

WELCIA HOLDINGS CO., LTD.

Financial Results Briefing for the First Quarter of Fiscal Year Ending February 2025

Q&A Session (Summary) July 8, 2024

“Consolidated Financial Results for the Three Months Ended May 31, 2024

(March 1, 2024 - May 31, 2024)”

Q : Both sales and gross profit are progressing tougher than planned. What is the outlook for this fiscal year?

A : Gross profit margins are also down compared to the previous year, one of the reasons being that the company is prioritizing measures to increase the number of customers visiting the stores. The number of customers has been below the previous year's level since last fall, and we have prioritized strengthening its food lineup and sales promotions. We will improve sales and gross profit through counseling and PB sales to customers who visit the store through the measures.

Q : Operating profit was not achieved in the first quarter. How will the company regain its behinds in the future?

A : Steadily implement measures currently being undertaken.

In particular, the enhancement of the H&BC product lineup through partly renovation has resulted in a 5% increase from the previous year in sales of general cosmetics at some of the experimental stores. We would like to implement this measure with speed.

“Mid-term Management Plan”

Q : The gap with the medium-term management plan is growing. Is it your intention to achieve this goal by delaying it for several years without revising the plan? Also, is the planned differences due to the end of cigarette sales and the introduction of the WAON POINT service?

A : Although we recognize that we are making difficult progress, we are not revising our plans at this time. The end of tobacco sales has already been factored into the plan; the introduction of WAON POINT and a large wage increase for the second consecutive fiscal year are not included in the plan.

“A New Management Structure”

Q : The management structure has been replaced by a younger generation.

What will be your focus in the future?

A : Currently, we are considering: store openings, renovations, utilization of ID-POS data by promoting point cards, and store productivity. We would like to explain other initiatives as well at the Q2 results briefing.

Q : You explained that the new structure will change with speed. How quickly will you bring about changes in management?

A : The partly renovation of H&BC stores to strengthen the product lineup is already having a positive effect at stores that have been renovated. This partly renovation will require a change in fixtures, so a contractor will be brought in to handle the work, which is expected to be completed by August of this year. The number of stores undergoing partly renovation will gradually increase, and we expect to start seeing results from August or September onward.

Q : New President Kirisawa's experience to date, his reasons for being elected president, and his plans for steering the company going forward.

A : I have long experience in the product department and also in the sales department as president of a branch office for three years. I also recognize that one of the reasons for my appointment is the expectation that I can respond to the changing times with speed. The internal executive structure has also changed to around 50 years old. We believe that the organization is expected to respond to changes with a sense of speed.

“Impact of introduction of WAON POINT and end of tobacco sales”

Q : The introduction of WAON POINT appears to be dragging down performance. What is the timing for increasing the presentation rate, utilizing the accumulated ID-POS data, and reaping the benefits?

A : The current WAON POINT presentation rate is approximately 50%. We are working to raise the rate to 60% by August and to 70% by the end of this fiscal year. Reaping the benefits and utilizing the data is considered to be when the presentation rate reaches about 70%, similar to the previous V-points.

Q : What is your response to the 70% WAON POINT presentation rate target for this fiscal year?

A : Successful examples of initiatives to increase the WAON POINT presentation rate have already been seen at stores, and these will be laterally spread. In addition, the POS system will be replaced sequentially starting in the second half of the year, which will improve the speed and operability of the cash register process, reducing stress at the cash register for both customers and stores. We hope to use this as a tailwind.

Q : We have the impression that the end of tobacco sales and the change in the point service have had a negative impact in the short term, but on the other hand, have there been positive changes?

A : We have received support from non-smokers for the end of tobacco sales. To gain further support, we need to promote our shift to the health business.

Aeon Group is also cooperating in the change of the point service by dispatching personnel to recruit cardholders. We hope to revitalize the AEON Group with the addition of Welcia Group, such as by sending customers to each other's stores.

Q : The negative impact of the end of tobacco sales and the change in the points service may have occurred not only at Welcia yakkyoku, but also at other subsidiaries.

A : We recognize that not only Welcia yakkyoku but also other subsidiaries have been similarly affected. The end of tobacco sales is a group initiative, and the situation is the same. There are regional differences in WAON POINT, such as higher involvement rates in areas where there are Aeon Group stores.

“Store openings and renovations”

Q : What are the reasons for not achieving the plan for store openings and renovations?

A : There are no major factors regarding store openings, and we intend to open new stores as planned. Renovations have been delayed due to the layout review and other factors, but are expected to be completed as originally planned.

“Capital and Business Alliance and Management Integration”

Q : What are the integration synergies with TSURUHA from the president's perspective?

In terms of changing Welcia in the future, there may be some things that are difficult to change in the face of the integration.

A : There is not much we can say while nothing has been decided yet, but we hope to achieve integration as soon as possible. In the part of changing Welcia, the transformation will continue without hesitation.

“Activities with AEON KYUSHU”

Q : What is the response to your activities with AEON KYUSHU?

A : As for progress, the company is converting AEON KYUSHU stores to new formats and opening new stores in new properties, and has increased the number of development team members. The sales floor space required for this type of business and the ratio of food and H&BC sales floor space are gradually becoming known. We believe that this format is valuable in regions with declining populations, and we will continue to work on it.

*NOTICE: Machine translation is used.