
Financial Results Briefing for the Third-Quarter of the Fiscal Year Ending August 2013 (3Q/ FY2013)

July 19, 2013

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. In 3Q 2013, Welcia Holdings Co.,Ltd. achieved significant increases in both sales and profits from the same period of previous year; sales : up 13.9%, gross operating profit : up 15.7%, ordinary income : up 27.3%, and net income : up 59.2%.
2. Sales were 100.1% against projections; growth of existing-store sales exceeds 2.4% and plans.
3. Gross operating profit was almost inline with target projections. (101.2% against the projections) Although SG&A expenses were greater than the projected numbers, both operating profit and ordinary profit exceeded the projections.
4. SG&A expenses were 100.6% against projections on account of 26.0% of sales, with utilities expenses exceeding the projections.
5. Having jumped 21.6% year on year, sales from dispensing remained strong.
6. 116 stores were newly opened compared with the target of 113 store openings (of which 46 are stores previously owned by Drug Fujii), while 17 stores were closed compared with the target of 27 store closures.
7. The ratio of drug stores with dispensing pharmacy (parallel establishment ratio) reached 61.0%.The number of such stores increased by 44 from the preceding year.

1. SG&A expenses were overall in line with the projections, after the second half underpinned by stepped up management of labor costs.

2. The number of drug stores with dispensing pharmacy is likely to increase in 4Q; the parallel establishment ratio is planned to recover to around 64% by the end of the current fiscal year.

3. Consolidation of Terashima into Welcia Kanto has been progressing smoothly. The consolidation is forecast to exert a positive effect on financial performance in the next fiscal year.

4. The number of new store openings in FY2013 is expected to increase by 10 on the original plan of 76 new openings.

5. A new business category development section, focused efforts have been made on testing store layout and product line-up in existing remodeled urban-type small stores.

2Q-3Q/FY2013 cumulative financial results

(Unit: Million yen; %)

	Actual results	Projections	Comparison with projections		Comparison with the previous year	
			Amount	Achievement rate	Amount	In Percentage terms
Net sales	244,743	244,540	203	100.1	29,876	113.9
	100.0	100.0	-	-	-	-
Gross profit	72,589	71,740	849	101.2	9,834	115.7
	29.7	29.3	-	-	-	-
SG&A expenses	63,444	63,095	349	100.6	8,162	114.8
	26.0	25.8	-	-	-	-
Operating income	9,144	8,645	499	105.8	1,671	122.4
	3.7	3.5	-	-	-	-
Ordinary income	10,108	9,100	1,008	111.1	2,166	127.3
	4.1	3.7	-	-	-	-
Net income	5,892	4,830	1,062	122.0	2,190	159.2
	2.4	2.0	-	-	-	-

Breakdown of 2Q-3Q/FY2013 cumulative financial results by company

(Unit: Million yen;%)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Terashima	Welcia Kansai	Goodwill and other
sales	244,743	163,318	31,406	29,093	20,744	
	100.0	100.0	100.0	100.0	100.0	179
Gross profit	72,589	48,223	10,086	8,505	5,742	
	29.7	29.5	32.1	29.2	27.7	31
SG&A expenses	63,444	41,405	8,866	7,210	5,343	799
	26.0	25.3	28.2	24.7	25.8	▲180
Operating income	9,144	6,818	1,219	1,295	398	▲799
	3.7	4.2	3.9	4.5	1.9	211
Ordinary income	10,108	7,706	1,314	1,359	486	▲799
	4.1	4.7	4.2	4.7	2.3	42
Net income	5,892	6,016	794	769	274	▲799
	2.4	3.7	2.5	2.6	1.3	▲1,163

*Major goodwill amortization includes 408 million yen by Takada; 190 million yen by Terashima; 122 million yen by Welcia Kansai; and 79million yen by Drug Fujii.

(1) Sales	
1. Existing-store sales	• Actual growth rate: 2.4% Projection: 1.8%
2. Sales from dispensing	• Actual results: 26,913 million yen • YoY: +21.6%; ratio of sales from dispensing: 11.0%
3. Store openings	• Actual results: 116 stores (including 46 Fujii stores) • Projection: 113 stores (including 46 Fujii stores)
4. Store closures	• Actual results: 17 stores Projection: 27 stores
(2) Gross margin ratio	
1. Gross margin ratio	• 29.2% ⇒ 29.7% YoY: +0.5 percentage points
Welcia Kanto	• 29.0% ⇒ 29.5% YoY: +0.5 percentage points
Takada	• 31.9% ⇒ 32.1% YoY: +0.2 percentage points
Terashima	• 28.8% ⇒ 29.2% YoY: +0.4 percentage points
Welcia Kansai	• 27.3% ⇒ 27.7% YoY: +0.4 percentage points
2. Gross margin ratio by segment	• Over-The-Counter (OTC) products: 40.2% ⇒ 40.4% YoY: +0.2 percentage points
	• Dispensing: 33.1% ⇒ 33.5% YoY: +0.4 percentage points
(3) SG&A expenses	
1. SG&A ratio:	• 26.0% Projection: 25.8%
2. Labor costs/ sales ratio	• 12.6% Projection: 12.5%

Existing stores

(Unit: %)

