

Financial Results Briefing for the Second-Quarter
of the Fiscal Year Ended August, 2014
(2Q/FY2014)

April 18, 2014



Welcia Holdings Co., Ltd.

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

1. Overview of 2Q/FY2014
2. Outline of the Financial Results
 - Financial results in 2Q/FY2014
 - Financial results breakdown by company in 2Q/FY2014
 - Outline of financial results in 2Q/FY2014 (consolidated)
 - Monthly sales growth rate
 - Sales composition ratio by segment (2Q)
 - Gross profit margin by segment (2Q)
 - SG&A expenses composition ratio (2Q)
 - Promotion of drug stores with dispensing pharmacy (pharmacy for families)
 - Trends in the number of prescriptions handled
 - Sales expansion of private brand (PB) products
 - Number of employees (as of February 28, 2014)
 - Store openings and closures
3. Earnings Forecast for FY2014
 - A first half actual results and a second half forecast
 - Full year forecast by company
 - Plan for store openings and closures

IR-related disclaimers

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 earnings forecast 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 the 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.

1. Sales were 98.7% against projections, and 108.4% compared with the same period of the previous year. Existing-store sales grew 2.5%. Gross operating profit was 99.3% against projections, and 108.8% over the previous year.

2. Operating income was 102.2% against projections, and 126.7% over the previous year. Ordinary income was 102.6% against projections, and 124.8% over the previous year.

3. Net income was 99.2% against projections, and 117.4% over the previous year. An extraordinary loss of 370 million yen was recorded.

4. SG&A expenses were 98.9% against projections, accounting for 25.7 of sales.

5. Sales from dispensing performed favorably with an increase of 20.6% from the same period of the previous year, accounting for 12.0% of sales.

6. 37 stores were newly opened compared with 49 stores planned, while all 12 stores planned for closure were closed.

7. The ratio of drug stores with dispensing pharmacies grew 2.4% from the end of previous fiscal year to 66.4%, with the increase of 38 such stores. The ratio of stores providing late-night service was 78.5%, growing 1.0% from the end of previous fiscal year.

2. Outline of the Financial Results

(Unit: Million yen)

	Actual results	Projections	Comparison with projections		Comparison with the previous year	
			Amount	Achievement rate	Amount	Expressed in Percentage
Net Sales	172,327	174,610	▲2282	98.7%	13,371	108.4%
	100.0%	100.0%				
Gross operating profit	51,559	51,900	▲340	99.3%	4,149	108.8%
	29.9%	29.7%				
SG&A expenses	44,323	44,820	▲496	98.9%	2,624	106.3%
	25.7%	25.6%				
Operating income	7,235	7,080	155	102.2%	1,524	126.7%
	4.2%	4.1%				
Ordinary income	7,542	7,350	192	102.6%	1,496	124.8%
	4.4%	4.2%				
Net income	3,977	4,010	▲32	99.2%	588	117.4%
	2.3%	2.3%				

Financial results breakdown by company in 2Q/FY2014

(Unit: million yen)

	Welcia Kanto*			Takada			Welcia Kansai			Goodwill and other
	Amount	Composition ratio	Comparison with the previous year	Amount	Composition ratio	Comparison with the previous year	Amount	Composition ratio	Comparison with the previous year	
Net Sales	136,236	100.0%	109.0%	21,541	100.0%	104.9%	14,467	100.0%	108.8%	82
Gross profit	40,487	29.7%	109.3%	6,956	32.3%	105.1%	4,085	28.2%	109.8%	29
SG&A expenses	34,262	25.1%	107.3%	6,254	29.0%	107.4%	3,771	26.0%	108.8%	415 ▲379
Operating income	6,225	4.6%	121.6%	702	3.3%	88.0%	313	2.2%	124.3%	▲415 409
Ordinary income	6,539	4.8%	120.0%	766	3.6%	89.7%	378	2.6%	121.3%	▲415 272
Net income	3,836	2.8%	115.4%	455	2.1%	87.2%	182	1.3%	106.3%	▲415 ▲81

* Financial results for Welcia Kanto include those of Terashima for convenience of comparison.

