



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

January 11, 2022

Welcia Holdings Co., Ltd.

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

1. Outline of Financial Results		
▶ Overview of FY2022 3Q	.....	4
▶ Results for FY2022 3Q (achievement rates)	.....	5
▶ Results for FY2022 3Q (cumulative YoY change)	.....	6
▶ Results for FY2022 3Q (quarterly YoY change)	.....	7
▶ Breakdown of financial results by company for FY2022 3Q	.....	8
▶ Monthly sales growth rate (in Japan)	.....	9
▶ Composition ratio of sales by category	.....	10
▶ Gross profit margin by category	.....	11
▶ SG&A expenses composition ratio	.....	12
▶ Results in the dispensing sector (in Japan)	.....	13
▶ Promotion of drug stores with dispensing pharmacy by company	.....	14
▶ Number of employees	.....	15
▶ Store openings and closures	.....	16
▶ Efforts this term	.....	17
▶ Progress of efforts	.....	18
2. Earnings Forecast for FY2022		
▶ Indicator assumptions and priority measures for FY2022 forecasts	.....	20
▶ Full-year earnings forecasts	.....	21
▶ Full-year earnings forecasts by company	.....	22
▶ Prospect of store openings and closures	.....	23
▶ [Reference] Profile of Pupule Himawari Co., Ltd.	.....	24



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. 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.

1. Outline of Financial Results	Actual results	Projections	Difference
Net sales	756,403 million yen	762,050 million yen	-5,646 million yen
Ordinary income	32,943 million yen	33,720 million yen	-776 million yen
Net income attributable to owners of parent	20,208 million yen	20,580 million yen	-371 million yen
2. Indicators	Actual results	Projections	Difference
Existing-stores sales growth rate	2.2%	3.0%	-0.8%
(Products)	-0.2%	1.6%	-1.8%
(Dispensing)	12.8%	9.5%	3.3%
Store openings (in Japan)	114 stores	97 stores	17 stores
Store closures (in Japan)	20 stores	19 stores	1 store
Business transfer	1 store	1 store	0 stores
Number of stores as of the end of the term (in Japan)	2,302 stores	2,286 stores	16 stores
Store renovations	77 stores	67 stores	10 stores
Dispensing pharmacy sales (in Japan)	147,415 million yen	142,740 million yen	4,675 million yen
Composition ratio of dispensing sales	19.5%	18.7%	0.8%
Number of stores with dispensing pharmacy (in Japan)	1,792 stores	1,759 stores	33 stores
<small>Change from the previous term-end: 154 stores</small>			
(Ratio of stores with dispensing pharmacy)	79.4%	78.5%	0.9%
Number of stores open 24 hours	257 stores	—	—
3. Others	Actual results		
Composition ratio of PB products	5.5% (Breakdown: Hapycom 20.6%, Top value 26.4%, Welcia PB 53.0%, others 0.0%)		
Number of stores with Welcafe	371 stores	—	—

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

* The ratio of stores with dispensing pharmacy at the end of the third 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 3Q (achievement rates)



Net sales	Although the sales of dispensing pharmacy were 103.3% of the plan as a result of the normalization of outpatient visits and an increase in the number of stores with dispensing pharmacy, products sales were 98.3% of the plan due to the reaction to the special demand in the previous year for food products and infectious disease prevention products (air disinfecting products, masks, hand soap, and alcohol disinfectant), and the overall net sales did not reach the plan.
Gross operating profit	The favorable gross margin of dispensing could cover the shortfall of the product sales plan, and the results were almost as expected.
SG&A expenses	Increased the number of qualified personnel in the second half of the previous fiscal year. The effects of measures to enhance the efficiency of labor costs began to appear in the second quarter, and SG&A expenses were within the plan in the third quarter.
Operating profit margin	Achievement rate 95.7%

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Actual results	Projections		
			Difference	Achievement rate
Net sales	756,403 (100.0%)	762,050 (100.0%)	-5,646	99.3%
Gross operating profit	233,620 (30.9%)	234,540 (30.8%)	-919	99.6%
SG&A expenses	203,804 (27.0%)	203,390 (26.7%)	414	100.2%
Operating income	29,815 (3.9%)	31,150 (4.1%)	-1,334	95.7%
Ordinary income	32,943 (4.4%)	33,720 (4.4%)	-776	97.7%
Net income attributable to owners of parent	20,208 (2.7%)	20,580 (2.7%)	-371	98.2%

