



Financial Results Briefing for the Fiscal Year Ended February 2022

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Welcia Holdings Co., Ltd.

Securities Code 3141; Prime Market of the Tokyo Stock Exchange

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1 Outline of Financial Results

- Made Marue Drug Co., Ltd. into a subsidiary through the acquisition of additional shares, effective June 1, 2020.
- Made Neo Pharma Co., Ltd. and Summit Co., Ltd. wholly-owned subsidiaries through the acquisition of shares, effective July 1, 2020. (Group consolidated accounting started on September 1, 2020)
Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed the two companies on March 1, 2021.
The results of Welcia Yakkyoku for the same period of the previous year are calculated together with those of the two companies.
- Made Pupule Himawari into a subsidiary through the acquisition of shares, effective December 1, 2021.

1. Outline of Financial Results	Actual results	Projections	Difference
Net sales	1,025,947 million yen	1,021,000 million yen	4,947 million yen
Ordinary income	47,590 million yen	47,600 million yen	-9 million yen
Net income attributable to owners of parent	26,453 million yen	27,000 million yen	-546 million yen
2. Indicators	Actual results	Projections	Difference
Existing-stores sales growth rate	2.6%	3.4%	-0.8%
(Products)	0.4%	2.0%	-1.6%
(Dispensing)	12.0%	9.5%	2.5%
Store openings (in Japan)	142 stores	121 stores	21 stores
Store closures (in Japan)	25 stores	23 stores	2 stores
M&A	133 stores	1 store	132 stores
Number of stores as of the end of the term (in Japan)	2,457 stores	2,306 stores	151 stores
Dispensing pharmacy sales (in Japan)	199,208 million yen	193,800 million yen	5,408 million yen
Composition ratio of dispensing sales	19.4 %	19.0%	0.4%
Number of stores with dispensing pharmacy (in Japan) <small>*Change from the previous term-end: 201 stores</small>	1,839 stores	1,784 stores	55 stores
Ratio of stores with dispensing pharmacy (in Japan)	76.2%	78.9%	-2.7%
Renovation (full renovation)	88 stores	79 stores	9 stores
Number of stores open 24 hours	259 stores	—	—
3. Others	Actual results		
Composition ratio of PB products	5.7% (Breakdown: Hapycom 19.7%, Top value 25.7%, Welcia PB 54.5%, others 0.1%)		
Number of stores with Welcafe	382 stores	—	—

* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics.

Results for FY2022 (achievement rates)



Net sales	Although the sales of dispensing pharmacy were 102.8% of the plan as a result of the normalization of outpatient visits, an increase in the number of stores with dispensing pharmacy, and making Pupule Himawari into a subsidiary, and products sales were 99.9% of the plan due to the rebound from the special demand in the previous year for food products and infectious disease prevention products (air disinfecting products, alcohol disinfectant, hand soap, and masks), the overall net sales were 100.5%, achieving the plan.
Gross operating profit	The favorable gross margin of dispensing could cover the shortfall of the product sales plan. Achieved as planned.
SG&A expenses	Increased the number of qualified personnel in the second half of the previous fiscal year. The effect of measures to improve efficiency in labor costs appeared in the second quarter, and the results were almost as expected. Pupule Himawari became a subsidiary, and the unit price of water, light, and heating costs rose, resulting in the overall SG&A expenses rate of 101.5%.
Operating income	Achievement rate 97.1%
Net income	Achievement rate 98.0%

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Actual results	Projections		
			Difference	Achievement rate
Net sales	1,025,947 (100.0%)	1,021,000 (100.0%)	4,947	100.5%
Gross operating profit	320,944 (31.3%)	318,000 (31.1%)	2,944	100.9%
SG&A expenses	277,925 (27.1%)	273,700 (26.8%)	4,225	101.5%
Operating income	43,018 (4.2%)	44,300 (4.3%)	-1,281	97.1%
Ordinary income	47,590 (4.6%)	47,600 (4.7%)	-9	100.0%
Net income attributable to owners of parent	26,453 (2.6%)	27,000 (2.6%)	-546	98.0%

Results for FY2022 (cumulative YoY change)



- Net sales** Product sales were impacted by the rebound decline the special demand in the previous fiscal year, but dispensing sales grew at 114.4% YoY due to the normalization of outpatient visits and the increase in the number of stores with dispensing pharmacy.
 The net sales increased by 108.0% YoY due to a sales increase owing to the management integration (Marue Drug, Neo Pharma and Summit,Pupule Himawari) and active opening of new stores.
- Gross operating profit** Although the gross margin of product sales declined due to the drop in the sales of infectious disease prevention products and foods, the gross margin of dispensing recovered due to the normalization of outpatient visits, leading to the overall improvement of 0.1 points.
- SG&A expenses** Labor costs rose from the previous fiscal year due to the active recruitment of qualified personnel in the second half of the previous fiscal year, and measures to control SG&A expenses were taken in the current fiscal year.
 Increase in the fourth quarter of the current fiscal year due to the acquisition of Pupule Himawari as a subsidiary
- Operating income** Y/Y change: 100.1%

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Actual results	Actual results for the same period of the previous year		
			Change	Y/Y
Net sales	1,025,947 (100.0%)	949,652 (100.0%)	76,295	108.0%
Gross operating profit	320,944 (31.3%)	296,044 (31.2%)	24,899	108.4%
SG&A expenses	277,925 (27.1%)	253,070 (26.7%)	24,855	109.8%
Operating income	43,018 (4.2%)	42,974 (4.5%)	44	100.1%
Ordinary income	47,590 (4.6%)	45,800 (4.8%)	1,789	103.9%
Net income attributable to owners of parent	26,453 (2.6%)	27,999 (2.9%)	-1,546	94.5%

Results for FY2022 (quarterly YoY change)



