



Financial Results Briefing for the First Quarter of Fiscal Year Ending Feb-20

July 8, 2019

Welcia Holdings Co., Ltd.
(Securities Code: 3141; 1st Section of the Tokyo Stock Exchange)

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1 Outline of Financial Results

- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Ippondo Co., Ltd. on March 1, 2019.
The results of Welcia Yakkyoku for the same period of the previous year are calculated together with those of (former) Ippondo.
- Since stores of B.B.ON Co., Ltd. are established together with those of Welcia Yakkyoku, results of the former are calculated together with those of the latter.
- Made MASAYA Co., Ltd. into a wholly-owned subsidiary through acquisition of shares, effective December 1, 2018.

1. Outline of financial results	Actual results	Projections	Difference
Net sales	210,442 million yen	205,900 million yen	4,542 million yen
Ordinary income	8,827 million yen	7,810 million yen	1,017 million yen
Net income attributable to owners of the Parent	5,441 million yen	4,760 million yen	681 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.9%	3.5%	2.4%
Store openings (in Japan)	37 stores	31 stores	6 stores
Store closures (in Japan)	3 stores	3 stores	0 stores
Number of stores as of the end of the term (in Japan)	1,908 stores	1,902 stores	6 stores
Store renovations	44 stores	58 stores	-14 stores
Dispensing pharmacy sales (in Japan)	37,372 million yen	34,430 million yen	2,942 million yen
Composition ratio of dispensing sales	17.8%	16.7%	1.1%
Number of stores with dispensing pharmacy (in Japan)	1,300 stores	1,303 stores	-3 stores
(Ratio of stores with dispensing pharmacy)	69.5%	69.9%	-0.4%
Number of stores open 24 hours	216 stores	-	-
3. Others	Actual results		
Composition ratio of PB products	5.7% (Breakdown: Hapycom 24.5%, Top valu 24.1%, Welcia PB 51.3%, other 0.1%)		
Number of stores with Welcafe	236 stores	-	-

* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores (34 MASAYA and COLOR STUDIO stores operated by MASAYA, and four NARCIS stores operated by Welcia Yakkyoku).

Results for FY2020 1Q (achievement rate)



Net sales

Archived store openings planned level and it is driven by dispensing

SG&A expense

While labor costs were largely as planned, SG&A expenses were greater than planned due to factors such as rising loyalty point costs resulting from the spread of customer appreciation day.

Operating income

Planned operating income was achieved, more than making up for higher than planned SG&A expenses, thanks to improved gross profit margin in addition to stronger than planned net sales.

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Actual results	Projections		
			Change	Achievement rate
Net sales	210,442 (100.0%)	205,900 (100.0%)	4,542	102.2%
Gross operating profit	63,610 (30.2%)	61,870 (30.0%)	1,740	102.8%
SG&A expenses	55,474 (26.3%)	54,690 (26.5%)	784	101.4%
Operating income	8,136 (3.9%)	7,180 (3.5%)	956	113.3%
Ordinary income	8,827 (4.2%)	7,810 (3.8%)	1,017	113.0%
Net income attributable to owners of the Parent	5,441 (2.6%)	4,760 (2.3%)	681	114.3%

Results for FY2020 1Q (year-on-year change)



Net sales

Existing stores realized strong growth of 5.9% vs. planned growth of 3.5%, for an increase of 10.7%.

Operating income

The gross profit margin grew substantially in response to revisions to dispensing fees in April of last year, more than making up for increased SG&A expenses, for solid income growth of 31.3%.

(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	210,442 (100.0%)	190,017 (100.0%)	20,424	110.7%
Gross operating profit	63,610 (30.2%)	55,846 (29.4%)	7,763	113.9%
SG&A expenses	55,474 (26.3%)	49,652 (26.1%)	5,821	111.7%
Operating income	8,136 (3.9%)	6,194 (3.3%)	1,941	131.3%
Ordinary income	8,827 (4.2%)	6,758 (3.6%)	2,068	130.6%
Net income attributable to owners of the Parent	5,441 (2.6%)	4,171 (2.2%)	1,269	130.4%

Breakdown of financial results by company for FY2020 1Q



Welcia Yakkyoku Shimizu Yakuhin

Revenues and income increased, more than making up for increased SG&A expenses, thanks to factors such as growth in net sales at existing stores, new store openings according to plans, and the reaction to revisions to dispensing fees.

Marudai Sakurai Pharmacy

Revenues increased but income decreased due to prioritizing costs such as those of remodeling and new stores.