	Jun 2012 – Jun 2013												
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Welcia Kanto	2.4	1.8	3.3	2.1	2.1	▲0.3	3.8	2.5	▲0.7	8.8	4.6	4.1	4.1
Takada	▲0.2	1.2	2.1	1.1	1.8	2.4	▲0.3	▲1.8	▲0.4	5.2	▲1.1	0.2	2.3
Terashima	▲3.0	▲0.7	1.1	▲1.0	0.5	▲2.2	0.8	0.9	▲0.4	/	/	/	/
Welcia Kansai	1.1	▲0.5	▲4.2	1.8	0.3	▲3.6	3.3	1.0	1.8	7.0	2.8	1.3	▲0.1
Group Total	0.9	1.0	2.1	1.4	1.6	▲0.6	2.6	1.5	▲0.4	8.1	3.7	3.3	3.5

All stores

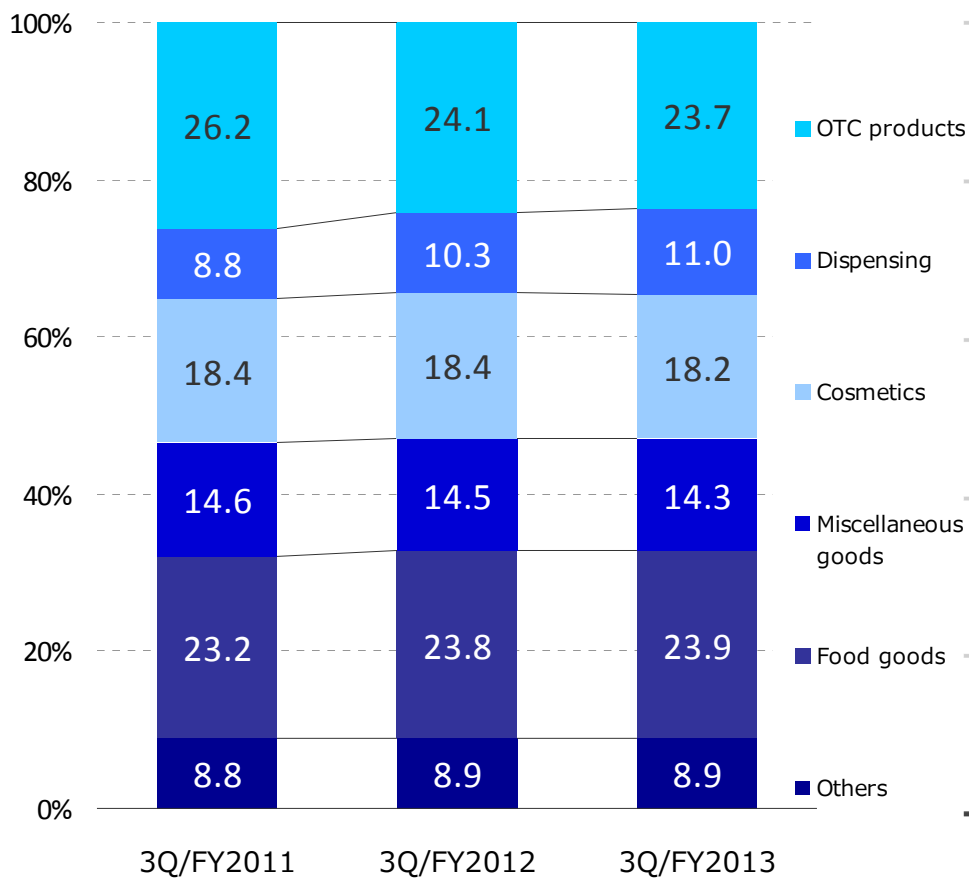
(Unit: %)

	Jun 2012 – Jun 2013												
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Group Total	7.8	8.4	9.4	13.3	12.8	10.5	13.5	12.7	10.5	20.4	16.1	15.5	15.5

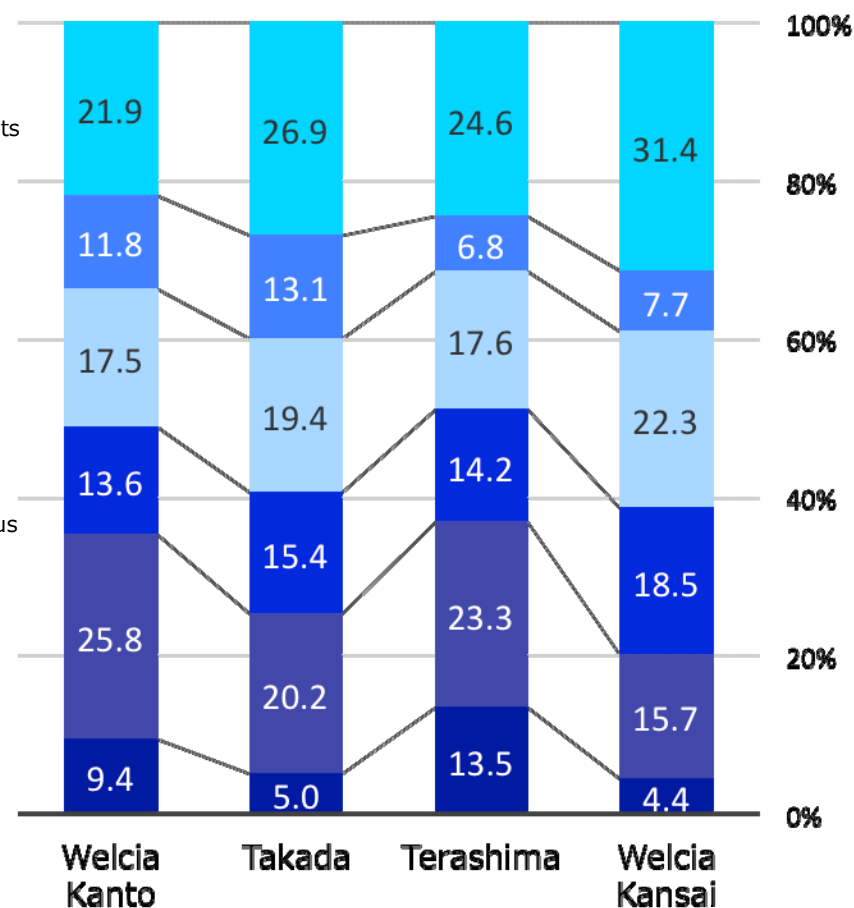
*Welcia Kanto Co., Ltd. merged with Drug Fujii Co., Ltd. on September 1, 2012.

