

The information contained in this Annual Securities Report is the same as the information in the Japanese original of the Annual Securities Report for the 15th fiscal year that was disclosed on May 26, 2023. However, the English translation of the report has not been audited by the Accounting Auditor.

## [Cover page]

[Document title]	Annual Securities Report (“Yukashoken Hokokusho”)
[Clause of stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	May 26, 2023
[Fiscal year]	The 15th fiscal year (from March 1, 2022 to February 28, 2023)
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[Company name in English]	WELCIA HOLDINGS CO., LTD.
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[Place for public inspection]	Tokyo Stock Exchange, Inc.  (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Part 1. Company Information

### I. Overview of the Company

#### 1. Key Financial Data

(1) Consolidated financial data, etc.

Fiscal Year		11th	12th	13th	14th	15th
Year End		Feb. 2019	Feb. 2020	Feb. 2021	Feb. 2022	Feb. 2023
Net sales	(Million yen)	779,148	868,280	949,652	1,025,947	1,144,278
Ordinary income	(Million yen)	31,500	40,348	45,800	47,590	52,149
Net income attributable to owners of parent	(Million yen)	17,423	22,802	27,999	26,453	27,030
Comprehensive income	(Million yen)	17,277	22,582	28,025	26,423	27,841
Net assets	(Million yen)	143,948	162,418	180,351	207,886	232,384
Total assets	(Million yen)	327,426	390,006	435,685	463,048	537,362
Net assets per share	(Yen)	685.88	773.95	862.82	966.66	1,078.97
Net income per share	(Yen)	83.63	109.24	134.23	126.99	129.38
Diluted net income per share	(Yen)	83.54	109.13	134.10	126.88	129.29
Equity ratio	(%)	43.7	41.5	41.2	43.5	42.0
Return on equity	(%)	12.8	15.0	16.4	13.9	12.7
Price earnings ratio	(Times)	23.6	29.8	25.4	24.1	23.0
Cash flows from operating activities	(Million yen)	34,872	70,156	46,396	16,228	60,296
Cash flows from investing activities	(Million yen)	(23,955)	(27,459)	(16,147)	(37,088)	(36,068)
Cash flows from financing activities	(Million yen)	(7,348)	(22,241)	(16,970)	(7,282)	(14,849)
Cash and cash equivalents at year-end	(Million yen)	17,152	37,599	50,937	22,837	32,307
Number of employees	(Persons)	8,936	9,882	11,708	13,294	14,865
[Average number of temporary employees not included in the above]		[19,001]	[20,670]	[22,372]	[24,480]	[25,477]

- (Notes) 1. A two-for-one stock split of the Company's commons stock was executed on September 1, 2020. For this reason, "net assets per share," "net income per share" and "diluted net income per share" are calculated assuming that the stock split was executed at the beginning of the 11th fiscal year.
2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the current fiscal year. The key financial data for the fiscal year ended February 28, 2023 reflect the accounting standard, etc.

## (2) Financial data, etc., of reporting company

Fiscal Year		11th	12th	13th	14th	15th
Year End		Feb. 2019	Feb. 2020	Feb. 2021	Feb. 2022	Feb. 2023
Operating revenue	(Million yen)	7,478	8,574	10,112	10,752	11,623
Ordinary income	(Million yen)	5,641	6,507	7,519	8,228	8,741
Net income	(Million yen)	5,331	6,397	7,201	8,183	7,119
Capital stock	(Million yen)	7,736	7,736	7,736	7,736	7,747
Total number of issued shares	(Thousand shares)	104,816	104,816	209,633	209,633	209,652
Net assets	(Million yen)	76,159	78,443	75,349	79,230	82,608
Total assets	(Million yen)	92,333	107,255	117,314	111,137	142,180
Net assets per share	(Yen)	364.03	374.35	361.10	379.02	394.05
Dividend per share	(Yen)	42.00	50.00	42.00	30.00	32.00
[of the above, interim dividend per share]		[21.00]	[23.00]	[27.00]	[15.00]	[16.00]
Net income per share	(Yen)	25.59	30.65	34.52	39.28	34.08
Diluted net income per share	(Yen)	25.56	30.62	34.49	39.25	34.05
Equity ratio	(%)	82.2	72.9	64.0	71.1	58.0
Return on equity	(%)	7.1	8.3	9.4	10.6	8.8
Price earnings ratio	(Times)	77.2	106.0	98.6	78.0	87.4
Payout ratio	(%)	82.1	81.6	82.6	76.4	93.9
Number of employees	(Persons)	20	24	26	29	37
[Average number of temporary employees not included in the above]		[—]	[—]	[—]	[—]	[—]
Total shareholder return	(%)	84.2	139.1	146.8	133.7	131.5
[Benchmark: TOPIX Net Total Return Index]	(%)	[92.9]	[89.5]	[113.2]	[117.0]	[127.0]
Highest share price	(Yen)	6,560	7,260	4,815 [10,070]	4,390	3,285
Lowest share price	(Yen)	3,900	3,565	3,405 [5,410]	3,010	2,296

- (Notes) 1. A two-for-one stock split of the Company's commons stock was executed on September 1, 2020. For this reason, "net assets per share," "net income per share" and "diluted net income per share" are calculated assuming that the stock split was executed at the beginning of the 11th fiscal year. The amount of dividend per share is the amount before the stock split. The year-end dividend of ¥15.00 per share for the 13th fiscal year is the amount after the stock split, which would be ¥30.00 per share before the stock split, resulting in an annual dividend of ¥57.00 per share. Furthermore, the total shareholder return was calculated considering the effect of the stock split.
2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the current fiscal year. The key financial data for the fiscal year ended February 28, 2023 reflect the accounting standard, etc.
3. The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange until April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange from April 4, 2022. The share prices for the 13th fiscal year are the highest and lowest share prices after ex-rights due to the stock split (effective September 1, 2020, two-for-one stock split), and the highest and lowest share prices before the stock split are shown in parentheses.

## 2. History

The history of the Company up until now is as follows.

Month / Year	Overview
September 2008	Welcia Kanto Co., Ltd. and Takada Yakkyoku Co., Ltd. established Growell Holdings Co., Ltd. through a share transfer. Common stock listed on the Second Section of the Tokyo Stock Exchange.
November 2008	Welcia Kanto Co., Ltd. acquired ownership of Terashima Co., Ltd., through a takeover bid.
March 2010	Acquired ownership of Eleven Co., Ltd. through a share exchange.
April 2012	Listed on the First Section of the Tokyo Stock Exchange.
September 2012	Company name changed to WELCIA HOLDINGS CO., LTD. Eleven Co., Ltd. changed its name to Welcia Kansai Co., Ltd. Acquired 100% ownership of Drug Fujii Co., Ltd. through a share exchange. Welcia Kanto Co., Ltd. absorbed Drug Fujii Co., Ltd.
March 2013	Following a company split by Terashima Co., Ltd., its drug store business was absorbed by Welcia Kanto Co., Ltd.
March 2014	Acquired 100% ownership of Welcia Kyoto Co., Ltd. through a share acquisition.
May 2014	Terashima Co., Ltd. changed its name to WELCIA KAIGO SERVICE Co., Ltd.
June 2014	Welcia Kanto Co., Ltd. absorbed Welcia Plus Co., Ltd.
September 2014	Acquired 100% ownership of Welcia Kanto Co., Ltd. through a share exchange. Welcia Kanto Co., Ltd. absorbed Takada Yakkyoku Co., Ltd., Welcia Kansai Co., Ltd. and Welcia Kyoto Co., Ltd. Welcia Kanto Co., Ltd. changed its name to WELCIA YAKKYOKU Co., Ltd.
November 2014	Became a subsidiary of AEON Co., Ltd. through a takeover bid. Acquired ownership of Lianhua Merrylin Business (Shanghai) Co., Ltd. through acquisition of additional shares.
February 2015	WELCIA YAKKYOKU Co., Ltd. absorbed Core Corporation LLC. and Winder Inc.
March 2015	Acquired 100% ownership of TAKIYA Co., Ltd. and SHIMIZU YAKUHIN Co., Ltd. through a share exchange.
September 2015	Acquired 100% ownership of CFS Corporation through a share exchange.
December 2015	WELCIA YAKKYOKU Co., Ltd. absorbed TAKIYA Co., Ltd.
February 2016	WELCIA YAKKYOKU Co., Ltd. acquired 100% ownership of Nihonbashi Pharma Co., Ltd. and Weltech LLC through a share acquisition.
March 2016	Weltech LLC changed its name to B.B.ON Co., Ltd.
September 2016	WELCIA YAKKYOKU Co., Ltd. absorbed CFS Corporation.
March 2017	Established a joint venture, Welcia-BHG (Singapore) Pte. Ltd. (consolidated subsidiary), with BHG Holdings Pte. Ltd.
May 2017	Lianhua Merrylin Business (Shanghai) Co., Ltd. changed its name to Merrylin Business (Shanghai) Co., Ltd.
June 2017	WELCIA YAKKYOKU Co., Ltd. absorbed Nihonbashi Pharma Co., Ltd.
September 2017	Acquired 100% ownership of Marudai Sakurai Pharmacy Co., Ltd. through a share acquisition.
March 2018	Acquired 100% ownership of Ippondo Co., Ltd. through a share acquisition.
December 2018	Acquired 100% ownership of MASAYA Co., Ltd. through a share acquisition.
March 2019	WELCIA YAKKYOKU Co., Ltd. absorbed Ippondo Co., Ltd.
June 2019	Acquired ownership of Kanamitsu Yakuhin Co., Ltd. through a share acquisition.
September 2019	WELCIA YAKKYOKU Co., Ltd. absorbed B.B.ON Co., Ltd.
March 2020	Acquired ownership of YODOYA CO., LTD. through a share acquisition.
June 2020	Acquired ownership of Marue Drug Co., Ltd. through acquisition of additional shares.
July 2020	Acquired 100% ownership of Neo Pharma Co., Ltd. and Summit Co., Ltd. through share acquisition.
March 2021	WELCIA YAKKYOKU Co., Ltd. absorbed Neo Pharma Co., Ltd. and Summit Co., Ltd.
December 2021	Acquired ownership of Pupule Himawari Co., Ltd. through a share acquisition.
April 2022	Moved from the First section to the Prime section of the Tokyo Stock Exchange due to market reclassification.

Month / Year	Overview
June 2022	WELCIA YAKKYOKU Co., Ltd. absorbed Kanamitsu Yakuhin Co., Ltd. Acquired 100% ownership of Kokumin Co., Ltd. and French Co., Ltd. through share acquisition.
December 2022	Acquired ownership of FUKUYAKUHIN CO., LTD. through a share acquisition.

### 3. Description of Business

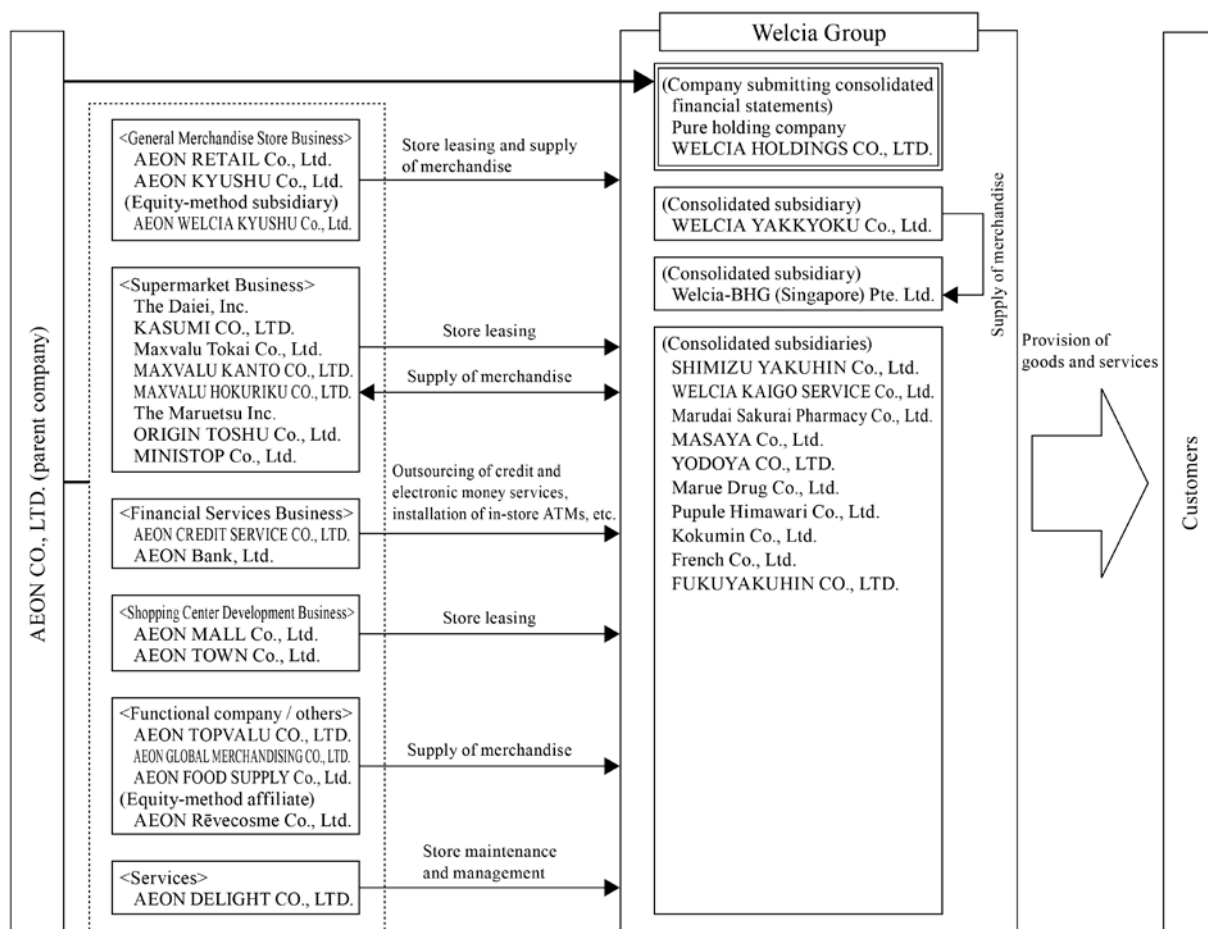
The Group consists of the Company and 16 affiliated companies (12 consolidated subsidiaries, 2 non-consolidated subsidiaries, and 2 affiliates), and is mainly engaged in retail business based on drugstores, selling OTC products, healthcare/nursing care products, baby products, health foods, dispensing, cosmetics, household goods and food products.

Segment-related information is omitted as the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

In addition, the Company falls under the category of specified listed company, etc. as stipulated in Article 49, Paragraph 2 of the Cabinet Office Order on Restrictions on Securities Transactions and accordingly, the Company will be judged on the basis of consolidated figures for the criteria for considering a material fact to be of minor importance under the insider trading regulations.

(Note) Non-consolidated subsidiaries Welcia Oasis Co., Ltd. and Welcia Retail Solution Co., Ltd. are not shown in the chart below due to their immateriality.

As of February 28, 2023



#### 4. Subsidiaries and Other Affiliated Entities

Company names	Location	Capital stock (Million yen)	Main businesses	Percentage of voting rights holding or held (%)	Relationship with the Company
(Parent company)					
AEON CO., LTD. (Note 2)	Mihama-ku, Chiba	220,007	Pure holding company	Held 50.6	Consumption entrustment Royalty payments Concurrent officers: 1
(Consolidated subsidiaries)					
WELCIA YAKKYOKU Co., Ltd. (Notes 3, 4)	Chiyoda-ku, Tokyo	100	Drugstore business	100.0	Borrowing funds Management guidance Receiving dividends Concurrent officers: 3
SHIMIZU YAKUHIN Co., Ltd.	Shimogyo-ku, Kyoto	48	Drugstore business	100.0	Lending funds Management guidance Receiving dividends
WELCIA KAIGO SERVICE Co., Ltd.	Tsukuba, Ibaraki Prefecture	100	Nursing care business	100.0 (100.0)	-
Marudai Sakurai Pharmacy Co., Ltd.	Aomori, Aomori Prefecture	29	Drugstore business	100.0	Borrowing funds Lending funds Management guidance Receiving dividends
MASAYA Co., Ltd.	Kita-ku, Okayama	10	Cosmetics sales	100.0	Lending funds
YODOYA CO., LTD.	Kochi, Kochi Prefecture	50	Drugstore business	50.1	Lending funds
Marue Drug Co., Ltd.	Maebashi, Gunma Prefecture	48	Drugstore business	51.0	Management guidance
Pupule Himawari Co., Ltd.	Fukuyama, Hiroshima Prefecture	49	Drugstore business	51.0	—
Kokumin Co., Ltd.	Suminoe-ku, Osaka	91	Drugstore business	100.0 (6.1)	—
French Co., Ltd.	Suminoe-ku, Osaka	18	Drugstore business	100.0	—
FUKUYAKUHIN CO., LTD.	Naha, Okinawa Prefecture	20	Drugstore business	53.8	—
1 other company					
(Equity-method affiliates)					
AEON Rēvecosme Co., Ltd.	Mihama-ku, Chiba	150	Import and sales of cosmetics	30.0	—
AEON WELCIA KYUSHU Co., Ltd.	Hakata-ku, Fukuoka	100	General merchandise store	49.0	—

(Notes) 1. Figures in parentheses in the “percentage of voting rights holding or held” column indicate the indirect ownership ratio and are included in the total.

2. AEON CO., LTD. is the company submitting the securities report.

3. WELCIA YAKKYOKU Co., Ltd. is a specified subsidiary.

4. WELCIA YAKKYOKU Co., Ltd. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

(Major profit/loss information, etc.)

(Million yen)

Category	WELCIA YAKKYOKU Co., Ltd.
Net sales	971,031
Ordinary income	51,203
Net income	29,322
Net assets	203,238
Total assets	427,681

## 5. Employees

Segment-related information is omitted as the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

### (1) Consolidated companies

Category	As of February 28, 2023	
	Number of employees	
Sales departments	13,148	[25,312]
Administration departments	1,717	[165]
Total	14,865	[25,477]

- (Notes) 1. The number of employees is the number of full-time employees.  
2. The figures separately shown in square brackets in the “number of employees” column represent the annual average number of temporary employees (converted to 8 hours per day).  
3. The number of employees increased from the previous fiscal year, mainly due to hiring associated with new store openings and an increase in the number of consolidated subsidiaries.

### (2) The Company

Number of employees	Average age	Average years of service	As of February 28, 2023
			Average annual salary (thousand yen)
37	56.3	2.9	7,949

- (Notes) 1. The number of employees is the number of full-time employees including those seconded to the Company from other companies.  
2. Average annual salary includes non-standard wages.

### (3) Labor union

The labor union of the Group is a member of UA ZENSEN, a supervisory organization.

As of February 28, 2023, the number of union members was 46,943 (including 32,669 temporary employees).

The labor-management relationships are smooth, and there are no matters requiring special mention.



## II. Overview of Business

### 1. Management Policy, Business Environment, Issues to Address

The drugstore industry, the primary area of the Group's business, has seen an expansion in scale due to the opening of new stores by major players in the same industry as well as industry restructuring, and an intensification in competition across industries and business formats. With the easing of severe restrictions imposed due to the spread of COVID-19, significant changes are expected, under the "With Corona" policy, in consumer needs and the role expected of dispensing services in the healthcare delivery system. In addition, the rise in consumer prices, including those for food products, in response to the weak yen and soaring import prices, has further strengthened the tendency of consumers to economize. In the long term, Japan's declining birthrate and aging population will also bring us face to face with changes in consumer needs due to a labor shortage and a growing elderly population.

Recognizing that these severe changes in the business environment offer opportunities for growth, the Company formulated its "medium-term management plan for the fiscal year ending February 29, 2024 to the fiscal year ending February 28, 2026" (hereinafter referred to as the "medium-term management plan"). Under the corporate philosophy "To promote higher quality of life and healthy lifestyles for our customers," the medium-term management plan promotes the Welcia model centered on four key policies ("dispensing pharmacies," "counseling services," "late-night services," and "long-term care") with a vision of becoming the "No.1 health station in the community" by 2030, and aims to realize the Group net sales of ¥3 trillion. To achieve this goal, the Group will implement the following key initiatives during the period of the medium-term management plan through the fiscal year ending February 28, 2026.

(i) Evolving and deepening existing businesses

- Enhance the competitiveness through new store openings, renovations, etc.
- Strengthen counseling and product proposal skills
- Promote establishing stores with pharmacy and respond to increasing sophistication of dispensing operations
- Develop unique private brand products having a story
- Develop new store formats for food-intensive stores, small urban stores, and mobile sales
- Active expansion of nursing care business
- Expand business areas through initiatives for the health services business

(ii) Promoting M&As and pursuing Group synergies

- Promote M&As in peripheral business areas, in addition to drugstore business
- Improve subsidiary earnings through mutual utilization of common Group functions and the expansion of Group synergies by promoting the Welcia model

(iii) Responding to digitalization

- Develop digitally-enabled customer services
- Labor saving and efficiency improvement in store and headquarters operations

(iv) Expansion of overseas operations

- Welcia-BHG (Singapore) will open more stores and improve its earnings
- Advance into other areas of ASEAN region

(v) Sophistication of organizational and business management

- Optimization of cross-Group headquarters organization

In addition to these efforts, we will continue to address risks that increase with the expansion of the Group's scale, strengthen internal controls and risk management systems, and promote sustainability management aimed at achieving both a sustainable society and corporate growth.

The following management indicators are planned for the fiscal year ending February 28, 2026 as part of the medium-term management plan.

	Fiscal year ending February 28, 2026 plan
Net sales	¥1,500 billion
Ordinary income ratio	5.0%
ROE	15.0% or more
EBITDA (Operating income + amortization (including goodwill))	Average annual growth rate during the plan period 10.0% or more

## 2. Business Risks

Among the matters related to the overview of business, financial information, etc. as described in this annual securities report, the following are the major risks that management recognizes as having the potential to materially affect the Group's financial position, operating results, and cash flows.

The Group has put in place a management system to address these risks as described in "4. Corporate Governance" under "IV. Information about Reporting Company," and the Group is minimizing these business risks, while implementing various actions and initiatives to take advantage of these risks as opportunities. Forward-looking statements in the text are based on the judgment made by the Group as of the date of submission of this annual securities report.

### (i) Economic fluctuations due to geopolitical factors

Since the invasion of Ukraine by Russia in February 2022, in the wake of the tight supply-demand relationship of energy resources mainly in Western countries, the global economy has been hit by inflation that had not occurred for some time. Triggered by local geopolitical risks, the globalized economy may undergo large fluctuations in a chain of events with various factors being intertwined. Under these circumstances, while Japan, which relies on imports of energy resources such as crude oil and natural gas, has been suffering from deflation for many years, rises in the prices of various commodities, mainly food and daily necessities, are accelerating, in addition to sharp rises in utility costs. This may significantly affect the performance of the Group, which handles a wide range of products at its 2,751 stores nationwide.

The Group operates drugstores under a business model called "Welcia model," which offers dispensing pharmacy attached to drugstores and around-the-clock services. The goal of this model is to pursue store operations that can offer convenience and expertise to customers, and thereby become an indispensable presence rooted in the community in which we operate our stores. We believe that the Group can achieve a sustainable presence in any environment by pursuing this Welcia model.

### (ii) Natural disasters, pandemics of infectious diseases, etc.

With the addition of Kokumin Co., Ltd. and French Co., Ltd. in June of last year and FUKUYAKUHIN CO., LTD. in December of the same year as the Group's subsidiaries, our domestic operations have expanded from Hokkaido to all regions of Honshu, Shikoku, Kyushu, and even further to Okinawa. Amid concerns over climate change due to global warming, typhoons, floods, and other natural disasters occurred across Japan every year, and the areas in which the Group operates have been affected at times. In the event of a Nankai Trough earthquake, which is anticipated to cause extensive damage over a wide area, or a global pandemic, such as the recent outbreak of COVID-19, the Group may become unable to continue its business operations in whole or in part due to damage to its facilities or casualties among its employees.

Based on our awareness that our business operations form part of social infrastructure, we have formulated a business continuity plan (BCP) that anticipates multiple situations, and we are planning to minimize the impact of business interruption through recovery processes based on the BCP. In addition, preliminary drills are conducted periodically throughout the Group to enhance the effectiveness of the BCP.

### (iii) Revision of laws, regulations, and other rules related to business operations

In order to sell pharmaceutical products under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, permission, registration, designation, licenses and notification are required in each prefecture and other areas. In addition, sales of alcoholic beverages, cigarettes, and food products also require permission, licenses, registration, etc. from the competent government agencies in accordance with the Food Sanitation Act and other relevant laws and regulations. Revisions to related laws and regulations may affect the Group's business performance.

The Group is striving to strengthen its cross-functional compliance system so that it can systematically and efficiently prepare for and respond to revisions of laws, regulations, and other rules.

### (iv) Securing pharmacists and registered sales clerks

Pharmacies and pharmaceutical sales businesses are required under the Act on Pharmaceuticals and Medical Devices to assign pharmacists or registered sales clerks to each store, and dispensing services must be conducted by pharmacists. Securing pharmacists and registered sales clerks is an industry-wide issue, and failure to secure them as planned could affect the Group's business operations and plans for future store openings.

The Group systematically divides its recruiting activities into two divisions: a division for recruiting career professionals who will become registered sales clerks, and a division for recruiting pharmacist candidates from graduates of pharmaceutical universities. Furthermore, we are enhancing various retention plans to reduce the turnover rate after hiring. In addition, we are continuously reviewing our personnel system, as necessary, in accordance with the work style reform promoted by the government.

(v) Revision of drug price standards and dispensing fees

The Group is striving to realize the “No.1 health station in the community” by promoting the Welcia model that offers dispensing pharmacies attached to its stores. Dispensing sales consist of revenues from drugs and revenues pertaining to dispensing techniques, which are calculated based on the official drug price standards and dispensing fee points as stipulated in the Health Insurance Act. Since revisions of the drug price standards, etc. are implemented periodically, we are developing our business with the revisions of the drug price standards and other standards as a given postulate. Nonetheless, the Group’s business performance may be affected depending on the contents of the revisions.

The Group is taking steps to improve the efficiency of physical operations through appropriate staffing and mechanization, and to educate pharmacists to enhance their interpersonal skills.

(vi) Treatment of goodwill associated with M&As

When conducting M&As, the Group performs careful due diligence on the financial condition and earning power of the target company to determine the acquisition price and recognize goodwill. If the target company’s performance deteriorates and deviates significantly from the business plan prepared at the time the goodwill was recorded, it becomes necessary to record an impairment loss, which could affect the Group’s performance. Under such circumstances, the shares of the target company that are recorded by the Company as shares of subsidiaries and associates may also need to be recognized as an impairment loss in the same manner as goodwill. The balance of goodwill as of February 28, 2023 was ¥36,482 million.

While respecting the degree of freedom in the management of each company in accordance with the percentage of shares held by the Company, the Group provides support to help expand business opportunities and improve management efficiency in order to increase the probability of realization of the initial business plan.

(vii) Store opening policy

In the event of a deterioration in business performance or deviation from the initial plan due to unforeseen changes in the market area or other factors, or in the event where we are forced to close our stores, impairment loss on noncurrent assets may be incurred. In such cases, extraordinary losses will be recorded, which may affect the Group’s business performance.

The Group strives to minimize deviations from initial plan by analyzing the causes of deviations in the case of deviations from the initial plan, reviewing the criteria for opening new stores, and other measures. The Group plans to open 122 new stores per year in the fiscal year ending February 29, 2024.

(viii) Dispensing errors

The Group is striving to realize the “No.1 health station in the community” by promoting the Welcia model that offers dispensing pharmacies attached to its stores. As of the end of the fiscal year ended February 28, 2023, the number of stores with a dispensing pharmacy in Japan was 2,019, and the number of pharmacists was 7,706. In our dispensing operations, although there has been no dispensing errors that have resulted in deaths, the reputation of the entire Group could be damaged and impacted if there was such an accident.

In the Group’s dispensing operations, we have established a safety management system that requires the reporting of even the smallest error without omission, based on the “*Hiyari Hatto* (near-miss)” concept that serious accidents are the result of minor mistakes. If there is an event that should be shared across the entire Group, we implement measures such as providing training to prevent recurrence based on the analysis of the causes of the event, and take the utmost care to conduct our business with the relevant departments ensuring that all employees are fully informed of the event.