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	1Q			2Q			3Q			4Q		
	Actual results	Change	Y/Y	Actual results	Change	Y/Y	Actual results	Change	Y/Y	Actual results	Change	Y/Y
Net sales	248,861 (100.0%)	16,359	107.0% (100.0%)	259,433 (100.0%)	15,279	106.3% (100.0%)	248,108 (100.0%)	14,356	106.1% (100.0%)	269,543 (100.0%)	30,300	112.7% (100.0%)
Gross operating profit	74,618 (30.0%)	5,093	107.3% (29.9%)	83,195 (32.1%)	5,024	106.4% (32.0%)	75,805 (30.6%)	4,851	106.8% (30.4%)	87,324 (32.4%)	9,929	112.8% (32.3%)
SG&A expenses	67,336 (27.1%)	8,337	114.1% (25.4%)	67,742 (26.1%)	5,526	108.9% (25.5%)	68,726 (27.7%)	4,261	106.6% (27.6%)	74,121 (27.5%)	6,729	110.0% (28.1%)
Operating income	7,282 (2.9%)	-3,243	69.2% (4.5%)	15,453 (6.0%)	-502	96.9% (6.5%)	7,079 (2.9%)	590	109.1% (2.8%)	13,202 (4.9%)	3,200	132.0% (4.2%)
Ordinary income	8,851 (3.6%)	-2,402	78.7% (4.8%)	16,294 (6.3%)	-338	98.0% (6.8%)	7,797 (3.1%)	589	108.2% (3.1%)	14,647 (5.4%)	3,941	136.8% (4.5%)
Net income attributable to owners of parent	5,307 (2.1%)	-1,295	80.4% (2.8%)	10,219 (3.9%)	-478	95.5% (4.4%)	4,681 (1.9%)	289	106.6% (1.9%)	6,245 (2.3%)	-61	99.0% (2.6%)
Remarks	March: Declaration of state of emergency April: Pollen peak NHI drug price revision Emergency or semi-emergency COVID-19 measures May: Emergency or semi-emergency COVID-19 measures, the 4th wave of the infection The beginning of the rainy season earlier than usual (from Amami to Tokai)	June: Emergency or semi-emergency COVID-19 measures were extended until the end of September. July: Sales of seasonable products were strong after the end of the rainy season The Olympics August: The Olympics and Paralympics Negotiations after revisions to NHI drug prices reached agreement Bad weather The 5th wave of COVID-19 infections	September: Emergency or semi-emergency COVID-19 measures October: Complete lifting of emergency or semi-emergency COVID-19 measures Increase in tobacco tax November: The rate of those who had completed the second vaccination reaching 70%, spread of Omicron variant of COVID-19	December: Made Pupule Himawari into a subsidiary Vaccine testing package fixing promotion project and general testing project at the time of the spread of infection (free PCR and antigen testing) January: The 6th wave of COVID-19 infections Semi-emergency COVID-19 measures Free PCR and antigen tests February: Semi-emergency COVID-19 measures Free PCR and antigen tests								
	Same period last year	Same period last year	Same period last year	Same period last year								
	March: Made Yodoya into a subsidiary Spread of COVID-19 infections April: Revisions to medical service fees and NHI drug prices Declaration of state of emergency May: Declaration of state of emergency (lifted on May 25)	June: Made Marue Drug into a subsidiary July: Charging for plastic bags The 2nd wave of COVID-19 infections Poor product sales due to long rainfall August: Sales of seasonable products were strong after the end of the rainy season Negotiations after revisions to NHI drug prices reached agreement	September: Consolidation with Neo Pharma/Summit After September: Relaxation of restrictions on COVID-19 October: Liquor tax reform and tobacco tax increase November: COVID-19 infections	December: The 3rd wave of COVID-19 infections January: Declaration of state of emergency February: Declaration of state of emergency Early pollen dispersal								
	Same period the year before last	Same period the year before last	Same period the year before last	Same period the year before last								
March: Strong sales due to pollen dispersal	June: Made Kanamitsu Yakuhin into a subsidiary July: Poor product sales due to a long period of rainy weather	September: Typhoon Faxai Rush in demand in advance of consumption tax rate increase Revisions to dispensing fees Downturn of demand after consumption tax rate increase Typhoon Hagibis	January: Warm winter, COVID-19 outbreak February: COVID-19 Early pollen dispersal Negotiations after revisions to NHI drug prices reached agreement Leap year									

Breakdown of financial results by company for FY2022



**Welcia Yakkyoku
Marudai Sakurai
Pharmacy
Shimizu Yakuhin**

Dispensing pharmacy sales increased due to the normalization of outpatient visits and the increase in the number of stores with dispensing pharmacy.
The decline in sales of products was more than expected due to the rebound from the previous year's special demand for infectious disease prevention products (air disinfection products, masks, hand soap, and alcohol disinfectant) and food products.
Regarding SG&A expenses, labor costs increased year on year due to active recruitment of qualified personnel in the second half of the previous year.

YODOYA

Expenses were paid in advance due to renovation of stores with dispensing pharmacy.
(Opened 9 stores during the fiscal year)

