



Providing key support for people's lives
— Achieving a one-stop store that offers specialist support —

Integrated Report 2022



WELCIA HOLDINGS CO., LTD.



Strengthening Healthcare Sales Areas

We have set up free checkup sections to help maintain and promote health, and aim to become a cornerstone of Community-based Integrated Care.

Seeking the drug store of the future

The Welcia Group's vision is to provide key support for people's lives, and we have been responding to the needs of local customers.

We will continue aiming to be one step ahead of the ideal drug store in order to remain a one-stop store even as the lives of local residents undergo major changes, such as longer life expectancy, increased health awareness, and diversifying lifestyles.



Improving Pharmacists' Work Efficiency

We have improved work efficiency with dispensing robots, and become a drug store with trusted "personal pharmacists" who perform more patient-focused care.



Revitalizing Local Communities

We provide spaces for residents in local communities to interact, and have become rooted in them.



Developing High Value-added Private Brands

We offer a wide range of high value-added products, making our stores indispensable every day shopping spots.



Strengthening Counseling

Our drug stores meet the needs of every customer through optimal counseling.

Message from the Chairman

Further raising corporate value by continuously responding to change

Getting closer to communities by providing key support for people's lives

We set "To promote higher quality of life and healthy lifestyles for our customers" as the Welcia Group's mission in 2008, when we established Growell Holdings Co., Ltd. (renamed WELCIA HOLDINGS CO., LTD. in 2012).

This mission is the foundation of our vision of providing key support for people's lives, under which we have expanded our product lineup in accordance with the needs of customers and grown in size by actively opening new stores and pursuing M&A. As a result, in the fiscal year ended February 28, 2022, we became the first business in our industry to record sales of over one trillion yen. Even so, the Group's significance still lies in our ability to get closer to the regions in which our stores are located and respond to the difficulties faced by communities.

Welcia Model developed based on our corporate motto of "Take a unique position from competitors through differentiation"

As a Group, we are currently aiming to create one-stop stores that offer specialist support through a combination of expertise and convenience. This expertise is realized by providing counseling, products, and services backed by the expert knowledge of our pharmacists, registered pharmaceutical sales clerks, beauty care advisors, registered dietitians, and other

specialists. To realize convenience, we are working to provide stores that function as regional infrastructure which customers can use whenever they need, including stores with dispensing pharmacies and that provide 24-hour services.

The platform for achieving this is the Welcia Model, which is centered on the operation of drug stores with dispensing pharmacies, counseling services, late-night services, and long-term care services. The distinctive feature of this model is described in our corporate motto of "Take a unique position from competitors through differentiation." These are words of wisdom from the late Takayuki Suzuki, the former honorary chairman of the Welcia Group who played a key role in its growth. Mr. Suzuki was the man who developed the basic concept of drug stores with dispensing pharmacies that offer high added value. To survive and win in a fiercely competitive environment, we must thoroughly pursue differentiation. This is the Welcia Model.

Aiming for sustainable growth by embracing change

However, we cannot become too strongly attached to our model. While it is impossible to picture exactly what the Group will be like in five- or ten-years' time, I think we will not be able to realize further growth unless we continue to evolve the Welcia Model by adding and incorporating elements that reflect changes in society.

Our Mission

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

Our Vision

**Providing key support for people's lives
— Achieving a one-stop store that offers specialist support —**

It is also essential that the sustainable growth of the Group is based on the pursuit of social value as well as economic value. Therefore, in November 2021 we formulated the Sustainability Basic Policy. While this policy does contain some new content, the majority of it is clarifying the efforts that we have already been implementing. We will work to further raise the Group's corporate value while reaffirming ESG and sustainability perspectives in our business management.

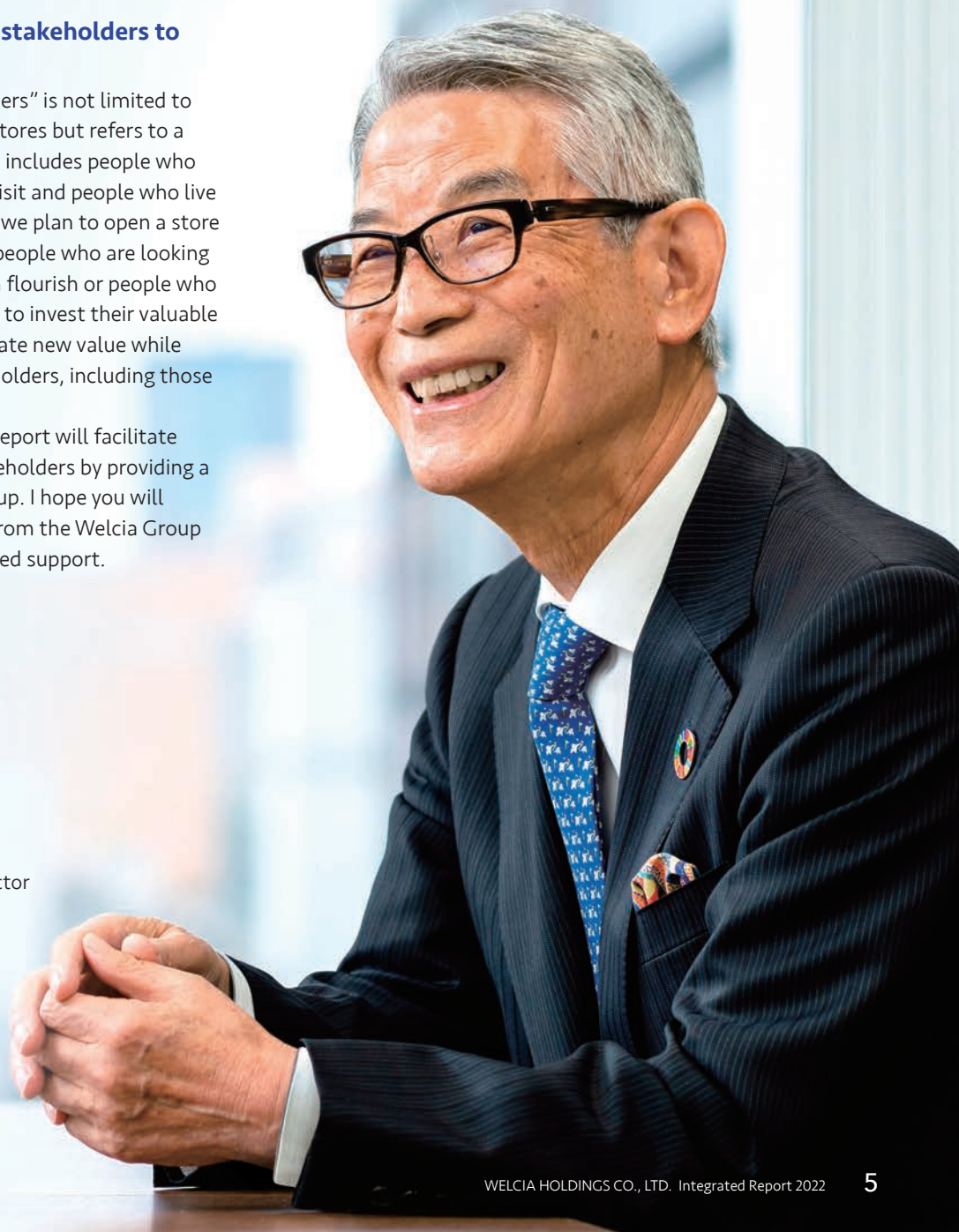
Collaborating with various stakeholders to create new value

In our mission, the word “customers” is not limited to just the customers who use our stores but refers to a broad range of stakeholders. This includes people who live near a store but have yet to visit and people who live in countries and regions in which we plan to open a store in the future. It can also refer to people who are looking for a workplace in which they can flourish or people who are searching for a place in which to invest their valuable assets. We will do our best to create new value while collaborating with various stakeholders, including those we have not yet met.

I hope that this Integrated Report will facilitate communication with all our stakeholders by providing a deeper understanding of the Group. I hope you will continue to expect great things from the Welcia Group and look forward to your continued support.

Takamitsu Ikeno

Chairman and Representative Director
WELCIA HOLDINGS CO., LTD.



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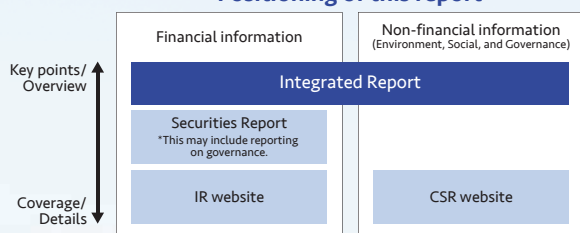


Editorial Policy

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.

Positioning of this report



Period Covered

This report is mainly focused on activities that were carried out in fiscal 2021 (March 2021 to February 2022) but also contains activities carried out before and after this period. The names of organizations and officers are current as of May 24, 2022.

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. alone.

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.

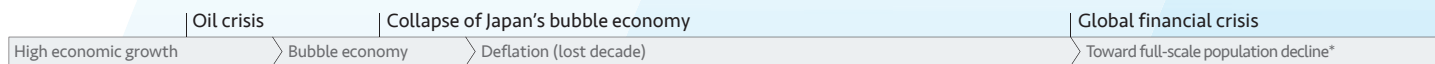


Value Creation History

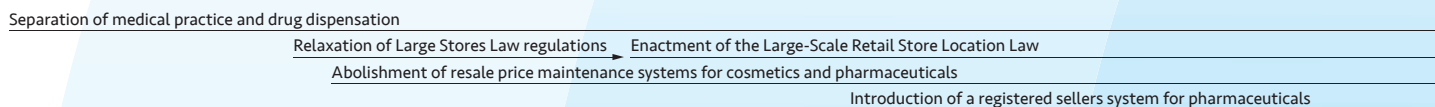
Developing the Welcia Model in anticipation of changes in the social environment

The Welcia Group has expanded its business operations in anticipation of changes in the social environment. Going forward, we will aim for continued growth with a constant commitment to connecting closely with the lifestyles of local communities.

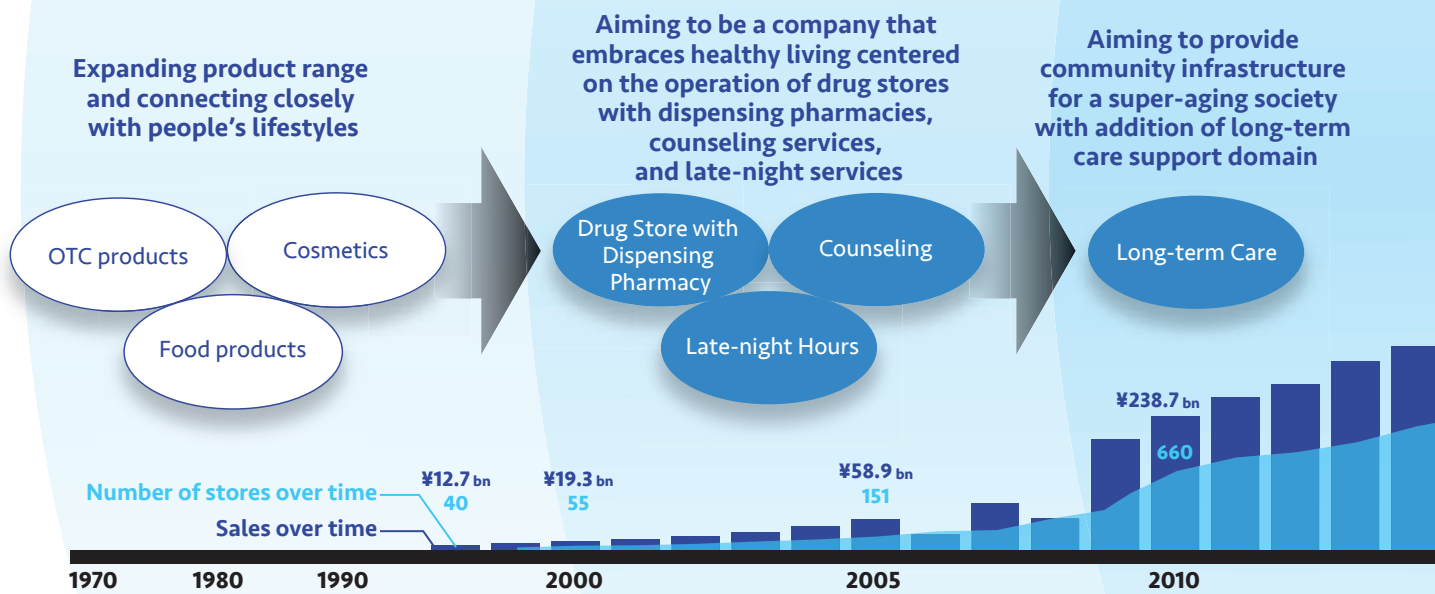
Changes in Japan's social environment



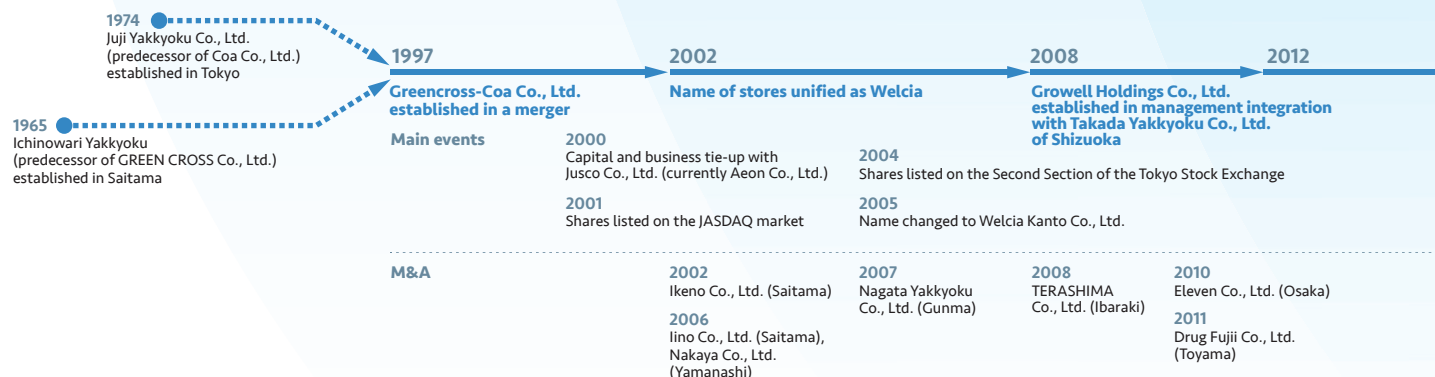
Main regulatory movements in the Japanese drug store industry



Sales trends and value creation



Main M&A projects



COVID-19 pandemic

* From Economic and Social Conditions Surrounding Infrastructure, Ministry of Health, Labour and Welfare



*1 The fiscal year ended February 28, 2006, is a 6-month period due to a change in the accounting period.
 *2 The fiscal year ended February 29, 2008, is a 6-month period due to a change in the accounting period.
 *3 The fiscal year ended February 28, 2015, is a 6-month period due to a change in the accounting period.

