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WELCIA HOLDINGS CO., LTD.

Financial Results Briefing of Second Quarter (H1) of Fiscal Year Ending February 2026 Q&A Session (Summary) October 8, 2025

“Regarding Performance and Initiatives”

Q : Given the current business environment, improving the gross profit margin must have been challenging. What were the key factors behind this improvement?

A : In the retail segment, the improvement in gross profit margin was supported by ongoing initiatives since the first quarter, including a review of promotional activities and an increase in the sales composition ratio of private brand (PB) products.

In the dispensing segment, negotiations with wholesalers following the NHL drug price revision were concluded at expected levels. Additionally, efforts to obtain additional dispensing fees—carried out alongside pharmacist training—also progressed, contributing to the improvement in the gross profit margin.

Q : SG&A expenses have been consistently kept below plan since the first quarter. Has the reduction been primarily driven by personnel costs? If so, what are the factors contributing to the decrease in personnel expenses?

A : The reduction in SG&A expenses has been largely driven by a decrease in personnel costs, which account for approximately half of total SG&A.

As noted in the presentation materials, we have introduced digital tools in our stores to improve operational efficiency. These efforts, combined with a controlled approach to hiring, have contributed significantly to the reduction in personnel expenses.

Q : Regarding productivity improvement initiatives, the presentation mentioned the introduction of business-use smartphones. As this initiative has only recently been implemented, is there still room for further improvement? Also, while automatic ordering has been expanded to cover more categories in the past, has there been additional progress in this area? Furthermore, following the integration, is it possible to apply these productivity-enhancing measures—those that have already shown results—to Tsuruha Holdings as well, in order to improve their productivity?

A : Digital tools such as business-use smartphones have been deployed across all stores this fiscal year, and operations have already begun.

Looking ahead, we aim to further improve operational efficiency by integrating ordering tasks—currently performed on separate devices—into these smartphones.

As for automatic ordering, we have been working on this initiative for several years, and

continue to enhance the system through updates and improvements in accuracy.

Following the integration with Tsuruha Holdings, while there are operational differences between the two companies, we believe there are areas where we can collaborate to generate mutual synergies, including the implementation of these productivity-enhancing measures.

Q : What is the target profit margin level that Welcia aims to achieve?

A : In the 1st half results of the previous fiscal year, we announced a new management policy called "Welcia 2.0," which marked a strategic shift from expansion in scale to a focus on profitability. Under this policy, we have set a target ordinary profit margin of 5%.

Naturally, going forward, this will not be achieved by Welcia alone, but also through synergies resulting from the integration with Tsuruha Holdings.

In the 1st half results of the current fiscal year, we recorded a 120% year-on-year improvement in profit. However, we recognize that the current profit margin remains low compared to historical levels. We will continue to focus on improving our gross profit margin and controlling costs, with the aim of raising our overall profit level as Welcia.

Q : How is the growing consumer focus on saving affecting your business, and what measures are you taking in response?

A : The growing consumer focus on saving is reflected in a decline in the number of items purchased per customer. We sense that customers are increasingly buying only what they truly need, compared to the past.

In response, we are discussing ways to prevent excessive increases in unit prices, which have been rising due to inflation, while also addressing the decline in purchase volume. One of our key measures is expanding the range of private brand (PB) products such as Topvalu, which helps maintain a balanced price offering.

Additionally, for national brand (NB) products, we recognize the importance of not pricing them too high, especially in a competitive market environment.

Q : Why has store renovation been delayed compared to the initial plan? What are Welcia's current challenges and future outlook?

A : The delay in store renovations is primarily due to insufficient preparation at the initial planning stage. That issue has already been resolved, and we plan to carry out the scheduled renovations in the second half of the fiscal year.

In the past, Welcia proceeded with renovations and new store openings based on a standardized format, even when there were differences in business environments across regions. Going forward, it will be increasingly important to develop store formats that are better suited to each region, and to ensure that renovations and new openings align with local customer needs.

Q : What is the current WAON card presentation rate? Also, what is the progress on the new digital promotion (One-to-One marketing) starting in the second half of the fiscal year?

A : As of the end of the first half, the WAON card presentation rate remains around 60%, showing little change. One contributing factor is the shift in membership registration to the Welcia app, which has led to a decline in new registrations, particularly among customers who are less comfortable using smartphones.

To address this, we introduced an alternative registration method starting in October. Going forward, we aim to increase both the number of members and the presentation rate.

Regarding digital promotions, we began distributing coupons and other special offers through the app in September. While results are not yet visible, we plan to continue implementing various campaigns each month, and will evaluate their effectiveness to improve precision over time.

Q : Looking ahead to the integration, will there be any changes in Welcia's strategy for store openings and closures, private brands (PB), or the drug & food format in the second half of the fiscal year?

A : For example, following the integration, there will be changes such as the development of new private brand (PB) products. However, the core strategy and initiatives outlined in "Welcia 2.0" will remain unchanged as Welcia's fundamental direction.

"Regarding the Business Integration with TSURUHA HOLDINGS INC."

Q : Is there any update on the progress being made through the working groups with Tsuruha Holdings? Also, when is the expected timing for realizing the 40 billion yen synergy over the three years following the integration?

A : We recognize that the working groups with Tsuruha Holdings are progressing smoothly. However, there is nothing we can officially announce at this stage. We plan to provide an update after the integration is finalized in December.

As for the timing of synergy realization, the largest area—negotiations with suppliers related to joint product procurement—is scheduled to begin after December. We are currently preparing through the working groups to ensure that these synergies can be reflected from the start of the next fiscal year.

* Machine translation is being used.

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