



Financial Results Briefing for the Second Quarter of Fiscal Year Ending February 2023

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Welcia Holdings Co., Ltd.

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Prime Market

1. Outline of Financial Results		
▶ Overview of FY2023 2Q	4
▶ Results for FY2023 2Q (achievement rates)	5
▶ Results for FY2023 2Q (cumulative YoY change)	.....	6
▶ Results for FY2023 2Q (quarterly YoY change)	.....	7
▶ Breakdown of financial results by company for FY2023 2Q	.....	8
▶ Monthly sales growth rate (in Japan)	.....	10
▶ Composition ratio of sales by category	.....	11
▶ Gross profit margin by category	.....	13
▶ SG&A expenses composition ratio	.....	15
▶ Results in the dispensing sector (in Japan)	.....	17
▶ Promotion of drug stores with dispensing pharmacy	.....	18
▶ Number of employees	.....	19
▶ Store openings and closures	.....	20
▶ Efforts for FY2023 2Q	.....	21
2. Earnings Forecast for FY2023		
▶ Indicator assumptions and priority measures for FY2023 forecasts	.....	23
▶ Efforts for FY2023	.....	24
▶ Full-year earnings forecasts	.....	25
▶ Full-year earnings forecasts (1H/2H)	.....	26
▶ Full-year earnings forecasts by company	.....	27
▶ Planned store openings and closures	.....	29



1 Outline of Financial Results

- Made Pupule Himawari a subsidiary through the acquisition of shares, effective December 1, 2021.
- The Group adopted the Accounting Standard for Revenue Recognition from the beginning of fiscal year ending February 2023.
- Made Kokumin Co., Ltd. and French Co., Ltd. wholly owned subsidiaries through the acquisition of shares, effective June 1, 2022.
- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Kanamitsu Yakuhin, effective June 1, 2022.

The results of Welcia Yakkyoku for the same period of the previous year are calculated together with those of Kanamitsu Yakuhin.

1. Outline of Financial Results		Actual results	Projections	Difference
Net sales		562,752million yen	555,800 million yen	6,952million yen
Ordinary income		27,974million yen	28,540 million yen	-565million yen
Net income attributable to owners of parent		17,088million yen	17,560 million yen	-471million yen
2. Indicators		Actual results	Projections	Difference
Existing-stores sales growth rate	* Existing-stores sales growth rates are compared with those before the adoption of the revenue recognition standard.	2.6%	3.2%	-0.6%
(Products)		1.5%	2.1%	-0.6%
(Dispensing)		7.0%	8.0%	-1.0%
Store openings (in Japan)		79 stores	75 stores	4 stores
Store closures (in Japan)		11 stores	19 stores	-8 stores
M&A		165 stores	0 stores	165 stores
Number of stores as of the end of the term (in Japan)		2,690 stores	2,513 stores	177 stores
Dispensing pharmacy sales (in Japan)		110,203million yen	107,850 million yen	2,353million yen
Composition ratio of dispensing sales		19.6%	19.4%	0.2%
Number of stores with dispensing pharmacy (in Japan)	* Change from the previous term-end: 104 stores	1,943 stores	1,929 stores	14 stores
Ratio of stores with dispensing pharmacy (in Japan)		73.5%	78.2%	-4.7%
Renovation (full renovation)		28 stores	51 stores	-23 stores
Number of stores open 24 hours		269 stores	—	—
3. Others		Actual results		
Composition ratio of PB products		6.0% (Breakdown: Hapycom 16.4%, Topvalu 24.4%, Welcia PB 56.1%, others 3.1%)		
Number of stores with Welcafe		410 stores	—	—

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

Results for FY2023 2Q (achievement rates)



Net sales

Product sales: Increased sales of seasonal products due to extreme heat and more opportunities to go out; increased demand for antigen test kits and OTC products due to the COVID-19 seventh wave.
Dispensing: The number of prescriptions increased owing to the increased number of stores with dispensing pharmacy despite the revisions to dispensing fees and NHI drug prices.
 Increase owing to the consolidation of Kokumin and French.

Gross operating profit

Increase owing to increased demand for OTC products and management integration

SG&A expenses

Continuation of the effects of personnel cost optimization measures
 Impacts of steep rise in utility costs due to escalating energy prices
 Increase owing to the consolidation of Kokumin and French.

(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Actual results	Projections		
			Difference	Achievement rate (%)
Net sales	562,752 (100.0)	555,800 (100.0)	6,952	101.3
Gross operating profit	170,624 (30.3)	168,240 (30.3)	2,384	101.4
SG&A expenses	146,636 (26.0)	142,880 (25.7)	3,756	102.6
Operating income	23,988 (4.3)	25,360 (4.6)	- 1,371	94.6
Ordinary income	27,974 (5.0)	28,540 (5.1)	- 565	98.0
Net income attributable to owners of parent	17,088 (3.0)	17,560 (3.2)	- 471	97.3

Results for FY2023 2Q (cumulative YoY change)



Net sales	Product sales: Increased sales of seasonal products due to extreme heat and more opportunities to go out; increased demand for antigen test kits and OTC products due to the COVID-19 seventh wave. Dispensing: The number of prescriptions increased owing to the increased number of stores with dispensing pharmacy despite the revisions to dispensing fees and NHI drug prices. Increase owing to the consolidation (Pupule Himawari, Kokumin, and French).
Gross operating profit	Increase owing to increased demand for OTC products and management integration
SG&A expenses	Increase in utility costs as well as increase due to consolidation of Pupule Himawari, Kokumin, and French
Ordinary income	Subsidies for capital investment related to COVID-19 recorded as non-operating income