Shares listed on the First Section of the Tokyo Stock Exchange
 Company name changed to WELCIA HOLDINGS CO., LTD.

2014 Became a consolidated subsidiary of Aeon Co., Ltd. 2016 B.B.ON Co., Ltd. established as specialty cosmetics store	2020 Capital and business tie-up with Home Center Mitsuwa Co., Ltd. (Fukui)	2022 Transferred to the Prime Market of the Tokyo Stock Exchange
2015 TAKIYA Co., Ltd. (Hyogo), SHIMIZU YAKUHIN Co., Ltd. (DACS) (Kyoto), CFS Corporation (Kanagawa)	2017 Marudai Sakurai Pharmacy Limited (Aomori)	2020 YODOYA Co., Ltd. (Kochi), Marue Drug Co., Ltd. (Gunma), and specialty dispensing pharmacy businesses Neo Pharma Co., Ltd. and Summit Co., Ltd. (Ehime)
2019 Kanamitsu Yakuhin Co., Ltd. (Okayama)	2018 Ippondo Co., Ltd. (Tokyo), MASAYA Co., Ltd. specialty cosmetics store (Okayama)	2021 Pupule Himawari Co., Ltd. (Hiroshima)
	2022 Kokumin Co., Ltd. (Osaka)	

Drug Store with Dispensing Pharmacy



Counseling



Developing the Welcia Model to support lifestyles and communities

Late-night Hours



Long-term Care



At a Glance

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

Drug store market size:

¥10 trillion (2025)

Oligopoly in the drugstore industry
Share owned by the top 10 companies:

71% (2020)

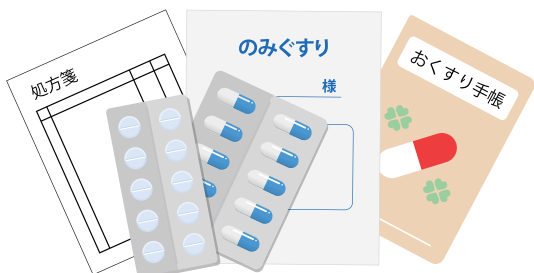


Dispensing market size:

¥8 trillion (2025)

Oligopoly in the dispensing business
Share owned by the top 10 companies:

20% (2020)



Scale

Scale and collective strength cultivated over many years

Net sales:

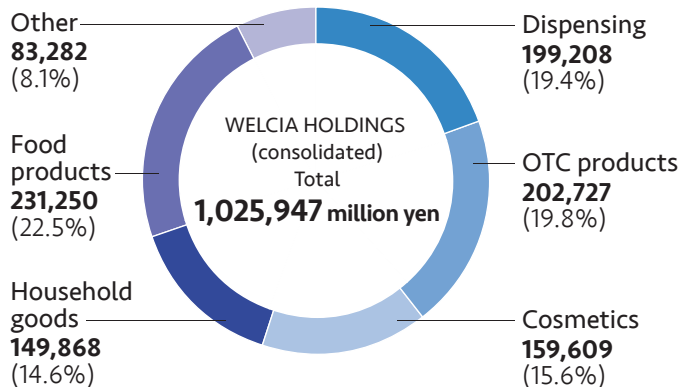
¥125.9 billion

YoY change in net sales:

+ 8.0%



Sales by product



Annual number of customers:

30 million

Welcia members:

2.31 million

Prescriptions dispensed:

18.89 million



Expertise

Leveraging the expertise of a wide variety of specialists

As of February 28, 2022

No. of employees:

56,761

(including both permanent and temporary employees)

No. of pharmacists:

6,799

No. of staff who have obtained the Lifree care advisor qualification:

Newly qualified staff in the fiscal year ended February 28, 2022

876 (cumulative: 6,198)

No. of beauty care advisors:

2,521

No. of registered pharmaceutical sales clerks:

16,667



Area covered by stores:

2,457 stores in 40 prefectures

(excluding 11 overseas stores)

No. of stores offering late-night services:

1,776

No. of drug stores with dispensing pharmacies:

1,839

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

737

No. of stores with a pharmacy that opens on Saturdays:

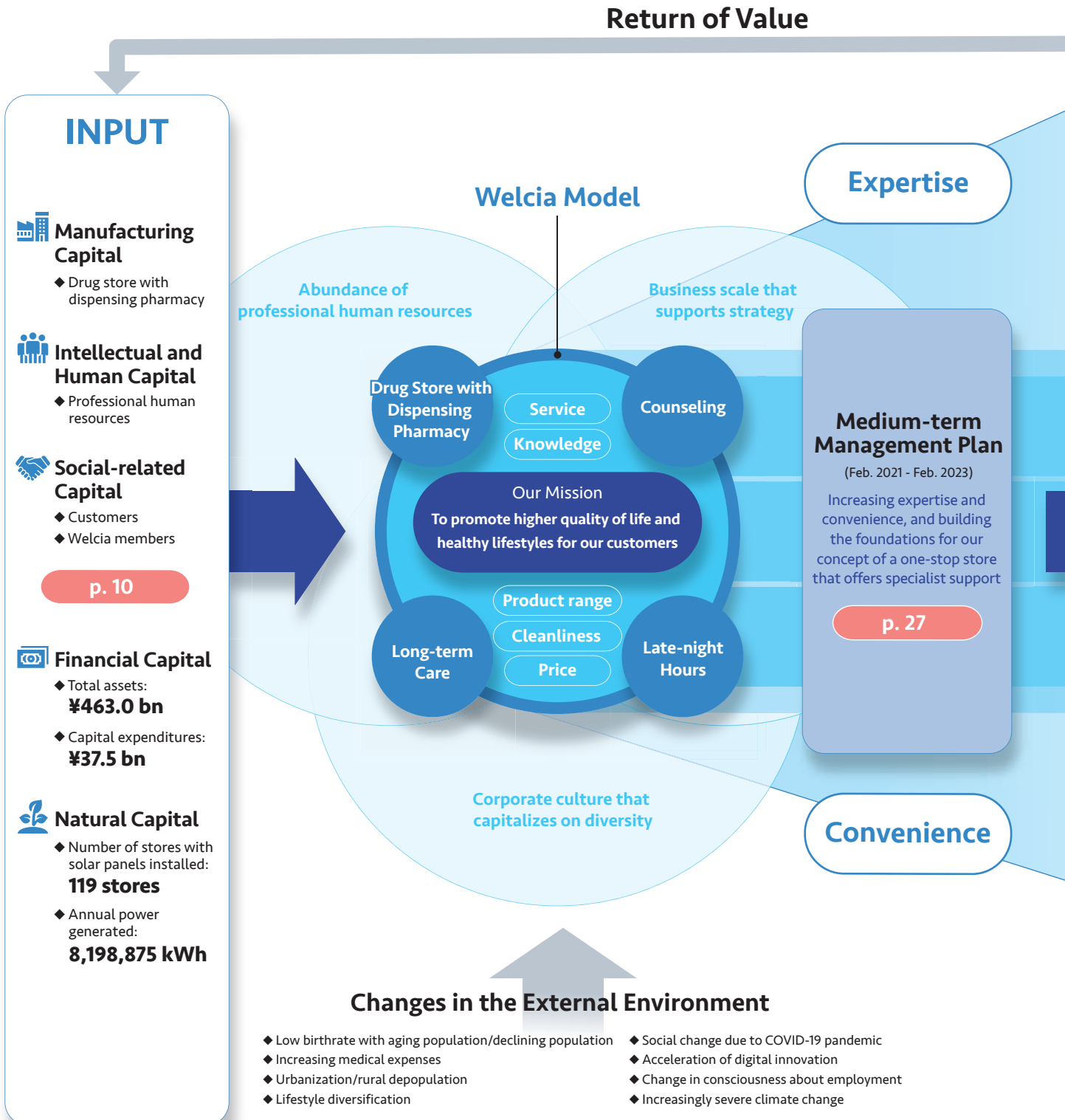
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Value Creation Process

Refining the Welcia Model to provide key support for the lives of people in the community

By refining the Welcia Model to meet the needs of the times, we will establish competitive advantages and create new value as a drug store that supports local lifestyles.





Provide convenience and comfort for all

OUTPUT



OTC Products

Achieving regional health care plans



Dispensing

Providing optimal counseling



Food Products

Developing high value-added private brand products



Cosmetics

Offering services with face-to-face and online options



Household Goods

Expanding product lineup by collaborating with the Aeon Group



Other

Providing services that suit regional characteristics

Human Rights Policy

Products and Services Policy

Environmental Policy

Materiality
p. 18





Provide health and beauty value in everyday life

Vibrant and energized local community

A society in which everyone can experience work satisfaction



Vision

Providing key support for people's lives

- Achieving a one-stop store that offers specialist support -

OUTCOME

Contribute to a decarbonized society

Provide confidence in medical care as a personal drug store

Bring enrichment and happiness for the 100-year lifespan

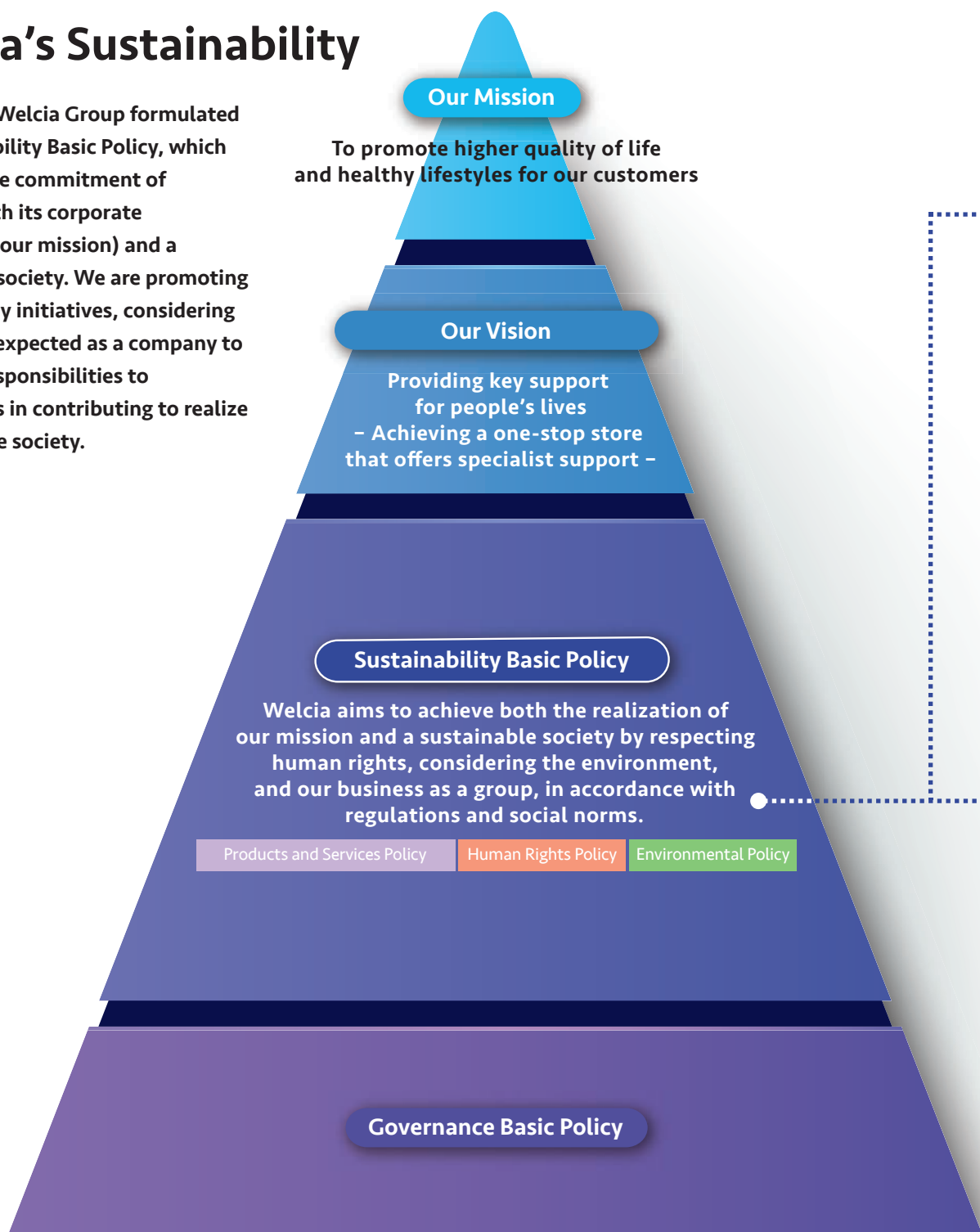


Our Vision & Policy

The Welcia Group has formulated a policy regarding sustainability and identified material issues. We will implement sustainability initiatives based on these issues in the future.

Welcia's Sustainability

In 2021, the Welcia Group formulated its Sustainability Basic Policy, which sets forth the commitment of realizing both its corporate philosophy (our mission) and a sustainable society. We are promoting sustainability initiatives, considering that we are expected as a company to fulfill our responsibilities to stakeholders in contributing to realize a sustainable society.



Our Mission

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

Our Vision

Providing key support for people's lives
- Achieving a one-stop store that offers specialist support -

Sustainability Basic Policy

Welcia aims to achieve both the realization of our mission and a sustainable society by respecting human rights, considering the environment, and our business as a group, in accordance with regulations and social norms.

