

Annual Securities Report (“Yukashoken Hokokusho”)

Fiscal year From March 1, 2024
(17th) To February 28, 2025

WELCIA HOLDINGS CO., LTD.

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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 17th fiscal year that was disclosed on May 28, 2025. 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 28, 2025
[Fiscal year]	The 17th fiscal year (from March 1, 2024 to February 28, 2025)
[Company name]	WELCIA HOLDINGS Kabushiki Kaisha
[Company name in English]	WELCIA HOLDINGS CO., LTD.
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[Name of contact person]	Takamune Shibazaki, Director, Executive Officer; in charge of Finance and Accounting
[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		13th	14th	15th	16th	17th
Year End		Feb. 2021	Feb. 2022	Feb. 2023	Feb. 2024	Feb. 2025
Net sales	(Million yen)	949,652	1,025,947	1,144,278	1,217,339	1,285,005
Ordinary income	(Million yen)	45,800	47,590	52,149	47,756	40,837
Net income attributable to owners of parent	(Million yen)	27,999	26,453	27,030	26,451	14,958
Comprehensive income	(Million yen)	28,025	26,423	27,841	26,534	14,684
Net assets	(Million yen)	180,351	207,886	232,384	244,367	254,486
Total assets	(Million yen)	435,685	463,048	537,362	551,860	579,985
Net assets per share	(Yen)	862.82	966.66	1,078.97	1,149.88	1,197.11
Net income per share	(Yen)	134.23	126.99	129.38	127.83	72.23
Diluted net income per share	(Yen)	134.10	126.88	129.29	127.75	72.18
Equity ratio	(%)	41.2	43.5	42.0	43.0	42.8
Return on equity	(%)	16.4	13.9	12.7	11.4	6.2
Price earnings ratio	(Times)	25.4	24.1	23.0	22.1	30.7
Cash flows from operating activities	(Million yen)	46,396	16,228	60,296	46,529	47,845
Cash flows from investing activities	(Million yen)	(16,147)	(37,088)	(36,068)	(22,028)	(22,736)
Cash flows from financing activities	(Million yen)	(16,970)	(7,282)	(14,849)	(26,812)	(20,774)
Cash and cash equivalents at year-end	(Million yen)	50,937	22,837	32,307	30,065	34,404
Number of employees	(Persons)	11,708	13,294	14,865	15,286	16,611
[Average number of temporary employees not included in the above]		[22,372]	[24,480]	[25,477]	[26,413]	[27,465]

- (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 13th 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 15th fiscal year. The key financial data for the fiscal year ended February 28, 2023 and after reflect the accounting standard, etc.

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

Fiscal Year		13th	14th	15th	16th	17th
Year End		Feb. 2021	Feb. 2022	Feb. 2023	Feb. 2024	Feb. 2025
Operating revenue	(Million yen)	10,112	10,752	11,623	13,057	14,823
Ordinary income	(Million yen)	7,519	8,228	8,741	9,234	9,499
Net income	(Million yen)	7,201	8,183	7,119	8,996	8,286
Capital stock	(Million yen)	7,736	7,736	7,747	7,748	7,792
Total number of issued shares	(Thousand shares)	209,633	209,633	209,652	209,656	209,713
Net assets	(Million yen)	75,349	79,230	82,608	76,828	80,571
Total assets	(Million yen)	117,314	111,137	142,180	146,386	164,697
Net assets per share	(Yen)	361.10	379.02	394.05	371.12	387.59
Dividend per share	(Yen)	42.00	30.00	32.00	34.00	36.00
[of the above, interim dividend per share]		[27.00]	[15.00]	[16.00]	[17.00]	[18.00]
Net income per share	(Yen)	34.52	39.28	34.08	43.48	40.01
Diluted net income per share	(Yen)	34.49	39.25	34.05	43.45	39.98
Equity ratio	(%)	64.0	71.1	58.0	52.4	48.9
Return on equity	(%)	9.4	10.6	8.8	11.3	10.5
Price earnings ratio	(Times)	98.6	78.0	87.4	65.0	55.4
Payout ratio	(%)	82.6	76.4	93.9	78.2	90.0
Number of employees	(Persons)	26	29	37	41	39
[Average number of temporary employees not included in the above]		[—]	[—]	[—]	[—]	[—]
Total shareholder return	(%)	105.6	96.1	94.4	90.8	73.2
[Benchmark: TOPIX Net Total Return Index]	(%)	[126.4]	[130.7]	[141.8]	[195.1]	[200.2]
Highest share price	(Yen)	4,815 [10,070]	4,390	3,285	3,200	2,859
Lowest share price	(Yen)	3,405 [5,410]	3,010	2,296	2,291	1,816

- (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 13th 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 15th fiscal year. The key financial data for the fiscal year ended February 28, 2023 and after 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 Yakuin 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 Limited 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 Yakuin 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 Wellness Stores Inc. 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.
March 2024	Acquired 100% ownership of Xchange Inc., Xchange Solutions Inc. and Xchange Creative Inc. through share acquisition.
June 2024	Acquired 100% ownership of Towoshiya Pharmacy CO., LTD. through a share acquisition.
September 2024	WELCIA YAKKYOKU CO., LTD. absorbed Towoshiya Pharmacy CO., LTD.
September 2024	Acquired 100% ownership of Welpark Co., Ltd. through a share acquisition.
October 2024	Acquired 100% ownership of Tepco Partners Co., Ltd. through a share acquisition. Tepco Partners Co., Ltd. changed its name to WELCIA PARTNERS Co, inc.
October 2024	WELCIA YAKKYOKU CO., LTD. established Welcia Caretransport Co., Ltd.
Feb. 2025	Acquired 100% ownership of WELCIA-BHG (SINGAPORE) PTE. LTD. through acquisition of additional shares. WELCIA-BHG (SINGAPORE) PTE. LTD. changed its name to WELCIA SINGAPORE PTE. LTD.

3. Description of Business

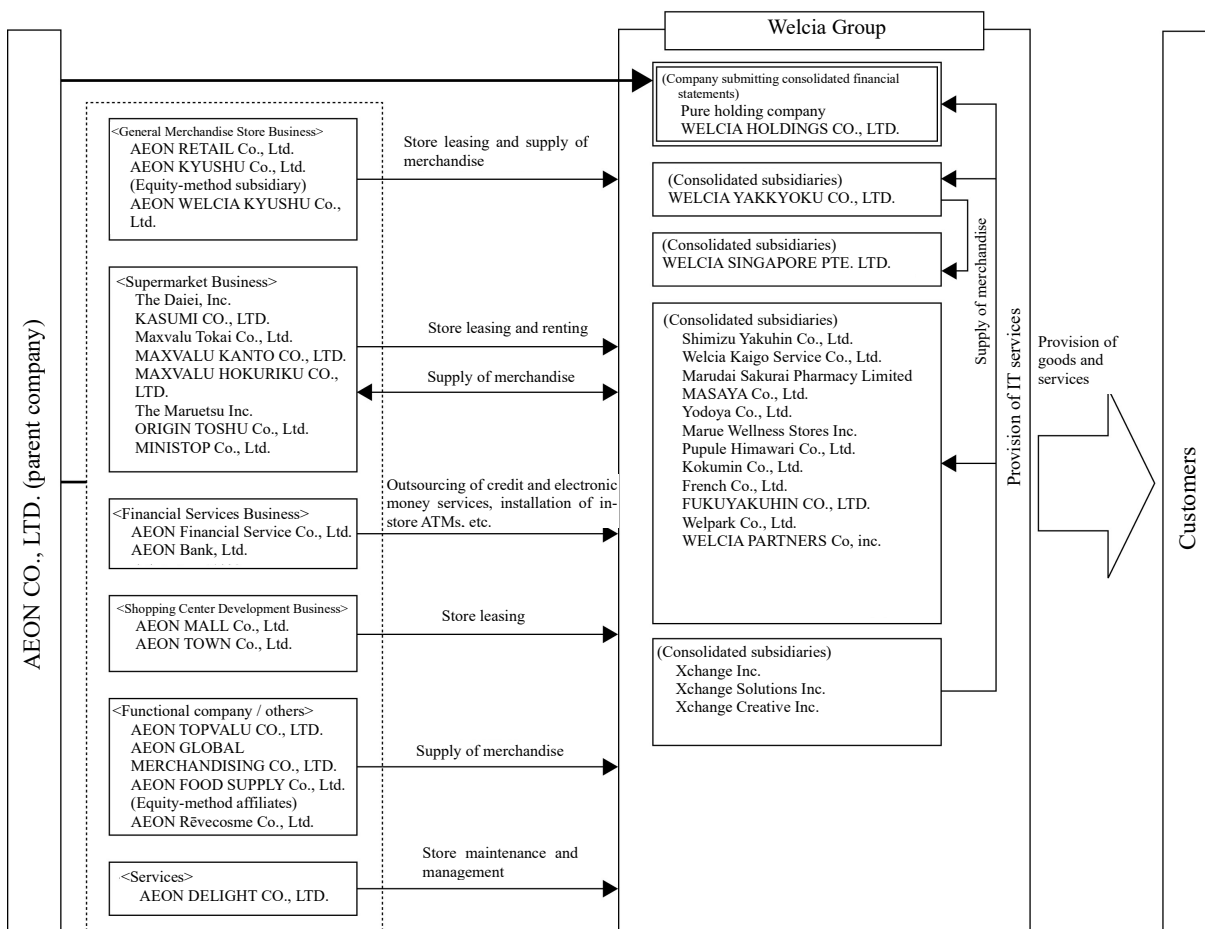
The Group consists of the Company and 22 affiliated companies (17 consolidated subsidiaries, 3 non-consolidated subsidiaries, and 2 affiliates), and is mainly engaged in retail business based on drugstores, selling OTC products, healthcare/nursing care products, baby products, health foods, dispensing, 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., WELCIA RETAIL SOLUTION CO., LTD., and Welcia Caretransport Co., Ltd. are not shown in the chart below due to their immateriality.

As of February 28, 2025



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: 2
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	Lending funds
Marudai Sakurai Pharmacy Limited	Aomori, Aomori Prefecture	29	Drugstore business	100.0	Lending funds Management guidance Receiving dividends
MASAYA Co., Ltd.	Kita-ku, Okayama	10	Cosmetics sales	100.0	Lending funds Management guidance Receiving dividends
Yodoya Co., Ltd.	Kochi, Kochi Prefecture	50	Drugstore business	50.1	Lending funds Management guidance
Marue Wellness Stores Inc.	Maebashi, Gunma Prefecture	48	Drugstore business	51.0	Lending funds Management guidance
Pupule Himawari Co., Ltd.	Fukuyama, Hiroshima Prefecture	49	Drugstore business	51.0	Management guidance
Kokumin Co., Ltd.	Suminoe-ku, Osaka	91	Drugstore business	100.0 (6.1)	Management guidance
French Co., Ltd.	Suminoe-ku, Osaka	18	Drugstore business	100.0	—
FUKUYAKUHIN CO., LTD.	Naha, Okinawa Prefecture	20	Drugstore business	53.8	Lending funds Borrowing funds Management guidance
Xchange Inc.	Minato-ku, Tokyo	10	Information systems business	100.0	Concurrent officers: 2
Xchange Solutions Inc.	Minato-ku, Tokyo	13	Information systems business	100.0	Concurrent officers: 1
Xchange Creative Inc.	Minato-ku, Tokyo	5	Information systems business	100.0	Concurrent officers: 1
Welpark Co., Ltd.	Tachikawa, Tokyo	100	Drugstore business	100.0	—
WELCIA PARTNERS Co, inc.	Toshima-ku, Tokyo	50	Nursing care business	100.0	Borrowing funds
WELCIA SINGAPORE PTE. LTD.	Republic of Singapore	S\$42 million	Drugstore business	100.0	Concurrent officers: 1
(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	Concurrent officers: 1

(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	1,054,790
Ordinary income	41,614
Net income	17,851
Net assets	230,371
Total assets	468,278

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

As of February 28, 2025

Category	Number of employees	
Sales departments	14,842	[27,297]
Administration departments	1,769	[168]
Total	16,611	[27,465]

- (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).

(2) The Company

As of February 28, 2025

Number of employees	Average age	Average years of service	Average annual salary (thousand yen)
39	53.1	1.9	8,665

- (Notes) 1. All employees of the Company are seconded from consolidated subsidiaries.
 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, 2025, the number of union members was 51,042 (including 35,027 temporary employees).

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

(4) Ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and differences in wages between male and female employees

(i) The Group

		Current fiscal year			Supplemental explanation
Ratio of female employees in managerial positions (%)	Ratio of male employees taking childcare leave (%)	Differences in wages between male and female employees (%)			
		All employees	Regular employees	Part-time and fixed-term employees	
18.0	88.7	67.4	73.6	97.6	—

- (Notes) 1. The indicators are calculated based on 13 domestic consolidated subsidiaries.
 2. The indicators are calculated by averaging the indicators of each company.

(ii) Consolidated subsidiaries

Current fiscal year							
Company names	Ratio of female employees in managerial positions (%) (Notes 1, 3)	Ratio of male employees taking childcare leave (%) (Notes 2, 3, 4)			Differences in wages between male and female employees (%) (Notes 1, 3, 4)		
		All employees	Regular employees	Part-time and fixed-term employees	All employees	Regular employees	Part-time and fixed-term employees
WELCIA YAKKYOKU CO., LTD.	16.6	88.3	87.9	100.0	66.6	73.2	97.8
Shimizu Yakuin Co., Ltd.	14.6	100.0	100.0	100.0	77.7	83.5	100.4
Welcia Kaigo Service Co., Ltd.	35.9	100.0	100.0	—	81.2	89.2	97.9
Marudai Sakurai Pharmacy Limited	24.1	100.0	100.0	—	66.2	76.8	92.8
MASAYA Co., Ltd.	100.0	—	—	—	155.5	156.0	—
Yodaya Co., Ltd.	12.5	—	—	—	66.9	79.7	90.4
Marue Wellness Stores Inc.	29.4	100.0	100.0	—	71.4	72.4	98.8
Pupule Himawari Co., Ltd.	21.2	100.0	100.0	—	62.8	68.5	98.4
Kokumin Co., Ltd.	21.6	100.0	100.0	—	68.9	85.1	84.6
FUKUYAKUHIH CO., LTD.	38.5	100.0	100.0	—	65.4	65.3	103.3
Xchange Inc.	30.0	—	—	—	79.4	84.7	—
Welpark Co., Ltd.	15.4	75.0	75.0	—	75.9	90.4	105.4
WELCIA PARTNERS Co, inc.	40.0	—	—	—	92.3	85.2	119.8

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. The ratio of taking childcare leave, etc., calculated in accordance with Article 71-4, Paragraph 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991). The figures for regular employees and part-time and fixed-term employees are provided for reference.
3. Seconded employees are counted as employees of the originating company.
4. "—" indicates that the calculation cannot be performed because there are no applicable male employees.

(iii) The Company

This information is omitted because there are no directly employed employees.

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 continued expansion in scale due to the opening of new stores by major players in the same industry, and an intensification in competition across industries and business formats. 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 active wage raises in response to the labor shortage and changes in consumer needs.

Recognizing that these severe changes in the business environment offer opportunities for growth, we formulated our new strategic policy, Welcia 2.0. Under Welcia 2.0, we will promote the digital transformation of the Group from the perspectives of customers, stores, headquarters, and dispensing and implement product, medical care, and region strategies driven by that digital transformation. By doing so, we believe that our vision for 2030 of becoming the "No.1 health station in the community" can be achieved to a high degree and ahead of schedule.

Based on the above issues and new strategies, the Group will implement the following initiatives.

(i) Product strategy

The Group will increase the focus it places on developing its private brands and will strengthen its lineup of products that meet diversifying customer needs. Additionally, it will utilize data to promote product lineups suited to the characteristics of each region.

(ii) Medical care strategy

By using healthcare data to continue responding to changing lifestyles, the Group will begin new initiatives to enhance contact with customers and bring medical care and drugstores closer together.

(iii) Region strategy

By visualizing the status of each area and individual store based on data, the Group will intensively conduct remodeling and store openings suited to each region.

(iv) Digital transformation

The Group will promote data-driven management for all group companies and support the three strategies stated above by acting as a hub that integrates customer data platforms.

(v) Sophistication of organizational and business management

We will optimize cross-Group organization.

In addition to these efforts, we are strengthening internal controls and risk management systems in order to address risks that increase with the expansion of the Group's scale. Furthermore, the Group has continued to promote sustainability management, and we are striving to fulfill our corporate philosophy and help to realize a sustainable society through our Basic Sustainability Policy, which is composed of our Human Rights Policy, our Environmental Policy, and our Products and Services Policy.

The following are planned for the six months ending August 31, 2025.

	Six months ending August 31, 2025 plan (cumulative)
Net sales	¥685.1 billion
Ordinary income	¥22.7 billion

(Note) Only the financial results forecast for the six months ending August 31, 2025 is provided as the Company plans to integrate its operations with TSURUHA Holdings Inc. and is scheduled to be delisted on November 27, 2025.

2. Disclosure of Sustainability-related Financial Information

In 2021, the Group formulated its Basic Sustainability Policy that emphasizes both fulfilling our corporate philosophy and helping to realize a sustainable society. The Basic Sustainability Policy comprises three individual policies: Our Human Rights Policy and Environmental Policy collate our values with regard to human rights and the environment, which we consider as particularly important with respect to realizing a sustainable society, while our Products and Services Policy outlines the direction that our core business should be moving in based on these values.

(1) Governance

Taking our Basic Sustainability Policy as the foundation, the Group has specified materiality items, which are linked to the above three policies. When formulating the above Basic Sustainability Policy, we also established a Sustainability Committee, chaired by the President and Representative Director, as a dedicated organization to oversee and promote the efficient, speedy implementation of initiatives relating to these materiality items. The Sustainability Committee monitors the implementation status of sustainability activities in each department within the Group, analyzes and evaluates these activities, and reports to the Board of Directors, more than half of which are independent outside Directors, twice a year in order to obtain the Board's views.

The Sustainability Committee appoints members, primarily executive officers, to be responsible for each of the materiality items, respectively, and these members also form the Sustainability Promotion Council, which operates as a subordinate body of the Sustainability Committee. Besides implementing periodic progress monitoring, they promote effective materiality-related initiatives as part of the regular business activities that each member is responsible for.

(2) Strategy

In specifying our materiality items, we have identified what our stakeholders expect us to be from ESG and sustainability perspectives through communication with shareholders and institutional investors, and have determined that human rights and the environment are the two values that we need to focus on. Linking these values with the strategic direction of our core business, we have compiled a list of materiality items. From the perspective of our new strategic policy Welcia 2.0, we will review materiality items and address the identified issues through our core business. Specifically, we are strengthening our efforts in the areas of human rights policy, environmental policy, and products and services policy, and reviewing and reevaluating our materiality items and priorities.