Sales			
1. Existing-store sales	Actual growth rate:2.5%	Projection: 3.4%	
2. Sales from dispensing	20,750 million yen	Year-on-year: 120.6%	Ratio to total sales: 12.0%
3. Store openings	Actual result:37 stores	Projection: 49 stores	
4. Store closures	Actual result:12 stores	Projection: 12 stores	
Gross margin ratio			
1. Gross margin ratio			
Welcia Holdings (consolidated)	29.9%	Year-on-year:+0.1percentage point	
Welcia Kanto*	29.7%	Year-on-year:+0.1percentage point	
Takada	32.3%	Year-on-year:+0.1percentage point	
Welcia Kansai	28.2%	Year-on-year:+0.2percentage point	
2. Gross margin ratio by segment			
OTC products	40.5%	Year-on-year:±0.0percentage point	
Dispensing	34.2%	Year-on-year:+0.5percentage point	
SG&A expenses			
1. SG&A ratio	25.7%	Projection: 25.6%	
2. Labor costs/sales ratio	12.4%	Projection: 12.3%	

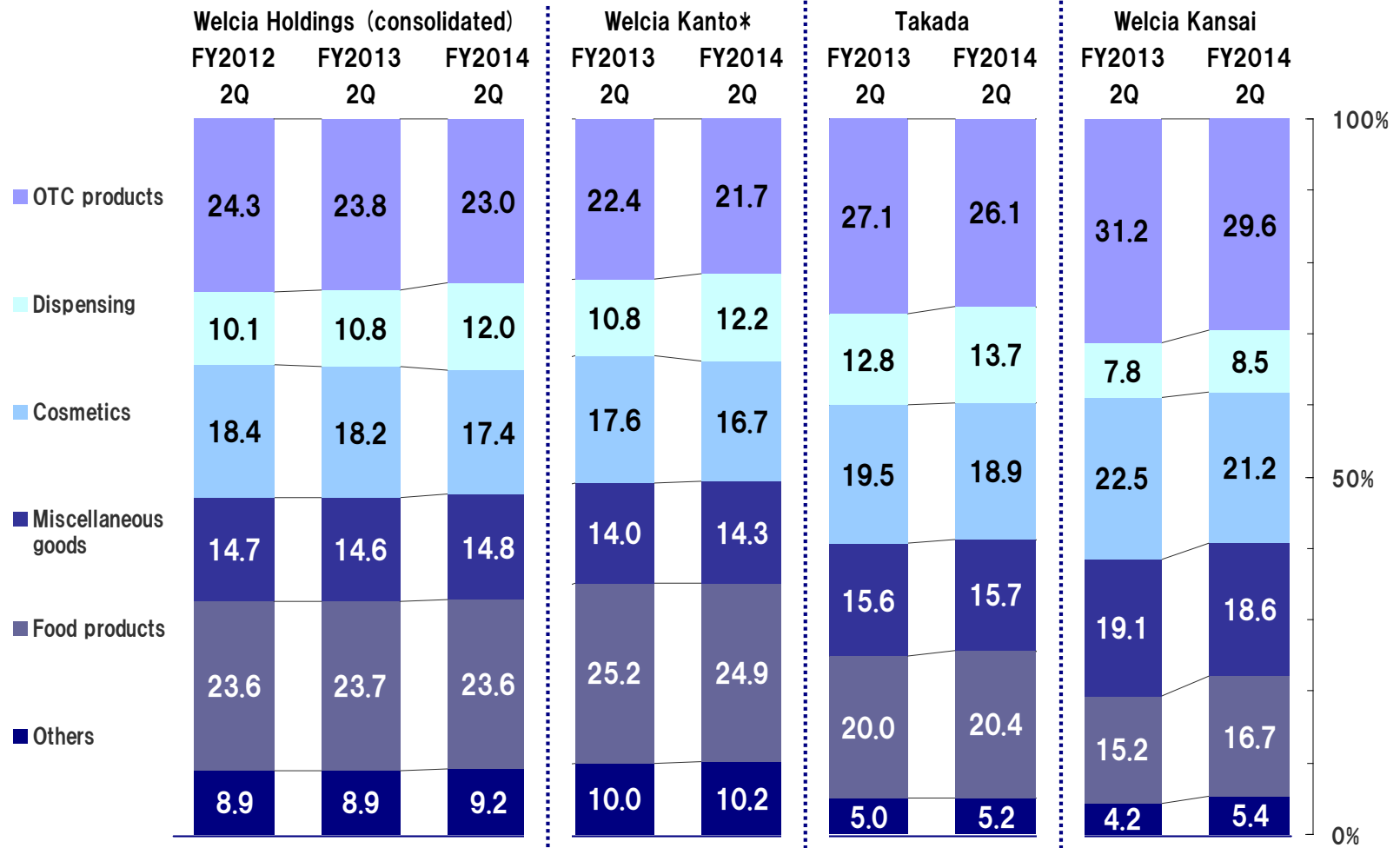
* Financial results for Welcia Kanto include those of Terashima for convenience of comparison.