(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Actual results	Actual results for the same period of the previous year		Ref. Estimated based on the former standard		Difference related to revenue recognition
			Y/Y (%)		Y/Y (%)	
Net sales	562,752 (100.0)	508,295 (100.0)	110.7	573,965 (100.0)	112.9 (100.0)	- 11,212
Gross operating profit	170,624 (30.3)	157,814 (31.0)	108.1	179,202 (31.2)	113.6 (31.0)	- 8,577
SG&A expenses	146,636 (26.0)	135,078 (26.5)	108.6	155,221 (27.0)	114.9 (26.5)	- 8,585
Operating income	23,988 (4.3)	22,735 (4.5)	105.5	23,980 (4.2)	105.5 (4.5)	7
Ordinary income	27,974 (5.0)	25,145 (4.9)	111.2	27,966 (4.9)	111.2 (4.9)	7
Net income attributable to owners of parent	17,088 (3.0)	15,527 (3.1)	110.1	17,080 (3.0)	110.0 (3.1)	7

Impact of revenue recognition

The amount of the company's own point grants, which had been recorded as a provision for point allowance, is changed to a deferral of revenue recognition.

The amount of points granted by other companies, which had been recorded as an expense in SG&A expenses, is deducted from net sales.

Agent transactions (consignment sales, etc.) changed from total amount to net amount



	(Unit: million yen)
Net sales	-11,212
Amount of the company's own point grants	-742
Amount of points granted by other companies	-7,835
Agent transactions (Consignment sales, etc.)	-2,634
Cost of sales	-2,634
Agent transactions (Consignment sales, etc.)	-2,634
Gross operating profit	-8,577
SG&A expenses	-8,585
Amount of the company's own point grants	-750
Amount of points granted by other companies	-7,835

Results for FY2023 2Q (quarterly YoY change)



(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	1Q				2Q			
		Y/Y (%)	Ref. Estimated based on the former standard			Y/Y (%)	Ref. Estimated based on the former standard	
				Y/Y (%)				Y/Y (%)
Net sales	267,716 (100.0)	107.6 (100.0)	273,177 (100.0)	109.8 (100.0)	295,035 (100.0)	113.7 (100.0)	300,787 (100.0)	115.9 (100.0)
Gross operating profit	78,431 (29.3)	105.1 (30.0)	82,622 (30.2)	110.7 (30.0)	92,193 (31.2)	110.8 (32.1)	96,580 (32.1)	116.1 (32.1)
SG&A expenses	70,717 (26.4)	105.0 (27.1)	74,936 (27.4)	111.3 (27.1)	75,918 (25.7)	112.1 (26.1)	80,284 (26.7)	118.5 (26.1)
Operating income	7,713 (2.9)	105.9 (2.9)	7,685 (2.8)	105.5 (2.9)	16,274 (5.5)	105.3 (6.0)	16,295 (5.4)	105.4 (6.0)
Ordinary income	10,495 (3.9)	118.6 (3.6)	10,467 (3.8)	118.3 (3.6)	17,478 (5.9)	107.3 (6.3)	17,499 (5.8)	107.4 (6.3)
Net income attributable to owners of parent	6,321 (2.4)	119.1 (2.1)	6,293 (2.3)	118.6 (2.1)	10,766 (3.6)	105.4 (3.9)	10,787 (3.6)	105.6 (3.9)
Remarks	2022 March: Complete lifting of semi-emergency COVID-19 measures (on March 21) Free PCR and antigen tests April: Pollen peak month shifted to April Revisions to medical service fees and NHI drug prices May: Increased outings during May national holidays				2022 June: Made Kokumin and French subsidiaries Recorded heat wave in the second half of the month July: Seventh wave of COVID-19 infections August: Negotiations concluded after the NHI drug prices revision Unrestricted summer vacation			
	2021 March: Declaration of state of emergency / Pollen season peak April: NHI drug price revision Emergency or semi-emergency COVID-19 measures May: Emergency or semi-emergency COVID-19 measures, the 4th wave of the infection The beginning of the rainy season earlier than usual (from Amami to Tokai)				2021 June: Emergency or semi-emergency COVID-19 measures were extended until the end of September. July: Strong sales of seasonable products after the end of the rainy season / Olympic Games August: Olympic and Paralympic Games / Negotiations concluded after the NHI drug price revision / Unfavorable weather The 5th wave of COVID-19 infections			

Breakdown of financial results by company for FY2023 2Q (1)



Welcia Yakkyoku	Increase in sales of OTC products and dispensing; increase in sales and income by controlling SG&A expenses
Kokumin	Profitability increased due to improvement in gross profit associated with improved flow of people and management integration
Shimizu Yakuhin	Profit growth due to growth in sales of products and the effect of promoting stores with dispensing pharmacy

