



Financial Results Briefing for the Second Quarter of Fiscal Year Ending February 2022

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Welcia Holdings Co., Ltd.

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

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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, 2020)
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	508,295 million yen	508,500 million yen	-204 Million yen
Ordinary income	25,145 million yen	24,670 million yen	475 million yen
Net income attributable to owners of parent	15,527 million yen	15,160 million yen	367 million yen
2. Indicators	Actual results	Projections	Difference
Existing-stores sales growth rate	2.0%	2.2%	-0.2%
Store openings (in Japan)	81 stores	75 stores	6 stores
Store closures (in Japan)	12 stores	13 stores	-1 store
Business transfer	1 store	1 store	0 stores
Number of stores as of the end of the term (in Japan)	2,277 stores	2,270 stores	7 stores
Store renovations	44 stores	47 stores	-3 stores
Dispensing pharmacy sales (in Japan)	97,680 million yen	93,800 million yen	3,880 million yen
Composition ratio of dispensing sales	19.2%	18.4%	0.8%
Number of stores with dispensing pharmacy (in Japan) *Change from the previous term-end: 104 stores	1,742 stores	1,725 stores	17 stores
(Ratio of stores with dispensing pharmacy)	78.0%	77.5%	0.5%
Number of stores open 24 hours	254 stores	—	-
3. Others	Actual results		
Composition ratio of PB products	5.4% (Breakdown: Hapycom 21.6%, Top value 26.6%, Welcia PB 51.8%, others 0.0%)		
Number of stores with Welcafe	358 stores		

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

* The ratio of stores with dispensing pharmacy at the end of the second quarter is calculated excluding the number of cosmetics stores (36 MASAYA and COLOR STUDIO stores operated by MASAYA, and 8 NARCIS stores operated by Welcia Yakkyoku).

Results for FY2022 2Q (achievement rates)



Net sales	Although the sales of food products and infectious disease prevention products (air disinfecting products, alcohol disinfection, hand soap, and masks) 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 overall results were almost as expected.
Gross operating profit	Gross profit in dispensing improved due to the normalization of outpatient visits, covering a reactionary decline in infectious disease prevention products.
SG&A expenses	In the second half of the previous fiscal year, recruitment of qualified personnel was strengthened. The effect of measures to improve efficiency in personnel costs appeared in the second quarter.
Operating profit margin	Almost as planned, 99.4% compared to the plan

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Actual results	Projections		
			Difference	Achievement rate
Net sales	508,295 (100.0%)	508,500 (100.0%)	-204	100.0%
Gross operating profit	157,814 (31.0%)	157,440 (31.0%)	374	100.2%
SG&A expenses	135,078 (26.5%)	134,570 (26.5%)	508	100.4%
Operating income	22,735 (4.5%)	22,870 (4.5%)	-134	99.4%
Ordinary income	25,145 (4.9%)	24,670 (4.9%)	475	101.9%
Net income attributable to owners of parent	15,527 (3.1%)	15,160 (3.0%)	367	102.4%

Results for FY2022 2Q (cumulative YoY change)



Net sales	Sales of dispensing increased by 116.2 % 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. The growth rate of existing stores was 2.0 %. The overall store sales increased by 6.6% due to management integration (Marue Drug, Neo Pharma and Summit) 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, the gross margin of dispensing improved due to the normalization of outpatient visits, and the overall gross margin remained the same year on year.
SG&A expenses	Labor costs increased from the same period last year due to active recruitment of qualified personnel in the second half of the previous year. The number of use of flyers for sales promotion increased (self-restraint during the same period last year)
Operating income	85.9% 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
Net sales	508,295 (100.0%)	476,656 (100.0%)	31,638	106.6%
Gross operating profit	157,814 (31.0%)	147,696 (31.0%)	10,118	106.9%
SG&A expenses	135,078 (26.5%)	121,214 (25.4%)	13,863	111.4%
Operating income	22,735 (4.5%)	26,481 (5.6%)	-3,745	85.9%
Ordinary income	25,145 (4.9%)	27,886 (5.9%)	-2,740	90.2%
Net income attributable to owners of parent	15,527 (3.1%)	17,300 (3.6%)	-1,773	89.7%