(ix) Personal information management

The Group handles personal information such as i) customer information in connection with the provision of the WAON point service and T-POINT service, ii) patient information at dispensing pharmacies, iii) customer information for cosmetics counseling,

and iv) customer information managed by the e-commerce site system, and we consider the appropriate management of personal information to be our social responsibility. In the event that this information is leaked or disclosed to outside parties in some way, the Group's business operations could be seriously affected depending on the scale and circumstances of the information leakage.

As measures to prevent information leaks, we have established related rules and regulations and provide manuals and internal training to relevant employees. We also implement measures in our network system and conduct large-scale unannounced Group-wide drills to respond to fraudulent emails from external parties targeting our employees.

(x) Violation of laws and regulations by employees, etc.

The Group conducts its business in accordance with various laws and regulations, and there is a possibility that the Group may violate laws and regulations, not intentionally but as a result of human error caused by the level of employees' proficiency in their work. Depending on the circumstances under which such incidents occur, the Group may be held liable for corporate management, which could damage the reputation of the Group as a whole and affect the Group's business performance.

The Group focuses on providing various operational manuals and conducting face-to-face or online training programs to ensure that employees are able to perform their duties properly. In addition, in light of the revised Whistleblower Protection Act (effective 2022), we have established and are operating a compliance hotline system.

(xi) Deregulation of pharmaceutical sales

The scale of market for the online sales of OTC products, which were permitted under the revised Pharmaceutical Affairs Act (effective 2014), is continuously expanding, including cosmetics. If competition with other industries intensifies as a result of the acceleration of the liberalization of pharmaceutical sales at general retail outlets due to such deregulation, the Group's business performance may be affected.

Not limited to the sales of OTC products, the Group also engages in counseling sales by pharmacists, registered sales clerks, nutritionists, dispensing clerks, cosmetics staff, and other specialized personnel, as one of the four major policies that form the Welcia model.

(xii) Governance of Group companies

The Company is composed of more than a dozen domestic and overseas companies, mainly Group companies engaged in the drugstore business. Each Group company is at a different stage of growth as a company and allocates management resources accordingly. Upon becoming a part of the Group, the Company dispatched Directors and Corporate Auditors to each company, and as the parent company, the Company has focused on the governance of its Group companies. However, if the Company lacks in governance relative to the speed of growth of the Group as a whole, this could result in the failure to achieve its business plan or the occurrence of unexpected accidents and scandals.

In addition to dispatching officers to each Group company as described above, the Company also conducts audits by the Company's Corporate Auditors and Internal Audit Office, as well as monitoring by the Company's business divisions, to control each Group company from various levels, and aims for effective governance through mutual coordination and cooperation.

### 3. Management Analysis of Financial Position, Operating Results and Cash Flows

The following is a summary of the Group's financial position, operating results, and cash flows ("operating results, etc.") for the current fiscal year, as well as our recognition, analysis, and discussion of the Group's operating results, etc. from the management's perspective.

Note that matters related to future developments that are mentioned in this section are judgments that were made as of the end of the fiscal year under review.

#### (1) Analysis of operating results

During the fiscal year ended February 28, 2023 (March 1, 2022 to February 28, 2023), the Japanese economy experienced repeated waves of COVID-19 outbreaks. However, as the outbreaks subsided, severe restrictions were eased toward the end of the year, and the economy gradually recovered due in part to the effects of various policies taken under the catchword "With Corona." While nominal wages increased with the resumption of economic activity, real wages fell short of the rate of increase in consumer prices, which was caused by soaring energy and raw material prices. Despite recent signs of wage increases, there is concern that the declining purchasing power of households will exert downward pressure on the economy.

The drugstore industry, the primary area of the Group's business, has seen an intensification in competition across industries and business formats as can be seen in, for example, the expansion in scale due to the opening of new stores by major players in the same industry and industry restructuring. While the waves of outbreaks brought about an increase in the demand for COVID-19 infection control products such as masks and antigen test kits and for PCR and other testing services, the recent decrease in the infections have caused a decline in the demand. On the other hand, there are signs of recovery in cosmetics, reflecting increased opportunities for people to go out, and in inbound demand, reflecting the relaxation of behavioral restrictions in many countries.

Under such circumstances, the Group strove to sell products and provide services in response to customer needs. In sales of goods, there was an increase especially in the area of OTC products for people who recuperated at home such as medicines for the common cold. In the dispensing division, notwithstanding the effects of severe compensation revisions, the number of prescriptions handled increased due primarily to an increase in the number of stores with dispensing pharmacies (2,024 stores as of February 28, 2023) as well as the limited impact of the public sentiment against visiting a hospital even during the pandemic. The Group also managed to optimize selling, general and administrative expenses, mainly in terms of labor costs by such measures as optimizing store operational efficiency through the promotion of automatic ordering and managing store man-hours, although utilities expenses were significantly increased by soaring fuel prices.

The progress of the Group's management indicators is as follows.

Category	Results	Plan	Changes from the plan	Results for the previous fiscal year	Changes from the previous fiscal year
Number of stores opened (Number of stores)	140	129	11	144	(4)
Number of stores closed (Number of stores)	36	25	11	26	10
Subsidiaries, etc. (Number of stores)	191	—	191	133	58
Stores at end of the fiscal year (Number of stores)	2,763	2,572	191	2,468	295
Stores with dispensing pharmacies at the end of the fiscal year (Japan) (Number of stores)	2,019	1,975	44	1,839	180
Renovated stores (Japan) (Number of stores)	57	85	(28)	88	(31)
Net sales growth for existing stores (%)	3.8	3.4	0.4	2.6	* —
Ratio of SG&A expenses to net sales (%)	26.5	26.3	0.2	27.1	* —

\* Changes from the previous fiscal year is not shown as revenue recognition standards were applied from the beginning of the current fiscal year.

Category	Results	Results for the previous fiscal year	Changes from the previous fiscal year
Number of pharmacists at the end of the fiscal year (Persons)	7,706	6,799	907
Number of registered sales clerks at the end of the fiscal year (Persons)	18,586	16,667	1,919

#### Status of subsidiaries and reorganization within the Group

Effective June 1, 2022, our subsidiary WELCIA YAKKYOKU Co., Ltd. acquired our subsidiary Kanamitsu Yakuhin Co., Ltd. through a merger by absorption, to promote streamlining of its business. On June 1, 2022, Kokumin Co., Ltd. (162 stores) and French Co., Ltd. (3 stores), which operate stores in commercial facilities, airports, train stations, etc. in major cities in Hokkaido, Kanto, Kansai, Kyushu, etc., became subsidiaries through share acquisition, and on December 1, 2022, FUKUYAKUHIN CO., LTD. (25 stores), which is based in Okinawa Prefecture, also became a subsidiary through share acquisition.

As a result of the above, financial results for the current fiscal year were as follows.

(Million yen)

Category	Results	Plan	Compared to the plan (%)	Results for the previous fiscal year
Net sales	1,144,278	1,110,000	103.1	1,025,947
Operating income	45,635	47,000	97.1	43,018
Ordinary income	52,149	51,600	101.1	47,590
Net income attributable to owners of parent	27,030	28,400	95.2	26,453

\* Year-on-year comparisons are not shown as revenue recognition standards were applied from the beginning of the current fiscal year.

Segment-related information is omitted as the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

#### 1) Store openings and closings

(Unit: No. of Stores)

	No. of stores as of February 28, 2022	Increase resulting from conversion into subsidiary or transfer of business	Increase/decrease resulting from mergers	Openings	Closures	No. of stores as of February 28, 2023
WELCIA YAKKYOKU (Notes 1, 2)	2,023	1	26	116	21	2,145
Kokumin (Note 3)	—	162	—	3	9	156
Pupule Himawari	132	—	—	3	1	134
Marudai Sakurai Pharmacy	92	—	—	4	—	96
SHIMIZU YAKUHIN	65	—	—	5	2	68
Marue Drug	58	—	—	4	2	60
YODOYA	25	—	—	—	—	25
Fukuyakuhin (Note 4)	—	25	—	1	1	25
French (Note 3)	—	3	—	—	—	3
MASAYA	36	—	—	3	—	39
Kanamitsu Yakuhin (Note 2)	26	—	(26)	—	—	—
Total in Japan	2,457	191	—	139	36	2,751
Welcia-BHG (Singapore)	11	—	—	1	—	12
Total	2,468	191	—	140	36	2,763

(Notes) 1. Effective January 1, 2023, a dispensing pharmacy operated by Yuugen Gaisya Sannefubiruyakkyoku was transferred to WELCIA YAKKYOKU through a transfer of business.

2. Effective June 1, 2022, WELCIA YAKKYOKU acquired Kanamitsu Yakuhin through a merger by absorption.

3. Effective June 1, 2022, the Company converted Kokumin and French into subsidiaries through the acquisition of shares and made them into consolidated subsidiaries.

4. Effective December 1, 2022, the Company converted Fukuyakuhin into a subsidiary through the acquisition of shares and made it into a consolidated subsidiary.

5. Of the number of stores as of February 28, 2023, 1,818 stores of WELCIA YAKKYOKU, 48 stores of Kokumin, 20 stores of Pupule Himawari, 42 stores of Marudai Sakurai Pharmacy, 45 stores of SHIMIZU YAKUHIN, 27 stores of Marue Drug, 10 stores of YODOYA, 9 stores of Fukuyakuhin, and 5 stores of Welcia-BHG (Singapore) have dispensing pharmacies, or a total of 2,024 stores have dispensing pharmacies. Of the same number, 1,721 stores of WELCIA YAKKYOKU, 7 stores of Kokumin, 45 stores of Pupule Himawari, 48 stores of Marudai Sakurai Pharmacy, 61 stores of SHIMIZU YAKUHIN, 24 stores of Marue Drug, 14 stores of YODOYA, and 17 stores of Fukuyakuhin offer late-night services, or a total of 1,937 stores offer late-night services.

## 2) Purchases and sales

As the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc., we continue to present purchases by category and sales by region, category, and sales per unit as in the past.

Year-on-year comparisons are not shown as revenue recognition standards were applied from the beginning of the current fiscal year.

### (i) Purchases

Purchases by category for the current fiscal year are as follows.

Category		Amount (million yen)
	OTC products	141,978
	Cosmetics	123,400
	Household goods	115,170
	Food products	208,323
	Others	78,440
	Total sales of goods other than dispensing	667,313
	Dispensing	140,285
	Total	807,599

### (ii) Sales

Sales by region, category, and sales per unit for the current fiscal year are as follows.

#### (a) Sales by region

Region	Amount (million yen)
Hokkaido	1,242
Tohoku	65,533
Kanto	587,031
Chubu	228,336
Kinki	180,046
Chugoku	52,946
Shikoku	20,711
Kyushu / Okinawa	5,835
Overseas	2,594
Total	1,144,278



## (b) Sales by category

Category		Amount (million yen)
	OTC products	233,558
	Cosmetics	176,608
	Household goods	158,615
	Food products	253,863
	Others	92,232
	Total sales of goods other than dispensing	914,878
	Dispensing	228,106
	Subtotal	1,142,984
	Commission income	1,293
	Total	1,144,278

## (c) Sales per unit

Item		Amount
Net sales		1,144,278 million yen
Net sales per square meter	Sales floor space (average)	1,883,339 m <sup>2</sup>
	Net sales per square meter for the period	607 thousand yen
Net sales per person	Number of employees (average)	40,342 persons
	Net sales per person for the period	28,364 thousand yen

(Note) The number of employees includes temporary employees (converted to 8 hours per day).

## (2) Analysis of financial position

## (Assets)

Current assets increased by ¥34,699 million compared to the end of the previous fiscal year to ¥242,697 million. This was primarily due to increases of ¥9,452 million in cash and deposits, ¥4,566 million in accounts receivable – trade, and ¥12,605 million in merchandise.

Noncurrent assets increased by ¥39,615 million compared to the end of the previous fiscal year to ¥294,665 million. This was primarily due to increases of ¥6,893 million in buildings and structures, net, ¥5,822 million in leased assets, net, ¥13,682 million in goodwill, ¥5,962 million in guarantee deposits, and ¥1,557 million in deferred tax assets.

As a result, total assets as of February 28, 2023 increased by ¥74,314 million compared to the end of the previous fiscal year to ¥537,362 million.

## (Liabilities)

Current liabilities increased by ¥27,609 million compared to the end of the previous fiscal year to ¥216,633 million. This was primarily due to increases of ¥19,658 million in accounts payable – trade, ¥3,145 million in short-term loans payable, ¥1,578 million in accounts payable – other, and ¥1,325 million in lease obligations.

Noncurrent liabilities increased by ¥22,207 million compared to the end of the previous fiscal year to ¥88,344 million. This was primarily due to increases of ¥12,089 million in long-term loans payable, ¥7,001 million in lease obligations, ¥1,247 million in asset retirement obligations, and ¥1,067 million in retirement benefits-related liabilities.

As a result, total liabilities as of February 28, 2023 increased by ¥49,816 million compared to the end of the previous fiscal year to ¥304,977 million.

## (Net assets)

Net assets as of February 28, 2023 increased by ¥24,497 million compared to the end of the previous fiscal year to ¥232,384 million. This was primarily due to an increase of ¥27,030 million in retained earnings resulting from the recording of net income attributable to owners of parent, despite a decrease of ¥6,498 million due to the dividends of surplus.

As a result, equity ratio decreased by 1.5 percentage points to 42.0%.

### (3) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year ended February 28, 2023 increased by ¥9,470 million compared to the end of the previous fiscal year to ¥32,307 million.

The status and factors of cash flows in each activity in the fiscal year ended February 28, 2023 are as follows.

#### (Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥60,296 million.

This was mainly attributable to inflow factors of depreciation of ¥19,863 million and impairment loss of ¥6,230 million, both of which are non-cash expenses, as well as an increase in trade payables of ¥12,075 million, and to an outflow factor of income taxes paid of ¥20,589 million, against net income before income taxes and minority interests of ¥44,566 million.

#### (Cash flows from investing activities)

Net cash used in investing activities amounted to ¥36,068 million.

This was mainly due to an outflow of ¥18,373 million for purchase of property, plant and equipment, an outflow of ¥11,443 million for purchase of shares of subsidiaries resulting in change in scope of consolidation, and an outflow of ¥5,000 million for payments into subsidiaries and affiliates.

#### (Cash flows from financing activities)

Net cash used in financing activities amounted to ¥14,849 million.

This was mainly due to ¥21,740 million in proceeds from long-term loans payable, ¥6,502 million in dividends paid, as well as ¥19,270 million in repayments of long-term loans payable and ¥9,863 million in repayments of finance lease obligations.

#### (Capital resources and liquidity of funds)

With regard to the Group’s capital resources and liquidity, funds obtained mainly from operating activities are used for purposes such as capital expenditures for new store openings. However, in order to meet funding needs for M&As, etc., it is our policy to borrow from banks, etc. to ensure the level of liquidity necessary for smooth business activities and to maintain financial soundness and stability.

When procuring funds, we will implement the optimal procurement for the Group, considering the overall impact on financial indicators such as the equity ratio, debt-to-equity ratio, and return on equity, as well as the term and trends of market interest rates both in Japan and overseas.

### (4) Significant accounting estimates and assumptions used in making such estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. The preparation of these consolidated financial statements requires the use of estimates and assumptions for the estimates.

The Group continuously assesses its retirement benefits-related liabilities, deferred tax assets, and impairment of noncurrent assets, including goodwill. Although these estimates and the assumptions used in making them are based on reasonable judgments based on past results, business plans, and other factors, actual results may differ due to uncertainties involved.

Details are described in “V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements.”

### 4. Material Contracts, etc.

Not applicable.

### 5. Research and Development Activities

Not applicable.

### III. Information about Facilities

#### 1. Overview of Capital Expenditures

Capital expenditures during the current fiscal year included the opening of 140 new stores and the remodeling of existing stores. As a result, the total amount of capital expenditures (including guarantee deposits) for the current fiscal year was ¥24,634 million.

No important facility was retired or sold during the current fiscal year.

Segment-related information is omitted as the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

#### 2. Major Facilities

##### (1) Reporting company

As of February 28, 2023

Office name (Location)	Description of facilities	Book value (million yen)							Number of employees
		Buildings and structures	Furniture and fixtures	Land Area (m <sup>2</sup> )	Leased assets	Software	Other	Total	
Head Office (Chiyoda-ku, Tokyo)	Head office functions	0	1	—	—	13	—	15	37 [—]

(Note) The figure in square brackets in the “number of employees” column represents the annual average number of temporary employees (converted to 8 hours per day) and is indicated separately.

##### (2) Domestic subsidiaries

As of February 28, 2023

Company name	Office name (Location)	Description of facilities	Book value (million yen)						Number of employees
			Buildings and structures	Furniture and fixtures	Land Area (m <sup>2</sup> )	Leased assets	Other	Total	
WELCIA YAKKYOKU Co., Ltd.	Headquarters (Chiyoda-ku, Tokyo)	Head office functions	26	4	—	0	—	30	862 [97]
	Sales office (Shizuoka Prefecture and others)	Clerical work	84	3	187 (1,224)	2	—	277	303 [6]
	Tohoku region total 94 stores	Stores	5,717	142	—	1,478	—	7,339	416 [826]
	Kanto region total 1,079 stores	Stores	33,231	1,721	6,454 (67,436)	18,038	10	59,455	5,533 [12,271]
	Chubu region total 549 stores	Stores	24,274	829	2,322 (42,379)	9,732	10	37,169	2,341 [5,439]
	Kinki region total 342 stores	Stores	18,255	506	1,335 (7,857)	4,737	0	24,834	1,697 [3,074]
	Chugoku region total 51 stores	Stores	2,360	57	339 (5,051)	774	0	3,531	208 [230]
	Shikoku region total 21 stores	Stores	1,008	39	83 (1,476)	598	0	1,729	85 [57]
	Kyushu region total 9 stores	Stores	505	63	—	267	—	836	45 [51]
	Power sales business Shizuoka Prefecture and others	Solar power generation facilities	9	—	—	976	24	1,011	— [—]
Other	-	692	85	654 (21,730)	11,146	19	12,600	— [—]	
WELCIA KAIGO SERVICE Co., Ltd.	Headquarters (Tsukuba, Ibaraki Prefecture)	Head office functions	0	0	—	—	0	0	16 [8]
	Ibaraki Prefecture and others	Nursing care facilities	137	3	272 (2,498)	—	—	413	195 [136]
SHIMIZU YAKUHIN Co., Ltd.	Headquarters (Kyoto, Kyoto Prefecture)	Head office functions	38	1	44 (367)	6	1	92	26 [2]
	Kyoto Prefecture 68 stores	Stores	3,492	93	207 (1,068)	850	—	4,644	331 [541]
Marudai Sakurai Pharmacy Co., Ltd.	Headquarters (Aomori, Aomori Prefecture)	Head office functions	0	0	—	0	1	2	38 [7]
	Aomori Prefecture and others 96 stores	Stores	6,323	142	1,411 (46,116)	574	—	8,452	417 [690]

Company name	Office name (Location)	Description of facilities	Book value (million yen)						Number of employees
			Buildings and structures	Furniture and fixtures	Land Area (m <sup>2</sup> )	Leased assets	Other	Total	
MASAYA Co., Ltd.	Headquarters (Okayama, Okayama Prefecture and others)	Head office functions	8	0	35 (212)	0	—	43	3 [—]
	Okayama Prefecture and others 39 stores	Stores	197	255	—	7	—	461	184 [7]
YODOYA CO., LTD.	Headquarters (Kochi, Kochi Prefecture)	Head office functions	0	1	319 (3,812)	11	0	332	30 [7]
	Kochi Prefecture 25 stores	Stores	1,291	30	883 (9,796)	275	—	2,481	129 [236]
Marue Drug Co., Ltd.	Headquarters (Maebashi, Gunma Prefecture)	Head office functions	30	0	—	2	1	34	70 [4]
	Gunma Prefecture and others 60 stores	Stores	1,018	96	211 (6,552)	218	0	1,544	282 [88]
Pupule Himawari Co., Ltd.	Headquarters (Fukuyama, Hiroshima Prefecture)	Head office functions	102	36	—	0	0	139	134 [16]
	Hiroshima Prefecture and others 134 stores	Stores	6,550	357	714 (11,049)	868	—	8,491	524 [1,018]
Kokumin Co., Ltd.	Headquarters (Osaka, Osaka Prefecture)	Head office functions	157	12	1,412 (971)	0	0	1,582	78 [18]
	Osaka Prefecture and others 156 stores	Stores	1,351	271	3,483 (4,652)	0	—	5,106	657 [545]
French Co., Ltd.	Osaka Prefecture and others 3 stores	Stores	—	—	—	—	—	—	8 [7]
FUKUYAKUHN CO., LTD.	Headquarters (Naha, Okinawa Prefecture)	Head office functions	5	3	—	2	0	10	14 [0]
	Okinawa Prefecture 25 stores	Stores	149	43	78 (643)	137	0	408	64 [96]

(Notes) 1. The figures in square brackets in the “number of employees” column represent the annual average number of temporary employees (converted to 8 hours per day) and is indicated separately.

2. “Other” in book value of facilities by type is the total amount of machinery, equipment and vehicles, etc.

(3) Overseas subsidiaries

As of February 28, 2023

Company name	Location	Description of facilities	Book value (million yen)						Number of employees
			Buildings and structures	Furniture and fixtures	Land Area (m <sup>2</sup> )	Leased assets	Other	Total	
Welcia-BHG (Singapore) Pte. Ltd.	Republic of Singapore	Store facilities and offices	72	93	—	453	—	618	84 [—]

(Note) The figure in square brackets in the “number of employees” column represents the annual average number of temporary employees (converted to 8 hours per day) and is indicated separately.

### 3. Planned Addition, Retirement, and Other Changes of Facilities

#### (1) Significant addition of facilities

##### (i) Domestic subsidiaries

As of February 28, 2023

Company name	Location	Number of stores	Description of facilities	Planned investment amount		Financing methods	Start of construction	Scheduled completion date	Planned increase in area after completion (m <sup>2</sup> )
				Total amount (Million yen)	Amount already paid (Million yen)				
WELCIA YAKKYOKU Co., Ltd.	Tohoku region	4 stores	Establishment of new stores	488	375	Cash on hand and borrowings	(Note 3)	(Note 3)	2,783
	Kanto region	29 stores	Establishment of new stores	4,454	175	Cash on hand and borrowings			21,442
	Chubu region	22 stores	Establishment of new stores	4,940	1,026	Cash on hand and borrowings			22,299
	Kinki region	23 stores	Establishment of new stores	4,341	1,010	Cash on hand and borrowings			17,318
	Chugoku region	3 stores	Establishment of new stores	455	102	Cash on hand and borrowings			2,102
	Shikoku region	1 store	Establishment of new stores	163	128	Cash on hand and borrowings			913
	Kyushu region	3 stores	Establishment of new stores	380	45	Cash on hand and borrowings			1,657
SHIMIZU YAKUHIN Co., Ltd.	Kinki region	6 stores	Establishment of new stores	1,411	336	Cash on hand and borrowings			3,520
Marudai Sakurai Pharmacy Co., Ltd.	Tohoku region	6 stores	Establishment of new stores	1,812	264	Cash on hand and borrowings			6,639
MASAYA Co., Ltd.	Kinki region	1 store	Establishment of new stores	5	5	Cash on hand and borrowings			92
	Chugoku region	2 stores	Establishment of new stores	121	—	Cash on hand and borrowings			364
YODOYA CO., LTD.	Shikoku region	1 store	Establishment of new stores	69	—	Cash on hand and borrowings			581
Marue Drug Co., Ltd.	Kanto region	3 stores	Establishment of new stores	676	24	Cash on hand and borrowings			2,834
Pupule Himawari Co., Ltd.	Chugoku region	2 stores	Establishment of new stores	358	—	Cash on hand and borrowings			1,612
Kokumin Co., Ltd.	Kanto region	4 stores	Establishment of new stores	328	—	Cash on hand and borrowings	670		
	Kinki region	5 stores	Establishment of new stores	391	—	Cash on hand and borrowings	838		
FUKUYAKUHIN CO., LTD.	Kyushu region	1 store	Establishment of new stores	37	17	Cash on hand and borrowings	65		

- (Notes) 1. The planned investment amount does not include the cost of goods.  
2. Planned increase in area indicates the area of the sales floor to be constructed.  
3. Although construction of the above facilities are scheduled to be started and completed during the fiscal year ending February 29, 2024, the timing has not yet been determined.  
4. Segment-related information is omitted as the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

(ii) Overseas subsidiaries

As of February 28, 2023

Company name	Location	Number of stores	Description of facilities	Planned investment amount		Financing methods	Start of construction	Scheduled completion date	Planned increase in area after completion (m <sup>2</sup> )
				Total amount (Million yen)	Amount already paid (Million yen)				
Welcia-BHG (Singapore) Pte. Ltd.	Republic of Singapore	6 stores	Establishment of new stores	212	25	Cash on hand and borrowings	(Note 3)	(Note 3)	1,050

(Notes) 1. The planned investment amount does not include the cost of goods.

2. Planned increase in area indicates the area of the sales floor to be constructed.

3. Although construction of the above facilities are scheduled to be started and completed during the fiscal year ending February 29, 2024, the timing has not yet been determined.

4. Segment-related information is omitted as the Group has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

(2) Significant retirement of facilities

There are no plans to retire or otherwise dispose of significant facilities, except for the retirement for recurring facility renewal.

## IV. Information about Reporting Company

### 1. Company's Shares, etc.

#### (1) Total number of shares

##### (i) Authorized of shares

Class	Total number of shares authorized to be issued
Common stock	494,947,200
Total	494,947,200

##### (ii) Issued shares

Class	Number of issued shares as of the end of the current fiscal year (February 28, 2023)	Number of issued shares as of the submission date (May 26, 2023)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	209,652,876	209,652,876	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	209,652,876	209,652,876	—	—

(Note) The number of issued shares as of the submission date does not include the number of shares issued upon exercise of subscription rights to shares from May 1, 2023 to the date of submission of the annual securities report.

(2) Subscription rights to shares

(i) Stock options

1st series of subscription rights to shares

Resolution date	June 13, 2014
Classification and number of grantees (persons)	Directors of the Company 9 Directors of subsidiaries 27 Executive Officer of the Company 1 Executive Officers of subsidiaries 11
Number of subscription rights to shares*	45 [45]
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company 36,000 [36,000]
Amount to be paid upon exercise of subscription rights to shares (yen)*	1
Exercise period of subscription rights to shares*	From July 17, 2014 To July 16, 2044
Issue price and amount of capital to be increased upon issuance of shares through exercise of subscription rights to shares (yen)*	Issue price 758.50 Amount paid into capital 379.25
Conditions for exercise of subscription rights to shares*	(Note 3)
Transfer of subscription rights to shares*	The acquisition of subscription rights to shares through transfer shall require the approval of the Board of Directors of the Company.
Delivery of subscription rights to shares pertaining to reorganization*	-

\* This information is as of the end of the current fiscal year (February 28, 2023).

For items that have been changed from the end of the current fiscal year to the end of the month prior to the submission date (April 30, 2023), the contents as of the end of the month before the submission date are shown in square brackets, and the other items are unchanged from those as of the end of the current fiscal year.

(Notes) 1. In the event that the Company conducts a gratis allotment of shares, a stock split or a reverse stock split, the Company shall adjust the number of underlying shares in accordance with the following formula.

Number of underlying shares after adjustment = number of underlying shares before adjustment × ratio of gratis allotment of shares, a stock split or a reverse stock split

2. In the event of a gratis allotment of shares, a stock split or a reverse stock split, the exercise price shall be adjusted in accordance with the following formula, with any fraction of less than one yen resulting from the adjustment being rounded up to the nearest one yen.