(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Welcia HD (consolidated)				Welcia Yakkyoku				Kokumin		Pupule Himawari	
		Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Y/Y (%)	Ref. Estimated based on the former standard		Ref. Estimated based on the former standard	Ref. Estimated based on the former standard		
				Y/Y (%)				Y/Y (%)				
Net sales	562,752 (100.0)	110.7 (100.0)	573,965 (100.0)	112.9 (100.0)	481,393 (100.0)	103.5 (100.0)	490,814 (100.0)	105.6 (100.0)	10,379 (100.0)	10,398 (100.0)	25,110 (100.0)	25,635 (100.0)
Gross operating profit	170,624 (30.3)	108.1 (31.0)	179,202 (31.2)	113.6 (31.0)	148,137 (30.8)	102.1 (31.2)	155,263 (31.6)	107.1 (31.2)	3,291 (31.7)	3,295 (31.7)	5,831 (23.2)	6,356 (24.8)
SG&A expenses	146,636 (26.0)	108.6 (26.5)	155,221 (27.0)	114.9 (26.5)	124,144 (25.8)	101.3 (26.4)	131,270 (26.7)	107.1 (26.4)	3,266 (31.5)	3,266 (31.4)	5,915 (23.5)	6,458 (25.2)
Operating income	23,988 (4.3)	105.5 (4.5)	23,980 (4.2)	105.5 (4.5)	23,993 (5.0)	107.0 (4.8)	23,993 (4.9)	107.0 (4.8)	24 (0.2)	28 (0.3)	- 84 (-)	- 101 (-)
Ordinary income	27,974 (5.0)	111.2 (4.9)	27,966 (4.9)	111.2 (4.9)	27,461 (5.7)	110.8 (5.3)	27,461 (5.6)	110.8 (5.3)	81 (0.8)	85 (0.8)	339 (1.4)	322 (1.3)
Net income attributable to owners of parent	17,088 (3.0)	110.1 (3.1)	17,080 (3.0)	110.0 (3.1)	17,596 (3.7)	112.6 (3.4)	17,596 (3.6)	112.6 (3.4)	54 (0.5)	58 (0.6)	272 (1.1)	254 (1.0)

Breakdown of financial results by company for FY2023 2Q (2)



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Marudai Sakurai Pharmacy				Shimizu Yakuhin				Marue Drug				Good will Others	
		Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Y/Y (%)	Ref. Estimated based on the former standard			Ref. Estimated based on the former standard
				Y/Y (%)				Y/Y (%)				Y/Y (%)		
Net sales	15,322 (100.0)	104.9 (100.0)	15,802 (100.0)	108.2 (100.0)	12,098 (100.0)	105.9 (100.0)	12,319 (100.0)	107.8 (100.0)	6,877 (100.0)	101.3 (100.0)	7,001 (100.0)	103.1 (100.0)	- 11,570	- 11,994
Gross operating profit	4,146 (27.1)	102.5 (27.7)	4,484 (28.4)	110.9 (27.7)	3,665 (30.3)	104.0 (30.8)	3,831 (31.1)	108.7 (30.8)	2,152 (31.3)	101.0 (31.4)	2,254 (32.2)	105.8 (31.4)	- 3,399	- 3,715
SG&A expenses	3,420 (22.4)	101.2 (23.1)	3,758 (23.8)	111.2 (23.1)	3,056 (25.3)	102.9 (26.0)	3,221 (26.2)	108.4 (26.0)	1,969 (28.6)	100.6 (28.9)	2,072 (29.6)	105.8 (28.9)	1,276 3,587	1,276 3,897
Operating income	726 (4.7)	109.2 (4.6)	726 (4.6)	109.2 (4.6)	609 (5.0)	110.1 (4.8)	609 (4.9)	110.1 (4.8)	182 (2.7)	106.2 (2.5)	182 (2.6)	106.2 (2.5)	- 1,276 - 187	- 1,276 - 182
Ordinary income	787 (5.1)	108.3 (5.0)	787 (5.0)	108.3 (5.0)	705 (5.8)	116.7 (5.3)	705 (5.7)	116.7 (5.3)	225 (3.3)	110.4 (3.0)	225 (3.2)	110.4 (3.0)	- 1,276 - 349	- 1,276 - 343
Net income attributable to owners of parent	500 (3.3)	105.5 (3.2)	500 (3.2)	105.5 (3.2)	481 (4.0)	122.0 (3.5)	481 (3.9)	122.0 (3.5)	148 (2.2)	90.7 (2.4)	148 (2.1)	90.7 (2.4)	- 1,276 - 688	- 1,276 - 682

Monthly sales growth rate (in Japan)

*Monthly sales growth rates are compared with those before the adoption of the revenue recognition standard.



Sales of products

Increased sales of seasonal products due to extreme heat and more opportunities to go out; increased demand for antigen test kits and OTC products due to the seventh wave of COVID-19 infections.

Dispensing

The number of prescriptions increased owing to the increased number of stores with dispensing pharmacy despite the revisions to dispensing fees and NHI drug prices.

(Unit: %)