Monthly sales growth rate

		2013									2014		
		Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing stores	Welcia Kanto	4.6%	4.1%	4.1%	3.5%	2.7%	4.8%	0.5%	2.8%	3.4%	3.9%	3.6%	18.2%
	Takada	▲1.1%	0.2%	2.3%	▲0.6%	1.4%	▲1.8%	▲1.6%	5.5%	0.5%	1.1%	▲0.4%	15.6%
	Welcia Kansai	2.8%	1.3%	▲0.1%	▲1.5%	1.2%	▲1.2%	▲1.2%	1.6%	▲1.9%	1.0%	0.5%	15.1%
	Group total	3.7%	3.3%	3.5%	2.5%	2.4%	3.5%	0.1%	3.0%	2.5%	3.3%	2.7%	17.6%
All stores	Group total	16.1%	15.5%	15.5%	13.9%	13.6%	9.9%	6.3%	9.2%	8.4%	9.0%	7.7%	23.4%

As of March 1, 2013, Welcia Kanto succeeded the drug store business of Terashima.

Sales composition ratio by segment (2Q)



* Financial results for Welcia Kanto include those of Terashima for convenience of comparison.

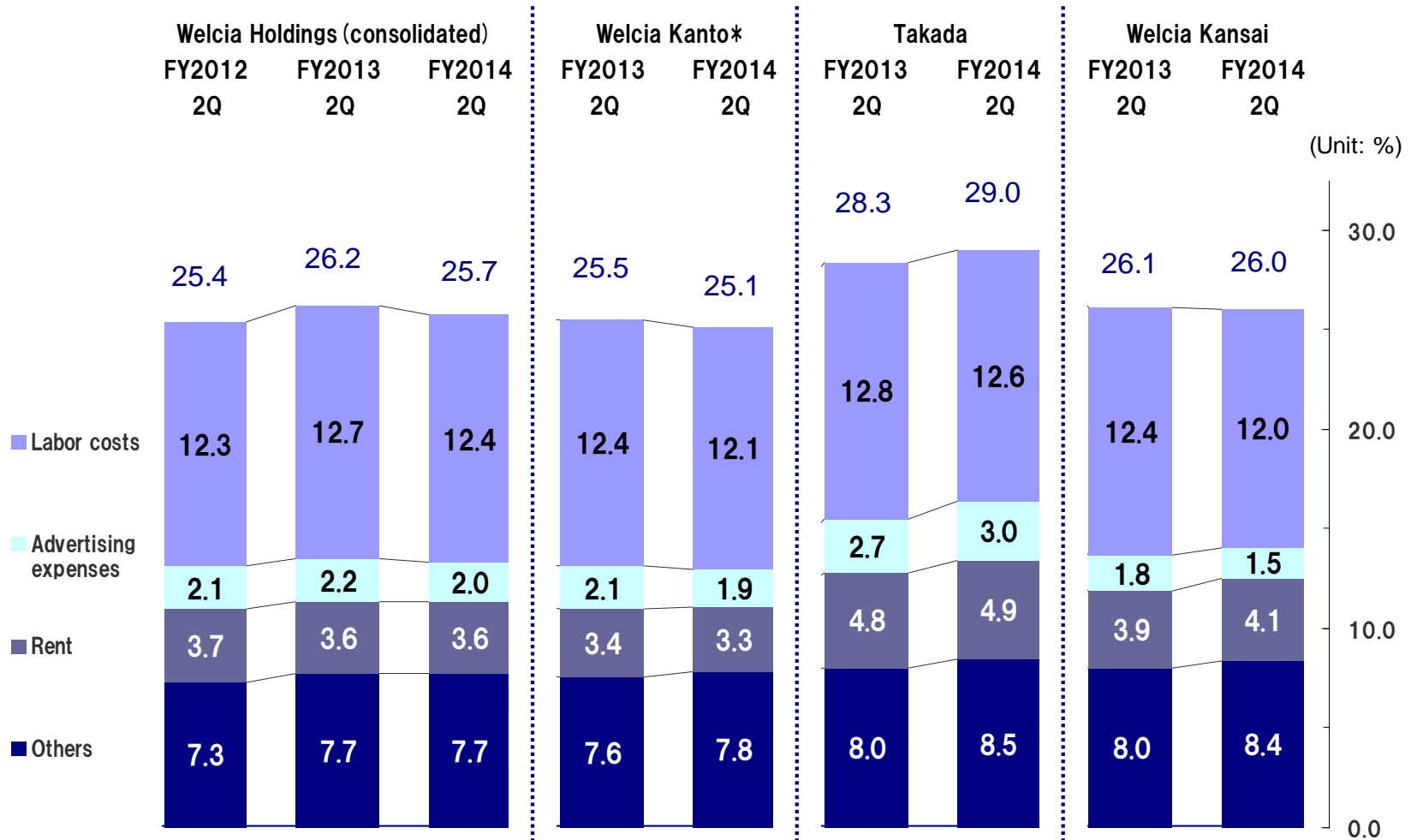
Gross profit margin by segment (2Q)