Products and Services Policy

Human Rights Policy

Environmental Policy

Governance Basic Policy

Sustainability Basic Policy

Direction for business based on values

Products and Services Policy

Based on the values of human rights and the environment, this is the direction for how to realize our mission and a sustainable society through the products and services of our core businesses

1. Improvement of community infrastructure functions through the evolution and growth of the Welcia Model
2. Improvement of counseling abilities
3. Concepts in product development and procurement
4. Consideration of human rights in the supply chain
5. Contribution to realizing "leave no one behind"

Prioritized values

Human Rights Policy

This policy demonstrates the value that respect for human rights is essential to realizing our mission and a sustainable society

1. Respect for diversity as a part of our corporate culture
2. Human capital-oriented management
3. Establishment of a human rights due diligence system
4. Establishment of relief mechanisms for human rights violations
5. Acquisition of third-party certification

Environmental Policy

This policy demonstrates the value that preserving the global environment without significant changes to it is important for realizing our mission and a sustainable society

1. Initiatives for realizing a decarbonized society
2. Initiatives for realizing a circular society
3. Initiatives for realizing a society in harmony with nature
4. TCFD recommendations for addressing climate change
5. Promotion of ethical consumption
6. Training for executives and ordinary employees on environmental conservation

Material Issue Identification Process

The Welcia Group identified material issues by starting from our basic policy and tying it to the Group's current main business and the areas we intend to prioritize in the future.

Step 1 Listing of Issues

Through daily communication with shareholders, institutional investors, and other stakeholders in Japan and overseas, the Welcia Group has identified what stakeholders expect from the Group, especially from ESG and sustainability perspectives (e.g., greenhouse gas reduction measure costs, employee training investment amounts, etc.), and have determined that "human rights" and the "environment" are the two values that we should prioritize.

However, the Group ensures that the operations of each business unit provide a positive value to society from ESG and sustainability perspectives. Based on this, we have created a list of 26 initiative issues (material issues) to be addressed for the achievement of our Sustainability Basic Policy ("Basic Policy") by linking the values that the Group prioritizes and the ideal direction of our main business.

Priority Initiatives

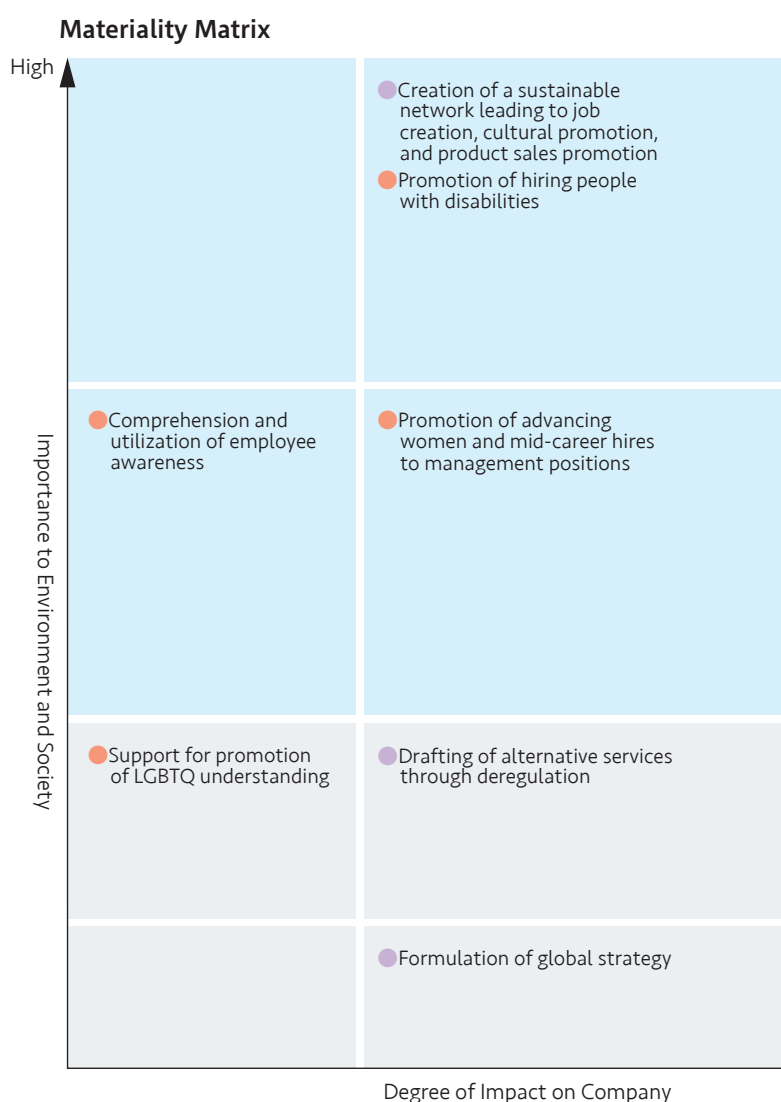
Sustainable Development Goals



Carrying on from the Millennium Development Goals (MDGs) established in 2001, these international goals were unanimously adopted by member countries at the UN Summit in September 2015, and aim for a more sustainable world by 2030. They consist of 17 goals and 169 targets for achieving a sustainable world, and pledge to "leave no one behind."

Step 2 Issue Extraction and Importance Evaluation

The Welcia Group has promoted initiatives for the listed 26 material issues as its main business, and arranged their priorities. Since the goal of the Basic Policy is to achieve both our mission and a sustainable society, we have adopted the concept of double materiality. The investment amount, cost-effectiveness, and impact of



Step 3 Validation and Identification

solving social issues are taken into consideration, and the weighting and its appropriateness evaluation are reported to the Board of Directors as required, in addition to the opinions of outside Directors. This allowed us to identify the 15 material issues in the upper right portion of the matrix below as high priority issues.

-Human Rights Policy
-Environmental Policy
-Products and Services Policy
-Governance Basic Policy

- | | |
|--|--|
| <ul style="list-style-type: none"> ● Promotion of digital transformation (DX) using new technologies ● Response to needs from demographic and social change | <ul style="list-style-type: none"> ● Improvement of human capital through skills development and career training ● Improvement of community infrastructure functions through evolution of business model as a differentiation strategy ● Ethical consumption in collaboration with local communities and supply chains ● Implementation of Group-wide business continuity management |
| <ul style="list-style-type: none"> ● Respect for human rights in the supply chain ● Utilization of customer and patient opinions ● Promotion of renewable energy and energy conservation ● Reduction of returns and product loss ● Reduction of plastic use | <ul style="list-style-type: none"> ● Support of work-life balance ● Provision of places to excel and working hour management according to workstyles ● Development of new private brands ● Proactive opening of stores |
| <ul style="list-style-type: none"> ● Encouragement of employee health ● Development of new communication strategy | <ul style="list-style-type: none"> ● Identification of new business opportunities and development of new business models ● Management of the Board of Directors from diverse perspectives |

High

The Welcia Group manages progress as business objectives, since all initiatives toward material issues are tied to our main business. In addition, the Risk Management Committee assesses the status of risks as barriers to achieving the targets and reports to the Board of Directors. Meanwhile, the Sustainability Committee, chaired by the President and Representative Director, confirms the status of material issue initiatives and reports those results to the Board of Directors along with the degree of impact as social issues. In this way, we have established a governance structure for the Board of Directors to manage material issue initiatives in a multi-layered way, and indicated this in our Governance Basic Policy.



Board of Directors



Audit & Supervisory Board

List of Material Issues

The Welcia Group has set risk-based targets for material issue-related initiatives, and is making progress within the management system monitored by the Board of Directors.

Policies	Material Issues	Our Business Targets
Human Rights Policy	Work-life balance	Balance between employee satisfaction and labor productivity
	Diverse and flexible workstyles	Balance between employee satisfaction and labor productivity
	Skills development and career education	Bolstering human capital in line with management strategy
Products and Services Policy	Digital transformation (DX)	Creation of new value through DX promotion
	Development of new products and services	Development of new high value-added private brands
	Business model evolution (including counseling)	Improvement of community infrastructure functions through evolution of business model as a differentiation strategy
	Respect for human rights in the supply chain	Respect for human rights in the supply chain
	Improvement of value as lifestyle infrastructure	Proactive opening of stores
	Impact of social issues on corporate activities	Response of business strategy to needs of demographic and social change
Environmental Policy	Realization of a decarbonized society	Promotion of renewable energy and energy conservation
	Realization of a circular society	Reduction of returns and product loss
	Realization of a society in harmony with nature	Reduction of plastic use
	Realization of ethical consumption	Penetration of ethical consumption in collaboration with local communities and supply chains

Examples of Major Initiatives	Risks
<ul style="list-style-type: none"> ● Preparing an environment for diverse workstyles (→p. 37) ● Promotion of health and productivity management (→p. 37) 	Inconsistencies between human resources and evaluation systems
<ul style="list-style-type: none"> ● Preparing an environment for diverse workstyles (→p. 37) 	Inconsistencies between retention measures and labor productivity
<ul style="list-style-type: none"> ● Bolstering human capital through upskilling and career education (→p. 37) 	Gap between changes in business environment and abilities to secure required human resources
	Threat of substitutes and services
<ul style="list-style-type: none"> ● Development of products that use environmentally-friendly materials (→p. 35) 	Occurrence of private brand product-related supply chain problems
<ul style="list-style-type: none"> ● Improvement of community infrastructure functionality 	Threat of substitutes and services
<ul style="list-style-type: none"> ● Consideration of human rights in the supply chain 	Occurrence of problems in the supply chain
	Existence of unprofitable stores
<ul style="list-style-type: none"> ● Implementing mobile sales using digital tools (→p. 36) 	Unachieved targets due to resource input delays and insufficient input volume
<ul style="list-style-type: none"> ● Proactively installing energy-conserving equipment (→p. 33) ● Utilizing solar power (→p. 33) ● Reducing fossil fuel consumption (→p. 34) 	Unpredicted increase of costs due to rising inflation
<ul style="list-style-type: none"> ● Reducing disposal and return of products (→p. 35) ● Promotion of sales by weight (→p. 35) 	Unpredicted increase of costs due to rising inflation
<ul style="list-style-type: none"> ● Reducing plastic checkout bag usage (→p. 34) ● Collecting plastic bottles (→p. 34) ● Effective use of plastic containers (→p. 35) 	Unpredicted increase of costs due to rising inflation
<ul style="list-style-type: none"> ● Development of products that use environmentally-friendly materials (→p. 35) ● Contribution to local communities with ethical consumption (→p. 36) 	Perception gap between Welcia and local partners

Our Strategy

The Welcia Group will boost the expertise of its stores as a whole and improve the level of service at each of its stores with the aim of offering a one-stop store that offers specialist support for the needs of the community.

Message from the President

We will complete our medium-term management plan and aim for further evolution as a one-stop store that offers specialist support

Tadahisa Matsumoto

President and Representative Director
WELCIA HOLDINGS CO., LTD.



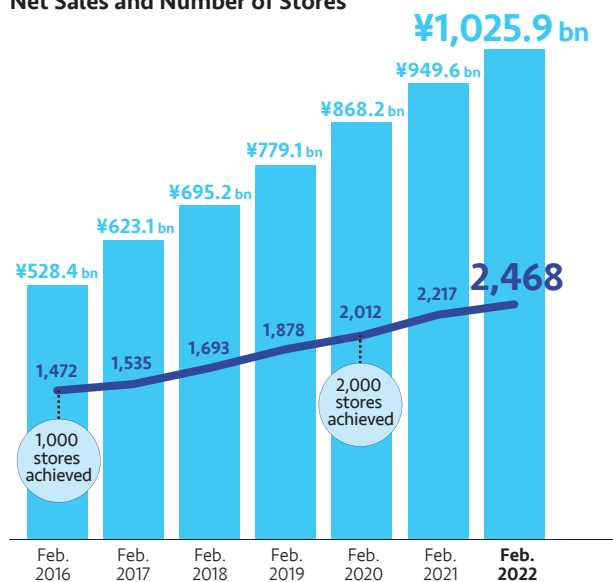
Business performance in the fiscal year ended February 28, 2022

Q What is your performance assessment for the fiscal year ended February 28, 2022?

A We became the first in the drugstore industry to achieve sales of one trillion yen, which had long been our goal.

Amid the ongoing COVID-19 pandemic, and during the first half of the fiscal year ended February 28, 2022, many customers bought large quantities of hygiene products and food in bulk, as states of emergency were declared and extended. On the other hand, throughout the second half of that period, there was a trend toward a return to usual purchasing behavior, buying only the products they needed. Overall, I would say that sales were strong in the first half and somewhat sluggish in the second. However, net sales for the fiscal year ended February 28, 2022, were 1,025,947 million yen, exceeding our initial plan in March 2021. This made us the first company in the drugstore industry to achieve sales of one trillion yen. This was mainly thanks to the increase in the number of prescriptions accepted by a growing number of our stores with dispensing pharmacies. Moreover, operating income was 43,018 million yen, and net income attributable to owners of the parent was 26,453 million yen.

Net Sales and Number of Stores



In addition, in December 2021, Pupule Himawari Co., Ltd., a major drugstore company that operates 132 stores in the Chugoku and Shikoku regions, joined the Welcia Group, and this brought the total number of our Group stores to 2,468 at the end of the fiscal year. The merger with Yodoya Co., Ltd. and Marue Wellness Stores Inc. in 2020, along with the continuous M&A with the intention of scaling up, has been steadily functioning as an impetus for growth.

Although the fiscal year ending February 28, 2023, is expected to remain uncertain due to the impact of COVID-19 infections and concerns about inflation, we forecast an increase in both sales and income. We expect net sales of 1,110 billion yen, an operating income of 47.0 billion yen, and net income attributable to owners of the parent of 28.4 billion yen.

Q What are your aspirations as a company with sales of one trillion yen?

A To meet the expectations of society, we will establish a corporate brand and engage in sustainable management.

Although I personally consider our achievement of one trillion yen in sales to be just a steppingstone for our Group's expansion, I am honestly pleased that we have reached this level of scale, not only thanks to our customers, but also to the efforts of each one of our employees. In any case, what we have accomplished since becoming a company with one-trillion-yen in sales is that we are required to meet high standards in every social aspect. In other words, everyone expects much from us. I feel that, going forward, we must establish a rock-steady "brand" to be worthy of being a one-trillion-yen company.