Results for FY2022 3Q (cumulative YoY change)



Net sales	Product sales were sluggish at 104.6% year on year due to the impact of the reactionary decline in special demand in the previous fiscal year, but dispensing sales grew at 115.1% year on year due to the normalization of outpatient visits and the increase in the number of stores with dispensing pharmacy. The overall store sales increased by 6.5% 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 recovered due to the normalization of outpatient visits, leading to the overall improvement of 0.1point.
SG&A expenses	Labor costs increased year on year due to the active recruitment of qualified personnel in the second half of the previous year. In the third quarter, the composition ratio was the same as the previous year.
Operating income	90.4% Y/Y

(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	756,403 (100.0%)	710,408 (100.0%)	45,994	106.5%
Gross operating profit	233,620 (30.9%)	218,650 (30.8%)	14,969	106.8%
SG&A expenses	203,804 (27.0%)	185,679 (26.2%)	18,125	109.8%
Operating income	29,815 (3.9%)	32,971 (4.6%)	- 3,155	90.4%
Ordinary income	32,943 (4.4%)	35,095 (4.9%)	- 2,151	93.9%
Net income attributable to owners of parent	20,208 (2.7%)	21,692 (3.1%)	- 1,484	93.2%

Results for FY2022 3Q (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%)			
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%)			
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%)			
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%)			
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%)			
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%)			
Remarks	March: Declaration of state of emergency April: NHI drug price revision Emergency or semi-emergency COVID-19 measures May: Emergency or semi-emergency COVID-19 measures The 4th wave of COVID-19 infection The beginning of the rainy season earlier than usual (Amami – 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: 70% of population received two doses of vaccine Spread of Omicron variant of COVID-19	December: The 3rd wave of COVID-19 infections January: Declaration of state of emergency February: Declaration of state of emergency								
	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)	Same period last year 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	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: COVID-19 infections	Same period last year January: Warm winter, COVID-19 outbreak February: COVID-19 Early pollen dispersal Negotiations after revisions to NHI drug prices reach agreement Leap year								
	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 a long period of rainy weather	Same period the year before last September: Typhoon Faxai Rush in demand in advance of consumption tax rate increase Revisions to dispensing fees October: Downturn of demand after consumption tax rate increase Typhoon Hagibis									

Breakdown of financial results by company for FY2022 3Q



Each company

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 reaction to the previous year's special demand for food products and infectious disease prevention products (air disinfection products, alcohol disinfectant, hand soap, and masks).

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.
(Seven stores opened in the first nine months)

(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	756,403 (100.0%)	689,921 (100.0%)	106.2% (100.0%)	21,660 (100.0%)	103.1% (100.0%)	17,024 (100.0%)	107.7% (100.0%)	10,068 (100.0%)	7,248 (100.0%)	98.3% (100.0%)	- 10,479
Gross operating profit	233,620 (30.9%)	213,934 (31.0%)	106.5% (30.9%)	5,984 (27.6%)	103.5% (27.5%)	5,217 (30.6%)	107.1% (30.8%)	3,161 (31.4%)	1,807 (24.9%)	101.1% (24.2%)	- 3,514
SG&A expenses	203,804 (27.0%)	184,386 (26.7%)	109.2% (26.0%)	5,123 (23.6%)	107.7% (22.6%)	4,495 (26.4%)	110.1% (25.8%)	2,935 (29.2%)	1,868 (25.7%)	111.9% (22.6%)	1,035 3,960
Operating income	29,815 (3.9%)	29,547 (4.3%)	92.2% (4.9%)	861 (4.0%)	83.6% (4.9%)	722 (4.2%)	91.8% (5.0%)	226 (2.2%)	- 61 (-)	- (1.6%)	- 1,035 - 445
Ordinary income	32,943 (4.4%)	32,573 (4.7%)	95.8% (5.2%)	946 (4.4%)	86.5% (5.2%)	792 (4.7%)	94.2% (5.3%)	271 (2.7%)	- 56 (-)	- (1.8%)	- 1,035 - 549
Net income attributable to owners of parent	20,208 (2.7%)	20,461 (3.0%)	96.6% (3.3%)	616 (2.8%)	90.3% (3.2%)	516 (3.0%)	95.1% (3.4%)	211 (2.1%)	- 69 (-)	- (1.1%)	- 1,035 - 492

Monthly sales growth rate (in Japan)



Overall

Sales of products of existing stores increased by a cumulative -0.2% due to the reaction to the previous year's special demand for food products and infectious disease prevention products (air disinfecting products, masks, hand soap, and alcohol disinfectant).

