

Financial Results Briefing for the Fiscal Year Ended August, 2013

October 22, 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 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 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. Welcia Holdings Co., Ltd. achieved favorable results compared with the previous year in both sales and profits in FY2013. Sales were 100.4% against the projection and up 14.0% as expected. Gross profit was 101.6% against the projection, and gross profit margin was 29.6%.
2. Both operating income and ordinary income exceeded their projections. Ordinary income was up 12.4% from the previous year partly owing to non-operating income of returns from previous provision for point card certificates.
3. Net income for the fiscal year increased substantially, by 30.0% compared with the previous year, owing to positive effects of taxation on M&A and company reorganization within the group.
4. SG&A expenses of concern were 101.7% against projection due to significant rise in depreciation cost and utilities expenses. The ratio to sales was 25.8%.
5. Dispensing continued to perform strongly with sales increase of 21.8% compared with the previous year and sales composition ratio of 10.9%.
6. 88 stores were newly opened as against the target of 76 store openings, while 24 stores were closed as against the target of 27 closures. The number of stores as of the end of the year was 874 including 46 stores previously owned by Drug Fujii.
7. The number of drug stores with dispensing pharmacy increased by 77 from the previous year, with parallel establishment ratio growing by 0.9 point to 64.0%.

1. Aggressive policy to open 100 new stores. 15 stores are scheduled for closure. Sales are projected to be 109.6% at 366.5 billion yen compared with the previous year.

Ordinary income is projected to be 108.6% at 15 billion yen compared with the previous year with ordinary income margin of 4.1%.

2. Net income is projected to be 101.7% at 7.8 billion yen compared with the previous year, where there will be no benefit from the effect of the lower tax rate for reason of the accounting system in the first half year of FY2014.

Dispensing is expected to remain strong with projected sales of 117.2% compared with the previous year and a sales composition ratio of 11.7%.

3. The number of drug stores with dispensing pharmacy is expected to increase by 123 from the previous year. The parallel establishment ratio is set at a high target of 71.1% with an increase of 7.1 points over the previous year.

Welcia Kansai and Takada plan to open 21 and 20 new stores with dispensing pharmacy achieving parallel establishment ratio of 54.5% and 62.1% respectively.

4. Despite factors for higher SG&A expenses, such as start of a new system and growing pharmacist labor costs, the ratio of SG&A expenses to sales is projected to decrease by 0.2% to 25.6% compared with the previous year, benefiting from the effects of consolidation, etc.

5. In order to strengthen the group brand, the names of the stores of Takada and Welcia Kansai shall be standardized to "Welcia."

1 . Outline of the 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	334,393	333,000	1,393	100.4	41,014	114.0
	100.0	100.0	-	-	-	-
Gross profit	99,059	97,540	1,519	101.6	12,602	114.6
	29.6	29.3	-	-	-	-
SG&A expenses	86,451	85,000	1,451	101.7	11,484	115.3
	25.8	25.5	-	-	-	-
Operating income	12,607	12,540	67	100.5	1,118	109.7
	3.8	3.8	-	-	-	-
Ordinary income	13,811	13,160	651	105.0	1,518	112.4
	4.1	4.0	-	-	-	-
Net income	7,669	6,500	1,169	118.0	1,770	130.0
	2.3	2.0	-	-	-	-

(Unit: Million yen; %)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Terashima	Welcia Kansai	Goodwill and other
Net sales	334,393	233,698	42,724	29,426	28,330	212
	100.0	100.0	100.0	100.0	100.0	
Gross profit	99,059	68,840	13,747	8,531	7,905	33
	29.6	29.5	32.2	29.0	27.9	
SG&A expenses	86,451	59,215	12,020	7,268	7,194	1,007
	25.8	25.4	28.2	24.7	25.4	▲255
Operating income	12,607	9,624	1,727	1,262	711	▲1,007
	3.8	4.1	4.0	4.3	2.5	289
Ordinary income	13,811	10,708	1,856	1,328	878	▲1,007
	4.1	4.6	4.3	4.5	3.1	47
Net income	7,669	7,612	1,097	766	404	▲1,007
	2.3	3.3	2.6	2.6	1.4	▲1,204

*Major goodwill amortization includes 545 million yen by Takada; 195 million yen by Terashima; 162 million yen by Welcia Kansai; and 104 million yen by Drug Fujii.

