



# **Financial Results Briefing for the First Quarter of Fiscal Year Ending February 2022**

July 12, 2021

**Welcia Holdings Co., Ltd.**

Securities Code 3141; 1st Section of the Tokyo Stock Exchange

1. Outline of Financial Results		
▶ Overview of FY2022 1Q	.....	4
▶ Results for FY2022 1Q (achievement rates)	.....	5
▶ Results for FY2022 1Q (year-on-year change)	.....	6
▶ Breakdown of financial results by company for FY2022 1Q	.....	7
▶ Monthly sales growth rate (in Japan)	.....	8
▶ Composition ratio of sales by category	.....	9
▶ Gross profit margin by category	.....	10
▶ SG&A expenses composition ratio	.....	11
▶ Results in the dispensing sector (in Japan)	.....	12
▶ Promotion of drug stores with dispensing pharmacy by company	.....	13
▶ Number of employees	.....	14
▶ Store openings and closures	.....	15
▶ Efforts of this term	.....	16
▶ Progress of the efforts	.....	17
2. Earnings Forecast for FY2022		
▶ Indicator assumptions and priority measures for FY2022 forecasts	.....	19
▶ Full-year earnings forecasts	.....	20
▶ Full-year earnings forecasts by company	.....	21
▶ Planned store openings and closures	.....	22



# 1 Outline of Financial Results

- Made YODOYA Co., Ltd. into a subsidiary through the acquisition of shares, effective March 1, 2020.
- 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. into wholly-owned subsidiaries through the acquisition of shares, effective July 1, 2020. (Group consolidated accounting started on September 1)  
Welcia Yakkyoku, our consolidated subsidiary and the surviving company, absorbed the two companies on March 1, 2021.

1. Outline of Financial Results	Actual results	Projections	Difference
Net sales	248,861 million yen	249,000 million yen	-138 million yen
Ordinary income	8,851 million yen	9,180 million yen	-328 million yen
Net income attributable to owners of the Parent	5,307 million yen	5,820 million yen	-512 million yen
2. Indicators	Actual results	Projections	Difference
Existing-stores sales growth rate	1.6%	1.9%	-0.3%
Store openings (in Japan)	47 stores	35 stores	12 stores
Store closures (in Japan)	6 stores	6 stores	0 stores
Business transfer	1 store	1 store	0 stores
Number of stores as of the end of the term (in Japan)	2,249 stores	2,237 stores	12 stores
Store renovations	22 stores	24 stores	-2 stores
Dispensing pharmacy sales (in Japan)	49,102 million yen	46,610 million yen	2,492 million yen
Composition ratio of dispensing sales	19.7%	18.7%	1.0%
Number of stores with dispensing pharmacy (in Japan) * Change from the end of the previous term: 46 stores	1,684 stores	1,679 stores	5 stores
(Ratio of stores with dispensing pharmacy)	76.3%	76.5%	-0.2%
Number of stores open 24 hours	251 stores	—	—
3. Others	Actual results		
Composition ratio of PB products	5.3% (Breakdown: Hapycom 21.9%, Top value 26.9%, Welcia PB 51.2%, others 0.0%)		
Number of stores with Welcafe	345 stores	—	—

\* Store renovation refers to only the entire renovation from this year.

\* The ratio of stores with dispensing pharmacy at the end of the first quarter is calculated excluding the number of cosmetics stores (35 MASAYA and COLOR STUDIO stores operated by MASAYA, and 7 NARCIS stores operated by Welcia Yakkyoku).

# Results for FY2022 1Q (achievement rates)



<b>Net sales</b>	Although the sales of food products and infectious disease prevention products (including alcohol disinfection, air disinfecting products, hand soap) fell short of the plan due to the reaction to the special demand in the previous year, the plan for dispensing pharmacy sales was achieved as a result of the normalization of outpatient visits and the increase in the number of stores with dispensing pharmacy, and the results were almost as expected.
<b>Gross operating profit</b>	Although gross profit margin improved due to the normalization of outpatient visits, sales fell short of the plan due to a reactionary decline in infectious disease prevention products.
<b>SG&amp;A expense</b>	Responded to the strengthening of recruitment of qualified personnel implemented in the second half of the previous fiscal year. The effects of measures to improve personnel cost efficiency were delayed.
<b>Operating profit margin</b>	Achievement rate 90.2%