(Unit: %)

	Welcia Holdings(consolidated)		Welcia Kanto*		Takada		Welcia Kansai	
	Actual results	Year-on-year	Actual results	Year-on-year	Actual results	Year-on-year	Actual results	Year-on-year
OTC products	40.5	±0.0	40.4	▲0.2	44.9	+0.1	35.3	+1.0
Dispensing	34.2	+0.5	34.5	+0.6	32.4	+0.6	35.6	▲0.1
Cosmetics	33.6	+0.5	33.9	+0.7	34.5	+0.1	30.8	+0.3
Miscellaneous goods	27.6	▲0.2	27.8	▲0.6	27.8	+0.4	25.8	+1.7
Food products	22.4	+0.5	23.0	+0.7	21.4	+0.5	16.2	±0.0
Others	13.9	▲0.5	13.6	▲0.7	17.3	+0.5	13.5	±0.0
Total	29.9	+0.1	29.7	+0.1	32.3	+0.1	28.2	+0.2

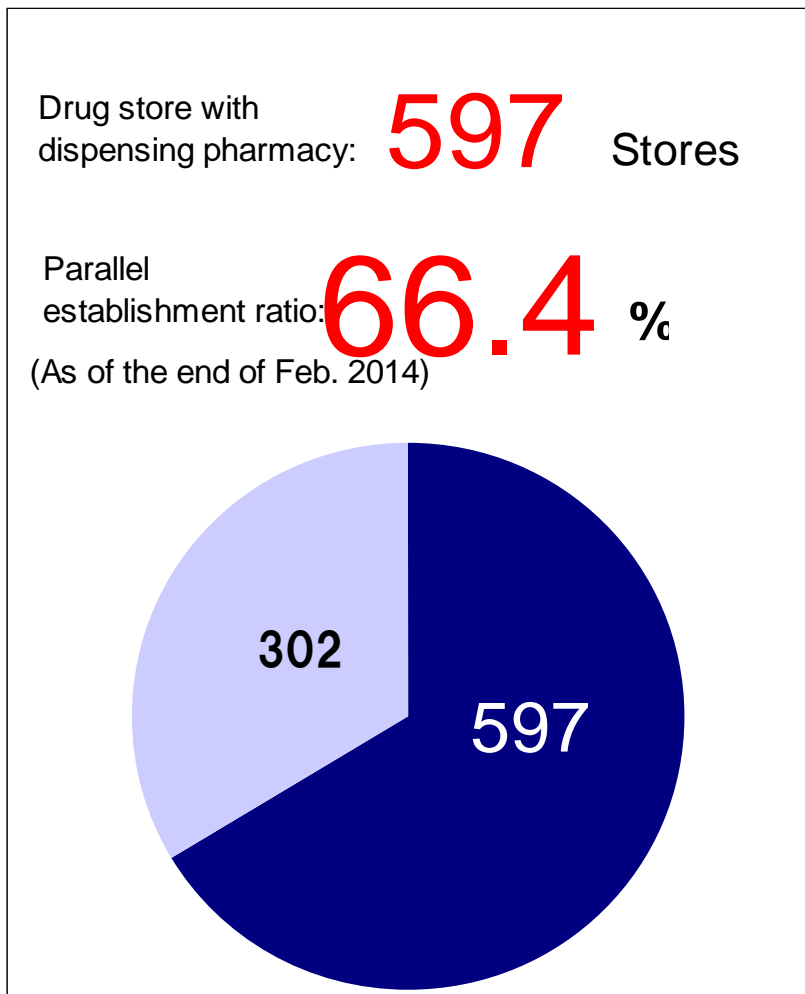
* Financial results for Welcia Kanto include those of Terashima for convenience of comparison.

