

Financial Results Briefing for the First-Quarter of the Fiscal Year Ending August 2014 (1Q/FY2014)

January 21, 2014



Welcia Holdings Co., Ltd.

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

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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:

- 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.

1. Sales were 99.3% against the projection and up 8.4% on a year-on-year basis. The sales growth rate at existing stores was 2.2%, which was below the projection. Gross profit was 99.7% against the projection and up 9.1% on a year-on-year basis.

2. Operating income was 103.7% against the projection and up 37.8% on a year-on-year basis. Ordinary income was 103.1% against the projection and up 33.3% on a year-on-year basis.

3. Net income was 103.4% against the projection and up 3.6% on a year-on-year basis. An extraordinary loss of 120 million yen was recorded.

4. SG&A expenses, which had a 26.0% ratio to sales, were 99.2% against the projection.

5. Dispensing performed strongly with a year-on-year sales increase of 20.2% and the sales composition ratio of 11.9%.

6. 25 stores were newly opened compared to the target of 27 store openings, while 11 stores were closed compared to the target of 10 closures.

7. The ratio of drug stores with dispensing pharmacy rose by 1.8 points to 65.8% and the number of such stores increased by 25, compared to the end of the previous year. The ratio of stores providing late-night service rose by 0.4 points to 77.9%, compared to the end of the previous 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 Percentages
Net sales	85,037	85,660	▲622	99.3%	6,588	108.4%
	100.0%	100.0%				
Gross profit	25,377	25,450	▲72	99.7%	2,112	109.1%
	29.8%	29.7%				
SG&A expenses	22,148	22,335	▲186	99.2%	1,226	105.9%
	26.0%	26.1%				
Operating income	3,229	3,115	114	103.7%	885	137.8%
	3.8%	3.6%				
Ordinary income	3,355	3,255	100	103.1%	838	133.3%
	3.9%	3.8%				
Net income	1,825	1,765	60	103.4%	62	103.6%
	2.1%	2.1%				

Financial results breakdown by company in1Q/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	
sales	67,350	100.0%	108.8%	10,521	100.0%	105.2%	7,130	100.0%	110.0%	35
Gross profit	19,933	29.6%	109.7%	3,414	32.5%	106.0%	2,016	28.3%	109.2%	13
SG&A expenses	17,126	25.4%	106.9%	3,118	29.7%	106.1%	1,898	26.6%	110.4%	207 ▲202
Operating income	2,807	4.2%	130.3%	296	2.8%	105.3%	117	1.7%	92.1%	▲207 215
Ordinary income	2,966	4.4%	127.5%	330	3.1%	105.2%	150	2.1%	96.5%	▲207 116
Net income	1,807	2.7%	103.9%	200	1.9%	104.4%	88	1.2%	110.0%	▲207 ▲63

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

Sales			
1. Existing-store sales	2.2%	Projection: 3.0%	
2. Sales from dispensing	10,082 million yen	year-on-year: 120.2%	ratio of sales from dispensing: 11.9%
3. Store openings	25 stores	Projection: 27 stores	
4. Store closures	11 stores	Projection: 10 stores	
Gross margin ratio			
1. Gross margin ratio			
Welcia Holdings(consolidated)	29.8%	Year-on-year	+0.1%
Welcia Kanto*	29.6%	Year-on-year	+0.2%
Takada	32.5%	Year-on-year	+0.3%
Welcia Kansai	28.3%	Year-on-year	▲0.2%
2. Gross margin ratio by segment			
Over-The-Counter(OTC) products	40.0%	Year-on-year	▲0.3%
Dispensing	35.1%	Year-on-year	+1.2%
SG&A expenses			
1. SG&A ratio	26.0%	Projection: 26.1%	
2. Labor costs/ sales ratio	12.5%	Projection: 12.5%	