		2021				2022							
		September	October	November	December	January	February	March	April	May	June	July	August
Existing Stores	Welcia Yakkyoku	2.5	2.7	3.0	1.4	7.4	3.0	2.7	1.6	0.0	1.4	4.7	4.3
	Shimizu Yakuhin	3.3	5.0	4.2	2.2	8.4	9.4	1.7	5.2	1.0	3.6	4.8	5.6
	Marudai Sakurai Pharmacy	0.6	1.2	-2.6	-0.8	5.5	9.0	5.3	3.3	1.8	1.4	7.7	6.7
	MASAYA	-2.5	2.9	-5.1	7.9	8.3	-8.6	14.5	11.5	3.8	15.4	7.4	10.2
	Kanamitsu Yakuhin	8.2	8.0	10.3	6.0	24.1	-0.6	2.8	5.6	-4.2			
	YODOYA	-1.8	4.6	0.6	-2.7	6.0	1.1	5.6	5.5	1.6	4.1	6.6	9.9
	Marue Drug	0.4	2.0	1.4	-0.5	11.8	8.4	2.8	0.7	-0.2	0.0	1.2	2.0
Group total	Net sales	2.3	2.7	2.8	1.3	7.5	3.4	2.9	1.8	0.1	1.6	4.8	4.5
	(Products)	-0.2	1.8	-0.1	-1.2	6.5	2.3	0.6	1.0	-1.6	0.4	4.8	3.5
	(Dispensing)	13.8	6.3	15.8	11.8	11.5	6.4	9.0	4.9	8.3	6.3	4.8	8.5
	No. of customers	-1.3	1.7	0.3	-1.0	3.9	0.5	-0.3	-0.6	-0.7	0.4	2.4	1.8
	Sales per customer	3.6	1.0	2.5	2.3	3.6	2.9	3.2	2.4	0.8	1.2	2.4	2.7
All stores	Group total	6.1	6.2	6.2	10.0	16.6	11.5	10.4	10.3	8.5	13.5	17.1	16.4
	No. of customers	3.2	6.1	4.4	8.9	14.5	10.1	9.0	9.1	8.9	14.5	16.8	15.8
	Sales per customer	2.9	0.1	1.8	1.1	2.1	1.4	1.4	1.2	-0.4	-1.0	0.3	0.6

*Pupule Himawari has been included in the calculation of monthly sales growth rate of all stores since December 2021, and Kokumin and French have been included since June 2022. However, since the stores of the companies are regarded as new stores, they are not included in the calculation of monthly sales growth rate of existing stores.

Composition ratio of sales by category (1)



OTC products	Demand for antigen test kits, comprehensive cold medicines, antipyretic analgesics, and other OTC products expanded due to the seventh wave of COVID-19 infections
Cosmetics	Growth of UV-related products due to increased opportunities for going out; improving trend of makeup-related products
Household goods	Reactionary decline in demand for nesting and sales of disinfectant products in the previous year
Food products	Reactionary decline in demand for nesting in the previous year
Others	Reactionary decline in nesting demand for alcoholic beverages; increase in fee income for free PCR tests

(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Welcia HD (consolidated)				Welcia Yakkyoku				Kokumin		Pupule Himawari	
	Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Y/Y (%)	Ref. Estimated based on the former standard		Ref. Estimated based on the former standard	Ref. Estimated based on the former standard	Ref. Estimated based on the former standard	Ref. Estimated based on the former standard	
		Y/Y (%)	Ref. Estimated based on the former standard			Y/Y (%)	Ref. Estimated based on the former standard					
OTC products	115,822 (20.6)	112.7 (20.2)	118,666 (20.7)	115.4 (20.2)	98,656 (20.5)	105.3 (20.2)	101,157 (20.6)	108.0 (20.2)	2,733 (26.3)	2,750 (26.5)	4,900 (19.5)	5,014 (19.6)
Cosmetics	88,327 (15.7)	111.1 (15.6)	90,444 (15.8)	113.7 (15.6)	71,114 (14.8)	101.8 (15.0)	72,741 (14.8)	104.1 (15.0)	2,750 (26.5)	2,754 (26.5)	4,472 (17.8)	4,578 (17.9)
Household goods	77,411 (13.8)	106.2 (14.3)	79,848 (13.9)	109.5 (14.3)	66,120 (13.7)	99.6 (14.3)	68,187 (13.9)	102.7 (14.3)	717 (6.9)	717 (6.9)	4,067 (16.2)	4,161 (16.2)
Food products	124,928 (22.2)	109.1 (22.5)	128,184 (22.3)	111.9 (22.5)	107,166 (22.3)	101.9 (22.6)	109,895 (22.4)	104.5 (22.6)	365 (3.5)	365 (3.5)	7,647 (30.5)	7,817 (30.5)
Others	45,456 (8.0)	111.2 (8.2)	46,462 (8.1)	113.6 (8.2)	36,946 (7.6)	102.2 (7.8)	37,778 (7.7)	104.5 (7.8)	201 (2.0)	204 (1.9)	2,934 (11.7)	3,031 (11.8)
Total sales of products	451,945 (80.3)	110.1 (80.8)	463,607 (80.8)	112.9 (80.8)	380,004 (78.9)	102.3 (79.9)	389,761 (79.4)	105.0 (79.9)	6,769 (65.2)	6,793 (65.3)	24,021 (95.7)	24,603 (96.0)
Dispensing	110,203 (19.6)	112.8 (19.2)	110,357 (19.2)	113.0 (19.2)	100,904 (21.0)	107.8 (20.1)	101,053 (20.6)	107.9 (20.1)	3,604 (34.7)	3,604 (34.7)	1,031 (4.1)	1,031 (4.0)
Subtotal	562,148 (99.9)	110.6 (100.0)			480,909 (99.9)	103.4 (100.0)			10,374 (99.9)		25,053 (99.8)	
Commission income	603 (0.1)	— (—)			484 (0.1)	— (—)			5 (0.1)		56 (0.2)	
Total	562,752 (100.0)	110.7 (100.0)	573,965 (100.0)	112.9 (100.0)	481,393 (100.0)	103.5 (100.0)	490,814 (100.0)	105.6 (100.0)	10,379 (100.0)	10,398 (100.0)	25,110 (100.0)	25,635 (100.0)

Composition ratio of sales by category (2)