I believe that branding is fulfilling commitments to stakeholders. Our commitments to stakeholders include providing key support for people's lives, offering valuable products, creating a place where our employees can work with vigor and enthusiasm, procuring goods in a fair and human-rights-conscious manner, and contributing to solving social and environmental issues. In other words, it means the very value that we, as a group, provide to our customers through our business. I am confident that fulfilling

Message from the President

these commitments will enhance the value of the Welcia Group's brand.

The measures taken in our current medium-term management plan and our sustainable management are all aimed at that purpose. Company growth and sustainability go hand in hand. As the Welcia Group's drug store chain is a business with high public and social responsibility, realizing our mission, "To promote higher quality of life and healthy lifestyles for our customers" through our core business will naturally lead to the creation of a sustainable society. Based on this belief, we will focus on full-fledged sustainable management beginning the fiscal year ending February 28, 2024.

Progress of medium-term management plan

Q Please tell us about the progress and results of the second year of your medium-term management plan.

A Based on the issues of the second year highlighted by our area office system, we will optimize the system in the third year.

The goal of our current medium-term management plan is to create a "one-stop store that offers specialist support" for the needs of the community by refining the Welcia Model. Particularly in the future, I believe that the key to differentiation will be to boost the expertise of all our stores, and at the same time improve the level of service at each store. In accordance with this belief, we reorganized store management into district offices comprising five districts nationwide at the beginning of this medium-term management plan. We have delegated more authority to each district office to speed up decision-making in their area and create stores that are more closely aligned with the local communities. Specifically, we have increased the ratio of on-site decision making by setting the ratio of each district office's (on-site) discretion to headquarters' to 4:6. This way, we will improve the level of service according to the need of each area and each store. We have also subdivided management by reducing the number of stores managed by one district manager to 15, so that we

can strengthen the three areas of the district manager, dispensing and cosmetics in an integrated manner.

However, when this system kicked into gear in the fiscal year ended February 28, 2022, some problems surfaced. First, the roles of headquarters and district offices were not fully divided. We found out there were overlaps and ambiguities. In addition, due to the subdivision of store management, instructions and suggestions from headquarters and district offices became more detailed and numerous than before. Consequently, stores were overwhelmed handling them, which may have hindered the improvement of their service. Therefore, in the fiscal year ending February 28, 2023, the third year, we will pursue an optimal scale of management, with an eye on the appropriate division of roles between headquarters and district offices. This way, store managers on the front lines can have time to optimize the development of their stores and service.

On the other hand, we have also launched various measures to enhance our expertise in the three areas of the district manager, dispensing, and cosmetics in an integrated manner during the fiscal year ended February 28, 2022, under our medium-term management plan. First, the basic policy of dispensing is to increase the number of stores with dispensing pharmacies. As of the end of March 2022, the percentage of Welcia's stores with dispensing pharmacies had increased to 84.1% (76.2% in WELCIA HOLDINGS CO., LTD.), but our goal is to reach 100%. I strongly believe that our commitment to customers should be to assure them that all Welcia stores have a dispensing pharmacy. Moreover, pharmacists in the future are expected to be "healthcare providers," with knowledge and experience in health and nursing care, provide consultation to customers and patients, and to collaborate with local medical institutions and doctors. To increase the number of such "personal pharmacists" in the community, we are focusing on educating our pharmacists to acquire knowledge, skills, and communicative abilities to enhance their expertise. At the same time, we are also working to improve operational efficiency by mechanizing and automating conventional dispensing processes.

As for the area manager (healthcare), store managers are responsible for the healthcare sales floor and for promoting training to strengthen the counseling

capabilities of employees. We are also advancing with our plans to introduce and utilize terminals that allow our customers to refer to medical and other information according to their medical history.

For cosmetics, we have started to provide customers with counseling, sales promotions, and information

through tablet terminals to reinforce one-to-one relationships with them. In addition, we will strengthen our beauty care advisors, who are the key force for cosmetics sales. We will achieve this by training part-time employees and by improving their compensation, as well as by hiring new high school graduates.

Welcia's Vision of Its Future Platform



Q What other measures did you promote in line with your medium-term management plan?

A We are promoting store development and expansion of private-brand products in accordance with the characteristics of each store location.

During the fiscal year ended February 28, 2022, we put effort into developing and opening store models suited to the characteristics of each location. One of the Welcia's strong points is its well-balanced product mix of pharmaceuticals, cosmetics, household sundries, and food products. However, this needs to be adjusted depending on the location. For example, the pivotal product of a large suburban store is groceries. Over the past year, we have been experimenting with various store formats centered around "food" in cooperation with the Aeon Group. On the other hand, the focus of urban

stores is how to meet the cosmetics needs unique to urban areas. Therefore, we plan to develop stores by utilizing the know-how of Kokumin Co. Ltd., a drugstore company with overwhelming strength in cosmetics. (Kokumin Co. Ltd. became a subsidiary in June 2022.)

As for product development, we have been offering our new private brands, Karada Welcia and Kurashi Welcia since June 2021. We do not value low cost, as was the case with past private brands, but our goal is to create products that will amaze and impress our customers in new ways. We also emphasize our contribution to solving environmental and social issues by using the SDGs in our product development criteria. Our development target is 200 products, but, as of February 2022, we have 56 products. We will accelerate development beginning the fiscal year ending February 28, 2024. Nevertheless, we not only focus on speedy development but also work uncompromisingly to create products that customers would like to buy repeatedly.

Message from the President

We would also like to establish a system to link the real needs and concerns of our users to our private brand development.

To increase synergy with the Aeon Group in regard to private brands, we assigned a dedicated person for Aeon's private brand "TOPVALU" in March 2022. Handling Aeon's private brands, which already offer a large number of products, is our strength. In the future, we will handle both the products of our private brand and Aeon's in a comprehensive manner, to speedily offer a diverse lineup of products.

Direction of future medium- and long-term strategies

- Q** What is the next strategic direction after completing the current medium-term management plan?
- A** A major pillar is to strengthen the healthcare field to realize a one-stop store that offers specialist support.

The direction of our future strategies is to accelerate our effort to create a one-stop store that offers specialist support. To achieve this, it is necessary to provide more comprehensive services. We placed measuring devices at the entrance of the Welcia AEON TOWN Makuhari-nishi store, which opened in October 2021, so that customers could freely measure their blood pressure, bone strength, vascular age, and other parameters. Based on that data, our registered dietitians, who are stationed in the store, will provide nutrition and health consultations to the customers. They will also refer them to pharmacists when more expertise is needed, and they will work with local physicians to treat and cure unwellness. While this advanced system cannot be applied to our other stores immediately, we believe that we should eventually bring them to that level to achieve a one-stop store that offers specialist support.

Furthermore, we will take measures to increase our customers' loyalty. We have started operating "Welcia Member" for optimal sales promotions by associating customers' features with their shopping information. To this end, it is also important to create an environment in which they can freely choose how to make purchases,

such as buying in-store, online, or just picking up at the store. To expand options for customers, we have established electric commerce (EC) centers in Kawaguchi City, Saitama Prefecture, and in Neyagawa City, Osaka Prefecture. By providing key support for people's health, lives, and shopping, we will build a system to serve as a local infrastructure.



AEON TOWN Makuhari-nishi store

Sustainability initiatives

- Q** What are your efforts to promote sustainable management?
- A** We have formulated a basic policy and 26 materialities and established a system to promote them.

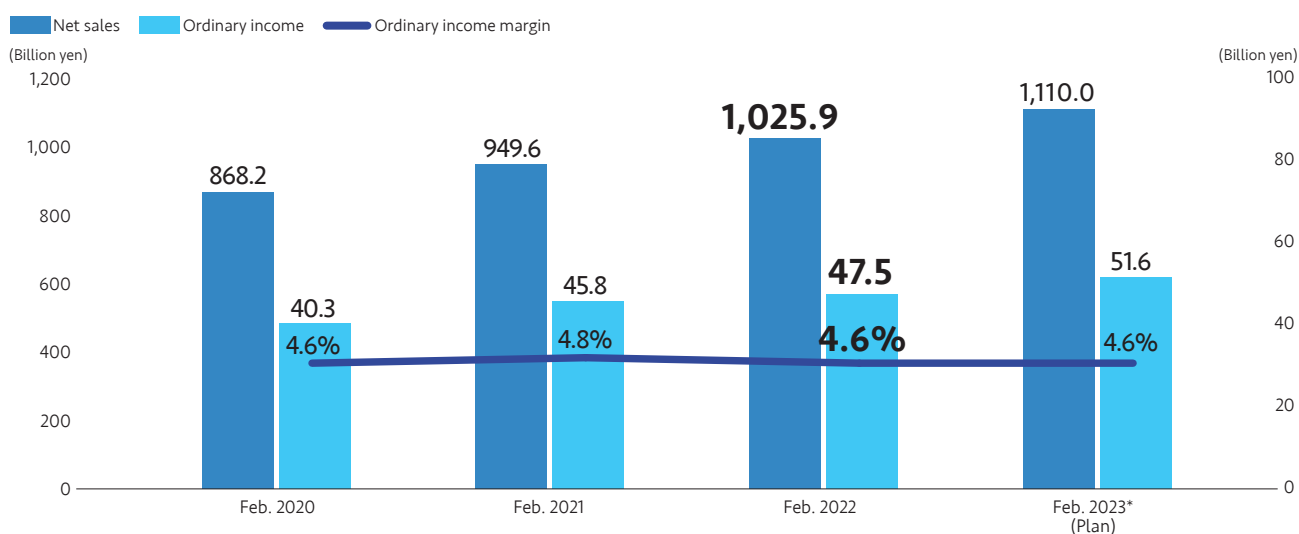
As I mentioned earlier, we formulated our "Sustainability Basic Policy" in November 2021 to strengthen our commitment to sustainability, which is essential to the implementation of our strategy. It consists of three parts: "Products and Services Policy," "Human Rights Policy," and "Environmental Policy." It aims to fulfill both our mission and a sustainable society (→p.16). We have also established the "Governance Basic Policy" for corporate governance, which is the foundation of our management and sustainability initiatives. At the same time, in order to ensure a highly transparent governance system from the standpoint of minor shareholders, we have increased the ratio of independent outside Directors to a majority of the Board of Directors after the General Meeting of Shareholders in May 2022.

Overview and progress of the medium-term management plan

Feb. 2023 quantitative targets*

Net sales **¥1.10 trillion**

Ordinary income margin **4.6%**



	Feb. 2020	Feb. 2021	Feb. 2022		Feb. 2023*
	Result	Result	Plan	Result	Plan
Net sales	¥868.2 bn	¥949.6 bn	¥1,050.0 bn	¥1,259.0 bn	¥1,110.0 bn
Ordinary income	¥40.3 bn	¥45.8 bn	¥46.7 bn	¥47.5 bn	¥51.6 bn

*The Accounting Standard for Revenue Recognition was applied from the beginning of February 2023

Key initiatives

New store openings

Continue to actively open new stores

- 1 Open around 120 new stores each fiscal year
- 2 Open stores based on a model that fits local characteristics (suburban/small urban)
- 3 Increase dominance in suburban areas

Dispensing sector

Strengthen regional coordination and customer-facing operations

- 1 Collaborate with healthcare facilities and establish dispensing pharmacies in stores (target over 80% of stores)
- 2 Engage in at-home dispensing
- 3 Advance automation and systemization

Products

Develop merchandising tailored to the characteristics of the store model and local area

- 1 Improve merchandising for each store model (suburban/small urban)
- 2 Divide merchandising activities by region
- 3 Develop private-brand products that tell a story (healthy, environmentally friendly, etc.)
- 4 Carry out mobile and digital promotions

Stores

Thoroughly implement initiatives to make store operations more efficient and raise earning capabilities

- 1 Strengthen area management (management, dispensing, and cosmetics)
- 2 Standardize store operations (work schedule management, automated ordering, etc.)
- 3 Implement measures to deal with underperforming stores

IT and logistics

Develop systems to make store operations more efficient

- 1 Design systems that can adapt to various business policies and M&A
- 2 Make store operations more efficient (new registers, packing slip-free operations, etc.)
- 3 Respond to store network growth and optimize costs

Human resources and training

Create environments in which employees feel satisfied and can grow together with the Company

- 1 Reform workstyles (shorten total working hours of permanent employees by 10%, add working patterns, etc.)
- 2 Provide educational opportunities tailored to individuals (e-learning)

Message from the President

Furthermore, taking into consideration what we should do through our core business to overcome social issues related to each of the “Sustainability Basic Policy” and “Governance Basic Policy,” we have set 26 materialities and targets for our initiatives based on them (→p.18). We will disclose the KPIs for each materiality from the next fiscal year onward. Of course, defining materialities is not enough. We must follow the PDCA cycle to improve ourselves continuously, utilizing the KPIs that we will formulate henceforth. To this end, we formed the Sustainability Committee as a subordinate body of the Board of Directors, and I was appointed chairman of the committee. Under this new promotion system, we will ensure effective governance from the perspective of sustainability. Notwithstanding, it would not be enough for me and other members of management to promote it. We will make every effort to raise each and every employee’s awareness on sustainability, so that they can take it as their own personal challenge.

Q What issue are you particularly focused on?

A We will move forward with our response to human rights due diligence as soon as possible.

I believe it is extremely important to develop a system for human rights due diligence, which we incorporated in the “Products and Services Policy.” We handle approximately 20,000 products, including our private brand ones. Therefore, we also have responsibilities as a manufacturer. We have around 500 suppliers, and our supply chain extends around the world. We have always given due consideration to human rights issues in our supply chain, but we will quickly respond to the recent demand for human rights due diligence.

As for environmental issues, we will put forth effort to collect and recycle plastic containers, which are frequently used in drug stores. We will also reduce CO₂ emissions and waste at stores.

Q How about your approach to human resources?

A We will promote diversity and create an organization with opportunities for young staff.

As I have mentioned before, we will continue to emphasize the development and education of our human resources. We will also create an environment where women can play an even more active role, while training female executives. I personally believe that young people should be given more opportunities. People change with opportunities. This is the fifth company where I have served as a president, after having worked for overseas Group companies and other entities, and I have come to realize that the various opportunities I have been given have made me who I am today. We will create an organization in which young people can hold positions of responsibility.

Message for shareholders and investors

Q Finally, what are your aspirations for the fiscal year ending February 28, 2023?

A We will complete our medium-term management plan and further increase our corporate value.