<Policies and strategies for developing human resources and improving internal environments>

Human rights are one of our highest priority values. We have therefore formulated the abovementioned Human Rights Policy, which includes "management that attaches great importance to human capital" as an item to address, and we have defined the following specific policy with respect to this management.

"Welcia will promote the hiring, assignment, and development of human resources based on Group-wide management strategies, rooted in the corporate culture, which emphasizes respect for diversity, as well as from the perspective that attaches great importance to human capital. At the same time, we will provide employees with growth opportunities and assists employees in developing their knowledge and skills. Led by this corporate culture, Welcia will continue to take on new challenges aimed at building highly competitive business models."

Through this policy, the Group seeks to achieve the vision of becoming the "No.1 health station in the community." To realize this vision, it must foster an organizational culture of taking on challenges and promoting transformation. This is why it is working to develop human resources who can think and act autonomously. Through these efforts, it aims to create workplace environments where each and every employee can live up to their full potential, with the goal of enabling human resources with diverse attributes, values, capabilities, and experience to collaborate with a spirit of mutual respect and achieve self-directed growth. Specifically, it seeks to maximize customer satisfaction by realizing employee wellbeing through initiatives such as promoting DE&I, supporting employees in balancing work with childcare or nursing care, and implementing health management to protect employees' physical and mental health.

* Item (4) below presents some of the metrics (KPIs) and targets (KGIs) of materiality, based on these human capital-related policies.

(3) Risk management

The Group's approach to risk management involves identifying existing risks that could impede the achievement of the operational objectives of each department and then, based on the anticipated frequency of their occurrence and their impact on business performance, evaluating the ultimate residual risk in light of how effectively each risk can be controlled at present. In this way, risks related to the operational objectives of the Group as a whole are assessed at the beginning of each fiscal year, and reports are then received from each Group company on a monthly basis regarding risk monitoring status. Results are reported to the Board of Directors by the Group Risk Management Committee.

In addition, as noted above, matters relating to initiatives for each materiality item, as well as progress status information, are reported to the Board of Directors via the Sustainability Committee. Accordingly, the Sustainability Committee performs progress management for each materiality initiative, as well as operational objectives (KPIs (metrics) and KGIs (targets)), while the overall status of control of risks that could impede the achievement of operational objectives is monitored by the individual departments responsible for each aspect of operations. The system is structured so that, ultimately, the results of monitoring are reported to the Board of Directors via the Group Risk Management Committee. In this way, the probability of objectives being achieved is increased by having sustainability-related initiatives monitored from a risk management perspective.

(4) Metrics and targets

As stated above, the Group follows a basic policy of addressing materiality issues within its core business initiatives and managing progress through a governance framework in which operational execution is undertaken by the personnel, mainly executive officers, that are responsible for implementing each materiality item while the Board of Directors performs monitoring. The table below shows some of the materiality items based on the Group's human capital-related policies, in the form of KPI (metric) and KGI (target) used when managing progress.

<Metrics relating to human resource development and internal environment improvement policies, and targets and actual results for these metrics>

KPI (metric)	KGI (target)	Result (current fiscal year)
Percentage of store managers that are women	30% by February 2026	15.6%
Percentage of women in managerial positions	30% by February 2026	16.6%

* The target and result for each metric are information on WELCIA YAKKYOKU CO., LTD.

3. 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) Potential impact from economic trends in Japan

The Group is primarily composed of companies with business bases in Japan, and because our primary business, drugstore business, is highly dependent on personal consumption, the Group's overall business performance is significantly affected by economic trends in Japan. The economic situation in Japan since last year has been marked by a series of events that confirm the inflationary trend, including the first 5% wage increase in 33 years following the 2024 spring wage negotiations, a sharp rise in import prices due to the persistently weak yen, and a surge in rice prices since summer.

The Group's drugstore business has striven to differentiate itself through the Welcia model centered on the four key policies of "dispensing pharmacies," "counseling services," "late-night services," and "long-term care." To further develop this Welcia model going forward, we have set forth a vision of becoming the "No.1 health station in the community" by 2030. A health station is a community facility that supports local people, helping them live full, enjoyable, and healthy lives. The staff that work there seek to be someone who is needed by customers, as professionals in helping them to stay free from illness, prevent health conditions from developing, and get treatment and care when needed. Through these efforts, we will make the Group more resilient, to be capable of withstanding any changes in the economic environment, and while pursuing products and services related to helping people to stay free from illness, prevent health conditions from developing, and get treatment and care when needed.

(ii) The occurrence of events that affect business continuity, such as natural disasters

The Group operates in Japan and overseas, mainly in the drugstore business, and in Japan, the Group operates 3,001 stores in 45 prefectures (as of February 28, 2025). Excluding stores specializing in cosmetics, 2,282 stores, or 77.3%, have attached dispensing pharmacies, and some stores also operate late at night, as we operate our business with a sense of responsibility and awareness that we are responsible for part of the social infrastructure of each region in which we operate. If any of the following events were to occur to the Group's business operations, it may result in restrictions on the use of the Group's basic management assets (resources), which could make it difficult to continue with business. For example, in the event of i) a pandemic of infectious disease occurring throughout Japan that renders a large number of employees (particularly store employees) unable to come to work, ii) the occurrence of natural disasters, etc. (such as earthquakes or flooding caused by typhoons) that make the Group's head office or store facilities unusable, or iii) a cyberattack targeting the Group's core systems which restricts all or particular business operations, depending on the degree of restriction on the use of such resources, the Group may be forced to scale back or suspend its operations in order to continue its business. At the same time, it is inevitable that the social infrastructure in the regions in which the Group develops business will be affected in the event of such a situation that restricts business continuity.

As part of the Group's business continuity plan (BCP), we have prepared multiple scenarios assuming situations in which the use of resources is restricted as described above, and we have established methods in advance for continuing business under such constraints. Furthermore, to verify the effectiveness of these arrangements, we regularly conduct drills based on the BCP and review the BCP as necessary based on the results of such drills.

(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 (hereinafter, the "Act on Pharmaceuticals and Medical Devices"), permission, registration, designation, licenses and notification are required in each prefecture and other areas. In addition, sales of alcoholic beverages 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 Company'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 Company's business operations and plans for future store openings.

Furthermore, as hiring methods are changing significantly due to the shrinking of the working-age population, we have changed the occupation-specific hiring system we used in the past. We have made a new graduate hiring team and a mid-career hiring team separately to conduct hiring activities aligned with their respective characteristics. Furthermore, we are enhancing various retention plans to improve retention after hiring. 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 achieve a one-stop store that offers key specialist support for the lives of people to contribute to the local 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, 2025 was ¥36,072 million.

To enable Group companies to achieve their respective business plans, the Company, as their parent company, provides them with support to help expand their business opportunities and improve their management efficiency.

(vii) Store opening policy

In the fiscal year ending February 28, 2026, the Group is moving ahead with opening 53 new stores. In the event of changes in the profitability of some stores due to unforeseen changes in the market area or other factors, or in the event that we are forced to close stores, the recognition of impairment losses on noncurrent assets may be required. In such cases, extraordinary losses will be recorded, which may affect the Company's business performance.

The Company strives to minimize deviations from the plan by analyzing the causes of deviations in the case of deviations from the plan, reviewing the criteria for opening new stores, and other measures.

(viii) Dispensing errors

The Group is striving to become the "No. 1 health station in the community" by promoting the offering of dispensing pharmacies attached to stores. As of the end of the fiscal year ended February 28, 2025, the number of stores with a dispensing pharmacy in Japan was 2,282, and the number of pharmacists was 8,550. 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, Group companies engaged in dispensing operations work together as one to establish 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. In addition, we implement measures to prevent recurrence based on an analysis of the causes of the event, analyze subsequent trends in the number of error reports, verify the effectiveness of recurrence prevention measures, and take the utmost care to conduct our business operations to prevent recurrence.

(ix) Information security, including personal information management

The Group handles personal information such as i) customer information in connection with the provision of the WAON POINT service and V 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 reputation could be seriously affected depending on the scale and circumstances of the information leakage.

As measures to prevent information leaks, we develop and review related rules and manuals, implement high-security-level applications on work PCs and mobile devices, ensure that manuals on how to respond to fraudulent external e-mails targeting employees are kept at workplaces, and conduct extensive and regular education and training programs throughout the Group.

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

The Group’s business primarily consists of the drugstore business with dispensing pharmacies, so the products it sells are governed by various laws and regulations, including the Act on Pharmaceuticals and Medical Devices. 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 cause under which such incidents occur, beyond the liability of the individual doer, the Group may be held liable for default of the establishment of its compliance system as well as for corporate management, which could damage the reputation of the Group and affect its business performance.

The Group has prepared operational manuals for use in employee education and training, has developed a deeper level of understanding through the use of video content, and has established a compliance hotline to prevent legal or regulatory violations.

(xi) Deregulation of pharmaceutical sales

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. The scale of market for the online sales of OTC products is continuously expanding, including cosmetics. If competition intensifies as a result of the acceleration of the liberalization of pharmaceutical sales at general retail outlets due to such deregulation, along with an increase in competitors due to newcomers from other industries, the Company’s business performance may be affected.

(xii) Ensuring the effectiveness of the risk management system

The Group is composed of 22 domestic and overseas companies, mainly Group companies engaged in the drugstore business. As the parent company of the Group, the Company instructs and supports companies newly joining the Group in the preparation of the internal control systems required by the Companies Act and the Financial Instruments and Exchange Act. It then manages and oversees the operation of these systems in each company. However, as these 22 Group companies operate over 3,000 stores and employ around 60,000 staff on a daily basis, they are exposed to various hazard and operational risks as inherent risks. No matter how much it may strive to develop and properly operate risk management systems to prepare for these risks, an unexpected accident or scandal may occur.

The Company has dispatched Directors and Corporate Auditors to each Group company, and, as the parent company, has focused on the governance of its Group companies. The Group strives to ensure the effectiveness of risk management systems within the Group through monitoring by the Group Risk Management Committee, etc., and through auditing by the Company’s Corporate Auditors, the Internal Audit Office, etc.

4. 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, 2025 (March 1, 2024 to February 28, 2025), consumer spending made a minor recovery due to such factors as improvements in the employment and income situation, and an increase in the number of foreign visitors to Japan. However, this did not result in a full-scale economic recovery, as real wage growth remained stagnant. On the other hand, the outlook for the Japanese economy remains uncertain due to such factors as rising prices, trade and other policy trends in the U.S., and trends in conflict areas around the world.

In the drugstore industry, the primary area of the Group's business, competition is intensifying due to such factors as the competition for new store sites with competitors including those from other industries, major players expanding their scales of business through mergers and acquisitions, and the expansion of customer services involving players from across different industrial sectors and business formats.

Under such circumstances, the Group strove to provide products and services in response to customer needs. In the sales of goods, the Group focused on the development and expanded sales of its PB products and the expanded use of its WAON POINT service despite a decrease in sales caused by the discontinuation of cigarette sales for health promotion. In the dispensing division, the number of prescriptions handled increased due primarily to an increase in the number of stores with dispensing pharmacies (2,282 stores as of February 28, 2025). As a result, sales at existing stores remained solid compared with the previous year.

With the WAON POINT service introduced in the previous fiscal year, the Group has been able to increase the number of Welcia members, the Group's point members, to 13.80 million through stepping up its measures to attract customers through improvement in the penetration rate of its point card and app. The Group continued to focus on the product development of its PB products with an emphasis on improving their functions, quality, and eco-friendly features and made efforts to expand the sales of Karada Welcia and Kurashi Welcia. The private-label lineup included 390 products at the end of the fiscal year under review.

In March 2024, the Group acquired all shares of Xchange Inc., an information systems company, to make it a wholly-owned subsidiary. In June, the Group acquired all shares of Towoshiya Pharmacy CO., LTD., which operates 21 stores in its home ground Nagano Prefecture, to make it a wholly-owned subsidiary, and in September, our subsidiary, WELCIA YAKKYOKU CO., LTD., absorbed Towoshiya Pharmacy. In the same month, the Group acquired all shares of Welpark Co., Ltd., which operates 144 stores in Tokyo and three other prefectures in the Kanto area. Then in October, the Group acquired all shares of WELCIA PARTNERS Co, inc. (formerly Tepco Partners Co., Ltd.), which operates the nursing care business in the Tokyo metropolitan area, making both companies wholly-owned subsidiaries. Furthermore, the Group acquired additional shares of WELCIA-BHG (SINGAPORE) PTE. LTD. (formerly WELCIA-BHG (SINGAPORE) PTE. LTD.), which is our consolidated subsidiary, making the company a wholly-owned subsidiary.

As part of its vision of 2030, the Group aims to become the "No.1 health station in the community" and to this end, it discontinued the sale of cigarettes, except in certain stores within facilities. The Group promoted initiatives to fulfill its role in providing local communities with an infrastructure that offers safety and peace of mind through activities such as the Welcafe local collaborative community space, which won the GOOD DESIGN AWARD 2024, and the "Uetan-go" mobile sales vehicles, which also won the award.

As for store openings and closures, the Group as a whole opened 78 stores and closed 55 stores, for a total of 3,013 stores Group-wide as of February 28, 2025.

Selling, general and administrative expenses increased due to reasons such as higher personnel expenses caused by wage raises.

As a result of the above, the consolidated operating results for the fiscal year ended February 28, 2025 were ¥1,285,005 million in net sales, ¥36,409 million in operating income, and ¥40,837 million in ordinary income. Additionally, net income attributable to owners of parent was ¥14,958 million due to reasons such as the recording of ¥13,127 million in impairment loss.

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)	78	104	(26)	102	(24)
Number of stores closed (Number of stores)	55	44	11	40	15
Subsidiaries, etc. (Number of stores)	165	—	165	—	165
Stores at end of the fiscal year (Number of stores)	3,013	3,051	(38)	2,825	188
Stores with dispensing pharmacies at the end of the fiscal year (Japan) (Number of stores)	2,282	2,357	(75)	2,155	127
Renovated stores (Japan) (Number of stores)	99	112	(13)	81	18
Net sales growth for existing stores (%)	1.6	1.8	(0.2)	3.2	(1.4)
Ratio of SG&A expenses to net sales (%)	27.6	27.7	(0.1)	26.8	0.8

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)	8,550	8,184	366
Number of registered sales clerks at the end of the fiscal year (Persons)	20,735	19,237	1,498

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	Year-on-year comparisons (%)
Net sales	1,285,005	1,295,000	99.2	1,217,339	105.6
Operating income	36,409	34,000	107.1	43,231	84.2
Ordinary income	40,837	38,000	107.5	47,756	85.5
Net income attributable to owners of parent	14,958	19,000	78.7	26,451	56.5

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 29, 2024	No. of new store openings from subsidiary acquisition	Changes in no. due to merger	Openings	Closures	No. of stores as of February 28, 2025
WELCIA YAKKYOKU (Note 1)	2,199	—	21	53	30	2,243
Kokumin	158	—	—	7	6	159
Pupule Himawari	133	—	—	3	2	134
Welpark (Note 2)	—	144	—	—	1	143
Marudai Sakurai Pharmacy	102	—	—	6	6	102
Shimizu Yakuhin	71	—	—	2	—	73
Marue Wellness Stores	57	—	—	3	4	56
FUKUYAKUHIN	25	—	—	—	2	23
Yodoya	25	—	—	1	—	26
French	2	—	—	—	—	2
Towoshiya Pharmacy (Note 1)	—	21	(21)	—	—	—
MASAYA	40	—	—	3	3	40
Total in Japan	2,812	165	—	78	54	3,001
WELCIA SINGAPORE	13	—	—	—	1	12
Total	2,825	165	—	78	55	3,013

(Notes) 1. In June 2024, the Company made Towoshiya Pharmacy a wholly-owned subsidiary through a share acquisition, and in September 2024, WELCIA YAKKYOKU absorbed Towoshiya Pharmacy.

2. In September 2024, the Company made Welpark a wholly-owned subsidiary through a share acquisition.

3. Of the number of stores as of February 28, 2025, 1,979 stores of WELCIA YAKKYOKU, 76 stores of Kokumin, 39 stores of Pupule Himawari, 48 stores of Marudai Sakurai Pharmacy, 51 stores of Shimizu Yakuhin, 34 stores of Marue Wellness Stores, 11 stores of FUKUYAKUHIN, 14 stores of Yodoya, and 30 stores of Welpark have dispensing pharmacies, or a total of 2,282 stores have dispensing pharmacies.

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.

(i) Purchases

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

Category	Amount (million yen)	Year-on-year comparisons (%)
OTC products	142,933	102.8
Cosmetics	139,561	106.6
Household goods	128,131	105.5
Food products	245,720	109.5
Others	74,029	92.7
Total sales of goods other than dispensing	730,376	105.0
Dispensing	177,456	111.0
Total	907,833	106.1

(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)	Year-on-year comparisons (%)
Hokkaido	2,450	115.6
Tohoku	71,539	104.0
Kanto	653,559	106.2
Chubu	254,057	106.5
Kinki	209,741	104.5
Chugoku	51,929	98.4
Shikoku	22,410	102.4
Kyushu / Okinawa	15,947	115.3
Overseas	3,370	108.1
Total	1,285,005	105.6

(b) Sales by category

Category	Amount (million yen)	Year-on-year comparisons (%)
OTC products	233,255	100.6
Cosmetics	203,007	106.3
Household goods	178,053	106.4
Food products	299,514	108.7
Others	87,653	93.6
Total sales of goods other than dispensing	1,001,484	104.4
Dispensing	282,548	110.0
Subtotal	1,284,033	105.6
Commission income	972	77.5
Total	1,285,005	105.6

(c) Sales per unit

Item		Amount	Year-on-year comparisons (%)
Net sales		1,285,005 million yen	105.6
Net sales per square meter	Sales floor space (average)	2,068,470 m ²	106.7
	Net sales per square meter for the period	621 thousand yen	98.9
Net sales per person	Number of employees (average)	44,075 persons	105.7
	Net sales per person for the period	29,154 thousand yen	99.9

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

(2) Analysis of financial position

(Assets)

Current assets increased by ¥21,289 million compared to the end of the previous fiscal year to ¥280,890 million. This was primarily due to increases of ¥11,918 million in merchandise, ¥5,179 million in accounts receivable - trade, and ¥4,477 million in cash and deposits.

Noncurrent assets increased by ¥6,835 million compared to the end of the previous fiscal year to ¥299,094 million. This was primarily due to increases of ¥3,524 million in goodwill, ¥2,346 million in guarantee deposits, and ¥3,639 million in deferred tax assets, despite a decrease of ¥2,931 million in leased assets, net.