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Actual results	Projections		
			Difference	Achievement rate
<b>Net sales</b>	<b>248,861</b> (100.0%)	249,000 (100.0%)	-138	99.9%
<b>Gross operating profit</b>	<b>74,618</b> (30.0%)	75,100 (30.2%)	-481	99.4%
<b>SG&amp;A expenses</b>	<b>67,336</b> (27.1%)	67,030 (27.0%)	306	100.5%
<b>Operating income</b>	<b>7,282</b> (2.9%)	8,070 (3.2%)	-787	90.2%
<b>Ordinary income</b>	<b>8,851</b> (3.6%)	9,180 (3.7%)	-328	96.4%
<b>Net income attributable to owners of the Parent</b>	<b>5,307</b> (2.1%)	5,820 (2.3%)	-512	91.2%

# Results for FY2022 1Q (year-on-year change)



<b>Net sales</b>	Sales of dispensing increased by 16.7% from the same period of the previous year due to the normalization of outpatient visits, which covered product sales affected by the reaction to the special demand in the previous year with the existing-stores sales growth rate of 1.6%. Sales increased due to management integration (Marue Drug, Neo Pharma and Summit). All stores growth rate is 7.0%
<b>Gross operating profit</b>	Although the gross margin of product sales declined due to the drop in the sales of infectious disease prevention products, the gross margin of dispensing improved due to the normalization of outpatient visits, leading to the overall improvement.
<b>SG&amp;A expense</b>	Labor costs increased from the same period last year due to active recruitment of qualified personnel in the second half of the previous year. Number of sales promotion with flyers increased (self-restraint during the same period last year)
<b>Operating income</b>	69.2% year on year

(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
<b>Net sales</b>	<b>248,861</b> (100.0%)	232,502 (100.0%)	16,359	107.0%
<b>Gross operating profit</b>	<b>74,618</b> (30.0%)	69,525 (29.9%)	5,093	107.3%
<b>SG&amp;A expenses</b>	<b>67,336</b> (27.1%)	58,998 (25.4%)	8,337	114.1%
<b>Operating income</b>	<b>7,282</b> (2.9%)	10,526 (4.5%)	-3,243	69.2%
<b>Ordinary income</b>	<b>8,851</b> (3.6%)	11,253 (4.8%)	-2,402	78.7%
<b>Net income attributable to owners of the Parent</b>	<b>5,307</b> (2.1%)	6,602 (2.8%)	-1,295	80.4%

# Breakdown of financial results by company for FY2022 1Q



## Each company

Even when viewed by company, normalization of consultations have resulted in recovering dispensing, covering product sales with a major reaction to last year's special demand for infection countermeasure items. Although the gross profit margin dropped due to a decline in infection countermeasure products, normalization of consultations resulted in recovering dispensation gross profit margins, which lifted overall numbers. Active hiring of qualified individuals during the second half of the previous term increasing personnel costs for compared to the same term in the previous fiscal year and an increase in the number of sales promotion flyers both contributed to sales and administration costs.