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

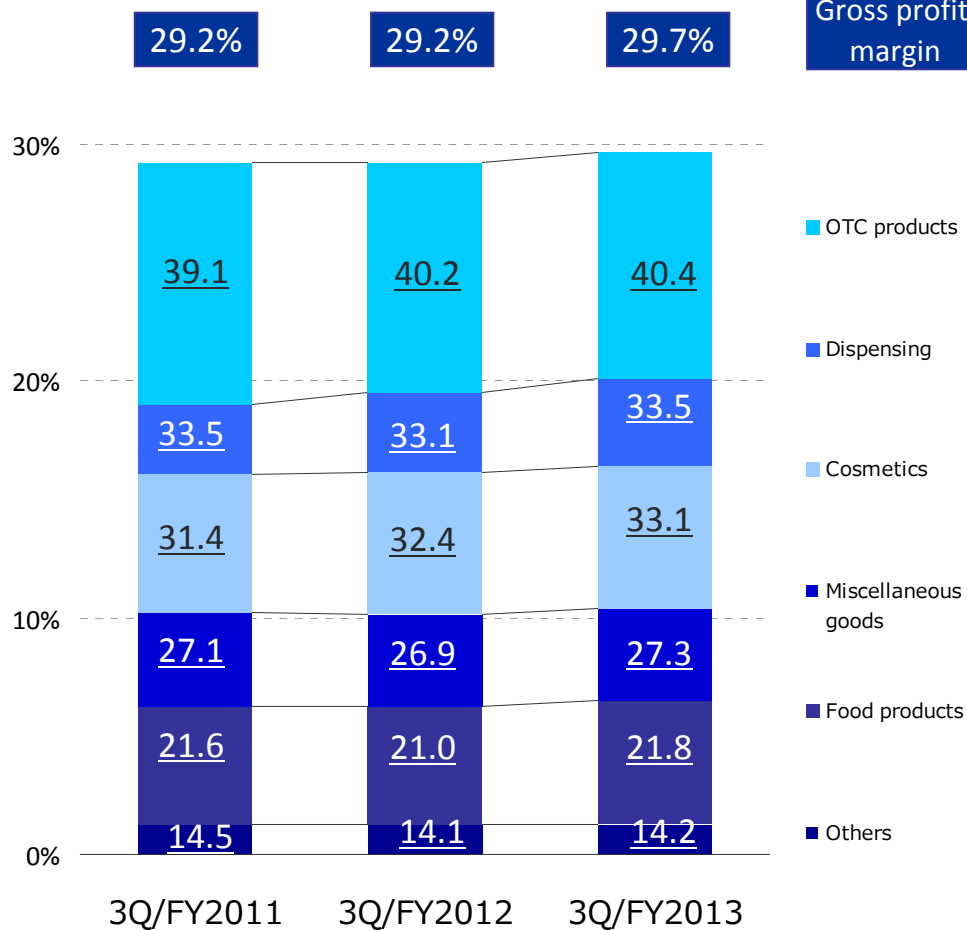
Trends in sales composition ratio by segment