**Pupule
Himawari**

Impact of integration on inventory valuation methods

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (Consolidated)	Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Pupule Himawari	Good will Others
			Y/Y		Y/Y		Y/Y			Y/Y		
Net sales	1,025,947 (100.0%)	923,958 (100.0%)	106.5% (100.0%)	29,061 (100.0%)	104.3% (100.0%)	22,819 (100.0%)	108.3% (100.0%)	13,660 (100.0%)	9,744 (100.0%)	99.7% (100.0%)	12,609 (100.0%)	- 14,092
Gross operating profit	320,944 (31.3%)	291,166 (31.5%)	107.1% (31.3%)	8,125 (28.0%)	104.8% (27.8%)	7,100 (31.1%)	107.9% (31.2%)	4,373 (32.0%)	2,500 (25.7%)	102.9% (24.9%)	2,950 (23.4%)	- 4,727
SG&A expenses	277,925 (27.1%)	248,562 (26.9%)	108.4% (26.4%)	7,013 (24.2%)	106.7% (23.6%)	6,173 (27.0%)	109.7% (26.7%)	3,966 (29.0%)	2,508 (25.7%)	110.5% (23.3%)	3,024 (24.0%)	1,522 5,154
Operating income	43,018 (4.2%)	42,603 (4.6%)	100.4% (4.9%)	1,112 (3.8%)	94.3% (4.2%)	927 (4.1%)	97.4% (4.5%)	406 (3.0%)	-7 (-)	- (1.6%)	-74 (-)	-1,522 -426
Ordinary income	47,590 (4.6%)	46,906 (5.1%)	104.2% (5.2%)	1,219 (4.2%)	96.3% (4.5%)	1,031 (4.5%)	100.9% (4.9%)	461 (3.4%)	1 (0.0%)	1.0% (1.9%)	-31 (-)	-1,522 -461
Net income attributable to owners of parent	26,453 (2.6%)	26,939 (2.9%)	95.6% (3.2%)	779 (2.7%)	92.8% (3.0%)	651 (2.9%)	98.3% (3.1%)	673 (4.9%)	-102 (-)	- (1.3%)	-238 (-)	-1,522 -720

Monthly sales growth rate (in Japan)



Overall

Sales of products of existing stores increased by a cumulative 0.4% due to strong sales of liquor and general cosmetics despite the reaction to the previous year's special demand for food products and infectious disease prevention products (air disinfection products, masks, hand soap, and alcohol disinfectant). The cumulative growth rate of existing dispensing stores was 12.0% and the overall growth rate in the full fiscal year was 2.6% due to the normalization of outpatient visits and the increase in the number of stores with dispensing pharmacy.

MASAYA

In the previous year, stores in shopping malls were closed due to the spread of COVID-19, and the sales growth rate of existing stores is calculated only for stores that were open in the same month of the previous year.

(Unit: %)

		2021										2022			
		March	April	May	June	July	August	September	October	November	December	January	February	March	
Existing Stores	Welcia Yakkyoku	2.0	-1.3	4.3	2.5	4.2	0.7	2.5	2.7	3.0	1.4	7.4	3.0	2.7	
	Shimizu Yakuhin	4.2	1.3	8.2	6.3	8.8	3.6	3.3	5.0	4.2	2.2	8.4	9.4	1.7	
	Marudai Sakurai Pharmacy	-2.2	-1.5	1.0	3.2	2.0	-0.3	0.6	1.2	-2.6	-0.8	5.5	9.0	5.3	
	MASAYA	-2.0	-0.3	-15.4	-7.8	-15.0	0.6	-2.5	2.9	-5.1	7.9	8.3	-8.6	14.5	
	Kanamitsu Yakuhin	7.9	4.0	5.3	11.1	13.6	6.1	8.2	8.0	10.3	6.0	24.1	-0.6	2.8	
	YODOYA	-8.1	-10.9	-1.8	-8.4	3.5	-4.0	-1.8	4.6	0.6	-2.7	6.0	1.1	5.6	
	Marue Drug				-7.7	-1.8	-1.3	0.4	2.0	1.4	-0.5	11.8	8.4	2.8	
Group total	Net sales	1.8	-1.3	4.3	2.3	4.1	0.7	2.3	2.7	2.8	1.3	7.5	3.4	2.9	
	(Products)	-1.3	-3.7	1.8	-0.3	2.4	-1.9	-0.2	1.8	-0.1	-1.2	6.5	2.3	0.6	
	(Dispensing)	14.9	8.8	16.7	14.6	11.5	13.6	13.8	6.3	15.8	11.8	11.5	6.4	9.0	
	No. of customers	-12.6	-10.5	-3.1	-1.4	1.6	-4.2	-1.3	1.7	0.3	-1.0	3.9	0.5	-0.3	
	Sales per customer	14.4	9.2	7.4	3.7	2.5	4.9	3.6	1.0	2.5	2.3	3.6	2.9	3.2	
All stores	Group total	Net sales	6.7	4.2	10.0	6.2	8.0	4.4	6.1	6.2	6.2	10.0	16.6	11.5	10.4
		No. of customers	-7.8	-5.1	2.8	3.2	6.2	0.0	3.2	6.1	4.4	8.9	14.5	10.1	9.0
		Sales per customer	14.5	9.3	7.2	3.0	1.8	4.4	2.9	0.1	1.8	1.1	2.1	1.4	1.4

* Pupule Himawari has included in the calculation of monthly sales growth rate of all stores since December 2021. However, since the stores of the company are regarded as new stores, they are not included in the calculation of monthly sales growth rate of existing stores.

* YODOYA stores and Marue stores became existing stores in March 2021 and June 2021, respectively.

* Figures for March 2022 are compared with those before the adoption of the revenue recognition standard.

Composition ratio of sales by category



OTC products	Sales of antipyretic analgesics, PCR test kits and health foods associated with vaccination were strong, but sales of infectious disease prevention products and general cold medicines declined.
Cosmetics	High-priced haircare, and skincare products remained strong, and makeup products were on a recovery trend as a result of increasing opportunities to go out.
Household goods and food	Sales were strong due to sales promotion measures, despite the rebound from the special demand in the previous year.
Others	Increase in alcohol consumption due to demand for home drinking and increase in fees due to free testing such as PCR
Dispensing	Sales increased substantially because of an increase in the number of prescriptions due to the normalization of outpatient visits and an increase in the number of new stores with dispensing pharmacy (net increase of 201 stores from the end of the previous fiscal year)