Results for FY2022 2Q (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%)						
Gross operating profit	74,618 (30.0%)	5,093	107.3% (29.9%)	83,195 (32.1%)	5,024	106.4% (32.0%)						
SG&A expenses	67,336 (27.1%)	8,337	114.1% (25.4%)	67,742 (26.1%)	5,526	108.9% (25.5%)						
Operating income	7,282 (2.9%)	-3,243	69.2% (4.5%)	15,453 (6.0%)	-502	96.9% (6.5%)						
Ordinary income	8,851 (3.6%)	-2,402	78.7% (4.8%)	16,294 (6.3%)	-338	98.0% (6.8%)						
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%)						
Remarks	March: Declaration of state of emergency April: NHI drug price revision Emergency or semi-emergency coronavirus measures May: Emergency or semi-emergency coronavirus measures The beginning of a rainy season earlier than usual (Amami – Tokai)	June: Emergency or semi-emergency coronavirus 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	September: Emergency or semi-emergency coronavirus measures									
	Same period last year March: Made Yodoya into a subsidiary Expansion of COVID-19 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)	Same period last year June: Made Marue Drug into a subsidiary July: Charging for plastic bags Second wave of the COVID-19 infection 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 reach agreement	Same period last year September: Consolidation with Neo Pharma/ Summit After September: Relaxation of restrictions on COVID-19 October: Liquor tax reform and tobacco tax increase November: Third wave of COVID-19 infection	Same period last year January: Declaration of state of emergency February: Declaration of state of emergency								
	Same period the year before last March: Strong sales due to pollen dispersal	Same period the year before last June: Made Kanamitsu Yakuhin into a subsidiary July: Poor product sales due to lengthy rainfall	Same period the year before last September: Typhoon Faxai Rush in demand in advance of consumption tax rate increase October: Revisions to dispensing fees Downturn of demand after consumption tax rate increase Typhoon Hagibis	Same period the year before last January: Warm winter, COVID-19 outbreak February: COVID-19 Early pollen dispersal Negotiations after revisions to NHI drug prices reach agreement Leap year								

Breakdown of financial results by company for FY2022 2Q



Each company

The sales of dispensing pharmacy recovered due to the normalization of outpatient visits, covering product sales affected by the reaction to the special demand in the previous year.

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.

Increase in SG&A expenses due to an increase in personnel expenses from the same period of the previous fiscal year due to active recruitment of qualified personnel in the second half of the previous fiscal year and an increase in the number of use of flyers for sales promotion.

YODOYA

Expenses were paid in advance due to renovation of dispensing facilities, etc.
(Opened 5 stores in the first half of the 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		Good will Others
			Y/Y		Y/Y		Y/Y			Y/Y	
Net sales	508,295 (100.0%)	463,706 (100.0%)	106.1% (100.0%)	14,601 (100.0%)	103.2% (100.0%)	11,427 (100.0%)	108.0% (100.0%)	6,788 (100.0%)	4,898 (100.0%)	97.5% (100.0%)	– 6,872
Gross operating profit	157,814 (31.0%)	144,585 (31.2%)	106.2% (31.2%)	4,044 (27.7%)	102.8% (27.8%)	3,525 (30.8%)	106.8% (31.2%)	2,130 (31.4%)	1,229 (25.1%)	100.3% (24.4%)	– 2,298
SG&A expenses	135,078 (26.5%)	122,166 (26.4%)	110.5% (25.3%)	3,379 (23.1%)	108.0% (22.1%)	2,971 (26.0%)	110.8% (25.3%)	1,958 (28.9%)	1,245 (25.4%)	113.3% (21.9%)	690 2,666
Operating income	22,735 (4.5%)	22,419 (4.8%)	87.6% (5.9%)	664 (4.6%)	82.8% (5.7%)	553 (4.8%)	89.4% (5.9%)	171 (2.5%)	-15 (–)	– (2.5%)	-690 -368
Ordinary income	25,145 (4.9%)	24,749 (5.3%)	92.1% (6.1%)	726 (5.0%)	86.1% (6.0%)	604 (5.3%)	92.5% (6.2%)	204 (3.0%)	-11 (–)	– (2.9%)	-690 -438
Net income attributable to owners of parent	15,527 (3.1%)	15,603 (3.4%)	92.6% (3.9%)	474 (3.2%)	91.3% (3.7%)	394 (3.5%)	93.6% (4.0%)	163 (2.4%)	-22 (–)	– (1.9%)	-690 -395

Monthly sales growth rate (in Japan)



Overall

Sales of existing stores grew -0.5% due to the reaction to the previous year's special demand for food products and infectious disease prevention products (alcohol disinfection, air disinfection products, hand soap, and masks).