(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy		MASAYA	Goodwill and others
			Y/Y		Y/Y		Y/Y		
Net sales	210,442 (100.0%)	196,956 (100.0%)	109.9%	4,698 (100.0%)	112.8%	6,098 (100.0%)	108.7%	1,726 (100.0%)	962
Gross operating profit	63,610 (30.2%)	59,754 (30.3%)	112.8%	1,432 (30.5%)	117.0%	1,583 (26.0%)	108.5%	652 (37.8%)	188
SG&A expenses	55,474 (26.3%)	51,649 (26.2%)	110.6%	1,219 (26.0%)	112.3%	1,439 (23.6%)	110.1%	595 (34.5%)	285 284
Operating income	8,136 (3.9%)	8,104 (4.1%)	129.7%	212 (4.5%)	154.5%	143 (2.4%)	95.2%	56 (3.3%)	- 285 - 95
Ordinary income	8,827 (4.2%)	8,761 (4.4%)	129.0%	233 (5.0%)	150.4%	165 (2.7%)	96.0%	76 (4.4%)	- 285 - 123
Net income attributable to owners of the Parent	5,441 (2.6%)	5,616 (2.9%)	129.1%	160 (3.4%)	151.8%	128 (2.1%)	117.1%	48 (2.8%)	- 285 -227

Monthly sales growth rate (in Japan)



Overview

The contribution of dispensing continued to be felt. Growth in dispensing in April was due to filling long-term prescription prior to the Golden Week holidays.
Sales of summer goods were strong thanks to rising temperatures in May.
Sales of former Ippondo stores grew due to remodeling.

(Unit: %)

			2018							2019					
			Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing Stores	Welcia Yakkyoku		5.0	5.3	4.2	3.7	7.3	4.6	4.4	7.1	4.0	5.0	6.0	6.6	4.9
	(Former Ippondo)											20.2	12.3	15.5	13.8
	Shimizu Yakuhin		12.6	12.5	9.0	9.5	12.6	7.5	7.4	9.2	6.0	9.9	9.3	11.3	8.5
	Marudai Sakurai Pharmacy					0.8	0.5	4.7	3.9	1.5	-0.6	2.3	3.7	8.2	4.0
	Group total	Net sales	5.2	5.5	4.4	3.8	7.2	4.7	4.4	6.9	3.9	5.0	6.0	6.7	4.9
		(Goods)	4.6	4.4	3.2	3.6	5.3	3.2	3.5	5.6	2.4	4.4	2.2	5.1	2.9
		(Dispensing)	8.2	11.5	10.3	4.7	16.7	11.9	9.0	13.3	10.9	7.4	25.2	15.6	15.5
		No. of customers	3.5	4.2	3.4	1.3	6.7	3.4	2.9	4.8	1.8	3.2	1.7	4.1	1.8
		Sales per customer	1.7	1.3	1.0	2.5	0.5	1.3	1.5	2.1	2.1	1.8	4.3	2.6	3.1
	All stores	Group total	Net sales	13.5	14.1	12.8	8.6	12.0	9.2	10.2	12.6	9.3	10.0	10.7	11.6
No. of customers			13.6	14.5	13.6	7.6	13.1	9.7	9.7	11.7	8.6	8.0	6.8	9.4	7.4
Sales per customer			-0.1	-0.4	-0.8	1.0	-1.1	-0.5	0.5	0.9	0.7	2.0	3.9	2.2	3.1

* Welcia Yakkyoku absorbed Ippondo Co., Ltd. in March 2019. The former Ippondo has been included in the calculation of monthly sales growth rate since March 2019.

* Marudai Sakurai Pharmacy Co., Ltd. has been included in the existing stores since September 2018.

* MASAYA is included in the calculation of monthly sales growth rate of all stores from Dec. 2018 onwards. However, since the stores of the company 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



Dispensing

Increased thanks to growth at new and existing stores
Driven by dispensing pharmacy sales at stores with dispensing pharmacy

(Unit: million yen)