(1) Sales	
1. Existing-store sales	• Actual growth rate: 2.5% Projection: 1.9%
2. Sales from dispensing	• Actual results: 36,425 million yen YoY: +21.8%; ratio of sales from dispensing: 10.9%
3. Store openings	• Actual results: 134 stores (including 46 Drug Fujii stores) Projection: 122 stores (including 46 Drug Fujii stores)
4. Store closures	• Actual results: 24 stores Projection: 27 stores
(2) Gross margin ratio	
1. Gross margin ratio	• 29.5% ⇒ 29.6% YoY: +0.1 percentage points
Welcia Kanto	• 29.3% ⇒ 29.5% YoY: +0.2 percentage points
Takada	• 32.2% ⇒ 32.2% YoY: +0.0 percentage points
Welcia Kansai	• 27.6% ⇒ 27.9% YoY: +0.3 percentage points
2. Gross margin ratio by segment	• Over-The-Counter (OTC) products: 39.9% ⇒ 40.0% YoY: +0.1 percentage points
	• Dispensing: 34.4% ⇒ 33.3% YoY: ▲1.1 percentage points
(3) SG&A expenses	
1. SG&A ratio:	• 25.8% Projection: 25.5%
2. Labor costs/ sales ratio	• 12.6% Projection: 12.4%

Summary of consolidated balance sheets (as of August 31, 2013)

(Unit: Million yen)

Subject	Amount
(Assets)	
Current assets	64,291
Cash and deposits	18,343
Accounts receivable-trade	8,283
Merchandise	33,477
Other	4,186
Noncurrent assets	75,108
Property, plant and equipment	47,175
Buildings and structures(net)	26,333
Land	8,037
Lease assets (net)	10,162
Other (net)	2,642
Intangible assets	9,700
Goodwill	7,857
Other	1,843
Investments and other assets	18,232
Guarantee deposits	13,977
Other	4,255
Total assets	139,399

Subject	Amount
(Liabilities)	
Current liabilities	71,211
Accounts payable-trade	51,622
Short-term loans payable (including loans for less than one year)	6,487
Other	13,101
Noncurrent liabilities	17,912
Long-term loans payable	7,838
Provision for retirement benefits	769
Provision for directors' retirement benefits	1,429
Other	7,875
Total liabilities	89,123
(Net assets)	
Capital stock	1,000
Capital surplus	17,932
Retained earnings, other	29,375
Valuation difference on available-for-sale securities, other	67
Minority interests	1,900
Total net assets	50,276
Total liabilities and net assets	139,399

Existing stores

(Unit: %)

	September, 2012 – August, 2013											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Welcia Kanto	2.1	2.1	▲0.3	3.8	2.5	▲0.7	8.8	4.6	4.1	4.1	3.5	2.7
Takada	1.1	1.8	2.4	▲0.3	▲1.8	▲0.4	5.2	▲1.1	0.2	2.3	▲0.6	1.4
Terashima	▲1.0	0.5	▲2.2	0.8	0.9	▲0.4	/	/	/	/	/	/
Welcia Kansai	1.8	0.3	▲3.6	3.3	1.0	1.8	7.0	2.8	1.3	▲0.1	▲1.5	1.2
Group Total	1.4	1.6	▲0.6	2.6	1.5	▲0.4	8.1	3.7	3.3	3.5	2.5	2.4

All stores

(Unit: %)

	September, 2012 – August, 2013											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Group Total	13.3	12.8	10.5	13.5	12.7	10.5	20.4	16.1	15.5	15.5	13.9	13.6