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (Consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Pupule Himawari
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y	
OTC products	202,727 (19.8%)	104.3% (20.5%)	182,210 (19.7%)	102.9% (20.4%)	6,160 (21.2%)	99.7% (22.2%)	5,420 (23.8%)	102.1% (25.2%)	3,865 (28.3%)	1,816 (18.6%)	96.2% (19.3%)	2,306 (18.3%)
Cosmetics	159,609 (15.6%)	106.8% (15.7%)	137,684 (14.9%)	105.2% (15.1%)	4,608 (15.9%)	102.6% (16.1%)	4,012 (17.6%)	103.4% (18.4%)	2,757 (20.2%)	1,761 (18.1%)	99.4% (18.1%)	2,189 (17.4%)
Household goods	149,868 (14.6%)	106.3% (14.8%)	134,262 (14.5%)	104.5% (14.8%)	5,034 (17.3%)	104.2% (17.3%)	3,988 (17.5%)	105.7% (17.9%)	2,372 (17.4%)	1,558 (16.0%)	96.9% (16.5%)	2,153 (17.1%)
Food products	231,250 (22.5%)	106.9% (22.8%)	208,212 (22.5%)	104.8% (22.9%)	7,972 (27.4%)	104.3% (27.4%)	4,634 (20.3%)	110.1% (20.0%)	2,258 (16.5%)	3,610 (37.1%)	99.3% (37.2%)	4,024 (31.9%)
Others	83,282 (8.1%)	111.7% (7.9%)	72,181 (7.9%)	109.7% (7.6%)	3,181 (11.0%)	109.2% (10.5%)	1,513 (6.6%)	116.0% (6.2%)	459 (3.3%)	913 (9.3%)	105.3% (8.9%)	1,454 (11.5%)
Total sales of products	826,738 (80.6%)	106.6% (81.7%)	734,551 (79.5%)	104.8% (80.8%)	26,957 (92.8%)	103.4% (93.5%)	19,569 (85.8%)	105.9% (87.7%)	11,713 (85.7%)	9,661 (99.1%)	98.9% (100.0%)	12,129 (96.2%)
Dispensing	199,208 (19.4%)	114.4% (18.3%)	189,407 (20.5%)	113.7% (19.2%)	2,103 (7.2%)	116.3% (6.5%)	3,249 (14.2%)	125.1% (12.3%)	1,946 (14.3%)	83 (0.9%)	7720.7% (0.0%)	480 (3.8%)
Total	1,025,947 (100.0%)	108.0% (100.0%)	923,958 (100.0%)	106.5% (100.0%)	29,061 (100.0%)	104.3% (100.0%)	22,819 (100.0%)	108.3% (100.0%)	13,660 (100.0%)	9,744 (100.0%)	99.7% (100.0%)	12,609 (100.0%)

Gross profit margin by category



Dispensing

Although gross margin of dispensing declined due to the reduced visits and longer prescription days in the same period of the previous year, the gross profit margin for this term improved due to the normalization of outpatient visits.

Despite the NHI drug price revision, we made efforts to improve patient services and promoted acquisition of dispensing technical fees (additional fees of generics and regional system), resulting in a gross margin of 39.5%.

Sales of products

Decrease in gross profit margin due to the rebound from the special demand for nesting in the previous year

	Welcia HD (Consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Pupule Himawari
		Change form the previous term		Change form the previous term		Change form the previous term		Change form the previous term			Change form the previous term	
OTC products	41.0	0.2	41.1	0.1	42.2	1.8	41.0	0.4	38.9	38.6	1.4	35.8
Cosmetics	34.5	0.0	34.4	0.0	33.0	-1.4	34.3	0.2	34.3	33.7	3.5	29.4
Household goods	29.0	0.0	29.3	0.1	26.2	0.1	28.1	-0.2	27.6	26.9	-0.2	22.0
Food products	20.3	-0.6	20.6	-0.5	17.4	-0.1	19.8	-0.5	19.2	17.0	-0.6	15.4
Others	16.4	0.9	16.5	1.0	14.1	0.4	15.1	0.1	19.3	14.9	1.5	14.8
Total sales of products	29.3	-0.2	29.5	-0.1	27.0	0.0	30.0	-0.3	31.0	25.5	0.6	22.9
Dispensing	39.5	0.7	39.5	0.8	40.3	1.1	37.9	-0.1	38.3	47.1	7.0	35.1
Total	31.3	0.1	31.5	0.2	28.0	0.2	31.1	-0.1	32.0	25.7	0.8	23.4

SG&A expenses composition ratio



Labor costs

Since the second half of the previous fiscal year, the composition ratio of labor costs has been high due to the active employment of qualified personnel. However, measures through the active opening of new stores and that for the optimization of labor costs since the second quarter have been implemented. Labor cost efficiency was improved.

Advertising expenses

Increase in T-Point costs of customer appreciation days, and increase in the number of sales promotions with flyers suspended due to COVID-19 in the previous period

Rent

Increase due to active opening of new stores

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (Consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Pupule Himawari
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y	
Labor costs	141,502 (13.8%)	109.6% (13.6%)	127,066 (13.8%)	108.5% (13.5%)	3,367 (11.6%)	105.5% (11.4%)	3,278 (14.4%)	112.0% (13.9%)	2,209 (16.2%)	1,268 (13.0%)	106.8% (12.2%)	1,451 (11.5%)
Advertising expenses	20,603 (2.0%)	109.9% (2.0%)	17,460 (1.9%)	106.7% (1.9%)	879 (3.0%)	111.4% (2.8%)	420 (1.8%)	112.0% (1.8%)	348 (2.6%)	218 (2.2%)	116.5% (1.9%)	301 (2.4%)
Rent	43,809 (4.3%)	110.6% (4.2%)	39,707 (4.3%)	109.3% (4.2%)	792 (2.7%)	101.5% (2.8%)	1,103 (4.8%)	107.2% (4.9%)	574 (4.2%)	288 (3.0%)	110.4% (2.7%)	494 (3.9%)
Others	72,010 (7.0%)	109.8% (6.9%)	64,327 (6.9%)	108.0% (6.8%)	1,974 (6.9%)	108.9% (6.6%)	1,370 (6.0%)	105.8% (6.1%)	834 (6.0%)	732 (7.6%)	115.6% (6.5%)	778 (6.2%)
Total	277,925 (27.1%)	109.8% (26.7%)	248,562 (26.9%)	108.4% (26.4%)	7,013 (24.2%)	106.7% (23.6%)	6,173 (27.0%)	109.7% (26.7%)	3,966 (29.0%)	2,508 (25.8%)	110.5% (23.3%)	3,024 (24.0%)

Results in the dispensing sector (in Japan)



Overview

In the previous year, the unit price of prescriptions increased and the number of prescriptions decreased owing to the reduced visits and longer prescription days due to the impact of COVID-19. However, in this fiscal year, the unit prices of prescriptions decreased and the number of prescriptions increased, leading to the normalization of outpatient visits.