As a result, total assets as of February 28, 2025 increased by ¥28,125 million compared to the end of the previous fiscal year to ¥579,985 million.

(Liabilities)

Current liabilities increased by ¥14,135 million compared to the end of the previous fiscal year to ¥236,616 million. This was primarily due to increases of ¥8,893 million in accounts payable - trade, ¥1,999 million in short-term loans payable, ¥1,510 million in accounts payable - other, and ¥1,113 million in income taxes payable.

Noncurrent liabilities increased by ¥3,870 million compared to the end of the previous fiscal year to ¥88,882 million. This was primarily due to an increase of ¥7,352 million in asset retirement obligations, despite a decrease of ¥3,382 million in long-term loans payable.

As a result, total liabilities as of February 28, 2025 increased by ¥18,005 million compared to the end of the previous fiscal year to ¥325,498 million.

(Net assets)

Net assets as of February 28, 2025 increased by ¥10,119 million compared to the end of the previous fiscal year to ¥254,486 million. This was primarily due to the recording of net income attributable to owners of parent of ¥14,958 million, despite a decrease of ¥7,338 million in retained earnings due to dividends of surplus.

As a result, equity ratio decreased by 0.2 percentage points to 42.8%.

(3) Cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year ended February 28, 2025 increased by ¥4,339 million compared to the end of the previous fiscal year to ¥34,404 million.

The status and factors of cash flows in each activity in the fiscal year ended February 28, 2025 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥47,845 million.

This was mainly attributable to inflow factors of depreciation of ¥22,461 million and impairment loss of ¥13,127 million, both of which are non-cash expenses, and to outflow factors of an increase in trade receivables of ¥1,970 million, an increase in inventories of ¥4,883 million, and income taxes paid of ¥13,866 million, against net income before income taxes and minority interests of ¥26,277 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥22,736 million.

This was mainly due to an outflow of ¥10,613 million for purchase of property, plant and equipment, an outflow of ¥7,007 million for purchase of shares in subsidiaries resulting in change in scope of consolidation, and an outflow of ¥3,473 million for

payments of leasehold deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥20,774 million.

This was mainly due to ¥8,000 million in proceeds from long-term loans payable, ¥7,337 million in dividends paid, ¥12,986 million in repayments of long-term loans payable, and ¥11,104 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."

5. Material Contracts, etc.

There were no decisions or conclusion of materials contracts, etc. during the current fiscal year.

The capital and business alliance agreement concluded on February 28, 2024, between TSURUHA HOLDINGS INC., the Company, and AEON CO., LTD., the parent company of the Company, was subsequently finalized on April 11, 2025.

Details are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to the Consolidated Financial Statements, (Subsequent events), (Conclusion of the final agreement on the Capital and Business Alliance Agreement), and (Conclusion of the share exchange agreement)."

6. 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 78 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 ¥15,966 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, 2025

Office name (Location)	Description of facilities	Book value (million yen)							Number of employees
		Buildings and structures	Furniture and fixtures	Land Area (m ²)	Leased assets	Software	Others	Total	
Head office (Chiyoda-ku, Tokyo)	Head office functions	0	4	—	—	25	—	28	39 [—]

(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, 2025

Company name	Office name (Location)	Description of facilities	Book value (million yen)						Number of employees
			Buildings and structures	Furniture and fixtures	Land Area (m ²)	Leased assets	Others	Total	
WELCIA YAKKYOKU CO., LTD.	Headquarters (Chiyoda-ku, Tokyo)	Head office functions	29	17	—	—	—	46	884 [88]
	Sales office (Shizuoka Prefecture and others)	Clerical work	87	4	187 (1,224)	—	—	279	215 [4]
	Tohoku region total 98 stores	Stores	4,770	87	—	1,390	—	6,248	452 [912]
	Kanto region total 1,111 stores	Stores	33,069	1,212	6,468 (72,734)	16,951	155	57,858	5,844 [12,779]
	Chubu region total 588 stores	Stores	22,691	586	2,558 (47,072)	9,108	59	35,004	2,709 [5,695]
	Kinki region total 357 stores	Stores	17,282	315	1,335 (7,857)	4,148	44	23,125	1,861 [3,291]
	Chugoku region total 52 stores	Stores	1,048	24	337 (5,051)	293	—	1,704	226 [266]
	Shikoku region total 22 stores	Stores	165	11	78 (1,476)	182	0	438	88 [82]
	Kyushu region total 15 stores	Stores	654	45	—	282	—	982	70 [115]
	Power sales business Shizuoka Prefecture and others	Solar power generation facilities	6	—	—	769	18	794	— [—]
Others	—	1,721	109	646 (17,291)	9,023	14	11,515	— [—]	
Welcia Kaigo Service Co., Ltd.	Headquarters (Tsukuba, Ibaraki Prefecture)	Head office functions	0	0	—	—	0	0	20 [13]
	Ibaraki Prefecture and others	Nursing care facilities	134	6	272 (2,498)	—	—	413	252 [146]
Shimizu Yakuhin Co., Ltd.	Headquarters (Kyoto, Kyoto Prefecture)	Head office functions	33	0	44 (367)	2	0	81	38 [4]
	Kyoto Prefecture 73 stores	Stores	4,244	77	207 (1,068)	733	—	5,262	354 [651]

Company name	Office name (Location)	Description of facilities	Book value (million yen)						Number of employees
			Buildings and structures	Furniture and fixtures	Land Area (m ²)	Leased assets	Others	Total	
Marudai Sakurai Pharmacy Limited	Headquarters (Aomori, Aomori Prefecture)	Head office functions	0	0	102 (2,492)	9	0	112	47 [10]
	Aomori Prefecture and others 102 stores	Stores	8,340	104	1,411 (46,116)	799	—	10,656	436 [777]

Company name	Office name (Location)	Description of facilities	Book value (million yen)						Number of employees
			Buildings and structures	Furniture and fixtures	Land Area (m ²)	Leased assets	Others	Total	
MASAYA Co., Ltd.	Headquarters (Okayama, Okayama Prefecture and others)	Head office functions	9	0	—	—	—	9	5 [—]
	Okayama Prefecture and others 40 stores	Stores	302	416	—	—	—	719	186 [3]
Yodoya Co., Ltd.	Headquarters (Kochi, Kochi Prefecture)	Head office functions	0	2	319 (3,812)	0	0	323	30 [5]
	Kochi Prefecture 26 stores	Stores	1,175	18	933 (10,813)	252	—	2,379	128 [237]
Marue Wellness Stores Inc.	Headquarters (Maebashi, Gunma Prefecture)	Head office functions	25	0	—	0	0	26	59 [4]
	Gunma Prefecture and others 56 stores	Stores	1,526	70	211 (6,552)	375	—	2,183	284 [96]
Pupule Himawari Co., Ltd.	Headquarters (Fukuyama, Hiroshima Prefecture)	Head office functions	89	25	—	0	0	115	112 [17]
	Hiroshima Prefecture and others 134 stores	Stores	6,024	591	714 (11,049)	315	—	7,646	461 [1,043]
Kokumin Co., Ltd.	Headquarters (Osaka, Osaka Prefecture)	Head office functions	148	14	1,412 (971)	0	0	1,576	76 [15]
	Osaka Prefecture and others 159 stores	Stores	1,742	540	3,483 (4,652)	—	—	5,766	608 [642]
French Co., Ltd.	Osaka Prefecture 2 stores	Stores	—	—	—	—	—	—	2 [3]
FUKUYAKUHI CO., LTD.	Headquarters (Naha, Okinawa Prefecture)	Head office functions	4	1	—	6	0	12	16 [1]
	Okinawa Prefecture 23 stores	Stores	121	25	77 (643)	146	0	370	9 [130]
Xchange Inc.	Headquarters (Minato-ku, Tokyo)	IT business office	15	0	0	—	—	16	43 [2]
Xchange Solutions Inc.	Headquarters (Minato-ku, Tokyo)	IT business office	—	0	—	—	—	0	39 [—]
Xchange Creative Inc.	Headquarters (Minato-ku, Tokyo)	IT business office	—	0	—	—	—	0	13 [—]
Welpark Co., Ltd.	Headquarters (Tachikawa, Tokyo)	Head office functions	52	39	—	—	—	92	80 [5]
	Tokyo and others 143 stores	Stores	1,148	466	—	67	—	1,682	462 [267]
WELCIA PARTNERS Co, inc.	Headquarters (Toshima-ku, Tokyo)	Head office functions	—	0	—	—	—	0	40 [—]
	Tokyo and others	Nursing care facilities	12	4	—	—	—	16	249 [162]

(Notes) 1. 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. “Other” in book value of facilities by type is the total amount of machinery, equipment and vehicles.

(3) Overseas subsidiaries

As of February 28, 2025

Company name	Location	Description of facilities	Book value (million yen)						Number of employee s
			Buildings and structures	Furniture and fixtures	Land Area (m ²)	Leased assets	Others	Total	
WELCIA SINGAPORE PTE. LTD.	Republic of Singapore	Store facilities and offices	40	64	—	616	—	720	88 [—]

(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

As of February 28, 2025

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 ²)
				Total amount (Million yen)	Amount already paid (Million yen)				
WELCIA YAKKYOKU CO., LTD.	Tohoku region	5 stores	Establishment of new stores	808	244	Cash on hand and borrowings	(Note 3)	(Note 3)	4,682
	Kanto region	29 stores	Establishment of new stores	5,037	588	Cash on hand and borrowings			19,395
	Chubu region	6 stores	Establishment of new stores	1,324	399	Cash on hand and borrowings			5,032
	Kinki region	7 stores	Establishment of new stores	1,572	368	Cash on hand and borrowings			5,904
	Chugoku region	2 stores	Establishment of new stores	337	2	Cash on hand and borrowings			1,593
	Kyushu region	1 store	Establishment of new stores	148	54	Cash on hand and borrowings			492
Shimizu Yakuhin Co., Ltd.	Kinki region	2 stores	Establishment of new stores	456	—	Cash on hand and borrowings			879
Marudai Sakurai Pharmacy Limited	Tohoku region	2 stores	Establishment of new stores	598	9	Cash on hand and borrowings			1,689
MASAYA Co., Ltd.	Kanto region	1 store	Establishment of new stores	77	—	Cash on hand and borrowings			230
	Kinki region	1 store	Establishment of new stores	71	—	Cash on hand and borrowings			142
Marue Wellness Stores Inc.	Kanto region	1 store	Establishment of new stores	264	—	Cash on hand and borrowings			915
Pupule Himawari Co., Ltd.	Chugoku region	1 store	Establishment of new stores	201	76	Cash on hand and borrowings			934
Kokumin Co., Ltd.	Kanto region	6 stores	Establishment of new stores	513	—	Cash on hand and borrowings			1,143
	Kinki region	3 stores	Establishment of new stores	280	—	Cash on hand and borrowings	556		
	Kyushu region	1 store	Establishment of new stores	93	—	Cash on hand and borrowings	214		
FUKUYAKUHIN CO., LTD.	Kyushu region	1 store	Establishment of new stores	258	18	Cash on hand and borrowings	721		
Welpark Co., Ltd.	Kanto region	4 stores	Establishment of new stores	483	97	Cash on hand and borrowings	1,744		

(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 is scheduled to be started and completed during the fiscal year ending February 28, 2026, 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, 2025)	Number of issued shares as of the submission date (May 28, 2025)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	209,713,800	209,713,800	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	209,713,800	209,713,800	—	—

(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, 2025 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)	<table> <tr> <td>Directors of the Company</td> <td>9</td> </tr> <tr> <td>Directors of subsidiaries</td> <td>27</td> </tr> <tr> <td>Executive Officer of the Company</td> <td>1</td> </tr> <tr> <td>Executive Officers of subsidiaries</td> <td>11</td> </tr> </table>	Directors of the Company	9	Directors of subsidiaries	27	Executive Officer of the Company	1	Executive Officers of subsidiaries	11
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*	29 [29]								
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company 23,200 [23,200]								
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)*	<table> <tr> <td>Issue price</td> <td>758.50</td> </tr> <tr> <td>Amount paid into capital</td> <td>379.25</td> </tr> </table>	Issue price	758.50	Amount paid into capital	379.25				
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, 2025).

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, 2025), 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.

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*	40 [40]
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company 32,000 [32,000]
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, 2025).

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, 2025), 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*	21 [21]	
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company	16,800 [16,800]
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, 2025).

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, 2025), 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*	34 [34]	
Class of shares underlying the subscription rights to shares, its contents and number of shares*	Common stock of the Company	27,200 [27,200]
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, 2025).

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, 2025), 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 1, 2020 (Note 1)	104,816	209,633	—	7,736	—	36,913
June 30, 2022 (Note 2)	19	209,652	10	7,747	10	36,923
May 22, 2023 (Note 2)	3	209,656	1	7,748	1	36,925
From March 1, 2024 to February 28, 2025 (Note 2)	36	209,692	20	7,769	20	36,945
June 28, 2024 (Note 3)	21	209,713	23	7,792	23	36,969

(Notes) 1. 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.

2. Increase due to exercise of subscription rights to shares

3. Due to the issuance of new shares as restricted stock compensation, the total number of issued shares increased by 21,724 shares, and capital stock and legal capital surplus increased by ¥23 million each.

Issue price ¥2,165.0 per share

Amount paid into capital ¥1,082.5 per share

Allottees 4 employees of the Company and 11 Directors, 8 Executive Officers, and 1 employee of subsidiaries of the Company

(5) Shareholding by shareholder category

As of February 28, 2025

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)	—	29	25	743	265	269	149,919	151,250	—
Number of shares held (Unit)	—	212,139	40,426	1,152,787	196,097	547	493,154	2,095,150	198,800
Percentage of shareholdings (%)	—	10.13	1.93	55.01	9.36	0.03	23.54	100.00	—

(Notes) 1. Of 10,958 shares of treasury stock, 109 units are included in “individuals and others” and 58 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 1,702,100 shares of the Company’s shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the 417,743 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, 2025

Name/company name	Location	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	105,981	50.54
The Master Trust Bank of Japan, Ltd. (trust account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	10,902	5.20
Welcia Holdings Employee Stock Ownership	2-2-15, Sotokanda, Chiyoda-ku, Tokyo	4,423	2.11
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	3,541	1.69
Tsuruha Co., Ltd.	Kita 24, Higashi 20-1-21, Higashi-ku, Sapporo, Hokkaido	3,352	1.60
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	2,560	1.22
The Nomura Trust and Banking Co., Ltd. (investment trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo	2,058	0.98
Custody Bank of Japan, Ltd. (trust account E)	1-8-12, Harumi, Chuo-ku, Tokyo	1,702	0.81
CEP LUX-ORBIN SICAV (Standing proxy: Citibank, N.A., Tokyo Branch)	31 Z.A. BOURMICHT, L-8070 BERTRANGE, LUX (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,661	0.79
Ishida Co., Ltd.	9-17, Isogodai, Isogo-ku, Yokohama, Kanagawa Prefecture	1,616	0.77
Total	—	137,800	65.71

(Note) Shareholding ratio is calculated excluding treasury stock (10,958 shares). Treasury stock does not include 1,702,100 shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and 417,743 shares held by the Directors' Remuneration BIP Trust.

(7) Voting rights

(i) Issued shares

As of February 28, 2025

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 10,900	—	—
Shares with full voting rights (Other)	Common stock 209,504,100	2,095,041	—
Shares less than one unit	Common stock 198,800	—	—
Total number of issued shares	209,713,800	—	—
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 58 shares of treasury stock held by the Company.

(ii) Treasury stock, etc.

As of February 28, 2025

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	10,900	—	10,900	0.01
Total	—	10,900	—	10,900	0.01

(Note) 1,702,100 shares of trust assets of the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) (held under the name of “Custody Bank of Japan, Ltd. (trust account E)”) and 417,743 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 Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)

(a) Outline of the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)

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 Limited, 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 Limited, 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	375	0
Treasury stock acquired during the period from March 1, 2025 to the filing date of this report	80	0

(Notes) 1. The number of treasury stock acquired during the period from March 1, 2025 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, 2025 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 Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) 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, 2025 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)	20	0	—	—
Other (exercise of subscription rights to shares)	3,200	3	—	—
Number of treasury stock held	10,958	—	11,038	—

(Notes) 1. The number of treasury stock held during the period from March 1, 2025 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, 2025 to the filing date of this annual securities report.

2. The number of treasury stock processed above does not include 841,400 shares sold from the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) to the Employee Stock Ownership Association (91,200 shares in the current fiscal year). The number of treasury stock held does not include the number of shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) (1,702,100 shares for the current fiscal year and 1,610,900 shares for the period from March 1, 2025 to the filing date of this report) and the number of

shares held by the Directors' Remuneration BIP Trust (417,743 shares for the current fiscal year and 417,743 shares for the period from March 1, 2025 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 ¥18 per share and a year-end dividend of ¥18 per share for the current fiscal year, resulting in an annual dividend of ¥36 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 7, 2024 Board of Directors	3,774	18.00
April 11, 2025 Board of Directors	3,774	18.00

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 has adopted a corporate structure of a company with a Board of Corporate Auditors, in which highly independent Corporate Auditors are responsible for audit functions, and the Board of Corporate Auditors consists of a majority of Outside Corporate Auditors. The Company has introduced an executive officer system to speed up decision-making and clarify responsibilities. A summary of the Company's corporate governance and internal control management system, an overview of the corporate governance system, and reasons for adopting such a system are as follows.

(a) Board of Directors

The Board of Directors consists of 12 Directors (including 7 Outside Directors) and is chaired by Representative Director Hideaki Kirisawa. The Board of Directors makes decisions on matters to be resolved by the Board of Directors as stipulated by law, the Articles of Incorporation, and internal regulations, and supervise the execution of duties. Regular Board of Directors meetings are held once a month and extraordinary Board of Directors meetings are held as necessary.

(b) Board of Corporate Auditors

The Company is a company with a Board of Corporate Auditors, which consists of four Corporate Auditors (including three Outside Corporate Auditors) and is chaired by Full-time Corporate Auditor Toshio Miyamoto. The Board of 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. They share the details of audits at the monthly meetings of the Board of Corporate Auditors, and extraordinary meetings of the Board of Corporate Auditors are held as necessary.

(c) Nomination Advisory Committee

The Company has established a Nomination Advisory Committee. The Nomination Advisory Committee consists of a majority of independent Outside Directors, is chaired by Outside Director Tomoko Nakai, and ensures a highly transparent and fair operations. The Nomination Advisory Committee considers proposals for the election of Directors to be submitted to the General Meeting of Shareholders, proposals for the appointment and dismissal of Representative Directors, the formulation of successor development plans for the Representative Directors, the preparation and development of succession plans regarding senior management, and other matters, and makes reports to the Board of Directors.