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

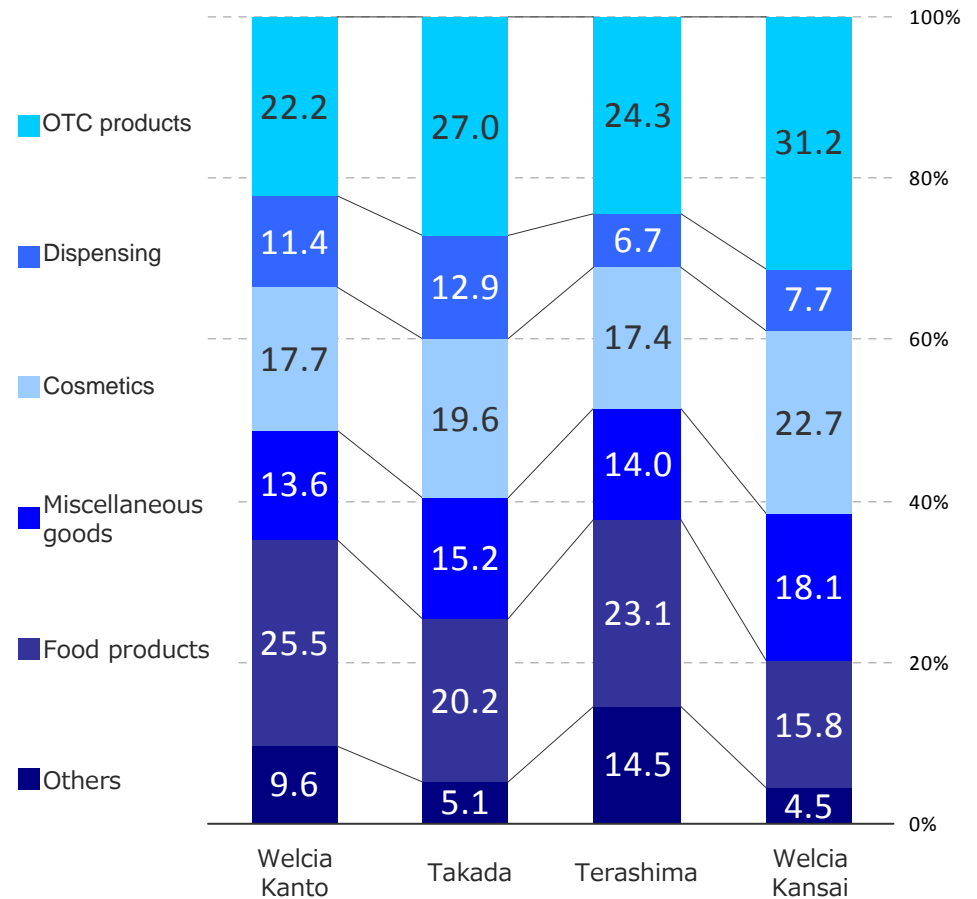
*Welcia Kanto Co., Ltd. took over the drug store business of Terashima Co., Ltd. on March 1, 2013.

Sales composition ratio by segment (cumulative total)