Despite the NHI drug price revision, we made efforts to improve patient services and promoted acquisition of dispensing technical fees (additional fees of generics and regional system), resulting in the gross margin of 39.5%.

Excluding Pupule Himawari, the ratio of stores with dispensing pharmacy was 79.9%, an increase of 4.3 percentage points from the previous year.

	FY2019*		FY2020*		FY2021*		FY2022*	
		Year-on-year change		Year-on-year change		Year-on-year change		Year-on-year change
Dispensing pharmacy sales (million yen)	129,811	113.1%	155,452	119.8%	174,169	112.0%	199,208	114.4%
No. of prescriptions (thousands)	13,542	117.2%	15,789	116.6%	16,102	102.0%	18,895	117.3%
Prescription unit price (yen)	9,585	96.4%	9,845	102.7%	10,816	109.9%	10,543	97.5%
Gross profit margin (%)	38.1%	-1.0%	38.7%	0.6%	38.8%	0.1%	39.5%	0.7%
No. of stores with dispensing pharmacy (stores)	1,284	126	1,437	153	1,638	201	1,839	201
Ratio of stores with dispensing pharmacy (%)	69.8%	1.2%	73.1%	3.3%	75.6%	2.5%	76.2%	0.6%

*The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores from the number of stores at the end of the term.

* Revisions to dispensing fees

Promotion of drug stores with dispensing pharmacy by company



Overview

Actively employed qualified personnel in the second half of the previous fiscal year. For the fiscal year under review, there was a net increase of 201 stores with dispensing pharmacy from the end of the previous fiscal year (201 stores YoY). The number of dispensing stores in Japan was 1,839, and ratio of stores with dispensing pharmacy was 76.2%.

	Welcia HD (Consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Pupule Himawari
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022	FY2022	FY2021	FY2022	FY2022
Dispensing pharmacy sales (million yen)	174,169	199,208	166,629	189,407	1,809	2,103	2,597	3,249	1,946	1	83	480
No. of prescriptions (thousands)	16,102	18,895	15,319	17,895	193	235	243	303	164	0	9	37
Prescription unit price (yen)	10,816	10,543	10,877	10,584	9,372	8,922	10,654	10,709	11,858	8,952	8,443	12,652
No. of stores with dispensing pharmacy (stores)	1,638	1,839	1,537	1,695	30	36	34	41	22	1	10	16
Ratio of stores with dispensing pharmacy (%)	75.6%	76.2%	80.6%	84.1%	34.5%	39.1%	54.8%	63.1%	37.9%	4.0%	40.0%	12.1%
No. of stores as of end of the fiscal year (stores)	2,166	2,413	1,906	2,015	87	92	62	65	58	25	25	132

*The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores from the number of stores at the end of the term.

Number of employees



Overview

934 new graduates (431 pharmacists and 503 career-track employees employed in April 2021, excluding those of Pupule Himawari)

Mid-career hiring is within the plan

	Welcia HD (consolidated)		Welcia Yakkyoku	Marudai Sakurai Pharmacy	Shimizu Yakuhin	Marue Drug	YODOYA	Pupule Himawari
		Change from the previous term-end						
No. of employees (persons)	13,294	1,586	10,775	438	305	343	157	646
No. of temporary employees (based on 8h/employee)	24,480	1,448	21,583	642	516	94	235	1,165

[In Japan]

No. of pharmacists (enrollment)	6,799	476	6,422	67	101	86	11	59
No. of registered sales clerks (enrollment)	16,667	2,630	14,112	573	467	311	160	928
No. of pharmacists per store (persons)	2.82	-0.10	3.19	0.73	1.55	1.48	0.44	0.45
No. of registered sales clerks per store (persons)	6.90	0.42	7.00	6.23	7.18	5.36	6.40	7.03

*The numbers of pharmacists and registered sales clerks, registered sales clerks per store are calculated by excluding cosmetics stores from the number of stores at the end of the period.

Store openings and closures



**Store openings
(in Japan)**

Actual 142 stores (vs. planned: 21 stores)

**Number of working
months (in Japan)**

Actual 1,032 months (vs. planned: 155 months)

(Unit: No. of stores)

		End of Feb. 2021	Increase/ decrease resulting from subsidiaries or business transfer	Increase/ decrease resulting from M&A	Openings		Closures		End of Feb. 2022
					Projections	Actual results	Projections	Actual results	
By company	Welcia Yakkyoku (NARCIS)	1,899 (6)	1	13	105 (2)	127 (2)	15	17	2,023 (8)
	Marudai Sakurai Pharmacy	87	–	–	4	6	–	1	92
	Shimizu Yakuhin	62	–	–	7	6	3	3	65
	Marue Drug	58	–	–	3	1	3	1	58
	YODOYA	25	–	–	–	1	–	1	25
	Kanamitsu Yakuhin	28	–	–	–	–	2	2	26
	MASAYA	35	–	–	2	1	–	–	36
	Neo Pharma	10	–	-10	–	–	–	–	–
	Summit	3	–	-3	–	–	–	–	–
	Pupule Himawari	–	132	–	–	–	–	–	132
By area	Tohoku	168	–	–	13	17	–	1	184
	Kanto	1,079	–	–	34	39	5	3	1,115
	Chubu	504	–	–	31	32	7	9	527
	Kinki	363	6	–	36	38	9	8	399
	Chugoku	50	105	–	6	8	2	2	161
	Shikoku	42	22	–	1	6	–	2	68
	Kyushu	1	–	–	–	2	–	–	3
In Japan	2,207	133	–	121	142	23	25	2,457	
Overseas	10	–	–	6	2	2	1	11	
Consolidated	2,217	133	–	127	144	25	26	2,468	

* Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Neo Pharma and Summit, effective March 1, 2021.