The growth rate of existing stores in the first nine months of the fiscal year was 2.2% as a result of 12.8% growth rate of existing dispensing stores in the first nine months 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												
		December	January	February	March	April	May	June	July	August	September	October	November	December	
Existing Stores	Welcia Yakkyoku	5.2	2.2	-7.8	2.0	-1.3	4.3	2.5	4.2	0.7	2.5	2.7	3.0	1.4	
	Shimizu Yakuhin	7.1	-0.5	-6.8	4.2	1.3	8.2	6.3	8.8	3.6	3.3	5.0	4.2	2.2	
	Marudai Sakurai Pharmacy	6.7	5.4	-11.2	-2.2	-1.5	1.0	3.2	2.0	-0.3	0.6	1.2	-2.6	-0.8	
	MASAYA	-4.1	-11.1	2.7	-2.0	-0.3	-15.4	-7.8	-15.0	0.6	-2.5	2.9	-5.1	7.9	
	Kanamitsu Yakuhin	14.3	12.0	3.8	7.9	4.0	5.3	11.1	13.6	6.1	8.2	8.0	10.3	6.0	
	YODOYA				-8.1	-10.9	-1.8	-8.4	3.5	-4.0	-1.8	4.6	0.6	-2.7	
	Marue Drug							-7.7	-1.8	-1.3	0.4	2.0	1.4	-0.5	
Group total	Net sales	5.3	2.2	-7.8	1.8	-1.3	4.3	2.3	4.1	0.7	2.3	2.7	2.8	1.3	
	(Products)	3.9	0.8	-10.6	-1.3	-3.7	1.8	-0.3	2.4	-1.9	-0.2	1.8	-0.1	-1.2	
	(Dispensing)	11.2	8.5	5.0	14.9	8.8	16.7	14.6	11.5	13.6	13.8	6.3	15.8	11.8	
	No. of customers	-2.0	-5.7	-18.1	-12.6	-10.5	-3.1	-1.4	1.6	-4.2	-1.3	1.7	0.3	-1.0	
	Sales per customer	7.3	7.9	10.3	14.4	9.2	7.4	3.7	2.5	4.9	3.6	1.0	2.5	2.3	
All stores	Group total	Net sales	11.1	7.8	-2.9	6.7	4.2	10.0	6.2	8.0	4.4	6.1	6.2	6.2	10.0
	No. of customers	4.2	0.2	-12.9	-7.8	-5.1	2.8	3.2	6.2	0.0	3.2	6.1	4.4	8.9	
	Sales per customer	6.9	7.6	10.0	14.5	9.3	7.2	3.0	1.8	4.4	2.9	0.1	1.8	1.1	