(d) Compensation Advisory Committee

The Company has established a Compensation Advisory Committee. The Compensation Advisory Committee consists of independent Outside Executives, is chaired by Outside Director Katsunori Nozawa, and ensures a highly transparent and fair operations. The Compensation Advisory Committee considers the formulation of policies on compensation, etc., for Directors and Executive Officers, compensation for individual Directors and Executive Officers, and other matters, and makes reports to the Board of Directors.

The members of each organization and their attendance at meetings of each organization held during the fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025) are as follows.

Title and position	Name	Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee
Representative Director	Takamitsu Ikeno	100% (all of 17 meetings)	100% (all of 7 meetings)	—
Representative Director	Hideaki Kirisawa	100% (all of 13 meetings)	—	—
Representative Director	Tadahisa Matsumoto	100% (all of 2 meetings)	100% (all of 2 meetings)	—
Director	Junichi Tanaka	100% (all of 13 meetings)	—	—
Director	Takamune Shibazaki	100% (all of 17 meetings)	—	100% (all of 1 meeting)
Director	Koji Takahashi	100% (all of 13 meetings)	—	—
Director	Motoya Okada	94% (16 out of 17 meetings)	—	—
Director	Juichi Nakamura	100% (all of 4 meetings)	—	—
Outside Director	Tomoko Nakai	100% (all of 17 meetings)	100% (all of 7 meetings)	—

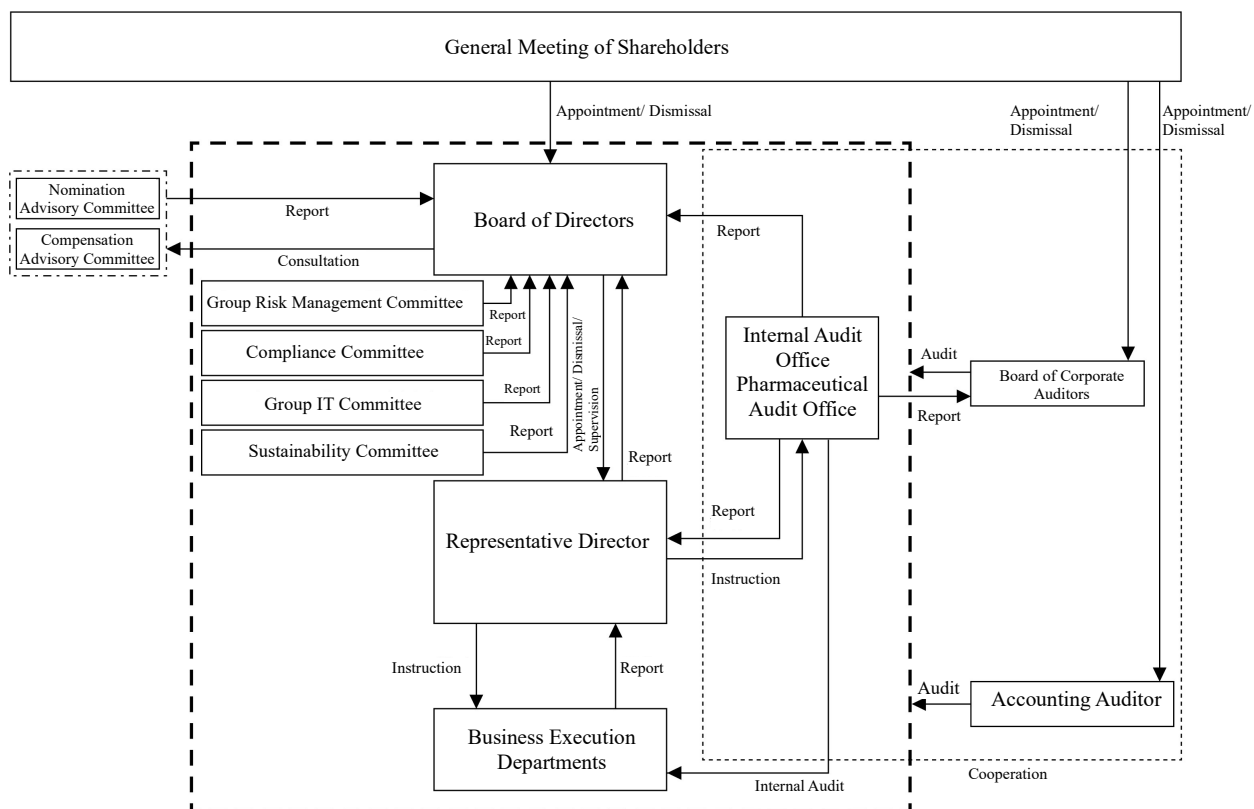
Title and position	Name	Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee
Outside Director	Kunio Ishizuka	76% (13 out of 17 meetings)	85% (6 out of 7 meetings)	—
Outside Director	Tadashi Nagata	100% (all of 17 meetings)	100% (all of 7 meetings)	—
Outside Director	Katsunori Nozawa	100% (all of 17 meetings)	—	100% (all of 3 meetings)
Outside Director	Shigeo Horie	88% (15 out of 17 meetings)	75% (3 out of 4 meetings)	—
Outside Director	Noriko Ishizaka	94% (16 out of 17 meetings)	100% (all of 3 meetings)	50% (1 out of 2 meetings)
Outside Director	Yasuo Nakayama	92% (12 out of 13 meetings)	100% (all of 3 meetings)	—
Full-time Corporate Auditor	Toshio Miyamoto	100% (all of 17 meetings)	—	—
Outside Corporate Auditor	Atsuko Sugiyama	100% (all of 17 meetings)	—	100% (all of 3 meetings)
Outside Corporate Auditor	Takashi Fujii	94% (16 out of 17 meetings)	—	100% (all of 3 meetings)
Outside Corporate Auditor	Hidekazu Tanaka	76% (10 out of 13 meetings)	—	100% (all of 1 meeting)
Outside Corporate Auditor	Hirohisa Kagami	100% (all of 4 meetings)	—	—

- (Notes) 1. The total number of meetings varies due to the difference in the time of appointment and the time of retirement.
2. The title and position are as of the time of attendance.

At the Annual General Meeting of Shareholders held on May 28, 2024, Hideaki Kirisawa, Junichi Tanaka, Koji Takahashi, and Yasuo Nakayama were appointed as Directors, and Hidekazu Tanaka was appointed as Corporate Auditor. Thus, their attendance at Board of Directors meetings, Nomination Advisory Committee meetings, and Compensation Advisory Committee meetings after their appointment are shown.

Tadahisa Matsumoto resigned as Representative Director and Director on April 17, 2024, Juichi Nakamura retired upon the expiration of his term on May 28, 2024, and Hirohisa Kagami retired upon the expiration of his term on May 28, 2024. Thus, their attendance at Board of Directors meetings, Nomination Advisory Committee meetings, and Compensation Advisory Committee meetings until the time of their retirement are shown.

The Company's corporate governance and internal control management system is shown in the diagram below. Reporting lines have been established from the Internal Audit Office and the Pharmaceutical Audit Office not only to the Representative Directors but also to the Board of Directors and the Board of Corporate Auditors.



(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

The Company has established a Group Risk Management Committee to consider measures to mitigate risks associated with the wide range of business operations conducted by the Group companies based on risk assessments, and monitor the effectiveness of such measures. As there are many laws and regulations related to our business, we are committed in particular to compliance with laws and regulations, and 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 has established items to be regularly reported to the Board of Directors, and 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 for employees of the Group, known as the Welcia Compliance Hotline, and also an external whistle-blowing

system for appropriate transactions with a wide range of business partners, known as the Welcia Business Partner Hotline, to ensure proper business operations by all Group officers and employees.

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 13.

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

13 male, 3 female (ratio of female among officers: 18.8%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Representative Director, President	Hideaki Kirisawa	January 8, 1974	April 1998	Joined Kusurino Sunroad Co. Ltd.	(Note 4)	6
			September 2005	Joined Nakaya Co., Ltd. (currently WELCIA YAKKYOKU CO., LTD.)		
			September 2014	General Manager, Merchandise Division, WELCIA YAKKYOKU CO., LTD.		
			March 2015	Executive Officer; General Manager, Merchandise Division, WELCIA YAKKYOKU CO., LTD.		
			May 2016	Deputy General Manager, Merchandise Headquarters and General Manager, Merchandise Division, WELCIA YAKKYOKU CO., LTD.		
			May 2018	Director; Deputy General Manager, Merchandise Headquarters and General Manager, Merchandise Division, WELCIA YAKKYOKU CO., LTD.		
			March 2019	Director; General Manager, Merchandise Headquarters, WELCIA YAKKYOKU CO., LTD.		
			March 2020	Director; General Manager, Central Japan Branch Office, WELCIA YAKKYOKU CO., LTD.		
			May 2022	Vice President and Director; in charge of West Japan and General Manager, Central Japan Branch Office, WELCIA YAKKYOKU CO., LTD.		
			March 2023	Vice President and Representative Director; General Manager, Merchandise Headquarters, WELCIA YAKKYOKU CO., LTD. In charge of Merchandise, the Company		
			May 2023	Executive Officer; in charge of Merchandise and Logistics, the Company		
			March 2024	Vice President and Representative Director; in charge of Merchandise and Logistics, WELCIA YAKKYOKU CO., LTD.		
			May 2024	Representative Director, President and Chief Operating Officer, the Company		
			May 2025	Representative Director, President, the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director and Executive Officer; in charge of Drugstore Business	Junichi Tanaka	October 21, 1973	April 1996	Joined Ikeno Co., Ltd. (currently WELCIA YAKKYOKU CO., LTD.)	(Note 4)	27
			March 2006	Executive Officer; Area Chief, Sales Division, Welcia Kanto Co., Ltd. (currently WELCIA YAKKYOKU CO., LTD.)		
			December 2010	Executive Officer; General Manager, Business Administration Division, Welcia Kanto Co., Ltd.		
			September 2011	Executive Officer; Deputy General Manager, Sales Headquarters, Welcia Kanto Co., Ltd.		
			April 2012	President and Representative Director, GMQ Co., Ltd.		
			September 2013	Director; General Manager, Sales Supervision Headquarters, WELCIA YAKKYOKU CO., LTD.		
			May 2017	Director; General Manager, Tokai Branch Office, WELCIA YAKKYOKU CO., LTD.		
			March 2021	Director; General Manager, Metropolitan Area Branch Office, WELCIA YAKKYOKU CO., LTD.		
			May 2021	Managing Director; General Manager, Metropolitan Area Branch Office, WELCIA YAKKYOKU CO., LTD.		
			May 2022	Vice President and Director; in charge of East Japan and General Manager, Metropolitan Area Branch Office, WELCIA YAKKYOKU CO., LTD.		
			March 2023	President and Representative Director, WELCIA YAKKYOKU CO., LTD. (to present)		
			May 2023	Executive Officer; in charge of WELCIA YAKKYOKU, the Company		
			May 2024	Director and Executive Officer; in charge of WELCIA YAKKYOKU, the Company		
May 2025	Director and Executive Officer; in charge of Drugstore Business, the Company (to present)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director and Executive Officer; in charge of Finance and Accounting	Takamune Shibazaki	August 24, 1971	<p>October 1996</p> <p>April 2003</p> <p>April 2004</p> <p>April 2005</p> <p>September 2006</p> <p>November 2010</p> <p>September 2014</p> <p>September 2017</p> <p>March 2018</p> <p>May 2019</p> <p>July 2019</p> <p>March 2020</p> <p>May 2022</p> <p>May 2025</p>	<p>Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)</p> <p>Joined Global Dining System Inc.</p> <p>Joined Takada Yakkyoku Co., Ltd. (currently WELCIA YAKKYOKU CO., LTD.)</p> <p>General Manager, Corporate Planning Division, Takada Yakkyoku Co., Ltd.</p> <p>Director; General Manager, Corporate Planning Division, Takada Yakkyoku Co., Ltd.</p> <p>General Manager, Corporate Planning Division, the Company</p> <p>General Manager, Budget Management Division, WELCIA YAKKYOKU CO., LTD.</p> <p>General Manager, Corporate Planning Headquarters, WELCIA YAKKYOKU CO., LTD.</p> <p>General Manager, Corporate Planning Division and IR/Public Relations Division, the Company</p> <p>Director; General Manager, Corporate Planning Headquarters, General Manager, Corporate Planning Division, WELCIA YAKKYOKU CO., LTD.</p> <p>General Manager, Corporate Planning Division, the Company</p> <p>Director; General Manager, Corporate Planning Headquarters, WELCIA YAKKYOKU CO., LTD.</p> <p>Director, WELCIA YAKKYOKU CO., LTD.</p> <p>Director, Executive Officer and Chief Financial Officer, the Company</p> <p>Director and Executive Officer; in charge of Finance and Accounting, the Company (to present)</p>	(Note 4)	70

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director and Executive Officer; in charge of Human Resources and Administration departments	Koji Takahashi	September 12, 1976	April 1999	Joined HAC KIMISAWA CO., LTD. (currently WELCIA YAKKYOKU CO., LTD.)	(Note 4)	1
			February 2012	General Manager, Personnel Department, CFS Corporation (currently WELCIA YAKKYOKU CO., LTD.)		
			April 2014	General Manager, Personnel Recruitment Department and Assistant to the President, CFS Corporation		
			September 2016	Executive Officer; General Manager, Personnel Division No. 2, WELCIA YAKKYOKU CO., LTD.		
			March 2018	General Manager, Personnel Planning Division, Personnel Headquarters, WELCIA YAKKYOKU CO., LTD.		
			June 2019	General Manager, in charge of Group Personnel, Operations Division, the Company Executive Officer; General Manager, Personnel Headquarters and General Manager, Personnel Division, WELCIA YAKKYOKU CO., LTD.		
			May 2020	Executive Officer; General Manager, Personnel Headquarters, WELCIA YAKKYOKU CO., LTD.		
			March 2021	General Manager, Personnel Division, the Company		
			May 2022	Director; in charge of Administration and General Manager, Personnel Headquarters, WELCIA YAKKYOKU CO., LTD. Executive Officer; in charge of Human Resources and Risk Management, the Company		
			March 2023	In charge of Administration and General Manager, General Affairs Headquarters, WELCIA YAKKYOKU CO., LTD.		
			May 2023	Executive Officer; in charge of Human Resources and Risk Management and in charge of Secretariat and Public Relations, the Company		
			March 2024	Managing Director; in charge of Personnel and General Affairs, WELCIA YAKKYOKU CO., LTD. (to present)		
			May 2024	Director and Executive Officer; in charge of Human Resources and Administration departments and in charge of Risk Management, the Company		
			May 2025	Director and Executive Officer; in charge of Human Resources and Administration departments, the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Motoya Okada	June 17, 1951	<p>March 1979</p> <p>May 1990</p> <p>February 1992</p> <p>May 1995</p> <p>June 1997</p> <p>May 2002</p> <p>May 2003</p> <p>November 2005</p> <p>March 2012</p> <p>August 2014</p> <p>November 2014</p> <p>March 2015</p> <p>November 2016</p> <p>March 2020</p>	<p>Joined JUSCO Co., Ltd. (currently AEON CO., LTD.)</p> <p>Director, JUSCO Co., Ltd.</p> <p>Managing Director, JUSCO Co., Ltd.</p> <p>Senior Managing Director, JUSCO Co., Ltd.</p> <p>President and Representative Director, JUSCO Co., Ltd.</p> <p>Director and Advisor, AEON MALL Co., Ltd. (to present)</p> <p>Director, President and Representative Executive Officer, AEON CO., LTD.</p> <p>Outside Director and Advisor, TSURUHA HOLDINGS INC.</p> <p>Director, President and Representative Executive Officer and Group CEO, AEON CO., LTD.</p> <p>Outside Director, KUSURI NO AOKI CO., LTD.</p> <p>Director, the Company (to present)</p> <p>Director and Advisor, United Super Markets Holdings Inc. (to present)</p> <p>Outside Director, KUSURI NO AOKI HOLDINGS CO., LTD. (to present)</p> <p>Director, Chairman and Representative Executive Officer, AEON CO., LTD. (to present)</p>	(Note 4)	—
Director	Tomoko Nakai	November 17, 1972	<p>April 1997</p> <p>April 1999</p> <p>November 2002</p> <p>January 2012</p> <p>November 2014</p> <p>April 2016</p> <p>May 2019</p> <p>May 2023</p>	<p>Joined the Legal Training and Research Institute of Japan</p> <p>Completed training at the Legal Training and Research Institute of Japan</p> <p>Joined Kazuo Kitamura Law Office</p> <p>Joined Makoto Nakamachi Law Office</p> <p>Member, the Management Lawyers Council</p> <p>Partner, Makoto Nakamachi Law Office (to present)</p> <p>Adjunct Teacher, Keio University Law School</p> <p>Adjunct Associate Professor, School of Law, the University of Tokyo Graduate Schools of Law and Politics</p> <p>Outside Director, the Company (to present)</p> <p>Member and Executive Director, the Management Lawyers Council (to present)</p>	(Note 4)	1

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
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 Outside Director, the Company (to present) Outside Director, ITOCHU Corporation (to present)	(Note 4)	3
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 Teito Electric Railway Co., Ltd. (currently 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, JUSCO Co., Ltd. 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)	2