* One Joshin Denki location was transferred to Welcia Yakkyoku, effective April 1, 2021.

* Made Pupule Himawari into a subsidiary through the acquisition of shares, effective December 1, 2021.

(1) Pursuing expertise and strengthening marketing capabilities

⇒ Aggressively implemented initiatives that will lead to future growth, such as accelerating the establishment of stores with dispensing pharmacy, responding to free testing such as PCR, and acquiring Welcia Members.

Initiatives (1) Promoted the establishment of stores with dispensing pharmacy

→ Promoted establishment of new drug stores and stores open on Saturdays by taking advantage of the qualified personnel employed in the second half of the previous year

The number of stores with dispensing pharmacy increased by 201 from the previous term-end, and the number of stores open on Saturdays increased by 248 over the same period

Initiatives (2) PB products development

→ Karada Welcia and Kurashi Welcia brands launched on June 28, 2021.

Sales volume of the 56 SKUs as of the end of February

(2) Thorough efforts to improve store operational efficiency and improvement of profitability

⇒ Started “bulk setting of models” and “work management system” in the second half of the fiscal year, in addition to the previous initiatives (“total man-hour control” and “automatic ordering” etc.) In addition, we launched a customer management system called “Wellness Member” to strengthen a digital sales promotion.

Initiative (3) Establishing a system to standardize “the automatic ordering system” in order to improve person-hour sales.

Introduced the “bulk setting of models,” a system to reduce ordering work from the second half of the fiscal year

Introduced the “work management system,” which visualizes store person-hours and tasks

Through these efforts, we are establishing a daily management system.

Initiative (4) Strengthened digital sales promotion, and started the Welcia Member registration campaign in July 2021.

Number of registrants: 2.31 million as of February 28, aiming for 4.45 million people by June 2022.

(3) SDGs, social contributions

⇒ Newly established the Sustainability Committee with the aim of achieving both the corporate philosophy and a sustainable society.

Sustainability Management Promotion System is in progress.



2 Earnings Forecast for FY2023

- Made Pupule Himawari into a subsidiary through the acquisition of shares, effective December 1, 2021.
- The Group adopted the Accounting Standard for Revenue Recognition from the beginning of fiscal year ending February 2023.
- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, will absorb Kanamitsu Yakuhin, effective June 1, 2022.

On the assumption that this merger will be carried out as scheduled, the plan and results of the previous fiscal year of Kanamitsu Yakuhin after June 1, 2022 are included in that of Welcia Yakkyoku described in this section.

1. Projections

▶ Net sales	1,110.0 billion yen	(Y/Y change: -%)
▶ Ordinary income	51.6 billion yen	(Y/Y change: -%)
▶ Net income attributable to owners of parent	28.4 billion yen	(Y/Y change: -%)

2. Indicators

▶ Existing-stores sales growth rate	3.4%	*Existing-stores sales growth rates are compared with those before the adoption of the revenue recognition standard.
(Products)	2.1%	
(Dispensing)	9.0%	
▶ Openings	129 stores	(in Japan: 128; overseas: 1)
▶ Closures	25 stores	(in Japan: 25; overseas: 0)
▶ No. of stores as of end of the fiscal year	2,572 stores	(in Japan: 2,560; overseas: 12)
▶ Dispensing pharmacy sales (in Japan)	220.8 billion yen	(Y/Y change: -%)
▶ Number of stores with dispensing pharmacy (in Japan)	1,975 stores	(Ratio of stores with dispensing 78.7%)

3. Priority measures

▶ Opening new pharmacies	152 stores	(in Japan: 152; overseas: 0)
▶ Renovation (full renovation)	85 stores	

*The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores from the number of stores at the end of the term.