1

Exercise price after adjustment = Exercise price before adjustment ×  $\frac{1}{\text{Ratio of gratis allotment of shares, a stock split or a reverse stock split}}$

3. (i) Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).
- (ii) In the event that the General Meeting of Shareholders of the Company approves a proposal for approval of a merger agreement under which the Company will become a dissolving company, a proposal for approval of a split agreement or split plan under which the Company will become a splitting company, or a proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary (if a resolution of a General Meeting of Shareholders is not required, a resolution of the Board of Directors of the Company or a decision by delegated executives pursuant to the provision of Article 416, Paragraph 4 of the Companies Act), subscription rights to shares may be exercised within 30 days from the day after the date of such approval. However, this excludes cases where subscription rights to shares of the reorganized company are delivered to holders of subscription rights to shares in accordance with the matters concerning the delivery of subscription rights to shares pertaining to reorganization as stipulated in the terms and conditions of issuance.
- (iii) Holders of subscription rights to shares shall exercise the entire allotted number of subscription rights to shares in a single transaction.



2nd series of subscription rights to shares

Resolution date	January 14, 2015	
Classification and number of grantees (persons)	Directors of the Company	7
	Directors of subsidiaries	17
	Executive Officers of subsidiaries	25
Number of subscription rights to shares*	57 [57]	
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company	45,600 [45,600]
Amount to be paid upon exercise of subscription rights to shares (yen)*	1	
Exercise period of subscription rights to shares*	From February 17, 2015 To February 16, 2045	
Issue price and amount of capital to be increased upon issuance of shares through exercise of subscription rights to shares (yen)*	Issue price	1,008.00
	Amount paid into capital	504.00
Conditions for exercise of subscription rights to shares*	(Note 3)	
Transfer of subscription rights to shares*	The acquisition of subscription rights to shares through transfer shall require the approval of the Board of Directors of the Company.	
Delivery of subscription rights to shares pertaining to reorganization*	-	

\* This information is as of the end of the current fiscal year (February 28, 2023).

For items that have been changed from the end of the current fiscal year to the end of the month prior to the submission date (April 30, 2023), the contents as of the end of the month before the submission date are shown in square brackets, and the other items are unchanged from those as of the end of the current fiscal year.

(Notes) 1. In the event that the Company conducts a gratis allotment of shares, a stock split or a reverse stock split, the Company shall adjust the number of underlying shares in accordance with the following formula.

Number of underlying shares after adjustment = number of underlying shares before adjustment × ratio of gratis allotment of shares, a stock split or a reverse stock split

2. In the event of a gratis allotment of shares, a stock split or a reverse stock split, the exercise price shall be adjusted in accordance with the following formula, with any fraction of less than one yen resulting from the adjustment being rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of gratis allotment of shares, a stock split or a reverse stock split}}$$

3. (i) Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).
- (ii) In the event that the General Meeting of Shareholders of the Company approves a proposal for approval of a merger agreement under which the Company will become a dissolving company, a proposal for approval of a split agreement or split plan under which the Company will become a splitting company, or a proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary (if a resolution of a General Meeting of Shareholders is not required, a resolution of the Board of Directors of the Company or a decision by delegated executives pursuant to the provision of Article 416, Paragraph 4 of the Companies Act), subscription rights to shares may be exercised within 30 days from the day after the date of such approval. However, this excludes cases where subscription rights to shares of the reorganized company are delivered to holders of subscription rights to shares in accordance with the matters concerning the delivery of subscription rights to shares pertaining to reorganization as stipulated in the terms and conditions of issuance.
- (iii) Holders of subscription rights to shares shall exercise the entire allotted number of subscription rights to shares in a single transaction.

## 3rd series of subscription rights to shares

Resolution date	February 12, 2016	
Classification and number of grantees (persons)	Directors of the Company	6
	Directors of subsidiaries	14
Number of subscription rights to shares*	30 [30]	
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company	24,000 [24,000]
Amount to be paid upon exercise of subscription rights to shares (yen)*	1	
Exercise period of subscription rights to shares*	From March 17, 2016 To March 16, 2046	
Issue price and amount of capital to be increased upon issuance of shares through exercise of subscription rights to shares (yen)*	Issue price	1,499.00
	Amount paid into capital	749.50
Conditions for exercise of subscription rights to shares*	(Note 3)	
Transfer of subscription rights to shares*	The acquisition of subscription rights to shares through transfer shall require the approval of the Board of Directors of the Company.	
Delivery of subscription rights to shares pertaining to reorganization*	-	

\* This information is as of the end of the current fiscal year (February 28, 2023).

For items that have been changed from the end of the current fiscal year to the end of the month prior to the submission date (April 30, 2023), the contents as of the end of the month before the submission date are shown in square brackets, and the other items are unchanged from those as of the end of the current fiscal year.

(Notes) 1. In the event that the Company conducts a gratis allotment of shares, a stock split or a reverse stock split, the Company shall adjust the number of underlying shares in accordance with the following formula.

Number of underlying shares after adjustment = number of underlying shares before adjustment × ratio of gratis allotment of shares, a stock split or a reverse stock split

2. In the event of a gratis allotment of shares, a stock split or a reverse stock split, the exercise price shall be adjusted in accordance with the following formula, with any fraction of less than one yen resulting from the adjustment being rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of gratis allotment of shares, a stock split or a reverse stock split}}$$

3. (i) Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).

(ii) In the event that the General Meeting of Shareholders of the Company approves a proposal for approval of a merger agreement under which the Company will become a dissolving company, a proposal for approval of a split agreement or split plan under which the Company will become a splitting company, or a proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary (if a resolution of a General Meeting of Shareholders is not required, a resolution of the Board of Directors of the Company or a decision by delegated executives pursuant to the provision of Article 416, Paragraph 4 of the Companies Act), subscription rights to shares may be exercised within 30 days from the day after the date of such approval. However, this excludes cases where subscription rights to shares of the reorganized company are delivered to holders of subscription rights to shares in accordance with the matters concerning the delivery of subscription rights to shares pertaining to reorganization as stipulated in the terms and conditions of issuance.

(iii) Holders of subscription rights to shares shall exercise the entire allotted number of subscription rights to shares in a single transaction.

## 4th series of subscription rights to shares

Resolution date	January 17, 2017	
Classification and number of grantees (persons)	Directors of the Company	6
	Directors of subsidiaries	15
Number of subscription rights to shares*	45 [45]	
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company	36,000 [36,000]
Amount to be paid upon exercise of subscription rights to shares (yen)*	1	
Exercise period of subscription rights to shares*	From February 17, 2017 To February 16, 2047	
Issue price and amount of capital to be increased upon issuance of shares through exercise of subscription rights to shares (yen)*	Issue price	1,454.50
	Amount paid into capital	727.25
Conditions for exercise of subscription rights to shares*	(Note 3)	
Transfer of subscription rights to shares*	The acquisition of subscription rights to shares through transfer shall require the approval of the Board of Directors of the Company.	
Delivery of subscription rights to shares pertaining to reorganization*	-	

\* This information is as of the end of the current fiscal year (February 28, 2023).

For items that have been changed from the end of the current fiscal year to the end of the month prior to the submission date (April 30, 2023), the contents as of the end of the month before the submission date are shown in square brackets, and the other items are unchanged from those as of the end of the current fiscal year.

(Notes) 1. In the event that the Company conducts a gratis allotment of shares, a stock split or a reverse stock split, the Company shall adjust the number of underlying shares in accordance with the following formula.

Number of underlying shares after adjustment = number of underlying shares before adjustment × ratio of gratis allotment of shares, a stock split or a reverse stock split

2. In the event of a gratis allotment of shares, a stock split or a reverse stock split, the exercise price shall be adjusted in accordance with the following formula, with any fraction of less than one yen resulting from the adjustment being rounded up to the nearest one yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of gratis allotment of shares, a stock split or a reverse stock split}}$$

3. (i) Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).

(ii) In the event that the General Meeting of Shareholders of the Company approves a proposal for approval of a merger agreement under which the Company will become a dissolving company, a proposal for approval of a split agreement or split plan under which the Company will become a splitting company, or a proposal for approval of a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary (if a resolution of a General Meeting of Shareholders is not required, a resolution of the Board of Directors of the Company or a decision by delegated executives pursuant to the provision of Article 416, Paragraph 4 of the Companies Act), subscription rights to shares may be exercised within 30 days from the day after the date of such approval. However, this excludes cases where subscription rights to shares of the reorganized company are delivered to holders of subscription rights to shares in accordance with the matters concerning the delivery of subscription rights to shares pertaining to reorganization as stipulated in the terms and conditions of issuance.

(iii) Holders of subscription rights to shares shall exercise the entire allotted number of subscription rights to shares in a single transaction.

(ii) Rights plans

Not applicable.

(iii) Other subscription rights to shares

Not applicable.

- (3) Exercises of moving strike convertible bonds, etc.  
Not applicable.

(4) Changes in total number of issued shares, capital stock and legal capital surplus

Date	Changes in total number of issued shares (Thousand shares)	Balance of total number of issued shares (Thousand shares)	Changes in capital stock (Million yen)	Balance of capital stock (Million yen)	Changes in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
September 4, 2018 (Note 1)	(0)	104,816	—	7,736	—	36,913
September 1, 2020 (Note 2)	104,816	209,633	—	7,736	—	36,913
June 30, 2022 (Note 3)	19	209,652	10	7,747	10	36,923

- (Notes) 1. On September 4, 2018, 520 shares of treasury stock were canceled, resulting in 104,816,838 shares.  
2. On September 1, 2020, the Company executed a two-for-one stock split of common stock. As a result, the total number of issued shares increased by 104,816,838 to 209,633,676.  
3. Increase due to exercise of subscription rights to shares

(5) Shareholding by shareholder category

As of February 28, 2023

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals Others	Total	
					Other than individuals	Individuals			
Number of shareholders (Persons)	—	41	35	546	526	90	73,722	74,960	—
Number of shares held (Unit)	—	256,026	57,903	1,151,646	284,512	273	344,813	2,095,173	135,576
Percentage of shareholdings (%)	—	12.22	2.76	54.97	13.58	0.01	16.46	100.00	—

- (Notes) 1. Of 13,250 shares of treasury stock, 132 units are included in “individuals and others” and 50 shares are included in “shares less than one unit.”  
2. The figures in “other corporations” and “shares less than one unit” above include 4 units and 40 shares, respectively, held under the name of Japan Securities Depository Center, Inc.  
3. The 412,219 shares of the Company’s shares held by The Master Trust Bank of Japan, Ltd. (Directors’ Remuneration BIP Trust) are included in “Financial institutions.”

## (6) Major shareholders

As of February 28, 2023

Name/company name	Address	Number of shares held (Thousand shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
AEON CO., LTD.	1-5-1, Nakase, Mihama-ku, Chiba, Chiba Prefecture	105,950	50.54
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	14,026	6.69
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	4,802	2.29
Welcia Holdings Employee Stock Ownership	2-2-15, Sotokanda, Chiyoda-ku, Tokyo	3,793	1.81
Tsuruha Co., Ltd.	Kita 24, Higashi 20-1-21, Higashi-ku, Sapporo, Hokkaido	3,352	1.60
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	2,663	1.27
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	2,486	1.19
Ishida Co., Ltd.	9-17, Isogodai, Isogo-ku, Yokohama, Kanagawa Prefecture	1,616	0.77
Saitama Resona Bank, Limited	7-4-1, Tokiwa, Urawa-ku, Saitama, Saitama Prefecture	1,417	0.68
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Tower A, 2-15-1, Konan, Minato-ku, Tokyo)	1,301	0.62
Total	-	141,411	67.45

(Note) Shareholding ratio is calculated excluding treasury stock (13,250 shares). Treasury stock does not include 412,219 shares held by the Directors' Remuneration BIP Trust.

## (7) Voting rights

## (i) Issued shares

As of February 28, 2023

Category	Number of shares	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury stock, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 13,200	—	—
Shares with full voting rights (Other)	Common stock 209,504,100	2,095,041	—
Shares less than one unit	Common stock 135,576	—	—
Total number of issued shares	209,652,876	—	—
Number of voting rights held by all shareholders	—	2,095,041	—

(Notes) 1. The figures in "shares with full voting rights (other)" include 400 shares (4 voting rights) held under the name of Japan Securities Depository Center, Inc.

2. The common stock in "shares less than one unit" includes 40 shares held by the Japan Securities Depository Center, Inc. and 50 shares of treasury stock held by the Company.

(ii) Treasury stock, etc.

As of February 28, 2023

Name/company name of shareholder	Address of shareholder	Number of shares held under own name	Number of shares held under the names of others	Total number of shares held	Percentage of shares held to the total number of issued shares (%)
(Treasury stock) WELCIA HOLDINGS CO., LTD.	2-2-15, Sotokanda, Chiyoda-ku, Tokyo	13,200	—	13,200	0.01
Total	-	13,200	—	13,200	0.01

(Note) 412,219 shares of trust assets of the Directors' Remuneration BIP Trust (held under the name of "The Master Trust Bank of Japan, Ltd. (Directors' Remuneration BIP Trust)") are not included in the above number of treasury stock.

(8) Details of the Directors' and employees' stock ownership plan

(i) Details of the Employees' Stock Ownership ESOP Trust

(a) Outline of the Employees' Stock Ownership ESOP Trust

At the Board of Directors meeting held on April 10, 2023, the Company resolved to reintroduce the "Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)" (an incentive plan similar to the "Employees' Stock Ownership ESOP Trust" introduced in October 2015 and October 2020; hereinafter referred to as the "Plan") for the purpose of enhancing the welfare of its employees and providing incentives to increase the corporate value. The purposes of the Plan are to provide a stable supply of the Company's shares to the Employee Stock Ownership Association as well as to further raise the awareness of employees about the Company's performance and stock value to improve the corporate value over the medium term through the Plan, in which earnings from the management and disposal of trust assets are distributed to employees.

The Company will acquire in advance in a lump sum the number of the Company's shares equivalent to the number expected to be purchased by the Stock Ownership Association over the next five years, and thereafter will periodically sell the Company's shares when the Stock Ownership Association purchases shares. Under the Plan, if an amount equivalent to the gain on sale of shares accumulates in the trust assets of the Trust by the time of termination of the Trust through the sale of the Company's shares to the Stock Ownership Association, such money will be distributed as residual assets to the members of the Stock Ownership Association (employees) who satisfy the requirements for eligible beneficiaries. If there is any outstanding loan balance at the time of termination of the Trust in an amount equivalent to the loss on sale of shares due to a decline in the Company's stock price and other factors, the Company will repay such outstanding loan balance in accordance with the guarantee agreement.

(b) Total number of shares to be acquired by the Employee Stock Ownership Association

3,169,800 shares

(c) Scope of persons entitled to beneficial interests and other rights under the Plan

Members of the Stock Ownership Association who fulfill the requirements for beneficiaries

(ii) Details of the Directors' Remuneration BIP Trust

(a) Outline of the Directors' Remuneration BIP Trust

The Company introduced the Directors' Remuneration BIP Trust for the Company's Directors and Executive Officers who entered into a delegation agreement (excluding Outside Directors and non-residents of Japan; hereinafter referred to as "Directors, etc.") from the fiscal year ended February 28, 2018, and the Board of Directors resolved at its meeting held on April 18, 2023 to continue the plan until the fiscal year ending February 28, 2026. For the purpose of raising the motivation of employees to contribute to the medium- and long-term improvement of the Group's business performance and to increasing its corporate value, in addition to the President and Representative Director of our subsidiary, WELCIA YAKKYOKU Co., Ltd., the President and Representative Directors (together with Directors, etc., hereinafter referred to as the "Plan Participants") of SHIMIZU YAKUHIN Co., Ltd., Marudai Sakurai Pharmacy Co., Ltd., and Kokumin Co., Ltd. are also eligible for the Plan.

The Company will establish a trust by contributing funds for the acquisition of the Company's shares, with persons who fulfill certain requirements among the Plan Participants as beneficiaries. The trust will purchase from the stock market the number of the Company's shares that are expected to be delivered to the Plan Participants based on the predetermined Rules for the Delivery of Shares to Executives (hereinafter referred to as the "Delivery Rules"). Thereafter, in accordance with the Delivery Rules, the trust will deliver the Company's shares to the Plan Participant upon his or her retirement based on the cumulative total of points (accumulated points) granted in accordance with the position of the Plan Participant during the trust period and the degree of achievement of performance targets. As the Company and its subsidiaries (WELCIA YAKKYOKU Co., Ltd., SHIMIZU YAKUHIN Co., Ltd., Marudai Sakurai Pharmacy Co., Ltd., and Kokumin Co., Ltd.) will bear the entire acquisition cost of the Company's shares to be acquired through the Trust, there will be no burden on the Plan Participants.

(b) Total number of shares to be delivered to the Plan Participants

Up to 270,000 shares

(c) Scope of persons entitled to beneficial interests and other rights under the Plan

Plan Participants who fulfill the beneficiary requirements

## 2. Acquisition and Disposal of Treasury Stock

Class of Shares, etc.: Acquisition of common stock in accordance with Article 155, Item 7 of the Companies Act

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of the Board of Directors meeting

Not applicable.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors meeting

Acquisition in accordance with Article 155, Item 7 of the Companies Act

Category	Number of shares	Total amount (million yen)
Treasury stock acquired during the current fiscal year	624	1
Treasury stock acquired during the period from March 1, 2023 to the filing date of this report	—	—

(Notes) 1. The number of treasury stock acquired during the period from March 1, 2023 to the filing date of this report does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from May 1, 2023 to the filing date of this annual securities report.

2. The number of treasury stock acquired does not include the number of shares acquired by the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

(4) Disposal of acquired treasury stock and number of treasury stock held

Category	Current fiscal year		Period from March 1, 2023 to the filing date of this report	
	Number of shares	Total amount of disposition (Million yen)	Number of shares	Total amount of disposition (Million yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that were canceled	—	—	—	—
Acquired treasury stock that were transferred due to merger, share exchange, share issuance, or company split	—	—	—	—
Other (sales of shares less than one unit through request for purchase of additional shares)	32	0	—	—
Number of treasury stock held	13,250	—	13,250	—

(Notes) 1. The number of treasury stock held during the period from March 1, 2023 to the filing date of this report does not include the number of shares acquired as a result of the purchase of shares less than one unit and sold through request for purchase of additional shares during the period from May 1, 2023 to the filing date of this annual securities report.

2. The number of treasury stock processed above does not include 624,800 shares sold from the Employees' Stock Ownership ESOP Trust to the Employee Stock Ownership Association (624,800 shares in the current fiscal year) and 28,223 shares delivered and sold from the Directors' Remuneration BIP Trust to Directors (28,223 shares in the current fiscal year). The number of treasury stock held does not include the number of shares held by the Directors' Remuneration BIP Trust (412,219 shares for the current fiscal year and 412,219 shares for the period from March 1, 2023 to the filing date of this report).

### 3. Dividend Policy

In terms of dividends for the distribution of profits, the Company's basic policy is to take its financial position, profit levels, payout ratios, and other factors into comprehensive consideration, while also ensuring that cash is secured for re-investment and the stable continuation of dividends.

The Company's basic policy is to pay dividends from surplus twice a year, consisting of an interim dividend and a year-end dividend. The Board of Directors is the decision-making body for both interim dividend and year-end dividend. The Company's Articles of Incorporation stipulate that the Company may pay interim dividends as stipulated in Article 454, Paragraph 5 of the Companies Act, and that the Company may pay dividends from surplus by resolution of the Board of Directors pursuant to Article 459, Paragraph 1 of the Companies Act.

Based on the above basic policy, we will pay an interim dividend of ¥16 per share and a year-end dividend of ¥16 per share for the current fiscal year, resulting in an annual dividend of ¥32 per share.

The Company's policy for the use of internal reserves is to allocate them to the equipment fund for the opening of new stores, the refurbishment of existing stores, and other initiatives to further enhance profitability.

Dividends of surplus whose record date belongs to the current fiscal year are as follows.

Resolution date	Total amount of dividends (Million yen)	Dividend per share (Yen)
October 4, 2022      Board of Directors	3,354	16.00
April 10, 2023      Board of Directors	3,354	16.00



## 4. Corporate Governance

### (1) Overview of Corporate Governance

#### (i) Basic approach to corporate governance

Our basic approach to corporate governance is to build an organizational structure that allows us to make prompt and highly transparent decisions with an emphasis on compliance and respond in a flexible manner in a rapidly changing business environment, and to continuously improve corporate governance in order to become a corporate group trusted by our stakeholders and maximize corporate value.

#### (ii) Overview of corporate governance system and reasons for adopting the system

The Company is a company with a corporate auditor system and has a General Meeting of Shareholders, a Board of Directors and a Board of Corporate Auditors as its corporate bodies. The Board of Directors consists of 11 Directors (including 6 Outside Directors) and makes decisions on matters to be resolved by the Board of Directors as stipulated by law, the Articles of Incorporation and internal regulations, and supervises the execution of duties. Regular Board of Directors meetings are held once a month and extraordinary Board of Directors meetings are held as necessary. The members are listed in “(2) Status of Officers (i) List of officers.” The term of office of Directors is set at one year in order to further clarify the mission and responsibilities of Directors.

The Company has also introduced an executive officer system to speed up decision-making and clarify responsibilities.

The Board of Corporate Auditors, consisting of four Corporate Auditors (including three Outside Corporate Auditors), conducts audits of the overall execution of duties by Directors in accordance with the auditing standards established by the Board of Corporate Auditors and in accordance with the auditing policy and plan, and shares the details of audits at the monthly meetings of the Board of Corporate Auditors. In addition, extraordinary meetings of the Board of Corporate Auditors are held as necessary. The members are listed in “(2) Status of Officers (i) List of officers.”

Furthermore, the Nomination Advisory Committee and the Compensation Advisory Committee have been established as advisory bodies to the Board of Directors for the selection of candidates for Directors and Executive Officers and their compensation. The majority of the Nomination Advisory Committee are independent Outside Directors, and the majority of the Compensation Advisory Committee are independent Outside Executives. As both committees are chaired by independent Outside Directors, they ensure highly transparent and fair operations. The members of each committee are as follows.

#### Nomination Advisory Committee

Chairman: Outside Director, Tomoko Nakai

Members: Outside Director, Kunio Ishizuka; Outside Director, Tadashi Nagata; Outside Director, Shigeo Horie;

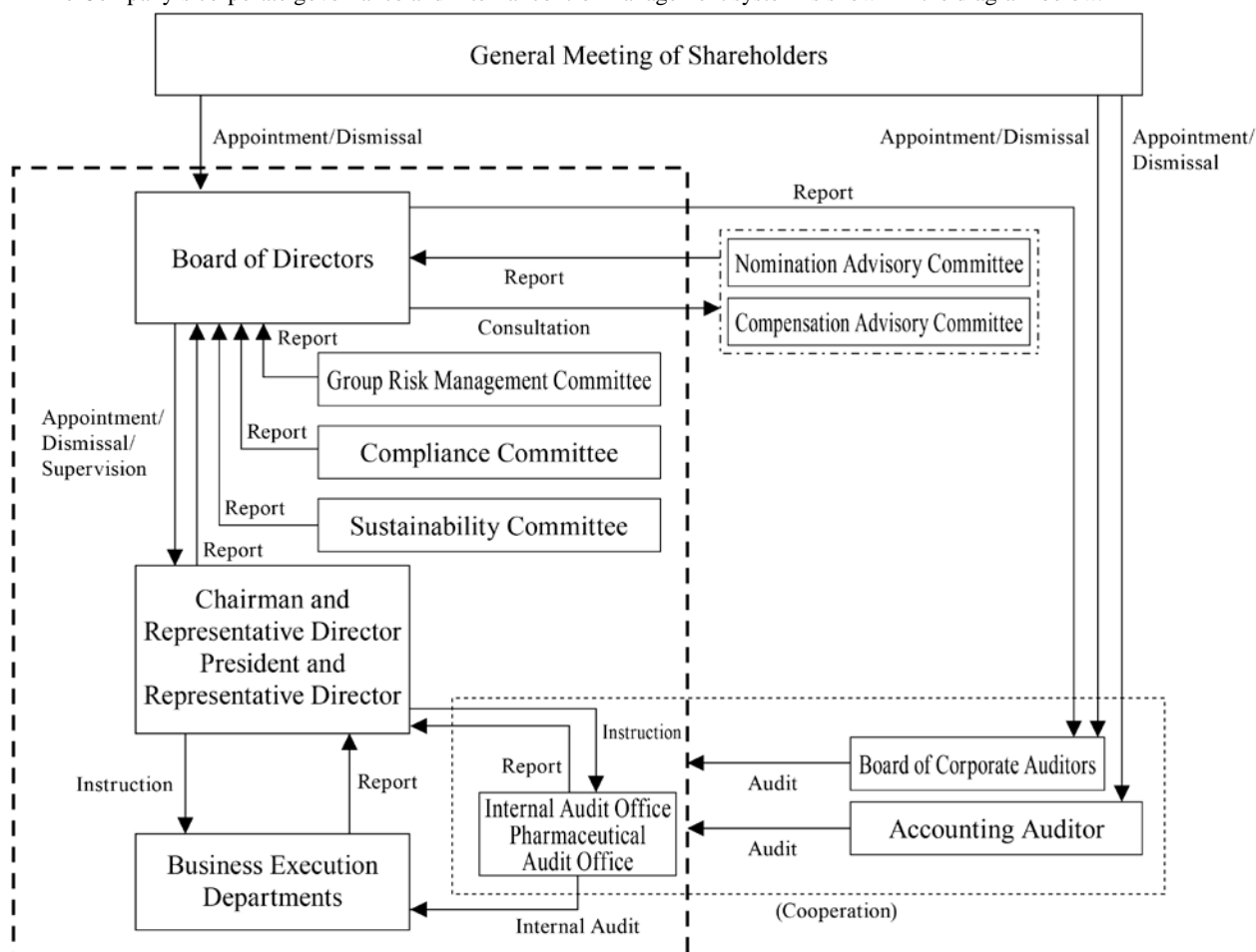
Chairman and Representative Director, Takamitsu Ikeno; President and Representative Director, Tadahisa Matsumoto

#### Compensation Advisory Committee

Chairman: Outside Director, Katsunori Nozawa

Members: Outside Director, Noriko Ishizaka; Outside Corporate Auditor, Atsuko Sugiyama; Outside Corporate Auditor, Takashi Fujii; Vice President and Director, Juichi Nakamura

The Company's corporate governance and internal control management system is shown in the diagram below.



(iii) Other matters regarding corporate governance

Development status of internal control system

With regard to internal control, we strive to ensure the legality and effectiveness of operations of the Company and its subsidiaries as well as risk management, and in order to comply with relevant laws and regulations, the Company has established an internal control system centered on the supervision of the execution of duties by Directors and employees of the Company and its subsidiaries by the Board of Directors and auditing by each Corporate Auditor, based on the basic policy for establishing the internal control system. In addition, the Company has established an Internal Audit Office and a Pharmaceutical Audit Office, which conduct audits based on audit plans, ensure the appropriateness of business execution, and provide specific advice and recommendations for business improvement.

Development status of risk management system

We accurately identify various risks in the Group, assess them appropriately, and take measures to mitigate, transfer, and otherwise address them.

In addition, we believe it is important to respond promptly to risk incidents as they occur, and we strive to respond in an organized manner. In addition, the Group Risk Management Committee has been established to promote group-wide risk management, share information and assess risks, and develop countermeasures and other measures to deal with various risks.

With regard to compliance risks, the Company has established a Compliance Committee and a system to maintain and improve the Group's overall internal control and legal compliance systems. In addition to internal consideration of legal matters, the Company also consults with or takes advises from its legal advisors. We also utilize external specialists to handle tax and labor management matters, such as consulting with our tax advisors and labor and social security attorneys.

Furthermore, in order to strengthen the risk management system, the Company will establish items to be regularly reported to the Board of Directors, and will make these items known to Group officers and employees through various meetings, the Group's

internal newsletter, and the internal infrastructure of each Group company. In addition, the Group has established a “whistle-blowing system” as a group, and has also put in place and utilizes a whistle-blowing contact point independent from the Company.

#### Status of sustainability initiatives

In November 2021, the Group formulated its Basic Sustainability Policy and identified materiality items based on this policy. At the same time, we have established a Sustainability Committee chaired by the President and Representative Director, which monitors the status of efforts by each department of the Group and reports the results to the Board of Directors twice a year in order to resolve the issues identified in each materiality item.

The Sustainability Promotion Council is established as a subordinate body of the Sustainability Committee, and is composed of Directors and Executive Officers of the departments in charge of the targets linked to each materiality item, with each department working on initiatives by incorporating the targets into its own respective operations.