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	Joined The Fuji Bank, Ltd. (currently Mizuho Bank, Ltd.)	(Note 4)	3
			April 2002	Joined Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) Assistant Manager, Europe Sales Department No. 2		
			November 2003	Credit Officer, Credit Department No.1, Mizuho Corporate Bank, Ltd.		
			March 2006	Senior Credit Officer, Financial Products Credit Department, Mizuho Corporate Bank, Ltd.		
			May 2007	Manager, Leveraged Finance Business Division, Mizuho Corporate Bank, Ltd.		
			April 2010	Executive Officer; Joint Head of Global Coverage Group, Global Investment Banking Division, Mizuho Securities Co., Ltd.		
			April 2011	Managing Executive Officer; in charge of Asia Division, Investment Banking Group, Investment Banking Division, Mizuho Securities Co., Ltd.		
			April 2012	Managing Executive Officer; Officer in charge of Sales Division, Investment Banking Group, Mizuho Securities Co., Ltd.		
			April 2017	Deputy President, Mizuho Capital Partners Co., Ltd (currently MCP Partners Co., Ltd.)		
			December 2017	President and Representative Director, JUSCO Co., Ltd.		
			June 2021	Audit & Supervisory Board Member, Carlit Holdings Co., Ltd.		
			May 2022	Outside Director, the Company (to present)		
			October 2024	Director and Managing Executive Officer, IGUAZU Corporation		
			April 2025	Director and Senior Managing Executive Officer, IGUAZU Corporation (to present)		
Director	Shigeo Horie	September 20, 1960	April 1986	Professor's assistant, The University of Tokyo Hospital	(Note 4)	1
			July 1988	Research Fellow, Division of Nephrology, Department of Internal Medicine, University of Texas Southwestern Medical Center		
			July 1990	Clinical Fellow, Parkland Memorial Hospital, University of Texas Southwestern Medical Center		
			July 1995	Full-time medical doctor, Department of Urology, National Cancer Center Hospital		
			April 1998	Chief research officer, National Institute of Infectious Diseases		
			July 1998	Instructor, Faculty of Medicine, The University of Tokyo		
			April 2002	Assistant professor, Urology Department, Faculty of Medicine, Kyorin University		
			April 2003	Senior Professor, Department of Urology, Teikyo University School of Medicine		
			November 2012	Professor, Department of Urology, Graduate School of Medicine, Graduate Schools, Juntendo University (to present)		
			May 2022	Outside Director, the Company (to present)		
			April 2025	Deputy Director, Juntendo University Hospital (to present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
Director	Noriko Ishizaka	January 29, 1972	September 1992 September 1997 April 2002 September 2013 May 2014 May 2016 May 2023 June 2023 September 2023 August 2024	Joined Ishizaka Industry Co., Ltd. General Manager, Sales Department, Ishizaka Industry Co., Ltd. President and Director, Ishizaka Industry Co., Ltd. President and Representative Director, WELCIA YAKKYOKU CO., LTD. (to present) Executive Director, Saitama Industrial Waste Management Association (to present) Outside Director, HIDAY HIDAKA Corp. Outside Director, the Company (to present) Director, Japan RPF Industry Association (to present) Temporary Member of Industrial Structure Council, Ministry of Economy, Trade and Industry (Member of Subcommittee on Resource Circulation Economy) (to present) Secretary, The Glass Recycling Committee of Japan (to present)	(Note 4)	—
Director	Yasuo Nakayama	November 1, 1952	April 1976 July 2003 July 2005 June 2007 May 2016 May 2017 June 2019 May 2024 June 2024 March 2025 April 2025	Joined The Bank of Japan Branch Manager, Nagoya Branch, The Bank of Japan Director-General, Secretariat of the Policy Board, The Bank of Japan Joined SECOM Co., Ltd. as Advisor Managing Director, JUSCO Co., Ltd. President and Representative Director, JUSCO Co., Ltd. Chairman, Tokyo Security Service Association Chairman, All Japan Security Association Chairman and Representative Director, SECOM Co., Ltd. Outside Director, the Company (to present) Executive Advisor, SECOM Co., Ltd. (to present) Outside Director, IDEA Consultants, Inc. (to present) Chairman, Tokyo Metropolitan Public University Corporation (to present)	(Note 4)	—
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

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousand shares)
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. (currently YUSHIRO INC.) (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, JUSCO Co., 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. Outside Corporate Auditor, the Company (to present)	(Note 5)	—
Corporate Auditor	Hidekazu Tanaka	March 1, 1963	April 1989 June 2003 October 2011 June 2023 May 2024	Registered as an attorney at law Joined Endo & Mamba Law Office Audit & Supervisory Board Member, Tomoku Co., Ltd. Partner, Ginza Law Office (to present) Outside Corporate Auditor, Topre Corporation (to present) Outside Corporate Auditor, the Company (to present)	(Note 7)	—
Total						120

- (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 28, 2025) cannot be confirmed, the actual number of shares held as of the end of February 2025 is shown.
 2. Ms. Tomoko Nakai, Messrs. Kunio Ishizuka, Tadashi Nagata, Katsunori Nozawa, and Shigeo Horie, Ms. Noriko Ishizaka, and Mr. Yasuo Nakayama are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
 3. Ms. Atsuko Sugiyama and Messrs. Takashi Fujii and Hidekazu Tanaka are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act.
 4. From the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended February 28, 2025 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 28, 2026.
 5. From the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended February 28, 2022 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 28, 2026.
 6. From the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended February 28, 2023 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 28, 2027.
 7. From the conclusion of the Annual General Meeting of Shareholders for the fiscal year ended February 29, 2024 until the conclusion of the Annual General Meeting of Shareholders for the fiscal year ending February 29, 2028.

(ii) Outside Directors and Outside Corporate Auditors

The Company has 7 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 diversity and inclusion invaluable for increasing the corporate value of the Company. We have appointed her as an Outside Director because she is expected to utilize her experience accumulated as a legal expert to enhance the effectiveness of the Board of Directors' decision-making function and function of supervising execution of duties. In addition, as she is an Outside Director with no risk of conflict of interest with general shareholders, she has been designated as an independent officer after obtaining her consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Director Mr. Kunio Ishizuka has a wealth of experience in corporate management as a corporate manager in the retail service industry and knowledge of corporate management in general. We have appointed him as an Outside Director because he is expected to utilize his many years of experience and knowledge of corporate governance and top management in the retail service industry to enhance the effectiveness of the Board of Directors' decision-making function and function of supervising execution of duties. In addition, as he is an Outside Director with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Director Mr. Tadashi Nagata has a wealth of experience in corporate management as a corporate manager and knowledge of corporate management in general. We have appointed him as an Outside Director because he is expected to utilize his many years of experience and knowledge of corporate governance and top management to enhance the effectiveness of the Board of Directors' decision-making function and function of supervising execution of duties. In addition, as he is an Outside Director with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Director Mr. Katsunori Nozawa has 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 Outside Director because he is expected to utilize his many years of experience and knowledge to enhance the effectiveness of the Board of Directors' decision-making function and function and function of supervising execution of duties. In addition, as he is an Outside Director with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Director Mr. Shigeo Horie has experience and extensive knowledge cultivated as a doctor, a Doctor of Medicine and a university professor, experience in organizational management, and a professional perspective in the fields of dispensing and healthcare, which are our business areas, as well as for the health management we promote. We have appointed him as an Outside Director because he is expected to utilize his many years of experience and knowledge to enhance the effectiveness of the Board of Directors' decision-making function and function and function of supervising execution of duties. In addition, as he is an Outside Director with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Director Ms. Noriko Ishizaka has broad knowledge about corporate management, particularly a wealth of insight into the field of ESG management. We have appointed her as an Outside Director because she is expected to utilize her experience gained through the resolute implementation of corporate reforms and her leadership in the company to enhance the effectiveness of the Board of Directors' decision-making function and function of supervising execution of duties. In addition, as he is an Outside Director with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Director Mr. Yasuo Nakayama has a wealth of business experience about safe and secure services in various fields including security, fire protection, medical, and cybersecurity systems, as well as insight into overall company management. We have appointed him as an Outside Director because he is expected to utilize his many years of experience and knowledge of corporate governance and top management in the security industry to enhance the effectiveness of the Board of Directors' decision-making function and function of supervising execution of duties. In addition, as he is an Outside Director with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her and the Company.

Outside Corporate Auditor Ms. Atsuko Sugiyama has expertise and knowledge as a certified public accountant and tax accountant, as well as a perspective of diversity and inclusion invaluable for increasing the corporate value of the Company. We have appointed her as an Outside Corporate Auditor because she is expected to utilize her experience accumulated as an accounting expert not only to enhance the Company's auditing system but also to strengthen the functions of the Company's Board of Directors. In addition, as she is an Outside Corporate Auditor with no risk of conflict of interest with general shareholders, she has been designated as an independent officer after obtaining her consent. 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 Outside Corporate Auditor because he is expected to utilize his experience not only to enhance the Company's auditing system but also to strengthen the functions of the Company's Board of Directors. In addition, as he is an Outside Corporate Auditor with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between him and the Company.

Outside Corporate Auditor Mr. Hidekazu Tanaka has experience as an attorney in the judicial world. We have appointed him as an Outside Corporate Auditor because he is expected to utilize his experience accumulated as a legal expert not only to enhance the Company's auditing system but also to strengthen the functions of the Company's Board of Directors. In addition, as he is an Outside Corporate Auditor with no risk of conflict of interest with general shareholders, he has been designated as an independent officer after obtaining his consent. There are no personal, capital, business, or other interest between her 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 independence.

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.

During the current fiscal year, 17 Board of Corporate Auditors meetings were held, and the attendance of each Corporate Auditor at those meetings was as follows.

Category	Name	Attendance
Full-time Corporate Auditor	Toshio Miyamoto	100% (all of 17 meetings)
Outside Corporate Auditor	Atsuko Sugiyama	100% (all of 17 meetings)
Outside Corporate Auditor	Takashi Fujii	94% (16 out of 17 meetings)
Outside Corporate Auditor	Hidekazu Tanaka	76% (10 out of 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 14 staff members. To ensure that the business operations of the Company and the Group companies comply with laws and regulations, internal rules, and management plans, and that they are effective and efficient, internal audits are conducted in accordance with the Internal Audit Rules and the Pharmaceutical Audit Rules.

In addition, the results of internal audits are regularly reported to the President and Representative Director and the Corporate Auditors, and in cases where significant matters affecting the effectiveness of internal controls or other significant matters are discovered, the General Manager of the Internal Audit Office and the Pharmaceutical Audit Office directly report to the President and Representative Director, the Board of Directors, the Corporate Auditors, and the Board of Corporate Auditors as appropriate.

(iii) Status of accounting audits

(a) Name of audit firm

Deloitte Touche Tohmatsu LLC

(b) Continuous audit period

8 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: 13 Others: 50

(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	73	—	94	6
Consolidated subsidiaries	47	—	70	—
Total	121	—	164	6

Non-audit services for the Company include advisory services related to the application of ASBJ Statement No. 34 "Accounting Standard for Leases," etc.

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

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	—	19	—	51
Consolidated subsidiaries	8	0	9	0
Total	8	19	9	52

Non-audit services for the Company include financial advisory services, etc. Non-audit services for consolidated subsidiaries include tax-related services.

(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 and reports the details to the Board of Directors, which passed a resolution at its meeting held on May 27, 2025. 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 (16th term to 18th term)

Fiscal Year		16th	17th	18th
Year End		Feb. 2024	Feb. 2025	Feb. 2026
Net sales	(Million yen)			
	Target	1,230,000	1,287,000	1,500,000
	Results	1,217,339	1,285,005	—
Ordinary income	(Million yen)			
	Target	52,500	51,000	75,000
	Results	47,756	40,837	—
Ordinary income ratio	(%)			
	Target	4.3	4.0	5.0
	Results	3.9	3.2	—
Net income attributable to owners of parent	(Million yen)	Results	26,451	14,958
ROE	(%)			
	Target	—	—	15.0
	Results	11.4	6.2	—

* As the Company has not set targets for net income attributable to owners of parent 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)	213	139	19	53	7
Corporate Auditors (excluding Outside Corporate Auditors)	9	9	—	—	1
Outside Executives	79	79	—	—	11

- (Notes)
- As the Company has no Directors who also serve as employees, no employee salaries are paid to Directors.
 - 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 15th Annual General Meeting of Shareholders held on May 25, 2023, 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 200,000 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.
 - 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).
 - As of the end of the fiscal year, there were 13 Directors (including 7 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 2 Directors and 1 Outside Corporate Auditor who retired at the conclusion of the 16th Annual General Meeting of Shareholders held on May 28, 2024 was included in the number of persons paid and 1 Director who does not receive compensation was not included.
 - 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 28, 2024.
 - 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, 2025, the Compensation Advisory Committee met three 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 SIMIZU 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	2	265

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

Not applicable.

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

	Number of issues	Total sale value for decreased shares (Million yen)
Unlisted shares	—	—
Shares other than the above	3	63

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, outline of business alliance, etc., 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	Although shares were held to maintain and strengthen business relationships, there are plans to sell in the future.	No
	227	328		
Hankyu Hanshin Holdings, Inc.	9,800	9,800	Although shares were held to gather information and strengthen cooperation for future store openings, etc., there are plans to sell in the future.	No
	38	42		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	—	200,000	Although shares were held to gather information and strengthen cooperation for future store openings, etc., all shares were sold during the current fiscal year.	No
	—	36		
Keihan Holdings Co., Ltd.	—	6,800	Although shares were held to gather information and strengthen cooperation for future store openings, etc., all shares were sold during the current fiscal year.	No
	—	23		
Zeria Pharmaceutical Co., Ltd.	—	6,146	Although shares were held to maintain and strengthen business relationships, all shares were sold during the current fiscal year.	No
	—	13		

(Note) 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.

(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	9	5
Shares other than the above	4	284

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

Not applicable.

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

	Number of issues	Total sale value for decreased shares (Million yen)
Unlisted shares	—	—
Shares other than the above	2	52

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, outline of business alliance, etc., 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.	72,000	72,000	To obtain information on other companies in the same industry.	No
	224	225		
TSURUHA HOLDINGS INC.	4,000	4,000	Continue to hold the shares to maintain a business alliance, etc. based on the capital and business alliance announced on February 28, 2024.	Yes (Note 2)
	36	45		
SATUDORA HOLDINGS CO., LTD.	27,200	72,000	To obtain information on other companies in the same industry.	No
	22	59		
SUNDRUG CO., LTD.	100	4,000	To obtain information on other companies in the same industry.	No
	0	18		

(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.

2. 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 29, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and deposits	30,533	35,011
Accounts receivable - trade	63,197	68,376
Merchandise	137,092	149,011
Other	28,809	28,523
Allowance for doubtful accounts	(31)	(32)
Total current assets	259,601	280,890
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	221,807	244,395
Accumulated depreciation	*4 (113,874)	*4 (136,047)
Buildings and structures, net	*2, 3 107,932	*2, 3 108,348
Land	*3 20,632	*3 20,805
Leased assets	93,135	97,728
Accumulated depreciation	*4 (44,725)	*4 (52,251)
Leased assets, net	48,409	45,477
Other	32,474	38,447
Accumulated depreciation	*4 (25,825)	*4 (32,321)
Other, net	*2 6,649	*2 6,125
Total property, plant and equipment	183,623	180,756
Intangible assets		
Goodwill	32,547	36,072
Other	6,388	6,946
Total intangible assets	38,936	43,018
Investments and other assets		
Investment securities	*1 1,208	*1 956
Long-term loans receivable	34	24
Guarantee deposits	48,764	51,110
Deferred tax assets	17,532	21,171
Other	2,239	2,182
Allowance for doubtful accounts	(80)	(125)
Total investments and other assets	69,698	75,319
Total noncurrent assets	292,258	299,094
Total assets	551,860	579,985

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	159,865	168,758
Short-term loans payable	*3 13,015	*3 15,015
Lease obligations	10,200	10,446
Accounts payable - other	14,016	15,527
Income taxes payable	5,737	6,850
Provision for bonuses	5,617	5,063
Provision for bonuses for directors (and other officers)	65	22
Contract liabilities	66	758
Provision for loss on store closings	–	819
Other	13,894	13,355
Total current liabilities	222,481	236,616
Noncurrent liabilities		
Long-term loans payable	*3 27,386	*3 24,004
Lease obligations	32,098	31,784
Asset retirement obligations	13,048	20,401
Retirement benefits-related liabilities	8,207	8,917
Deferred tax liabilities	470	602
Allowance for executive stock benefit	885	767
Other	2,914	2,404
Total noncurrent liabilities	85,011	88,882
Total liabilities	307,492	325,498
Net assets		
Shareholders' equity		
Capital stock	7,748	7,792
Capital surplus	51,682	51,878
Retained earnings	186,099	193,719
Treasury stock	(8,942)	(6,191)
Total shareholders' equity	236,587	247,199
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	452	329
Foreign currency translation adjustment	198	202
Accumulated adjustment related to retirement benefits	314	768
Total accumulated other comprehensive income	965	1,301
Subscription rights to shares	158	114
Non-controlling interests	6,654	5,871
Total net assets	244,367	254,486
Total liabilities and net assets	551,860	579,985

(ii) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Net sales	1,217,339	1,285,005
Cost of sales	*1 847,231	*1 894,648
Gross profit	370,107	390,356
Selling, general and administrative expenses		
Advertising expenses	5,955	6,868
Salaries	132,465	142,874
Bonuses	5,800	5,638
Provision for bonuses	5,582	4,938
Provision for share awards for directors (and other officers)	104	103
Retirement benefit expenses	2,097	2,175
Rent expenses on real estate	56,624	59,817
Depreciation	20,490	22,152
Commission expenses	25,588	31,001
Rent expenses	757	739
Amortization of goodwill	3,584	3,787
Other	67,825	73,848
Total selling, general and administrative expenses	326,875	353,947
Operating income	43,231	36,409
Non-operating income		
Interest income	15	17
Dividend income	11	10
Rental income from real estate	1,578	1,604
Gain on receipt of donated noncurrent assets	161	154
Commission income	428	416
Subsidy income	*2 43	*2 689
Sponsorship money income	929	912
Other	2,830	2,329
Total non-operating income	5,999	6,134
Non-operating expenses		
Interest expenses	723	785
Share of loss of entities accounted for using equity method	293	447
Rent cost of real estate	360	303
Other	96	170
Total non-operating expenses	1,474	1,706
Ordinary income	47,756	40,837

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Extraordinary income		
Gain on sale of noncurrent assets	*3 15	*3 8
Gain on sale of investment securities	29	80
Compensation income	151	66
Total extraordinary income	197	154
Extraordinary loss		
Loss on sale of noncurrent assets	–	*4 3
Loss on retirement of noncurrent assets	*5 263	*5 219
Impairment loss	*6 7,136	*6 13,127
Provision for loss on store closings	–	819
Other	220	544
Total extraordinary losses	7,620	14,714
Net income before income taxes and minority interests	40,333	26,277
Income taxes - current	15,544	14,314
Income taxes - deferred	(1,548)	(2,375)
Total income taxes	13,996	11,938
Net income	26,337	14,338
Loss attributable to non-controlling interests	(114)	(619)
Net income attributable to owners of parent	26,451	14,958

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Net income	26,337	14,338
Other comprehensive income		
Valuation difference on available-for-sale securities	77	(123)
Foreign currency translation adjustment	117	7
Remeasurements of defined benefit plans	2	461
Total other comprehensive income	*1 197	*1 45
Comprehensive income	26,534	14,684
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,574	15,292
Comprehensive income attributable to non-controlling interests	(40)	(608)