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (Consolidated)	Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Good will Others
			Y/Y		Y/Y		Y/Y			Y/Y	
<b>Net sales</b>	248,861 (100.0%)	227,070 (100.0%)	105.6% (100.0%)	7,011 (100.0%)	101.4% (100.0%)	5,595 (100.0%)	107.8% (100.0%)	3,337 (100.0%)	2,371 (100.0%)	96.8% (100.0%)	– 3,458
<b>Gross operating profit</b>	74,618 (30.0%)	68,320 (30.1%)	105.8% (30.0%)	1,896 (27.1%)	101.5% (27.0%)	1,671 (29.9%)	106.0% (30.3%)	1,015 (30.4%)	566 (23.9%)	97.2% (23.8%)	– 1,140
<b>SG&amp;A expenses</b>	67,336 (27.1%)	60,942 (26.9%)	112.0% (25.3%)	1,672 (23.9%)	106.9% (22.6%)	1,492 (26.7%)	114.3% (25.1%)	987 (29.6%)	613 (25.9%)	114.6% (21.8%)	345 1,274
<b>Operating income</b>	7,282 (2.9%)	7,377 (3.2%)	72.4% (4.7%)	224 (3.2%)	74.0% (4.4%)	178 (3.2%)	66.0% (5.2%)	27 (0.8%)	-46 (–%)	– (2.0%)	-345 -134
<b>Ordinary income</b>	8,851 (3.6%)	8,882 (3.9%)	81.6% (5.1%)	262 (3.7%)	80.6% (4.7%)	210 (3.8%)	73.3% (5.5%)	47 (1.4%)	-45 (–%)	– (2.5%)	-345 -155
<b>Net income attributable to owners of the Parent</b>	5,307 (2.1%)	5,506 (2.4%)	84.8% (3.0%)	169 (2.4%)	81.0% (3.0%)	136 (2.4%)	75.7% (3.5%)	40 (1.2%)	-51 (–%)	– (0.7%)	-345 -146

# Monthly sales growth rate (in Japan)



## Overall

Although the existing-store sales growth rates of food products and infectious disease prevention products (including alcohol disinfection, air disinfecting products, hand soap) in March and April were lower than the same periods of the previous year due to the reaction to the special demand, the rate in May, the figures were raised overall because dispensing recovered due to the normalization of outpatient visits and the increase in the number of store with dispensing pharmacy.

## MASAYA

During the same term of the previous fiscal year, stores in tenant buildings closed due to the COVID-19 crisis, making existing stores this year outliers.

(Unit: %)

		2020						2021							
		June	July	August	September	October	November	December	January	February	March	April	May	June	
Existing Stores	Welcia Yakkyoku	6.7	4.0	10.3	-5.9	10.1	7.7	5.2	2.2	-7.8	2.0	-1.3	4.3	2.5	
	Shimizu Yakuin	5.4	3.2	12.8	-4.4	12.3	7.5	7.1	-0.5	-6.8	4.2	1.3	8.2	6.3	
	Marudai Sakurai Pharmacy	7.8	8.7	9.6	-6.9	16.6	12.1	6.7	5.4	-11.2	-2.2	-1.5	1.0	3.2	
	MASAYA	-10.3	4.0	-4.6	-39.1	33.3	11.6	-4.1	-11.1	2.7	-2.0	-0.3	-15.4	-7.8	
	Kanamitsu Yakuin	13.2	10.3	16.2	-1.9	15.1	12.8	14.3	12.0	3.8	7.9	4.0	5.3	11.1	
	YODOYA										-8.1	-10.9	-1.8	-8.4	
	Marue Drug													-7.7	
Group total	Net sales	6.6	4.2	10.3	-6.3	10.5	7.9	5.3	2.2	-7.8	1.8	-1.3	4.3	2.3	
	(Goods)	5.6	3.4	11.0	-9.3	9.6	8.4	3.9	0.8	-10.6	-1.3	-3.7	1.8	-0.3	
	(Dispensing)	11.2	7.8	7.0	9.2	14.5	5.7	11.2	8.5	5.0	14.9	8.8	16.7	14.6	
	No. of customers	1.4	-1.3	4.3	-5.6	1.5	1.1	-2.0	-5.7	-18.1	-12.6	-10.5	-3.1	-1.4	
	Sales per customer	5.2	5.5	6.0	-0.7	9.0	6.8	7.3	7.9	10.3	14.4	9.2	7.4	3.7	
All stores	Group total	Net sales	12.2	9.5	15.8	-1.2	16.7	13.9	11.1	7.8	-2.9	6.7	4.2	10.0	6.2
	No. of customers	7.7	4.7	10.5	0.3	8.1	7.6	4.2	0.2	-12.9	-7.8	-5.1	2.8	3.2	
	Sales per customer	4.5	4.8	5.3	-1.5	8.6	6.3	6.9	7.6	10.0	14.5	9.3	7.2	3.0	

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

# Composition ratio of sales by category



- OTC Products** Sales of pollinosis-related products expanded and that of antipyretic analgesic products associated with vaccinations are strong despite a sharp decline in infectious disease prevention products.
- 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.
- Cosmetics** Store sales in malls expanded, due to the resumption in this term after the self-restraint in sales in the same period of the previous year.
- Food Products** Down from the previous year due to the reaction to the special demand in the previous year.