	Welcia HD (consolidated)			Welcia Yakkyoku			Shimizu Yakuhin			Marudai Sakurai Pharmacy		
	Actual results	Composition ratio	Y/Y	Actual results	Composition ratio	Y/Y	Actual results	Composition ratio	Y/Y	Actual results	Composition ratio	Y/Y
OTC Products	43,090	20.5%	106.0%	40,451	20.6%	106.0%	1,253	26.7%	108.0%	1,336	21.9%	105.7%
Dispensing	37,372	17.8%	117.0%	36,506	18.5%	116.7%	516	11.0%	136.1%	348	5.7%	123.0%
Cosmetics	37,287	17.7%	111.8%	33,333	16.9%	107.1%	986	21.0%	105.9%	1,088	17.9%	107.7%
Household Goods	30,225	14.4%	108.8%	28,357	14.4%	108.9%	818	17.4%	109.2%	1,041	17.1%	107.6%
Food Products	46,407	22.0%	110.7%	43,886	22.3%	110.5%	862	18.4%	118.4%	1,647	27.0%	112.9%
Others	16,060	7.6%	111.5%	14,420	7.3%	111.9%	260	5.5%	121.7%	635	10.4%	102.0%
Total	210,442	100.0%	110.7%	196,956	100.0%	109.9%	4,698	100.0%	112.8%	6,098	100.0%	108.7%

Gross profit margin ratio by category



Overview

The gross profit margin on dispensing improved in response to revisions to dispensing fees in April of last year

Costs decreased due to business integration effects

Transaction conditions improved centered on food products (costs, rebates, etc.)

(Unit: %)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	
		Y/Y change		Y/Y change		Y/Y change		Y/Y change
OTC Products	40.1	0.4	40.1	0.2	39.7	1.1	38.1	0.0
Dispensing	38.6	3.8	38.6	3.8	37.3	2.4	39.2	3.7
Cosmetics	33.1	0.5	32.9	0.0	32.7	1.0	31.0	1.7
Household Goods	25.5	0.2	25.7	0.1	25.7	1.8	21.9	0.1
Food Products	20.4	0.1	20.6	0.2	19.7	0.9	17.2	- 0.2
Others	14.9	- 0.2	14.9	- 0.1	14.7	- 0.2	14.0	- 4.4
Total	30.2	0.8	30.3	0.7	30.5	1.1	26.0	0.0

SG&A expenses composition ratio



Labor Costs

Promoted control of store working hours. Labor cost ratio was 13.3% (vs. 13.4% last year)

Advertising Expenses

Loyalty point costs increased due to the spread of customer appreciation day on the 20th of each month

Others

Costs increased associated with cashless payments such as e-money and credit cards

(Unit: million yen)

(Ratios indicated in parentheses)	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy		MASAYA
	Actual results	Y/Y	Actual results	Y/Y	Actual results	Y/Y	Actual results	Y/Y	Actual results
Labor Costs	28,057 (13.3%)	110.5%	26,295 (13.3%)	109.7%	632 (13.5%)	115.4%	667 (11.0%)	107.0%	188 (10.9%)
Advertising Expenses	4,471 (2.1%)	124.5%	3,952 (2.0%)	117.9%	95 (2.0%)	117.3%	176 (2.9%)	135.2%	172 (10.0%)
Rent	8,868 (4.2%)	109.5%	8,267 (4.2%)	108.3%	232 (5.0%)	103.8%	179 (2.9%)	107.9%	143 (8.3%)
Others	14,076 (6.7%)	112.1%	13,134 (6.7%)	111.6%	259 (5.5%)	111.2%	417 (6.8%)	107.6%	90 (5.3%)
Total	55,474 (26.3%)	111.7%	51,649 (26.2%)	110.6%	1,219 (26.0%)	112.3%	1,439 (23.6%)	110.1%	595 (34.5%)

Results in the dispensing sector (in Japan)



No. of prescriptions

Increased by 16.0% due to increase in the number of stores with dispensing pharmacies

	FY2016 1 Q ※	FY2017 1 Q	Year-on-year change	FY2018 1 Q ※	FY2020 1 Q	Year-on-year change
Dispensing pharmacy sales (million yen)	24,294	27,758	114.3%	31,940	37,372	117.0%
No. of prescriptions (in the thousands)	2,396	2,784	116.2%	3,305	3,834	116.0%
Prescription unit price (yen)	10,138	9,970	98.3%	9,664	9,747	100.9%
Gross operating profit (%)	32.4%	38.5%	6.1%	34.8%	38.6%	3.8%
No. of stores with dispensing pharmacy (stores)	898	1,042	144	1,183	1,300	117
Ratio of stores with dispensing pharmacy (%)	61.0%	67.2%	6.2%	67.7%	69.5%	1.7%

* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores (34 MASAYA and COLOR STUDIO stores operated by MASAYA, and four NARCIS stores operated by Welcia).

※Fiscal year of revisions to dispensing fees

Promotion of drug stores with dispensing pharmacy (in Japan)



No. of stores with dispensing pharmacy

Promotion of drug stores with dispensing pharmacy. Increased by 117 stores year-on-year.