(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Marudai Sakurai Pharmacy				Shimizu Yakuhin				Marue Drug			
		Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Y/Y (%)	Ref. Estimated based on the former standard	
				Y/Y (%)				Y/Y (%)				Y/Y (%)
OTC products	3,467 (22.6)	110.3 (21.5)	3,560 (22.5)	113.3 (21.5)	2,877 (23.8)	102.7 (24.5)	2,932 (23.8)	104.7 (24.5)	1,924 (28.0)	97.1 (29.2)	1,961 (28.0)	99.0 (29.2)
Cosmetics	2,376 (15.5)	101.4 (16.0)	2,447 (15.5)	104.4 (16.0)	2,120 (17.5)	104.4 (17.8)	2,161 (17.5)	106.4 (17.8)	1,334 (19.4)	96.5 (20.4)	1,363 (19.5)	98.6 (20.4)
Household goods	2,554 (16.7)	103.4 (16.9)	2,643 (16.7)	107.0 (16.9)	1,972 (16.3)	100.8 (17.1)	2,048 (16.6)	104.7 (17.1)	1,129 (16.4)	96.9 (17.2)	1,154 (16.5)	99.1 (17.2)
Food products	4,108 (26.8)	101.7 (27.7)	4,312 (27.3)	106.8 (27.7)	2,506 (20.7)	109.5 (20.0)	2,546 (20.7)	111.3 (20.0)	1,148 (16.7)	103.0 (16.4)	1,178 (16.8)	105.6 (16.4)
Others	1,646 (10.8)	104.0 (10.9)	1,685 (10.7)	106.5 (10.9)	780 (6.5)	104.0 (6.6)	797 (6.5)	106.2 (6.6)	245 (3.6)	111.3 (3.2)	251 (3.6)	114.4 (3.2)
Total sales of products	14,154 (92.4)	104.2 (93.0)	14,649 (92.7)	107.9 (93.0)	10,257 (84.8)	104.4 (86.0)	10,487 (85.1)	106.7 (86.0)	5,781 (84.1)	98.6 (86.4)	5,910 (84.4)	100.8 (86.4)
Dispensing	1,151 (7.5)	112.5 (7.0)	1,152 (7.3)	112.6 (7.0)	1,829 (15.1)	114.4 (14.0)	1,831 (14.9)	114.6 (14.0)	1,090 (15.9)	118.1 (13.6)	1,091 (15.6)	118.2 (13.6)
Subtotal	15,305 (99.9)	104.8 (100.0)			12,086 (99.9)	105.8 (100.0)			6,872 (100.0)	101.2 (100.0)		
Commission income	17 (0.1)	— (—)			11 (0.1)	— (—)			5 (0.0)	— (—)		
Total	15,322 (100.0)	104.9 (100.0)	15,802 (100.0)	108.2 (100.0)	12,098 (100.0)	105.9 (100.0)	12,319 (100.0)	107.8 (100.0)	6,877 (100.0)	101.3 (100.0)	7,001 (100.0)	103.1 (100.0)

Gross profit margin by category (1)



Sales of products

Increase owing to expanded demand for antigen test kits, comprehensive cold medicines, antipyretic analgesics, and other OTC products due to the seventh wave of COVID-19 infections

Dispensing

Decrease from the previous year due to the effect of the revisions to dispensing fees and NHI drug prices

(Unit: %)

	Welcia HD (consolidated)				Welcia Yakkyoku				Kokumin		Pupule Himawari	
		Y/Y change	Ref. Estimated based on the former standard	Y/Y change		Y/Y change	Ref. Estimated based on the former standard	Y/Y change	Ref. Estimated based on the former standard	Ref. Estimated based on the former standard		
OTC products	40.2	- 0.3	40.9	0.4	40.4	- 0.2	41.1	0.5	36.7	36.6	38.7	40.1
Cosmetics	32.9	- 1.5	34.5	0.1	33.1	- 1.2	34.6	0.3	29.5	29.6	29.4	31.0
Household goods	27.9	- 1.0	29.1	0.2	28.4	- 0.7	29.6	0.5	29.7	29.7	21.3	23.0
Food products	18.6	- 1.6	19.9	- 0.3	19.1	- 1.3	20.4	0.0	23.4	23.4	12.4	14.3
Others	16.1	0.9	17.9	2.7	16.0	1.0	17.8	2.8	29.0	30.0	13.6	16.3
Total sales of products	28.3	- 0.8	29.5	0.4	28.6	- 0.5	29.8	0.7	32.1	32.1	22.6	24.4
Dispensing	38.4	- 1.0	38.5	- 0.9	38.7	- 0.7	38.8	- 0.6	30.9	30.9	34.2	34.2
Subtotal	30.2	- 0.8			30.7	- 0.5			31.7		23.1	
Commission income	100.0	-			100.0	-			100.0		100.0	
Total	30.3	- 0.7	31.2	0.2	30.8	- 0.4	31.6	0.4	31.7	31.7	23.2	24.8

Gross profit margin by category (2)



(Unit: %)