The fiscal year ending February 28, 2023, is the final year of our medium-term management plan. We will be refining our efforts to date to ensure its perfection. We will aim for further evolution as a one-stop store that offers specialist support and, at the same time, carefully but boldly execute our future strategies with a view to advancing our business overseas.

In addition, we will also reinforce our sustainability efforts from medium- to long-term perspectives to create a sustainable society and enhance our corporate value. We would like to thank all of our stakeholders for their continued support.



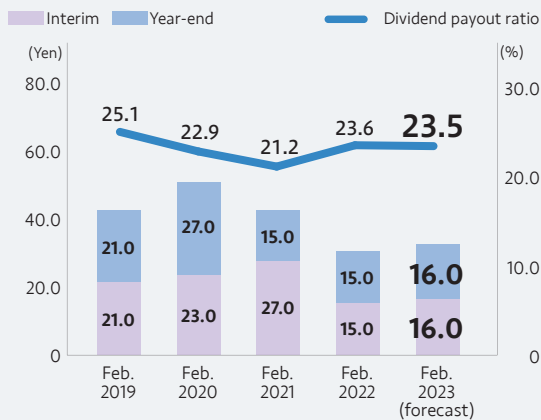
We will pay stable dividends aiming for a dividend payout ratio of 20% or higher.

Our basic policy for dividend is to secure investment funds for growth and maintain stable dividends, with a target payout ratio of 20% or higher.

The annual dividend per share for the fiscal year ended February 28, 2022, was 30 yen, comprising

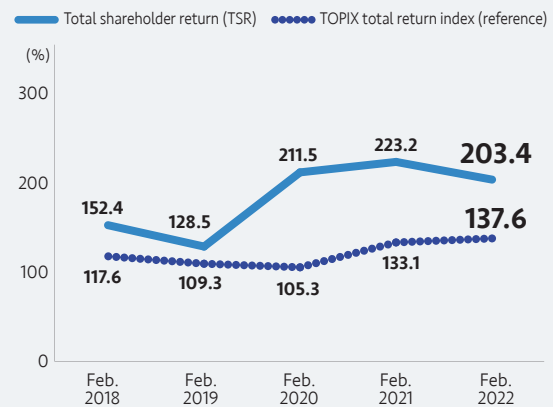
an interim dividend of 15 yen and a year-end dividend of 15 yen. The forecast of our annual dividend for the fiscal year ending February 28, 2023, is 32 yen per share, comprising an interim dividend of 16 yen and a year-end dividend of 16 yen.

Dividend per share and payout ratios



Note: The Company implemented a 2-for-1 stock split of its common shares on September 1, 2020. Figures for dividend per share are the actual amounts paid.

Total shareholder return (TSR)

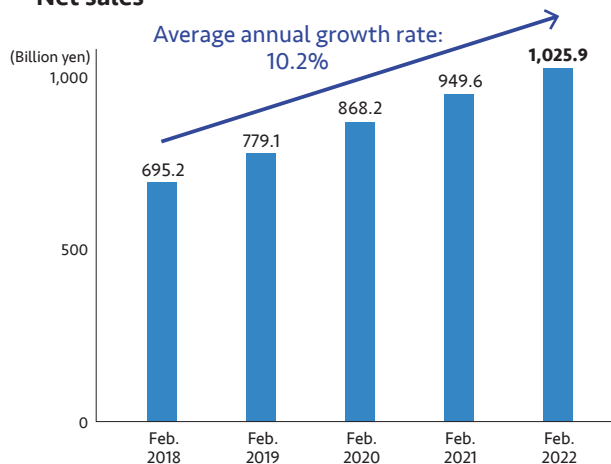


Note: Total shareholder return is calculated using the fiscal year ended February 28, 2017, as a base.

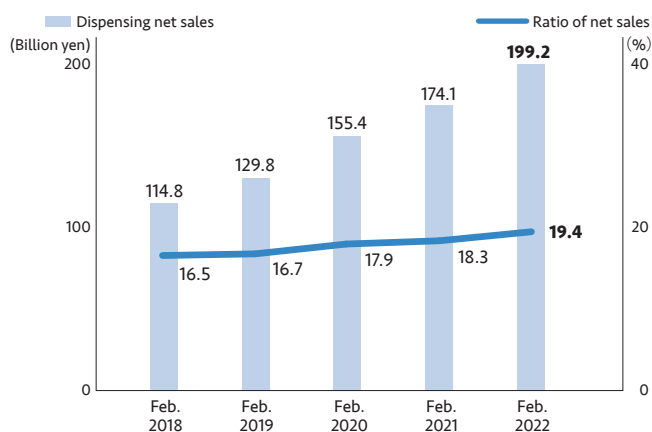
Financial and Non-financial Highlights

Financial information

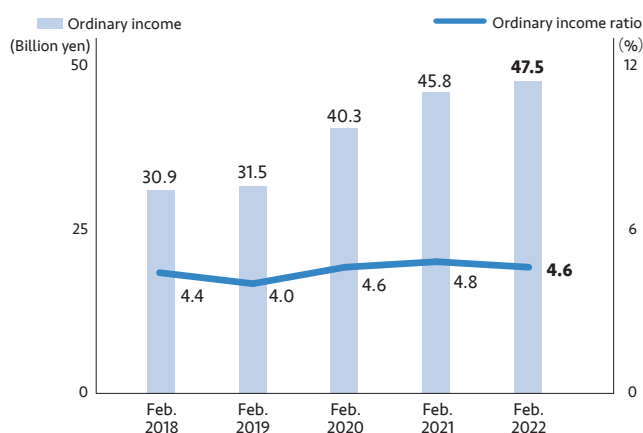
Net sales



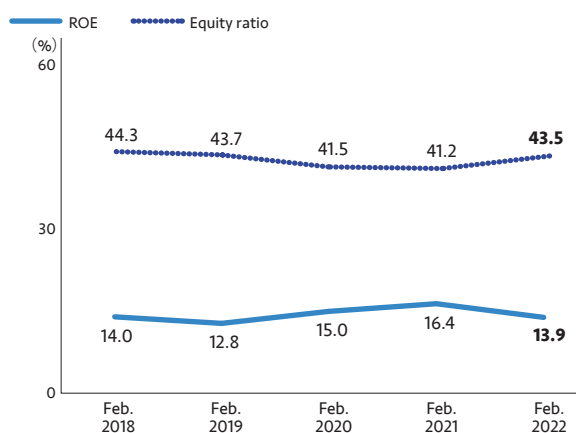
Dispensing net sales/ratio of net sales



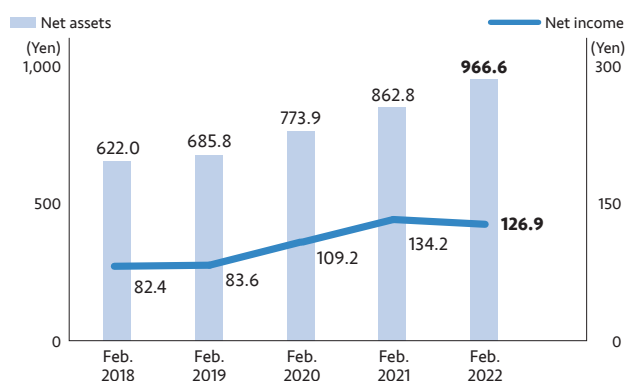
Ordinary income/ordinary income ratio



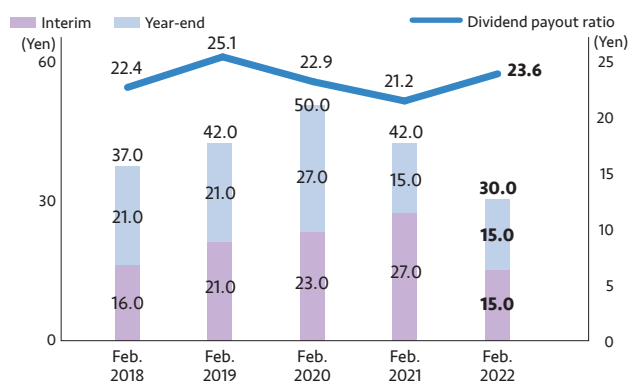
Return on equity (ROE)/equity ratio



Net assets per share/net income per share



Dividend per share/dividend payout ratio

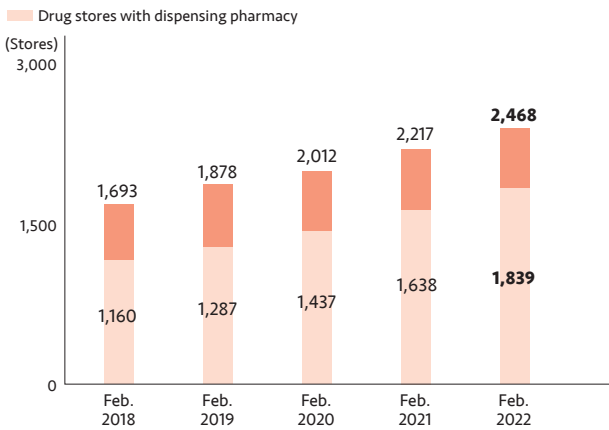


Note: The Company implemented a 2-for-1 stock split of its common shares on September 1, 2020. Figures are calculated retroactively for prior periods.

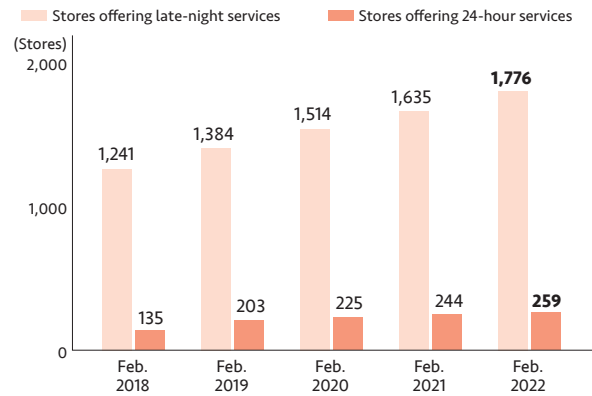
Note: The Company implemented a 2-for-1 stock split of its common shares on September 1, 2020. Figures for dividend per share are the actual amounts paid.

Non-financial information

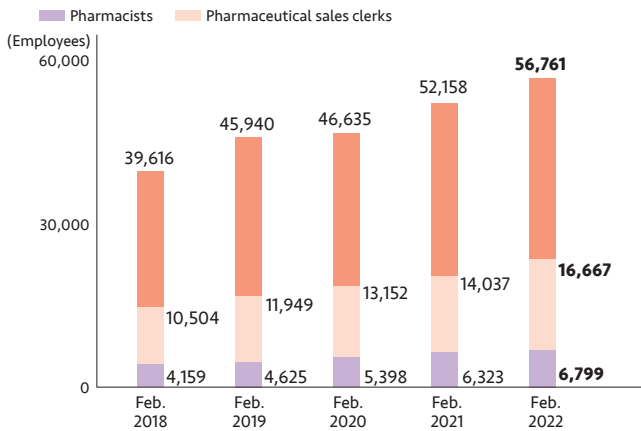
No. of stores at the end of the period (of which are drug stores with dispensing pharmacy)



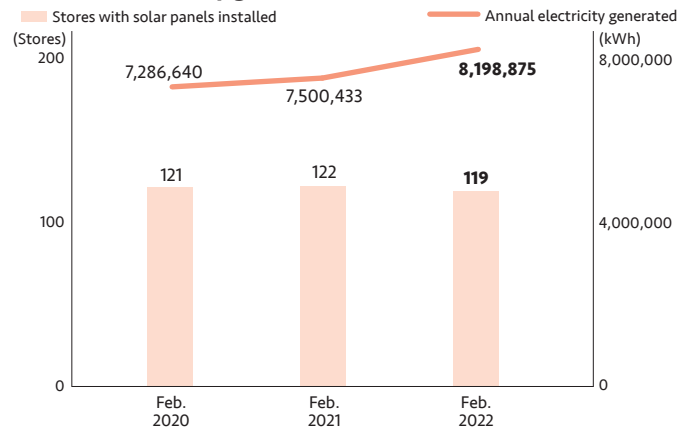
No. of stores offering late-night services/ 24-hour services



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

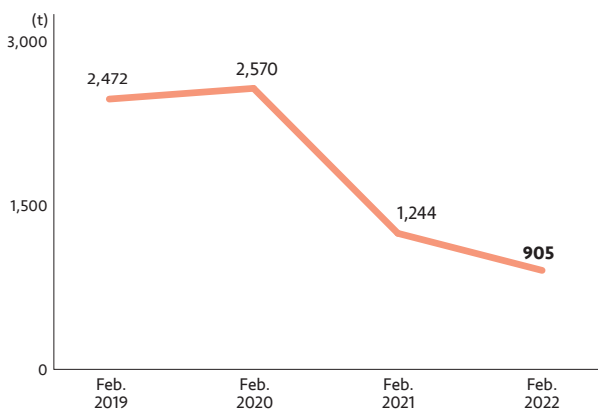


No. of stores with solar panels installed/ annual electricity generated

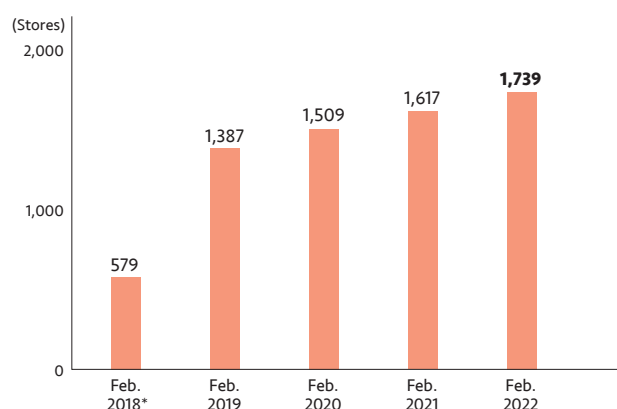


Note: The number of people who are pharmacists/registered pharmaceutical sales clerks does not include people from cosmetics specialty stores (MASAYA, COLOR STUDIO, and NARCIS).

Total weight of disposable plastic bags distributed



No. of stores with ostomy-friendly toilets



* Figures are for the fiscal year ended February 28, 2018 (up to March 15), for Welcia Yakkyoku stores only.

Welcia's ESG

The Welcia Group works with a wide range of stakeholders to create new value in order to get closer to communities by providing key support for people's lives.