#### Outline of the contents of the liability limitation agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and the Company’s Articles of Incorporation, the Company has entered into a liability limitation agreement with Outside Directors and Outside Corporate Auditors to limit their liability for damages under Article 423, Paragraph 1 of the said Act. The limit of liability for damages under the said agreement is the minimum amount stipulated by laws and regulations.

#### Maximum number of Directors

The Company’s Articles of Incorporation stipulate that the number of Directors shall be no more than 12.

#### Requirements for resolution regarding election of Directors

The Company’s Articles of Incorporation stipulate that resolution for the election of Directors shall be adopted by a majority of the voting rights of the shareholders present who hold one-third or more of the voting rights of shareholders entitled to exercise voting rights.

The Company’s Articles of Incorporation stipulate that resolution for the election of Directors shall not be conducted by cumulative voting.

#### Requirements for special resolution at a General Meeting of Shareholders

The Company’s Articles of Incorporation stipulate that a special resolution provided under Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the voting rights of the shareholders present who hold one-third or more of the voting rights of shareholders entitled to exercise voting rights, for the purpose of smooth proceeding of the special resolution item at a General Meeting of Shareholders.

#### Matters to be resolved by a General Meeting of Shareholders that may be resolved by the Board of Directors

##### 1) Purchase of treasury stock

Pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act, the Company’s Articles of Incorporation stipulate that the Company may acquire its treasury stock through market transactions or other means by resolution of the Board of Directors in order to ensure the flexibility of its management.

##### 2) Exemption of liability of Directors and Corporate Auditors

In order to establish an environment where Directors (excluding executive directors) and Corporate Auditors can fully perform their expected roles in executing their duties, pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, the Company’s Articles of Incorporation stipulate that Directors and Corporate Auditors may be exempted from liability for damages relating to acts referred to in Article 423, Paragraph 1 of the same Act by resolution of the Board of Directors to the extent provided by laws and regulations.

##### 3) Interim dividends

To flexibly distribute earnings to shareholders, the Company’s Articles of Incorporation stipulate that interim dividends shall be paid by resolution of the Board of Directors with August 31 of each year as the base date, pursuant to the provisions of Article 454, Paragraph 5 of the Companies Act.

## (2) Status of Officers

## (i) List of officers

12 male, 3 female (ratio of female among officers: 20.0%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Chairman and Representative Director	Takamitsu Ikeno	September 20, 1943	April 1966 June 1971 March 2002 November 2002 November 2004 September 2008 December 2008 January 2009 November 2009 September 2010 November 2010 September 2011 March 2013 May 2014 September 2014 May 2018 March 2019	Joined Zenyaku Kogyo Co., Ltd. Established Ikeno Drug Co., Ltd. Joined Greencross - Coa Co., Ltd. through merger Vice President and Director; General Manager, Merchandise Headquarters, Greencross - Coa Co., Ltd. Vice President and Director; General Manager, Sales Headquarters, Greencross - Coa Co., Ltd. Director; General Manager, Group General Affairs Headquarters, the Company Director, Welcia Kanto Co., Ltd. President and Representative Director, Terashima Co., Ltd. Director, the Company President and Representative Director, Welcia Kanto Co., Ltd. Director, Terashima Co., Ltd. Vice President and Director, the Company Chairman and Representative Director, Terashima Co., Ltd. Chairman and Representative Director, the Company (to present) Chairman and Representative Director, Welcia Kanto Co., Ltd. Chairman and Representative Director, WELCIA KAIGO SERVICE Co., Ltd. Chairman and Representative Director, WELCIA YAKKYOKU Co., Ltd. Chairman and Director, WELCIA YAKKYOKU Co., Ltd. Director, WELCIA KAIGO SERVICE Co., Ltd. Director, WELCIA YAKKYOKU Co., Ltd.	(Note 4)	1,046

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
President, Representative Director, Executive Officer and Chief Operating Officer	Tadahisa Matsumoto	September 21, 1958	April 1983	Joined SUNDRUG CO., LTD.	(Note 4)	43
			June 1991	Joined Iino Co., Ltd.		
			December 2004	President and Representative Director, Iino Co., Ltd.		
			March 2006	Vice President and Director; Deputy General Manager, Sales Headquarters, Welcia Kanto Co., Ltd. through merger		
			March 2008	Vice President and Director; General Manager, Merchandise Headquarters, Welcia Kanto Co., Ltd.		
			September 2008	Director; General Manager, Group Corporate Planning Headquarters, the Company		
			November 2009	Director and Executive Officer; General Manager, Group Sales Planning Headquarters, the Company		
			September 2010	President and Representative Director, Terashima Co., Ltd.		
				Director, Welcia Kanto Co., Ltd.		
			November 2011	Managing Director, the Company		
				President and Director, Lianhua Merrylin Business (Shanghai) Co., Ltd. (currently Merrylin Business (Shanghai) Co., Ltd.)		
			March 2013	Vice President and Director, the Company		
			September 2014	Vice President, Director and Executive Officer; in charge of Overseas Business, the Company		
				Vice President and Director; responsible for Sales and Merchandise Department and General Manager, Dispensing Pharmacy and Home-based Care Headquarters, WELCIA YAKKYOKU Co., Ltd.		
			January 2015	President, Lianhua Merrylin Business (Shanghai) Co., Ltd. (currently Merrylin Business (Shanghai) Co., Ltd.)		
			May 2015	Vice President and Director; General Manager, Dispensing Pharmacy and Home-based Care Headquarters, WELCIA YAKKYOKU Co., Ltd.		
				Director, SHIMIZU YAKUHIN Co., Ltd.		
			March 2016	Chairman, Lianhua Merrylin Business (Shanghai) Co., Ltd. (currently Merrylin Business (Shanghai) Co., Ltd.)		
			February 2017	Vice President and Director, WELCIA YAKKYOKU Co., Ltd.		
			March 2017	Managing Director, Welcia-BHG (Singapore) Pte. Ltd.		
May 2018	Vice President and Representative Director; responsible for Sales Supervision Headquarters and Dispensing Pharmacy Administration Headquarters, WELCIA YAKKYOKU Co., Ltd.					
March 2019	President, Representative Director, Executive Officer and Chief Operating Officer, the Company (to present)					
	President and Representative Director, WELCIA YAKKYOKU Co., Ltd.					
	Director, Welcia-BHG (Singapore) Pte. Ltd. (to present)					
March 2023	Chairman and Representative Director, WELCIA YAKKYOKU Co., Ltd. (to present)					
	Executive Officer, Health & Wellness Business, AEON CO., LTD. (to present)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Vice President, Director, and Executive Officer; in charge of Corporate Affairs and Affiliated Companies	Juichi Nakamura	May 15, 1955	April 1980	Joined Nomura Securities Co., Ltd.	(Note 4)	3
			March 1999	Manager, Kitakyushu Branch, Nomura Securities Co., Ltd.		
			August 2006	Senior Managing Director, JPBM Securities Co., Ltd.		
			July 2008	Joined Welcia Kanto Co., Ltd.		
			September 2008	General Manager, President's Office, the Company		
			November 2009	Executive Officer; General Manager, IR/Public Relations Division, Group Corporate Planning Headquarters and General Manager, Internal Control Promotion Division, and in charge of Secretariat and Liaison Operations, the Company		
			November 2010	Executive Officer; General Manager, Group General Affairs Headquarters and General Manager, IR/Public Relations Division, the Company		
			September 2014	Executive Officer; General Manager, IR/Planning Division and General Manager, General Affairs Division, the Company		
			November 2014	Director and Executive Officer; General Manager, Personnel & General Affairs Headquarters, WELCIA YAKKYOKU Co., Ltd.		
			November 2014	Director and Executive Officer; General Manager, IR/Planning Division and General Manager, General Affairs Division, the Company		
			December 2015	Director and Executive Officer; in charge of IR Division, Public Relations Division, Planning Division and General Affairs Division, the Company		
			May 2016	Managing Director and Executive Officer; in charge of IR Division, Public Relations Division, Planning Division and General Affairs Division, the Company		
			September 2016	Managing Director; General Manager, General Affairs Headquarters and Deputy General Manager, Personnel Headquarters, WELCIA YAKKYOKU Co., Ltd.		
			March 2017	Managing Director and Executive Officer; in charge of IR Division, Public Relations Division, Corporate Planning Division, General Affairs Division and Legal Division, the Company		
			May 2017	Director, SHIMIZU YAKUHIN Co., Ltd.		
			September 2017	Managing Director; Deputy General Manager, General Affairs Headquarters and Deputy General Manager, Personnel Headquarters, WELCIA YAKKYOKU Co., Ltd.		
March 2018	Managing Director and Executive Officer; in charge of IR/Public Relations Division, Corporate Planning Division, General Affairs Division and Legal Division, the Company					
March 2019	Managing Director and Executive Officer; in charge of IR/Public Relations Division, Corporate Planning Division, Operations Division and Legal Division, the Company					
	Managing Director; in charge of Administration and General Manager, Training Headquarters, WELCIA YAKKYOKU Co., Ltd.					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
			May 2019	Managing Director and Executive Officer; in charge of IR/Public Relations Division, Operations Division and Legal Division, the Company		
			March 2020	Managing Director and Executive Officer; in charge of IR Division, Public Relations Division, Operations Division and Legal Division, the Company		
			May 2020	Managing Director, WELCIA YAKKYOKU Co., Ltd. Vice President, Director, and Executive Officer; in charge of Corporate Affairs, the Company		
			May 2022	Director, WELCIA YAKKYOKU Co., Ltd. Vice President, Director, and Executive Officer; in charge of Corporate Affairs and Affiliated Companies, the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director, Executive Officer and Chief Financial Officer	Takamune Shibazaki	August 24, 1971	<p>October 1996 April 2003 April 2004 April 2005 September 2006 November 2010 September 2014 September 2017 March 2018 May 2019 July 2019 March 2020 May 2022</p>	<p>Joined Asahi Shinwa &amp; Co. (currently KPMG AZSA LLC) Joined Global Dining System Inc. Joined Takada Yakkyoku Co., Ltd. (currently WELCIA YAKKYOKU Co., Ltd.) General Manager, Corporate Planning Division, Takada Yakkyoku Co., Ltd. Director; General Manager, Corporate Planning Division, Takada Yakkyoku Co., Ltd. General Manager, Corporate Planning Division, the Company General Manager, Budget Management Division, WELCIA YAKKYOKU Co., Ltd. General Manager, Corporate Planning Headquarters, WELCIA YAKKYOKU Co., Ltd. General Manager, Corporate Planning Division and IR/Public Relations Division, the Company Director; General Manager, Corporate Planning Headquarters, General Manager, Corporate Planning Division, WELCIA YAKKYOKU Co., Ltd. General Manager, Corporate Planning Division, The Company Director; General Manager, Corporate Planning Headquarters, WELCIA YAKKYOKU Co., Ltd. Director, WELCIA YAKKYOKU Co., Ltd. Director, Executive Officer and Chief Financial Officer, the Company (to present)</p>	(Note 4)	69
Director	Motoya Okada	June 17, 1951	<p>March 1979 May 1990 February 1992 May 1995 June 1997 May 2002 May 2003 November 2005 March 2012 August 2014 November 2014 March 2015 November 2016 March 2020</p>	<p>Joined JUSCO Co., Ltd. (currently AEON CO., LTD.) Director, JUSCO Co., Ltd. Managing Director, JUSCO Co., Ltd. Senior Managing Director, JUSCO Co., Ltd. President and Representative Director, JUSCO Co., Ltd. Director and Advisor, AEON MALL Co., Ltd. (to present) Director, President and Representative Executive Officer, AEON CO., LTD. Outside Director and Advisor, TSURUHA HOLDINGS INC. Director, President and Representative Executive Officer and Group CEO, AEON CO., LTD. Outside Director, KUSURI NO AOKI CO., LTD. Director, the Company (to present) Director and Advisor, United Super Markets Holdings Inc. (to present) Outside Director, KUSURI NO AOKI HOLDINGS CO., LTD. (to present) Director, Chairman and Representative Executive Officer, AEON CO., LTD. (to present)</p>	(Note 4)	-



Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Tomoko Nakai	November 17, 1972	April 1997 April 1999 November 2002 January 2012 November 2014 April 2016 May 2019	Joined the Legal Training and Research Institute of Japan Completed training at the Legal Training and Research Institute of Japan Joined Kazuo Kitamura Law Office Joined Makoto Nakamachi Law Office Member, the Management Lawyers Council (to present) Partner, Makoto Nakamachi Law Office (to present) Adjunct Teacher, Keio University Law School (to present) Adjunct Associate Professor, School of Law, the University of Tokyo Graduate Schools of Law and Politics Outside Director, the Company (to present)	(Note 4)	0
Director	Kunio Ishizuka	September 11, 1949	May 1972 February 2003 March 2004 March 2005 May 2005 April 2008 February 2012 June 2013 June 2017 July 2017 May 2021 June 2021	Joined Mitsukoshi, Ltd. Executive Officer; General Manager, Operations Department, Mitsukoshi, Ltd. Senior Executive Officer; General Manager, Corporate Planning Division, Mitsukoshi, Ltd. Managing Executive Officer; General Manager, Business Planning Division, Mitsukoshi, Ltd. President, Representative Director and Executive Officer, Mitsukoshi, Ltd. President, Representative Director and Executive Officer, Isetan Mitsukoshi Holdings Ltd. Chairman, Representative Director and Executive Officer, Isetan Mitsukoshi Holdings Ltd. Outside Director, SEKISUI CHEMICAL CO., LTD. Special Consultant, Isetan Mitsukoshi Holdings Ltd. Member of Supervisory Board, National Federation of Agricultural Cooperative Associations (to present) Outside Director, the Company (to present) Outside Director, ITOCHU Corporation (to present)	(Note 4)	1
Director	Tadashi Nagata	January 23, 1952	April 1974 June 2000 June 2002 June 2003 June 2004 June 2005 June 2007 June 2009 June 2015 June 2016 May 2022 June 2022	Joined Keio Corporation General Manager, Group Business Management Department, Keio Corporation General Manager, Group Business Management Department, Corporate Planning Headquarters, Keio Corporation General Manager, Personnel Department, Keio Corporation Director; General Manager, Personnel Department, Keio Corporation Director; General Manager, Management Planning Department, Corporate Planning Headquarters, Keio Corporation Managing Director; Senior General Manager, Corporate Planning Headquarters, Keio Corporation President and Representative Director, Keio Corporation Chairman, President and Representative Director, Keio Corporation Chairman and Representative Director, Keio Corporation Outside Director, the Company (to present) Senior Corporate Advisor, Keio Corporation (to present) Outside Director, UKAI CO., LTD. (to present)	(Note 4)	0

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Katsunori Nozawa	August 13, 1958	April 1982 April 2002 November 2003 March 2006 May 2007 April 2010 April 2011 April 2012 April 2017 December 2017 June 2021 May 2022	Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.) Joined Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) Assistant Manager, Europe Sales Department No. 2 Credit Officer, Credit Department No.1, Mizuho Corporate Bank, Ltd. Senior Credit Officer, Financial Products Credit Department, Mizuho Corporate Bank, Ltd. Manager, Leveraged Finance Business Division, Mizuho Corporate Bank, Ltd. Executive Officer; Joint Head of Global Coverage Group, Global Investment Banking Division, Mizuho Securities Co., Ltd. Managing Executive Officer; in charge of Asia Division, Investment Banking Group, Investment Banking Division, Mizuho Securities Co., Ltd. Managing Executive Officer; Officer in charge of Sales Division, Investment Banking Group, Mizuho Securities Co., Ltd. Deputy President, Mizuho Capital Partners Co., Ltd (currently MCP Partners Co., Ltd.) Representative Director & President, Mizuho Capital Partners Co., Ltd Audit & Supervisory Board Member, Carlit Holdings Co., Ltd. (to present) Outside Director, the Company (to present)	(Note 4)	0
Director	Shigeo Horie	September 20, 1960	April 1986 July 1988 July 1990 July 1995 April 1998 July 1998 April 2002 April 2003 November 2012 May 2022	Professor's assistant, Faculty of Medicine, The University of Tokyo Research Fellow, Division of Nephrology, Department of Internal Medicine, University of Texas Southwestern Medical Center Clinical Fellow, Parkland Memorial Hospital, University of Texas Southwestern Medical Center Full-time medical doctor, Department of Urology, National Cancer Center Hospital Chief research officer, National Institute of Infectious Diseases Aids Research Center Instructor, Faculty of Medicine, The University of Tokyo Assistant professor, Urology Department, Faculty of Medicine, Kyorin University Senior Professor, Department of Urology, Teikyo University School of Medicine Professor, Department of Urology, Graduate School of Medicine, Graduate Schools, Juntendo University (to present) Outside Director, the Company (to present)	(Note 4)	0
Director	Noriko Ishizaka	January 29, 1972	September 1992 September 1997 April 2002 September 2013 May 2016 May 2023	Joined Ishizaka Industry Co., Ltd. General Manager, Sales Department, Ishizaka Industry Co., Ltd. President and Director, Ishizaka Industry Co., Ltd. Representative Director, Ishizaka Industry Co., Ltd. (to present) Outside Director, HIDAY HIDAHA Corp. Outside Director, the Company (to present)	(Note 4)	-

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Corporate Auditor	Toshio Miyamoto	October 29, 1949	April 1972 April 2010 March 2013 November 2013 September 2014 November 2014	Joined Ibaraki Prefectural Government Joined Terashima Co., Ltd. General Manager, Pharmaceutical Affairs Section, Dispensing Management Department, Welcia Kanto Co., Ltd. General Manager, Pharmaceutical Affairs Inspection Office, Welcia Kanto Co., Ltd. General Manager, Pharmaceutical Affairs Inspection Office and General Manager, Dispensing Home Management Department, WELCIA YAKKYOKU Co., Ltd. Full-time Corporate Auditor, the Company (to present)	(Note 5)	3
Corporate Auditor	Hirohisa Kagami	July 13, 1954	April 1983 April 1995 October 2001 June 2008 April 2010 November 2012 June 2013 September 2013 November 2022	Appointed as a judge Registered as an attorney at law with the Tokyo Bar Association Founding Partner, Nishiuchi & Kagami Law Office Outside Audit & Supervisory Board Member, Nitto Kohki Co., Ltd. (to present) Adjunct Teacher, Keio University Law School Outside Corporate Auditor, the Company (to present) Outside Corporate Auditor, BML, Inc. Head of Kagami Law Office (to present) Auditor, Keio University (to present)	(Note 4)	4
Corporate Auditor	Atsuko Sugiyama (Current surname: Matsumoto)	July 5, 1974	October 1999 April 2003 September 2016 May 2017 June 2020 June 2022	Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC) Registered as a certified public accountant Vice President, Masaaki Sugiyama CPA Office (to present) Vice President, Masaaki Sugiyama Tax Accountant Office (to present) Outside Corporate Auditor, the Company (to present) Outside Director, Audit and Supervisory Committee Member, FUJI KOSAN COMPANY, LTD. (to present) Outside Director, Audit and Supervisory Committee Member, YUSHIRO CHEMICAL INDUSTRY CO., LTD. (to present)	(Note 6)	-
Corporate Auditor	Takashi Fujii	September 27, 1954	April 1977 April 1998 June 2000 April 2002 June 2003 June 2009 June 2016 June 2018 May 2022	Joined Yamaichi Securities Co., Ltd. Joined The Nisshin Oil Mills, Ltd. (The Nisshin Oillio Group, Ltd.) Treasurer, The Nisshin Oil Mills, Ltd. Executive Officer, The Nisshin Oil Mills, Ltd. Director, The Nisshin Oillio Group, Ltd. Director, Managing Officer, The Nisshin Oillio Group, Ltd. Director, Senior Managing Officer, The Nisshin Oillio Group, Ltd. Audit & Supervisory Board Member (Standing), The Nisshin Oillio Group, Ltd. (to present) Outside Corporate Auditor, the Company (to present)	(Note 5)	-
Total						1,173

(Notes) 1. The number of shares held indicates the number of shares actually held (including fractional shares less than one trading unit), including each officer's shareholding in the Officers' Stock Ownership Association. As the number of

shares acquired by the Officers' Stock Ownership Association as of the date of submission (May 26, 2023) cannot be confirmed, the actual number of shares held as of the end of February 2023 is shown.

2. Ms. Tomoko Nakai, Messrs. Kunio Ishizuka, Tadashi Nagata, Katsunori Nozawa, and Shigeo Horie, and Ms. Noriko Ishizaka are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
3. Mr. Hirohisa Kagami, Ms. Atsuko Sugiyama, and Mr. Takashi Fujii are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act.
4. Until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 29, 2024.
5. Until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 28, 2026.
6. Until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 28, 2027.

(ii) Outside Directors and Outside Corporate Auditors

The Company has 6 Outside Directors and 3 Outside Corporate Auditors.

Outside Director Ms. Tomoko Nakai has expertise and insight as an attorney in the judicial world as well as a perspective of women invaluable for increasing the corporate value of the Company. We have appointed her as an independent officer after obtaining her consent because we believe that she can be expected to enhance the effectiveness of the decision-making function and the supervisory function of the Board of Directors from an independent standpoint. There are no personal, capital, business, or other interest between her and the Company.

We have appointed Outside Director Mr. Kunio Ishizuka as an independent officer after obtaining his consent because we believe that the function of the Board of Directors will be strengthened with his supervision of the execution of duties from an independent standpoint, on the basis of his experience and knowledge accumulated as he devoted himself to facilitating corporate governance and served as a corporate manager in the retail service industry over the years. There are no personal, capital, business, or other interest between him and the Company.

We have appointed Outside Director Mr. Tadashi Nagata as an independent officer after obtaining his consent because we believe that the function of the Board of Directors will be strengthened with his supervision of the execution of duties from an independent standpoint by utilizing his many years of experience and knowledge of corporate governance and top management. There are no personal, capital, business, or other interest between him and the Company.

Outside Director Mr. Katsunori Nozawa has abundant business knowledge and management experience in overseas business, in addition to experience in financial institutions as well as experience and a wide range of insights cultivated as a manager. We have appointed him as an independent officer after obtaining his consent because we believe that the function of the Board of Directors will be strengthened with his supervision of the execution of duties from an independent standpoint. There are no personal, capital, business, or other interest between him and the Company.

We have appointed Outside Director Mr. Shigeo Horie as an independent officer after obtaining his consent because we believe that the function of the Board of Directors will be strengthened with his supervision of the execution of duties from an independent and professional standpoint in the fields of dispensing and healthcare, which are our business areas, as well as for the health management we promote. There are no personal, capital, business, or other interest between him and the Company.

We have appointed Outside Director Ms. Noriko Ishizaka as an independent officer after obtaining her consent because we believe that the function of the Board of Directors will be strengthened with her supervision of the execution of duties from an independent standpoint, on the basis of her broad knowledge about corporate management, particularly a wealth of insight into the field of ESG management and her experience as top management of a company. There are no personal, capital, business, or other interest between her and the Company.

We have appointed Outside Corporate Auditor Mr. Hirohisa Kagami as an independent officer after obtaining his consent, based on the judgment that he can provide accurate advice and supervision of the Company's management, particularly with respect to compliance and other matters, from a legal expert's standpoint as an attorney at law. There are no personal, capital, business, or other interest between him and the Company.

We have appointed Outside Corporate Auditor Ms. Atsuko Sugiyama as an independent officer after obtaining her consent, based on the judgment that she can provide appropriate advice and supervision of the Company's management from the perspective of an accounting and tax specialist as a certified public accountant and tax accountant, as well as useful opinions for the promotion of diversity including the promotion of women's active participation in the Company. There are no personal, capital, business, or other interest between her and the Company.

Outside Corporate Auditor Mr. Takashi Fujii has been involved in management in various fields such as finance and accounting departments, corporate planning, and M&A at a business corporation, and has a wealth of experience and knowledge in overall management in addition to many years of diverse experience and expertise cultivated in financial institutions. We have appointed him as an independent officer after obtaining his consent, because we believe that the function of the Board of Directors of the Company will be strengthened with his supervision of the execution of duties from an independent standpoint by utilizing his extensive knowledge. There are no personal, capital, business, or other interest between him and the Company.

In appointing Outside Directors and Outside Corporate Auditors, the Company appoints persons who are expected to fulfill the requirements of the Standards for Judging the Independence of Outside Executives established by the Board of Directors and who are expected to play an active role in ensuring growth strategies and corporate governance from the perspective of diverse stakeholders and local communities, with the basic policy that they will fulfill functions and roles such as objective and

appropriate supervision or auditing based on their professional knowledge and that there is no risk of a conflict of interest with general shareholders.

In addition, an Outside Directors Liaison Committee has been established to strengthen the links between Outside Directors and Outside Corporate Auditors, share information, and ensure the independence of Outside Executives.

#### Standards for Judging the Independence of Outside Executives

The Company has established the following independence requirements for relationships between independent Outside Executives (including candidates) themselves and the companies or organizations to which they belong, and the Group, as conditions for their appointment. Independent Outside Executives shall maintain the independence requirements set forth below after assuming office, and their independence shall be verified by the Board of Directors in accordance with these standards when they assume key positions.

- 1) Not currently a Director (excluding Outside Directors), Corporate Auditor (excluding Outside Corporate Auditors), Executive Officer, or employee of the Company or its subsidiaries (hereinafter, the “Group”), and not previously a Director (excluding Outside Directors), Corporate Auditor (excluding Outside Corporate Auditors), Executive Officer, or employee of the Group.
- 2) Have not been a Director, Corporate Auditor, Executive Officer, or employee of the Company’s parent company in the last five fiscal years.
- 3) Have not been a Director, Corporate Auditor, Executive Officer, or employee of any of the Company’s fellow companies in the last five fiscal years.
- 4) Have not been a Director, Corporate Auditor, Executive Officer, or employee of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights) or a company in which the Group is a major shareholder during the last five fiscal years.
- 5) Not a Director, Corporate Auditor, Executive Officer, or employee of a major business partner (\*) of the Group.  
(\* ) A major business partner refers to a company whose payments for or receipts from transactions with the Group account for 2% or more of the consolidated net sales of the Company or the business partner (including their parent companies and significant subsidiaries) in the last three fiscal years.
- 6) Have not been a representative, full-time employee, partner or other employee of the Group’s Accounting Auditor in the last five fiscal years.
- 7) Not a Board Member, or otherwise a Director, Corporate Auditor, Executive Officer, or employee of a corporation or organization that has received a large donation (\*) from the Company.  
(\* ) A large donation is defined as an amount exceeding ¥10 million or 2% of the beneficiary’s consolidated net sales or total revenues, whichever is greater, in the last three fiscal years.
- 8) Not an attorney, certified public accountant, consultant, etc., who receives a large amount of money (\*) or other assets from the Company besides remuneration as an executive.  
(\* ) A large amount of money is defined as an average of ¥10 million yen or more in the case of an individual or more than 2% of the consolidated net sales of relevant organization in the case of an organization in the last three fiscal years.
- 9) Not a spouse, a relative within the second degree of kinship, a relative living in the same household, or a person whose livelihood is shared by any of the following persons.
  - i) Directors, Corporate Auditors, Executive Officers, or key employees of the Group (\*)
  - ii) Persons who were Directors, Corporate Auditors, Executive Officers, or key employees of the Group in the last five fiscal years.
  - iii) Persons whose appointment is restricted under items 2) through 8) above.(\* ) Key employees mean employees at or above the rank of General Manager.
- 10) There is no other doubt about his or her independence in performing his or her duties as an independent outside officer.

#### (3) Audits

##### (i) Status of audits by Corporate Auditors

The Company has adopted a corporate auditor system with four Corporate Auditors (including three Outside Corporate Auditors). Corporate Auditors attend the meetings of the Board of Directors, as well as the meetings of the Board of Directors and management meetings of important subsidiaries, express their opinions, supervise the status of execution of duties by Directors, and establish a management audit system based on audits by Corporate Auditors and the Board of Corporate Auditors. In addition to receiving reports on the status of accounting audits from the audit firm, Corporate Auditors actively interact with the Accounting Auditor by exchanging opinions and other means. In addition, they focus on maintaining compliance in cooperation with the Internal Audit Office and the Pharmaceutical Audit Office.