		Marudai Sakurai Pharmacy				Shimizu Yakuhin				Marue Drug			
			Y/Y change	Ref. Estimated based on the former standard		Y/Y change	Ref. Estimated based on the former standard	Y/Y change	Ref. Estimated based on the former standard	Y/Y change	Ref. Estimated based on the former standard	Y/Y change	
					Y/Y change								
	OTC products	40.6	0.5	41.8	1.7	40.0	- 0.4	40.7	0.3	38.6	0.4	39.5	1.3
	Cosmetics	31.5	- 1.8	33.5	0.2	33.1	- 1.0	34.3	0.2	33.0	- 0.8	34.5	0.7
	Household goods	25.1	- 1.5	26.9	0.3	28.3	0.4	29.1	1.2	27.0	- 0.1	28.2	1.1
	Food products	16.2	- 1.6	17.7	- 0.1	18.6	- 1.0	19.8	0.2	17.6	- 0.9	18.8	0.3
	Others	12.6	- 1.0	14.6	1.0	13.9	0.2	15.7	2.0	16.2	0.1	18.4	2.3
	Total sales of products	26.0	- 0.8	27.5	0.7	29.1	- 0.6	30.1	0.4	29.9	- 0.5	31.1	0.7
	Dispensing	39.4	- 0.8	39.4	- 0.8	36.5	- 1.2	36.6	- 1.1	38.1	0.2	38.2	0.3
	Subtotal	27.0	- 0.7			30.2	- 0.6			31.2	- 0.2		
	Commission income	100.0	-			100.0	-			100.0	-		
	Total	27.1	- 0.6	28.4	0.7	30.3	- 0.5	31.1	0.3	31.3	- 0.1	32.2	0.8

SG&A expenses composition ratio (1)



Labor costs	Continuation of the effects of personnel cost optimization measures
Rent	Increase due to opening of new stores
Others	Steep rise in utility costs due to escalating energy prices

(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Welcia HD (consolidated)				Welcia Yakkyoku				Kokumin		Pupule Himawari	
		Y/Y (%)	Ref. Estimated based on the former standard		Y/Y (%)	Ref. Estimated based on the former standard	Y/Y (%)	Ref. Estimated based on the former standard	Ref. Estimated based on the former standard	Ref. Estimated based on the former standard		
				Y/Y (%)								Y/Y (%)
Labor costs	76,643 (13.6)	110.7 (13.6)	76,643 (13.4)	110.7 (13.6)	65,659 (13.6)	104.1 (13.6)	65,659 (13.4)	104.1 (13.6)	1,494 (14.4)	1,494 (14.4)	2,895 (11.5)	2,895 (11.3)
Advertising expenses	2,414 (0.4)	24.2 (2.0)	11,000 (1.9)	110.4 (2.0)	1,676 (0.3)	19.6 (1.8)	8,802 (1.8)	103.1 (1.8)	55 (0.5)	55 (0.5)	139 (0.6)	682 (2.7)
Rent	25,151 (4.5)	118.5 (4.2)	25,151 (4.4)	118.5 (4.2)	21,128 (4.4)	108.2 (4.2)	21,128 (4.3)	108.2 (4.2)	1,069 (10.3)	1,069 (10.3)	1,129 (4.5)	1,129 (4.4)
Others	42,426 (7.5)	122.5 (6.7)	42,426 (7.3)	122.5 (6.7)	35,680 (7.5)	113.4 (6.8)	35,680 (7.2)	113.4 (6.8)	648 (6.3)	648 (6.2)	1,751 (6.9)	1,751 (6.8)
Total	146,636 (26.0)	108.6 (26.5)	155,221 (27.0)	114.9 (26.5)	124,144 (25.8)	101.3 (26.4)	131,270 (26.7)	107.1 (26.4)	3,266 (31.5)	3,266 (31.4)	5,915 (23.5)	6,458 (25.2)

SG&A expenses composition ratio (2)



(Unit: million yen)

(Ratios of net sales indicated in parentheses) (%)	Marudai Sakurai Pharmacy				Shimizu Yakuhin				Marue Drug			
		Y/Y (%)	Ref. Estimated based on the former standard			Y/Y (%)	Ref. Estimated based on the former standard			Y/Y (%)	Ref. Estimated based on the former standard	
				Y/Y (%)				Y/Y (%)				Y/Y (%)
Labor costs	1,831 (12.0)	110.4 (11.4)	1,831 (11.6)	110.4 (11.4)	1,660 (13.7)	104.4 (13.9)	1,660 (13.5)	104.4 (13.9)	1,148 (16.7)	103.2 (16.4)	1,148 (16.4)	103.2 (16.4)
Advertising expenses	101 (0.7)	24.7 (2.8)	439 (2.8)	106.7 (2.8)	44 (0.4)	21.6 (1.8)	209 (1.7)	101.2 (1.8)	56 (0.8)	33.2 (2.5)	158 (2.3)	93.8 (2.5)
Rent	408 (2.7)	103.2 (2.7)	408 (2.6)	103.2 (2.7)	579 (4.8)	107.5 (4.7)	579 (4.7)	107.5 (4.7)	289 (4.2)	101.0 (4.2)	289 (4.1)	101.0 (4.2)
Others	1,078 (7.0)	118.2 (6.2)	1,078 (6.8)	118.2 (6.2)	772 (6.4)	121.6 (5.6)	772 (6.3)	121.6 (5.6)	476 (6.9)	121.9 (5.8)	476 (6.8)	121.9 (5.8)
Total	3,420 (22.4)	101.2 (23.1)	3,758 (23.8)	111.2 (23.1)	3,056 (25.3)	102.9 (26.0)	3,221 (26.2)	108.4 (26.0)	1,969 (28.6)	100.6 (28.9)	2,072 (29.6)	105.8 (28.9)

Results in the dispensing sector (in Japan)



Overview

Decrease in gross profit margin due to revisions to dispensing fees and NHI drug prices
The calculation rate of various additions has been improved by strengthening measures in line with national policies.