Welcia's ESG | Environment

Responding to climate change



As a member of the Aeon Group, the Welcia Group as a whole is proceeding with efforts to reduce the total volume of greenhouse gases (hereafter, "CO₂ emissions") emitted by our stores to zero through both energy conservation and energy production based on Aeon Decarbonization Vision 2050.

	Medium-term target	Achievement target
Aeon Decarbonization Vision 2050 (Revised 2021)	Switch 50% of stores' energy consumption to renewable energy by 2030	Reduce CO ₂ emissions by stores to zero in total by 2040

These targets have been recognized by the Science-Based Targets (SBT) initiative* as targets in line with the standards of the Paris Agreement.

* This is a collaborative initiative by the CDP (former Carbon Disclosure Project), the UN Global Compact (UNGC), the World Resource Institute (WRI), and the World Wide Fund for Nature (WWF) in order to solve the problems caused by the increase in GHGs.

Our initiatives regarding the four key items are in accordance with the information disclosure framework recommended by the Task Force for Climate-related Financial Disclosure (TCFD)

The Company believes that responding to environmental issues is indispensable for achieving our mission and realizing a sustainable society, so we have engaged in initiatives aimed at making society a decarbonized, resource-circulating, and symbiotic society. In addition to our efforts to reduce emissions of GHGs, we are working on the following four key items in line with the information disclosure framework for per scenario analyses recommended by the TCFD, based on the scenarios established by the Aeon Group.

(1) Governance

In November 2011, the Sustainability Committee was formed with the President as the Chairman, as we began working on material issues, including environmental issues. Progress on these efforts is monitored by the Board of Directors via the above committee.

(2) Strategy

Based on scenario analyses by the Aeon Group, the Company has established materiality items, including responses to environmental issues, by linking the scenarios with the Company's long-term business strategies.

In these materiality items, the Company aims to realize a 2°C (1.5°C) warmer world while taking the possibility of continuing its business activities under a 4°C warmer world into consideration.

(3) Risk Management

There are risks specified for each respective materiality item, and these risks are managed by the Sustainability Committee through efforts aimed at achieving materiality targets.

Furthermore, the conditions surrounding each of these risks is managed by the Group Risk Management Committee. Finally, the Board of Directors implements overall risk management through reports from both of these committees.

(4) Indicators and Targets

KPIs are established for each materiality item to assess progress toward target achievement.

In regard to GHGs, calculations based on Scopes 1-3 were not performed as of the fiscal year ended February 28, 2022. From the fiscal year ending February 28, 2023, onward, we plan on calculating the Company's own Scope 1 and 2 GHGs emissions based on the values from the previous fiscal year.

Specified risks and impact evaluation based on scenario analysis

In the Aeon Group scenario analyses, we have six of our own risk categories within transition risks and physical risks, in line with the TCFD recommendations, with

each category assessed for its impact on the Company's business. For the relationship between the six risk categories and the Company's materiality items, please see p. 20.

Impact evaluation					
Risks	Store operation	Product procurement	Financial impact of a 4°C warmer world given current political policy	Financial impact of a 2°C (1.5°C) warmer world with clear decarbonization plan	
Transition risk	(1) Pricing of carbon Risk category / Policy and regulations	○ Applies	○ Applies	Minor	Major
	(2) Energy conservation regulations / alternative freon regulations Risk category / Policy and regulations	○ Applies	— Does not apply	Minor	Major
	(3) Energy price (Electricity price) Risk category / Market	○ Applies	○ Applies	Major	Minor
	(4) Supply-demand balance of food / materials Risk category / Market and technology	— Does not apply	○ Applies	Major	Minor to moderate
	(5) Customer changes Risk category / Market and evaluation	○ Applies	○ Applies	Major	Minor
Physical risk	(6) Damage due to climate Risk category / Acute and chronic	○ Applies	○ Applies	Major	Minor to moderate

Proactively installing energy-conserving equipment

We began installing LED lighting in order to reduce electricity usage and CO₂ emissions in 2012 and completed installation in all stores in 2020. Furthermore, we utilize energy-conserving refrigerators/freezers and high light-reflective flooring, leading to consistent reductions of CO₂ emissions in each store.

Aggregated period	April 2018 - March 2019	April 2019 - March 2020	April 2020 - March 2021
No. of stores at the end of the fiscal year	1,660	1,757*	1,899
Total CO ₂ emissions (tons)	191,482	194,278	213,331

* Number of stores at the end of the fiscal year was 1,800, but 43 former Ippondo stores were excluded.

Utilizing solar power

The Welcia Group is pursuing solar power, as we look to take advantage of the many large, flat roofs on our stores in suburban locations. By using energy we generate on our own, we aim to reduce CO₂ emissions.



Store outfitted with solar panels

	February 2020	February 2021	February 2022
Annual power generated (kWh)	7,286,640	7,500,433	8,198,875
Number of stores with solar panels installed	121	122	119

Reducing fossil fuel consumption

The Welcia Group has 772 company vehicles as of February 28, 2022—250 hybrid vehicles and 274 gasoline- and diesel powered vehicles. We look to increase our percentage of hybrid vehicles to reduce consumption of fossil fuels.

We are planning an experimental implementation of a collaborative delivery in some regions in Japan in the fiscal year ending February 28, 2023.

	February 2021	February 2022
Total number of vehicles	704	772
Of which are hybrid vehicles	242 (34.3%)	250 (32.4%)

Reducing the environmental burden of products and materials



Reducing plastic checkout bag usage

In April 2020, we began charging for plastic bags handed out at the register. Before charging for bags, we were consuming 120kg of plastic bags per store per month, but by the end of February 2022, this number fell to 30kg, demonstrating a significant effect. Furthermore, we have been switching from plastic cutlery (forks and spoons) to wooden ones since April 2022 in an effort to reduce plastics.

	February 2019	February 2020	February 2021	February 2022
No. of stores at the end of the fiscal year	1,660	1,800	1,899	2,023
Amount of distributed plastic bags (kg)	2,472,349	2,569,621	1,243,728	905,513
Plastic cutlery (kg)	—	12,246	11,136	11,536

Collecting plastic bottles

Used plastic bottles in Japan are often sold without having a stipulated use after collection, so the percentage of PET bottle to PET bottle (bottle-to-bottle) reuse is low, and they are reused in other products such as food trays and clothes. These non-PET bottle products are not easy to reuse repeatedly. We aim for a society in which plastic can be continuously recycled, so we seek to expand the social infrastructure of bottle-to-bottle recycling by establishing a recycling model which firmly guarantees reuse of PET bottles. We are moving forward with our eyes fixed on strengthening forward-looking efforts, such as reducing costs across collection, transport, and reuse as far as possible before delivery to beverage makers by streamlining collection from stores to the distribution center through the use of return trucks after delivery.

1) Coca-Cola Bottlers Japan Inc.

- Began July 2021 (implemented until January 2022)
- Collected weight 3,990 kg / number of collection stores 52 (Tochigi Prefecture)
- Expanded number of collection stores to about 100 stores from February 2022 (Ibaraki Prefecture)

2) Kirin Holdings Company / Kirin Beverage Company

- Proof-of-concept began June 2022
- Number of collection stores 190 (Saitama Prefecture)



A PET bottle collection box

Reducing disposal and return of products

We are working to maintain optimal inventory quantities and order quantities, as well as to improve the efficiency of the overall supply chain in collaboration with our business partners. In order to further enhance warehouse management, minimize logistical fluctuations, and reduce the burden at storefronts, we utilize an automatic order system—deployed in the second half of the fiscal year ended February 29, 2020—as we look to reduce the rate of disposal loss and returned products.

	February 2020	February 2021	February 2022
Food loss from disposing products (%)	0.77	0.66	0.73
Returned product rate (%)	1.70	1.71	1.74

Promotion of sales by weight

Some of the Company’s stores have collaborated with lifestyle goods maker Kao Corporation and set up an area for selling a “refillable” product by weight alone. By selling only the contents by the weight of a refillable product, which is already environmentally friendly, we are aiming for a further reduction in containers to be disposed and to spread an environmentally-friendly consumer style of “refill” and “sell by weight.”

Store locations:

Welcia Aeon Town Makuharinishi Shop
(Chiba City, Chiba Prefecture, since October 21, 2021)
Hac Drug Utsukushigaoka Shop
(Yokohama City, Kanagawa Prefecture, since September 30, 2021)

Development of products that use environmentally-friendly materials

Of the Company’s private brands (PB) “Karada Welcia” and “Kurashi Welcia,” 53 of the 56 products (95%) sold up until February 2022 used environmentally-friendly raw materials.* We aim for the sale of 200 SKU products by the fiscal year ending February 28, 2023.



* FSC-certified paper, biomass ink, biomass materials (products and outer packaging), and recycled PET bottles

<Example> Peaceful Sponge contains plant-derived raw materials in its third layer and uses some plant-derived raw materials in the package ink as well.

Effective use of plastic containers

We have adopted a highly-durable asphalt additive (NEWTLAC 5000), which employs used plastic materials, for use in our store parking lots. There were concerns that our store parking lots would be damaged as we sought to increase the size of our trucks for more efficient store distribution. However, this additive is expected to increase the lifespan of the pavement as well as improve the effective use of plastics collected at the drug store, which can help the environment.

Store locations:

March 2020 – February 2021
Applied to one store (Fujisawayoda Shop)
March 2021 – February 2022
Applied to two stores (Higashimurayama Kumegawa 2-chome shop and Fujieda Tanuma shop)



NEWTLAC 5000 in use at the Welcia Fujisawayoda Shop

Improving customer service

The Welcia Group believes that providing key support in a way that responds to the difficulties faced by communities is the surest route to achieving our mission. Therefore, we are making daily improvements to the services we provide to our customers.

Implementing mobile sales using digital tools

In order to respond to the acceleration of changes in societal and customer needs and the low birthrate and aging population, we are implementing mobile sales through digital tools for eliminating the difficulties of those in sparsely populated regions. Since May 2022, we have been operating a mobile sales service in Shimada, Shizuoka Prefecture, a mountainous area with an aging population, that visits four or five regions in a day, offering daily necessities for sale.



Uetan-go, a mobile sales vehicle equipped with video conferencing and cashless settlement functions that can also provide communication services in mountainous areas

Kinuyo Someya Mayor of Shimada



Shimada is a city with an aging population, with 31.7% of residents considered elderly. The town's leadership is united in its desire to enable people to continue living in the town with peace of mind, so we are being proactive in providing support. Welcia shares our vision, and Uetan-go is an initiative that is very much in line with our efforts. It has become a familiar sight to see local residents socializing with their neighbors shortly before Uetan-go arrives, indicating it has become a thing many people look forward to. Going forward, we would like to use Uetan-go to strengthen the public administrative services we provide, such as enabling people to have administrative consultations with city hall through Uetan-go. We look forward to working with Welcia so that Uetan-go can evolve beyond simply being a mobile sales vehicle to providing essential services that will help residents to continue living in the city with peace of mind.

We will continue creating links with the region via communication with real stores through shopping and health consultations, thereby contributing to the realization of safe, comfortable, and convenient towns.

Contributing to the region through our stores / products

The Welcia Group has grown in concert with everyone in the local regions. We strive to support an enriching, healthy lifestyle for everyone in the region as well as providing needed value in society, as a personal drug store contributing to local communities through our stores and business operations.

Contribution to local communities with ethical consumption

We are engaged in the development of new products that utilize specialty items from the region as part of our project promoting a balanced diet that leads to a healthy body. In the fiscal year ended February 28, 2022, we sold products using yuzu fruit from Kitagawamura in Kochi Prefecture, mackerel from Ishinomaki in Miyagi Prefecture, and green tea powder from Shimada in Shizuoka Prefecture, contributing to the vitalization of local economies.



(Top left / Bottom left) Canned mackerel and green curry using mackerel from Ishinomaki, Miyagi
 (Top right) Ice cream bar using green tea powder from Shimada, Shizuoka
 (Bottom right) Sour drink using yuzu fruit from Kitagawamura, Kochi

Executing business operations with a focus on human capital

The Welcia Group believes that human resources are the most important thing for achieving our corporate mission and realizing a sustainable society. Therefore, in addition to our fundamental respect for human rights, we are providing skill improvement support as well as consideration for diversity and health, so that each individual can maximize their potential.

Preparing an environment for diverse workstyles

Due to the COVID-19 pandemic, we have moved forward with the application of telework and satellite offices, primarily for office workers including those in the headquarters.

Hereafter, we intend to improve the efficiency of business operations across the whole Company, such as going paperless and reducing procedures, while also preparing an environment with few restrictions on time and place of work as part of the workstyle reforms.

Promotion of health and productivity management

In 2021, we announced our “Welcia Group Health and Productivity Management Declaration,” preparing a system for supporting the health of employees, particularly through occupational physicians and the Safety and Health Committee, in addition to appointing a manager responsible for health and productivity. Furthermore, our initiatives include COVID-19 countermeasures, a company subsidy for influenza inoculations, employing public health nurses, establishing a health consultation office, promoting work-life balance, and support programs for quitting smoking. We were recognized as a “2022 Certified Health and Productivity Management Outstanding Organization (Large Enterprise Category)” in March 2022, by the Ministry of Economy, Trade, and Industry and Nippon Kenko Kaigi.



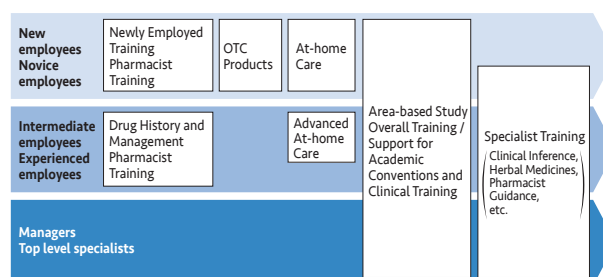
“Health and Productivity Management” is a program for recognizing corporations that give consideration to the health management of their employees from a business management perspective and strategically implement initiatives that lead to the maintenance and promotion of health.

Bolstering human capital through upskilling and career education

As a one-stop drug store equipped with staff having expert knowledge about drugs, we are strengthening our education/training system to foster excellent human resources. Not limited to basic education regarding manners as a working professional when new graduates enter the Company, our efforts include specialized education, such as for pharmacists or for beauty care advisors, so that individuals can learn the skills they aspire to have. Following placement in each store, we do more than on-the-job training, fully implementing human resource guidance based on an education/training system uniform across the Company to make sure employees’ skills continue to develop, as we aim for an improvement in skills for the entire staff.