The growth rate of existing stores in the first half of the fiscal year was 2.0% as a result of 13.3% growth rate of existing dispensing stores in the second quarter due to the normalization of outpatient visits and the increase in the number of stores with dispensing pharmacy.

MASAYA

In the same period of 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 with stores opened in the same month of the previous year.

(Unit: %)

			2020				2021								
			September	October	November	December	January	February	March	April	May	June	July	August	September
Existing Stores	Welcia Yakkyoku		-5.9	10.1	7.7	5.2	2.2	-7.8	2.0	-1.3	4.3	2.5	4.2	0.7	2.5
	Shimizu Yakuhin		-4.4	12.3	7.5	7.1	-0.5	-6.8	4.2	1.3	8.2	6.3	8.8	3.6	3.3
	Marudai Sakurai Pharmacy		-6.9	16.6	12.1	6.7	5.4	-11.2	-2.2	-1.5	1.0	3.2	2.0	-0.3	0.6
	MASAYA		-39.1	33.3	11.6	-4.1	-11.1	2.7	-2.0	-0.3	-15.4	-7.8	-15.0	0.6	-2.5
	Kanamitsu Yakuhin		-1.9	15.1	12.8	14.3	12.0	3.8	7.9	4.0	5.3	11.1	13.6	6.1	8.2
	YODOYA								-8.1	-10.9	-1.8	-8.4	3.5	-4.0	-1.8
	Marue Drug											-7.7	-1.8	-1.3	0.4
Group total	Net sales		-6.3	10.5	7.9	5.3	2.2	-7.8	1.8	-1.3	4.3	2.3	4.1	0.7	2.3
	(Goods)		-9.3	9.6	8.4	3.9	0.8	-10.6	-1.3	-3.7	1.8	-0.3	2.4	-1.9	-0.2
	(Dispensing)		9.2	14.5	5.7	11.2	8.5	5.0	14.9	8.8	16.7	14.6	11.5	13.6	13.8
	No. of customers		-5.6	1.5	1.1	-2.0	-5.7	-18.1	-12.6	-10.5	-3.1	-1.4	1.6	-4.2	-1.3
	Sales per customer		-0.7	9.0	6.8	7.3	7.9	10.3	14.4	9.2	7.4	3.7	2.5	4.9	3.6
All stores	Group total	Net sales	-1.2	16.7	13.9	11.1	7.8	-2.9	6.7	4.2	10.0	6.2	8.0	4.4	6.1
		No. of customers	0.3	8.1	7.6	4.2	0.2	-12.9	-7.8	-5.1	2.8	3.2	6.2	0.0	3.2
		Sales per customer	-1.5	8.6	6.3	6.9	7.6	10.0	14.5	9.3	7.2	3.0	1.8	4.4	2.9

* 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 infective disease prevention products declined, but sales of PCR testing kits and antipyretic analgesics associated with vaccination were strong. Sales of insect repellents, insect bite reliever, and insecticides were stagnant.
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 104 stores from the end of the previous fiscal year)
Cosmetics	Makeup products continued to be sluggish, but skincare products, high-priced haircare and body care products remained strong.
Food products	Sales of foods were strong because sales promotion measures were implemented as planned, despite the reaction to the last year's special demand.
Others	Alcohol sales were brisk as demand for drinking at home increased because people tended to avoid eating out.