Trends in sales composition ratio by segment

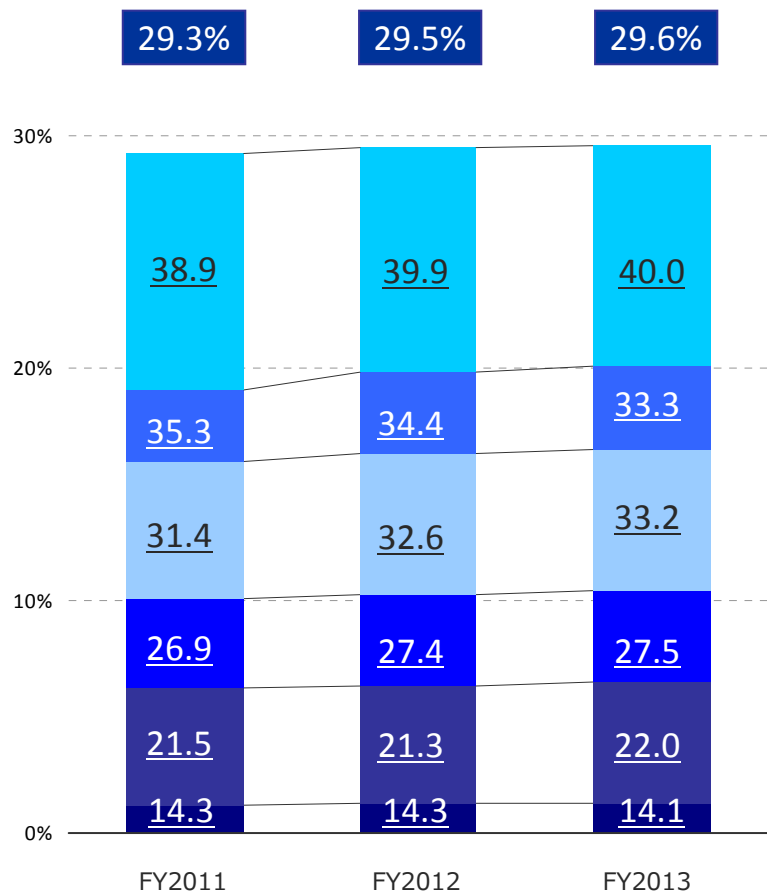


FY2013 sales composition ratio by segment and company

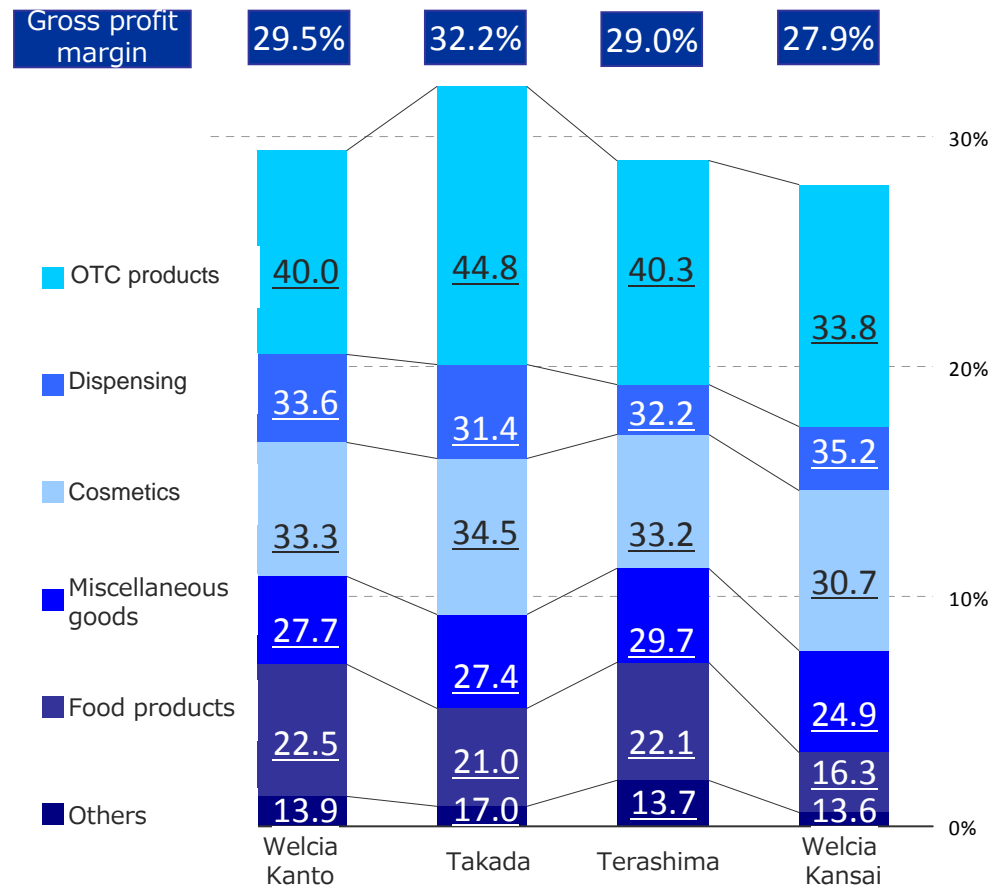


Gross profit margin by segment (cumulative total)