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	
	FY2019 1Q	FY2020 1Q	FY2019 1Q	FY2020 1Q	FY2019 1Q	FY2020 1Q	FY2019 1Q	FY2020 1Q
Dispensing fees (million yen)	31,940	37,372	31,277	36,506	379	516	283	348
No. of prescriptions (in the thousands)	3,305	3,834	3,226	3,739	43	54	35	40
Prescription unit price (yen)	9,664	9,747	9,695	9,762	8,752	9,501	7,970	8,664
No. of stores with dispensing pharmacy (stores)	1,183	1,300	1,146	1,256	24	25	13	19
Ratio of stores with dispensing pharmacy (%)	67.7%	69.5%	71.0%	72.6%	42.9%	43.1%	17.1%	23.2%

* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores (34 MASAYA and COLOR STUDIO stores operated by MASAYA, and four NARCIS stores operated by Welcia).

Number of employees



Number of hires

708 new graduates (372 pharmacists, 336 general employees)

Promoting the Welcia Model by enhancing training by level and specialized training

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy
		Change from the previous term-end			
No. of employees	9,494	558	8,634	243	352
No. of temporary employees (based on 8h/employee)	20,017	1,016	18,873	434	521
No. of pharmacists (enrollment)	5,144	519	5,016	75	46
No. of registered sales clerks (enrollment)	12,218	269	11,370	387	441
No. of pharmacists per store	2.74	0.23	2.90	1.29	0.56
No. of registered sales clerks per store	6.52	0.04	6.57	6.67	5.38

* The ratio of stores with dispensing pharmacy is calculated excluding the number of cosmetics stores (34 MASAYA and COLOR STUDIO stores operated by MASAYA, and four NARCIS stores operated by Welcia).

Store openings and closures



**Store
openings**

Achieved planned level (vs. planned: 6 stores)

**Months in
operation**

Actual figure 78 months (planned: 59 months)

(Unit: No. of Stores)

			28-Feb-19	Increase/decrease resulting from subsidiaries	Openings		Closures		31-May-19
					Planned	Actual	Planned	Actual	
	By company	Welcia Yakkyoku	1,660	43	26	32	1	1	1,734
		Shimizu Yakuhin	57	0	1	1	0	0	58
		Marudai Sakurai Pharmacy	80	0	4	4	2	2	82
		Ippondo	43	- 43	-	-	-	-	0
		MASAYA	34	0	0	0	0	0	34
	By area	Tohoku	137	0	5	6	2	2	141
		Kanto	950	0	13	14	0	0	964
		Chubu	435	0	9	11	1	0	446
		Kinki	330	0	3	5	0	1	334
		Chugoku	18	0	1	1	0	0	19
		Shikoku	3	0	0	0	0	0	3
		Kyushu	1	0	0	0	0	0	1
	In Japan		1,874	0	31	37	3	3	1,908
	Overseas		4	0	0	1	0	0	5

(1) Pursuing more attractive sales floors and convenience

- (i) Promoting adoption of stores with dispensing pharmacy and proactive hiring of pharmacists
- (ii) Remodeling to enliven sales floors
- (iii) Strategic implementation of 24-hour operations
- (iv) Proactive adoption of QR-code settlement, and enhancing digital sales using social networks and other platforms

(2) Improving earnings by normalizing SG&A expenses

- (i) Thorough control of working hours (enhancing management of store working-hour plans, adoption of flexible working-hours system)
- (ii) Adoption of systems to reduce in-store workload
 - 1) Beginning trial use of automated ordering
 - 2) Two deliveries/week system (testing began in the second half)
 - 3) Adoption of cash dispensers

(3) SDGs, social contributions

- (i) Efforts to reduce use of checkout bags
- (ii) Contributing to local communities through Welcafe



2 Earnings Forecast for FY2020

- MASAYA was made a subsidiary of the Company through the share acquisition on December 1, 2018.
- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Ippondo Co., Ltd. on March 1, 2019.

Results of Welcia Yakkyoku Co., Ltd. compared to the same period of the previous year are calculated together with the results of Ippondo.