* 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 PCR test kits and antipyretic analgesics associated with vaccination were strong, but sales of infectious disease prevention products and general cold medicines declined.
Cosmetics	Skincare products, high-priced haircare and body care products remained strong, and makeup products were on a recovery trend as a result of increasing opportunities to go out.
Food products	Sales of foods were strong because sales promotion measures were implemented as planned, despite the reaction to the previous year's special demand.
Others	Alcoholic beverage sales increased due to demand for drinking at home and remained strong even after the declaration was lifted.
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 154 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	
		Y/Y		Y/Y		Y/Y		Y/Y			Y/Y
OTC products	150,016 (19.8%)	102.3% (20.6%)	136,386 (19.8%)	102.1% (20.6%)	4,615 (21.3%)	97.4% (22.6%)	4,085 (24.0%)	101.4% (25.5%)	2,874 (28.5%)	1,368 (18.9%)	95.6% (19.4%)
Cosmetics	118,096 (15.6%)	105.1% (15.8%)	103,332 (15.0%)	104.7% (15.2%)	3,454 (15.9%)	101.8% (16.1%)	3,024 (17.8%)	102.3% (18.7%)	2,035 (20.2%)	1,311 (18.1%)	98.6% (18.0%)
Household goods	109,554 (14.5%)	104.6% (14.7%)	99,608 (14.4%)	104.3% (14.7%)	3,735 (17.2%)	103.2% (17.2%)	2,948 (17.3%)	105.1% (17.8%)	1,742 (17.3%)	1,150 (15.9%)	95.3% (16.4%)
Food products	170,593 (22.6%)	104.5% (23.0%)	156,445 (22.7%)	104.2% (23.1%)	5,953 (27.5%)	103.2% (27.5%)	3,437 (20.2%)	109.1% (19.9%)	1,663 (16.5%)	2,691 (37.1%)	97.7% (37.3%)
Others	60,727 (8.0%)	109.6% (7.9%)	53,617 (7.7%)	109.4% (7.5%)	2,351 (10.9%)	109.2% (10.2%)	1,119 (6.5%)	116.5% (6.1%)	329 (3.4%)	679 (9.3%)	103.9% (8.9%)
Total sales of products	608,987 (80.5%)	104.6% (82.0%)	549,391 (79.6%)	104.3% (81.1%)	20,110 (92.8%)	102.2% (93.6%)	14,615 (85.8%)	105.1% (88.0%)	8,644 (85.9%)	7,201 (99.3%)	97.6% (100.0%)
Dispensing	147,415 (19.5%)	115.1% (18.0%)	140,530 (20.4%)	114.6% (18.9%)	1,549 (7.2%)	115.8% (6.4%)	2,409 (14.2%)	126.8% (12.0%)	1,424 (14.1%)	47 (0.7%)	– (–)
Total	756,403 (100.0%)	106.5% (100.0%)	689,921 (100.0%)	106.2% (100.0%)	21,660 (100.0%)	103.1% (100.0%)	17,024 (100.0%)	107.7% (100.0%)	10,068 (100.0%)	7,248 (100.0%)	98.3% (100.0%)

Gross profit margin by category



Dispensing

Although gross profit 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 39.3%.

Sales of products

Reaction to the special demand for nesting in the previous fiscal year

(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	40.4	0.1	40.5	0.1	41.1	0.9	40.4	0.5	38.4	38.4	2.4
	Cosmetics	34.2	0.0	34.1	- 0.1	32.8	- 1.2	33.9	0.2	33.8	33.3	4.2
	Household goods	28.4	0.0	28.6	- 0.1	26.0	0.7	27.6	0.3	26.9	24.5	- 2.5
	Food products	20.1	- 0.5	20.3	- 0.6	17.5	0.3	19.6	- 0.8	18.6	16.5	- 0.6
	Others	15.1	- 0.4	15.0	- 0.5	13.7	0.0	13.7	- 1.5	16.4	14.2	0.9
	Total sales of products	28.8	- 0.3	28.9	- 0.3	26.7	- 0.1	29.5	- 0.4	30.4	24.8	0.6
	Dispensing	39.3	1.0	39.3	1.0	40.1	1.5	37.6	0.2	37.8	44.4	-
	Total	30.9	0.1	31.0	0.1	27.6	0.1	30.6	- 0.2	31.4	24.9	0.7

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, it has been leading to the efficiency of labor costs through the active opening of new stores and measures for the optimization of labor costs since the second quarter.

