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April 14, 2014

WELCIA HOLDINGS CO., LTD.
AEON CO., LTD.

Deepening of Operational and Capital Alliance Between Welcia Holdings Co., Ltd. and Aeon Co., Ltd.

Since the conclusion of an operational and capital alliance between Welcia Kanto Co., Ltd. (hereinafter referred to as the “Welcia Kanto”), a core company under Welcia Holdings Co., Ltd. (hereinafter referred to as the “Welcia Holdings”), and Jusco Co., Ltd. (currently known as “Aeon Co., Ltd.”; hereinafter referred to as the “Aeon”) in February 2000, the two companies have deepened trust relationship over years.

By confirming that the amicable relationship in which autonomy and independence of Welcia Holdings is respected will not change in the future, the two companies concluded a letter of memorandum today declaring the intention to deepen their operational and capital alliance towards the realization of the “Japan’s No.1 drugstore chain” concept set out by Welcia Holdings.

Welcia Holdings has promoted establishment of the “Welcia model” centering on “drugstore & dispensing,” “late-night services,” “counseling-services” and “nursing care” ahead of its industry peers and expansion of the model within the Welcia Group. Especially, the ratio of stores with dispensing services exceeded 70% in Welcia Kanto, the Group’s core company, boasting the top level in Japan. In line with the expansion of dispensing services within other Welcia Group companies, the rollout of the “Welcia model” has also been in progress.

Meanwhile, the pace of changes in operating environment surrounding the drugstore industry has been increasingly accelerating amid the ongoing movements towards industry reorganization reflecting intensified competitions and spurred entry into the medical and nursing care fields among other factors.

Seeing such management environment as a positive opportunity for growth, Welcia Holdings will strive to achieve its medium-term targets of “net sales of 500.0 billion yen, recurring profit margin of 4% or higher and a total of 1,500 stores for the year ending August 2016.” In addition to achieving these targets as a stepping stone, Welcia Holdings will force through organizational reforms to become Japan’s No.1 drugstore chain while upgrading the “Welcia model” to the next generation model in order to further accelerate growth. Aeon supports this policy and will fully assist the promotion of growth strategies by Welcia Holdings. To this end, Welcia Holdings and Aeon have agreed to further deepen their relationship in the future.

Details of the agreements between the two companies with regard to the deepening of their operational and capital alliance are outlined below:

1. Implementing Organizational reforms of Welcia Holdings

Welcia Holdings resolved personnel changes today in Representative Director at its board of directors' meeting.

Under the new management structure, Welcia Holdings will swiftly implement organizational reforms with the aim of establishing a solid management foundation.

In order to accelerate the pace of horizontal rollout of the profitable "Welcia model" within the Welcia Group, Welcia Kanto (serving as a surviving company), Takada Yakkyoku Co., Ltd., Welcia Kansai Co., Ltd. and Welcia Kyoto Co., Ltd. will be integrated into a newly consolidated company "Welcia Yakkyoku Co., Ltd." as of September 1, 2014.

Aeon will fully support the organizational reforms of Welcia Holdings through offering its knowledge on reorganization and organizational restructuring, etc. which we have cultivated over years.

2. Reinforcing Business Foundation in Kansai Area

In order to further boost business foundation of Welcia Holdings in the Kansai area, Welcia Holdings and Aeon will start the discussion towards the integration of Aeon's consolidated subsidiaries Takiya Co., Ltd. and Shimizu Yakuhin Co., Ltd. into Welcia Holdings.

3. Providing Management Resources

Aeon will provide comprehensive support by offering a wide range of management resources for the innovation and enhancement of the "Welcia model" and the expansion of business scale.

- Cooperation structure to recruit and develop pharmacists
- Development of strategic logistics network and joint merchandise procurement
- Product development
- Line robbing for food products, etc.
- Development and rollout of urban-type small-sized store business format
- Utilization of Aeon Card, Aeon Bank, e- money, etc.
- Rollout of e-commerce and CRM
- Smooth promotion of business reorganization and organizational restructuring
- Collaborative M&A by the two companies

4. Boosting Capital Tie-up

In order to vigorously push forward the initiatives of 1 to 3 above, Welcia Holdings and Aeon will, upon the completion of organizational reforms by Welcia Holdings described in preceding paragraph 1, swiftly commence the discussion with regard to the acquisition of majority of Welcia Holdings' outstanding shares by February 2015.

5. Implementing Personnel Exchange

Welcia Holdings will bring on board a new Vice President and Director from Aeon in order to deepen operational and capital alliance between the two companies (the new position to be assumed following the resolution at Welcia Holdings' ordinary shareholders' meeting and the board of directors' meeting to be held in November 2014).

End