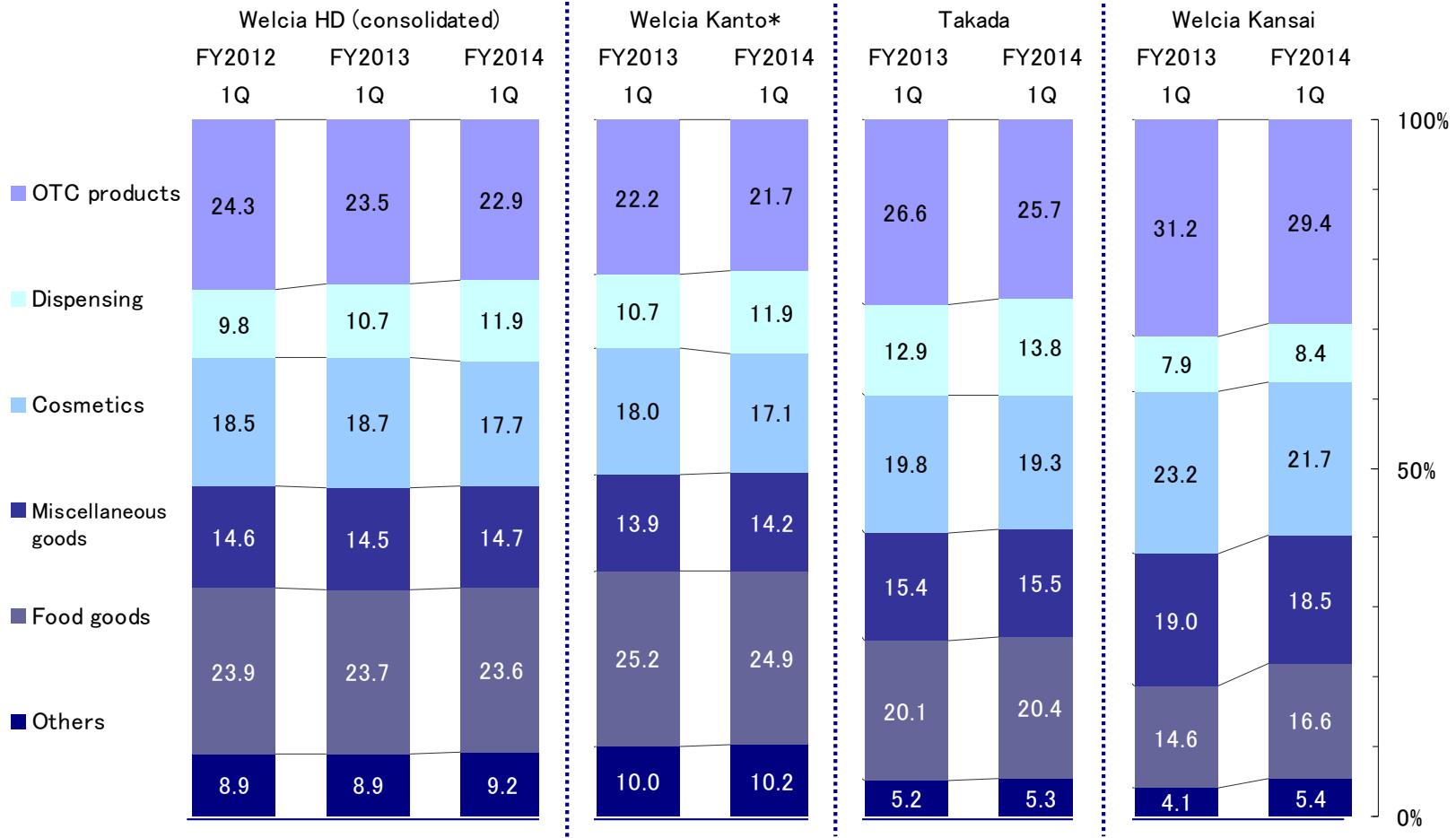
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Monthly sales growth rate