(iii) Consolidated Statements of Changes in Equity

Fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,747	51,681	166,566	(1,084)	224,909
Changes during period					
Issuance of new shares	1	1			2
Dividends of surplus			(6,918)		(6,918)
Net income attributable to owners of parent			26,451		26,451
Purchase of treasury stock				(9,699)	(9,699)
Disposal of treasury stock				1,841	1,841
Net changes in items other than shareholders' equity					
Total changes during period	1	1	19,533	(7,858)	11,677
Balance at end of period	7,748	51,682	186,099	(8,942)	236,587

	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	373	139	327	840	161	6,472	232,384
Changes during period							
Issuance of new shares							2
Dividends of surplus							(6,918)
Net income attributable to owners of parent							26,451
Purchase of treasury stock							(9,699)
Disposal of treasury stock							1,841
Net changes in items other than shareholders' equity	78	59	(12)	125	(2)	182	304
Total changes during period	78	59	(12)	125	(2)	182	11,982
Balance at end of period	452	198	314	965	158	6,654	244,367

Fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,748	51,682	186,099	(8,942)	236,587
Changes during period					
Issuance of new shares	44	44			88
Dividends of surplus			(7,338)		(7,338)
Net income attributable to owners of parent			14,958		14,958
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		2,752	2,752
Change in ownership interest of parent due to transactions with non-controlling interests		152			152
Net changes in items other than shareholders' equity					
Total changes during period	44	196	7,619	2,751	10,611
Balance at end of period	7,792	51,878	193,719	(6,191)	247,199

	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	452	198	314	965	158	6,654	244,367
Changes during period							
Issuance of new shares							88
Dividends of surplus							(7,338)
Net income attributable to owners of parent							14,958
Purchase of treasury stock							(0)
Disposal of treasury stock							2,752
Change in ownership interest of parent due to transactions with non-controlling interests							152
Net changes in items other than shareholders' equity	(122)	3	454	335	(44)	(783)	(492)
Total changes during period	(122)	3	454	335	(44)	(783)	10,119
Balance at end of period	329	202	768	1,301	114	5,871	254,486

(iv) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Cash flows from operating activities		
Net income before income taxes and minority interests	40,333	26,277
Depreciation	20,808	22,461
Impairment loss	7,136	13,127
Amortization of goodwill	3,584	3,787
Increase (decrease) in allowance for doubtful accounts	(28)	30
Increase (decrease) in provision for bonuses	256	(945)
Increase (decrease) in retirement benefits-related liabilities	686	668
Increase (decrease) in allowance for executive stock benefit	104	(118)
Increase (decrease) in provision for bonuses for directors (and other officers)	(29)	(43)
Increase (decrease) in provision for loss on store closings	–	819
Interest and dividend income	(26)	(28)
Interest expenses	723	785
Loss (gain) on sale of investment securities	(19)	(80)
Rent expenses offset by construction assistance fund receivables	1,233	1,299
Loss on retirement of noncurrent assets	263	219
Gain on receipt of donated noncurrent assets	(161)	(154)
Decrease (increase) in trade receivables	(8,905)	(1,970)
Decrease (increase) in inventories	(8,416)	(4,883)
Increase (decrease) in trade payables	6,646	(778)
Increase (decrease) in accounts payable - other	1,747	460
Increase (decrease) in accrued consumption taxes	1,918	462
Other	(899)	341
Subtotal	66,953	61,737
Interest and dividends received	26	28
Interest paid	(715)	(805)
Income taxes paid	(21,392)	(13,866)
Income taxes refund	1,657	752
Cash flows from operating activities	46,529	47,845
Cash flows from investing activities		
Payments into time deposits	(708)	(713)
Proceeds from withdrawal of time deposits	786	796
Purchase of property, plant and equipment	(14,874)	(10,613)
Proceeds from sale of property, plant and equipment	15	57
Purchase of intangible assets	(3,484)	(1,879)
Purchase of shares of subsidiaries	–	(50)
Purchase of shares of subsidiaries and associates	–	(392)
Payments into subsidiaries and affiliates	(10,000)	(5,000)
Collection of deposit in subsidiaries and affiliates	10,000	5,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(7,007)
Payments of leasehold deposits	(3,924)	(3,473)
Proceeds from refund of leasehold deposits	541	898
Other	(380)	(360)
Net cash provided by (used in) investing activities	(22,028)	(22,736)

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(170)	(19)
Proceeds from long-term loans payable	9,843	8,000
Repayments of long-term loans payable	(11,057)	(12,986)
Redemption of bonds	–	(99)
Proceeds from issuance of shares	0	41
Dividends paid	(6,912)	(7,337)
Repayments of finance lease obligations	(10,950)	(11,104)
Proceeds from sale of treasury shares	1,841	2,755
Purchase of treasury shares	(9,699)	(0)
Proceeds from share issuance to non-controlling shareholders	293	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(22)
Net cash provided by (used in) financing activities	(26,812)	(20,774)
Effect of exchange rate change on cash and cash equivalents	68	5
Net increase (decrease) in cash and cash equivalents	(2,242)	4,339
Cash and cash equivalents at beginning of period	32,307	30,065
Cash and cash equivalents at end of period	*1 30,065	*1 34,404

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: 17

Names of consolidated subsidiaries

WELCIA YAKKYOKU CO., LTD., Welcia Kaigo Service Co., Ltd., Shimizu Yakuin Co., Ltd., WELCIA SINGAPORE PTE. LTD., Marudai Sakurai Pharmacy Limited, MASAYA Co., Ltd., Yodoya Co., Ltd., Marue Wellness Stores Inc., Pupule Himawari Co., Ltd., Kokumin Co., Ltd., French Co., Ltd., FUKUYAKUHIN CO., LTD., Welpark Co., Ltd., WELCIA PARTNERS Co, inc., Xchange Inc., Xchange Solutions Inc., Xchange Creative Inc.

(Notes) 1. Xchange Inc., Xchange Solutions Inc., and Xchange Creative Inc. were included in the scope of consolidation from the current fiscal year as a result of share acquisitions on March 15, 2024; Welpark Co., Ltd. was included following a share acquisition on September 2, 2024; and WELCIA PARTNERS Co, inc. (formerly Tepco Partners Co., Ltd.) was included following a share acquisition on October 1, 2024.

2. Towoshiya Pharmacy CO., LTD. was included in the scope of consolidation from the current fiscal year due to a share acquisition on June 3, 2024, but was merged with WELCIA YAKKYOKU CO., LTD. on September 1, 2024, and is therefore not included in the above consolidated subsidiaries.

(2) Number of non-consolidated subsidiaries: 3

Names of non-consolidated subsidiaries

Welcia Oasis Co., Ltd., WELCIA RETAIL SOLUTION CO., LTD., Welcia Caretransport 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 Rêvecosme Co., Ltd., AEON WELCIA KYUSHU Co., Ltd.

(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., Welcia Caretransport 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.

(v) Provision for loss on store closings

To provide for losses arising from store closings, the Company has recorded a provision for loss on store closings including an estimated amount of early termination penalty deemed rational.

(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 (eight to ten 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 non-controlling 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	180,756	141,033
Other	1,365	773
Total balance of noncurrent assets at stores	182,121	141,807

Impairment loss (excluding goodwill)	12,753	11,501
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(ii) Information regarding the details of significant accounting estimates on identified items

(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 7.14%. However, for asset groups 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	of which, Pupule Himawari Co., Ltd.
Goodwill	36,072	6,103
Impairment loss	374	—

(ii) Information regarding the details of significant accounting estimates on identified items

(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.

For Pupule Himawari Co., Ltd., although the Company changed the store opening strategy planned at the time of stock acquisition, switched point-cards, and altered the sales pricing strategy, the results fell below the business plan at the time of stock acquisition, and there were signs of impairment. The Company therefore determined whether to recognize an impairment loss. As a result, no impairment loss was recognized as the total undiscounted future cash flows exceeded the carrying amount of the asset.

(b) Main assumptions

The estimates of undiscounted future cash flows are based on business plans, which include key assumptions such as improvements in net sales growth rate and gross margin ratio through initiatives that leverage group synergies. These initiatives include the integration of bookkeeping and logistics, changes in store opening strategies, changes in product policies, and other measures.

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

Since assumptions used for the aforementioned estimates are subject to changes in economic environment, if review is necessary due to such changes, it may cause material impacts on the determination of whether impairment losses should be recognized in the following fiscal year and the amount of impairment losses to be measured.

(Unapplied accounting standards, etc.)

(Accounting Standard for Leases, etc.)

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

In addition, amendments to relevant Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance.

(1) Overview

This standard primarily stipulates that, similar to international accounting standards, all leases by lessees must be recognized as assets and liabilities.

(2) Scheduled date of application

Scheduled to be applied from the beginning of the fiscal year ending February 28, 2029.

(3) Effect of application of the accounting standard, etc.

The effect of the application of the “Accounting Standard for Leases,” etc. on the consolidated financial statements is currently under evaluation.

(Changes in accounting estimates)

(Change in estimate of asset retirement obligations)

In the fiscal year under review, the Company changed its estimate of restoration costs to be incurred when vacating retail properties under real estate lease contracts, based on new information, including the latest actual construction results. As a result, ¥5,845 million was added to asset retirement obligations compared to the previous estimate for the fiscal year under review.

Due to this change, operating income and ordinary income decreased by ¥910 million, and net income before income taxes and minority interests decreased by ¥1,910 million.

(Additional information)

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

Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)

In April 2023, the Company reintroduced 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").

(i) Outline of the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)

The Plan 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" (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.

(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 were ¥7,595 million and 2,543 thousand shares, respectively, in the previous fiscal year, and ¥5,083 million and 1,702 thousand shares, respectively, in the current fiscal year.

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

¥7,954 million at the end of the previous fiscal year and ¥6,213 million at the end of the current fiscal year

(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., Marudai Sakurai Pharmacy Limited and Kokumin 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.

(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 were ¥1,333 million and 507 thousand shares, respectively, in the previous fiscal year, and ¥1,096 million and 417 thousand shares, respectively, in the current fiscal year.

(Consolidated balance sheets)

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

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Investment securities (shares)	185	180

*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 29, 2024	As of February 28, 2025
Buildings and structures	212	215
Other (furniture and fixtures)	12	12
Total	225	227

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

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Buildings and structures	268	256
Land	1,134	1,134
Total	1,402	1,390

(Liabilities corresponding to the above)

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Short-term loans payable (including current portion of long-term loans payable)	468	395
Long-term loans payable	1,283	1,145
Total	1,752	1,541

*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 29, 2024	For the fiscal year ended February 28, 2025
Cost of sales	1,809	1,961

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

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Subsidy for capital expenditures, etc.	43	689

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

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Land	—	2
Buildings and structures, etc.	7	3
Machinery, equipment and vehicles	7	1
Total	15	8

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

	(Million yen)	
	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Land	—	3
Buildings and structures, etc.	—	0
Total	—	3

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

	(Million yen)	
	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Buildings and structures	95	99
Other (furniture and fixtures, etc.)	167	119
Total	263	219

*6 Impairment loss

The Group recorded impairment loss for the following asset groups.

For the fiscal year ended February 29, 2024

		(Million yen)
Location	Aichi Prefecture, Osaka Prefecture, Shizuoka Prefecture, etc.	
Use	Stores for drugstore operations, etc.	
Class	Buildings and structures, leased assets, land, goodwill, etc.	
Amount	Buildings and structures	4,971
	Leased assets	1,458
	Land	2
	Goodwill	350
	Other	354

In calculating impairment loss, 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.

In the fiscal year ended February 29, 2024, 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 (¥7,136 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 5.64%. However, for asset groups generating negative future cash flows, value in use is evaluated at zero.

For the fiscal year ended February 28, 2025

		(Million yen)
Location	Okayama Prefecture, Osaka Prefecture, Aichi Prefecture, etc.	
Use	Stores for drugstore operations, etc.	
Class	Buildings and structures, leased assets, land, goodwill, etc.	
Amount	Buildings and structures	8,587
	Leased assets	3,452
	Land	174
	Goodwill	374
	Other	539

In calculating impairment loss, 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.

In the fiscal year ended February 28, 2025, 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 (¥13,127 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 7.14%. However, for asset groups generating negative future cash flows, value in use is evaluated at zero.

(Consolidated statements of comprehensive income)

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

	(Million yen)	
	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	126	(123)
Reclassification adjustments	(7)	(81)
Before tax effect adjustments	118	(204)
Tax effects	(41)	81
Valuation difference on available-for-sale securities	77	(123)
Foreign currency translation adjustment		
Amount arising during the fiscal year	117	7
Reclassification adjustments	—	—
Foreign currency translation adjustment	117	7
Remeasurements of defined benefit plans		
Amount arising during the fiscal year	6	741
Reclassification adjustments	(2)	(35)
Before tax effect adjustments	3	706
Tax effects	(1)	(244)
Remeasurements of defined benefit plans	2	461
Total other comprehensive income	197	345

(Consolidated statements of changes in equity)

For the fiscal year ended February 29, 2024

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	209,652,876	3,200	—	209,656,076

(Note) Outline of reasons for changes

The breakdown of the increase is as follows.

Increase due to exercise of stock options 3,200 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	425,469	3,256,453	616,800	3,065,122

(Notes) 1. Number of treasury stock at the beginning as well as at the end of the fiscal year includes 412,219 shares and 3,051,319 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 553 shares

Increase due to purchase of the Company's shares by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) 3,160,300 shares

Increase due to purchase of the Company's shares by the Directors' Remuneration BIP Trust 95,600 shares

The breakdown of the decrease is as follows.

Decrease due to sale of the Company's shares by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) 616,800 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	—	—	—	—	—	158
Total		—	—	—	—	—	158

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 10, 2023 (Note 1)	Common stock	3,354	16.00	February 28, 2023	May 9, 2023
Board of Directors meeting held on October 10, 2023 (Note 2)	Common stock	3,563	17.00	August 31, 2023	November 9, 2023

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

2. Total amount of dividends includes ¥58 million paid for the Company's shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust.

(2) Dividend for which the record date falls in the fiscal year ended February 29, 2024 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 8, 2024 (Note)	Common stock	Retained earnings	3,563	17.00	February 29, 2024	May 10, 2024

(Note) Total amount of dividends includes ¥51 million paid for the Company's shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust.

For the fiscal year ended February 28, 2025

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	209,656,076	57,724	—	209,713,800

(Note) Outline of reasons for changes

The breakdown of the increase is as follows.

Increase due to exercise of stock options	36,000 shares
Increase due to issuance of new shares as restricted stock compensation	21,724 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	3,065,122	375	934,696	2,130,801

(Notes) 1. Number of treasury stock at the beginning as well as at the end of the fiscal year includes 3,051,319 shares and 2,119,843 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	375 shares
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The breakdown of the decrease is as follows.

Decrease due to exercise of stock options	3,200 shares
Decrease due to sale of the Company's shares by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)	841,400 shares
Decrease due to delivery or sale of the Company's shares by the Directors' Remuneration BIP Trust	90,076 shares
Decrease due to sale of fractional shares	20 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	—	—	—	—	—	114
Total		—	—	—	—	—	114

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 8, 2024 (Note 1)	Common stock	3,563	17.00	February 29, 2024	May 10, 2024
Board of Directors meeting held on October 7, 2024 (Note 2)	Common stock	3,774	18.00	August 31, 2024	November 8, 2024

(Notes) 1. Total amount of dividends includes ¥51 million paid for the Company's shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust.

2. Total amount of dividends includes ¥45 million paid for the Company's shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust.

(2) Dividend for which the record date falls in the fiscal year ended February 29, 2024 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 11, 2025 (Note)	Common stock	Retained earnings	3,774	18.00	February 28, 2025	May 12, 2025

(Note) Total amount of dividends includes ¥38 million paid for the Company's shares held by the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and 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 29, 2024	For the fiscal year ended February 28, 2025
Cash and deposits	30,533	35,011
Time deposits with deposit terms over three months	(468)	(607)
Cash and cash equivalents	30,065	34,404

- *2 Major breakdown of assets and liabilities of newly consolidated subsidiaries as a result of acquisition of shares

For the fiscal year ended February 29, 2024

Not applicable.

For the fiscal year ended February 28, 2025

The breakdown of assets and liabilities at the start of consolidation resulting from the acquisition of shares of Xchange Inc., Xchange Solutions Inc., Xchange Creative Inc., Towoshiya Pharmacy CO., LTD., Welpark Co., Ltd., and WELCIA PARTNERS Co, inc., and the relationship between the acquisition cost of the shares and expenditures for acquisition (net amount) are as follows.

Current assets	19,332	million yen
Noncurrent assets	7,608	
Goodwill	7,685	
Current liabilities	(16,229)	
Noncurrent liabilities	(3,997)	
Acquisition cost of shares	14,400	
Cash and cash equivalents	(7,392)	
Less of: Expenditures for acquisition	7,007	

2. Description of significant non-monetary transactions

For the fiscal year ended February 29, 2024

Not applicable.

For the fiscal year ended February 28, 2025

The increase in asset retirement obligations due to changes in accounting estimates was ¥5,845 million.

(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 29, 2024			
	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	1,539	1,273	112	154
Total	1,539	1,273	112	154

(Million yen)

	As of February 28, 2025			
	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	961	817	49	95
Total	961	817	49	95

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

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Amount equivalent to the remaining lease payment at end of period		
Within one year	61	40
Over one year	101	61
Total	163	101
Balance of accumulated impairment of leased assets	12	8

- (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 29, 2024	For the fiscal year ended February 28, 2025
Lease payment	106	65
Reversal of accumulated impairment of leased assets	5	4
Amount equivalent to depreciation	97	61
Amount equivalent to interest expenses	2	1

- (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 29, 2024	As of February 28, 2025
Within one year	8,301	8,649
Over one year	47,553	54,144
Total	55,855	62,793

(As of February 29, 2024)

Real estate lease is included in each category of within one year, and over one year at ¥8,272 million and ¥47,471 million, respectively.

(As of February 28, 2025)

Real estate lease is included in each category of within one year, and over one year at ¥8,622 million and ¥54,089 million, respectively.