The attendance of each Corporate Auditor at the Board of Corporate Auditors meetings held during the current fiscal year was as follows: Full-time Corporate Auditor Toshio Miyamoto (attended all 17 meetings), Outside Corporate Auditor Hirohisa Kagami (attended all 17 meetings), Outside Corporate Auditor Atsuko Sugiyama (attended all 17 meetings), Outside Corporate Auditor Yasuo Ichikawa (attended all 4 meetings), and Outside Corporate Auditor Takashi Fujii (attended all 13 meetings). As a major item of consideration by the Board of Corporate Auditors, Corporate Auditors are taking necessary actions to address the key audit matters (KAMs) that are required to be included in the Accounting Auditor's audit report from the fiscal year ended February 28, 2022.

In addition to the aforementioned meetings of the Board of Corporate Auditors, Full-time Corporate Auditor Toshio Miyamoto also held audit report meetings with the audit firm (four times a year), meetings for exchange of opinions between Representative Directors and Corporate Auditors (twice a year), Outside Executives Liaison Committee meetings (three times a year), Group Corporate Auditor liaison meetings (three times a year), confirmation of internal audit results by audit-related departments (twice a year), etc. to improve the auditing system.

(ii) Status of internal audits

Internal audits at the Company are conducted by the Internal Audit Office and the Pharmaceutical Audit Office under the direct supervision of the President and Representative Director, with a total of 16 staff members. They conduct internal audits for guidance and improvement by investigating and confirming whether business operations are being conducted in compliance with various laws and regulations as well as the Company's various rules and management plans, and whether business operations are being conducted effectively and efficiently. They also work closely with the Board of Corporate Auditors and the Accounting Auditor to exchange information.

(iii) Status of accounting audits

(a) Name of audit firm

Deloitte Touche Tohmatsu LLC

(b) Continuous audit period

6 years

(c) Certified public accountants engaged

Designated Limited Liability Partner, Engagement Partner, Yuji Takei

Designated Limited Liability Partner, Engagement Partner, Hideki Oi

(d) Other personnel engaged in assisting the accounting audit

Certified public accountants: 18    Others: 42

(Note) "Others" includes persons who have passed the certified public accountant exam and persons in charge of system audits.

(e) Policy and reasons for selecting the audit firm

In selecting the Accounting Auditor, the Company makes a judgment based on comprehensive consideration of the independence and expertise of the Accounting Auditor, its quality control system, and other factors.

In addition, the Board of Corporate Auditors decides the contents of the proposal for dismissal or non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders when it determines that such actions are necessary, including cases in which there is an obstacle with the Accounting Auditor's performance of its duties. The Board of Corporate Auditors also dismisses the Accounting Auditor upon the consent of all Corporate Auditors, if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In such cases, a Corporate Auditor selected by the Board of Corporate Auditors will report the dismissal of the Accounting Auditor and the reasons for the dismissal at the first General Meeting of Shareholders convened after the dismissal.

(f) Evaluation of the audit firm by Corporate Auditors and the Board of Corporate Auditors

The Company's Corporate Auditors and the Board of Corporate Auditors have evaluated the Accounting Auditor with respect to its independence and expertise, audit quality, audit activities, level of audit fees, and appropriateness of audit reports, and have determined that Deloitte Touche Tohmatsu LLC is appropriate and adequate as the Accounting Auditor.

(iv) Audit fees, etc.

(a) Fees paid to the auditing certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Audit fees (Million yen)	Non-audit fees (Million yen)	Audit fees (Million yen)	Non-audit fees (Million yen)
Reporting company	56	4	75	—
Consolidated subsidiaries	44	—	45	—
Total	101	4	120	—

Non-audit services for the Company include advice and guidance on compliance with accounting standards for revenue recognition, etc.

(b) Fees for member firms affiliated with the same network as the auditing certified public accountants, etc. (excluding (a))

This information is omitted as it lacks materiality.

(c) Other important details of audit fees

Not applicable.

(d) Policy for determining audit fees

The Company's policy for determining audit fees for auditing certified public accountants, etc., is to consult with the Board of Corporate Auditors after consultation with the auditing certified public accountants, taking into consideration the size and characteristics of the Company and the number of days of auditing by the auditing certified public accountants, etc., and to determine the appropriateness of the compensation.

(e) Reasons for the consent of the Board of Corporate Auditors to the fees, etc., of the accounting auditor

The Board of Corporate Auditors of the Company has confirmed and examined the details of the audit plan of the Accounting Auditor, the status of performance of accounting audit, and the basis for the calculation of the fee estimate, and as a result, has given its consent to the fees, etc. of the Accounting Auditor, pursuant to Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for Officers

(i) Policy for determining the amount or calculation method of compensation for Officers and method for determination

Compensation for Directors and Corporate Auditors is determined within the respective compensation limits for all Directors and Corporate Auditors set by resolution of the General Meeting of Shareholders.

Regarding decisions on the details of compensation, etc. for Directors, in order to ensure the transparency and objectivity of the compensation decision-making process, the Compensation Advisory Committee chaired by an Outside Director, the majority of whose members are Outside Directors, deliberates on the appropriateness of the compensation system and the compensation proposal from the following three main perspectives, and reports the results of its deliberations to the Board of Directors.

- 1) Provides sufficient incentive for sustained improvement of corporate value
- 2) Contributes to securing excellent management personnel
- 3) Is an appropriate level for the Company's size and business domain

The compensation system consists of base compensation, which is fixed compensation, as well as a performance-linked bonus (cash) and performance-linked stock compensation, which are variable compensation. The Compensation Advisory Committee deliberates on the individual amounts of base compensation for each Director by position and reports the details to the Board of Directors, which passed a resolution at its meeting held on May 24, 2022. The performance-linked bonus (cash) and performance-linked stock compensation are determined in conjunction with the performance evaluation of the Group's (consolidated) net sales, ordinary income ratio, ROE and net income attributable to owners of parent in the final fiscal year of the medium-term management plan, using the medium-term management plan as KPI, for the purpose of increasing the motivation to contribute to improving business performance and increasing corporate value over the medium to long term.

The policy regarding the determination of compensation for individual Directors is determined by a resolution of the Board of Directors after deliberation by the Compensation Advisory Committee, an advisory body of the Board of Directors.



Targets and results in the medium-term management plan (13th term to 15th term)

Fiscal Year		13th	14th	15th
Year End		Feb. 2021	Feb. 2022	Feb. 2023
Net sales (Million yen)	Target	935,000	1,005,000	1,080,000
	Results	949,652	1,025,947	1,144,278
Ordinary income (Million yen)	Target	41,700	46,700	54,000
	Results	45,800	47,590	52,149
Ordinary income ratio (%)	Target	4.5	4.7	5.0
	Results	4.8	4.6	4.6
Net income attributable to owners of parent (Million yen)	Results	27,999	26,453	27,030
ROE (%)	Results	16.4	13.9	12.7

\* As the Company has not set targets for net income attributable to owners of parent and ROE in its medium-term management plan, only actual results are shown.

(ii) Reasons for the Board of Directors to determine that the individual compensation for the current fiscal year is in line with the said policy

In determining the details of compensation for individual Directors, the Compensation Advisory Committee has conducted a multifaceted review of the original proposal, including its consistency with the decision-making policy, and the Board of Directors basically respects the report of the committee and considers the details to be in line with the decision-making policy. Outside Directors and Corporate Auditors are paid only base compensation, which is fixed compensation.

(iii) Total amount of compensation, etc., by officer category, total amount of compensation, etc., by type, and number of eligible officers

Officer category	Total amount of compensation (Million yen)	Total amount of compensation, etc., by type (Million yen)			Number of eligible officers (persons)
		Base compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding Outside Directors)	258	163	42	52	6
Corporate Auditors (excluding Outside Corporate Auditors)	8	8	—	—	1
Outside Executives	54	54	—	—	10

- (Note)
1. As the Company has no Directors who also serve as employees, no employee salaries are paid to Directors.
  2. The maximum amount of compensation for Directors for the current fiscal year was resolved at the 12th Annual General Meeting of Shareholders held on May 21, 2020 to be no more than ¥400 million per year (the number of eligible Directors is 10; of which, up to ¥30 million yen per year for Outside Directors (2 Outside Directors are eligible). The maximum amount of monetary compensation for Directors was resolved at the 14th Annual General Meeting of Shareholders held on May 24, 2022, including performance-linked bonuses, to be no more than ¥400 million per year (the number of eligible Directors is 11; of which, up to ¥60 million per year for Outside Directors (6 Outside Directors are eligible). Separately, at the 12th Annual General Meeting of Shareholders held on May 21, 2020, a resolution was passed to set the amount of performance-linked stock compensation at ¥500 million as the maximum amount of money to be contributed by the Company for three fiscal years and 100,000 points (each point shall be one share; however, if a stock split, reverse stock split, etc. of the Company's shares occurs during the trust period, the number of the Company's shares per point will be adjusted according to the split ratio, reverse stock split ratio, etc. of the Company's shares) as the maximum number of shares to be delivered to the eligible persons to whom the proceeds from the sale thereof are to be paid.
  3. The maximum amount of compensation for Corporate Auditors was resolved at the 1st Annual General Meeting of Shareholders held on November 27, 2009 to be no more than ¥42 million per year (3 Corporate Auditors are eligible).
  4. As of the end of the fiscal year, there were 11 Directors (including 6 Outside Directors) and 4 Corporate Auditors (including 3 Outside Corporate Auditors). The reason for the difference from the number of persons paid above is that the number of Directors was increased by 3, and 1 Director and 1 Corporate Auditor who retired at the conclusion of the 14th Annual General Meeting of Shareholders held on May 24, 2022 were included in the number of persons paid.
  5. The Compensation Advisory Committee deliberated on the individual amounts of base compensation for each Director by position and reported the details to the Board of Directors, which passed a resolution at its meeting held on May 24, 2022.
  6. In addition to the above, there is no amount of compensation received by outside executives from the Company's parent company or subsidiaries of the Company's parent company as officers.
- (iv) Total amount, etc. of consolidated compensation, etc. of persons whose total amount of consolidated compensation, etc. is ¥100 million or more  
Not stated as there are no persons whose total amount of consolidated compensation, etc. is ¥100 million or more.
- (v) Significant employee salaries of officers concurrently serving as employees  
Not applicable.
- (vi) Persons authorized to make decisions regarding the policy for determining the amount of compensation, etc. of officers or its calculation method and the committee involved in the decision-making process  
The amount of compensation, etc. for Directors is deliberated by the Compensation Advisory Committee, an advisory body to the Board of Directors, within the range of the amount resolved at the General Meeting of Shareholders. After the necessary procedures at the Board of Directors meeting regarding the result of the deliberation, the amount of compensation, etc. for Directors is resolved at the Board of Directors meeting held in May of each year.  
In principle, the Compensation Advisory Committee meets twice a year, in March and April. In the fiscal year ended February 28, 2023, the Compensation Advisory Committee met five times to deliberate the appropriateness of evaluations and compensation levels, as well as the process for determining officer compensation.  
Compensation for Corporate Auditors is determined by consultation among the Corporate Auditors within the amount resolved at the General Meeting of Shareholders.

(5) Shareholdings

(i) Criteria for and approach to investment shares

The Group classifies investment shares into pure investment shares, which are held solely for the purpose of benefiting from changes in the value of the shares or dividends on the shares, and other investment shares, which are held for purposes other than pure investment.

Of the Company and its consolidated subsidiaries, the company with the largest carrying amount (amount of investment shares recorded) is SHIMIZU YAKUHIN Co., Ltd. However, as the recorded amount of investment shares in this company does not exceed two-thirds of the amount of investment securities recorded on the consolidated balance sheets, WELCIA YAKKYOKU Co., Ltd. and the Company, which have the next largest amounts after this SHIMIZU YAKUHIN are stated.

(ii) Status of shareholdings of SHIMIZU YAKUHIN Co., Ltd.

The details of the shareholdings of SHIMIZU YAKUHIN Co., Ltd., which has the largest carrying amount (amount of investment shares recorded) (largest holder) among the Company and its consolidated subsidiaries, are as follows.

(a) Investment shares held for purposes other than pure investment

a) Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of individual shareholdings by the Board of Directors, etc.

SHIMIZU YAKUHIN Co., Ltd. may hold policy shareholdings, taking into consideration the size of the investment, governance status, etc., only when it is deemed necessary for the purpose of gathering information on other companies in the same industry and maintaining and strengthening business relationships.

In addition, the Board of Directors annually examines the appropriateness of individual shareholdings.

b) Number of issues and carrying amount

	Number of issues	Carrying amount (Million yen)
Unlisted shares	1	1
Shares other than the above	7	391

(Issues whose number of shares increased in the current fiscal year)

Not applicable.

(Issues whose number of shares decreased in the current fiscal year)

Not applicable.

c) Number of shares, carrying amount, etc. of specified investment shares and deemed holdings of shares by issue

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding, and reasons for increase in number of shares	Shareholding in the Company
	Number of shares	Number of shares		
	Carrying amount (Million yen)	Carrying amount (Million yen)		
Daiichi Sankyo Company, Limited	66,000	66,000	To maintain and strengthen business relationships.	No
	282	184		
Hankyu Hanshin Holdings, Inc.	9,800	9,800	To gather information and strengthen cooperation for future store openings, etc.	No
	37	33		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	8,000	8,000	To gather information and strengthen cooperation for future store openings, etc.	No
	31	26		
Keihan Holdings Co., Ltd.	6,800	6,800	To gather information and strengthen cooperation for future store openings, etc.	No
	22	20		
Zeria Pharmaceutical Co., Ltd.	6,146	6,146	To maintain and strengthen business relationships.	No
	13	12		
Taisho Pharmaceutical Holdings Co., Ltd.	300	300	To maintain and strengthen business relationships.	No
	1	1		
Alfresa Holdings Corporation	920	920	To maintain and strengthen business relationships.	Yes (Note 2)
	1	1		

- (Notes) 1. As it is difficult to state the quantitative effect of shareholdings, the Company verifies the appropriateness, usefulness, and cost of holding of each shareholding annually, and the Board of Directors confirms that all of the current policy shareholdings are held for purposes consistent with the Company's holding policy.
2. Alfresa Corporation and Alfresa Healthcare Corporation, consolidated subsidiaries of Alfresa Holdings Corporation, hold shares in the Company.

(b) Investment shares held for pure investment

Not applicable.

(iii) Status of shareholdings of WELCIA YAKKYOKU Co., Ltd.

The details of the shareholdings of WELCIA YAKKYOKU Co., Ltd., which has the second largest carrying amount among the Company and its consolidated subsidiaries, are as follows.

(a) Investment shares held for purposes other than pure investment

a) Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of individual shareholdings by the Board of Directors, etc.

WELCIA YAKKYOKU Co., Ltd. may hold policy shareholdings, taking into consideration the size of the investment, governance status, etc., only when it is deemed necessary for the purpose of gathering information on other companies in the same industry and maintaining and strengthening business relationships.

In addition, the Board of Directors annually examines the appropriateness of individual shareholdings.

b) Number of issues and carrying amount

	Number of issues	Carrying amount (Million yen)
Unlisted shares	10	7
Shares other than the above	4	283

(Issues whose number of shares increased in the current fiscal year)

	Number of issues	Total acquisition cost for increased shares (Million yen)	Reason for increase in number of shares
Unlisted shares	1	0	Took over from the absorbed company through an absorption-type merger.
Shares other than the above	—	—	—

(Issues whose number of shares decreased in the current fiscal year)

	Number of issues	Total sale or liquidation value for decreased shares (Million yen)
Unlisted shares	1	0
Shares other than the above	9	68

(Note) The decrease in the number of unlisted shares is due to company liquidation.

c) Number of shares, carrying amount, etc. of specified investment shares and deemed holdings of shares by issue

Specified investment shares

Issues	Current fiscal year	Previous fiscal year	Purpose of shareholding, quantitative effects of shareholding, and reasons for increase in number of shares	Shareholding in the Company
	Number of shares	Number of shares		
	Carrying amount (Million yen)	Carrying amount (Million yen)		
KUSURI NO AOKI HOLDINGS CO., LTD.	24,000	24,000	To obtain information on other companies in the same industry.	No
	167	161		
SATUDORA HOLDINGS CO., LTD.	72,000	72,000	To obtain information on other companies in the same industry.	No
	62	46		
TSURUHA HOLDINGS INC.	4,000	4,000	To obtain information on other companies in the same industry.	Yes (Note 2)
	38	36		
SUNDRUG CO., LTD.	4,000	4,000	To obtain information on other companies in the same industry.	No
	14	12		

- (Notes) 1. As it is difficult to state the quantitative effect of shareholdings, the Company verifies the appropriateness, usefulness, and cost of holding of each shareholding annually, and the Board of Directors confirms that all of the current policy shareholdings are held for purposes consistent with the Company's holding policy.
2. TSURUHA CO., LTD., a consolidated subsidiary of TSURUHA HOLDINGS INC., holds shares in the Company.

(b) Investment shares held for pure investment

Not applicable.

(iv) Status of shareholdings of reporting company

(a) Investment shares held for purposes other than pure investment

a) Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of individual shareholdings by the Board of Directors, etc.

This information is omitted since the Company only holds unlisted shares.

b) Number of issues and carrying amount

	Number of issues	Carrying amount (Million yen)
Unlisted shares	1	118
Shares other than the above	—	—

(Issues whose number of shares increased in the current fiscal year)

Not applicable.

(Issues whose number of shares decreased in the current fiscal year)

Not applicable.

c) Number of shares, carrying amount, etc. of specified investment shares and deemed holdings of shares by issue

Not applicable.

(b) Investment shares held for pure investment

Not applicable.

## V. Financial Information

### 1. Method of Preparing Consolidated Financial Statements and Financial Statements

- (1) The Company prepares its consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976).
- (2) The Company prepares its financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Regulation on Financial Statements”).

In addition, the Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

### 3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has taken the following specific measures in order to ensure the appropriateness of its consolidated financial statements.

- (1) In order to gain proper understanding of the details of accounting standards, etc., or appropriately respond to changes in such standards, etc., the Company has joined the Financial Accounting Standards Foundation and regularly collects information on accounting standards, etc.
- (2) In order to develop capabilities to appropriately address changes in accounting standards and others external circumstances, the Company takes measures including having its staff participate in the seminars offered by audit firms and other concerned organizations, and subscription to magazines for accounting specialists.

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	23,401	32,854
Accounts receivable - trade	49,710	54,276
Merchandise	116,230	128,835
Other	18,656	26,740
Allowance for doubtful accounts	(1)	(10)
Total current assets	207,998	242,697
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	190,624	211,218
Accumulated depreciation	*4 (90,425)	*4 (104,124)
Buildings and structures, net	*2,3 100,199	*2,3 107,093
Land	*3 15,494	*3 20,451
Leased assets	80,984	92,855
Accumulated depreciation	*4 (35,643)	*4 (41,692)
Leased assets, net	45,340	51,163
Other	24,729	28,872
Accumulated depreciation	*4 (17,366)	*4 (21,740)
Other, net	*2 7,363	*2 7,132
Total property, plant and equipment	168,397	185,840
Intangible assets		
Goodwill	22,799	36,482
Other	2,895	3,765
Total intangible assets	25,694	40,248
Investments and other assets		
Investment securities	*1 902	*1 1,461
Long-term loans receivable	44	53
Guarantee deposits	41,882	47,844
Deferred tax assets	14,523	16,080
Other	3,626	3,266
Allowance for doubtful accounts	(22)	(130)
Total investments and other assets	60,957	68,576
Total noncurrent assets	255,049	294,665
<b>Total assets</b>	<b>463,048</b>	<b>537,362</b>

(Million yen)

	As of February 28, 2022	As of February 28, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	133,524	153,182
Short-term loans payable	*3 8,991	*3 12,137
Lease obligations	8,962	10,288
Accounts payable - other	10,362	11,941
Income taxes payable	9,944	10,796
Provision for bonuses	4,898	5,361
Provision for bonuses for directors (and other officers)	51	94
Provision for point card certificates	155	—
Contract liabilities	—	143
Other	12,134	12,686
<b>Total current liabilities</b>	<b>189,024</b>	<b>216,633</b>
Noncurrent liabilities		
Long-term loans payable	*3 17,560	*3 29,649
Lease obligations	26,996	33,997
Asset retirement obligations	11,418	12,665
Retirement benefits-related liabilities	6,457	7,524
Deferred tax liabilities	110	523
Allowance for executive stock benefit	722	781
Other	2,871	3,201
<b>Total noncurrent liabilities</b>	<b>66,136</b>	<b>88,344</b>
<b>Total liabilities</b>	<b>255,161</b>	<b>304,977</b>
Net assets		
Shareholders' equity		
Capital stock	7,736	7,747
Capital surplus	51,670	51,681
Retained earnings	146,032	166,566
Treasury stock	(3,841)	(1,084)
<b>Total shareholders' equity</b>	<b>201,597</b>	<b>224,909</b>
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	295	373
Foreign currency translation adjustment	41	139
Accumulated adjustment related to retirement benefits	(332)	327
<b>Total accumulated other comprehensive income</b>	<b>4</b>	<b>840</b>
Subscription rights to shares	183	161
Minority interests	6,101	6,472
<b>Total net assets</b>	<b>207,886</b>	<b>232,384</b>
<b>Total liabilities and net assets</b>	<b>463,048</b>	<b>537,362</b>



## (ii) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales	1,025,947	1,144,278
Cost of sales	*1 705,002	*1 795,023
Gross profit	320,944	349,254
Selling, general and administrative expenses		
Advertising expenses	20,603	5,077
Salaries	109,411	122,018
Bonuses	4,777	5,216
Provision for bonuses	4,849	5,324
Provision for share awards for directors (and other officers)	139	126
Retirement benefit expenses	1,904	2,177
Rent expenses on real estate	43,809	52,483
Depreciation	16,713	19,558
Commission expenses	20,106	22,832
Rent expenses	774	751
Amortization of goodwill	1,973	3,362
Other	52,862	64,690
Total selling, general and administrative expenses	277,925	303,619
Operating income	43,018	45,635
Non-operating income		
Interest income	5	4
Dividend income	9	16
Rental income from real estate	969	1,499
Gain on receipt of donated noncurrent assets	174	133
Commission income	546	468
Subsidy income	*2 1,629	*2 2,029
Sponsorship money income	426	883
Other	1,712	2,492
Total non-operating income	5,474	7,527
Non-operating expenses		
Interest expenses	468	600
Share of loss of entities accounted for using equity method	11	47
Rent cost of real estate	166	274
Other	256	92
Total non-operating expenses	902	1,014
Ordinary income	47,590	52,149

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
<b>Extraordinary income</b>		
Gain on sale of noncurrent assets	*3 6	*3 42
Gain on sale of investment securities	–	163
Compensation income	54	–
Other	33	–
Total extraordinary income	94	205
<b>Extraordinary loss</b>		
Loss on sale of noncurrent assets	*4 1	*4 48
Loss on retirement of noncurrent assets	*5 206	*5 115
Impairment loss	*6 4,989	*6 6,230
COVID-related loss	*7 11	–
Loss on guarantees	–	*8 1,110
Other	65	283
Total extraordinary losses	5,274	7,787
Net income before income taxes and minority interests	42,410	44,566
Income taxes – current	17,443	19,603
Income taxes – deferred	(1,485)	(2,098)
Total income taxes	15,957	17,505
Net income	26,452	27,061
Profit (loss) attributable to non-controlling interests	(0)	31
Net income attributable to owners of parent	26,453	27,030

## Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net income	26,452	27,061
Other comprehensive income		
Other valuation difference on available-for-sale securities	(61)	(72)
Foreign currency translation adjustment	76	190
Remeasurements of defined benefit plans	(43)	661
Total other comprehensive income	*1 (29)	*1 780
Comprehensive income	26,423	27,841
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,386	27,714
Comprehensive income attributable to non-controlling interests	37	127

## (iii) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,736	51,672	125,866	(5,855)	179,419
Changes during period					
Dividends of surplus			(6,288)		(6,288)
Net income attributable to owners of parent			26,453		26,453
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		19		2,017	2,036
Change in ownership interest of parent due to transactions with non-controlling interests		(21)			(21)
Net changes in items other than shareholders' equity					
Total changes during period	–	(2)	20,165	2,014	22,178
Balance at end of period	7,736	51,670	146,032	(3,841)	201,597

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated adjustment related to retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of period	357	3	(289)	70	230	630	180,351
Changes during period							
Dividends of surplus							(6,288)
Net income attributable to owners of parent							26,453
Purchase of treasury stock							(2)
Disposal of treasury stock							2,036
Change in ownership interest of parent due to transactions with non-controlling interests							(21)
Net changes in items other than shareholders' equity	(61)	38	(43)	(66)	(47)	5,471	5,357
Total changes during period	(61)	38	(43)	(66)	(47)	5,471	27,535
Balance at end of period	295	41	(332)	4	183	6,101	207,886

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,736	51,670	146,032	(3,841)	201,597
Cumulative effects of changes in accounting policies			2		2
Restated balance	7,736	51,670	146,034	(3,841)	201,599
Changes during period					
Issuance of new shares	10	10			21
Dividends of surplus			(6,498)		(6,498)
Net income attributable to owners of parent			27,030		27,030
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		2,758	2,758
Net changes in items other than shareholders' equity					
Total changes during period	10	10	20,531	2,756	23,310
Balance at end of period	7,747	51,681	166,566	(1,084)	224,909

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated adjustment related to retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of period	295	41	(332)	4	183	6,101	207,886
Cumulative effects of changes in accounting policies						1	4
Restated balance	295	41	(332)	4	183	6,103	207,891
Changes during period							
Issuance of new shares							21
Dividends of surplus							(6,498)
Net income attributable to owners of parent							27,030
Purchase of treasury stock							(1)
Disposal of treasury stock							2,758
Net changes in items other than shareholders' equity	78	97	659	835	(21)	369	1,183
Total changes during period	78	97	659	835	(21)	369	24,493
Balance at end of period	373	139	327	840	161	6,472	232,384

## (iv) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
<b>Cash flows from operating activities</b>		
Net income before income taxes and minority interests	42,410	44,566
Depreciation	16,988	19,863
Impairment loss	4,989	6,230
Amortization of goodwill	1,973	3,362
Increase (decrease) in allowance for doubtful accounts	(0)	(14)
Increase (decrease) in provision for bonuses	205	157
Increase (decrease) in retirement benefits-related liabilities	911	1,013
Increase (decrease) in allowance for executive stock benefit	4	59
Increase (decrease) in provision for point card certificates	(1)	(447)
Increase (decrease) in provision for bonuses for directors (and other officers)	(91)	43
Interest and dividend income	(14)	(21)
Interest expenses	468	600
Loss (gain) on sale of investment securities	–	(154)
Rent expenses offset by construction assistance fund receivables	1,071	1,262
Loss on sale of noncurrent assets	1	48
Loss on retirement of noncurrent assets	206	115
Gain on receipt of donated noncurrent assets	(174)	(133)
Decrease (increase) in trade receivables	(4,128)	(924)
Decrease (increase) in inventories	(5,703)	(7,941)
Increase (decrease) in trade payables	(21,903)	12,075
Increase (decrease) in accounts payable - other	(3,453)	928
Increase (decrease) in accrued consumption taxes	1,239	1,600
Other, net	(2,913)	(2,553)
<b>Subtotal</b>	<b>32,086</b>	<b>79,738</b>
Interest and dividends received	14	22
Interest paid	(493)	(582)
Income taxes paid	(16,987)	(20,589)
Income taxes refund	1,608	1,706
<b>Net cash provided by (used in) operating activities</b>	<b>16,228</b>	<b>60,296</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,001)	(711)
Proceeds from withdrawal of time deposits	1,421	816
Purchase of property, plant and equipment	(19,129)	(18,373)
Proceeds from sale of property, plant and equipment	13	183
Purchase of intangible assets	(1,024)	(1,428)
Purchase of shares of subsidiaries and associates	–	(441)
Payments into subsidiaries and affiliates	–	(5,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (11,545)	*2 (11,443)
Payments of leasehold deposits	(5,808)	(4,832)
Proceeds from refund of leasehold deposits	426	4,049
Other, net	(440)	1,113
<b>Net cash provided by (used in) investing activities</b>	<b>(37,088)</b>	<b>(36,068)</b>

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	40	(3,660)
Proceeds from long-term loans payable	10,580	21,740
Repayments of long-term loans payable	(5,291)	(19,270)
Redemption of bonds	(110)	(50)
Proceeds from issuance of shares	–	0
Dividends paid	(6,287)	(6,502)
Repayments of finance lease obligations	(8,574)	(9,863)
Proceeds from sale of treasury shares	1,988	2,758
Purchase of treasury shares	(2)	(1)
Other, net	375	–
Net cash provided by (used in) financing activities	(7,282)	(14,849)
Effect of exchange rate change on cash and cash equivalents	43	92
Net increase (decrease) in cash and cash equivalents	(28,099)	9,470
Cash and cash equivalents at beginning of period	50,937	22,837
Cash and cash equivalents at end of period	*1 22,837	*1 32,307

## Notes to the Consolidated Financial Statements

(Significant matters that serve as the basis for preparation of consolidated financial statements)

### 1. Matters regarding the scope of consolidation

#### (1) Number of consolidated subsidiaries: 12

Names of consolidated subsidiaries

WELCIA YAKKYOKU Co., Ltd., WELCIA KAIGO SERVICE Co., Ltd., SHIMIZU YAKUHIN Co., Ltd., Welcia-BHG (Singapore) Pte. Ltd.,

Marudai Sakurai Pharmacy Co., Ltd., MASAYA Co., Ltd., YODOYA CO., LTD., Marue Drug Co., Ltd., Pupule Himawari Co., Ltd., Kokumin Co., Ltd., French Co., Ltd., FUKUYAKUHIN CO., LTD.