Additionally, as we aim for sustainable growth for the Welcia Group, we focus on fostering human resources in terms of not only workplace leaders such as store managers and assistant managers, but also people who will lead the business in the future. In the fiscal year ended February 28, 2021, we held “Business Human Resources Training” in which incumbent executives younger than 50 years old, as one of the succession plans. Furthermore, we engage in proactive investment in employee education from a medium- to long-term perspective.

Our pharmacist training curriculum



Welcia Academy's Dispensing Training Center opened in May 2022

Fundamental policy

As our business environment experiences dramatic changes, the 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 in the Group and are continually striving to improve our governance and maximize our corporate value.

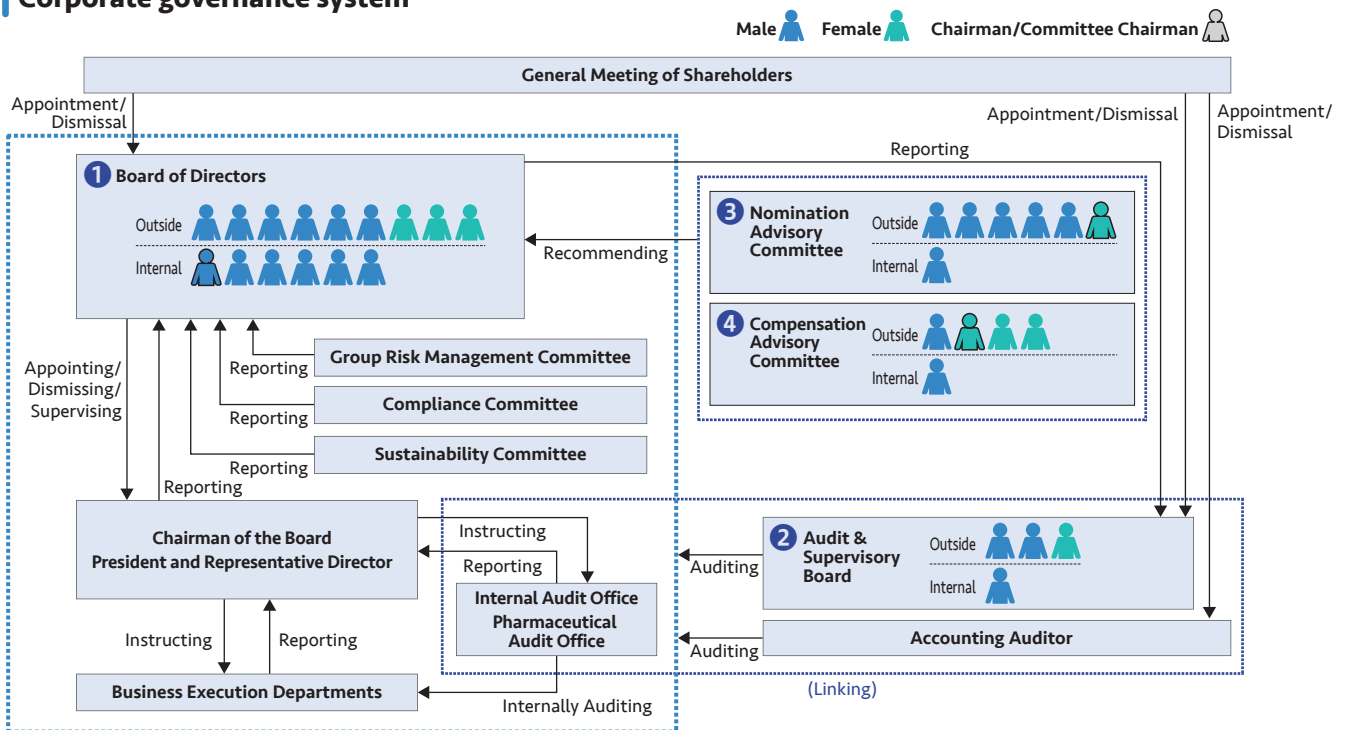
Our institutional design means becoming a company with an Audit & Supervisory Board as the system for corporate governance, and building a system for implementing fairer audits. Furthermore, we are separating decision-making functionality and duty-executing functionality, and are implementing an executive officer system to enable faster decision-making and clearer responsibilities.

Additionally, as a publicly-listed subsidiary with

a dominant shareholder, we are responding to the announcement of a revised corporate governance code (hereinafter, "revised CGC") by the Tokyo Stock Exchange in June 2021 by moving forward with preparations for a governance system that is required for a company listed on the Prime Market in the new market segments starting April 2022 and are also ensuring that a majority of Directors are independent outside Directors. Going forward, we will strive for highly transparent governance operations under this governance system, considering the perspectives of all minority shareholders.

The standards for determining the independence of our outside Directors and outside Audit & Supervisory Board Members are listed in the securities report as the Standards for Judging the Independence of Outside Executives in accordance with the standards for independence stipulated by the Tokyo Stock Exchange.

Corporate governance system



1 Board of Directors

The Board of Directors supervises the Directors' performance of work duties in addition to resolving critical issues relevant to the execution of work duties.

As mentioned above, we have appointed three

new Directors at the 14th Annual General Meeting of Shareholders in May 2022 (Feb. 2022) in compliance with the requirements of the revised CGC so that independent outside Directors now constitute a majority in the Board of Directors. We believe this composition will strengthen

our transparent governance system as a publicly-listed company with a dominant shareholder, while also enabling more transparent, fair, as well as more rapid and bolder decision-making than ever before.

Our Directors include several outside Directors who maintain their independence and can offer their opinion regarding growth strategies while guaranteeing corporate governance from the perspectives of local communities and diverse stakeholders as well as our in-house Directors who possess expert skills and know-how needed for the execution of business duties.

② Audit & Supervisory Board

The Audit & Supervisory Board is currently composed of four Audit & Supervisory Board Members, of which three are outside Audit & Supervisory Board Members who constitute the independent executives stipulated by the Tokyo Stock Exchange. The Board of Audit & Supervisory Board Members monitors whether the supervision of the Board of Directors is encouraging sustainable growth and medium- to long-term increases in corporate value, and is being demonstrated appropriately for improved profitability and resource efficiency. It is also responsible for a part of those oversight duties. It implements audits across all business duties performed by the Directors, and it examines the information at a meeting of the Audit & Supervisory Board held once a month.

The full-time Audit & Supervisory Board Member forms the primary core, serving a role in each auditing activity by receiving reports on the conditions of accounting audits from the company's audit corporation, engaging in exchanges of opinion with the accounting auditors, and working to share an awareness of issues. Additionally, the full-time Audit & Supervisory Board Member regularly receives reports on plans, implementation conditions, and the results of internal audits from the Internal Audit Office/Pharmaceutical Audit Office, and engage in collaborative exchanges of opinions, thereby effectively and efficiently executing their respective audit activities. Lastly, we maintain a nomination staff for supporting these activities in the Audit & Supervisory Board.

We are strengthening the links between outside Directors and outside Audit & Supervisory Board Members, and have established an Outside Directors Liaison Committee for the purpose of guaranteeing access to information and the independence of outside executives.

③ Nomination Advisory Committee

We have established a Nomination Advisory Committee composed primarily of independent executives. The committee deliberates on and recommends potential candidates for executive positions and on the appointment and dismissal of key administrators. Due to the increase in the number of independent outside Directors in the Board of Directors, independent outside Directors now constitute a majority of members in this committee as well. This structure is required by the revised CGC, and, moving forward, we will engage in even deeper discussions regarding the nomination of executives and will make recommendations to the Board of Directors. The selection criteria for inclusion in the Board of Directors or the Audit & Supervisory Board Members are as follows:

- 1) Maintains high popularity and dignity, has high ethical standards, and is fully desirous to abide by the law
- 2) Has the qualities, experience, and past performance necessary for participating in management
- 3) Has extremely high expert knowledge, technical ability, and skills
- 4) Has vast knowledge, broad vision, and profound insight
- 5) Is able to guide and nurture managers and employees from a long-term perspective to accomplish management goals, and can move beyond precedent and habit to revolutionize business duties and the organizational landscape.

The procedures for appointing a candidate as a Director involve holistically considering the knowledge, experience, and capabilities of the candidate, making a decision in a meeting of the Board of Directors based on recommendations by the Nomination Advisory Committee, and then engaging in further discussion about the potential appointment at the General Meeting of Shareholders.

During the fiscal year ended February 28, 2002, the Nomination Advisory Committee was held two times, with considerable deliberation regarding the nomination of executives to make up the previously mentioned governance system, and the results of this discussion were compiled into recommendations for the Board of Directors.

④ Compensation Advisory Committee

From the perspective of transparency and objectivity in the process of determining compensation, we have established the Compensation Advisory Committee. It is composed primarily of independent executives, and they discuss proposals for compensating Directors and then submit those proposals. The Compensation Advisory Committee also features a majority of independent outside Directors in accordance with the revised CGC requirements.

In order to ensure the transparency and objectivity of the processes for determining the content of Director compensation, etc., the Compensation Advisory Committee, a voluntary committee comprising a majority of independent outside Directors and outside Audit & Supervisory Board Members that is chaired by an outside Director, deliberates on the appropriateness of compensation systems and compensation proposals, primarily from the following three perspectives: 1) whether they are a sufficient incentive for pursuing a sustainable increase in corporate value, 2) whether they will contribute to securing talented management personnel, and 3) whether they are appropriate based on the Company's size and business areas. The results of these deliberations are then reported to the Board of Directors.

This committee meets twice a year (March and April) in principle. In the fiscal year ended February 28, 2022, the committee was held three times, deliberating on the evaluations of executives under discussion and the propriety of the compensation standards. The results of the deliberation were compiled into recommendations for the Board of Directors.

Furthermore, the compensation for Audit & Supervisory Board Members is within the range decided at the General Meeting of Shareholders, and is determined by collaborative discussions with Audit & Supervisory Board Members.

Sustainability Committee

In November 2021, the Group formulated its Sustainability Basic Policy, and specified 26 materiality items based on the policy. At the same time, we established the Sustainability Committee with the President and Representative Director as the Chairman, which is structured so the efforts of each Group department are monitored. It reports to the Board of Directors twice a

year as we look to solve each of these materiality issues.

The Sustainability Committee has a sub-committee called the Sustainability Promotion Council, which is composed of executive level responsible Directors in the departments with jurisdiction over the initiative targets for each materiality. The initiatives connected to each materiality are performed as regular business duties in each department with jurisdiction (p. 20), demonstrating how the Group is striving for sustainability through its primary business.

Group Risk Management Committee

The Group risk management system features the Group Risk Management Committee, which promotes comprehensive risk management for the Group, shares information, and evaluates risks. In the Group, a risk response plan that also serves as a risk universe is formulated at the beginning of each fiscal year, and the conditions surrounding the activities for each risk listed in the plan are monitored through the committee and then regularly reported to the Board of Directors.

The targets we strive for that are relevant to each materiality monitored by the Sustainability Committee are targets we strive for as part of our main business. Furthermore, for each target, we establish risks that could be factors that prevent target achievement. We are building a multi-layered monitoring system through a mechanism by which the Group Risk Management Committee monitors the conditions surrounding these risks.

By raising the likelihood of target achievement and moving slightly closer to solving materiality issues through the implementation of a structure and risk management system for these sustainability items, we will continue aiming for the realization of the Group's mission and of a more sustainable society.

Compliance Committee

Regarding compliance, we established the Compliance Committee to work on maintaining and improving the overall internal control and compliance structure of the Group. Additionally, we are building a Group-wide compliance system, as we aim for a strategic, efficient preparedness and response to issues, including amendments of rules, laws, and regulations pertinent to our business duties in pharmaceuticals, food products, and alcohol, among other things.

The Group's Internal Whistleblowing System

operates as a responsibility of the Compliance Committee. Stipulations are in place such that an employee who engages in internal whistleblowing is not disadvantaged in any way, and the stipulations are strictly enforced through a compliance hotline operated under the committee. Also, the effects of whistleblowing are reported to the Board of Directors every month via the Compliance Committee.

Evaluating the efficacy of the Board of Directors

Regarding the analysis and evaluation of the efficacy of the Board of Directors

The Board of Directors implements a yearly self-evaluation survey regarding the efficacy of the Board's composition, operating structure, growth-oriented and protective governance, support systems for outside Directors and outside Audit & Supervisory Board Members, and nomination and compensation advisory committees. Based on the results of the survey, analysis and evaluation of the efficacy of the Board of Directors are conducted, and reviews are made of operations in order to improve the efficacy of the Board of Directors.

As for the results of the analysis and evaluation of the survey on the Board of Directors in the fiscal year ended February 28, 2022, according to the skill matrix, the Board of Directors has a good overall balance of the knowledge, experience, and skills for effectively fulfilling its role and performing its duties, and its composition maintains both diversity and propriety of scale, such that it has seen improved decision-making and auditing functionality in its management basic policy, strategy, and execution of critical business duties; it has ample time and opportunity for the exchange of opinions during deliberations; and it has an improved support system for outside Directors and outside Audit & Supervisory Board Members. Therefore, the Board of Directors has largely succeeded in performing its duties and fulfilling its role.

We are working hard to tackle the following issues as we aim for continuous growth and improvement in medium- to long-term corporate value:

- 1) Deepening of discussions from multiple perspectives in order to find new business opportunities
- 2) Continual strengthening of internal control and risk management systems across the whole Group

Compensation system for executives and Audit & Supervisory Board Members

The compensation system features a basic salary, which is a fixed amount, and performance-based bonuses (money) and performance-based stock options, which are both fluctuating forms of compensation. Regarding the basic salary for each Director, the Compensation Advisory Committee deliberated on the amount for each individual based on their position. The content of these deliberations was then reported to the Board of Directors, which determined the amounts at the meeting of the Board of Directors held on May 24, 2021.

The objective of the performance-based bonuses (money) 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 achievement of net sales of the entire Group (consolidated), ordinary income, the ordinary income ratio, and net income attributable to owners of the parent, which are KPIs in the Company's medium-term management plan.