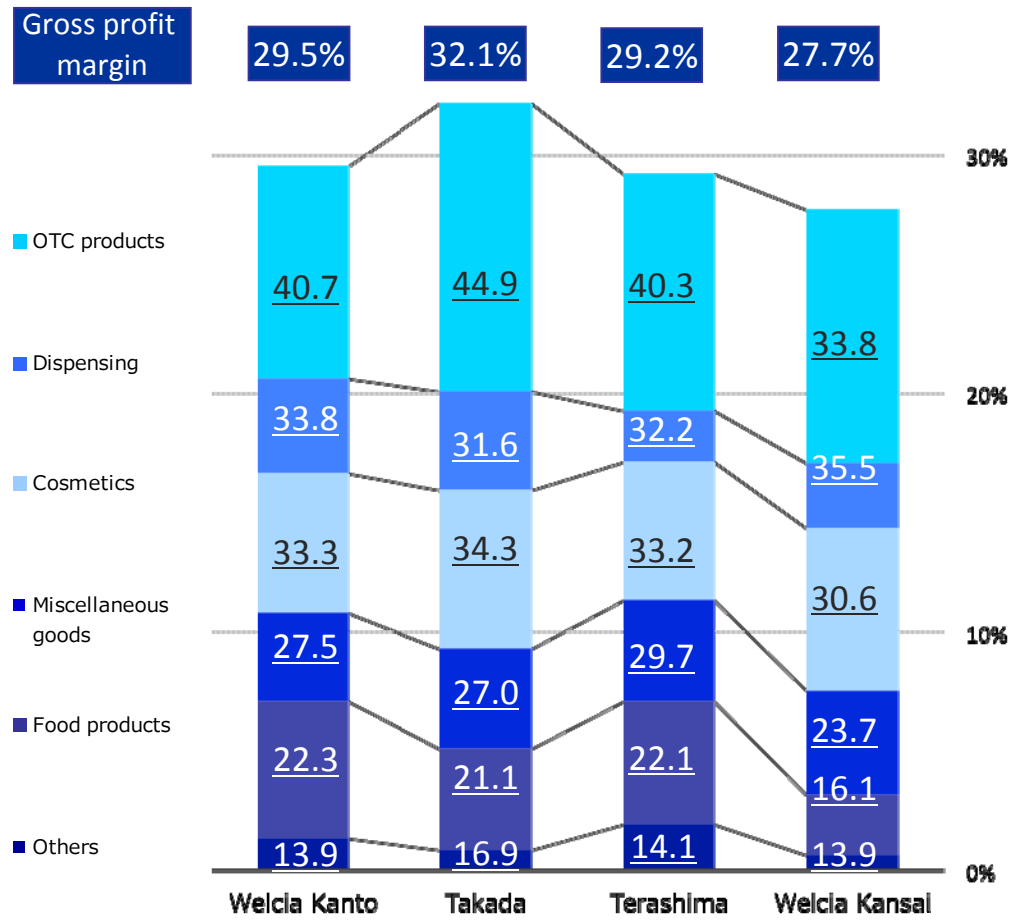
3Q/FY2013 sales composition ratio by segment and company