(Notes) 1. From the fiscal year ended February 28, 2023, Kokumin Co., Ltd. and French Co., Ltd. have been included in the scope of consolidation on June 1, 2022 and FUKUYAKUHIN CO., LTD. has been included in the scope of consolidation on December 1, 2022 due to the acquisition of their shares.

2. Kanamitsu Yakuin Co., Ltd. merged with WELCIA YAKKYOKU Co., Ltd. on June 1, 2022 and is not included among the aforementioned consolidated subsidiaries.

#### (2) Number of non-consolidated subsidiaries: 2

Names of non-consolidated subsidiaries

Welcia Oasis Co., Ltd., Welcia Retail Solution Co., Ltd.

(Reason for the exclusion from the scope of consolidation)

Both of the aforementioned non-consolidated subsidiaries have been excluded from the scope of consolidation as their scale of operation is small while none of their total assets, net sales, net income and retained earnings has significant impact on the consolidated financial statements.

### 2. Matters relating to the application of equity method

#### (1) Number of non-consolidated subsidiaries accounted for by the equity method

Not applicable.

#### (2) Number of affiliates accounted for by the equity method

2

Names of affiliates

AEON Rēvecosme Co., Ltd., AEON WELCIA KYUSHU Co., Ltd.

(Note) AEON WELCIA KYUSHU Co., Ltd. was established on September 1, 2022 and has been included among the Company's affiliates from the current fiscal year.

#### (3) Names of non-consolidated subsidiaries and affiliates not accounted for by the equity method

Non-consolidated subsidiaries: Welcia Oasis Co., Ltd., Welcia Retail Solution Co., Ltd.

(Reason for not applying the equity method)

The aforementioned non-consolidated subsidiaries have been excluded from the scope of application of the equity method, as they have an immaterial impact on the consolidated financial statements and do not have significance as a whole in terms of factors such as their net income/loss (amount corresponding to the equity interest) as well as retained earnings (amount corresponding to the equity interest), if they are excluded from the object of the equity method.

### 3. Matters regarding fiscal years, etc., of consolidated subsidiaries

The account closing dates of consolidated subsidiaries are the same as the consolidated account closing date.

### 4. Matters regarding accounting policies

#### (1) Valuation standards and methods for significant assets

##### (i) Securities

Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

Available-for-sale securities

##### (a) Securities other than shares, etc., without market price

Stated at fair value (unrealized gains and losses are recognized directly in net assets, and cost of sales is calculated using the moving-average method)



(b) Shares, etc., without market price

Stated at cost using the moving-average method.

(ii) Inventories

(a) Merchandise

Stated at cost using the retail method (using the inventory write-down method based on decreased profitability)

(b) Supplies

Stated at cost using the last-purchase-price method (using the inventory write-down method based on decreased profitability)

(2) Depreciation and amortization methods for significant depreciable assets and amortizable assets

(i) Property, plant and equipment (excluding leased assets)

The declining-balance method is adopted. However, straight-line method is used for buildings (excluding facilities attached thereto) acquired on or after April 1, 1998 as well as for facilities attached thereto and structures acquired on or after April 1, 2016. Some of consolidated subsidiaries use the straight-line method.

Useful lives of principal assets are as follows:

Buildings	8 to 39 years
Structures	8 to 18 years
Machinery and equipment	7 to 17 years
Vehicles	5 years
Furniture and fixtures	3 to 20 years

(ii) Intangible assets (excluding leased assets)

They are amortized using the straight-line method. However, straight-line method is used for software based on the internally usable period (five years).

(iii) Leased assets

Leased assets related to finance lease transactions not involving the transfer of ownership

The straight-line method is adopted, using the lease term as useful life of the asset while assuming its residual value at zero (or at the guaranteed residual value if such guarantee is arranged).

(iv) Investments and other assets (other—long-term prepaid expenses)

They are amortized using the straight-line method.

(3) Accounting standards for significant allowances and provisions

(i) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, the Company records an allowance for doubtful accounts at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other specific receivables.

(ii) Provision for bonuses

To provide for the future payments of employee bonuses, some of the consolidated subsidiaries have provided an allowance for the portion of the estimated payment amount attributable to the current fiscal year.

(iii) Provision for bonuses for directors (and other officers)

To provide for the future payments of bonuses for Directors and Executive Officers, the Company has provided an allowance for the estimated payment amount, reflecting the performance in the current fiscal year.

(iv) Allowance for executive stock benefit

To provide for issuance of the Company's shares as well as the payment of cash to Directors and Executive Officers, the Company has provided an allowance for the estimated amount based on the expected issuance of shares and the payment of cash commensurate with the number of points granted pursuant to the Rules for the Delivery of Shares to Executives to the eligible executives at the end of the current fiscal year.

(4) Accounting methods for retirement benefits

(i) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year based on the benefit formula basis.

(ii) Method of amortizing actuarial differences and past service costs

Actuarial difference is amortized over a fixed period (five or eight years) within the average remaining service period for employees at the time of recognition, starting from the following fiscal year, with each amount for each fiscal year recognized as an expense.

Past service cost is amortized using the straight-line method over a certain number of years (eight years) within the average remaining years of service for employees at the time of recognition.

(5) Translation standards of significant assets and liabilities denominated in foreign currencies into Japanese yen

Assets and liabilities of overseas subsidiaries are converted into yen at the spot exchange rate on the consolidated closing date, while revenue and expenses at the average exchange rate for the year, where exchange difference is included in foreign currency translation adjustment and minority interests under net assets.

(6) Accounting standards for significant revenue and expenses

(i) Revenue recognition concerning sale of merchandise

The Group sells OTC products, cosmetics, sundries, and food products, etc., under performance obligations to deliver merchandise to customers. In such sale of merchandise, revenue is recognized at the point when merchandise is delivered to customers.

For a transaction such as consignment sales in which the Company and its subsidiaries are deemed to act as agents, revenue is recognized at an amount of gross consideration received from the customer net of the amount payable to the consignor.

Receipt of consideration occurs at the point in time when merchandise is delivered to customers in principle without involving adjustment for significant financing component.

(ii) Revenue recognition concerning point programs operated by other companies

In the point program operated by other companies, revenue is recognized at transaction price less the amount equivalent to the points awarded at the time of sale of merchandise.

(iii) Revenue recognition concerning point programs operated by subsidiaries

In the point program operated by some of the Company's subsidiaries, the amount equivalent to the points awarded at the time of sale of merchandise is considered to represent performance obligations, while transaction price is allocated based on the standalone selling price reflecting the expected future lapse, whereby revenue is recognized at the time of use as well as lapse of points.

(7) Method and period of amortization of goodwill

Goodwill is amortized in equal amounts over a reasonable period not exceeding 20 years subject to case-by-case consideration.

(8) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows consists of cash on hand, demand deposit, and short-term investments due for redemption within three months from the date of acquisition, which are readily convertible into cash and are subject to minimal risk of fluctuations in value.

(Significant accounting estimates)

(1) Impairment of noncurrent assets at stores

(i) Amount recorded in consolidated financial statements for the current fiscal year

(Million yen)

	Amounts recorded in the consolidated financial statements	of which, WELCIA YAKKYOKU Co., Ltd.
Property, plant and equipment	185,840	151,038
Others	1,453	872
Total balance of noncurrent assets at stores	187,293	151,910
Impairment loss (excluding goodwill)	6,169	5,132

(ii) Information regarding the details of significant accounting estimates

(a) Method of calculation

The Group groups its assets, primarily recognizing each store as the basic smallest unit generating cash flows largely independent of cash flows from other assets or asset groups.

For the asset groups in which losses were consecutively recorded from operating activities and those which had undergone changes that significantly reduced the recoverable amount, their book values were reduced to recoverable amounts, whereby the amount of such reduction was recorded as impairment loss.

Recoverable amount of an asset group is measured at value in use. Value in use is calculated by discounting future cash flows by 5.75% discount rate. However, for an asset group generating negative future cash flows, value in use is evaluated at zero.

(b) Main assumptions

Future cash flows are estimated based on the store budget. Store budget is prepared based on main assumptions such as net sales growth ratio and/or improvement in gross margin ratio.

(c) Impact on the consolidated financial statements for the following fiscal year

Since assumptions used for the aforementioned estimates are subject to changes in external environment and economic environment, if review of future cash flows will be necessary due to such changes, it may cause material impacts on the amount of impairment loss in the consolidated financial statements for the following fiscal year.

(2) Impairment of goodwill

(i) Amount recorded in consolidated financial statements for the current fiscal year

(Million yen)	
Amounts recorded in the consolidated financial statements	
Goodwill	36,482
Impairment loss (related to goodwill)	59

(ii) Information regarding the details of significant accounting estimates

(a) Method of calculation

The Group groups assets for each company applicable.

For the asset groups in which losses were consecutively recorded from operating activities and those which had undergone changes that significantly reduced the recoverable amount, their book values were reduced to recoverable amounts, whereby the amount of such reduction was recorded as impairment loss.

Meanwhile, book value of goodwill is reduced to zero for those on which it was judged to be difficult to achieve the initially expected level of income at the end of the current fiscal year, whereby the amount of such reduction is recorded as impairment loss.

(b) Main assumptions

Future cash flows are estimated based on business plan. Business plan is prepared based on main assumptions such as net sales growth ratio and/or improvement in gross margin ratio.

(c) Impact on the consolidated financial statements for the following fiscal year

Since assumptions used for the aforementioned estimates are subject to changes in external environment and economic environment, if review of future cash flows will be necessary due to such changes, it may cause material impacts on the amount of impairment loss in the consolidated financial statements for the following fiscal year.

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter the “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the good or service.

Major changes due to the application of the Revenue Recognition Standard, etc. are described below.

The Company has changed its method of accounting regarding points awarded with the sale of merchandise to customers under a point program operated by another company. The Company previously presented the amount equivalent to the points awarded under “selling, general and administrative expenses,” but now it recognizes as revenue only the transaction price minus the amount equivalent to the points awarded.

For the points awarded with the sale of merchandise to customers under the point program operated by some of the Company’s subsidiaries, to prepare for the use of the awarded points, the Company previously presented the amount expected to be paid in future as “provision for point card certificates,” and recorded provision for point card certificates as “selling, general and administrative expenses.” Now the Company recognizes the awarded points as performance obligations, and defers the recording of revenue.

The Company has also changed its method of accounting regarding transactions in which the Company acts as an agent in the provision of a good or service. The Company previously recognized the total amount of consideration received from the customer as revenue, but now it recognizes the net amount of consideration received from the customer less the amount to be paid to the other party concerned.

The Company applies the Revenue Recognition Standard and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of this change, for the fiscal year ended February 28, 2023, net sales, cost of sales, and selling, general and administrative expenses decreased by ¥22,306 million, ¥5,220 million, and ¥17,093 million, respectively, compared with the period before the adoption of the Revenue Recognition Standard and other standards, but the impact on operating income, ordinary income, and net income before income taxes and minority interests was minimal. The impact on the beginning balance of retained earnings was also minimal.

With the application of the Revenue Recognition Standard and other standards, “provision for point card certificates,” which was presented under “current liabilities” in the consolidated balance sheet of the previous period, has been presented as “contract liabilities” since the current fiscal year.

However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous period have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on “Revenue recognition” for the previous fiscal year is not presented.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter the “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard and other standards in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In addition, the Company now includes the notes to matters regarding the breakdown of the fair value of financial instruments by level, etc., in “Financial instruments.” However, in accordance with the transitional treatment provided in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the previous fiscal year are not presented.

(Additional information)

(Transactions for delivering the Company's shares to employees through a trust)

Employees' Stock Ownership ESOP Trust

The Company had introduced the Employees' Stock Ownership ESOP Trust, which was terminated in February 2023.

(i) Outline of the Employees' Stock Ownership ESOP Trust

The Company establishes a trust with employees joining the "Welcia Holdings Employee Stock Ownership" (hereinafter the "Stock Ownership Association") who meet certain criteria as its beneficiaries, and the trust acquires the number of the Company's shares expected to be acquired by the Stock Ownership Association over the next five years, during the predetermined share acquisition period. Thereafter, the trust will sell the Company's shares to the Stock Ownership Association on a certain date each month. The trust exercises voting rights in the Company's shares it holds following the instruction of the trust administrator, in accordance with the proportion of voting rights held by the Stock Ownership Association. At the time of termination of the trust, any trust income due to an increase in the stock price will be distributed to the beneficiary employees in accordance with their contribution ratios. In the event that a transfer loss occurs due to a decline in the stock price with a liability for the trust assets remaining, the Company will repay the bank in a lump sum in accordance with the guarantee clause in the loan agreement, and thus there will be no additional burden on the employees.

Thereafter, as a result of the trust continually selling the Company's shares to the Stock Ownership Association on a certain date of each month, it was terminated in February 2023 after selling all of the Company's shares.

(ii) Own shares remaining in the trust

The Company records its own shares remaining in the trust as treasury stock under net assets at the book value in the trust (excluding the amount of incidental expenses). The book value and the number of the aforementioned treasury stock in the previous fiscal year are ¥2,684 million and 624 thousand shares, respectively. There are no shares remaining in the trust as it sold all of its holding of the Company's shares during the current fiscal year.

(iii) Book value of the loans payable recorded based on the gross method

Book value stood at ¥4,000 million in the previous fiscal year. There is no book value for the loans payable recorded based on the adoption of the gross method for the current fiscal year, since the trust was terminated in February 2023 after selling all of the Company's shares.

(Performance-linked stock compensation plan)

Directors' Remuneration BIP Trust

The Company engages in transactions for delivering the Company's shares through the trust to Directors of the Company as well as of its subsidiary WELCIA YAKKYOKU Co., Ltd., Executive Officers who have entered into a delegation agreement with the Company or WELCIA YAKKYOKU Co., Ltd., and President and Director of SHIMIZU YAKUHIN Co., Ltd. and Marudai Sakurai Pharmacy Co., Ltd. (hereinafter collectively the "Eligible Executives").

(i) Outline of the Directors' Remuneration BIP Trust

The Company will establish a trust by contributing funds for the acquisition of the Company's shares, with persons who fulfill certain requirements among the Plan Participants as beneficiaries. The trust will purchase from the stock market the number of the Company's shares that are expected to be delivered to the Plan Participants based on the predetermined Rules for the Delivery of Shares to Executives (hereinafter referred to as the "Delivery Rules"). Thereafter, in accordance with the Delivery Rules, the trust will deliver the Company's shares to the Plan Participant upon his or her retirement based on the cumulative total of points (accumulated points) granted in accordance with the position of the Plan Participant during the trust period and the degree of achievement of performance targets. As the Company and its subsidiaries (WELCIA YAKKYOKU Co., Ltd., SHIMIZU YAKUHIN Co., Ltd. and Marudai Sakurai Pharmacy Co., Ltd.) will bear the entire acquisition cost of the Company's shares to be acquired through the trust, there will be no burden on the Plan Participants.

(ii) Own shares remaining in the Trust

The Company records its own shares remaining in the trust as treasury stock under net assets at the book value in the trust (excluding the amount of incidental expenses). The book value and the number of the aforementioned treasury stock are ¥1,145 million and 440 thousand shares, respectively in the previous fiscal year, and ¥1,072 million and 412 thousand shares, respectively in the current fiscal year ended.

(Consolidated balance sheets)

\*1 Matters relating to non-consolidated subsidiaries and affiliates are as follows.

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Investment securities (shares)	86	479

\*2 The amounts of tax purpose reduction entry directly deducted from the acquisition costs of the assets acquired by using government subsidies are as follows.

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Buildings and structures	194	212
Other (furniture and fixtures)	11	12
Total	206	225

\*3 Assets pledged as collateral and liabilities corresponding thereto  
(Assets pledged as collateral)

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Buildings and structures	305	287
Land	1,217	1,294
Total	1,522	1,582

(Liabilities corresponding to the above)

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Short-term loans payable (including current portion of long-term loans payable)	1,201	1,539
Long-term loans payable	1,651	1,452
Total	2,853	2,991

\*4 Accumulated depreciation includes accumulated impairment loss.

(Consolidated statements of income)

\*1 Reduction of book value of inventories held for the purpose of normal selling due to declining profitability

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cost of sales	1,257	1,557

\*2 Breakdown of subsidy income (non-operating income) is as follows.

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Subsidy for capital expenditures, etc.	1,629	2,029

\*3 Breakdown of gain on sale of noncurrent assets is as follows.

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Land	—	0
Buildings and structures, etc.	6	41
Machinery, equipment and vehicles	0	0
Total	6	42

\*4 Breakdown of loss on sale of noncurrent assets is as follows.

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Land	1	48

\*5 Breakdown of loss on retirement of noncurrent assets is as follows.

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Buildings and structures	76	67
Other (furniture and fixtures, etc.)	129	47
Total	206	115

\*6 Impairment loss

The Group recorded impairment loss for the following asset groups.

For the fiscal year ended February 28, 2022

		(Million yen)
Location	Aichi Prefecture, Iwate Prefecture, Shizuoka Prefecture, etc.	
Use	Stores for drugstore operations, etc.	
Class	Buildings and structures, leased assets, land, goodwill, etc.	
Amount	Buildings and structures	3,297
	Leased assets	1,375
	Land	23
	Goodwill	96
	Others	195

In calculating impairment loss, the Group groups its assets primarily for each store as the basic smallest unit generating cash flows largely independent of cash flows from other assets or asset groups.

In the fiscal year ended February 28, 2022, for the asset groups in which losses were consecutively recorded from operating activities or those which had undergone changes that reduced the recoverable amount significantly, their book values were reduced to recoverable amounts, whereby such reduction was recorded as impairment loss (¥4,989 million) under extraordinary loss.

Recoverable amount of an asset group is measured at value in use. Value in use is calculated by discounting future cash flows by 6.16%. However, for asset groups generating negative future cash flows, value in use is evaluated at zero.

For the fiscal year ended February 28, 2023

(Million yen)

Location	Osaka Prefecture, Aichi Prefecture, Okayama Prefecture, etc.	
Use	Stores for drugstore operations, etc.	
Class	Buildings and structures, leased assets, land, goodwill, etc.	
Amount	Buildings and structures	4,284
	Leased assets	1,463
	Land	12
	Goodwill	59
	Others	410

In calculating impairment loss, the Group groups its assets primarily for each store as the basic smallest unit generating cash flows largely independent of cash flows from other assets or asset groups.

In the fiscal year ended February 28, 2023, for the asset groups in which losses were consecutively recorded from operating activities or those which had undergone changes that reduced the recoverable amount significantly, their book values were reduced to recoverable amounts, whereby such reduction was recorded as impairment loss (¥6,230 million) under extraordinary loss.

Recoverable amount of an asset group is measured at value in use. Value in use is calculated by discounting future cash flows by 5.75%. However, for asset groups generating negative future cash flows, value in use is evaluated at zero.

\*7 COVID-related loss

These include losses arising from the temporary closures of stores, etc. in response to the request for voluntary restraints in business operations from the government and municipalities and the declaration of state of emergency under the initiatives to contain the spread of COVID-19, as well as the extraordinary expenditures to ensure the system for providing healthcare services while taking measures for preventing the spread of the disease at drugstores. The breakdown is as follows.

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Employees salary and allowances	10	—
Fixed costs related to stores	1	—
Total	11	—

\*8 Loss on guarantees

For the fiscal year ended February 28, 2022

Not applicable.

For the fiscal year ended February 28, 2023

This loss is recorded at an amount of debt obligations which was not paid by the Employees' Stock Ownership ESOP Trust, but reimbursed by the Company pursuant to the guarantee clause of the loan agreement.



(Consolidated statements of comprehensive income)

\*1 Reclassification adjustments and tax effects relating to other comprehensive income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Other valuation difference on available-for-sale securities		
Amount arising during the fiscal year	(97)	43
Reclassification adjustments	2	(154)
Before tax effect adjustments	(94)	(111)
Tax effects	33	39
Other valuation difference on available-for-sale securities	(61)	(72)
Foreign currency translation adjustment		
Amount arising during the fiscal year	76	190
Reclassification adjustments	—	—
Foreign currency translation adjustment	76	190
Remeasurements of defined benefit plans		
Amount arising during the fiscal year	(151)	902
Reclassification adjustments	85	107
Before tax effect adjustments	(66)	1,010
Tax effects	22	(349)
Remeasurements of defined benefit plans	(43)	661
Total other comprehensive income	(29)	780

(Consolidated statements of changes in equity)

For the fiscal year ended February 28, 2022

1. Matters regarding outstanding shares

Class of shares	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Common stock	209,633,676	—	—	209,633,676

2. Matters regarding treasury stock

Class of shares	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Common stock	1,606,772	756	529,628	1,077,900

(Notes) 1. Number of treasury stock at the beginning as well as at the end of the fiscal year includes 1,552,438 shares and 1,065,242 shares, respectively, of the Company's shares held by trusts.

2. Outline of reasons for changes

The breakdown of the increase is as follows.

Increase due to purchase of fractional shares 756 shares

The breakdown of the decrease is as follows.

Decrease due to exercise of stock options 42,400 shares

Decrease due to sale of the Company's shares by the Employees' Stock Ownership ESOP Trust 425,400 shares

Decrease due to delivery or sale of the Company's shares by the Directors' Remuneration BIP Trust 61,796 shares

Decrease due to sale of fractional shares 32 shares

3. Subscription rights to shares

Category	Breakdown of subscription rights to shares	Class of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares				Balance at the end of the fiscal year (Million yen)
			Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	End of the fiscal year	
Reporting company	Subscription rights to shares as stock options	—	—	—	—	183	
Total		—	—	—	—	183	

4. Matters regarding dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 7, 2021 (Note 1)	Common stock	3,143	15.00	February 28, 2021	May 7, 2021
Board of Directors meeting held on October 6, 2021 (Note 2)	Common stock	3,144	15.00	August 31, 2021	November 5, 2021

(Notes) 1. Total amount of dividends includes ¥23 million paid for the Company's shares held by the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

2. Total amount of dividends includes ¥18 million paid for the Company's shares held by the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

(2) Dividend for which the record date falls in the fiscal year ended February 28, 2022 but the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 7, 2022 (Note 1)	Common stock	Retained earnings	3,144	15.00	February 28, 2022	May 9, 2022

(Note) 1. Total amount of dividends includes ¥15 million paid for the Company's shares held by the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

For the fiscal year ended February 28, 2023

1. Matters regarding outstanding shares

Class of shares	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Common stock	209,633,676	19,200	—	209,652,876

(Note) Outline of reasons for changes

The breakdown of the increase is as follows.

Increase due to exercise of stock options 19,200 shares

2. Matters regarding treasury stock

Class of shares	Beginning of the fiscal year (shares)	Increase (shares)	Decrease (shares)	End of the fiscal year (shares)
Common stock	1,077,900	624	653,055	425,469

(Notes) 1 Number of treasury stock at the beginning as well as at the end of the fiscal year includes 1,065,242 shares and 412,219 shares, respectively, of the Company's shares held by trusts.

2. Outline of reasons for changes

The breakdown of the increase is as follows.

Increase due to purchase of fractional shares 624 shares

The breakdown of the decrease is as follows.

Decrease due to sale of the Company's shares by the Employees' Stock Ownership ESOP Trust 624,800 shares

Decrease due to delivery or sale of the Company's shares by the Directors' Remuneration BIP Trust 28,223 shares

Decrease due to sale of fractional shares 32 shares

3. Subscription rights to shares

Category	Breakdown of subscription rights to shares	Class of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares				Balance at the end of the fiscal year (Million yen)
			Beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	End of the fiscal year	
Reporting company	Subscription rights to shares as stock options	—	—	—	—	—	161
Total		—	—	—	—	—	161

4. Matters regarding dividends

(1) Amount of dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 7, 2022 (Note 1)	Common stock	3,144	15.00	February 28, 2022	May 9, 2022
Board of Directors meeting held on October 4, 2022 (Note 2)	Common stock	3,354	16.00	August 31, 2022	November 4, 2022

(Notes) 1. Total amount of dividends includes ¥15 million paid for the Company's shares held by the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

2. Total amount of dividends includes ¥10 million paid for the Company's shares held by the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

(2) Dividend for which the record date falls in the fiscal year ended February 28, 2023 but the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2023 (Note 1)	Common stock	Retained earnings	3,354	16.00	February 28, 2023	May 9, 2023

(Note) 1. Total amount of dividends includes ¥6 million paid for the Company's shares held by the Directors' Remuneration BIP Trust.

(Consolidated statements of cash flows)

- \*1 The relationship between cash and cash equivalents at end of period and the amount of accounts presented in the consolidated balance sheets is as follows

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash and deposits	23,401	32,854
Time deposits with deposit terms over three months	(563)	(546)
Cash and cash equivalents	22,837	32,307

- \*2. Main components of assets and liabilities of the companies that newly became consolidated subsidiaries through acquisition of their shares

For the fiscal year ended February 28, 2022

Breakdown of assets and liabilities of Pupule Himawari Co., Ltd. at the start of consolidation through acquisition of its shares, as well as the relationship between the acquisition cost of shares and the expenditure (on a net basis) for the acquisition are as follows.

Current assets	10,137	Million yen
Noncurrent assets	14,508	
Goodwill	7,948	
Current liabilities	(8,159)	
Noncurrent liabilities	(6,197)	
Minority interests	(5,038)	
Acquisition cost of shares	13,200	
Cash and cash equivalents	(1,654)	
Less expenditure for the acquisition	11,545	

For the fiscal year ended February 28, 2023

Breakdown of assets and liabilities of Kokumin Co., Ltd., French Co., Ltd., and FUKUYAKUHIN CO., LTD. at the start of consolidation through acquisition of their shares, as well as the relationship between the acquisition cost of shares and the expenditure (on a net basis) for the acquisition are as follows.

Current assets	20,574	Million yen
Noncurrent assets	16,493	
Goodwill	16,889	
Current liabilities	(16,288)	
Noncurrent liabilities	(15,131)	
Minority interests	(241)	
Acquisition cost of shares	22,295	
Cash and cash equivalents	(10,851)	
Less expenditure for the acquisition	11,443	

### 3. Description of significant non-monetary transactions

For the fiscal year ended February 28, 2022

Not applicable.

For the fiscal year ended February 28, 2023

Not applicable.

(Lease transactions)

1. Finance lease transactions not involving ownership transfer (subject to accounting treatment applicable to normal buying and selling transactions)

(Lessee)

(1) Description of leased assets

Property, plant and equipment

Consisting primarily of buildings, POS cash registers and gondola shelving units (furniture and fixtures)

(2) Method for depreciating leased assets

The straight-line method is adopted, using the lease term as useful life of the asset while assuming its residual value at zero (or at the guaranteed residual value if such guarantee is arranged).