	FY2020 2Q		FY2021 2Q		FY2022 2Q		FY2023 2Q	
		Y/Y change		Y/Y change		Y/Y change		Y/Y change
Dispensing pharmacy sales (million yen)	75,127	119.5%	84,048	111.9%	97,680	116.2%	110,203	112.8%
No. of prescriptions (in the thousands)	7,673	117.6%	7,635	99.5%	9,373	122.8%	10,557	112.6%
Prescription unit price (yen)	9,791	101.6%	11,008	112.4%	10,421	94.7%	10,439	100.2%
Gross profit margin (%)	38.6	1.2	38.1	-0.5	39.4	1.3	38.4	- 1.0
No. of stores with dispensing pharmacy (stores)	1,345	138	1,506	161	1,742	236	1,943	201
Ratio of stores with dispensing pharmacy (%)	69.6	1.3	71.4	1.8	78.0	6.6	73.5	- 4.5

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

*The Group adopted the Accounting Standard for Revenue Recognition from the beginning of fiscal year ending February 2023.

Promotion of drug stores with dispensing pharmacy



Overview

The number of stores with dispensing pharmacy increased by 201 over one year from the end of the same period of the previous year.

	Welcia HD (Consolidated)		Welcia Yakkyoku		Kokumin	Pupule Himawari	Marudai Sakurai Pharmacy		Shimizu Yakuhin		Marue Drug	
	FY2022 2Q	FY2023 2Q	FY2022 2Q	FY2023 2Q	FY2023 2Q	FY2023 2Q	FY2022 2Q	FY2023 2Q	FY2022 2Q	FY2023 2Q	FY2022 2Q	FY2023 2Q
Dispensing pharmacy sales (million yen)	97,680	110,203	93,616	100,904	3,604	1,031	1,023	1,151	1,598	1,829	923	1,090
No. of prescriptions (in the thousands)	9,373	10,557	8,960	9,786	208	85	114	133	150	177	79	93
Prescription unit price (yen)	10,421	10,439	10,448	10,310	17,328	12,078	8,917	8,623	10,641	10,289	11,582	11,693

No. of stores with dispensing pharmacy (stores)	1,742	1,943	1,651	1,762	46	20	31	39	35	43	19	23
Ratio of stores with dispensing pharmacy (%)	78.0%	73.4%	82.5%	83.7%	28.4%	14.9%	34.8%	41.1%	56.5%	64.2%	33.3%	39.7%
No. of stores as of end of the fiscal year (stores)	2,233	2,648	2,001	2,104	162	134	89	95	62	67	57	58

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

*The Group adopted the Accounting Standard for Revenue Recognition from the beginning of fiscal year ending February 2023.

Overview

889 new graduates (420 pharmacists and 469 career-track employees employed in April 2022)

	Welcia HD (consolidated)		Welcia Yakkyoku	Kokumin	Pupule Himawari	Marudai Sakurai Pharmacy	Shimizu Yakuhin	Marue Drug
		Change from the previous term-end						
No. of employees (persons)	14,934	1,640	11,634	756	679	458	355	356
No. of temporary employees (based on 8h/employee)	25,484	1,004	22,132	559	1,036	705	537	89

No. of pharmacists (enrollment)	7,710	911	6,936	396	60	85	121	91
No. of registered sales clerks (enrollment)	17,660	993	14,357	712	997	578	483	341
No. of pharmacists per store (persons in Japan)	2.91	0.09	3.30	2.44	0.45	0.89	1.81	1.57
No. of registered sales clerks per store (persons in Japan)	6.67	-0.24	6.82	4.40	7.44	6.08	7.21	5.88

*The numbers of pharmacists and registered sales clerks, registered sales clerks per store are calculated by excluding cosmetics stores.

Store openings and closures



**Store openings
(in Japan)**

Actual 79 stores (vs. planned: 4 stores)

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

Actual 288 months (vs. planned: 19 months)

(Unit: No. of stores)

		End of Feb. 2022	Increase/ decrease resulting from subsidiaries or business transfer	Increase/ decrease resulting from M&A	Openings		Closures		End of August 2022
					Projections	Actual results	Projections	Actual results	
By company	Welcia Yakkyoku (NARCIS)	2,023 (8)	—	26	65 (1)	68 (1)	17 (—)	8 (—)	2,109 (9)
	Marudai Sakurai Pharmacy	92	—	—	4	3	—	—	95
	Shimizu Yakuhin	65	—	—	3	3	1	1	67
	Marue Drug	58	—	—	1	1	1	1	58
	YODOYA	25	—	—	—	—	—	—	25
	Kanamitsu Yakuhin	26	—	- 26	—	—	—	—	—
	MASAYA	36	—	—	1	1	—	—	37
	Pupule Himawari	132	—	—	1	2	—	—	134
	Kokumin	—	162	—	—	1	—	1	162
	French	—	3	—	—	—	—	—	3
By area	Hokkaido	—	7	—	—	—	—	—	7
	Tohoku	184	1	—	5	4	1	—	189
	Kanto	1,115	54	—	17	19	5	2	1,186
	Chubu	527	1	—	18	14	7	2	540
	Kinki	399	86	—	24	28	5	6	507
	Chugoku	161	2	—	7	7	1	1	169
	Shikoku	68	—	—	1	2	—	—	70
	Kyushu	3	14	—	3	5	—	—	22
In Japan	2,457	165	—	75	79	19	11	2,690	
Overseas	11	—	—	1	1	—	—	12	
Consolidated	2,468	165	—	76	80	19	11	2,702	