(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	104,233 (13.8%)	110.4% (13.3%)	94,567 (13.7%)	110.0% (13.2%)	2,510 (11.6%)	108.3% (11.0%)	2,409 (14.2%)	113.3% (13.5%)	1,654 (16.4%)	940 (13.0%)	106.8% (11.9%)
Advertising expenses	14,921 (2.0%)	108.7% (1.9%)	12,793 (1.9%)	106.7% (1.8%)	624 (2.9%)	107.6% (2.8%)	309 (1.8%)	112.3% (1.7%)	247 (2.5%)	159 (2.2%)	123.2% (1.8%)
Rent	32,159 (4.3%)	109.8% (4.1%)	29,487 (4.3%)	109.6% (4.1%)	591 (2.7%)	101.8% (2.8%)	817 (4.8%)	106.8% (4.8%)	427 (4.2%)	215 (3.0%)	113.5% (2.6%)
Others	52,490 (6.9%)	108.7% (6.9%)	47,537 (6.8%)	108.0% (6.9%)	1,397 (6.4%)	109.5% (6.0%)	958 (5.6%)	104.6% (5.8%)	606 (6.1%)	553 (7.5%)	117.9% (6.3%)
Total	203,804 (27.0%)	109.8% (26.2%)	184,386 (26.7%)	109.2% (26.0%)	5,123 (23.6%)	107.7% (22.6%)	4,495 (26.4%)	110.1% (25.8%)	2,935 (29.2%)	1,868 (25.7%)	111.9% (22.6%)

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 39.3%.

	FY2019 3Q*		FY2020 3Q*		FY2021 3Q*		FY2022 3Q*	
		Y/Y change		Y/Y change		Y/Y change		Y/Y change
Dispensing pharmacy sales (million yen)	95,287	113.3%	114,036	119.7%	128,054	112.3%	147,415	115.1%
No. of prescriptions (thousands)	9,933	117.5%	11,638	117.2%	11,858	101.9%	14,137	119.2%
Prescription unit price (yen)	9,592	96.4%	9,798	102.1%	10,799	110.2%	10,428	96.6%
Gross profit margin (%)	37.8%	- 1.1%	37.5%	- 0.3%	38.3%	0.8%	39.3%	1.0%
No. of stores with dispensing pharmacy (stores)	1,241	131	1,388	147	1,590	202	1,792	202
Ratio of stores with dispensing pharmacy (%)	69.2%	2.4%	71.1%	1.9%	74.0%	2.9%	79.4%	5.4%

* The ratio of stores with dispensing pharmacy at the end of the third 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

Actively employed qualified personnel in the second half of the previous fiscal year. In the third quarter, with these qualified personnel as ready-to-work staff, the number of stores with dispensing pharmacy increased by 154 from the end of the previous fiscal year (153 stores in the same period last year). The number of dispensing stores in Japan was 1,792, and ratio of stores with dispensing pharmacy was 79.4%.

	Welcia HD (consolidated)		Welcia Yakkyoku		Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	YODOYA	
	FY2021 3Q	FY2022 3Q	FY2021 3Q	FY2022 3Q	FY2021 3Q	FY2022 3Q	FY2021 3Q	FY2022 3Q	FY2022 3Q	FY2021 3Q	FY2022 3Q
Dispensing pharmacy sales (million yen)	128,054	147,415	122,606	140,530	1,338	1,549	1,899	2,409	1,424	–	47
No. of prescriptions (thousands)	11,858	14,137	11,285	13,418	144	174	178	227	121	–	5
Prescription unit price (yen)	10,799	10,428	10,864	10,473	9,288	8,880	10,621	10,611	11,690	–	8,253
No. of stores with dispensing pharmacy (stores)	1,590	1,792	1,494	1,673	30	33	32	38	21	–	8
Ratio of stores with dispensing pharmacy (%)	74.0%	79.4%	79.0%	83.7%	34.9%	36.7%	52.5%	60.3%	36.8%	–	33.3%

* The ratio of stores with dispensing pharmacy at the end of the third 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).

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)	12,723	1,015	10,844	435	322	339	158
No. of temporary employees (based on 8h/employee)	23,404	372	21,627	658	515	92	241

[In Japan]

No. of pharmacists (enrollment)	6,753	430	6,416	73	117	84	10
No. of registered sales clerks (enrollment)	14,627	590	13,080	535	439	304	156
No. of pharmacists per store (persons)	2.99	0.07	3.21	0.81	1.86	1.47	0.42
No. of registered sales clerks per store (persons)	6.48	0.00	6.55	5.94	6.97	5.33	6.50

* The numbers of pharmacists/registered sales clerks per store/registered sales clerks per store at the end of the third 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 114 stores (vs. planned: 17 stores)