Trends in profit margin by segment

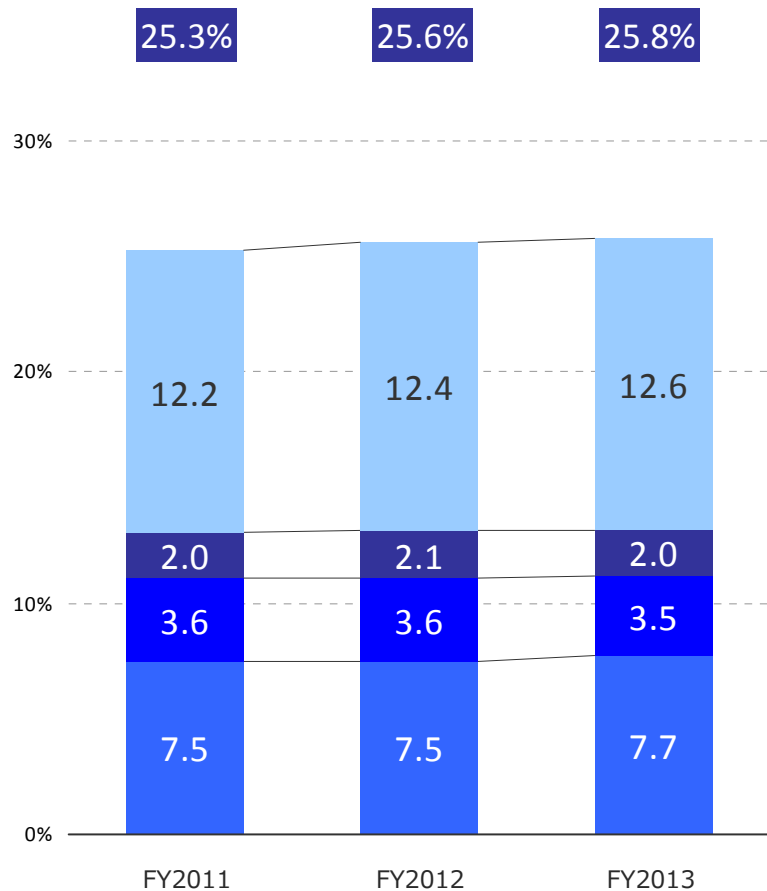


FY2013 profit margin by segment and company

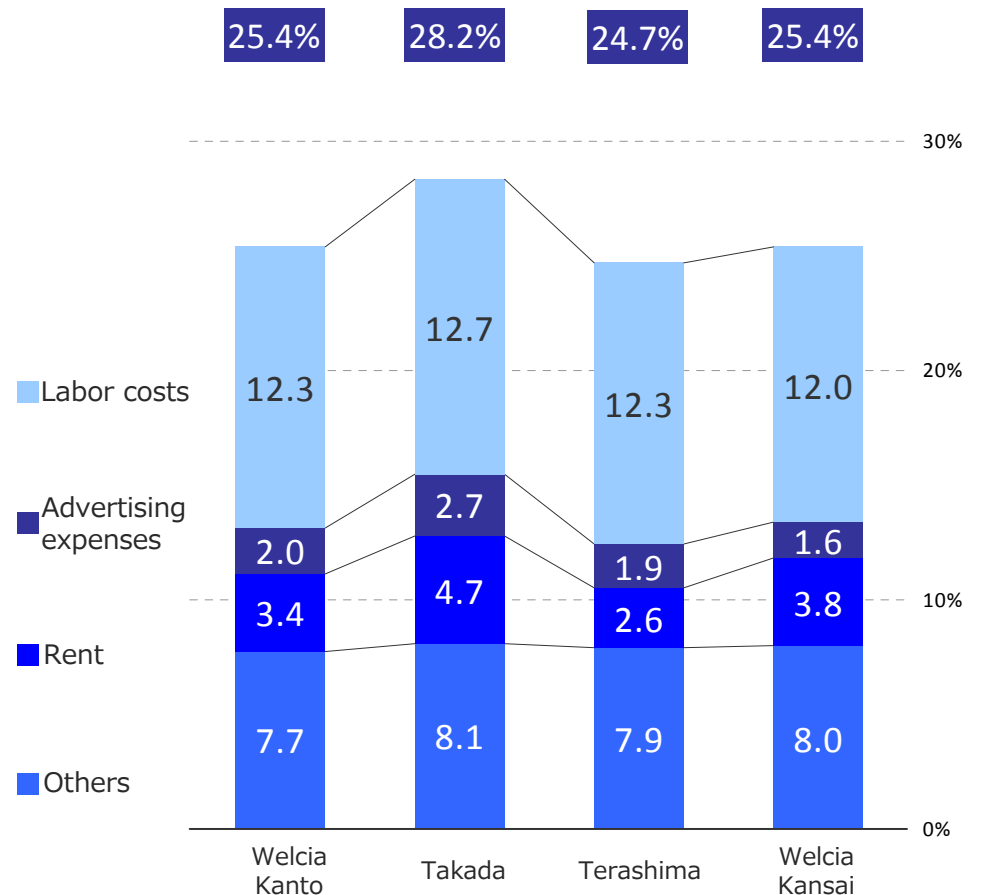


SG&A expenses composition ratio (cumulative total)