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA	
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y
<b>OTC Products</b>	49,151 (19.8%)	108.7% (19.5%)	44,693 (19.7%)	107.0% (19.4%)	1,473 (21.0%)	97.4% (21.9%)	1,344 (24.0%)	105.9% (24.4%)	960 (28.8%)	446 (18.9%)	99.1% (18.4%)
<b>Dispensing</b>	49,102 (19.7%)	116.7% (18.1%)	46,816 (20.6%)	115.5% (18.9%)	510 (7.3%)	117.5% (6.3%)	806 (14.4%)	128.7% (12.1%)	465 (14.0%)	6 (0.3%)	– % (– %)
<b>Cosmetics</b>	38,905 (15.6%)	108.8% (15.4%)	34,090 (15.0%)	106.5% (14.9%)	1,121 (16.0%)	102.5% (15.8%)	993 (17.8%)	103.3% (18.5%)	681 (20.4%)	434 (18.3%)	99.9% (17.8%)
<b>Household Goods</b>	35,435 (14.2%)	105.2% (14.5%)	32,238 (14.2%)	103.7% (14.5%)	1,175 (16.8%)	100.0% (17.0%)	957 (17.1%)	104.3% (17.7%)	569 (17.1%)	375 (15.8%)	94.8% (16.2%)
<b>Food Products</b>	56,039 (22.5%)	98.1% (24.6%)	51,394 (22.6%)	96.9% (24.7%)	1,953 (27.9%)	98.6% (28.7%)	1,120 (20.0%)	102.8% (21.0%)	552 (16.6%)	886 (37.4%)	93.9% (38.6%)
<b>Others</b>	20,228 (8.2%)	108.6% (7.9%)	17,837 (7.9%)	107.6% (7.6%)	776 (11.0%)	108.7% (10.3%)	373 (6.7%)	114.0% (6.3%)	107 (3.1%)	221 (9.3%)	99.5% (9.0%)
<b>Total</b>	248,861 (100.0%)	107.0% (100.0%)	227,070 (100.0%)	105.6% (100.0%)	7,011 (100.0%)	101.4% (100.0%)	5,595 (100.0%)	107.8% (100.0%)	3,337 (100.0%)	2,371 (100.0%)	96.8% (100.0%)

## Dispensing

Although gross profit margin of dispensing declined due to the effect of 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 the gross margin of 36.4%.

## Sales of products

Gross profit margin declined due to a reactionary decline in infectious disease prevention products.

(Unit: %)

	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA	
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y
OTC Products	40.0	-1.3	40.1	-1.3	39.8	-0.8	40.0	-1.4	37.4	36.4	1.1
Dispensing	36.4	1.9	36.3	1.8	37.4	1.8	34.8	1.3	36.6	45.7	—
Cosmetics	33.8	-0.2	33.6	-0.3	32.8	-0.9	33.3	0.1	33.0	33.2	2.4
Household Goods	27.1	-0.3	27.3	-0.3	24.8	1.0	26.3	-0.3	25.0	24.2	-0.1
Food Products	20.0	-1.2	20.2	-1.2	17.9	0.1	19.5	-1.2	18.4	15.2	-2.2
Others	15.4	-0.2	15.2	-0.5	14.0	0.3	14.0	-1.6	15.7	14.0	0.7
Total	30.0	0.1	30.1	0.1	27.1	0.1	29.9	-0.4	30.4	23.9	0.1

## Labor Costs

Since the second half of the previous year, the ratio of qualified personnel is high due to active recruitment of them.

We continue to actively open new pharmacies to increase sales and start measures to optimize personnel costs from July.

## Advertising Expenses

We curtailed sales promotion with flyers in the same period of previous year, but in this term, we implemented it as planned, resulting in the rate of 119.0% from the same period last year.

