%	46.9%	44.3%	43.7%	41.5%	41.2%	43.5%	42.0%	43.0%
Return on assets (ROA)	9.8%	4.0%	10.4%	10.9%	11.5%	10.2%	11.2%	11.1%	10.6%	10.4%	8.8%
Cash Flow (Units: million yen)											
Net cash provided by operating activities	16,519	3,944	15,031	33,303	35,902	34,872	70,156	46,396	16,228	60,296	46,529
Net cash provided by investing activities	-15,183	-14,788	-4,853	-18,034	-36,726	-23,955	-27,459	-16,147	-37,088	-36,068	-22,028
Net cash provided by financing activities	6,409	-6,025	-10,018	-12,897	-1,249	-7,348	-22,241	-16,970	-7,282	-14,849	-26,812
Cash and cash equivalents at end of period	25,889	9,036	13,245	15,613	13,585	17,152	37,599	50,937	22,837	32,307	30,065
Stock Information											
Number of shareholders (persons)	5,143	5,602	11,147	14,399	21,656	29,417	22,937	46,982	57,122	74,960	113,623
Number of shares issued (shares)	21,171,343	44,047,906	52,408,679	52,408,679	104,817,358	104,816,838	104,816,838	209,633,676	209,633,676	209,652,876	209,656,076
Stores / Employees											
No. of stores at end of period (stores)	951	992	1,472	1,535	1,693	1,878	2,012	2,217	2,468	2,763	2,825
Area of sales floor at end of period (m²)	—	—	—	—	1,200,669	1,306,932	1,396,726	1,541,681	1,781,753	1,908,391	1,956,301
Area of average sales floor during period (m²)	—	—	—	—	1,161,883	1,257,992	1,365,023	1,501,261	1,742,134	1,883,339	1,938,387
No. of employees (persons)*3	12,569	13,532	19,267	20,963	24,252	27,937	30,552	34,740	37,774	40,342	41,699
No. of pharmacists employed (persons)*4	2,082	2,095	3,266	3,754	4,159	4,625	5,398	6,323	6,799	7,706	8,184
No. of registered pharmaceutical sales clerks (persons)*4	4,626	5,133	7,928	8,776	10,504	11,949	13,152	14,037	16,667	18,586	19,237

*1 The fiscal year ended February 28, 2015, is a 6-month period due to a change in the accounting period.
*2 The Company implemented a 2-for-1 stock split of its common shares on March 1, 2017, and a 2-for-1 stock split of its common shares on September 1, 2020. Figures are calculated retroactively for prior periods.
*3 The number of temporary employees is calculated on an 8-hour per day basis.
*4 The number of people who are pharmacists/registered pharmaceutical sales clerks does not include people from cosmetic specialty stores (MASAYA, COLOR STUDIO, and NARCIS).

Corporate Data

(As of February 29, 2024)

Company overview

Company Name	WELCIA HOLDINGS CO., LTD.
Established	September 1, 2008
Paid-in-Capital	7,748 million yen
Business Description	Business management of subsidiaries and Group companies that run chain drug stores with dispensing pharmacies
Head Office Location	2-2-15, Sotokanda, Chiyoda-ku, Tokyo 101-0021
Website	https://www.welcia.co.jp/en/
Telephone	+81-3-5207-5878
Number of Group Employees	63,520 (including part-time employees)

List of Group Companies

● Consolidated subsidiaries

Welcia Yakkyoku Co., Ltd.

Established	April 1974
Paid-in-Capital	100 million yen
Business Description	Operation of a chain of drug stores with dispensing pharmacies
Head Office Location	2-2-15, Sotokanda, Chiyoda-ku, Tokyo 101-0021

Kokumin Co., Ltd.

Established	April 1935
Paid-in-Capital	91.1 million yen
Business Description	Management of drug stores and drug stores with dispensing pharmacies
Head Office Location	1-12-48, Kohamanishi, Suminoe-ku, Osaka-shi, Osaka 559-0007

French Co., Ltd.

Established	August 1969
Paid-in-Capital	18 million yen
Business Description	Management of drug stores and drug stores with dispensing pharmacies
Head Office Location	1-12-48, Kohamanishi, Suminoe-ku, Osaka-shi, Osaka 559-0007

Pupule Himawari Co., Ltd.