1. Projections

- ▶ Net sales 850 billion yen (Y/Y change: 109.1%)
- ▶ Ordinary income 35.6 billion yen (Y/Y change: 113.0%)
- ▶ Net income attributable to owners of the Parent 20 billion yen (Y/Y change: 114.8%)

2. Indicators

- ▶ Existing-store sales growth rate 4.0%
- ▶ Store openings 127 stores (in Japan: 123 ; overseas: 4)
- ▶ Store closures 29 stores
- ▶ No. of stores as of end of the fiscal year 1,976 stores (in Japan: 1,968 ; overseas: 8)
- ▶ Dispensing pharmacy sales 143.8 billion yen (Y/Y change: 110.8 %)
- ▶ No. of stores with dispensing pharmacy (in Japan) 1,423 stores (Ratio of stores with dispensing 73.6 %)

3. Priority measures

- ▶ Store renovations 205 stores
- ▶ Opening new pharmacies 142 stores
- ▶ Stores open 24 hours 50 stores
- ▶ Welcafe 80 stores

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

Full-year earnings forecasts



(Unit: million yen)

	1H		2H		Full-year		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Sales	421,700	100.0%	428,300	100.0%	850,000	100.0%	109.1%
Gross operating profit	127,200	30.2%	130,700	30.5%	257,900	30.3%	109.0%
SG&A expenses	110,800	26.3%	114,100	26.6%	224,900	26.4%	108.3%
Operating income	16,400	3.9%	16,600	3.9%	33,000	3.9%	113.6%
Ordinary income	17,600	4.2%	18,000	4.2%	35,600	4.2%	113.0%
Net income attributable to shareholders of the Parent	10,700	2.5%	9,300	2.2%	20,000	2.4%	114.8%
Existing-store sales growth rate	3.9%		4.1%		4.0%		

Full-year earnings forecasts by company



(Unit: million yen)

(Ratios of net sales indicated in parentheses)	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy		MASAYA	Goodwill and others
		Y/Y		Y/Y		Y/Y		Y/Y		
Sales	850,000 (100.0%)	109.1%	794,418 (100.0%)	108.3%	18,500 (100.0%)	107.9%	25,637 (100.0%)	110.2%	6,993 (100.0%)	4,452
Gross operating profit	257,900 (30.3%)	109.0%	241,954 (30.5%)	108.1%	5,532 (29.9%)	106.6%	6,952 (27.1%)	110.2%	2,588 (37.0%)	874
SG&A expenses	224,900 (26.4%)	108.3%	209,628 (26.4%)	107.7%	4,885 (26.4%)	106.2%	6,012 (23.4%)	107.1%	2,415 (34.5%)	1,140 820
Operating income	33,000 (3.9%)	113.6%	32,326 (4.1%)	110.3%	647 (3.5%)	109.8%	940 (3.7%)	135.3%	173 (2.5%)	– 1,140 54
Ordinary income	35,600 (4.2%)	113.0%	34,810 (4.4%)	110.2%	697 (3.8%)	106.0%	1,001 (3.9%)	130.4%	216 (3.1%)	– 1,140 16
Net income	20,000 (2.4%)	114.8%	19,923 (2.5%)	110.0%	421 (2.3%)	111.1%	648 (2.5%)	147.8%	125 (1.8%)	– 1,140 23

Planned store openings and closures (in Japan)



(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	1,660	43	110	25	1,788
		Shimizu Yakuhin	57	0	4	1	60
		Marudai Sakurai Pharmacy	80	0	9	3	86
		M A S A Y A	34	0	0	0	34
		Ippondo	43	- 43	0	0	0
	By area	Tohoku	137	0	19	3	153
		Kanto	950	0	40	7	983
		Chubu	435	0	36	8	463
		Kinki	330	0	27	11	346
		Chugoku	18	0	1	0	19
		Shikoku	3	0	0	0	3
		Kyusyu	1	0	0	0	1
		In Japan	1,874	0	123	29	1,968
		Overseas	4	0	4	0	8
Reference		No. of stores with dispensing pharmacy	1,284		142	3	1,423
		Ratio of stores with dispensing pharmacy	69.8%				73.6%

* Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Ippondo Co., Ltd. on March 1, 2019.

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

As of June 1, 2019, Kanamitsu YakuHin Co., Ltd. was made a subsidiary by acquisition of shares.

Name	Kanamitsuyakuhin Co., Ltd.
Head Office	2-25 Tsurugata 1-chome, Kurashiki-shi Okayama
Representative	Koji Fujioka, Representative Director and President
Established	May 1949 (founded in 1934)
Lines of business	Operation of drugstores and dispensing pharmacies
No. of stores	31 in Okayama prefecture (12 of which are dispensing pharmacies)
Lines of goods	Insurance dispensing, OTC products and cosmetics and related products



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:

- 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.