SG&A expenses composition ratio (2Q)



* Financial results for Welcia Kanto include those of Terashima for convenience of comparison.

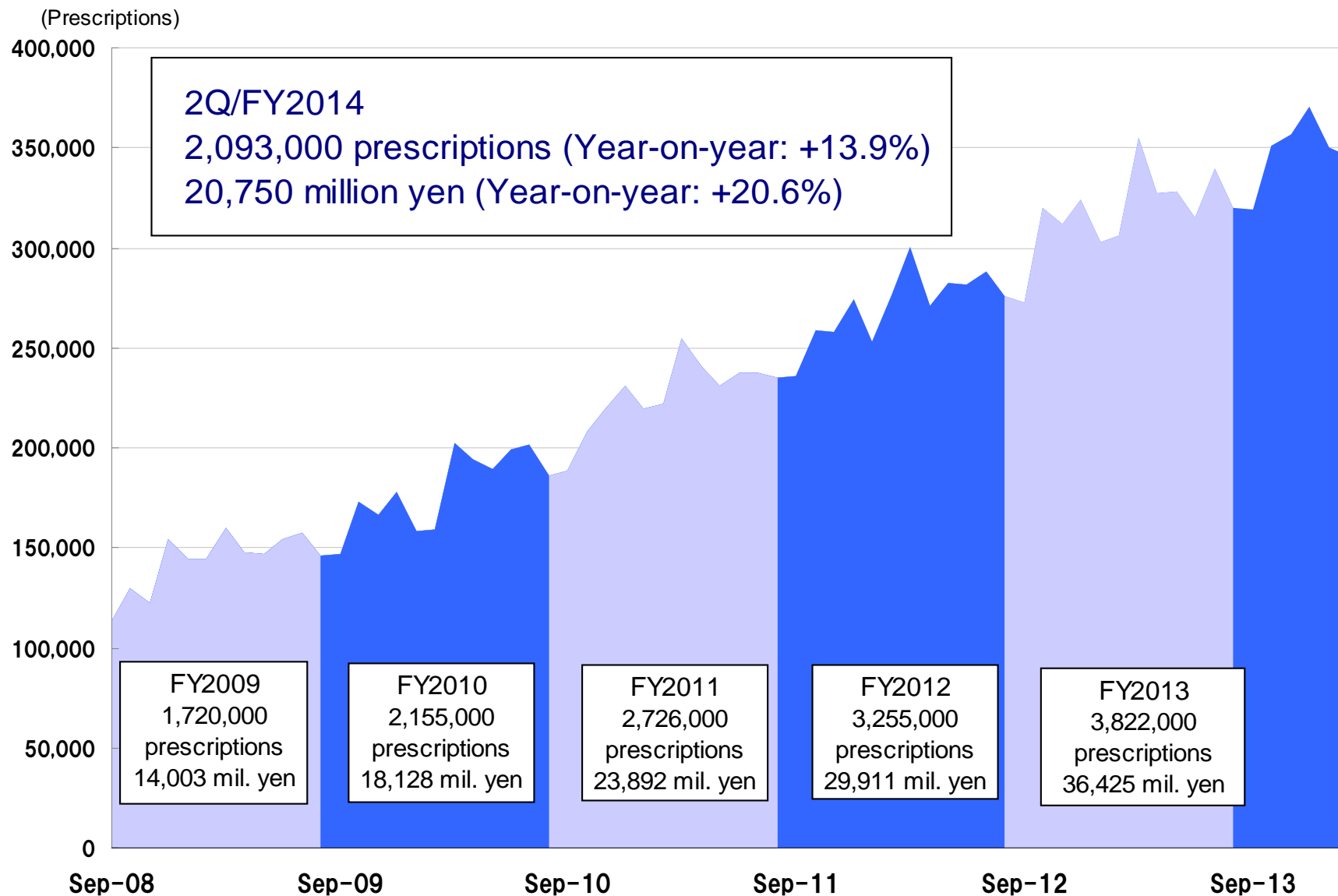
Promotion of drug stores with dispensing pharmacies (Pharmacies for families)