		2013											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Existing stores	Welcia Kanto	2.5%	▲0.7%	8.8%	4.6%	4.1%	4.1%	3.5%	2.7%	4.8%	0.5%	2.8%	3.4%
	Takada	▲1.8%	▲0.4%	5.2%	▲1.1%	0.2%	2.3%	▲0.6%	1.4%	▲1.8%	▲1.6%	5.5%	0.5%
	Terashima	0.9%	▲0.4%	/	/	/	/	/	/	/	/	/	/
	Welcia Kansai	1.0%	1.8%	7.0%	2.8%	1.3%	▲0.1%	▲1.5%	1.2%	▲1.2%	▲1.2%	1.6%	▲1.9%
	Group Total	1.5%	▲0.4%	8.1%	3.7%	3.3%	3.5%	2.5%	2.4%	3.5%	0.1%	3.0%	2.5%
All stores	Group Total	12.7%	10.5%	20.4%	16.1%	15.5%	15.5%	13.9%	13.6%	9.9%	6.3%	9.2%	8.4%

*Welcia Kanto Co., Ltd. took over the drug store business of Terashima Co., Ltd. on March 1, 2013.

Sales composition ratio by segment (1Q)



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

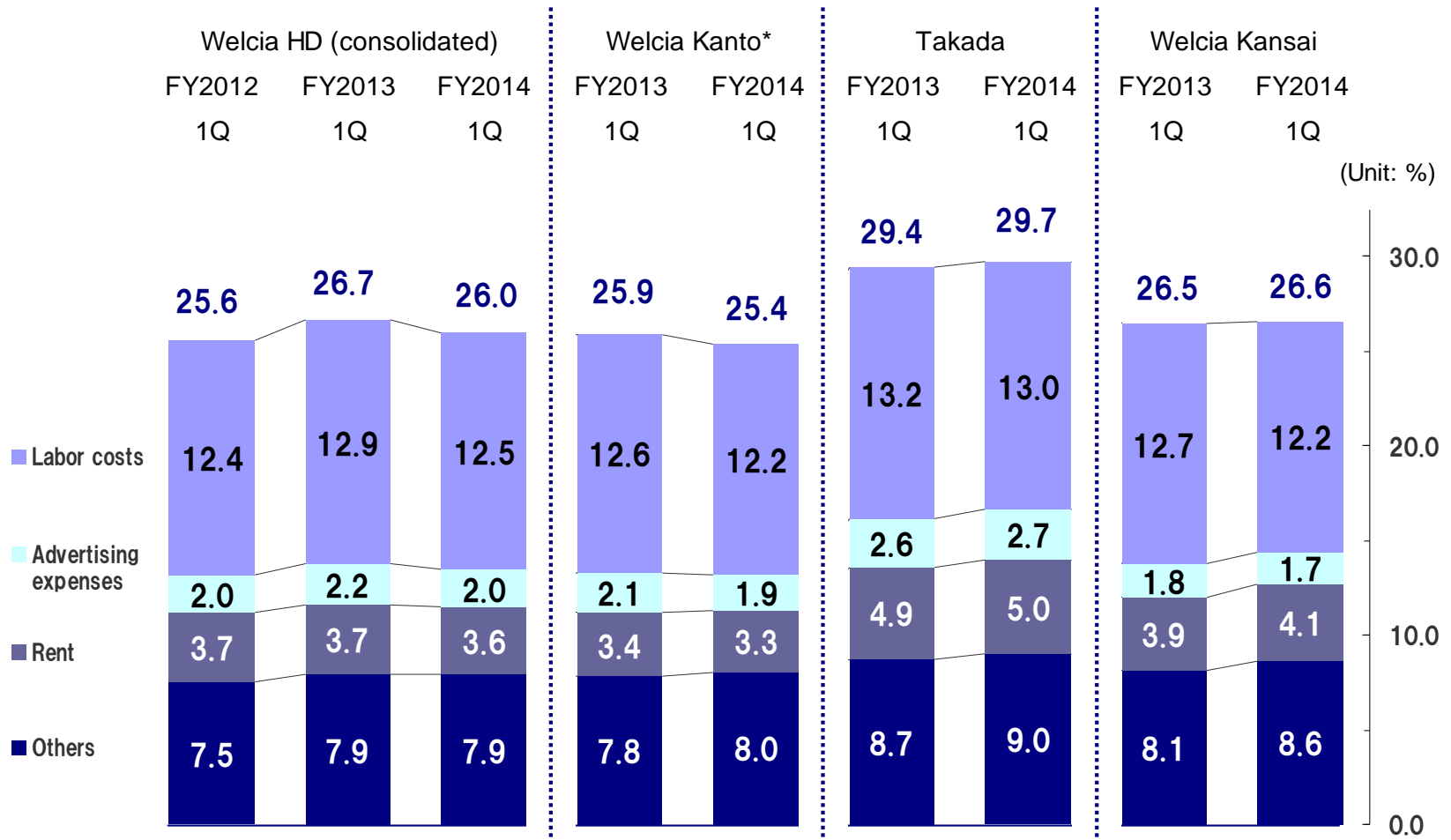
Gross profit margin by segment (1Q)