(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	
OTC products	102,801 (20.2%)	103.5% (20.8%)	93,444 (20.2%)	102.9% (20.8%)	3,142 (21.5%)	97.6% (22.7%)	2,802 (24.5%)	103.5% (25.6%)	1,981 (29.2%)	950 (19.4%)	97.2% (19.5%)
Cosmetics	79,514 (15.6%)	105.6% (15.8%)	69,729 (15.0%)	104.8% (15.2%)	2,343 (16.0%)	101.8% (16.3%)	2,031 (17.8%)	102.3% (18.8%)	1,383 (20.4%)	887 (18.1%)	97.9% (18.0%)
Household goods	72,889 (14.3%)	105.0% (14.6%)	66,276 (14.3%)	104.3% (14.5%)	2,470 (16.9%)	102.9% (17.0%)	1,956 (17.1%)	105.4% (17.6%)	1,164 (17.2%)	772 (15.8%)	94.5% (16.3%)
Food products	114,523 (22.5%)	102.8% (23.4%)	104,999 (22.6%)	102.2% (23.5%)	4,038 (27.7%)	103.0% (27.7%)	2,288 (20.0%)	107.3% (20.2%)	1,115 (16.4%)	1,813 (37.0%)	96.3% (37.5%)
Others	40,885 (8.2%)	110.3% (7.8%)	36,118 (7.8%)	109.9% (7.6%)	1,583 (10.9%)	110.1% (10.1%)	750 (6.6%)	116.4% (6.0%)	220 (3.2%)	453 (9.3%)	102.7% (8.7%)
Total sales of products	410,614 (80.8%)	104.6% (82.4%)	370,568 (79.9%)	104.0% (81.6%)	13,578 (93.0%)	102.2% (93.8%)	9,829 (86.0%)	105.4% (88.2%)	5,865 (86.4%)	4,877 (99.6%)	97.0% (-)
Dispensing	97,680 (19.2%)	116.2% (17.6%)	93,137 (20.1%)	115.5% (18.4%)	1,023 (7.0%)	117.5% (6.2%)	1,598 (14.0%)	127.9% (11.8%)	923 (13.6%)	21 (0.4%)	- (-)
Total	508,295 (100.0%)	106.6% (100.0%)	463,706 (100.0%)	106.1% (100.0%)	14,601 (100.0%)	103.2% (100.0%)	11,427 (100.0%)	108.0% (100.0%)	6,788 (100.0%)	4,898 (100.0%)	97.5% (100.0%)

Gross profit margin by category



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 39.4%.

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 change		Y/Y change		Y/Y change		Y/Y change			Y/Y change
	OTC products	40.5	-0.2	40.6	-0.3	40.1	-0.8	40.4	0.1	38.2	37.6	1.8
	Cosmetics	34.4	-0.1	34.3	-0.2	33.3	-1.2	34.1	0.0	33.8	33.3	4.7
	Household goods	28.9	-0.1	29.1	-0.1	26.6	1.3	27.9	-0.4	27.1	26.0	-3.2
	Food products	20.2	-0.7	20.4	-0.8	17.8	0.5	19.6	-1.1	18.5	16.6	-0.5
	Others	15.2	-0.3	15.0	-0.6	13.6	-0.5	13.7	-1.7	16.1	14.2	1.2
	Total sales of products	29.1	-0.4	29.1	-0.5	26.8	-0.4	29.7	-0.7	30.4	25.0	0.6
	Dispensing	39.4	1.3	39.4	1.4	40.2	2.1	37.7	0.4	37.9	44.5	-
	Total	31.0	0.0	31.2	0.0	27.7	-0.1	30.8	-0.4	31.4	25.1	0.7

SG&A expenses and composition ratio



Labor costs

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

Continued to actively open new stores, leading to the efficiency in personnel expenses. In the second quarter, we also launched measures to optimize personnel costs.

Advertising expenses

We curtailed the use of flyers for sales promotion in the first quarter of the previous year.