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA	
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y
<b>Labor Costs</b>	34,858 (14.0%)	115.4% (13.0%)	31,576 (13.9%)	113.4% (13.0%)	832 (11.9%)	107.4% (11.2%)	817 (14.6%)	118.4% (13.3%)	566 (17.0%)	317 (13.4%)	108.4% (12.0%)
<b>Advertising Expenses</b>	4,826 (1.9%)	119.0% (1.7%)	4,188 (1.8%)	116.1% (1.7%)	199 (2.8%)	111.3% (2.6%)	103 (1.8%)	129.9% (1.5%)	80 (2.4%)	55 (2.3%)	164.5% (1.4%)
<b>Rent</b>	10,507 (4.2%)	112.1% (4.0%)	9,627 (4.2%)	110.4% (4.1%)	196 (2.8%)	102.9% (2.8%)	267 (4.8%)	110.2% (4.7%)	144 (4.3%)	70 (3.0%)	119.2% (2.4%)
<b>Others</b>	17,142 (7.0%)	111.6% (6.7%)	15,550 (7.0%)	109.4% (6.5%)	443 (6.4%)	105.9% (6.0%)	303 (5.5%)	104.0% (5.6%)	196 (5.9%)	169 (7.2%)	113.8% (6.0%)
<b>Total</b>	67,336 (27.1%)	114.1% (25.4%)	60,942 (26.9%)	112.0% (25.3%)	1,672 (23.9%)	106.9% (22.6%)	1,492 (26.7%)	114.3% (25.1%)	987 (29.6%)	613 (25.9%)	114.6% (21.8%)

# Results in the dispensing sector (in Japan)



## Overview

In the same period of 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 the COVID-19. However, in this first quarter, prescription 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 36.4%.

	FY2019 1Q*		FY2020 1Q		FY2021 1Q*		FY2022 1Q*	
		Y/YY/Y change		Y/Y Y/Y change		Y/Y Y/Y change		Y/Y Y/Y change
<b>Dispensing pharmacy sales (Million yen)</b>	31,940	115.1%	37,372	117.0%	42,072	112.6%	49,102	116.7%
<b>No. of prescriptions (in the thousands)</b>	3,305	118.7%	3,834	116.0%	3,703	96.6%	4,678	126.3%
<b>Prescription unit price (yen)</b>	9,664	96.9%	9,747	100.9%	11,361	116.6%	10,495	92.4%
<b>Gross profit margin (%)</b>	34.8%	-3.7%	38.6%	3.8%	34.5%	-4.1%	36.4%	1.9%
<b>No. of stores with dispensing pharmacy (stores)</b>	1,183	141	1,300	117	1,447	147	1,684	237
<b>Ratio of stores with dispensing pharmacy (%)</b>	67.7%	0.5%	69.5%	1.8%	72.0%	2.5%	76.3%	4.3%

\* The ratio of stores with dispensing pharmacy at the end of the first quarter is calculated excluding the number of cosmetics stores (35 MASAYA and COLOR STUDIO stores operated by MASAYA, and 7 NARCIS stores operated by Welcia Yakkyoku).

\* Revisions to dispensing fees

# Promotion of drug stores with dispensing pharmacy by company



## Overview

Active recruitment of qualified personnel in the second half of the previous year. In this term, we promoted to establish stores with dispensing pharmacy as a store with fighting strength with net increase of 46 stores (10 stores in the same period last year). Annual net increase is 237 stores, contributing to the annual sales growth. Number of dispensing stores in Japan is 1,684, and ratio of stores with dispensing pharmacy is 76.3%.

	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA	
	FY2021 1Q	FY2022 1Q	FY2021 1Q	FY2022 1Q	FY2021 1Q	FY2022 1Q	FY2021 1Q	FY2022 1Q	FY2022 1Q	FY2021 1Q	FY2022 1Q
Dispensing pharmacy sales (Million yen)	42,072	49,102	40,543	46,816	434	510	626	806	465	—	6
No. of prescriptions (in the thousands)	3,703	4,678	3,540	4,441	45	56	56	74	40	—	0
Prescription unit price (yen)	11,361	10,495	11,452	10,542	9,535	8,975	11,091	10,770	11,615	—	7,763
No. of stores with dispensing pharmacy (stores)	1,447	1,684	1,376	1,579	26	31	29	35	17	—	3
Ratio of stores with dispensing pharmacy (%)	72.0%	76.3%	75.9%	81.1%	30.6%	34.8%	48.3%	56.5%	29.8%	—%	12.0%

\* The ratio of stores with dispensing pharmacy at the end of the first quarter is calculated excluding the number of cosmetics stores (35 MASAYA and COLOR STUDIO stores operated by MASAYA, and 7 NARCIS stores operated by Welcia Yakkyoku).