(Unit: %)

	Welcia HD (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	40.0	▲0.3	39.9	▲0.4	45.0	▲0.3	34.9	+0.5
Dispensing	35.1	+1.2	35.3	+1.2	33.2	+1.2	36.5	+0.3
Cosmetics	33.6	+0.6	33.8	+0.7	35.0	+1.2	31.0	+0.3
Miscellaneous goods	27.7	+0.1	27.8	▲0.2	27.9	+0.3	26.2	+1.1
Food goods	22.1	+0.6	22.6	+0.8	21.2	+0.3	16.1	▲0.6
Others	13.8	▲0.7	13.5	▲0.8	17.2	+0.5	13.2	▲0.8
Total	29.8	+0.1	29.6	+0.2	32.5	+0.3	28.3	▲0.2

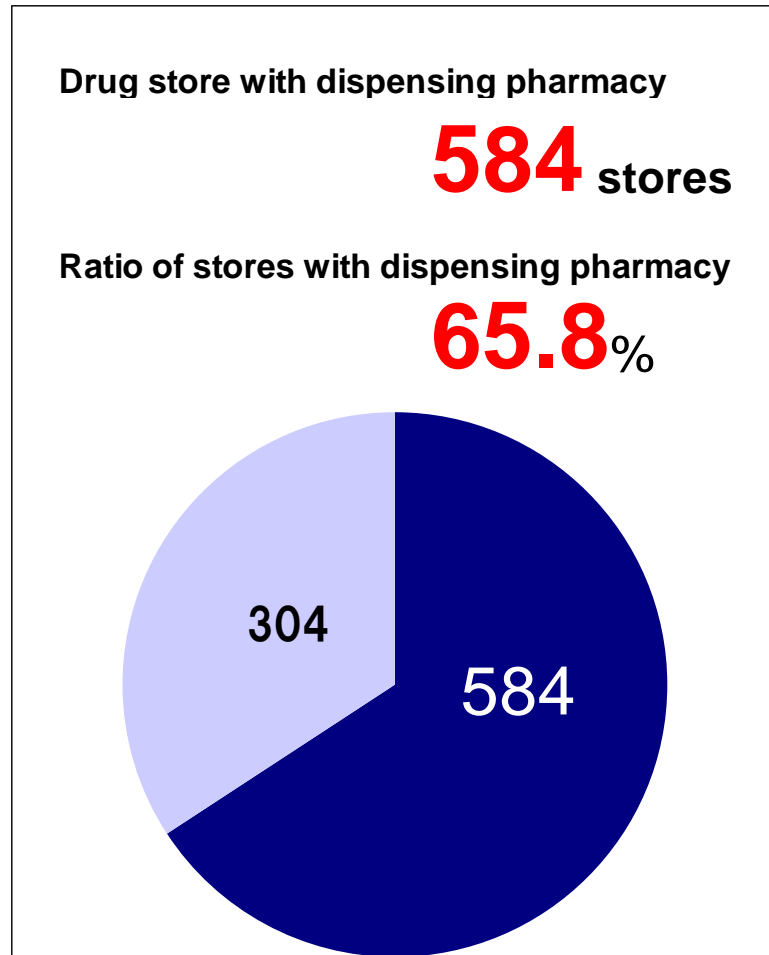
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SG&A expenses composition ratio (1Q)