4. Finance lease transactions

(Lessor)

(1) Detail of investments in leases

Investments and other assets

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Lease payment receivable	423	388
Estimated residual value	152	152
Amount equivalent to interest income	238	218
Investments in leases	337	322

(2) Planned collection amount after the end of the fiscal year for lease payment receivable from investments in leases

(Million yen)

	As of February 29, 2024					
	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
Investments in leases	34	34	33	32	29	259

(Million yen)

	As of February 28, 2025					
	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
Investments in leases	34	33	32	29	24	234

5. Operating lease transactions

(Lessor)

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

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Within one year	324	347
Over one year	2,518	2,480
Total	2,843	2,828

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 is 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 29, 2024

	Amounts in the consolidated balance sheets	Fair value	Differences
(1) Investment securities (*2)	812	812	—
(2) Guarantee deposits (*3)	32,283	28,697	(3,586)
Total assets	33,095	29,509	(3,586)
(1) Long-term loans payable (*4)	37,949	37,857	(92)
(2) Lease obligations (*5)	42,298	42,090	(208)
Total liabilities	80,248	79,947	(300)

(*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	Previous fiscal year (Million yen)
Unlisted shares	396

(*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, 2025

(Million yen)

	Amounts in the consolidated balance sheets	Fair value	Differences
(1) Investment securities (*2)	556	556	—
(2) Guarantee deposits (*3)	34,337	29,221	(5,116)
Total assets	34,894	29,778	(5,116)
(1) Long-term loans payable (*4)	34,619	34,398	(221)
(2) Lease obligations (*5)	42,230	41,982	(248)
Total liabilities	76,850	76,380	(469)

(*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	399

(*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 29, 2024

(Million yen)

Category	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	19,545	—	—	—
Accounts receivable - trade	63,197	—	—	—
Guarantee deposits	6,832	10,372	5,723	9,355
Total	89,575	10,372	5,723	9,355

As of February 28, 2025

(Million yen)

Category	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Deposits	23,390	—	—	—
Accounts receivable - trade	68,376	—	—	—
Guarantee deposits	6,425	11,137	6,247	10,526
Total	98,192	11,137	6,247	10,526

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

As of February 29, 2024

(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	10,562	10,956	9,929	4,697	1,330	472
Lease obligations	10,200	8,647	6,754	5,137	3,527	8,031
Total	20,763	19,603	16,683	9,835	4,857	8,503

As of February 28, 2025

(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	10,615	11,664	7,268	3,947	943	180
Lease obligations	10,446	8,549	6,956	5,278	3,810	7,189
Total	21,061	20,213	14,224	9,226	4,753	7,369

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 29, 2024

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	812	—	—	812
Total assets	812	—	—	812

As of February 28, 2025

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities	556	—	—	556
Total assets	556	—	—	556

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

As of February 29, 2024

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	28,697	—	28,697
Total assets	—	28,697	—	28,697
Long-term loans payable	—	37,857	—	37,857
Lease obligations	—	42,090	—	42,090
Total liabilities	—	79,947	—	79,947

As of February 28, 2025

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Guarantee deposits	—	29,221	—	29,221
Total assets	—	29,221	—	29,221
Long-term loans payable	—	34,398	—	34,398
Lease obligations	—	41,982	—	41,982
Total liabilities	—	76,380	—	76,380

(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 29, 2024

(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	812	115	696
Subtotal	812	115	696
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost			
Shares	—	—	—
Subtotal	—	—	—
Total	812	115	696

(Note) Unlisted shares (the amount in the consolidated balance sheets: ¥210 million) are not included in the available-for-sale securities in the table above, since they are shares with no market price.

As of February 28, 2025

(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	556	68	487
Subtotal	556	68	487
Available-for-sale securities with the amount in the consolidated balance sheets not exceeding the acquisition cost			
Shares	—	—	—
Subtotal	—	—	—
Total	556	68	487

(Note) Unlisted shares (the amount in the consolidated balance sheets: ¥219 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 29, 2024

(Million yen)

Category	Amount sold	Total gain on sale	Total loss on sale
Shares	45	19	10
Other	56	10	—
Total	102	29	10

For the fiscal year ended February 28, 2025

(Million yen)

Category	Amount sold	Total gain on sale	Total loss on sale
Shares	130	80	0
Other	—	—	—
Total	130	80	0

3. Impairment loss on securities

For the fiscal year ended February 29, 2024

Not applicable.

For the fiscal year ended February 28, 2025

Not applicable.

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 29, 2024	For the fiscal year ended February 28, 2025
Balance of retirement benefit obligations at the beginning of the fiscal year	7,524	8,207
Service cost	1,078	1,177
Interest cost	76	91
Actuarial gains and losses generated	(6)	(612)
Retirement benefits paid	(465)	(539)
Increase following the new consolidation of entities	—	1,850
Balance of retirement benefit obligations at the end of the fiscal year	8,207	10,174

(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 29, 2024	For the fiscal year ended February 28, 2025
Balance of plan assets at the beginning of the fiscal year	—	—
Expected return on plan assets	—	6
Contribution from the employer	—	36
Retirement benefits paid	—	(27)
Increase following the new consolidation of entities	—	1,242
Balance of plan assets at the end of the fiscal year	—	1,257

(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 29, 2024	As of February 28, 2025
Retirement benefit obligations of funded plans	—	1,192
Plan assets	—	(1,257)
	—	(64)
Retirement benefit obligations of unfunded plans	8,207	8,981
Net liabilities and assets recorded in the consolidated balance sheets	8,207	8,917
Retirement benefits-related liabilities	8,207	8,917
Net liabilities and assets recorded in the consolidated balance sheets	8,207	8,917

(Note) Includes plans adopting the simplified method

(4) Retirement benefit expenses and breakdown thereof

	(Million yen)	
	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Service cost	1,078	1,177
Interest cost	76	91
Amortization of actuarial gains and losses	0	29
Retirement benefit expenses for defined benefit plans	1,154	1,298

(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 29, 2024	For the fiscal year ended February 28, 2025
Actuarial gains and losses	3	706
Total	3	706

(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 29, 2024	As of February 28, 2025
Unrecognized actuarial gains and losses	(525)	(1,040)
Total	(525)	(1,040)

(7) Matters regarding plan assets

Percentage for major categories regarding plan assets are as follows:

	As of February 29, 2024	As of February 28, 2025
General account	—%	19%
Receivables	—%	13%
Shares	—%	10%
Other	—%	58%
Total	—%	100%

(8) Matters regarding basis for actuarial assumptions

Major actuarial assumptions

	As of February 29, 2024	As of February 28, 2025
Discount rate Domestic consolidated subsidiaries	Primarily 1.13%	Primarily 1.86%
Expected long-term rate of return on plan assets	—%	1.00%

(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. Although the discount rate applied at the beginning of the current fiscal year was mainly 1.13%, upon re-evaluation at fiscal year-end, it was determined that changes to the discount rate would have a significant impact on the amount of retirement benefit obligations, and the rate was changed to mainly 1.86%.

3. Defined benefit plans

The required amount of contributions to defined contribution plans of the consolidated subsidiaries was ¥939 million for the previous fiscal year and ¥977 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, 2025) 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	34,400	44,000	24,000	36,000
Vested	—	—	—	—
Exercised	11,200	12,000	7,200	8,800
Lapsed	—	—	—	—
Remaining balance yet to be exercised	23,200	32,000	16,800	27,200

(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)	2,275.4	2,270.8	2,276.6	2,274.5
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, 2025).

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 29, 2024	As of February 28, 2025
Deferred tax assets		
Accrued enterprise tax	672	543
Accrued business office tax	212	225
Provision for bonuses	1,941	1,764
Lump-sum depreciable assets	181	153
Provision for point card certificates	—	262
Accumulated impairment of leased assets	22	28
Accrued expenses	293	255
Accounts payable - other	71	45
Long-term accounts payable - other	318	146
Retirement benefits-related liabilities	2,852	3,235
Subscription rights to shares	51	45
Impairment loss	9,238	10,831
Loss on valuation of investment securities	48	51
Excess in depreciation	1,684	2,215
Allowance for doubtful accounts	38	51
Asset retirement obligations	4,511	6,385
Loss carryforward	1,775	2,112
Other	809	1,072
Subtotal of deferred tax assets	24,726	29,425
Valuation allowance for tax loss carryforward (Note)	(1,704)	(1,611)
Valuation allowance for aggregate deductible temporary differences	(3,006)	(2,982)
Subtotal of valuation allowance	(4,711)	(4,954)
Total deferred tax assets	20,014	24,831
Deferred tax liabilities		
Asset retirement cost	(1,823)	(2,902)
Valuation difference on the assets acquired at consolidation	(794)	(968)
Other	(335)	(391)
Total deferred tax liabilities	(2,953)	(4,262)
Net deferred tax assets	17,061	20,568

(Note) Tax loss carryforward and related deferred tax assets for each carry-forward period

As of February 29, 2024

(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)	0	32	4	9	6	1,721	1,775
Valuation allowance	(0)	(32)	(4)	(9)	(6)	(1,650)	(1,704)
Deferred tax assets	0	—	—	—	—	70	71

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

As of February 28, 2025

(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)	7	9	602	0	649	843	2,112
Valuation allowance	(7)	(9)	(602)	0	(649)	(342)	(1,611)
Deferred tax assets	–	–	–	–	–	501	501

(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 29, 2024	As of February 28, 2025
Effective statutory tax rate	30.6 %	30.6 %
(Adjustments)		
Inhabitant tax on per capita basis	2.3	3.6
Amortization of goodwill	2.7	4.4
Changes in valuation allowance	(0.3)	(1.3)
Effect of change in tax rate	—	6.5
Tax credits through Tax Measure to Promote Wage Increases	(5.4)	(4.1)
Tax rate difference between the Company and its subsidiaries	4.7	5.4
Other	0.1	0.3
Income tax rate after applying tax effect accounting	34.7	45.4

3. Adjustments to the amount of deferred tax assets and deferred tax liabilities due to change in income tax rate

With the enactment of the Act on Partial Revision, etc., of the Local Tax Act, etc. (Act No. 4 of 2024) by the Diet on March 28, 2024, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities for some consolidated subsidiaries in the current fiscal year (limited to those resolving on or after March 1, 2027) was changed from 34.5% in the previous fiscal year to 30.6%. As a result, the amount of deferred tax assets (net of deferred tax liabilities) decreased by ¥1,807 million, and the amount of valuation difference on available-for-sale securities (credit) and the amount of income taxes - deferred (debit) increased by ¥10 million and ¥1,818 million, respectively.

4. Change in income tax rate after the consolidated closing date

With the enactment of the Act for Partial Amendment to the Income Tax Act, etc. (Act No. 13 of 2025) by the Diet on March 31, 2025, Special Income Tax for Defense will be newly established for fiscal years starting on or after April 1, 2026. As a result, the statutory effective tax rate for calculating deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in the fiscal years starting on or after March 1, 2027 for some consolidated subsidiaries will change. If the statutory effective tax rate after the change is applied at the end of the current fiscal year, the amount of deferred tax assets (net of deferred tax liabilities) will increase by ¥472 million, while the amount of valuation difference on available-for-sale securities (credit) and the amount of income taxes - deferred (debit) will decrease by ¥2 million and ¥464 million, respectively.

(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

In the fiscal year under review, the Company changed its estimate of restoration costs to be incurred when vacating retail properties under real estate lease contracts, based on new information, including the latest actual construction results. As a result, ¥5,845 million was added to asset retirement obligations compared to the previous estimate for the fiscal year under review.

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Balance at beginning of period	12,734	13,128
Increase due to the acquisition of property, plant and equipment	473	336
Adjustments due to passage of time	110	119
Increase associated with the change in scope of consolidation	—	1,369
Decrease due to the fulfillment of asset retirement obligations	(189)	(206)
Increase associated with the change in estimates	—	5,845
Other changes	—	—
Balance at end of period	13,128	20,592

(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

(Million yen)

Category	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
OTC products	231,841	233,255
Cosmetics	191,032	203,007
Household goods	167,269	178,053
Food products	275,422	299,514
Other	93,629	87,653
Total sales of goods other than dispensing	959,195	1,001,484
Dispensing	256,889	282,548
Merchandise total	1,216,084	1,284,033
Commission income	1,254	972
Revenue from contracts with customers	1,217,339	1,285,005
Net sales to external customers	1,217,339	1,285,005

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)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Receivables from contracts with customers (Balance at beginning of period)	54,276	63,197
Receivables from contracts with customers (Balance at end of period)	63,197	68,376
Contract liabilities (Balance at beginning of period)	143	66
Contract liabilities (Balance at end of period)	66	758

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 29, 2024

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, 2025

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 29, 2024

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 50.58	Consumption entrustment, royalty payments, concurrent service by officers	Consumption entrustment	10,000	Deposits paid to subsidiaries and associates	5,000
							Consumption entrustment Return of consumption entrustment			
							Interest income (Note 1)	0	Accrued interest	0
							Royalty payments (Note 2)	1,177	Accounts payable - other	661

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.

For the fiscal year ended February 28, 2025

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 50.59	Consumption entrustment, royalty payments, concurrent service by officers	Consumption entrustment	5,000	Deposits paid to subsidiaries and associates	5,000
							Consumption entrustment Return of consumption entrustment			
							Interest income (Note 1)	0	Accrued interest	0
							Royalty payments (Note 2)	2,589	Accounts payable - other	1,478

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. The contract regarding royalty which was negotiated between the parties and finalized at the Board of Directors is continued. 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 29, 2024

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 Financial Service Co., Ltd.	Chiyoda-ku, Tokyo	45,698	Financial services business	—	Outsourcing of credit and electronic money services	Usage fees for credit and electronic money (Notes 1, 2)	2,672	Accounts receivable - trade	7,935
							Fees received for charge deposit of electronic money (Notes 1, 2)	129	Accounts payable - other	6
									Deposits received	738
									Accounts receivable - other	0

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

- (Notes) 1. 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. AEON CREDIT SERVICE CO., LTD. merged with AEON Financial Service Co., Ltd. on June 1, 2023, with AEON Financial Service Co., Ltd. as the surviving company, and the transaction amounts with AEON CREDIT SERVICE CO., LTD. before the merger and with AEON Financial Service Co., Ltd. after the merger are combined and stated.

For the fiscal year ended February 28, 2025

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 Financial Service Co., Ltd.	Chiyodaku, Tokyo	45,698	Financial services business	—	Outsourcing of credit and electronic money services	Usage fees for credit and electronic money (Note 1)	4,041	Accounts receivable - trade	8,576
							Fees received for charge deposit of electronic money (Note 1)	131	Accounts payable - other	15
									Deposits received	737
									Accounts receivable - other	12
Company sharing the same parent	Inageya Co., Ltd.	Tachikawa, Tokyo	100	Retail business	—	Transfer of shares	Purchase of shares of subsidiaries and associates (Note 2)	6,989	—	—

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

- (Notes) 1. 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. Decided upon confirming the appropriateness of the content of transaction and economic rationality, including whether or not it is equal to the conditions of general transactions. Respond appropriately so that minority shareholders are not disadvantaged.

(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 29, 2024

Not applicable.

For the fiscal year ended February 28, 2025

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 29, 2024

Not applicable.

For the fiscal year ended February 28, 2025

Not applicable.

2. Notes on parent company or significant affiliates

(1) Parent company

For the fiscal year ended February 29, 2024

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

For the fiscal year ended February 28, 2025

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 29, 2024	For the fiscal year ended February 28, 2025
Net assets per share	¥1,149.88	¥1,197.11
Net income per share	¥127.83	¥72.23
Diluted net income per share	¥127.75	¥72.18

- (Notes) 1. The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) (February 29, 2024: 2,543,500 shares; February 28, 2025: 1,702,100 shares) and the number of shares of the Company held in the Directors' Remuneration BIP Trust (February 29, 2024: 507,819 shares; February 28, 2025: 417,743 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 Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) 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 29, 2024: 2,720,427 shares; February 28, 2025: 2,596,471 shares).
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 29, 2024	For the fiscal year ended February 28, 2025
Net income per share		
Net income attributable to owners of parent (Million yen)	26,451	14,958
Amount not attributable to common shareholders (Million yen)	—	—
Net income attributable to owners of parent relating to common shares (Million yen)	26,451	14,958
Average number of common shares outstanding during the fiscal year (Thousand shares)	206,921	207,091
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)	139	155
[of which, subscription rights to shares] (Thousand shares)	[139]	[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)

(Conclusion of the final agreement on the Capital and Business Alliance Agreement)

At its Board of Directors meeting held on April 11, 2025, the Company resolved to enter into a final agreement concerning the capital and business alliance (hereinafter referred to as the "Capital and Business Alliance Final Agreement") with AEON CO., LTD. (hereinafter referred to as "AEON") and TSURUHA HOLDINGS INC. (hereinafter referred to as "Tsuruha HD"), entering into the Capital and Business Alliance Final Agreement on the same day.

1. Purpose of the capital and business alliance

Tsuruha HD, AEON, and the Company decided to enter into the Capital and Business Alliance Final Agreement judging that this Capital and Business Alliance, including the business integration, will achieve elevated levels of health and wellness for local consumers. As a result, we will establish the largest drugstore alliance in Japan, acquire substantial competitiveness, and aim to evolve into the leading global company in Asia, while unlocking boundless growth opportunities for employees.

2. Details of the capital and business alliance stipulated in the Capital and Business Alliance Final Agreement

(1) Details of capital alliance

Tsuruha HD, AEON, and the Company will conduct the following transactions as the Capital and Business Alliance.

Following these transactions, the Company will become a wholly-owned subsidiary of Tsuruha HD. Moreover, AEON will make Tsuruha HD its consolidated subsidiary (hereinafter referred to as the “Conversion to Consolidation Subsidiary”) by acquiring Tsuruha HD shares so that the ratio of the number of voting rights in Tsuruha HD shares (hereinafter referred to as the “Voting Rights Ratio”) will become 50.9%. Tsuruha HD will become the core subsidiary that will drive the health and wellness business of the AEON Group.

- (i) On the premise that AEON satisfies the conditions such as obtaining all clearances, permits, and approvals, etc. required under law, AEON was to acquire 3,530,000 shares of Tsuruha HD from Nomura Securities Co., Ltd. (hereinafter referred to as the “Additional Acquisition”). As AEON completed the Additional Acquisition, together with the 9,675,200 shares of Tsuruha HD already held by AEON, its ratio of voting rights held (Note 1) in Tsuruha HD has become 27.13%. Thus, AEON has become a major shareholder and the largest shareholder of Tsuruha HD, and has newly fallen under the category of other subsidiaries and associates of Tsuruha HD.
- (ii) As of April 11, 2025, Tsuruha HD and the Company executed a share exchange (hereinafter referred to as the “Share Exchange”) agreement with Tsuruha HD as the wholly-owning parent company and the Company as the wholly-owned subsidiary (hereinafter referred to as the “Share Exchange Agreement”). Based on this, on the premise that they satisfy the conditions such as obtaining all clearances, permits, and approvals, etc. required under law (Note 2) and obtaining approval at the general meeting of shareholders of each company concerned, the Share Exchange is scheduled to be implemented on December 1, 2025. Tsuruha HD plans to implement a stock split of 1 share of Tsuruha HD shares into 5 shares (hereinafter referred to as the “Stock Split”), effective September 1, 2025.
- (iii) If AEON’s Voting Rights Ratio in Tsuruha HD does not become 50.9% through the Share Exchange, promptly after the effective date of the Share Exchange, AEON will start a tender offer for the shares of Tsuruha HD (hereinafter referred to as the “Tender Offer”), implement a settlement of the Tender Offer, and acquire shares of Tsuruha HD so that AEON’s Voting Rights Ratio in Tsuruha HD becomes 50.9%. The Tender Offer is to be completed in January 2026.
- (iv) If AEON’s Voting Rights Ratio in Tsuruha HD does not become 50.9% after the settlement of the Tender Offer, Tsuruha HD and AEON will determine what actions to take following discussions and agreement.