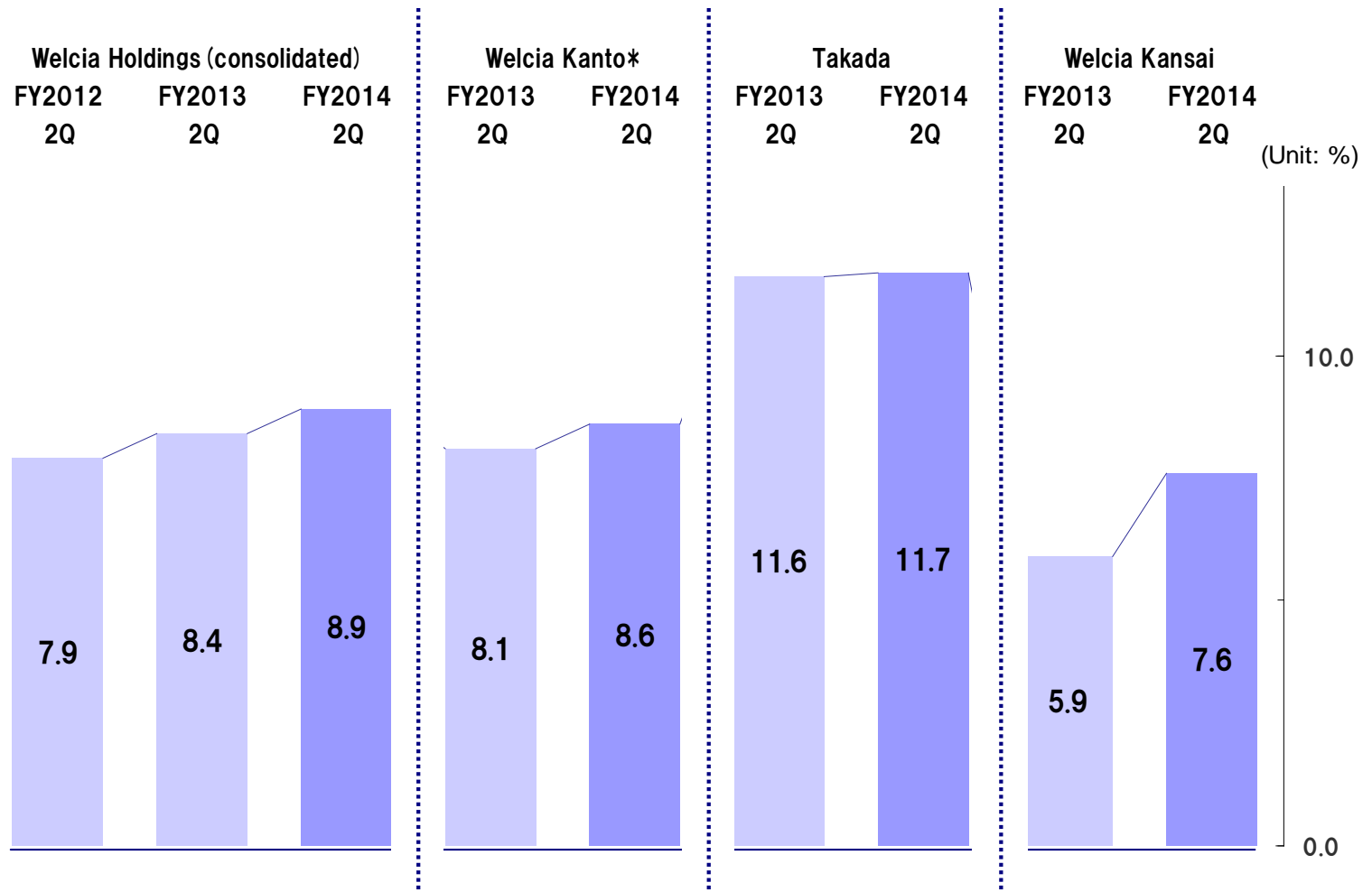
(Number of stores)