Established	November 1984
Paid-in-Capital	49 million yen
Business Description	Management of drug stores with dispensing pharmacies and beauty salons
Head Office Location	2-10-11, Nishishingaicho, Fukuyama-shi, Hiroshima 721-0958

Marudai Sakurai Pharmacy Limited

Established	October 1972
Paid-in-Capital	29.9 million yen
Business Description	Management of drug stores and drug stores with dispensing pharmacies
Head Office Location	2-72, Tamatsukuri, Sannai, Aomori-shi, Aomori 038-0031

Shimizu Yakuhin Co., Ltd.

Established	November 1947
Paid-in-Capital	48 million yen
Business Description	Drug store management (retail of pharmaceuticals, cosmetics, daily necessities, etc.)
Head Office Location	113, Kitahigashinocho, Nishishichijo, Shimogyoku, Kyoto-shi, Kyoto 600-8871

Marue Wellness Stores Inc.

Established	April 1973
Paid-in-Capital	48 million yen
Business Description	Operation of drug stores, a chain of drug stores with dispensing pharmacies, childcare and learning facilities, and other wellness-related businesses
Head Office	Location 83, Higoshimachi, Maebashi-shi, Gunma 371-0021

Yodoya Co., Ltd.

Established	April 1981
Paid-in-Capital	50 million yen
Business Description	Retail of pharmaceuticals, health foods, cosmetics, nursing care goods, baby goods, daily necessities, foods, confectionary, alcohol, etc.
Head Office Location	1-5-30, Takasu, Kochi-shi, Kochi 781-8104

Fuku Yakuhin, K.K.

Established	April 1989
Paid-in-Capital	20 million yen
Business Description	Drug store management
Head Office Location	2-3-3 Izumizaki, Naha-shi, Okinawa 900-0021

MASAYA Co., Ltd.

Established	June 1958
Paid-in-Capital	10 million yen
Business Description	Operation of cosmetics specialty stores
Head Office Location	2-6-56, Omotecho, Kita-ku, Okayama-shi, Okayama 700-0822

Welcia Kaigo Service Co., Ltd.

Established	April 1971
Paid-in-Capital	100 million yen
Business Description	Every aspect of nursing care
Head Office Location	2F, Fukawa Bldg., 8-1, Inarimae, Tsukuba-shi, Ibaraki 305-0061

Welcia-BHG (Singapore) Pte.Ltd.

Established	March 2017
Paid-in-Capital	36 million Singaporean dollars
Business Description	Drug store management within Singapore
Head Office Location	29 TAI SENG AVENUE, #03-02 NATURAL COOL LIFESTYLE HUB, SINGAPORE (534119)

● Non-consolidated subsidiaries

Welcia Oasis Co., Ltd.

Established	March 2011
Paid-in-Capital	10 million yen
Business Description	Store support (display, stock replenishment, OTC product sales support, and cleaning), greenery maintenance, receipt and discharge of documentation and equipment, and disability employment management and consultation
Head Office Location	4-48-5, Higashiomiya, Minuma-ku, Saitamashi, Saitama 337-0051

Welcia Retail Solution Co., Ltd.

Established	November 2016
Paid-in-Capital	10 million yen
Business Description	Support for marketing targeting manufacturers
Head Office Location	2-2-15, Sotokanda, Chiyoda-ku, Tokyo 101-0021

Stock Information

(As of February 29, 2024)

Number of shares

Number of shares authorized	494,947,200
Number of shares issued (excluding 13,803 treasury shares)	209,642,273
Number of shareholders	113,623

Major shareholders

	Number of shares (thousands)	Shareholding ratio (%)
Aeon Co., Ltd.	105,950	50.54
The Master Trust Bank of Japan, Ltd. (trust account)	12,774	6.09
Custody Bank of Japan, Ltd. (trust account)	4,891	2.33
Welcia Holdings Employee Stock Ownership	4,102	1.96
MSCO CUSTOMER SECURITIES	3,659	1.75
Tsuruha Co., Ltd.	3,352	1.60
Custody Bank of Japan, Ltd. (trust account E)	2,543	1.21
SMBC Nikko Securities Inc.	1,630	0.78
Ishida Co., Ltd.	1,616	0.77
BBH BOSTON CUSTODIAN FOR BBH SELECT EQUITY MASTER FUND, LP 620521	1,397	0.67

Note: In calculating the shareholding ratio, we omitted 13,803 treasury shares.
Also, the treasury shares do not include 2,543,500 shares held by stock benefit trusts (employee stock ownership) or 507,819 shares held by executive compensation BIP trusts.

Breakdown of holdings by shareholder type