Trends in profit margin by segment

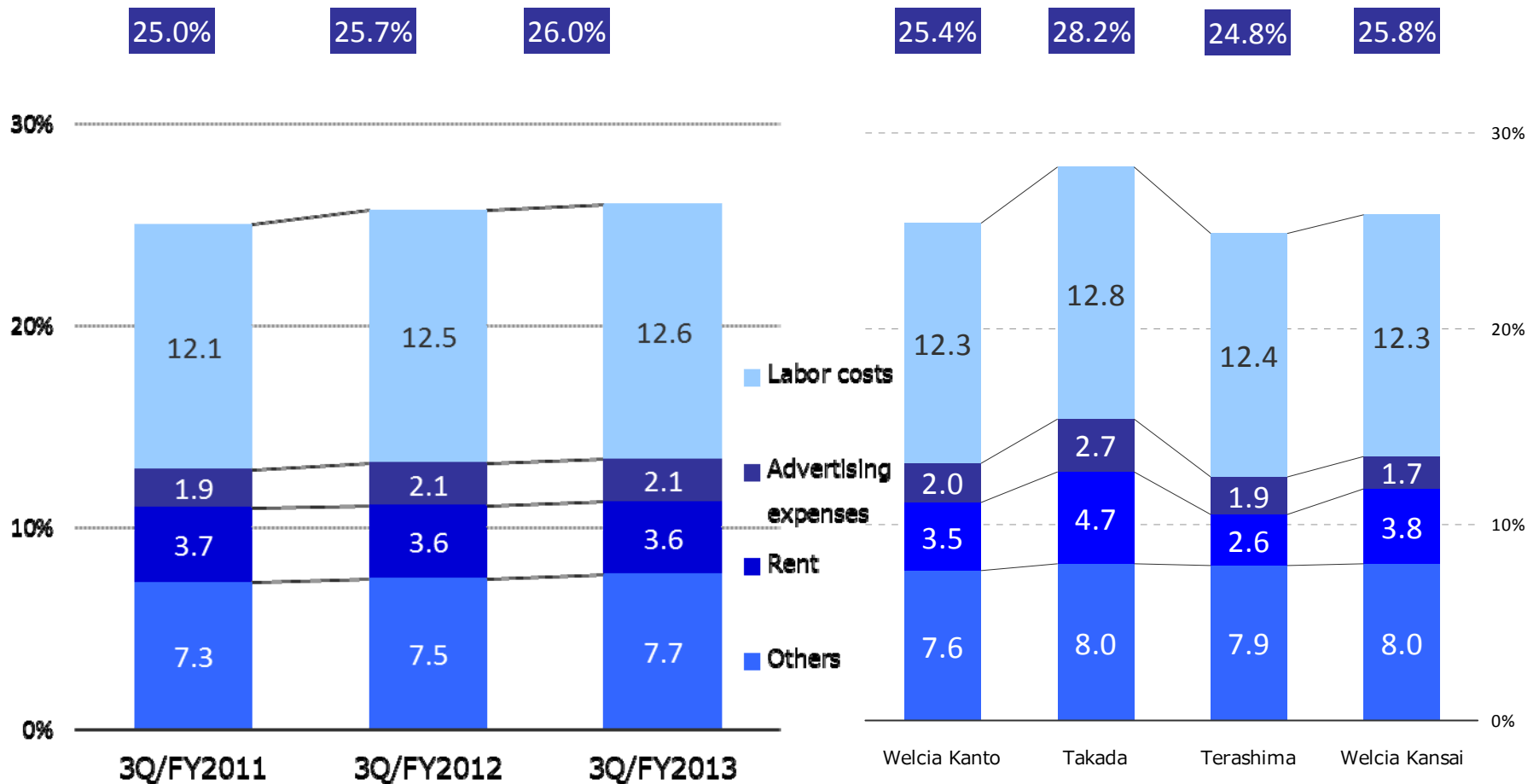


3Q/FY2013 profit margin by segment and company

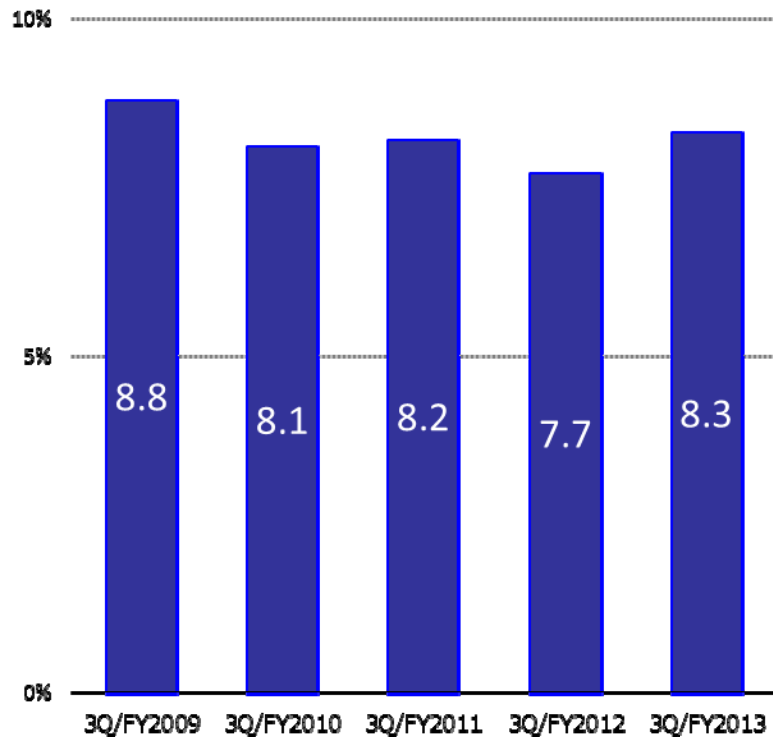


Trends in SG&A expenses composition ratio

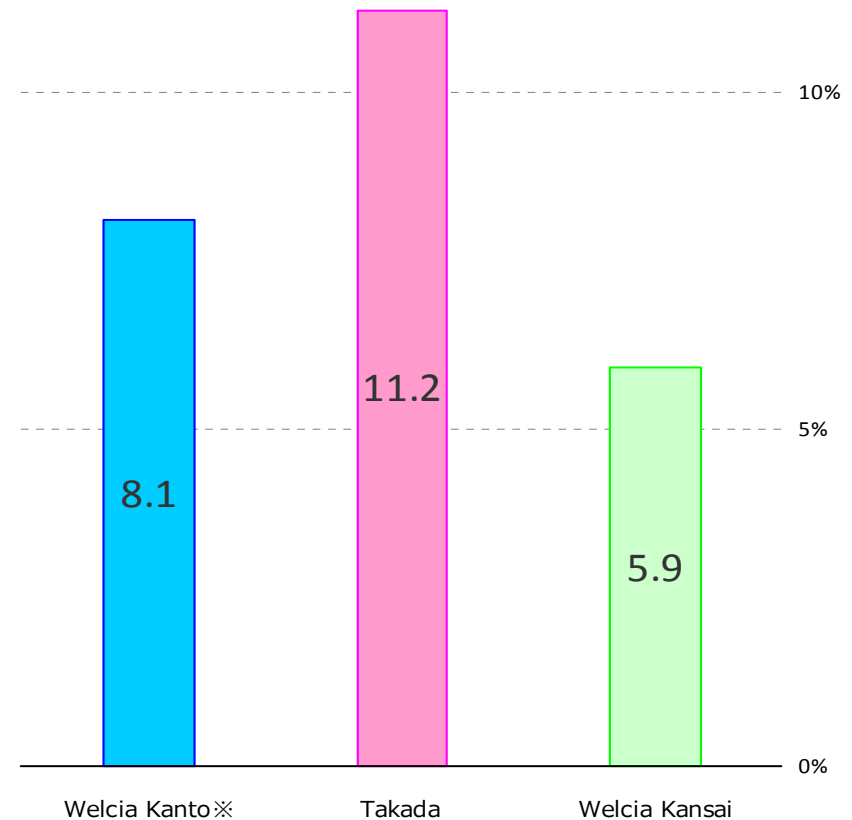
3Q/FY2013 SG&A expenses composition ratio by company



Trends in sales composition ratio of PB products



3Q/FY2013 sales composition ratio of PB products by company



Note: The drugstore business of Terashima was divested and merged with Welcia Kanto on March 1, 2013, due to this, sales of Terashima's drugstore business have been included in Welcia Kanto's results since September 2012.