(1) Pursuing expertise and strengthening marketing capabilities

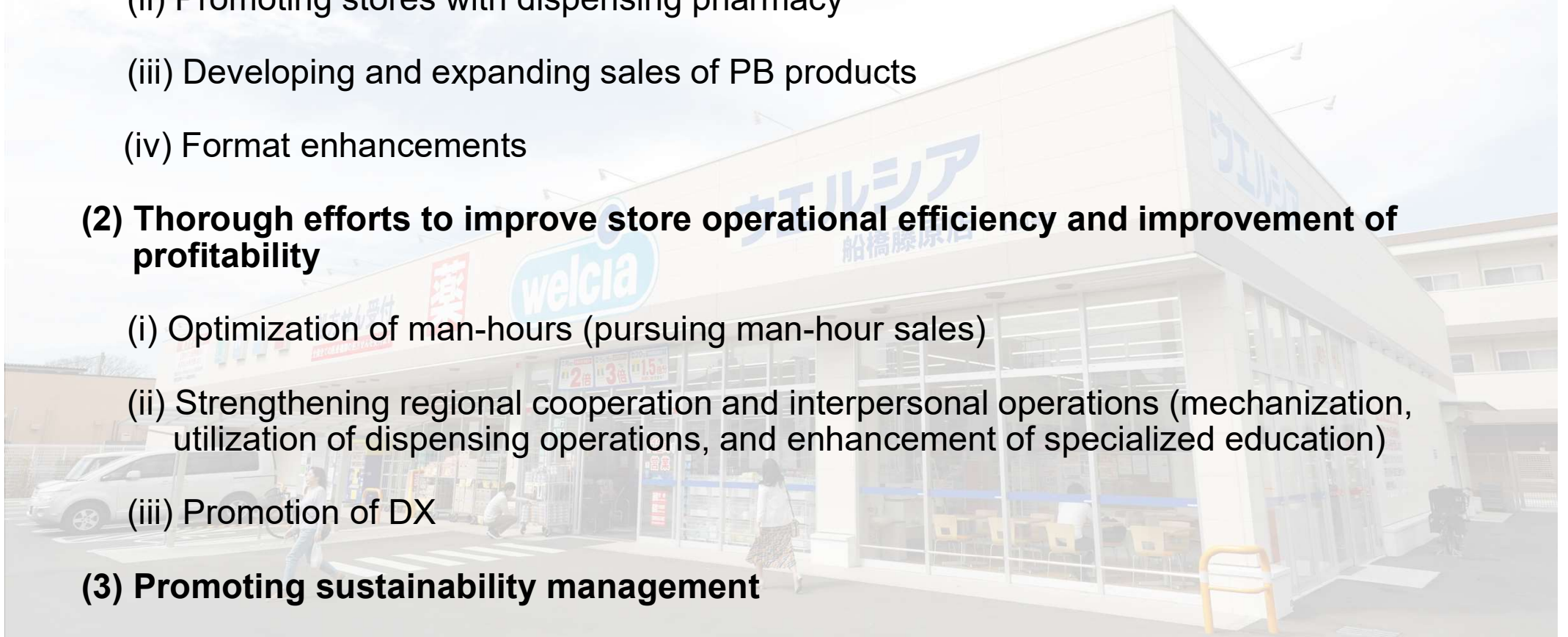
- (i) Strengthening regional responses through the area office system and area operations (marketing, dispensing and cosmetics)
- (ii) Promoting stores with dispensing pharmacy
- (iii) Developing and expanding sales of PB products
- (iv) Format enhancements

(2) Thorough efforts to improve store operational efficiency and improvement of profitability

- (i) Optimization of man-hours (pursuing man-hour sales)
- (ii) Strengthening regional cooperation and interpersonal operations (mechanization, utilization of dispensing operations, and enhancement of specialized education)
- (iii) Promotion of DX

(3) Promoting sustainability management

- (i) Promoting “the corporate philosophy and the realization of a sustainable society” through our core business



Full-year earnings forecasts



(Unit: million yen)

	Results for Fiscal 2022		Fiscal 2023 Forecast		[Reference] Estimated based on the former standard Fiscal 2023 Forecast		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Net sales	1,025,947	100.0%	1,110,000	100.0%	1,131,000	100.0%	110.2%
(Ratio of stores with dispensing pharmacy)	199,208	19.4%	220,800	19.9%	220,800	19.5%	110.8%
Gross operating profit	320,944	31.3%	338,700	30.5%	355,600	31.4%	110.8%
SG&A expenses	277,925	27.1%	291,700	26.3%	308,600	27.2%	111.0%
Operating income	43,018	4.2%	47,000	4.2%	47,000	4.2%	109.3%
Ordinary income	47,590	4.6%	51,600	4.6%	51,600	4.6%	108.4%
Net income attributable to owners of parent	26,453	2.6%	28,400	2.6%	28,400	2.5%	107.4%
Existing-store sales growth rate							3.4%

*Quarterly plans are stated in the "Supplementary material about the settlement of accounts" attached hereto.

Full-year earnings forecasts (1H/2H)



(Unit: million yen)

	1H		[Reference] Estimated based on the former standard 1H			2H		[Reference] Estimated based on the former standard 2H		
	Amount	Composition ratio	Amount	Composition ratio	Y/Y	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Net sales	555,800	100.0%	566,500	100.0%	111.5%	554,200	100.0%	564,500	100.0%	109.1%
(Ratio of stores with dispensing pharmacy)	107,850	19.4%	107,850	19.0%	110.4%	112,950	20.4%	112,950	20.0%	111.2%
Gross operating profit	168,240	30.3%	176,840	31.2%	112.1%	170,460	30.8%	178,760	31.7%	109.6%
SG&A expenses	142,880	25.7%	151,480	26.7%	112.1%	148,820	26.9%	157,120	27.9%	110.0%
Operating income	25,360	4.6%	25,360	4.5%	111.5%	21,640	3.9%	21,640	3.8%	106.7%
Ordinary income	28,540	5.1%	28,540	5.0%	113.5%	23,060	4.2%	23,060	4.1%	102.7%
Net income attributable to owners of parent	17,560	3.2%	17,560	3.1%	113.1%	10,840	2.0%	10,840	1.9%	99.2%
Existing-store sales growth rate					3.2%					3.7%

*Quarterly plans are stated in the "Supplementary material about the settlement of accounts" attached hereto.

Full-year earnings forecasts by company (1)