## Overview

934 new graduates (431 pharmacists and 503 career-track employees employed in April 2021)  
Strengthen rank-based and specialized education to promote the Welcia Model.

	Welcia HD (consolidated)		Welcia Yakkyoku	Marudai Sakurai Pharmacy	Shimizu Yakuhin	Marue Drug	YODOYA
		Change from the previous term-end					
No. of employees (Person)	12,778	1,070	10,915	417	315	350	161
No. of temporary employees (based on 8h/employee)	22,790	-242	21,075	599	515	94	252

## [In Japan]

No. of pharmacists (enrollment)	6,791	468	6,488	67	97	79	9
No. of registered sales clerks (enrollment)	14,555	518	12,991	527	438	323	156
No. of pharmacists per store (Person)	3.08	0.16	3.33	0.75	1.56	1.39	0.36
No. of registered sales clerks per store (Person)	6.59	0.11	6.68	5.92	7.06	5.67	6.24

\* The numbers of pharmacists/ registered sales clerks per store/ registered sales clerks per store at the end of the first quarter are calculated excluding the number of cosmetics stores (35 MASAYA / COLOR STUDIO stores operated by MASAYA, and 7 NARCIS stores operated by Welcia Yakkyoku).

# Store openings and closures



Store openings  
(in Japan)

Actual 47 stores (vs. planned : 12 stores)

Number of working  
months

Actual 94 months (vs. planned: 32 months)

(Unit: No. of Stores)

			28-Feb-21	Increase/ decrease resulting from subsidiaries or business transfer	Increase/ decrease resulting from M&A	Openings		Closures		End of May 2021
						Projections	Actual results	Projections	Actual results	
By company	Welcia Yakkyoku	1,899	1	13	33	45	4	5	1,953	
	Marudai Sakurai Pharmacy	87	—	—	—	2	—	—	89	
	Shimizu Yakuhin	62	—	—	1	—	1	—	62	
	Marue Drug	58	—	—	1	—	1	1	57	
	YODOYA	25	—	—	—	—	—	—	25	
	Kanamitsu Yakuhin	28	—	—	—	—	—	—	28	
	MASAYA	35	—	—	—	—	—	—	35	
	Neo Pharma	10	—	-10	—	—	—	—	—	
	Summit	3	—	-3	—	—	—	—	—	
By area	Tohoku	168	—	—	1	6	—	—	174	
	Kanto	1,079	—	—	15	16	1	1	1,094	
	Chubu	504	—	—	10	13	2	3	514	
	Kinki	363	1	—	8	10	3	2	372	
	Chugoku	50	—	—	1	2	—	—	52	
	Shikoku	42	—	—	—	—	—	—	42	
	Kyushu	1	—	—	—	—	—	—	1	
In Japan	2,207	1	—	35	47	6	6	2,249		
Overseas	10	—	—	2	—	—	1	9		
Consolidated	2,217	1	—	37	47	6	7	2,258		

\* Welcia Yakkyoku, our 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.

## **(1) Pursuing expertise and strengthening marketing capabilities**

- (i) Strengthening area operations through the branch office system (marketing, dispensing and cosmetics)
- (ii) Promoting stores with dispensing pharmacy
- (iii) Development and sales expansion of PB products: released new brands in June 2021
- (iv) Promotion of attracting medical institutions

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

- (i) Man-hour control (further increase man-hour sales)  
(Enhancing management of store man-hour plans, visualization of work schedules through systemization)
- (ii) Adoption and utilization of systems to reduce in-store workload
  - 1) Improving the accuracy of automatic ordering and expanding the scope of categories
  - 2) Promotion of equipment deployment to improve the efficiency of dispensing operations
- (iii) DX promotion
  - 1) Strengthening digital sales promotion  
Acquisition and maintenance of loyal customers, use of digital flyers and Welcia apps (reduction of paper flyers)
  - 2) Reforming store and headquarters operations