Number of employees (as of May 31, 2013)

	Welcia Holdings (consolidated)	Welcia Kanto* ¹	Takada	Welcia Kansai	Terashima * ²
Number of employees	3,836	2,697	526	428	115
Number of temporary employees (based on 8h/employee)	7,914	6,194	948	673	96
Sales per employee (thousand yen)	20,829	21,529	21,307	18,841	4,723

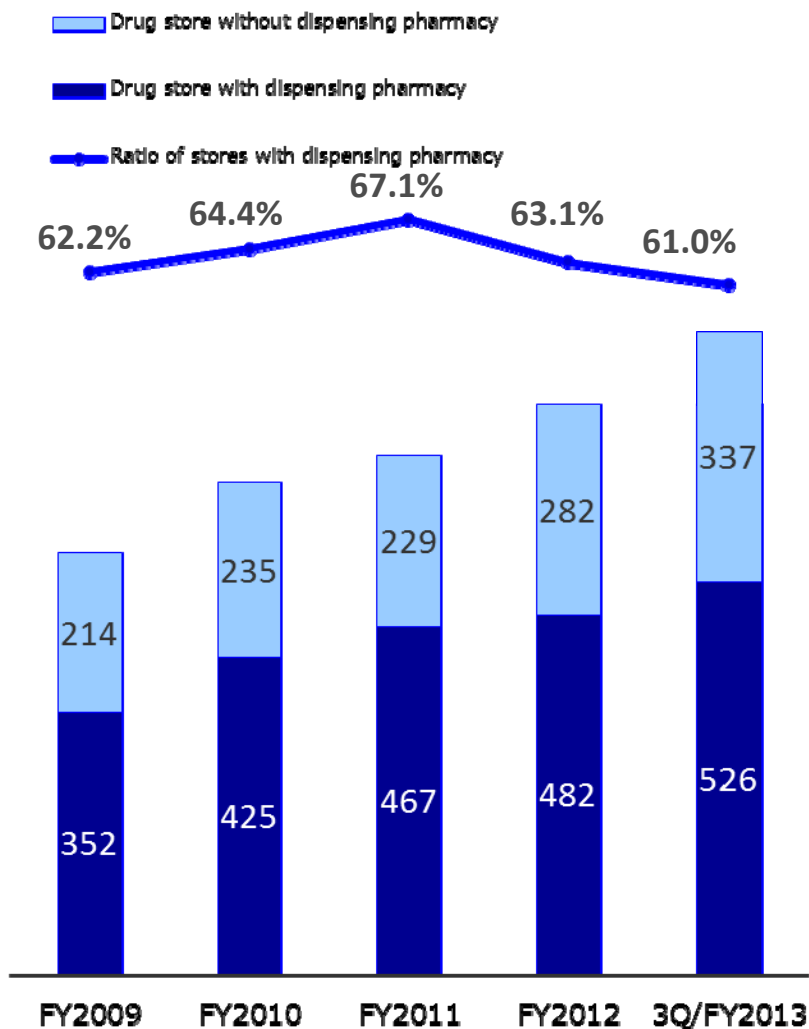
Number of pharmacists (enrollment)	2,042	1,695	201	140	
Number of registered sales clerks (enrollment)	3,986	2,971	625	390	
Number of stores	863	633	140	90	
Number of pharmacists per store	2.4	2.7	1.4	1.6	
Number of registered sales clerks per store	4.6	4.7	4.5	4.3	

*1: The drugstore business of Terashima was divested and merged with Welcia Kanto on March 1, 2013, due to this, sales of Terashima's drugstore business have been included in Welcia Kanto's results since September 2012.

*2: The employee data of Terashima such as the number of staff and per capita sales is based on employees belonging to its nursing care business.

	August 31, 2012	Store openings		Store closures		Drug Fujii	May 31, 2013
		Actual results	Projection	Actual results	Projection		
Welcia Kanto (Incl. Terashima)	551	50	48	14	19	46	633
Takada	132	11	11	3	4		140
Welcia Kansai	81	9	8	0	4		90
Total	764	70	67	17	27	46	863

Trends in the number of drug stores with dispensing pharmacy and ratio of such stores



Drug store with dispensing pharmacy: **526** stores
(+44 stores)