2. Finance lease transactions not involving ownership transfer (subject to accounting treatment applicable to normal lease transactions before the commencement of the application of the new accounting standards for leases)

(Lessee)

(1) Amounts equivalent to the acquisition cost, accumulated depreciation, accumulated impairment loss and balance at end of period of lease properties

(Million yen)

	As of February 28, 2022			
	Amounts equivalent to the acquisition cost	Amounts equivalent to the accumulated depreciation	Amounts equivalent to the accumulated impairment loss	Amounts equivalent to the balance at end of period
Buildings	4,185	3,745	112	327
Total	4,185	3,745	112	327

(Million yen)

	As of February 28, 2023			
	Amounts equivalent to the acquisition cost	Amounts equivalent to the accumulated depreciation	Amounts equivalent to the accumulated impairment loss	Amounts equivalent to the balance at end of period
Buildings	2,732	2,368	112	251
Total	2,732	2,368	112	251

(2) Amount equivalent to the remaining lease payment at end of period

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Amount equivalent to the remaining lease payment at end of period		
Within one year	215	105
Over one year	269	163
Total	484	268
Balance of accumulated impairment of leased assets	25	17

(3) Lease payment, reversal of accumulated impairment of leased assets, amount equivalent to depreciation, amount equivalent to interest expenses and impairment loss

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Lease payment	280	220
Reversal of accumulated impairment of leased assets	8	8
Amount equivalent to depreciation	245	187
Amount equivalent to interest expenses	11	6

(4) Method for calculating the amount equivalent to depreciation

The straight-line method is adopted, using the lease term as useful life of the asset while assuming its residual value at zero (or at the guaranteed residual value if such guarantee is arranged).

(5) Method for calculating the amount equivalent to interest

The difference between the total lease payment and the amount equivalent to the acquisition cost of the lease properties is considered as interest portion which is allocated to each fiscal year by using the interest method.

3. Operating lease transactions

(Lessee)

Remaining lease payment for the non-cancellable lease among all operating lease transactions

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Within one year	8,623	8,921
Over one year	52,976	51,964
Total	61,599	60,885

(As of February 28, 2022)

Real estate lease is included in each category of within one year, and over one year at ¥8,598 million and ¥52,909 million, respectively.

(As of February 28, 2023)

Real estate lease is included in each category of within one year, and over one year at ¥8,895 million and ¥51,895 million, respectively.

4. Finance lease transactions

(Lessor)

(1) Detail of investments in leases

Investments and other assets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Lease payment receivable	250	325
Estimated residual value	126	130
Amount equivalent to interest income	104	169
Investments in leases	272	285

(2) Lease receivables and lease payment related to investments in leases

(Million yen)

	As of February 28, 2022					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Lease receivables	24	24	24	24	23	130
Investments in leases	12	13	13	14	14	204

(Million yen)

	As of February 28, 2023					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Lease receivables	27	27	27	26	26	189
Investments in leases	13	13	14	14	14	215

- (3) Finance lease transactions not involving ownership transfer (subject to accounting treatment applicable to normal lease transactions before the commencement of the application of the new accounting standards for leases)

(Lessor)

(i) Acquisition cost, accumulated depreciation and balance at end of period of lease properties

(Million yen)

	As of February 28, 2022		
	Acquisition cost	Accumulated depreciation	Balance at end of period
Buildings	7	4	2

(Million yen)

	As of February 28, 2023		
	Acquisition cost	Accumulated depreciation	Balance at end of period
Buildings	—	—	—

(ii) Amount equivalent to the remaining lease payment at end of period

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Within one year	0	—
Over one year	—	—
Total	0	—

(iii) Lease payment received, depreciation and amount equivalent to interest income

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Lease payment received	1	—
Depreciation	0	—
Amount equivalent to interest income	0	—

(iv) Method for calculating the amount equivalent to interest

The difference between the total lease payment and the amount equivalent to the acquisition cost of the lease properties is considered as interest portion which is allocated to each fiscal year by using the interest method.

## 5 Operating lease transactions

(Lessor)

Remaining lease payment for the non-cancellable lease among all operating lease transactions

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Within one year	307	296
Over one year	1,995	1,791
Total	2,303	2,087

The entire amounts of the above figures are related to real estate lease.

(Financial instruments)

1. Matters regarding financial instruments

(1) Policy for financial instruments

The Group manages its funds in the form of savings and other ways focusing on high degree of recoverability of principal, while financing is largely through borrowing from banks.

(2) Details of financial instruments and risks thereof

Accounts receivable - trade are exposed to customer credit risks.

Investment securities are mostly shares and are exposed to risks associated with the fluctuations in the market price.

Guarantee deposits are exposed to credit risk of depositors.

Accounts payable - trade and short-term loans payable are due within one year and exposed to the liquidity risk related to financing.

Long-term loans payable are intended for raising funds necessary for business investment plans. Some of them are exposed to the risk of interest rate fluctuations.

Lease obligations related to finance lease transactions are largely intended for raising funds necessary for capital expenditures, and exposed to the liquidity risk related to financing.

(3) Risk management systems for financial instruments

For accounts receivable - trade, due date control as well as balance management is implemented for each customer, while credit status of major customers are checked on a regular basis.

For investment securities, fair values and financial position of issuers are checked on a regular basis.

For guarantee deposits, financial position of depositors is checked on a regular basis.

Accounts payable - trade, loans payable and lease obligations are managed by methods such as the preparation of cash management plan on a monthly basis.

(4) Supplementary explanation on fair value, etc., of financial instruments

As the calculation of the fair value of financial instruments incorporates fluctuating factors, such value may change if different assumptions are used in calculation.

2. Matters regarding fair value, etc., of financial instruments

The amounts in the consolidated balance sheets, fair value of financial instruments, and their differences are as follows.

As of February 28, 2022

	(Million yen)		
	Amounts in the consolidated balance sheets	Fair value	Differences
(1) Investment securities (*2)	678	678	—
(2) Guarantee deposits (*3)	27,075	24,800	(2,275)
Total assets	27,754	25,479	(2,275)
(1) Long-term loans payable (*4)	24,489	24,460	(28)
(2) Lease obligations (*5)	35,958	36,310	352
Total liabilities	60,447	60,771	324

(\*1) “Cash and deposits,” “accounts receivable - trade,” “accounts payable - trade,” and “short-term loans payable” are omitted, because they comprise cash and short-term instruments whose fair value approximates their carrying amount.

(\*2) Amounts in the consolidated balance sheets of the financial instruments for which determining fair value is considered extremely difficult.

Category	Previous fiscal year (Million yen)
Unlisted shares	223

The above figure is not included in “(1) Investment securities” as it has no market price and it is extremely difficult to determine fair value.

(\*3) For guarantee deposits, the amount equivalent to financial instruments is presented.

(\*4) Long-term loans payable include current portion.

(\*5) Lease obligations include current portion.



As of February 28, 2023

(Million yen)

	Amounts in the consolidated balance sheets	Fair value	Differences
(1) Investment securities (*2)	769	769	—
(2) Guarantee deposits (*3)	31,630	27,939	(3,691)
Total assets	32,399	28,708	(3,691)
(1) Long-term loans payable (*4)	39,164	38,947	(216)
(2) Lease obligations (*5)	44,285	44,419	133
Total liabilities	83,449	83,366	(82)

(\*1) “Cash and deposits,” “accounts receivable - trade,” “accounts payable - trade,” and “short-term loans payable” are omitted, because they comprise cash and short-term instruments whose fair value approximates their carrying amount.

(\*2) Shares, etc., without market price are not included in “(1) Investment securities.” The amount in the consolidated balance sheets is as follows.

Category	Current fiscal year (Million yen)
Unlisted shares	692

(\*3) For guarantee deposits, the amount equivalent to financial instruments is presented.

(\*4) Long-term loans payable include current portion.

(\*5) Lease obligations include current portion.

(Note 1) Scheduled redemption amounts of monetary claims after the consolidated closing date

As of February 28, 2022

(Million yen)

Category	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	12,149	—	—	—
Accounts receivable - trade	49,710	—	—	—
Guarantee deposits	5,434	7,657	5,441	8,541
Total	67,293	7,657	5,441	8,541

As of February 28, 2023

(Million yen)

Category	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	20,988	—	—	—
Accounts receivable - trade	54,276	—	—	—
Guarantee deposits	6,327	9,392	6,471	9,438
Total	81,593	9,392	6,471	9,438

(Note 2) Expected amount of repayment of long-term loans payable and lease obligations after the consolidated closing date.

As of February 28, 2022

(Million yen)

Category	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term loans payable	6,928	5,273	5,112	4,230	2,230	713
Lease obligations	8,962	7,876	6,241	4,669	2,902	5,305
Total	15,890	13,150	11,354	8,900	5,132	6,019

As of February 28, 2023

(Million yen)

Category	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Long-term loans payable	9,514	10,359	8,463	7,436	2,204	1,185
Lease obligations	10,288	8,615	7,044	5,300	3,818	9,218
Total	19,802	18,975	15,508	12,736	6,022	10,403

### 3. Matters regarding the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs used to measure fair value.

- Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.
- Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.
- Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

#### (1) Financial instruments measured at fair value in the consolidated financial statements

As of February 28, 2023

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	769	—	—	769
Total assets	769	—	—	769

#### (2) Financial instruments other than those measured at fair value in the consolidated financial statements

As of February 28, 2023

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	27,939	—	27,939
Total assets	—	27,939	—	27,939
Long-term loans payable	—	38,947	—	38,947
Lease obligations	—	44,419	—	44,419
Total liabilities	—	83,366	—	83,366

#### (Note) Explanation of the valuation techniques and inputs used in the fair value measurements

##### Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1.

##### Guarantee deposits

Fair value of guarantee deposit is calculated by discounting future cash flows by an interest rate in which credit spread is added to an appropriate indicator such as JGB yield. Their fair value is classified as Level 2.

##### Long-term loans payable

Fair value of long-term loans payable, if variable interest rate is applicable, reflects market rate at short intervals and can be considered to approximate book value, where book value is assumed to represent fair value. On the other hand, fair value of long-term loans payable, if fixed interest rate is applicable, is measured at the present value of the sum of principal and interest, as calculated by discounting such sum by using the interest rate assumed to be applicable to similar loans newly taken out. These are classified as Level 2 fair value.

##### Lease obligations

Fair value of lease obligations is measured at present value calculated by discounting the sum of principal and interest by using the interest rate assumed to be applicable to similar new lease transactions. These are classified as level 2 fair value.

(Securities)

1. Available-for-sale securities

As of February 28, 2022

(Million yen)

Category	Amounts in the consolidated balance sheets at the consolidated closing date	Acquisition cost	Differences
Available-for-sale securities with the amount in the consolidated balance sheets exceeding the acquisition cost			
Shares	607	136	470
Others	47	46	1
Subtotal	654	182	472
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost			
Shares	24	33	(9)
Subtotal	24	33	(9)
Total	678	216	462

(Note) Unlisted shares (the amount in the consolidated balance sheets: ¥137 million) are not included in the available-for-sale securities in the table above, since they have no market price and their fair values are deemed extremely difficult to determine.

As of February 28, 2023

(Million yen)

Category	Amounts in the consolidated balance sheets at the consolidated closing date	Acquisition cost	Differences
Available-for-sale securities with the amount in the consolidated balance sheets exceeding the acquisition cost			
Shares	698	123	575
Others	50	45	4
Subtotal	748	168	580
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost			
Shares	20	24	(4)
Subtotal	20	24	(4)
Total	769	193	575

(Note) Unlisted shares (the amount in the consolidated balance sheets: ¥212 million) are not included in the available-for-sale securities in the table above, since they are shares with no market price.

2. Available-for-sale securities sold during the fiscal year

For the fiscal year ended February 28, 2022

This information is omitted as it lacks materiality.

For the fiscal year ended February 28, 2023

(Million yen)

Category	Amount sold	Total gain on sale	Total loss on sale
Shares	486	163	3
Bonds	197	—	4
Others	1	—	—
Total	686	163	8

### 3. Impairment loss on securities

For the fiscal year ended February 28, 2022

This information is omitted as it lacks materiality.

For the fiscal year ended February 28, 2023

This information is omitted as it lacks materiality.

In recording impairment of shares with fair value, shares with fair values declining by 50% or more compared to the acquisition cost as at the end of the current fiscal year, are entirely subject to impairment treatment, while for shares with fair values declining by approximately 30% to 50% compared to the acquisition cost, an amount deemed necessary in consideration of the recoverability of the fair value is subject to impairment treatment.

(Retirement benefits)

#### 1 Outline of retirement benefit plans adopted

Some of the Company's consolidated subsidiaries adopt, for the purpose of funding the retirement benefits of employees, unfunded defined benefit plans, mutual aid plans for specific retirement allowance and defined contribution plans.

Lump-sum retirement allowance scheme provides as retirement benefits lump-sum allowance commensurate with the scale of salary and service period.

For the lump-sum retirement allowance scheme adopted by some of the consolidated subsidiaries, retirement benefits-related liabilities and retirement benefit expenses are calculated using a simplified method.

#### 2. Defined benefit plan

##### (1) Reconciliation of the beginning and ending balances of retirement benefit obligations

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Balance of retirement benefit obligations at the beginning of the fiscal year	5,346	6,524
Service cost	978	1,146
Interest cost	10	19
Actuarial gains and losses generated	152	(914)
Retirement benefits paid	(161)	(315)
Increase following the new consolidation of entities	198	1,064
Balance of retirement benefit obligations at the end of the fiscal year	6,524	7,524

(Note) Includes plans adopting the simplified method

##### (2) Reconciliation of the beginning and ending balances of plan assets

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Balance of plan assets at the beginning of the fiscal year	64	67
Expected return on plan assets	0	0
Actuarial gains and losses generated	3	—
Contribution from the employer	5	1
Retirement benefits paid	(6)	(68)
Balance of plan assets at the end of the fiscal year	67	—

- (3) Reconciliation of retirement benefit obligations and plan assets at the end of the fiscal year and retirement benefits-related liabilities recorded in the consolidated balance sheets

	(Million yen)	
	As of February 28, 2022	As of February 28, 2023
Retirement benefit obligations of savings-type plans	101	—
Plan assets	(67)	—
	34	—
Retirement benefit obligations of unfunded plans	6,422	7,524
Net liabilities and assets recorded in the consolidated balance sheets	6,457	7,524
Retirement benefits-related liabilities	6,457	7,524
Net liabilities and assets recorded in the consolidated balance sheets	6,457	7,524

(Note) Includes plans adopting the simplified method

- (4) Retirement benefit expenses and breakdown thereof

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Service cost	978	1,146
Interest cost	10	19
Amortization of actuarial gains and losses	85	107
Retirement benefit expenses for defined benefit plans	1,074	1,273

(Note) Retirement benefit expenses at consolidated subsidiaries adopting simplified method are recorded under “service cost.”

- (5) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans (before tax effects) are as follows:

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Actuarial gains and losses	(66)	1,010
Total	(66)	1,010

- (6) Accumulated adjustment related to retirement benefits

Components of accumulated adjustment related to retirement benefits (before tax effects) are as follows:

	(Million yen)	
	As of February 28, 2022	As of February 28, 2023
Unrecognized actuarial gains and losses	513	(497)
Total	513	(497)

- (7) Matters regarding plan assets

- (i) Major components of plan assets

Ratios by major category of the plan assets are as follows:

	As of February 28, 2022	As of February 28, 2023
General account	100%	—%
Total	100%	—%

- (ii) Method of determining expected long-term rate of return on plan assets

The current and expected allocation of plan assets, and the current and expected future long-term rate of return on diverse assets comprising plan assets are taken into account in determining expected long-term rate of return on plan assets.

## (8) Matters regarding basis for actuarial assumptions

## Major actuarial assumptions

	As of February 28, 2022	As of February 28, 2023
Discount rate Domestic consolidated subsidiaries	Primarily 0.22%	Primarily 1.13%
Expected long-term rate of return on plan assets	0.45%	—%
(Notes) 1. Since expected rate of salary increase is not used in the actuarial calculation for the retirement benefit plans adopted, expected rate of salary increase is omitted.		
2. While 0.22% discount rate was primarily applied in the calculation at the beginning of the current fiscal year, following the review of the discount rate at the end of the fiscal year, a change in discount rate was judged to have significant effect on the amount of retirement benefit obligations, and thus discount rate was changed primarily to 1.13%.		

## 3. Defined benefit plans

The required amount of contributions to defined contribution plans of the consolidated subsidiaries was ¥821 million for the previous fiscal year and ¥853 million for the current fiscal year.

(Stock options, etc.)

## 1. Description and scale of stock options and status of changes

## (1) Description of stock options

	2014 Stock options (1st series of subscription rights to shares)
Classification and number of grantees	Directors of the Company 9 Directors of subsidiaries 27 Executive Officer of the Company 1 Executive Officers of subsidiaries 11
Number of stock options (Note 1)	126,400 shares of common stock (Notes 2, 3, 4)
Grant date	July 16, 2014
Vesting conditions	Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).
Eligible service period	Not applicable.
Exercise period	30 years (from July 17, 2014 to July 16, 2044)

	2015 Stock options (2nd series of subscription rights to shares)
Classification and number of grantees	Directors of the Company 7 Directors of subsidiaries 17 Executive Officers of subsidiaries 25
Number of stock options (Note 1)	118,400 shares of common stock (Notes 3, 4)
Grant date	February 16, 2015
Vesting conditions	Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).
Eligible service period	Not applicable.
Exercise period	30 years (from February 17, 2015 to February 16, 2045)

	2016 Stock options (3rd series of subscription rights to shares)
Classification and number of grantees	Directors of the Company 6 Directors of subsidiaries 14
Number of stock options (Note 1)	40,000 shares of common stock (Notes 3, 4)
Grant date	March 16, 2016
Vesting conditions	Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).
Eligible service period	Not applicable.
Exercise period	30 years (from March 17, 2016 to March 16, 2046)

	2017 Stock options (4th series of subscription rights to shares)
Classification and number of grantees	Directors of the Company 6 Directors of subsidiaries 15
Number of stock options (Note 1)	56,000 shares of common stock (Notes 3, 4)
Grant date	February 16, 2017
Vesting conditions	Holders of subscription rights to shares may exercise their subscription rights to shares within 10 days from the day following the day on which they lose their positions as Directors, Corporate Auditors, or Executive Officers of the Company or the Group (if the 10th day falls on a holiday, the next business day).
Eligible service period	Not applicable.
Exercise period	30 years (from February 17, 2017 to February 16, 2047)

- (Notes)
1. Figures are converted to number of shares.
  2. Figures are converted to number of shares after the share split (two for one) on September 1, 2014.
  3. Figures are converted to number of shares after the share split (two for one) on March 1, 2017.
  4. Figures are converted to number of shares after the share split (two for one) on September 1, 2020.

(2) Scale of stock options and the status of changes

Stock options in existence during the current fiscal year (fiscal year ended February 28, 2023) are covered, where numbers of stock options are converted to numbers of shares.

(i) Number of stock options

	2014 Stock options (1st series of subscription rights to shares)	2015 Stock options (2nd series of subscription rights to shares)	2016 Stock options (3rd series of subscription rights to shares)	2017 Stock options (4th series of subscription rights to shares)
Before vesting (shares)				
End of the previous fiscal year				
Granted				
Lapsed				
Vested				
Remaining balance yet to be vested				
After the vesting (shares)				
End of the previous fiscal year	41,600	51,200	27,200	40,800
Vested				
Exercised	5,600	5,600	3,200	4,800
Lapsed				
Remaining balance yet to be exercised	36,000	45,600	24,000	36,000

(Note) Figures are converted to number of shares following the share split (two for one) on September 1, 2014, the share split (two for one) on March 1, 2017, and the share split (two for one) on September 1, 2020.

(ii) Unit value

	2014 Stock options (1st series of subscription rights to shares)	2015 Stock options (2nd series of subscription rights to shares)	2016 Stock options (3rd series of subscription rights to shares)	2017 Stock options (4th series of subscription rights to shares)
Exercise price (yen)	1	1	1	1
Average share price at the time of exercise (yen)	2,650	2,650	2,650	2,650
Fair unit value as at the grant date (yen) (Note)	757.5	1,007	1,498	1,453.5

(Note) For fair unit value at the grant date, figures are converted to prices following the share split (two for one) on September 1, 2014, the share split (two for one) on March 1, 2017, and the share split (two for one) on September 1, 2020.

2. Method for estimating the fair unit value of stock options

No stock option was granted in the current fiscal year (fiscal year ended February 28, 2023).

3. Method for estimating the number of stock options vested

As it is basically difficult to reasonably estimate the number of lapsed stock options in future, a method that reflects solely the actual number of lapses in the past is adopted.



(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Deferred tax assets		
Accrued enterprise tax	793	941
Accrued business office tax	168	200
Provision for bonuses	1,699	1,853
Lump-sum depreciable assets	315	245
Provision for point card certificates	53	—
Accumulated impairment of leased assets	21	29
Accrued expenses	258	284
Accounts payable - other	39	102
Long-term accounts payable - other	410	414
Retirement benefits-related liabilities	2,250	2,618
Subscription rights to shares	58	52
Impairment loss	7,275	8,607
Loss on valuation of investment securities	26	50
Excess in depreciation	1,319	1,311
Allowance for doubtful accounts	42	86
Asset retirement obligations	3,943	4,377
Loss carryforward	388	1,878
Other	467	830
Subtotal of deferred tax assets	19,532	23,885
Valuation allowance for tax loss carryforward (Note 2)	(352)	(1,878)
Valuation allowance for aggregate deductible temporary differences	(2,162)	(3,232)
Subtotal of valuation allowance (Note 1)	(2,514)	(5,111)
Total deferred tax assets	17,017	18,774
Deferred tax liabilities		
Asset retirement cost	(1,815)	(1,865)
Valuation difference on the assets acquired at consolidation	(620)	(1,061)
Other	(168)	(290)
Total deferred tax liabilities	(2,605)	(3,217)
Net deferred tax assets	14,412	15,556

(Notes) 1 Valuation allowance increased by ¥2,596 million. This increase is mainly the result of additional recognition of ¥1,525 million valuation allowance for tax loss carryforward at the Company's subsidiaries (mainly represented by ¥1,720 million at Kokumin Co., Ltd.).

2 Tax loss carryforward and related deferred tax assets for each carry-forward period

As of February 28, 2022

Tax loss carryforward and related deferred tax assets for each carry-forward period are omitted due to their financial immateriality.

As of February 28, 2023

(Million yen)

	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforward (a)	—	23	32	4	9	1,807	1,878
Valuation allowance	—	(23)	(32)	(4)	(9)	(1,807)	(1,878)
Loss carryforward	—	—	—	—	—	—	—

(a) Tax loss carryforward is the amount obtained by multiplying them with the effective statutory tax rate.

2. Breakdown of items that caused major difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

	As of February 28, 2022	As of February 28, 2023
Effective statutory tax rate	30.6 %	30.6 %
(Adjustments)		
Inhabitant tax on per capita basis	2.0	2.0
Amortization of goodwill	1.4	2.2
Changes in valuation allowance	(0.8)	(0.8)
Tax rate difference between the Company and its subsidiaries	4.5	4.8
ESOP Trust	—	0.8
Others	(0.1)	(0.4)
Income tax rate after applying tax effect accounting	37.6	39.3

(Business combinations)

(Business combination by acquisition)

1. Overview of business combination

(1) Name and description of business of the acquired companies

(i) Kokumin Co., Ltd.

Name of the acquired company Kokumin Co., Ltd.

Business Operation of pharmacies and drugstores

(ii) French Co., Ltd.

Name of the acquired company French Co., Ltd.

Business Operation of pharmacies

(2) Main reasons for the business combination

The Group's mission is to "promote higher quality of life and healthy lifestyles for our customers" as we aim to be a provider of key support for people's lives and a one-stop store that offers specialist support by proposing high value-added products and services focused on health. We are evolving our business model centered on the operation of drugstores with dispensing pharmacies, counseling services, late-night services, and long-term care services. And we offer counseling and courteous customer services based on the expertise of employees such as pharmacists, registered sales clerks, beauty care advisors, registered dietitians, and dispensing clerks as we provide products with regional characteristics and enhance services that improve customer convenience. In this way, we aim to create stores that support the health and beauty of our area customers and their affluent living. Mainly based in the Kanto area, our service operations cover regions extending from the Tohoku area to the Kyushu area.

Meanwhile, the mission of Kokumin and French is: "to serve the beauty and health of the nation" and, in line with their vision of "We aim to be specialists that are close to customers and support healthy lifestyles," they operate highly specialized drugstores in large retail complexes, airports, in and close to railway stations, shopping districts, residential areas, and other favorable locations in major cities in Hokkaido, Kanto, Kansai, Kyushu, and other areas. They also operate dispensing pharmacies in diverse locations, primarily locations in front of university hospitals and large general hospitals, but also including inside clinic malls and railway station terminals.

The Group is seeking to expand its urban-type stores, which it intends to strengthen going forward, and its network of stores nationwide, and also expects to expand its business scale and strengthen its business structure by sharing the management resources owned by each company, such as know-how and human resources.

(3) Date of business combination

June 1, 2022

(4) Legal form of business combination

Share acquisition in cash

(5) Name after business combination

No changes

(6) Percentage of voting rights acquired

(i) Kokumin Co., Ltd.

93.86% (reached 100% with the acquisition of shares in French Co., Ltd.)

(ii) French Co., Ltd.

100%

(7) Primary reason for determining the acquiring company

The Company's cash acquisition of shares

2. The financial results period of the acquired companies included in the consolidated financial statements

From June 1, 2022 to February 28, 2023

3. Cost of acquisition of the acquired companies and breakdown thereof

(i) Kokumin Co., Ltd.

Acquisition price	Cash	¥20,398 million
Acquisition cost		¥20,398 million

(ii) French Co., Ltd.

Acquisition price	Cash	¥1,333 million
Acquisition cost		¥1,333 million

4. Description and amount of major acquisition-related costs

Advisory fees, etc. ¥418 million

5. Resulting amount of goodwill, reason for goodwill, amortization method, and amortization period

(1) Resulting amount of goodwill

¥16,608 million

While provisional accounting treatment was conducted as allocation of the acquisition cost was yet to be completed as at the end of the second quarter of the fiscal year ended February 28, 2023, such allocation was finalized at the end of the current fiscal year. The amount of goodwill decreased by ¥293 million following the finalization of the aforementioned provisional treatment.

(2) Reason for recognizing goodwill

This was due to the acquisition cost exceeding the net assets at fair value of the acquired company at the time of business combination.

(3) Method and period of amortization

Straight-line amortization over 13 years

6. Amount of assets received and liabilities assumed on the date of business combination and their major breakdown

Current assets	¥19,182 million
Noncurrent assets	¥15,819 million
Total assets	¥35,002 million
Current liabilities	¥15,031 million
Noncurrent liabilities	¥14,847 million
Total liabilities	¥29,879 million

7. Approximate amount of effect on the consolidated statements of income for the current fiscal year and its calculation method, under the assumption that the business combination had been completed on the commencement date of the current fiscal year

Net sales	¥11,078 million
Ordinary income	¥ (621) million

(Method for calculating the aforementioned approximate amount)

The approximate amount of the effect was deemed to be the difference between the net sales and ordinary income/loss of the Company as calculated under the assumption that the business combination was completed on the commencement date of the current fiscal year, and the net sales and ordinary income/loss on the consolidated statements of income of the acquired

company. The approximate amount of the effect was also calculated under the assumption that the goodwill recognized at the time of the business combination arose at the beginning of the current fiscal year.

The above information does not necessarily suggest what should happen in the future, nor does it present the operating results had the investment in the acquired company been made on the commencement date of the current fiscal year.

This approximation is not covered by audit certification.

(Asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of the asset retirement obligations

This consists primarily of the restoration obligation under real estate lease contracts of store facilities.

(2) Calculation method of the amount of the asset retirement obligations

Undiscounted future cash flows and the estimated period of use are estimated based on the retirement cost that actually incurred for the similar asset in the past. On this basis, the amount of asset retirement obligations is calculated by discounting the undiscounted future cash flows by using the discount rate based on the estimated period of use.

(3) Changes in the total amount of the asset retirement obligations

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Balance at beginning of period	10,000	11,494
Increase due to the acquisition of property, plant and equipment	812	627
Adjustments due to passage of time	92	102
Increase associated with the change in scope of consolidation	711	611
Decrease due to the fulfillment of asset retirement obligations	(128)	(175)
Other changes	5	72
Balance at end of period	11,494	12,734

(Real estate for lease, etc.)