## **(3) SDGs, social contributions**

- (i) Contributing to local communities through Welcafe
- (ii) Promotion of diversity
  - Training female store managers
  - Initiatives for LGBT (creating a work-friendly environment)

## **(1) Pursuing expertise and strengthening marketing capabilities**

Initiative (1)] Promoting stores with dispensing pharmacy — Changes in the number of stores from the end of the previous term are 46 stores with dispensing and 33 stores opening on Saturdays.

- In response to the measures implemented in the second half of the previous year to strengthen the recruitment of qualified personnel, we promoted opening of new pharmacies and operating on Saturdays.

Initiative (2)] Development and sales expansion of PB products — Starting in June, we will launch new products as needed, and launch 100 new products during this period.

- Enhancing customer satisfaction with shopping by creating excellent products that motivate customers to visit stores and accurately communicating the value of such products through customer services at stores and counseling capabilities.

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

[Initiative (3)] Man-hour control: Further pursuit of man-hour sales

Streamlined work through thorough twice weekly deliveries

Continue improving automated order availability for a bolstered framework that enables counseling sales

Daily management through introduction of a work management system (August) and visualization of store man-hours and tasks



## 2 Earnings Forecast for FY2022

- 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. into wholly-owned subsidiaries through the acquisition of shares, effective July 1, 2020. (Group consolidated accounting started on September 1)  
Welcia Yakkyoku, our 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.
- With regard to the impact of the COVID-19 spread on our group's business, we incorporate factors that can be estimated at this time.

## 1. Projections

▶ Net sales	1,021.0 billion yen	(Y/Y change: 107.5%)
▶ Ordinary income	47.6 billion yen	(Y/Y change: 103.9%)
▶ Net income attributable to owners of the Parent	27.0 billion yen	(Y/Y change: 96.4%)

## 2. Indicators

▶ Existing-store sales growth rate	3.4%	
▶ Store openings	127 stores	(in Japan: 121 ; overseas: 6)
▶ Closures	25 stores	(in Japan: 23 ; overseas: 2)
▶ M&A	1 store	
▶ No. of stores as of end of the fiscal year	2,320 stores	(in Japan: 2,306 ; overseas: 14)
▶ Dispensing pharmacy sales (in Japan)	193.8 billion yen	(Y/Y change: 111.3%)
▶ Number of stores with dispensing pharmacy (in Japan)	1,784 stores	(Ratio of stores with dispensing 78.9%)

## 3. Priority measures

▶ Opening new pharmacies	164 stores	(in Japan: 162 ; overseas: 2)
▶ Store renovations	79 stores	

\* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores (35 MASAYA and COLOR STUDIO stores operated by MASAYA, and 8 NARCIS stores operated by Welcia Yakkyoku).

\* Store renovation refers to only the entire renovation from this year.

# Full-year earnings forecasts



(Unit: million yen)

	1H		2H		Full-year		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
<b>Net sales</b>	508,500	100.0%	512,500	100.0%	1,021,000	100.0%	107.5%
<b>(Ratio of stores with dispensing pharmacy)</b>	93,800	18.4%	100,000	19.5%	193,800	19.0%	111.3%
<b>Gross operating profit</b>	157,440	31.0%	160,560	31.3%	318,000	31.1%	107.4%
<b>SG&amp;A expenses</b>	134,570	26.5%	139,130	27.1%	273,700	26.8%	108.2%
<b>Operating income</b>	22,870	4.5%	21,430	4.2%	44,300	4.3%	103.1%
<b>Ordinary income</b>	24,670	4.9%	22,930	4.5%	47,600	4.7%	103.9%
<b>Net income attributable to owners of the Parent</b>	15,160	3.0%	11,840	2.3%	27,000	2.6%	96.4%
<b>Existing-store sales growth rate</b>	2.2%		4.5%		3.4%		