In this term, we implemented it as usual, resulting in the rate of 111.7% of 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
Labor costs	69,261 (13.6%)	112.5% (12.9%)	62,822 (13.5%)	111.7% (12.9%)	1,659 (11.4%)	108.5% (10.8%)	1,589 (13.9%)	114.7% (13.1%)	1,112 (16.4%)	627 (12.8%)	108.0% (11.6%)
Advertising expenses	9,961 (2.0%)	111.7% (1.9%)	8,514 (1.8%)	108.8% (1.8%)	412 (2.8%)	108.6% (2.7%)	207 (1.8%)	115.6% (1.7%)	168 (2.5%)	106 (2.2%)	131.5% (1.6%)
Rent	21,229 (4.2%)	110.7% (4.0%)	19,466 (4.2%)	110.1% (4.0%)	395 (2.7%)	102.6% (2.7%)	538 (4.7%)	107.1% (4.8%)	286 (4.2%)	143 (2.9%)	119.2% (2.4%)
Others	34,626 (6.7%)	109.8% (6.6%)	31,363 (6.9%)	108.9% (6.6%)	912 (6.2%)	109.2% (5.9%)	635 (5.6%)	103.6% (5.7%)	390 (5.8%)	368 (7.5%)	116.2% (6.3%)
Total	135,078 (26.5%)	111.4% (25.4%)	122,166 (26.4%)	110.5% (25.3%)	3,379 (23.1%)	108.0% (22.1%)	2,971 (26.0%)	110.8% (25.3%)	1,958 (28.9%)	1,245 (25.4%)	113.3% (21.9%)

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 COVID-19. However, in this first half of the 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 34.9%.

	FY2019 2Q*		FY2020 2Q		FY2021 2Q*		FY2022 2Q*	
		Y/Y change		Y/Y change		Y/Y change		Y/Y change
Dispensing pharmacy sales (million yen)	62,878	113.7%	75,127	119.5%	84,048	111.9%	97,680	116.2%
No. of prescriptions (in the thousands)	6,525	117.8%	7,673	117.6%	7,635	99.5%	9,373	122.8%
Prescription unit price (yen)	9,636	96.6%	9,791	101.6%	11,008	112.4%	10,421	94.7%
Gross profit margin (%)	37.4%	-1.2%	38.6%	1.2%	38.1%	-0.5%	39.4%	1.3%
No. of stores with dispensing pharmacy (stores)	1,207	137	1,345	138	1,506	161	1,742	236
Ratio of stores with dispensing pharmacy (%)	68.3%	0.0%	69.6%	1.3%	71.4%	1.8%	78.0%	6.6%

* The ratio of stores with dispensing pharmacy at the end of the second quarter is calculated excluding the number of cosmetics stores (36 MASAYA and COLOR STUDIO stores operated by MASAYA, and 8 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 first half of the fiscal year, we promoted establishing the competitive stores with dispensing pharmacy with a net increase of 104 stores from the end of the previous fiscal year (69 stores in the same period last year). Number of dispensing stores in Japan is 1,742, and ratio of stores with dispensing pharmacy is 78.0%.

	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA	
	FY2021 2Q	FY2022 2Q	FY2021 2Q	FY2022 2Q	FY2021 2Q	FY2022 2Q	FY2021 2Q	FY2022 2Q	FY2022 2Q	FY2021 2Q	FY2022 2Q
Dispensing pharmacy sales (million yen)	84,048	97,680	80,604	97,680	870	1,023	1,249	1,598	923	–	21
No. of prescriptions (in the thousands)	7,635	9,373	7,274	9,373	93	114	115	150	79	–	2
Prescription unit price (yen)	11,008	10,421	11,080	10,421	9,358	8,917	10,849	10,641	11,582	–	7,660
No. of stores with dispensing pharmacy (stores)	1,506	1,742	1,406	1,632	26	31	31	35	19	–	6
Ratio of stores with dispensing pharmacy (%)	71.4%	78.0%	76.6%	82.6%	30.6%	34.8%	50.8%	56.5%	33.3%	–	25.0%

* The ratio of stores with dispensing pharmacy at the end of the second quarter is calculated excluding the number of cosmetics stores (36 MASAYA and COLOR STUDIO stores operated by MASAYA, and 8 NARCIS stores operated by Welcia Yakkyoku).