		End of Feb. 2014	End of Aug. 2013	Increase/decrease
Welcia Kanto	With dispensing pharmacy	479	451	28
	Parallel establishment ratio	72.6%	70.1%	2.4%
Takada	With dispensing pharmacy	79	75	4
	Parallel establishment ratio	54.9%	52.8%	2.0%
Welcia Kansai	With dispensing pharmacy	39	33	6
	Parallel establishment ratio	41.1%	37.1%	4.0%
Total	With dispensing pharmacy	597	559	38
	Parallel establishment ratio	66.4%	64.0%	2.4%

Trends in the number of prescriptions handled



Sales expansion of private brand (PB) products



* Financial results for Welcia Kanto include those of Terashima for convenience of comparison.

Number of employees (As of February 28, 2014)

	Welcia HD (consolidated)	Welcia Kanto	Takada Pharmacy	Welcia Kansai
Number of employees	3,756	2,654	484	417
Number of temporary employees (based on 8h/employee)	8,264	6,501	994	659
Sales per employee (unit: thousand yen)	14,336	14,797	14,574	13,445
Number of pharmacists (enrollment)	1,968	1,655	183	124
Number of registered sales clerks (enrollment)	4,402	3,302	665	434
Number of stores	899	660	144	95
Number of pharmacists per store	2.19	2.51	1.27	1.31
Number of registered sales clerks per store	4.90	5.00	4.62	4.57

	August 31, 2013	Store openings		Store closures		February 28, 2014
		Actual results	Projection	Actual results	Projection	
Welcia Kanto	643	26	35	9	9	660
Takada	142	4	6	2	1	144
Welcia Kansai	89	7	8	1	2	95
Total	874	37	49	12	12	899

Number of stores by prefecture (As of February 28, 2014)

Prefecture	No. of stores	Prefecture	No. of stores	Prefecture	No. of stores
Fukushima	17	Niigata	36	Hyogo	19
Ibaraki	120	Toyama	37	Nara	2
Tochigi	40	Ishikawa	5	Wakayama	4
Gunma	39	Yamanashi	29	Shiga	3
Saitama	140	Nagano	16	Osaka	57
Chiba	93	Shizuoka	122	Kyoto	1
Tokyo	76	Aichi	14		
Kanagawa	20	Mie	9	Total	899

3. Forecast for FY2014

(Unit: million yen)

	A first half(actual results)		A second half		Full FY2014		Comparison with FY2013
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	
Sales	172,327	100.0%	194,172	100.0%	366,500	100.0%	109.6%
Gross operating profit	51,559	29.9%	56,540	29.1%	108,100	29.5%	109.1%
SG&A expenses	44,323	25.7%	49,376	25.4%	93,700	25.6%	108.4%
Operating income	7,235	4.2%	7,164	3.7%	14,400	3.9%	114.2%
Ordinary income	7,542	4.4%	7,457	3.8%	15,000	4.1%	108.6%
Current net income	3,977	2.3%	3,822	2.0%	7,800	2.1%	101.7%

Full-year forecast by company

(Unit: million yen)

	Welcia Holdings(consolidated)	Welcia Kanto	Takada	Welcia Kansai	Goodwill and other
Net Sales	366,500	286,770	46,800	31,040	
	100.0%	100.0%	100.0%	100.0%	1,890
Gross operating profit	108,100	84,130	15,070	8,720	
	29.5%	29.3%	32.2%	28.1%	180
SG&A expenses	93,700	71,830	13,155	7,840	831
	25.6%	25.0%	28.1%	25.3%	44
Operating income	14,400	12,300	1,915	880	▲831
	3.9%	4.3%	4.1%	2.8%	136
Ordinary income	15,000	12,780	2,035	1,005	▲831
	4.1%	4.5%	4.3%	3.2%	11
Current net income	7,800	7,310	1,075	595	▲831
	2.1%	2.5%	2.3%	1.9%	▲349

		August 31, 2013	Store openings	Store closures	Estimated number of stores at the end of FY2014
By company	Welcia Kanto	643	73	9	707
	Takada	142	15	4	153
	Welcia Kansai	89	12	2	99
By area	Tohoku	15	6	0	21
	Kanto	513	53	5	561
	Chubu	257	29	8	278
	Kinki	89	12	2	99
Total		874	100	15	959