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

# Full-year earnings forecasts by company



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA		Good will Others
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y	
<b>Net sales</b>	1,021,000 (100.0%)	107.5% (100.0%)	928,970 (100.0%)	107.1% (100.0%)	29,201 (100.0%)	104.8% (100.0%)	22,700 (100.0%)	107.7% (100.0%)	14,110 (100.0%)	10,365 (100.0%)	106.1% (100.0%)	— 15,654
<b>Gross operating profit</b>	318,000 (31.1%)	107.4% (31.2%)	290,711 (31.3%)	107.0% (31.3%)	8,165 (28.0%)	105.3% (27.8%)	7,080 (31.2%)	107.6% (31.2%)	4,362 (30.9%)	2,624 (25.3%)	108.0% (24.9%)	— 5,058
<b>SG&amp;A expenses</b>	273,700 (26.8%)	108.2% (26.7%)	247,539 (26.7%)	107.9% (26.4%)	6,980 (23.9%)	106.2% (23.6%)	6,091 (26.8%)	108.3% (26.7%)	3,965 (28.1%)	2,507 (24.2%)	110.4% (23.3%)	1,525 5,093
<b>Operating income</b>	44,300 (4.3%)	103.1% (4.5%)	43,172 (4.6%)	101.7% (4.9%)	1,185 (4.1%)	100.5% (4.2%)	989 (4.4%)	103.9% (4.5%)	397 (2.8%)	117 (1.1%)	73.6% (1.6%)	-1,525 -35
<b>Ordinary income</b>	47,600 (4.7%)	103.9% (4.8%)	46,303 (5.0%)	102.9% (5.2%)	1,270 (4.4%)	100.4% (4.5%)	1,068 (4.7%)	104.5% (4.9%)	418 (3.0%)	101 (1.0%)	54.8% (1.9%)	-1,525 -35
<b>Net income attributable to owners of the Parent</b>	27,000 (2.6%)	96.4% (2.9%)	27,167 (2.9%)	96.4% (3.2%)	780 (2.7%)	93.0% (3.0%)	633 (2.8%)	95.6% (3.1%)	277 (2.0%)	66 (0.6%)	54.3% (1.3%)	-1,525 -398

# 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	Increase/ decrease resulting from M&A	Openings	Closures	Estimated number at the end of the term	
	By company	Welcia Yakkyoku	1,899	1	13	105	15	2,003
		Marudai Sakurai Pharmacy	87	—	—	4	—	91
		Shimizu Yakuhin	62	—	—	7	3	66
		Marue Drug	58	—	—	3	3	58
		YODOYA	25	—	—	—	—	25
		Kanamitsu Yakuhin	28	—	—	—	2	26
		MASAYA	35	—	—	2	—	37
		Neo Pharma	10	—	-10	—	—	—
		Summit	3	—	-3	—	—	—
	By area	Tohoku	168	—	—	13	—	181
		Kanto	1,079	—	—	34	5	1,108
		Chubu	504	—	—	31	7	528
		Kinki	363	1	—	36	9	391
		Chugoku	50	—	—	6	2	54
		Shikoku	42	—	0	1	—	43
Kyushu		1	—	—	—	—	1	
In Japan		2,207	1	0	121	23	2,306	
Overseas		10	—	—	6	2	14	
Consolidated		2,217	1	0	127	25	2,320	
(In Japan)	No. of stores with dispensing pharmacy	1,638	—		162	16	1,784	
	Ratio of stores with dispensing pharmacy	75.6%					78.9%	

\* Ratios of stores with dispensing pharmacy are calculated excluding cosmetics specialty stores (at the beginning of the period, 35 MASAYA / COLOR STUDIO stores operated by MASAYA, 6 NARCIS stores operated by Welcia Yakkyoku, and at the end of the period, 37 MASAYA / COLOR STUDIO stores operated by MASAYA, and 8 NARCIS stores operated by Welcia Yakkyoku).

\* Welcia Yakkyoku, our 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.

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.
- Please understand that actual results may differ from any forecasts and expectations contained in this material.
- All investment decisions should be made solely at the discretion of investors themselves.
- The greatest care is taken to ensure that all information contained in this material is accurate. However, please be aware that there may be discrepancies and errors due to unavoidable reasons.