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

Actual 620 months (vs. planned: 100 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 Nov. 2021	
				Projections	Actual results	Projections	Actual results		
By company	Welcia Yakkyoku	1,899	1	13	86	106	12	13	2,006
	Marudai Sakurai Pharmacy	87	–	–	3	4	–	1	90
	Shimizu Yakuhin	62	–	–	4	3	2	2	63
	Marue Drug	58	–	–	3	–	3	1	57
	YODOYA	25	–	–	–	–	–	1	24
	Kanamitsu Yakuhin	28	–	–	–	–	2	2	26
	MASAYA	35	–	–	1	1	–	–	36
	Neo Pharma	10	–	-10	–	–	–	–	–
	Summit	3	–	-3	–	–	–	–	–
By area	Tohoku	168	–	–	10	13	–	1	180
	Kanto	1,079	–	–	29	30	4	2	1,107
	Chubu	504	–	–	28	29	5	6	527
	Kinki	363	1	–	27	30	8	7	387
	Chugoku	50	–	–	2	7	2	2	55
	Shikoku	42	–	–	1	4	–	2	44
	Kyushu	1	–	–	–	1	–	–	2
In Japan	2,207	1	–	–	97	114	19	20	2,302
Overseas	10	–	–	–	5	1	2	1	10
Consolidated	2,217	1	–	–	102	115	21	21	2,312

* 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.

(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 154 from the previous term-end, and the number of stores opened on Saturdays

increased by 203 over the same period.

In response to the measures to strengthen recruitment of qualified personnel implemented in the second half of the previous fiscal year, we have promoted store opening (both new stores and existing stores) and opening on Saturdays.

Initiative (2) PB product development—Launched on June 28 and 40 SKUs were sold as of the end of November.

We will raise customer satisfaction with shopping by creating good products that motivate customers to visit our stores by accurately communicating the value of these products through sales floors and counseling capabilities.

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

Initiative (3) Establish a system to standardize the “automatic ordering system” in order to improve person-hour sales.
From September 1: Introduction of the “bulk setting of models,” a system to reduce ordering work
From September 11: A daily management system is being established through the introduction of the “work management system,” which visualizes store person-hours and tasks.

Future tasks include strengthening the counseling system by effectively allocating qualified personnel.

Initiative (4) Strengthened digital sales promotion, and started Welcia new member registration campaign in July.

Number of registrants: 1.35 million (as of January 4), 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, 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.
- There are no changes to the consolidated financial forecast announced on April 7, 2021.

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

Prospect of 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	127	16	2,024
	Marudai Sakurai Pharmacy	87	–	–	6	1	92
	Shimizu Yakuhin	62	–	–	6	3	65
	Marue Drug	58	–	–	1	1	58
	YODOYA	25	–	–	1	1	25
	Kanamitsu Yakuhin	28	–	–	–	2	26
	MASAYA	35	–	–	1	–	36
	Neo Pharma	10	–	-10	–	–	–
	Summit	3	–	-3	–	–	–
	Pupule Himawari	–	132	–	–	–	132
By area	Tohoku	168	–	–	17	1	184
	Kanto	1,079	–	–	39	3	1,115
	Chubu	504	–	–	32	8	528
	Kinki	363	6	–	38	8	399
	Chugoku	50	105	–	8	2	161
	Shikoku	42	22	0	6	2	68
	Kyushu	1	–	–	2	–	3
In Japan	2,207	133	0	142	24	2,458	
Overseas	10	–	–	2	1	11	
Consolidated		2,217	133	0	144	25	2,469
(In Japan)	No. of stores with dispensing pharmacy	1,638	15		202	12	1,843
	Ratio of stores with dispensing pharmacy	75.6%					76.3%

* 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, 36 MASAYA / COLOR STUDIO stores operated by MASAYA, and 8 NARCIS stores operated by Welcia Yakkyoku).

* 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.

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

Trade Name	Pupule Himawari Co., Ltd.
Head office location	2-10-11 Nishishingai-cho, Fukuyama-shi, Hiroshima Prefecture
Representative	Soichi Kajihara, President and Representative Director
Established	November 1984
Lines of business	Drugstore management
No. of stores	132 drugstores, mainly in Hiroshima Prefecture (including 14 stores with dispensing pharmacy and 1 dispensing pharmacy)
Net sales	51,672 million yen (Fiscal year ended September 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.
- 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.