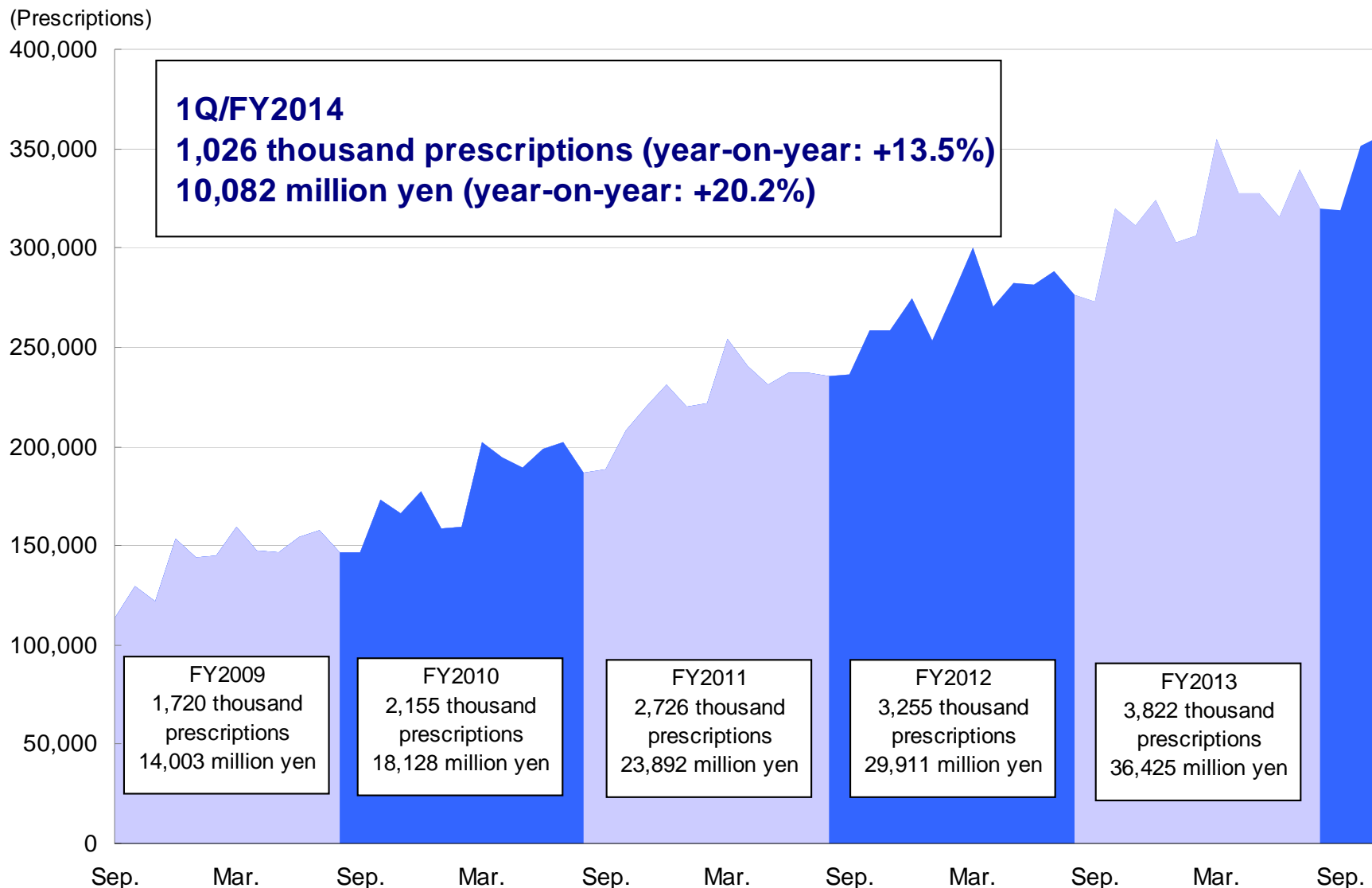
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Promotion of drug stores with dispensing pharmacy (pharmacies for family)