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (consolidated)			Welcia Yakkyoku			Pupule Himawari	Marudai Sakurai Pharmacy			
	Amount	[Reference] Estimated based on the former standard		Amount	[Reference] Estimated based on the former standard			Amount	Amount	[Reference] Estimated based on the former standard	
		Amount	Y/Y		Amount	Amount				Y/Y	Amount
Net sales	1,110,000 (100.0%)	1,131,000 (100.0%)	110.2% (100.0%)	972,385 (100.0%)	988,526 (100.0%)	106.6% (100.0%)	48,931 (100.0%)	29,983 (100.0%)	30,769 (100.0%)	105.9% (100.0%)	
Gross operating profit	338,700 (30.5%)	355,600 (31.4%)	110.8% (31.3%)	301,049 (31.0%)	315,134 (31.9%)	107.8% (31.5%)	12,123 (24.8%)	7,981 (26.6%)	8,660 (28.1%)	106.6% (28.0%)	
SG&A expenses	291,700 (26.3%)	308,600 (27.2%)	111.0% (27.1%)	255,225 (26.3%)	269,310 (27.3%)	107.8% (26.9%)	11,620 (23.8%)	6,779 (22.6%)	7,458 (24.2%)	106.3% (24.2%)	
Operating income	47,000 (4.2%)	47,000 (4.2%)	109.3% (4.2%)	45,824 (4.7%)	45,824 (4.6%)	107.4% (4.6%)	502 (1.0%)	1,202 (4.0%)	1,202 (3.9%)	108.0% (3.8%)	
Ordinary income	51,600 (4.6%)	51,600 (4.6%)	108.4% (4.6%)	50,298 (5.2%)	50,298 (5.1%)	107.1% (5.1%)	515 (1.1%)	1,258 (4.2%)	1,258 (4.1%)	103.2% (4.2%)	
Net income attributable to owners of parent	28,400 (2.6%)	28,400 (2.5%)	107.4% (2.6%)	28,720 (3.0%)	28,720 (2.9%)	106.6% (2.9%)	301 (0.6%)	792 (2.6%)	792 (2.6%)	101.6% (2.7%)	

Full-year earnings forecasts by company (2)



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Shimizu Yakuhin			Marue Drug			YODOYA			Good will Others
	Amount	[Reference] Estimated based on the former standard		Amount	[Reference] Estimated based on the former standard		Amount	[Reference] Estimated based on the former standard		
		Amount	Y/Y		Amount	Y/Y		Amount	Y/Y	
Net sales	24,243 (100.0%)	24,600 (100.0%)	107.8% (100.0%)	14,017 (100.0%)	14,218 (100.0%)	104.1% (100.0%)	9,426 (100.0%)	10,026 (100.0%)	102.9% (100.0%)	– 11,014
Gross operating profit	7,356 (30.3%)	7,702 (31.3%)	108.5% (31.1%)	4,337 (30.9%)	4,538 (31.9%)	103.8% (32.0%)	2,528 (26.8%)	2,672 (26.7%)	106.8% (25.7%)	– 3,325
SG&A expenses	6,331 (26.1%)	6,677 (27.1%)	108.2% (27.0%)	3,905 (27.8%)	4,106 (28.9%)	103.5% (29.0%)	2,460 (26.1%)	2,604 (26.0%)	103.8% (25.7%)	1,903 3,476
Operating income	1,025 (4.2%)	1,025 (4.2%)	110.5% (4.1%)	431 (3.1%)	431 (3.0%)	106.3% (3.0%)	68 (0.7%)	68 (0.7%)	– (–)	-1,903 -150
Ordinary income	1,153 (4.8%)	1,153 (4.7%)	111.8% (4.5%)	470 (3.4%)	470 (3.3%)	102.0% (3.4%)	62 (0.7%)	62 (0.6%)	3,488% (0.0%)	-1,903 -254
Net income attributable to owners of parent	660 (2.7%)	660 (2.7%)	101.3% (2.9%)	300 (2.1%)	300 (2.1%)	44.6% (4.9%)	61 (0.7%)	61 (0.6%)	– (–)	-1,903 -533

Planned store openings and closures



(Unit: No. of Stores)

		Actual number at the beginning of the term	Increase/ decrease resulting from subsidiaries or business transfer	Openings	Closures	Estimated number at the end of the term
By company	Welcia Yakkyoku (NARCIS)	2,023 (8)	26	105 (1)	22	2,132 (9)
	Marudai Sakurai Pharmacy	92	–	6	1	97
	Shimizu Yakuhin	65	–	6	1	70
	Marue Drug	58	–	3	1	60
	YODOYA	25	–	–	–	25
	Kanamitsu Yakuhin	26	-26	–	–	–
	MASAYA	36	–	4	–	40
	Pupule Himawari	132	–	4	–	136
	Tohoku	184	–	10	2	192
	Kanto	1,115	–	31	8	1,138
	Chubu	527	–	31	7	551
	Kinki	399	–	34	7	426
	Chugoku	161	–	15	1	175
	Shikoku	68	–	4	–	72
Kyushu	3	–	3	–	6	
In Japan		2,457	–	128	25	2,560
Overseas		11	–	1	–	12
Consolidated		2,468	–	129	25	2,572
(In Japan)	No. of stores with dispensing pharmacy	1,839		152	16	1,975
	Ratio of stores with dispensing pharmacy	76.2%				78.7%

* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores (MASAYA stores, and NARCIS stores operated by Welcia Yakkyoku)

Difference from the medium-term plan (estimated based on the former standard)



Net sales

Expect growth and achievement through opening stores, opening of dispensing stores, and M&A

Ordinary income

Although the gross profit margin improved due to economies of scale and other factors, a negative 2.4 billion yen difference is expected due to the increase rate of expenses exceeding the margin.

(Unit: billion yen)

(Ratios of net sales indicated in parentheses)	FY2021	FY2022	FY2023	FY2023	Difference
	Actual results	Actual results	Projections	Mid-term plan* 1	
Net sales (billion yen)	949.6	1,025.9	1,131.0	1,080.0	51.0
Ordinary income (billion yen)	45.8 (4.8%)	47.5 (4.6%)	51.6 (4.6%)	54.0 (5.0%)	-2.4 (-0.4)
No. of stores (Stores)	2,217	2,468	2,572	2,308	264
Ratio of stores with dispensing pharmacy (%)	75.6	76.2	78.7	80.0	-1.3

*1: Announced on April 17, 2020

This material is prepared to provide investors with information on the management and financial conditions of Welcia Holdings Co., Ltd. for the purpose of helping them deepen their understanding of the Company.

Please understand and acknowledge the following points before referring to this material:

- The results contained in this material have not been audited by an auditing firm.
- Earnings forecasts and other forward-looking statements found in this material are based on assumptions the Company made with every effort possible at the time of preparation.
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