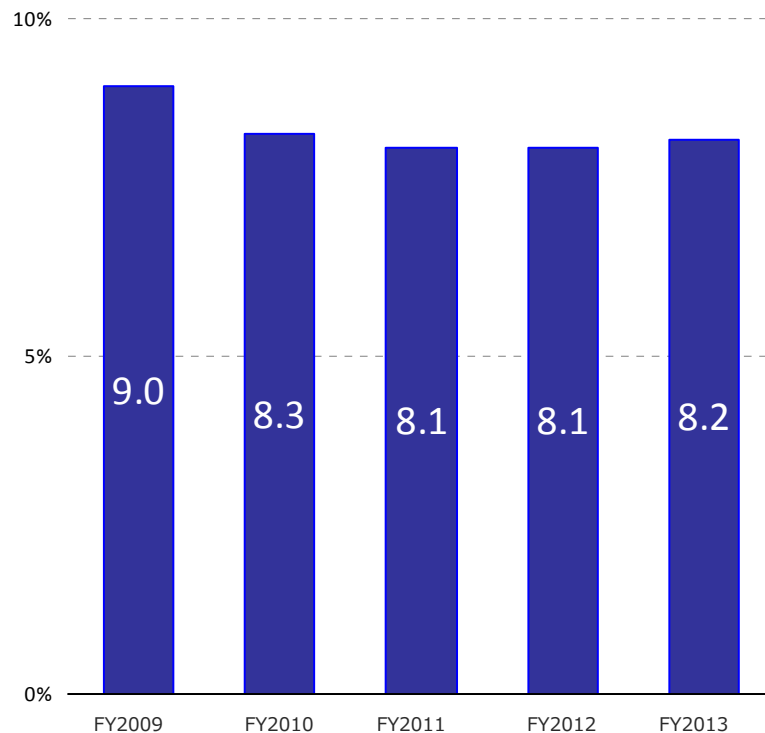
Trends in SG&A expenses composition ratio



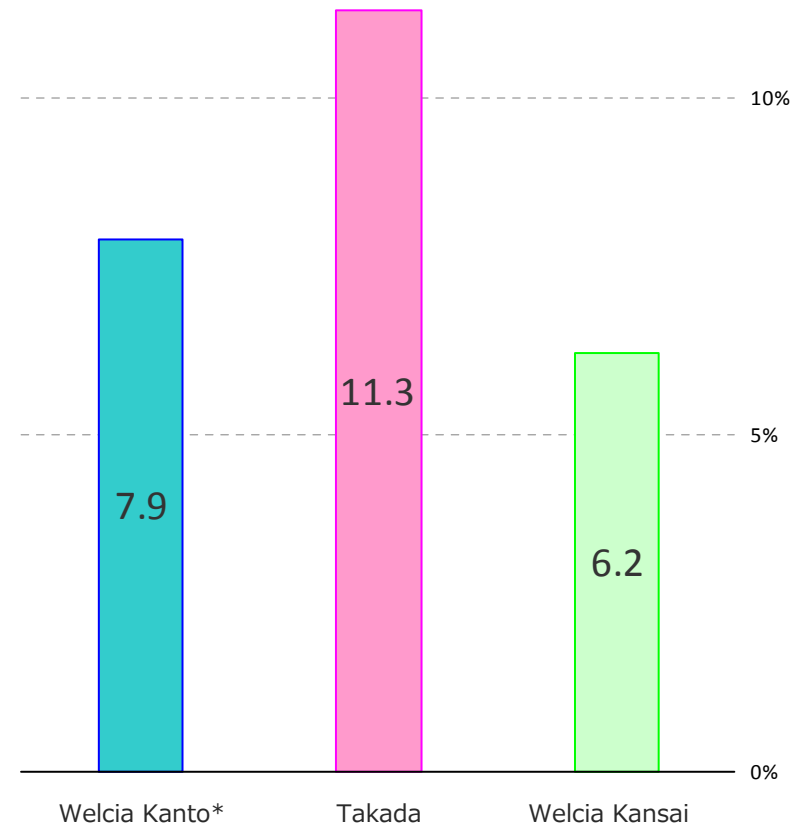
FY2013 SG&A expenses composition ratio by company



Trends in sales composition ratio of PB products



FY2013 sales composition ratio of PB products by company



*: On March 1, 2013, the drug store business of Terashima was divested and merged with Welcia Kanto. Due to this, sales of Terashima have been included in results of Welcia Kanto.