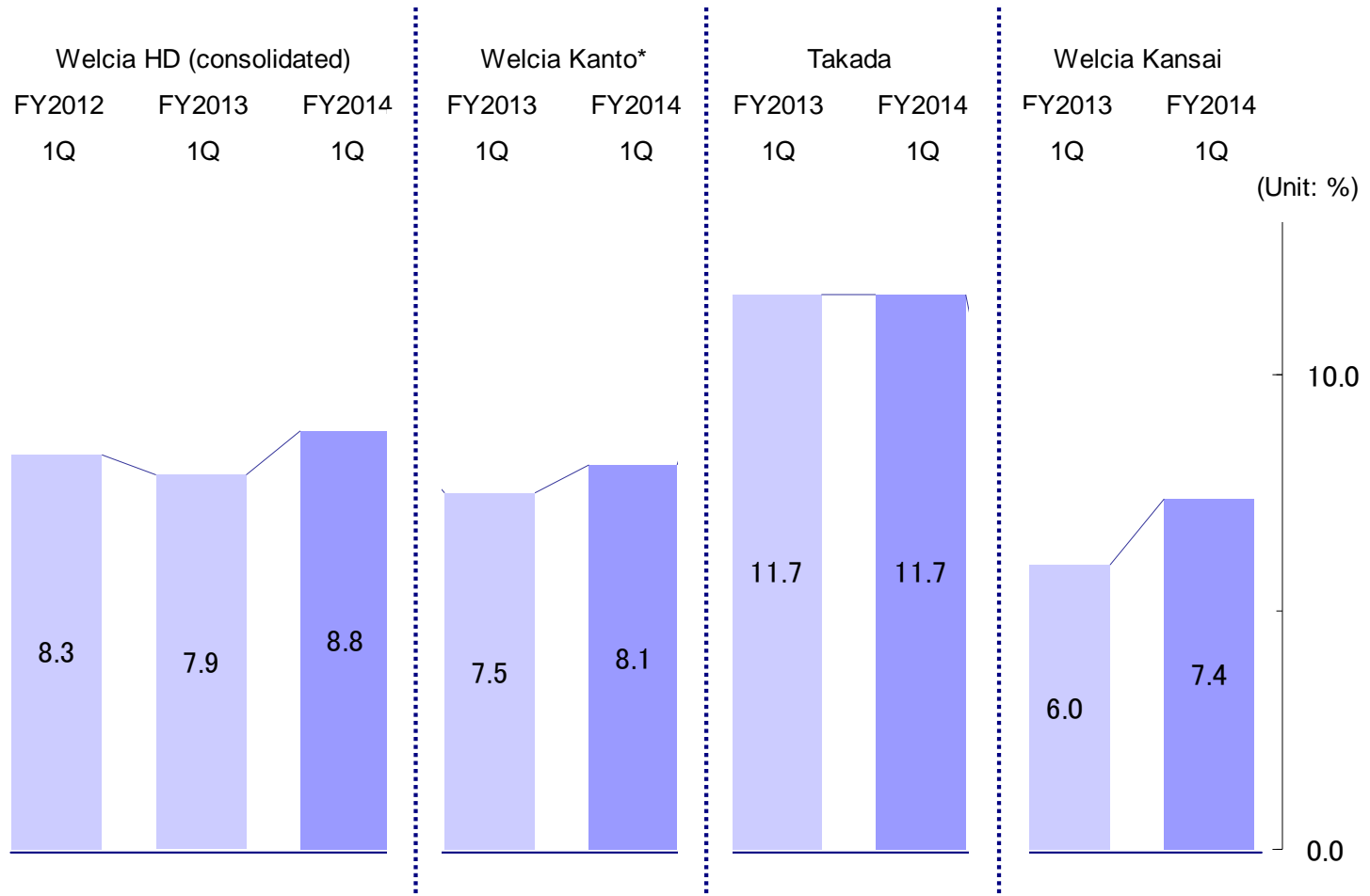


		End of Nov 2013	End of Aug 2013	Increase /decrease
Welcia Kanto	Drug store with dispensing pharmacy	470	451	19
	Parallel establishment ratio	72.0%	70.1%	1.9%
Takada	Drug store with dispensing pharmacy	78	75	3
	Parallel establishment ratio	54.9%	52.8%	2.1%
Welcia Kansai	Drug store with dispensing pharmacy	36	33	3
	Parallel establishment ratio	38.7%	37.1%	1.6%
Total	Drug store with dispensing pharmacy	584	559	25
	Parallel establishment ratio	65.8%	64.0%	1.8%

Trends in the number of prescriptions handled



Sales expansion of private brand (PB) products



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

Number of employees (as of November 30, 2013)

	Welcia HD (consolidated)	Welcia Kanto	Takada	Welcia Kansai
Number of employees	3,772	2,661	487	422
Number of temporary employees	8,243	6,544	1,000	591
Sales per employee (thousand yen)	7,077	7,275	7,075	7,039
Number of pharmacists (enrollment)	1,983	1,668	183	125
Number of registered sales clerks	4,016	3,025	611	378
Number of stores	888	653	142	93
Number of pharmacists per store	2.23	2.55	1.29	1.34
Number of registered sales clerks per store	4.52	4.63	4.30	4.06

	August 31, 2013	Store openings		Store closures		November 30, 2013