The policy for determining the content of compensation, etc. for each Director is decided following deliberations by the Compensation Advisory Committee, an advisory body to the Board of Directors.

In the fiscal year ended February 28, 2022, compensation, etc. for each Director was judged by the Board of Directors to be in line with this policy. This was because when determining said compensation, the Board considered the recommendation submitted by the Compensation Advisory Committee from a variety of perspectives, including whether it was in accordance with the policy for determining compensation, and then determined an amount of compensation for each Director that basically adhered to the committee's recommendations.

Additionally, at the 14th Annual General Meeting of Shareholders held on May 24, 2022, it was resolved that monetary compensation for Directors consists of up to 400 million yen per year including performance-based compensation (covering 11 Directors, of which 60 million yen or less per year is allocated for six outside Directors).

Performance-based bonuses (money) and performance-based stock options are compensation systems that aim to raise the desire to contribute to improving business performance and increasing

corporate value in the medium to long term. In order to achieve the Company's medium-term management plan, each compensation is determined using the performance indicators of net sales of the entire Group (consolidated), ordinary income, ordinary income ratio, net income attributable to owners of the parent, and ROE.

The compensation framework for Audit & Supervisory Board Members comprises a fixed amount of basic salary only. The maximum amount of annual compensation allocated to Audit & Supervisory Board Members is 42 million yen (covering three Audit & Supervisory Board Members), as resolved at the 1st Annual General Meeting of Shareholders held on November 27, 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 compensation	Performance-based bonus (money)	●		
	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 an executive and Director position. The former is primarily operated by the departments responsible for education and training, whereas the latter is mainly operated by the departments responsible for human resources.

Moving forward, we will continue to reflect the external wisdom of outside Directors, as we work to enhance the effectiveness of each plan.

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 business. 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 emergencies. Also, as a member of the Aeon Group, we periodically implement training cross-sectionally 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. As a particularly urgent issue, we think that preparation of a system is necessary to enable a company which newly joins the Group to implement BCM immediately.

Protection of minority shareholders

Aeon Co., Ltd. is our parent company, and it owns a 50.57% share of Welcia's voting rights. Welcia receives a supply of private-brand products from the Aeon Group, and roughly 3% 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 meeting 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 respective shares each year at the meeting 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.

Executives

Directors



Takamitsu Ikeno
Chairman and
Representative Director



Tadahisa Matsumoto
President and
Representative Director



Juichi Nakamura
Executive Vice President



Takamune Shibazaki
Director



Motoya Okada
Director



Yukari Narita
Independent Outside
Director



Tomoko Nakai
Independent Outside
Director



Kunio Ishizuka
Independent Outside
Director



Tadashi Nagata
Independent Outside
Director



Katsunori Nozawa
Independent Outside
Director



Shigeo Horie
Independent Outside
Director

Audit & Supervisory Board Members



Toshio Miyamoto
Full-time Audit & Supervisory
Board Member



Hirohisa Kagami
Independent Outside
Audit & Supervisory Board
Member



Atsuko Sugiyama
Independent Outside
Audit & Supervisory Board
Member



Takashi Fujii
Independent Outside
Audit & Supervisory Board
Member

Directors and Audit & Supervisory Board Members

	Name	Sex	Age	Term of appointment	Independence	Current position in the Company			No. of public listed companies where serving additional role	Attendance rate (Feb. 2022 Board of Directors)	Attendance (Feb. 2022 Board of Directors)
						Committee		Position			
						Nomination Advisory	Compensation Advisory				
Reappointed	Takamitsu Ikeno	Male	78	13	—	Member		Chairman and Representative Director	0	100%	17/17 times
Reappointed	Tadahisa Matsumoto	Male	63	13	—		Member	President and Representative Director	0	100%	17/17 times
Reappointed	Juichi Nakamura	Male	67	7	—			Executive Vice President	0	100%	17/17 times
Newly appointed	Takamune Shibazaki	Male	50	0	—			Director	0	—	—
Reappointed	Motoya Okada	Male	70	7	—			Director	3	100%	17/17 times
Reappointed	Yukari Narita	Female	57	7	Independent		Chairman	Outside Director	0	100%	17/17 times
Reappointed	Tomoko Nakai	Female	49	3	Independent	Chairman	Member	Outside Director	0	100%	17/17 times
Reappointed	Kunio Ishizuka	Male	72	1	Independent	Member		Outside Director	1	92%	11/12 times*
Newly appointed	Tadashi Nagata	Male	70	0	Independent	Member		Outside Director	0	—	—
Newly appointed	Katsunori Nozawa	Male	63	0	Independent		Member	Outside Director	1	—	—
Newly appointed	Shigeo Horie	Male	61	0	Independent	Member		Outside Director	0	—	—
Reappointed	Toshio Miyamoto	Male	72	7	—			Full-time Audit & Supervisory Board Member	0	100%	17/17 times
Reappointed	Hirohisa Kagami	Male	67	9	Independent	Member		Outside Audit & Supervisory Board Member	1	100%	17/17 times
Reappointed	Atsuko Sugiyama	Female	47	5	Independent		Member	Outside Audit & Supervisory Board Member	1	100%	17/17 times
Newly appointed	Takashi Fujii	Male	67	0	Independent	Member		Outside Audit & Supervisory Board Member	0	—	—

* Mr. Kunio Ishizuka has attended 12 of the 13 meetings of the board held after his appointment to the board as an outside Director.

Executive Directors

Name	Positions	Primary duty or responsibility
Masahiro Aoki	Executive Director	Sales promotion and IR
Takashi Abe	Executive Director	Information system
Kazuhiko Hatake	Executive Director	Product control
Shinji Ishida	Executive Director	Drug business
Nobuyuki Tsunamoto	Executive Director	Development of new business
Koji Takahashi	Executive Director	Human resources / risk management

As of May 24, 2022

	Areas of 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
	●	●	●					●		
	●	●	●				●			
				●	●					●
				●		●				
	●						●	●		
						●		●		
					●			●		●
	●	●	●							
	●							●		
		●		●		●	●			
					●		●			
					●			●		
						●		●		
		●	●			●				

As of May 24, 2022

	Areas of 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
				●		●				
		●							●	
		●	●							
	●	●	●							
		●	●							
					●					●

11-Year Summary

	Aug. 2012	Aug. 2013	Aug. 2014	Feb. 2015*1
Operating Results (Units: million yen)				
Net sales	293,378	334,393	360,797	191,991
Gross profit	86,456	99,059	107,424	57,393
Selling, general and administrative expenses	74,967	86,451	93,216	51,394
Operating income	11,488	12,607	14,207	5,999
Ordinary income	12,292	13,811	14,973	6,611
Net income attributable to owners of the parent	5,899	7,669	7,835	3,596
Net income per share*2	39.92	51.67	47.63	20.43
Net income per share (fully diluted)*2	—	—	47.63	20.42
Return on equity (ROE)	15.2%	17.1%	13.4%	5.1%
Financial Condition (Year-end for each business) (Units: million yen)				
Net assets	42,792	50,276	70,809	74,225
Total assets	110,960	139,399	165,355	165,828
Net assets per share (yen)*2	279.99	325.92	404.44	419.46
Equity ratio	37.3%	34.7%	41.4%	44.5%
Return on assets (ROA)	5.32%	5.51%	4.74%	2.17%
Cash Flow (Units: million yen)				
Net cash provided by operating activities	7,924	30,447	16,519	3,944
Net cash provided by investing activities	-10,683	-11,306	-15,183	-14,788
Net cash provided by financing activities	-451	-9,107	6,409	-6,025
Cash and cash equivalents at end of period	7,794	18,144	25,889	9,036
Stock Information				
Number of shareholders (persons)	6,120	5,863	5,143	5,602
Number of shares issued (shares)	18,496,167	18,574,343	21,171,343	44,047,906
Stores / Employees				
No. of stores at the end of the period (stores)	764	874	951	992
Area of sales floor at the end of the period (m ²)	—	—	—	—
Area of average sales floor during the period (m ²)	—	—	—	—
No. of employees (persons)*3	10,348	11,756	12,569	13,532
No. of pharmacists employed (persons)*4	1,969	2,022	2,082	2,095
No. of registered pharmaceutical sales clerks (persons)*4	3,338	4,027	4,626	5,133

*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 September 1, 2020.

*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, and the number of people per store do not include people from cosmetics specialty stores (MASAYA, COLOR STUDIO, and NARCIS).

Feb. 2016	Feb. 2017	Feb. 2018	Feb. 2019	Feb. 2020	Feb. 2021	Feb. 2022
528,402	623,163	695,268	779,148	868,280	949,652	1,025,947
149,910	183,815	209,948	236,659	267,454	296,044	320,944
131,150	159,736	181,121	207,614	229,652	253,070	277,925
18,759	24,078	28,826	29,045	37,801	42,974	43,018
20,377	25,723	30,923	31,500	40,348	45,800	47,590
9,527	14,451	17,166	17,423	22,802	27,999	26,453
48.87	69.46	82.49	83.63	109.24	134.23	126.99
48.82	69.39	82.39	83.54	109.13	134.10	126.88
10.7%	13.2%	14.0%	12.8%	15.0%	16.4%	13.9%
103,779	116,233	130,482	143,948	162,418	180,351	207,886
227,005	247,026	292,238	327,426	390,006	435,685	463,048
498.31	556.88	622.06	685.88	773.95	862.82	966.66
45.6%	46.9%	44.3%	43.7%	41.5%	41.2%	43.5%
4.2%	5.85%	5.87%	5.32%	5.85%	6.43%	5.71%
15,031	33,303	35,902	34,872	70,156	46,396	16,228
-4,853	-18,034	-36,726	-23,955	-27,459	-16,147	-37,088
-10,018	-12,897	-1,249	-7,348	-22,241	-16,970	-7,282
13,245	15,613	13,585	17,152	37,599	50,937	22,837
11,147	14,399	21,656	29,417	22,937	46,982	57,122
52,408,679	52,408,679	104,817,358	104,816,838	209,633,676	209,633,676	209,499,776
1,472	1,535	1,693	1,878	2,012	2,217	2,468
—	—	1,200,669	1,306,932	1,396,726	1,541,681	1,781,753
—	—	1,161,883	1,257,992	1,365,023	1,501,261	1,742,134
19,267	20,963	24,252	27,937	30,552	34,740	37,774
3,266	3,754	4,159	4,625	5,398	6,323	6,799
7,928	8,776	10,504	11,949	13,152	14,037	16,667

Corporate Data

Company overview (As of February 28, 2022)

Company Name	WELCIA HOLDINGS CO., LTD.
Established	September 1, 2008
Paid-in-Capital	7,736 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	56,761 (including part-time employees)

Group companies (As of June 1, 2022)

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

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, Shimogyo-ku, Kyoto-shi, Kyoto 600-8871

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

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

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 business
Head Office Location	83, Higoshimachi, Maebashi-shi, Gunma 371-0221

Pupule Himawari Co., Ltd.

Established	November 1984
Paid-in-Capital	49 million yen
Business Description	Drug store management
Head Office Location	2-10-11, Nishishingaicho, Fukuyama-shi, Hiroshima 721-0958

Kokumin Co., Ltd.

Established	April 1984
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

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, 8-1, Inarimae, Tsukuba-shi, Ibaraki 305-0061

Welcia-BHG (Singapore) Pte. Ltd.

Established	March 2017
Paid-in-Capital	20 million Singaporean dollars
Business Description	Drug store management within Singapore
Head Office Location	73 Bukit Timah Rd, #06-01 Rex House, Singapore 229832

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, Saitama-shi, Saitama 337-0051

Welcia Retail Solution Co., Ltd.

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

Investor Information

(As of February 28, 2022)

Number of shares

Number of shares authorized	494,947,200
Number of shares issued (excluding 12,658 treasury shares)	209,621,018
Number of shareholders	57,122

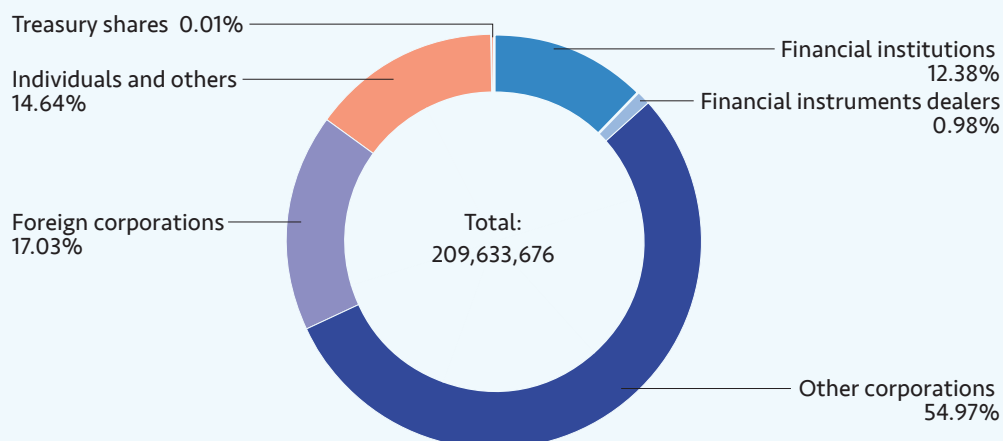
Major shareholders

	Number of shares (Thousands)	Shareholding ratio (%)
Aeon Co., Ltd.	105,940	50.54
The Master Trust Bank of Japan, Ltd. (trust account)	14,736	7.03
Welcia Holdings Employee Stock Ownership	3,445	1.64
Custody Bank of Japan, Ltd. (trust account)	3,434	1.64
Tsuruha Co., Ltd.	3,352	1.60
STATE STREET BANK WEST CLIENT - TREATY 505234	2,548	1.22
BNYM AS AGT/CLTS NON TREATY JASDEC	1,950	0.93
JP MORGAN CHASE BANK 385635	1,699	0.81
Ishida Co., Ltd.	1,616	0.77
Saitama Resona Bank, Limited	1,417	0.68

Note: In calculating the shareholding ratio, we omitted 12,658 shares of treasury shares.

The treasury shares do not include the 624,800 shares held in ESOP Trust or the 440,442 shares held in BIP Trust.

Breakdown of holdings by shareholder type





WELCIA HOLDINGS CO., LTD.

2-2-15, Sotokanda, Chiyoda-ku, Tokyo, 101-0021

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