Number of employees (As of August 31, 2013)

	Welcia Holdings (consolidated)	Welcia Kanto*	Takada	Welcia Kansai
Number of employees	3,788	2,790	512	421
Number of temporary employees (based on 8h/employee)	7,968	6,360	947	656
Sales per employee (unit: thousand yen)	28,444	28,756	29,283	26,305
Number of pharmacists (enrollment)	2,022	1,693	192	131
Number of registered sales clerks (enrollment)	4,027	3,019	625	383
Number of stores	874	643	142	89
Number of pharmacists per store	2.3	2.6	1.4	1.5
Number of registered sales clerks per store	4.6	4.7	4.4	4.3

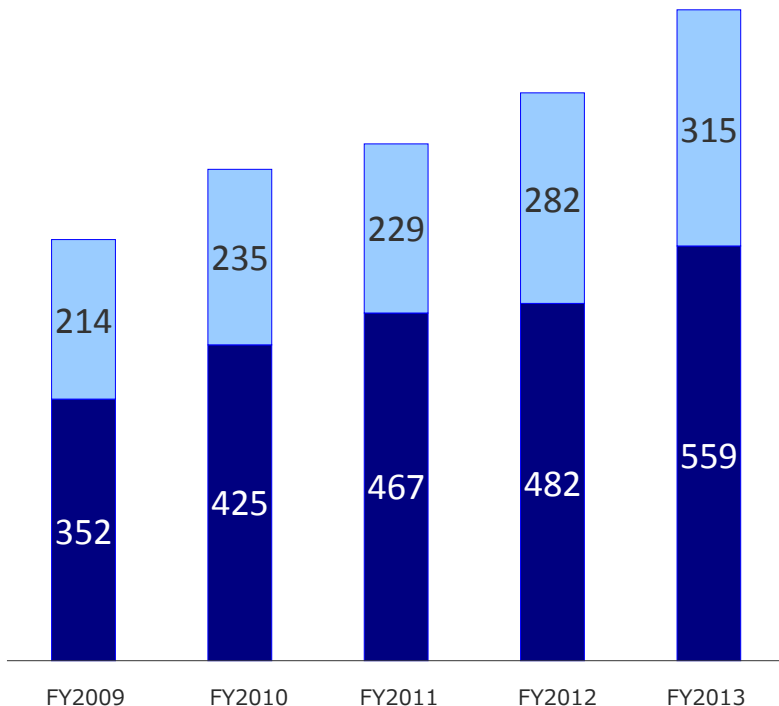
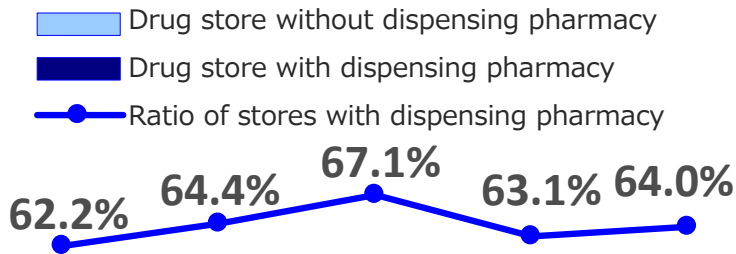
*: On March 1, 2013, the drug store business of Terashima was divested and merged with Welcia Kanto. Due to this, sales of Terashima have been included in results of Welcia Kanto.