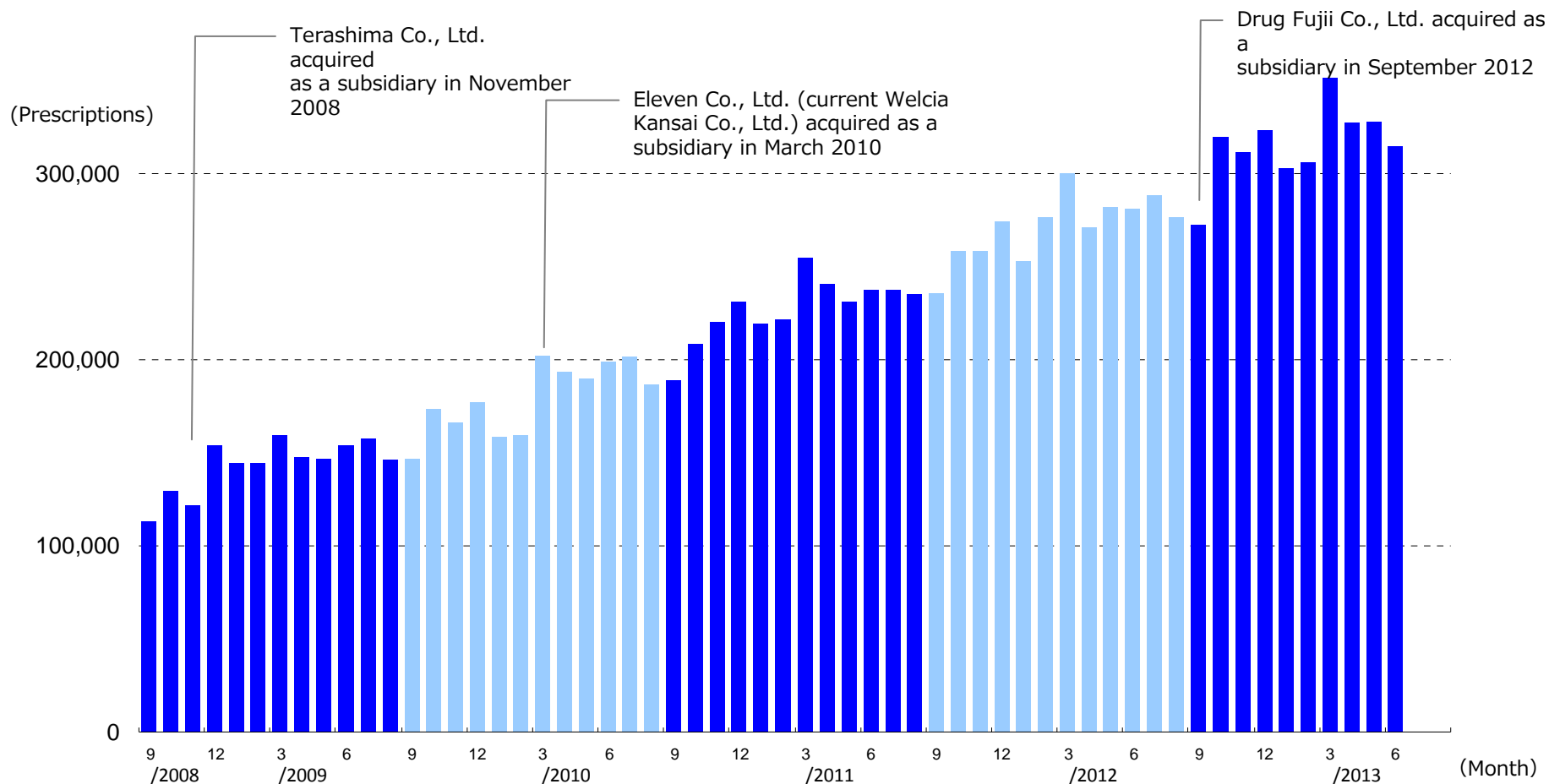
Parallel establishment ratio: **61.0%**
(as of the end of May 2013)

Breakdown by company
(Parenthesized figures are those as of the end of August 2012)

	Drug store with dispensing pharmacy	Parallel establishment ratio
Welcia Kanto	425 (387)	67.1% (70.2%)
Takada	70 (68)	50.0% (51.5%)
Welcia Kansai	31 (27)	34.4% (33.3%)
Total	526 (482)	61.0% (63.1%)

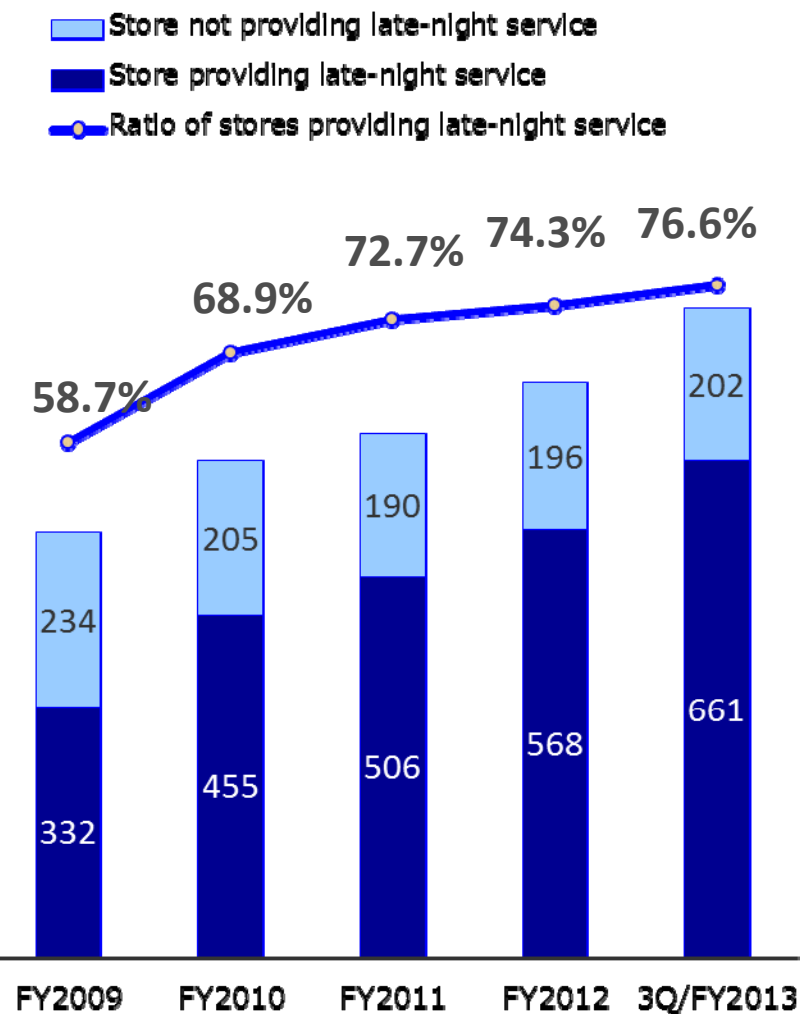
Welcia Kanto's data for FY2012 includes the number of stores of Terashima.