The total amount of real estate for lease is omitted due to lack of materiality.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended February 28, 2023

Category	Amount (million yen)
OTC products	233,558
Cosmetics	176,608
Household goods	158,615
Food products	253,863
Others	92,232
Total sales of goods other than dispensing	914,878
Dispensing	228,106
Merchandise total	1,142,984
Commission income	1,293
Revenue from contracts with customers	1,144,278
Net sales to external customers	1,144,278

2. Basis for understanding revenue from contracts with customers

The same information is stated in “Notes to the Consolidated Financial Statements (Significant matters that serve as the basis for preparation of consolidated financial statements), 4. Matters regarding accounting policies, (6) Accounting standards for significant revenue and expenses.”

3. Reconciliation of satisfaction of performance obligations within contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue that is expected to be recognized in and after the following fiscal year arising from contracts with customers that exist at the end of the current fiscal year

(1) Balance of contract liabilities, etc.

(Million yen)

	Current fiscal year	
	Balance at beginning of period	Balance at end of period
Receivables from contracts with customers	49,710	54,276
Contract liabilities	151	143

Contract liabilities represent the allocated transaction price based on the standalone selling price reflecting the expected future lapse estimated from the actual usage in the past, where points awarded to customers under the point program operated by the Company’s subsidiaries are considered as performance obligations. Contract liabilities are reversed as revenues are recognized.

Revenues recognized in the current fiscal year based on the performance obligations satisfied in the past periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The description of information on the remaining performance obligations is omitted as there are no significant contracts with an original expected duration of more than one year and the Group has applied the practical expedient.

Considerations arising from the contracts with customers do not involve significant transactions that are not contained in the transaction prices.

(Segment information, etc.)

[Segment information]

Segment information is omitted as the Company has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

[Related information]

For the fiscal year ended February 28, 2022

1. Information by product and service

Segment information is omitted as the Company has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc., whose net sales to external customers account for over 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

Omitted as net sales to the external customers in Japan account for over 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Omitted as property, plant and equipment located in Japan accounts for over 90% of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

Omitted as no single customer represents 10% or more of net sales to external customers in the consolidated statements of income.

For the fiscal year ended February 28, 2023

1. Information by product and service

Segment information is omitted as the Company has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc., whose net sales to external customers account for over 90% of net sales in the consolidated statements of income.

2. Information by region

(1) Net sales

Omitted as net sales to the external customers in Japan account for over 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Omitted as property, plant and equipment located in Japan accounts for over 90% of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

Omitted as no single customer represents 10% or more of net sales to external customers in the consolidated statements of income.

[Information regarding impairment loss on noncurrent assets by reportable segment]

Segment information is omitted as the Company has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

[Information regarding amortization and unamortized balance of goodwill by reportable segment]

Segment information is omitted as the Company has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

[Related party information]

1. Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and its related parties

(i) Parent company and major shareholders (limited to business corporations, etc.) of the company submitting consolidated financial statements

For the fiscal year ended February 28, 2022

Class	Name of the company, etc.	Location	Capital stock or investments in capital (Million yen)	Description of business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts (Million yen)	Item	Balance at end of period (Million yen)
Parent company	AEON CO., LTD.	Mihama-ku, Chiba	220,007	Pure holding company	(held) Direct ownership 50.57	Royalty payments, concurrent service by officers	Royalty payments (Note)	547	Accounts payable - other	301

Terms of transaction and the policies for determining the terms of transaction

(Note) Royalty is negotiated between the parties and finalized at the Board of Directors. The balance at end of period includes consumption tax.

For the fiscal year ended February 28, 2023

Class	Name of the company, etc.	Location	Capital stock or investments in capital (Million yen)	Description of business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts (Million yen)	Item	Balance at end of period (Million yen)
Parent company	AEON CO., LTD.	Miha ma-ku, Chiba	220,007	Pure holding company	(held) Direct ownership 50.57	Consumption entrustment, royalty payments, concurrent service by officers	Consumption entrustment	5,000	Deposits paid to subsidiaries and associates	5,000
							Interest income (Note 1)	0	Accrued interest	0
							Royalty payments (Note 2)	587	Accounts payable - other	327

Terms of transaction and the policies for determining the terms of transaction

(Notes) 1. Interest rate conditions for consumption entrustment are reasonably determined with taking market interest rates into consideration.

2. Royalty is negotiated between the parties and finalized at the Board of Directors. The balance at end of period includes consumption tax.

(ii) Companies, etc. sharing the same parent with the company submitting consolidated financial statements, and subsidiaries, etc. of other subsidiaries and associates of the company submitting consolidated financial statements

For the fiscal year ended February 28, 2022

Class	Name of the company, etc.	Location	Capital stock or investments in capital (Million yen)	Description of business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts (Million yen)	Item	Balance at end of period (Million yen)
Company sharing the same parent	AEON CREDIT SERVICE CO., LTD.	Chiyoda-ku, Tokyo	500	Financial services business	—	Outsourcing of credit and electronic money services	Usage fees for credit and electronic money (Note)	2,871	Accounts receivable - trade	5,360
									Accounts payable - other	64
							Fees received for charge deposit of electronic money (Note)	41	Deposits received	679
								Accounts receivable - other	0	

Terms of transaction and the policies for determining the terms of transaction

(Note) Usage fees and fees received are determined in the same way as in general transactions. The balance at end of period includes consumption tax.

For the fiscal year ended February 28, 2023

Class	Name of the company, etc.	Location	Capital stock or investments in capital (Million yen)	Description of business or occupation	Percentage of voting rights holding (held) (%)	Relationship with related parties	Description of transactions	Transaction amounts (Million yen)	Item	Balance at end of period (Million yen)
Company sharing the same parent	AEON CREDIT SERVICE CO., LTD.	Chiyoda-ku, Tokyo	500	Financial services business	—	Outsourcing of credit and electronic money services	Usage fees for credit and electronic money (Note)	3,011	Accounts receivable - trade	6,065
									Accounts payable - other	5
							Fees received for charge deposit of electronic money (Note)	30	Deposits received	628
									Accounts receivable - other	0

Terms of transaction and the policies for determining the terms of transaction

(Note) Usage fees and fees received are determined in the same way as in general transactions. The balance at end of period includes consumption tax.

(2) Transactions between consolidated subsidiaries of the company submitting consolidated financial statements, and the related parties

(i) Officers and major shareholders (individuals only) and others of the company submitting consolidated financial statements

For the fiscal year ended February 28, 2022

Not applicable.

For the fiscal year ended February 28, 2023

Not applicable.

(ii) Officers and their close relatives, etc. of significant subsidiaries of the company submitting consolidated financial statements

For the fiscal year ended February 28, 2022

Not applicable.

For the fiscal year ended February 28, 2023

Not applicable.

2. Notes on parent company or significant affiliates

(1) Parent company

For the fiscal year ended February 28, 2022

AEON CO., LTD. (Listed on the Tokyo Stock Exchange, Inc.)

For the fiscal year ended February 28, 2023

AEON CO., LTD. (Listed on the Tokyo Stock Exchange, Inc.)

(2) Summary of financial information concerning significant affiliates

Not applicable.



(Per share information)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net assets per share	¥966.66	¥1,078.97
Net income per share	¥126.99	¥129.38
Diluted net income per share	¥126.88	¥129.29

- (Notes) 1. The number of shares of the Company held in the Employees' Stock Ownership ESOP Trust (February 28, 2022: 624,800 shares) and the number of shares of the Company held in the Directors' Remuneration BIP Trust (February 28, 2022: 440,442 shares; February 28, 2023: 412,219 shares) were included in the total number of treasury stock at the end of the year. The number of shares of the Company held in the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust was included in the number of treasury stock, which was to be deducted from the calculation of the average number of shares outstanding during the year (February 28, 2022: 1,294,907 shares; February 28, 2023: 718,595 shares). Please note that the Employees' Stock Ownership ESOP Trust was discontinued in February 2023.
2. The basis for the calculation of net income per share and diluted net income per share is as follows.

Item	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net income per share		
Net income attributable to owners of parent (Million yen)	26,453	27,030
Amount not attributable to common shareholders (Million yen)	—	—
Net income attributable to owners of parent relating to common shares (Million yen)	26,453	27,030
Average number of common shares outstanding during the fiscal year (Thousand shares)	208,320	208,916
Diluted net income per share		
Adjustment for net income attributable to owners of parent (Million yen)	—	—
[of which, interest paid after adjustment for income taxes] (Million yen)	—	—
Increase in number of common shares (Thousand shares)	167	155
[of which, subscription rights to shares] (Thousand shares)	[167]	[155]
Overview of residual shares not included in the calculation of diluted net income per share due to their non-dilutive effect	—	

(Significant subsequent events)

(Reintroduction of employee incentive plan)

At the Board of Directors meeting held on April 10, 2023, the Company resolved to reintroduce the “Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)” (an incentive plan similar to the “Employees’ Stock Ownership ESOP Trust” introduced in October 2015 and October 2020; hereinafter referred to as the “Plan”) for the purpose of enhancing the welfare of its employees and providing incentives to increase the corporate value.

#### 1. Purposes of introduction of the Plan

The purposes of the Plan are to provide a stable supply of the Company’s shares to the Employee Stock Ownership Association as well as to further raise the awareness of employees about the Company’s performance and stock value to improve the corporate value over the medium term through the Plan, in which earnings from the management and disposal of trust assets are distributed to employees.

#### 2. Outline of the Plan

This is an incentive plan that returns the benefits of an increase in the Company’s stock price to all the employees who are members of the “Welcia Holdings’ Employee Stock Ownership Association” (hereinafter referred to as the “Stock Ownership Association”). Upon the introduction of the Plan, the Company will enter into a “Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) Agreement” (hereinafter referred to as the “Trust Agreement”) with the Company as trustor and Mizuho Trust & Banking Co., Ltd. (hereinafter referred to as the “Trustee”) as trustee (the trust established under the Trust Agreement is hereinafter referred to as the “Trust”).

The Trust will acquire, during a pre-determined acquisition period, the number of the Company’s shares expected to be acquired by the Stock Ownership Association over the next five years. Thereafter, the Trust will sell the Company’s shares to the Stock Ownership Association on a certain date each month. At the time of termination of the trust, any trust income due to an increase in the stock price will be distributed among the beneficiary employees in accordance with their contribution ratios. In the event that a transfer loss occurs due to a decline in the stock price with a liability for the trust assets remaining, the Company will repay the bank in a lump sum in accordance with the guarantee clause in the loan agreement, and thus there will be no additional burden on the employees.

#### 3. Contents of Trust Agreement

(1) Type of trust	Independently managed monetary trust (third-party benefit trust)
(2) Purposes of trust	To provide the Stock Ownership Association with a stable supply of the Company’s shares and to provide beneficiaries with profits obtained from the management and disposal of trust assets.
(3) Trustor	The Company
(4) Trustee	Mizuho Trust & Banking Co., Ltd. (Re-trustee: Custody Bank of Japan, Ltd.)
(5) Beneficiaries	Members of the Stock Ownership Association who fulfill the requirements for beneficiaries
(6) Trust administrator	Chairperson of the Employee Stock Ownership Association
(7) Trust agreement date	(April 28, 2023)
(8) Trust establishment date	(April 28, 2023)
(9) Trust period	April 28, 2023 to May 10, 2028 (scheduled)
(10) Exercise of voting rights	The trustee will exercise the voting rights for the Company’s shares in accordance with the instructions of the trust administrator, which reflect the status of exercise of the voting rights of the Stock Ownership Association.
(11) Shares to be acquired	Common stock of the Company
(12) Total acquisition price	¥9,443 million
(13) Stock acquisition period	April 28, 2023 to June 30, 2023 (scheduled)
(14) Stock acquisition method	Acquired from the stock exchange market

## (v) Annexed consolidated detailed schedules

## [Annexed consolidated detailed schedule of corporate bonds]

Company name	Issuing company	Date of issuance	Balance at beginning of period (Million yen)	Balance at end of period (Million yen)	Interest rate (%)	Collateral	Maturity
WELCIA YAKKYOKU Co., Ltd.	54th series of unsecured straight bond	November 20, 2017	50	—	0.23	Unsecured straight bond	November 18, 2022
Total	—	—	50	—	—	—	—

(Note) The aforementioned bonds were redeemed at maturities with no outstanding balance at the end of the current fiscal year.

## [Annexed consolidated detailed schedule of loans payable, etc.]

Category	Balance at beginning of period (Million yen)	Balance at end of period (Million yen)	Average interest rate (%)	Maturity
Short-term loans payable	2,063	2,623	0.44	—
Current portion of long-term loans payable	6,928	9,514	0.33	—
Current portion of lease obligations	8,962	10,288	1.29	—
Long-term loans payable (except for the current portion)	17,560	29,649	0.34	From March 2024 to March 2037
Lease obligations (except for the current portion)	26,996	33,997	1.29	From March 2024 to June 2042
Total	62,510	86,072	—	—

(Notes) 1. The average interest rate shows the weighted average interest rate applicable to the balance of loans payable at end of period.

2. The sum of the scheduled amounts of repayment of long-term loans payable and lease obligations (excluding current portion) for each year in the five-year period after the consolidated closing date

Category	Over one year within two years (Million yen)	Over two years within three years (Million yen)	Over three years within four years (Million yen)	Over four years within five years (Million yen)
Long-term loans payable	10,359	8,463	7,436	2,204
Lease obligations	8,615	7,044	5,300	3,818

## [Annexed consolidated detailed schedule of asset retirement obligations]

The matters to be reported in the schedule is omitted, as relevant information is provided as notes pursuant to Article 15-23 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

(2) Other

Quarterly information, etc., for the current fiscal year

(Cumulative accounting period)		1st quarter	2nd quarter	3rd quarter	Current fiscal year
Net sales	(Million yen)	267,716	562,752	845,986	1,144,278
Net income before income taxes and minority interests	(Million yen)	10,383	27,504	34,652	44,566
Net income attributable to owners of parent	(Million yen)	6,321	17,088	21,136	27,030
Net income per share	(Yen)	30.30	81.86	101.21	129.38

(Accounting period)		1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share	(Yen)	30.30	51.55	19.37	28.18

(Note) While the business combinations through the acquisition of shares on June 1, 2022 of Kokumin Co., Ltd. and French Co., Ltd. were subject to provisional accounting treatment in the second quarter, the provisional treatment was finalized in the fourth quarter. Accordingly, the relevant figures for the second and third quarters have been adjusted, reflecting the provisional treatment.

## 2. Financial Statements, etc.

### (1) Financial Statements

#### (i) Balance Sheets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	5,407	9,472
Prepaid expenses	207	42
Short-term loans receivable	* 4,425	* 4,362
Accounts receivable - other	* 2,258	* 1,898
Deposits paid to subsidiaries and associates	–	5,000
Other	* 23	* 268
Total current assets	12,321	21,045
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	0	0
Tools, furniture and fixtures	0	1
Total property, plant and equipment	0	1
Intangible assets		
Software	17	13
Software in progress	4	22
Total intangible assets	21	35
Investments and other assets		
Investment securities	118	118
Shares of subsidiaries and associates	98,005	120,845
Long-term prepaid expenses	476	0
Deferred tax assets	90	32
Other	101	101
Total investments and other assets	98,793	121,098
Total noncurrent assets	98,815	121,135
<b>Total assets</b>	<b>111,137</b>	<b>142,180</b>

(Million yen)

	As of February 28, 2022	As of February 28, 2023
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	* 19,703	* 39,295
Provision for bonuses for directors (and other officers)	23	43
Accounts payable - other	* 461	* 799
Accrued expenses	* 14	* 20
Income taxes payable	31	44
Other	384	49
<b>Total current liabilities</b>	<b>20,619</b>	<b>40,252</b>
Noncurrent liabilities		
Allowance for executive stock benefit	722	781
Long-term loans payable	10,497	18,487
Long-term accounts payable - other	68	50
<b>Total noncurrent liabilities</b>	<b>11,287</b>	<b>19,319</b>
<b>Total liabilities</b>	<b>31,906</b>	<b>59,572</b>
Net assets		
Shareholders' equity		
Capital stock	7,736	7,747
Capital surplus		
Legal capital surplus	36,913	36,923
Other capital surplus	26,641	26,641
<b>Total capital surplus</b>	<b>63,554</b>	<b>63,565</b>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	11,597	12,218
<b>Total retained earnings</b>	<b>11,597</b>	<b>12,218</b>
Treasury stock	(3,840)	(1,084)
<b>Total shareholders' equity</b>	<b>79,047</b>	<b>82,446</b>
Subscription rights to shares	183	161
<b>Total net assets</b>	<b>79,230</b>	<b>82,608</b>
<b>Total liabilities and net assets</b>	<b>111,137</b>	<b>142,180</b>

## (ii) Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Operating revenue	*1 10,752	*1 11,623
Operating gross profit	10,752	11,623
Selling, general and administrative expenses	*1, 2 2,587	*1, 2 2,851
Operating income	8,164	8,772
Non-operating income		
Interest income	*1 9	*1 12
Subsidies for employment adjustment	90	69
Other	*1 6	*1 10
Total non-operating income	106	91
Non-operating expenses		
Interest expenses	*1 43	*1 120
Foreign exchange losses	–	0
Other	–	1
Total non-operating expenses	43	122
Ordinary income	8,228	8,741
Extraordinary loss		
Loss on valuation of shares of subsidiaries and associates	–	327
Loss on guarantees	–	1,110
Total extraordinary losses	–	1,437
Net income before income taxes	8,228	7,304
Income taxes - current	19	126
Income taxes - deferred	25	58
Total income taxes	45	185
Net income	8,183	7,119

## (iii) Statements of Changes in Equity

Fiscal year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(Million yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	7,736	36,913	26,621	63,534	9,701	9,701	(5,854)	75,118	230	75,349
Changes during period										
Dividends of surplus					(6,288)	(6,288)		(6,288)		(6,288)
Net income					8,183	8,183		8,183		8,183
Purchase of treasury stock							(2)	(2)		(2)
Disposal of treasury stock			20	20			2,016	2,036		2,036
Net changes in items other than shareholders' equity									(47)	(47)
Total changes during period	-	-	20	20	1,895	1,895	2,013	3,929	(47)	3,881
Balance at end of period	7,736	36,913	26,641	63,554	11,597	11,597	(3,840)	79,047	183	79,230

Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of period	7,736	36,913	26,641	63,554	11,597	11,597	(3,840)	79,047	183	79,230
Changes during period										
Issuance of new shares	10	10		10				21		21
Dividends of surplus					(6,498)	(6,498)		(6,498)		(6,498)
Net income					7,119	7,119		7,119		7,119
Purchase of treasury stock							(1)	(1)		(1)
Disposal of treasury stock			0	0			2,758	2,758		2,758
Net changes in items other than shareholders' equity									(21)	(21)
Total changes during period	10	10	0	10	620	620	2,756	3,399	(21)	3,377
Balance at end of period	7,747	36,923	26,641	63,565	12,218	12,218	(1,084)	82,446	161	82,608



## Notes to the Financial Statements

(Significant accounting policies)

### 1. Valuation standards and methods for securities

#### Shares of subsidiaries and affiliates

Stated at cost using the moving-average method.

#### Available-for-sale securities

Shares, etc., without market price

Stated at cost using the moving-average method.

### 2. Valuation standards and methods for inventories

#### Supplies

Stated at cost using the last-purchase-price method (using the inventory write-down method based on decreased profitability).

### 3. Depreciation and amortization methods for noncurrent assets

#### (1) Property, plant and equipment (excluding leased assets)

The declining-balance method is adopted. However, straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016.

Useful lives of principal assets are as follows:

Buildings	10 to 15 years
Furniture and fixtures	5 to 20 years

#### (2) Intangible assets

They are amortized using the straight-line method. However, straight-line method is used for software based on the internally usable period (five years).

#### (3) Leased assets

Leased assets related to finance lease transactions not involving the transfer of ownership

The straight-line method is adopted, using the lease term as useful life of the asset while assuming its residual value at zero.

### 4. Accounting standards for allowances

#### (1) Provision for bonuses for directors (and other officers)

To provide for the future payments of bonuses for Directors and Executive Officers, the Company has provided an allowance for the estimated payment amount, reflecting the performance in the current fiscal year.

#### (2) Allowance for executive stock benefit

To provide for issuance of the Company's shares as well as the payment of cash to Directors and Executive Officers, the Company has provided an allowance for the estimated amount based on the expected issuance of shares and the payment of cash commensurate with the number of points granted pursuant to the Rules for the Delivery of Shares to Executives to the eligible Directors and Executive Officers at the end of the current fiscal year.

### 5. Accounting standards for significant revenue and expenses

Sources of revenues of the Company consist primarily of dividend income and consulting fee income received from subsidiaries. Dividend income is recognized at the effective date of dividend. The Company identifies provision of business management service to the Group companies as its performance obligations. Since such obligations are satisfied over a period of time, revenues are recognized over the term of contract for providing such service.

(Changes in accounting policies)

(1) Application of the Accounting Standard for Revenue Recognition, etc.

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter the “Revenue Recognition Standard”) and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the good or service.

This does not affect operating revenue, operating income, ordinary income and net income before income tax for the current fiscal year.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous period have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, notes on “Revenue recognition” for the previous fiscal year is not presented.

(2) Application of the Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter the “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard and other standards in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the financial statements.

(Additional information)

Notes on the transactions for delivering the Company’s shares to employees through a trust, as well as on the performance-linked stock compensation, etc. for Directors, etc., are omitted as the same information is stated in “Notes to the Consolidated Financial Statements (Additional information)” in the Consolidated Financial Statements.

(Balance sheets)

\* Monetary claims and monetary obligations to subsidiaries and associates

	(Million yen)	
	As of February 28, 2022	As of February 28, 2023
Short-term monetary claims	4,975	4,681
Short-term monetary obligations	15,737	33,842

(Statements of income)

\*1 Transactions with subsidiaries and associates

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Operating transactions		
Operating revenue	10,752	11,623
Selling, general and administrative expenses	696	740
Amount of non-operating transactions		
Non-operating income	10	12
Non-operating expenses	27	39

\*2 Major items included in selling, general and administrative expenses are as follows:

	(Million yen)	
	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Officer remuneration	356	339
Salaries and allowances	267	364
Advertising expenses	276	309
Commission expenses	942	1,040
Depreciation	10	8
Donations	414	424
Maintenance fees	33	33

(Securities)

The description of the fair values of shares of subsidiaries and affiliates is omitted since they are shares, etc., without market price.

The balance sheet amounts of the shares of subsidiaries and affiliates with no market price are as follows.

	(Million yen)	
Category	As of February 28, 2022	As of February 28, 2023
Shares of subsidiaries	97,915	120,314
Shares of affiliates	90	531

(Tax effect accounting)

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

	(Million yen)	
	As of February 28, 2022	As of February 28, 2023
Deferred tax assets		
Accrued enterprise tax	8	9
Long-term accounts payable - other	20	15
Subscription rights to shares	35	28
Deficit	35	—
Allowance for executive stock benefit	86	71
Shares of subsidiaries and associates	135	235
Other	7	0
Subtotal of deferred tax assets	330	361
Valuation allowance	(232)	(329)
Total deferred tax assets	98	32
Deferred tax liabilities		
Employees' Stock Ownership ESOP Trust (trust account)	(7)	—
Total deferred tax liabilities	(7)	—
Net deferred tax assets (liabilities)	90	32

2. Breakdown of items that caused major difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

	As of February 28, 2022	As of February 28, 2023
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from expenses such as entertainment expenses	1.5	6.6
Items permanently excluded from income such as dividend income	(31.3)	(36.1)
Changes in valuation allowance	(0.2)	1.3
Others	(0.1)	0.1
Income tax rate after applying tax effect accounting	0.5	2.5

(Revenue recognition)

The description of useful information in understanding revenue from contracts with customers is omitted as it is provided in “Notes to the Financial Statements (Significant accounting policies), 5. Accounting standards for significant revenue and expenses.”

(Significant subsequent events)

(Reintroduction of employee incentive plan)

Notes are omitted as the same information is stated in “Notes to the Consolidated Financial Statements, (Significant subsequent events)” in the Consolidated Financial Statements.

## (iv) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Million yen)

Category	Type of assets	Balance at beginning of period	Increase during period	Decrease during period	Depreciation (amortization) during period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings and structures	0	—	—	0	0	2
	Tools, furniture and fixtures	0	0	—	0	0	12
	Total	0	0	—	0	1	14
Intangible assets	Software	17	5	—	8	13	—
	Software in progress	4	22	4	—	22	—
	Total	21	27	4	8	35	—

[Annexed detailed schedule of provisions]

(Million yen)

Item	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Provision for bonuses for directors (and other officers)	23	43	23	43
Allowance for executive stock benefit	722	126	66	781

## (2) Components of major assets and liabilities

This information is omitted since the Company prepares the consolidated financial statements.

## (3) Other

Not applicable.

## VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From March 1 to the end of February						
Annual General Meeting of Shareholders	During May						
Record date	End of February						
Record date for distribution of surplus	August 31 End of February						
Number of shares constituting one unit	100 shares						
Purchase of shares less than one unit							
Handling office	(Special account) Mitsubishi UFJ Trust and Banking Corporation Securities Agency Division 1-4-5 Marunouchi, Chiyoda-ku, Tokyo						
Administrator of shareholder registry	(Special account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo						
Handling location	-						
Purchase fee	Free of charge						
Method of public notice	The method of public notice of the Company shall be by electronic public notice. However, in the event that electronic public notice becomes impossible due to accidents or other unavoidable reasons, announcements will be published in the Nikkei. Electronic public notices are posted on the Company's website with the following URL: <a href="https://www.welcia.co.jp/en/">https://www.welcia.co.jp/en/</a>						
Shareholder benefits	Shareholders who are listed or recorded in the final shareholder register as of the end of February every year will receive the Company's shopping gift card according to the following criteria: (Gift criteria) <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;">Shareholders holding 100 shares or more but less than 500 shares</td> <td style="text-align: right;">Gift card worth ¥3,000</td> </tr> <tr> <td>Shareholders holding 500 shares or more but less than 1,000 shares</td> <td style="text-align: right;">Gift card worth ¥5,000</td> </tr> <tr> <td>Shareholders holding 1,000 shares or more</td> <td style="text-align: right;">Gift card worth ¥10,000</td> </tr> </table>	Shareholders holding 100 shares or more but less than 500 shares	Gift card worth ¥3,000	Shareholders holding 500 shares or more but less than 1,000 shares	Gift card worth ¥5,000	Shareholders holding 1,000 shares or more	Gift card worth ¥10,000
Shareholders holding 100 shares or more but less than 500 shares	Gift card worth ¥3,000						
Shareholders holding 500 shares or more but less than 1,000 shares	Gift card worth ¥5,000						
Shareholders holding 1,000 shares or more	Gift card worth ¥10,000						

(Note) Shareholders of the Company may not exercise their rights other than the followings, concerning the possession of shares less than one unit.

- (1) The rights stipulated in each Item of the Article 189, Paragraph 2 of the Companies Act.
- (2) The right to request acquisition of shares with put option.
- (3) The right to receive an allotment of shares or subscription rights to shares in proportion to the number of shares owned by shareholders.
- (4) The right to request the additional purchase of shares less than one unit.

## VII. Reference Information of Reporting Company

### 1. Information about Parent of Reporting Company

The Company has no parent company as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

The Company submitted the following documents during the period from the beginning of the current fiscal year to the date of submission of the annual securities report.

#### (1) Annual securities report, attached documents, and confirmation documents

Fiscal year (14th term) (From March 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on May 25, 2022.

#### (2) Amendment reports for annual securities report

Fiscal year (14th term) (From March 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on June 14, 2022.

Fiscal year (14th term) (From March 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on July 19, 2022.

#### (3) Confirmation documents for the amendment reports for annual securities report

Fiscal year (14th term) (From March 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on June 14, 2022.

Fiscal year (14th term) (From March 1, 2021 to February 28, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on July 19, 2022.

#### (4) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on May 25, 2022.

#### (5) Quarterly securities reports and confirmation documents

First quarter of the 15th term (From March 1, 2022 to May 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on July 5, 2022.

Second quarter of the 15th term (From June 1, 2022 to August 31, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on October 4, 2022.

Third quarter of the 15th term (From September 1, 2022 to November 30, 2022) Submitted to the Director-General of the Kanto Local Finance Bureau on January 10, 2023.

#### (6) Extraordinary report

Extraordinary report based on the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 (Result of exercise of voting rights at general shareholders meetings) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on May 26, 2022.

Part 2. Information about Reporting Company's Guarantor, etc.

Not applicable.