		Actual results	Projection	Actual results	Projection	
Welcia Kanto	643	18	20	8	8	653
Takada	142	2	2	2	1	142
Welcia Kansai	89	5	5	1	1	93
Total	874	25	27	11	10	888

Number of stores by prefecture (as of November 30, 2013)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Fukushima	17	Niigata	35	Hyogo	18
Ibaraki	119	Toyama	37	Nara	2
Tochigi	40	Ishikawa	5	Wakayama	4
Gunma	38	Yamanashi	29	Shiga	3
Saitama	139	Nagano	16	Osaka	57
Chiba	93	Shizuoka	122		
Tokyo	73	Aichi	12		
Kanagawa	20	Mie	9	Total	888

3. Earnings Estimates for 2014

Full-year earnings forecast

(Unit: million yen)

	First half		Second half		Full year		Comparison with the previous year
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	
Net sales	174,610	100.0%	191,890	100.0%	366,500	100.0%	109.6%
Gross profit	51,900	29.7%	56,200	29.3%	108,100	29.5%	109.1%
SG&A expenses	44,820	25.6%	48,880	25.5%	93,700	25.6%	108.4%
Operating income	7,080	4.1%	7,320	3.8%	14,400	3.9%	114.2%
Ordinary income	7,350	4.2%	7,650	4.0%	15,000	4.1%	108.6%
Net income	4,010	2.3%	3,790	2.0%	7,800	2.1%	101.7%

Full-year earnings forecast by company

(Unit: million yen)

	Welcia HD (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 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
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