(1) Pursuing expertise and strengthening marketing capabilities

- 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 81 stores over the same period
Operating the online qualification verification system in 1,620 stores and drug pick up lockers in 63 stores
- 2) Active participation in the free PCR test business, etc. and continued sales of antigen test kits
- 3) Development and expanded sales of PB products at Karada Welcia and Kurashi Welcia: Total 100 SKUs as of the end of August 2022
- 4) Strengthening the format: Continuing experiments in the “food” category in Hokuriku, Kyushu, and Makuhari

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

- 1) Deep cultivation of man-hour control through utilization of work management systems and visualization of shifts
- 2) Acquisition of Welcia IDs through digital tools, and introduction of apps that support OTC product-related customer service

(3) Promoting sustainability management

- 1) Started operation of Uetan-go, a mobile sales vehicle, as a public–private joint project with Shimada City, Shizuoka Prefecture, to support the elderly
- 2) Integrated Report 2022 was published in July 2022 and posted on the website





2 Earnings Forecast for FY2023

- Made Pupule Himawari into a subsidiary through the acquisition of shares, effective December 1, 2021.
- The Group adopted the Accounting Standard for Revenue Recognition from the beginning of fiscal year ending February 2023.
- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Kanamitsu Yakuhin, effective June 1, 2022. The plan and results of the previous fiscal year of Kanamitsu Yakuhin after June 1, 2022 are included in that of Welcia Yakkyoku described in this section.

1. Projections

▶ Net sales	1,110 billion yen	(Y/Y change: 108.2%)
▶ Ordinary income	51.6 billion yen	(Y/Y change: 108.4%)
▶ Net income attributable to owners of parent	28.4 billion yen	(Y/Y change: 107.4%)

2. Indicators

▶ Existing-stores sales growth rate	3.4%	*Existing-stores sales growth rates are compared with those before the adoption of the revenue recognition standard.
(Goods)	2.1%	
(Dispensing)	9.0%	
▶ Openings	129 stores	(in Japan: 128; overseas: 1)
▶ Closures	25 stores	(in Japan: 25; overseas: 0)
▶ No. of stores as of end of the fiscal year	2,572 stores	(in Japan: 2,560; overseas: 12)
▶ Dispensing pharmacy sales (in Japan)	220.8 billion yen	(Y/Y change: 110.8%)
▶ Number of stores with dispensing pharmacy (in Japan)	1,975 stores	(Ratio of stores with dispensing 78.7%)

3. Priority measures

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

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

(1) Pursuing expertise and strengthening marketing capabilities

- 1) Strengthening regional responses through the area office system and area operations (marketing, dispensing and cosmetics)
- 2) Promoting stores with dispensing pharmacy
- 3) Developing and expanding sales of PB products
- 4) Format enhancements

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

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

(3) Promoting sustainability management

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

Full-year earnings forecasts



(Unit: million yen)

	Results for Fiscal 2022		Fiscal 2023 Forecast			[Reference] Estimated based on the former standard Fiscal 2023 Forecast		
	Amount	Composition ratio	Amount	Composition ratio	Y/Y	Amount	Composition ratio	Y/Y
Net sales	1,025,947	100.0%	1,110,000	100.0%	108.2%	1,131,000	100.0%	110.2%
(Ratio of stores with dispensing pharmacy)	199,208	19.4%	220,800	19.9%	110.8%	220,800	19.5%	110.8%
Gross operating profit	320,944	31.3%	338,700	30.5%	105.5%	355,600	31.4%	110.8%
SG&A expenses	277,925	27.1%	291,700	26.3%	105.0%	308,600	27.2%	111.0%
Operating income	43,018	4.2%	47,000	4.2%	109.3%	47,000	4.2%	109.3%
Ordinary income	47,590	4.6%	51,600	4.6%	108.4%	51,600	4.6%	108.4%
Net income attributable to owners of parent	26,453	2.6%	28,400	2.6%	107.4%	28,400	2.5%	107.4%
Existing-store sales growth rate								3.4%

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

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



(Unit: million yen)

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

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

Full-year earnings forecasts by company (1)



(Unit: million yen)

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

Full-year earnings forecasts by company (2)



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Shimizu Yakuhin			Marue Drug			Goodwill and others
	Amount	[Reference] Estimated based on the former standard		Amount	[Reference] Estimated based on the former standard		
		Amount	Y/Y		Amount	Y/Y	
Net sales	24,243 (100.0%)	24,600 (100.0%)	107.8% (100.0%)	14,017 (100.0%)	14,218 (100.0%)	104.1% (100.0%)	— 20,440
Gross operating profit	7,356 (30.3%)	7,702 (31.3%)	108.5% (31.1%)	4,337 (30.9%)	4,538 (31.9%)	103.8% (32.0%)	— 5,853
SG&A expenses	6,331 (26.1%)	6,677 (27.1%)	108.2% (27.0%)	3,905 (27.8%)	4,106 (28.9%)	103.5% (29.0%)	1,903 5,936
Operating income	1,025 (4.2%)	1,025 (4.2%)	110.5% (4.1%)	431 (3.1%)	431 (3.0%)	106.3% (3.0%)	-1,903 -83
Ordinary income	1,153 (4.8%)	1,153 (4.7%)	111.8% (4.5%)	470 (3.4%)	470 (3.3%)	102.0% (3.4%)	-1,903 -192
Net income attributable to owners of parent	660 (2.7%)	660 (2.7%)	101.3% (2.9%)	300 (2.1%)	300 (2.1%)	44.6% (4.9%)	-1,903 -472

Planned store openings and closures



(Unit: No. of Stores)

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

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

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.