Number of employees



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 (persons)	12,756	1,048	10,887	428	315	341	162
No. of temporary employees (based on 8h/employee)	23,445	413	21,671	651	508	95	245

[In Japan]

No. of pharmacists (enrollment)	6,778	455	6,460	71	103	81	9
No. of registered sales clerks (enrollment)	14,655	618	13,111	528	433	306	158
No. of pharmacists per store (persons)	3.04	0.12	3.27	0.80	1.66	1.42	0.38
No. of registered sales clerks per store (persons)	6.56	0.08	6.64	5.93	6.98	5.37	6.58

* The numbers of pharmacists/ registered sales clerks per store/ registered sales clerks per store at the end of the second quarter are calculated excluding the number of cosmetics stores (36 MASAYA / COLOR STUDIO stores operated by MASAYA, and 8 NARCIS stores operated by Welcia Yakkyoku).

Store openings and closures



**Store openings
(in Japan)**

Actual 81 stores (vs. planned: 6 stores)

**Number of working
months**

Actual 308 months (vs. planned: 57 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 Aug. 2021
					Projections	Actual results	Projections	Actual results	
By company	Welcia Yakkyoku	1,899	1	13	68	76	8	6	1,983
	Marudai Sakurai Pharmacy	87	—	—	2	3	—	1	89
	Shimizu Yakuhin	62	—	—	2	1	2	1	62
	Marue Drug	58	—	—	2	0	2	1	57
	YODOYA	25	—	—	—	—	—	1	24
	Kanamitsu Yakuhin	28	—	—	—	—	1	2	26
	MASAYA	35	—	—	1	1	—	—	36
	Neo Pharma	10	—	-10	—	—	—	—	—
	Summit	3	—	-3	—	—	—	—	—
By area	Tohoku	168	—	—	6	10	—	1	177
	Kanto	1,079	—	—	24	22	3	2	1,099
	Chubu	504	—	—	25	25	2	3	526
	Kinki	363	1	—	19	20	7	3	381
	Chugoku	50	—	—	1	4	1	2	52
	Shikoku	42	—	—	—	—	—	1	41
	Kyushu	1	—	—	—	—	—	—	1
In Japan		2,207	1	—	75	81	13	12	2,277
Overseas		10	—	—	3	1	1	1	10
Consolidated		2,217	1	—	78	82	14	13	2,287

* 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 LGBTQ (creating a work-friendly environment)

(1) Pursuing expertise and strengthening marketing capabilities

- Initiative (1)** Promoting the establishment of stores with dispensing pharmacy—The number of stores with dispensing pharmacy increased by 104 stores from the previous term-end, and the number of stores opened on Saturdays increased by 89 stores over the same period
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 stores and renovation of existing stores as well as operating on Saturdays.
- Initiative (2)** PB product development—Launched on June 28 and 10 SKUs were sold as of the end of August. We will raise customer satisfaction with shopping by creating good products that motivate customers to visit our stores (100 SKUs to be released in this fiscal year) by accurately communicating the value of these products through sales floors and counseling capabilities.
- Initiative (3)** Promotion of attracting medical institutions—39 institutions were contracted (of which 4 have been opened)

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

- Initiative (4)** As a continuing effort to establish the automatic ordering system, we aim to deliver products twice a week and standardize work.
Increasing the utilization of the ordering system with the introduction of bulk setting of models (from September 1).
Strengthening counseling sales to increase in sales per man hour.
Visualizing the number of store staff hours and work with the introduction of the work management system in all stores (from September 11).
- Initiative (5)** Strengthened digital sales promotion, and started Welcia new member registration campaign in July. Number of registrants: 278,000 as of the end of August, aiming for 4.45 million people by June 2022.



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 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 (37 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
Net sales	508,295	100.0%	512,705	100.0%	1,021,000	100.0%	107.5%
(Ratio of stores with dispensing pharmacy)	97,680	19.2%	96,119	19.5%	193,800	19.0%	111.3%
Gross operating profit	157,814	31.0%	160,560	31.2%	318,000	31.1%	107.4%
SG&A expenses	135,078	26.5%	138,621	27.0%	273,700	26.8%	108.2%
Operating income	22,735	4.5%	21,564	4.2%	44,300	4.3%	103.1%
Ordinary income	25,145	4.9%	22,454	4.4%	47,600	4.7%	103.9%
Net income attributable to owners of parent	15,527	3.1%	11,473	2.2%	27,000	2.6%	96.4%

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	
Net sales	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
Gross operating profit	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
SG&A expenses	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
Operating income	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
Ordinary income	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
Net income attributable to owners of parent	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).

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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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