(Note 1) The “ratio of voting rights held” is calculated for Tsuruha HD’s total number of shares issued as of February 28, 2025 (49,557,068 shares) as the numerator, and the number of voting rights (486,661) for the number of shares held by Tsuruha HD as of the same date (48,666,113 shares) less the number of treasury stock (890,955 shares) as the denominator. Figures are rounded up to the second decimal place.

(Note 2) Based on the provisions of Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Company had filed a notification with the Japan Fair Trade Commission on March 31, 2025, and received a notice from the Japan Fair Trade Commission on April 30, 2025, stating that it would not issue a cease and desist order.

(2) Details of business alliance

The details of the business alliance outlined in the Capital and Business Alliance Final Agreement among Tsuruha HD, AEON, and the Company are as follows.

- (a) Collaborative efforts in store development, including the dispensing of prescription drugs
- (b) Collaborative efforts in procurement and product development, as well as electricity
- (c) Collaborative efforts to enhance logistics efficiency
- (d) Alliance in payment settlement, point systems, digital marketing, insurance, etc.
- (e) Joint development and reciprocal supply of private brand products
- (f) Collaborative efforts in promoting Digital Transformation (DX) and e-commerce (EC)
- (g) Exchange of management expertise
- (h) Research and promotion of the food and drug business

(i) Exchange of human resources and personnel information

3. Overview of the other party of the Capital and Business Alliance

(1) AEON

(i) Company name	AEON CO., LTD.
(ii) Location	1-5-1, Nakase, Mihama-ku, Chiba, Chiba Prefecture
(iii) Title and name of representative	Akio Yoshida, Director, President and Representative Executive Officer
(iv) Description of business	Managing the business activities of companies engaged in retail, development, finance, services and related businesses through holding shares in those companies

(2) Tsuruha HD

(i) Company name	TSURUHA HOLDINGS INC.
(ii) Location	Kita 24, Higashi 20-1-21, Higashi-ku, Sapporo, Hokkaido
(iii) Title and name of representative	Jun Tsuruha, President and CEO
(iv) Description of business	Execution support and business management of various business strategies of group companies

4. Schedule of the capital and business alliance

Date of conclusion of the capital and business alliance agreement as of February 28, 2024	February 28, 2024
Date of decision of Representative Executive Officer for conclusion of Capital and Business Alliance Final Agreement (AEON) and date of Board of Directors resolution for Capital and Business Alliance Final Agreement and Share Exchange Agreement (Tsuruha HD and the Company)	April 11, 2025
Date of conclusion of Capital and Business Alliance Final Agreement and Share Exchange Agreement	April 11, 2025
Received notice from the Japan Fair Trade Commission stating that it would not issue a cease and desist order	April 30, 2025
Additional acquisition of Tsuruha HD shares by AEON	May 14, 2025
Tsuruha HD's general meeting of shareholders concerning the approval of the Share Exchange Agreement	May 26, 2025
The Company's general meeting of shareholders concerning the approval of the Share Exchange Agreement	May 27, 2025
Last trading day	November 26, 2025 (planned)
Delisting	November 27, 2025 (planned)
Effective date of the Share Exchange	December 1, 2025 (planned)
Start of the Tender Offer	Early December 2025 (planned)

(Note) The date of the Share Exchange may change with the consent of both companies if it is deemed necessary in terms of the progress of procedures for the Share Exchange or other reasons. If there are any changes to the above schedule, they will be disclosed promptly.

(Conclusion of the share exchange agreement)

With the Board of Directors' resolution of Tsuruha HD and the Company on April 11, 2025, as part of business integration, the companies executed a share exchange agreement with Tsuruha HD as the wholly-owning parent company and the Company as the wholly-owned subsidiary (hereinafter referred to as the "Share Exchange Agreement").

The Share Exchange Agreement has been approved and passed both at the Annual General Meeting of Shareholders of Tsuruha HD held on May 26, 2025 and the Annual General Meeting of Shareholders of the Company held on May 27, 2025.

1. Overview of the Share Exchange Agreement

(1) Name of the wholly-owning parent company and the description of business

Name of the wholly-owned subsidiary	TSURUHA HOLDINGS INC.
Description of business	Execution support and business management of various business strategies of group companies

(2) Purpose of the Share Exchange

Tsuruha HD, AEON, and the Company concluded the Capital and Business Alliance Final Agreement as stated in the notes to significant subsequent events (Conclusion of the final agreement on the Capital and Business Alliance Agreement). The Share Exchange is implemented as part of the Capital and Business Alliance.

(3) Effective date of the Share Exchange

December 1, 2025

(4) Method of the Share Exchange

The Share Exchange will be implemented through a method with Tsuruha HD becoming the wholly-owning parent company and the Company becoming the wholly-owned subsidiary on the premise that the Share Exchange be approved at the general meeting of shareholders of both companies and all clearances, permits, and approvals, etc. required under the competition law be obtained.

(Note) Based on the provisions of Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Company had filed a notification with the Japan Fair Trade Commission on March 31, 2025, and received a notice from the Japan Fair Trade Commission on April 30, 2025, stating that it would not issue a cease and desist order.

2. Share exchange ratio, calculation method, and number of shares to be granted

(1) Type of shares, exchange ratio, and number of shares to be granted

	Tsuruha HD (wholly-owning parent company)	The Company (wholly-owned subsidiary)
Allotment ratio of the Share Exchange	1	1.15
		(Reference: Before consideration of share split) 0.23
Number of shares to be granted through the Share Exchange	237,416,868 shares of Tsuruha HD's common stock (planned)	

(Note) Treasury stock held by Tsuruha HD has been allocated as shares granted through the Share Exchange.

(2) Calculation method of the share exchange ratio

For fair calculation of the Share Exchange ratio, Tsuruha HD and the Company requested the calculation and analysis of the Share Exchange ratio to an independent third-party valuation institution. After careful and repeated deliberations, it has been determined that the Share Exchange ratio is appropriate and serves the interests of Tsuruha HD shareholders.

(v) Annexed consolidated detailed schedules

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[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	2,453	4,400	0.69	—
Current portion of long-term loans payable	10,562	10,615	0.38	—
Current portion of lease obligations	10,200	10,446	1.51	—
Long-term loans payable (except for the current portion)	27,386	24,004	0.40	From March 2026 to March 2037
Lease obligations (except for the current portion)	32,098	31,784	1.51	From March 2026 to June 2042
Total	82,701	81,250	—	—

(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	11,664	7,268	3,947	943
Lease obligations	8,549	6,956	5,278	3,810

[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

	Three months ended May 31	Six months ended August 31	Nine months ended November 30	Current fiscal year
Net sales (Million yen)	304,734	630,585	951,916	1,285,005
Net income before income taxes and minority interests (Million yen)	6,473	20,644	25,555	26,277
Net income attributable to owners of parent (Million yen)	2,824	11,716	14,778	14,958
Net income per share (Yen)	13.67	56.65	71.41	72.23

	1st quarter	2nd quarter	3rd quarter	4th quarter
Net income per share (Yen)	13.67	42.96	14.78	0.87

(Note) Review of financial information for the nine months ended November 30: Yes

2. Financial Statements, etc.

(1) Financial Statements

(i) Balance Sheets

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and deposits	9,397	11,660
Prepaid expenses	27	39
Short-term loans receivable	* 8,024	* 9,328
Accounts receivable - other	* 881	* 103
Deposits paid to subsidiaries and associates	5,000	5,000
Other	* 375	* 962
Total current assets	23,706	27,095
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	0	0
Tools, furniture and fixtures	1	17
Total property, plant and equipment	1	17
Intangible assets		
Software	30	25
Total intangible assets	30	25
Investments and other assets		
Investment securities	118	118
Shares of subsidiaries and associates	122,150	137,096
Long-term loans receivable from subsidiaries and associates	200	200
Deferred tax assets	75	43
Other	101	101
Total investments and other assets	122,647	137,560
Total noncurrent assets	122,679	137,602
Total assets	146,386	164,697

(Million yen)

	As of February 29, 2024	As of February 28, 2025
Liabilities		
Current liabilities		
Short-term loans payable	* 46,835	* 63,319
Provision for bonuses for directors (and other officers)	30	–
Accounts payable - other	* 1,215	* 1,830
Accrued expenses	* 23	* 24
Income taxes payable	82	109
Other	116	42
Total current liabilities	48,303	65,326
Noncurrent liabilities		
Allowance for executive stock benefit	885	767
Long-term loans payable	20,318	18,003
Long-term accounts payable - other	50	28
Total noncurrent liabilities	21,254	18,800
Total liabilities	69,558	84,126
Net assets		
Shareholders' equity		
Capital stock	7,748	7,792
Capital surplus		
Legal capital surplus	36,925	36,969
Other capital surplus	26,641	26,641
Total capital surplus	63,567	63,611
Retained earnings		
Other retained earnings		
Retained earnings brought forward	14,295	15,243
Total retained earnings	14,295	15,243
Treasury stock	(8,942)	(6,190)
Total shareholders' equity	76,669	80,456
Subscription rights to shares	158	114
Total net assets	76,828	80,571
Total liabilities and net assets	146,386	164,697

(ii) Statements of Income

(Million yen)

	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Operating revenue	*1 13,057	*1 14,823
Operating gross profit	13,057	14,823
Selling, general and administrative expenses	*1,2 3,778	*1,2 5,275
Operating income	9,279	9,548
Non-operating income		
Interest income	*1 14	*1 25
Subsidies for employment adjustment	59	71
Other	*1 6	*1 13
Total non-operating income	81	110
Non-operating expenses		
Interest expenses	*1 126	*1 156
Foreign exchange losses	–	0
Other	0	1
Total non-operating expenses	126	158
Ordinary income	9,234	9,499
Extraordinary loss		
Loss on valuation of shares of subsidiaries and associates	–	779
Other	–	295
Total extraordinary losses	–	1,074
Net income before income taxes	9,234	8,425
Income taxes - current	281	106
Income taxes - deferred	(43)	32
Total income taxes	238	138
Net income	8,996	8,286

(iii) Statements of Changes in Equity

Fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(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	7,747	36,923	26,641	63,565	12,218	12,218	(1,084)	82,446	161	82,608
Changes during period										
Issuance of new shares	1	1		1				2		2
Dividends of surplus					(6,918)	(6,918)		(6,918)		(6,918)
Net income					8,996	8,996		8,996		8,996
Purchase of treasury stock							(9,699)	(9,699)		(9,699)
Disposal of treasury stock							1,841	1,841		1,841
Net changes in items other than shareholders' equity									(2)	(2)
Total changes during period	1	1	-	1	2,077	2,077	(7,858)	(5,777)	(2)	(5,780)
Balance at end of period	7,748	36,925	26,641	63,567	14,295	14,295	(8,942)	76,669	158	76,828

Fiscal year ended February 28, 2025 (from March 1, 2024 to February 28, 2025)

(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	7,748	36,925	26,641	63,567	14,295	14,295	(8,942)	76,669	158	76,828
Changes during period										
Issuance of new shares	44	44		44				88		88
Dividends of surplus					(7,338)	(7,338)		(7,338)		(7,338)
Net income					8,286	8,286		8,286		8,286
Purchase of treasury stock							(0)	(0)		(0)
Disposal of treasury stock			0	0			2,752	2,752		2,752
Net changes in items other than shareholders' equity									(44)	(44)
Total changes during period	44	44	0	44	947	947	2,751	3,787	(44)	3,743
Balance at end of period	7,792	36,969	26,641	63,611	15,243	15,243	(6,190)	80,456	114	80,571

Notes to the Consolidated 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.

(Significant accounting estimates)

Accounting estimates are calculated based on reasonable amounts from information available at the time of preparing the financial statements. Items recorded in the financial statements for the current fiscal year that involve accounting estimates and pose a risk of significant impact on the financial statements for the following fiscal year are as follows.

Valuation of shares of subsidiaries and affiliates

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

	(Million yen)	
	Previous fiscal year	Current fiscal year
Shares of subsidiaries and associates	13,229	13,229

(2) Information regarding the details of significant accounting estimates on identified items

(a) Method of calculation

For Pupule Himawari Co., Ltd., although the Company changed the store opening strategy planned at the time of stock acquisition, switched point-cards, and altered the sales pricing strategy, the results fell below the business plan at the time of stock acquisition. As a result of comparing the actual value reflecting excess earning capacity with the acquisition price, it was determined that excess earning capacity had not decreased, and therefore, no valuation loss was recognized.

(b) Main assumptions

The estimates of undiscounted future cash flows are based on business plans, which include key assumptions such as improvements in net sales growth rate and gross margin ratio through initiatives that leverage group synergies. These initiatives include the integration of bookkeeping and logistics, changes in store opening strategies, changes in product policies, and other measures.

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

Since assumptions used for the aforementioned estimates are subject to changes in economic environment, if review is necessary due to such changes, it may cause material impacts on the determination of whether valuation losses should be recognized in the following fiscal year and the amount of valuation losses to be measured.

(Additional information)

Notes on the transactions for delivering the Company's shares to employees through a trust and performance-linked stock compensation 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 29, 2024	As of February 28, 2025
Short-term monetary claims	8,271	9,582
Short-term monetary obligations	41,472	56,599

(Statements of income)

*1 Transactions with subsidiaries and associates

	(Million yen)	
	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Operating transactions		
Operating revenue	13,057	14,823
Selling, general and administrative expenses	1,329	2,763
Amount of non-operating transactions		
Non-operating income	13	23
Non-operating expenses	53	65

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

	(Million yen)	
	For the fiscal year ended February 29, 2024	For the fiscal year ended February 28, 2025
Officer remuneration	353	335
Salaries and allowances	349	379
Advertising expenses	388	484
Commission expenses	1,736	3,275
Depreciation	8	9
Donations	552	405
Maintenance fees	34	34

(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 29, 2024	As of February 28, 2025
Shares of subsidiaries	121,619	136,173
Shares of affiliates	531	923

(Tax effect accounting)

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

	(Million yen)	
	As of February 29, 2024	As of February 28, 2025
Deferred tax assets		
Accrued enterprise tax	17	6
Long-term accounts payable - other	15	8
Subscription rights to shares	28	19
Allowance for executive stock benefit	81	82
Shares of subsidiaries and associates	235	474
Other	33	1
Subtotal of deferred tax assets	413	593
Valuation allowance	(333)	(538)
Total deferred tax assets	79	
Deferred tax liabilities		
Stock Benefit Trust (Employee Stock Ownership Association Purchase-type)	(3)	(11)
Total deferred tax liabilities	(3)	(11)
Net deferred tax assets	75	43

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 29, 2024	As of February 28, 2025
Effective statutory tax rate	30.6%	30.6%
(Adjustments)		
Items permanently excluded from expenses such as entertainment expenses	1.9	2.2
Items permanently excluded from income such as dividend income	(30.0)	(33.7)
Changes in valuation allowance	0.0	2.4
Other	0.0	0.1
Income tax rate after applying tax effect accounting	2.5	1.6

3. Change in income tax rate after the closing date

With the enactment of the Act for Partial Amendment to the Income Tax Act, etc. (Act No. 13 of 2025) by the Diet on March 31, 2025, Special Income Tax for Defense will be newly established for fiscal years starting on or after April 1, 2026.

As a result, the statutory effective tax rate for calculating deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in the fiscal years starting on or after March 1, 2027 will change from 30.62% to 31.52%. If the statutory effective tax rate after the change is applied at the end of the current fiscal year, the amount of deferred tax assets (net of deferred tax liabilities) will increase by ¥1 million, while the amount of income taxes - deferred (debit) will decrease by ¥1 million.

(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)

(Conclusion of final agreement on capital and business alliance and share exchange agreement)

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	1	0	—	0	17	13
	Total	1	0	—	0	17	16
Intangible assets	Software	30	2	—	8	25	—
	Total	30	2	—	8	25	—

[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)	30	—	30	—
Allowance for executive stock benefit	885	103	221	767

(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: https://www.welcia.co.jp/en/						
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 (16th term) (From March 1, 2023 to February 29, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on May 29, 2024.

(2) Internal control report and attached documents

Submitted to the Director-General of the Kanto Local Finance Bureau on May 29, 2024.

(3) Amendment reports for annual securities report

Fiscal year (16th term) (From March 1, 2023 to February 29, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on May 30, 2024.

Fiscal year (16th term) (From March 1, 2023 to February 29, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on January 31, 2025.

(4) Confirmation documents for the amendment reports for annual securities report

Fiscal year (16th term) (From March 1, 2023 to February 29, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on January 30, 2025.

Fiscal year (16th term) (From March 1, 2023 to February 29, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on January 31, 2025.

(5) Quarterly securities reports and confirmation documents

First quarter of the 17th term (From March 1, 2024 to May 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on July 8, 2024.

(6) Interim securities reports and confirmation documents

Interim period of the 17th term (From March 1, 2024 to August 31, 2024) Submitted to the Director-General of the Kanto Local Finance Bureau on October 7, 2024.

(7) 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 (Change to representative directors) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 17, 2024.

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 3 (Change to specified subsidiaries) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 19, 2024.

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 meeting of shareholders) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on May 29, 2024.

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 6-2 (Decision on share exchange) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 11, 2025.

Extraordinary report based on the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Items 3 and 4 (Changes in parent company and major shareholders) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 11, 2025.

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 19 (Occurrence of events with serious effects on the financial position, operating results, and cash flow status of consolidated companies) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 14, 2025.

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 (Change to representative directors) of Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 22, 2025.

(9) Amendment reports for extraordinary report

Amendment report for extraordinary report (Result of exercise of voting rights at general meeting of shareholders) submitted on May 29, 2024

Submitted to the Director-General of the Kanto Local Finance Bureau on May 30, 2024.

(8) Amended shelf registration statement

Submitted to the Director-General of the Kanto Local Finance Bureau on July 9, 2024.

Submitted to the Director-General of the Kanto Local Finance Bureau on January 31, 2025.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 11, 2025.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 14, 2025.

Submitted to the Director-General of the Kanto Local Finance Bureau on April 22, 2025.

Part 2. Information about Reporting Company's Guarantor, etc.

Not applicable.