Strategic fields: Trends in the number of prescriptions handled

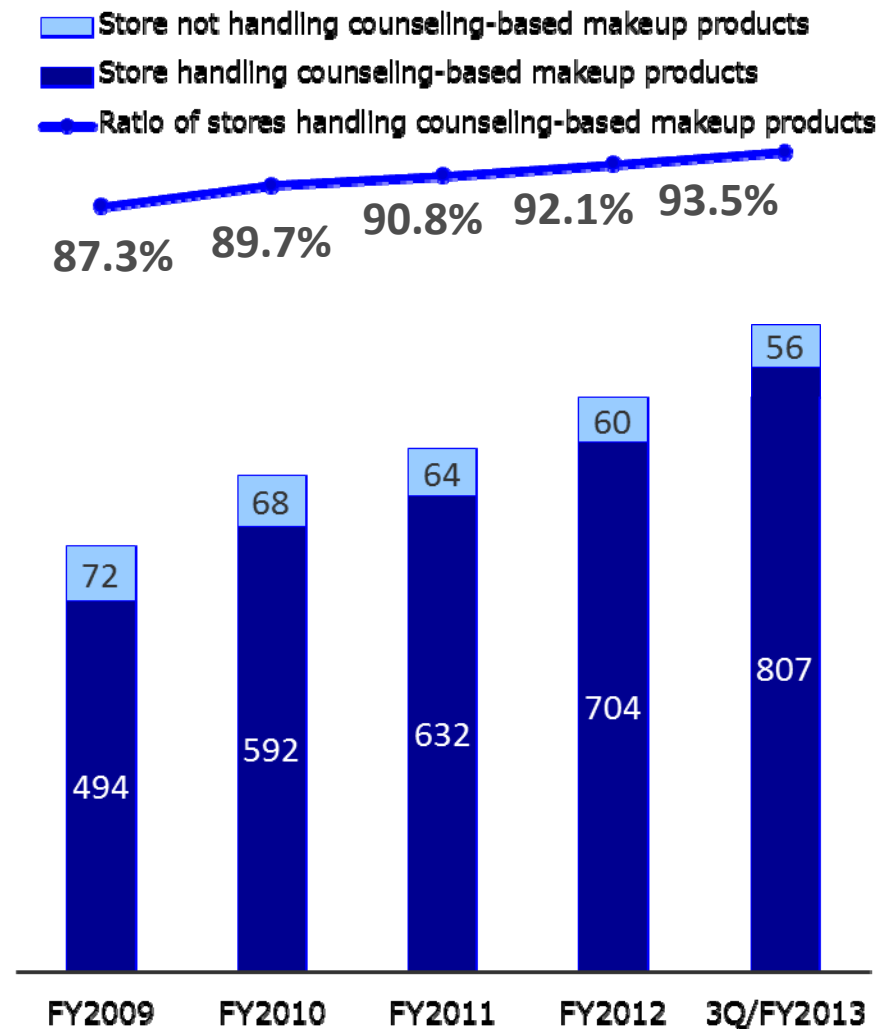


	FY2009	FY2010	FY2011	FY2012	3Q/FY13
Number of prescriptions	1,720,289	2,155,063	2,726,184	3,255,779	2,847,348
Sales from dispensing (million yen)	14,003	18,128	23,892	29,911	26,913

Trends in the number of stores opening until midnight and ratio of such stores



Trends in the number of stores with cosmetics counseling and ratio of such stores



1H actual results and 2H earnings forecast

(Unit: million yen; %)

	First half (actual results)		Second half		Full FY2013		Comparison With FY2012 in percentage terms
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	
Net sales	158,956	100.0	174,044	100.0	333,000	100.0	113.5
Gross profit	47,409	29.8	50,131	28.8	97,540	29.3	112.8
SG&A expenses	41,699	26.2	43,301	24.9	85,000	25.5	113.4
Operating income	5,710	3.6	6,830	3.9	12,540	3.8	109.1
Ordinary income	6,045	3.8	7,115	4.1	13,160	4.0	107.1
Net income	3,389	2.1	3,111	1.8	6,500	2.0	110.2

Full-year earnings forecast by company

(Unit: million yen; %)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Terashima	Welcia Kansai	Goodwill and other
Net sales	333,000	230,900	43,560	29,560	28,410	
	100.0	100.0	100.0	100.0	100.0	570
Gross profit	97,540	67,070	13,980	8,470	7,880	
	29.3	29.0	32.1	28.7	27.7	140
SG&A expenses	85,000	57,500	12,220	7,150	7,130	1,016
	25.5	24.9	28.1	24.2	25.1	▲16
Operating income	12,540	9,570	1,760	1,320	750	▲1,016
	3.8	4.1	4.0	4.5	2.6	156
Ordinary income	13,160	10,050	1,840	1,380	850	▲1,016
	4.0	4.4	4.2	4.7	3.0	56
Current net income	6,500	6,270	980	740	400	▲1,016
	2.0	2.7	2.2	2.5	1.4	▲874

*Terashima Co., Ltd. forecasted earnings by adding second half earnings to first half results in its nursing care business.

	March 1, 2013	Store openings	Store closures	Estimated number of stores at the end of FY2013
By company				
Welcia Kanto	616	19	5	630
Takada	138	7	2	143
Welcia Kansai	86	4	4	86
By area				
Tohoku	13	5	-	18
Kanto	495	9	3	501
Chubu	246	12	4	254
Kinki (including Mie Prefecture)	86	4	4	86
Total	840	30	11	859