	August 31, 2012	Store openings		Store closures		Drug Fujii	August 31, 2013
		Actual results	Projection	Actual results	Projection		
Welcia Kanto (including Terashima)	551	63	52	17	19	+46	643
Takada	132	15	15	5	4		142
Welcia Kansai	81	10	9	2	4		89
Total	764	88	76	24	27	+46	874

2. Strategic Fields for FY2013

Strategic fields: Drug store with dispensing pharmacy (pharmacy for family)

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



Drug store with dispensing pharmacy: **559** store
(+77 stores)

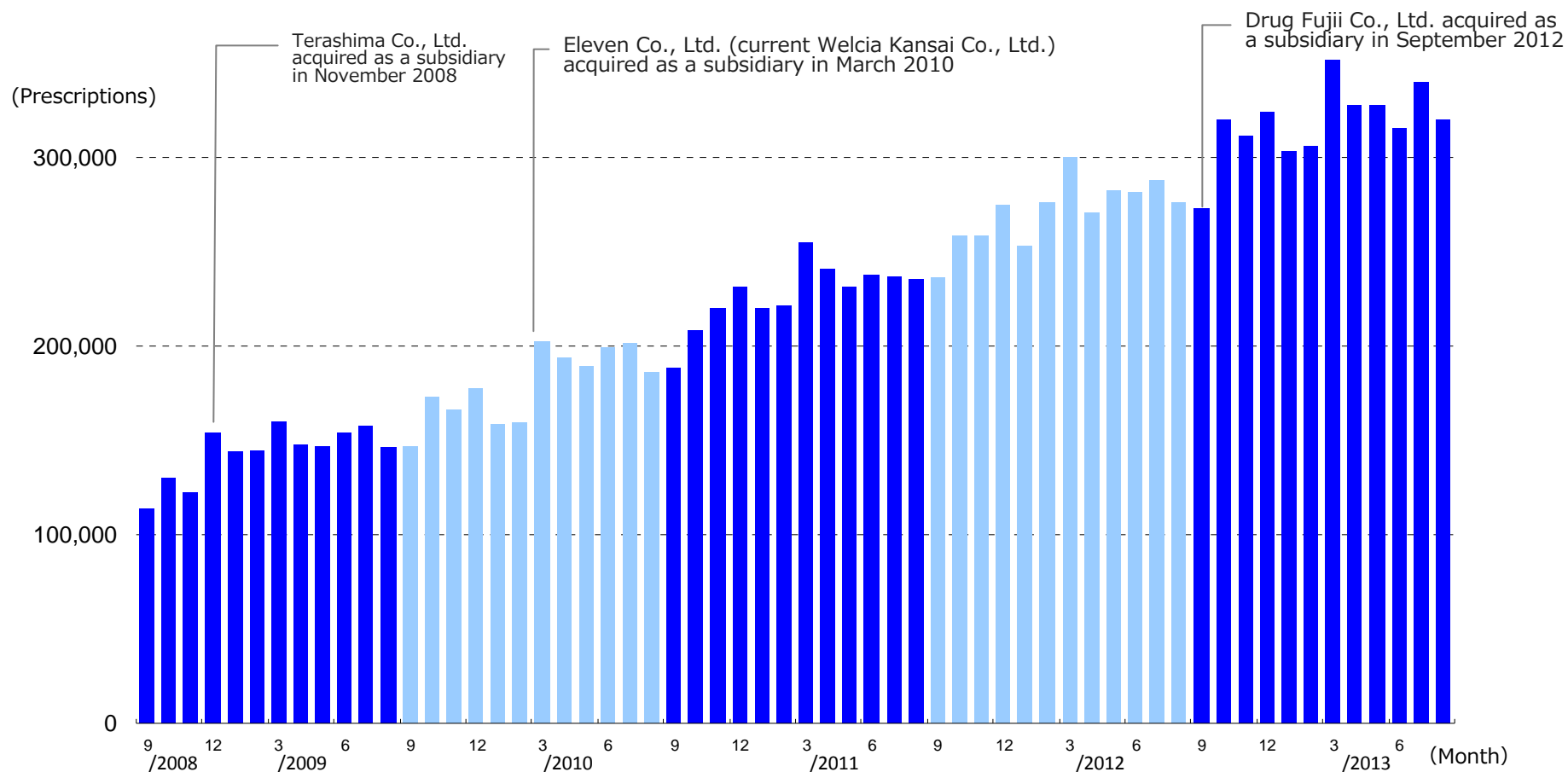
Parallel establishment ratio: **64.0%**
(as of the end of August, 2013)

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

	Drug store with dispensing pharmacy	Parallel establishment ratio
Welcia Kanto	451 (387)	70.1% (70.2%)
Takada	75 (68)	52.8% (51.5%)
Welcia Kansai	33 (27)	37.1% (33.3%)
Total	559 (482)	64.0% (63.1%)

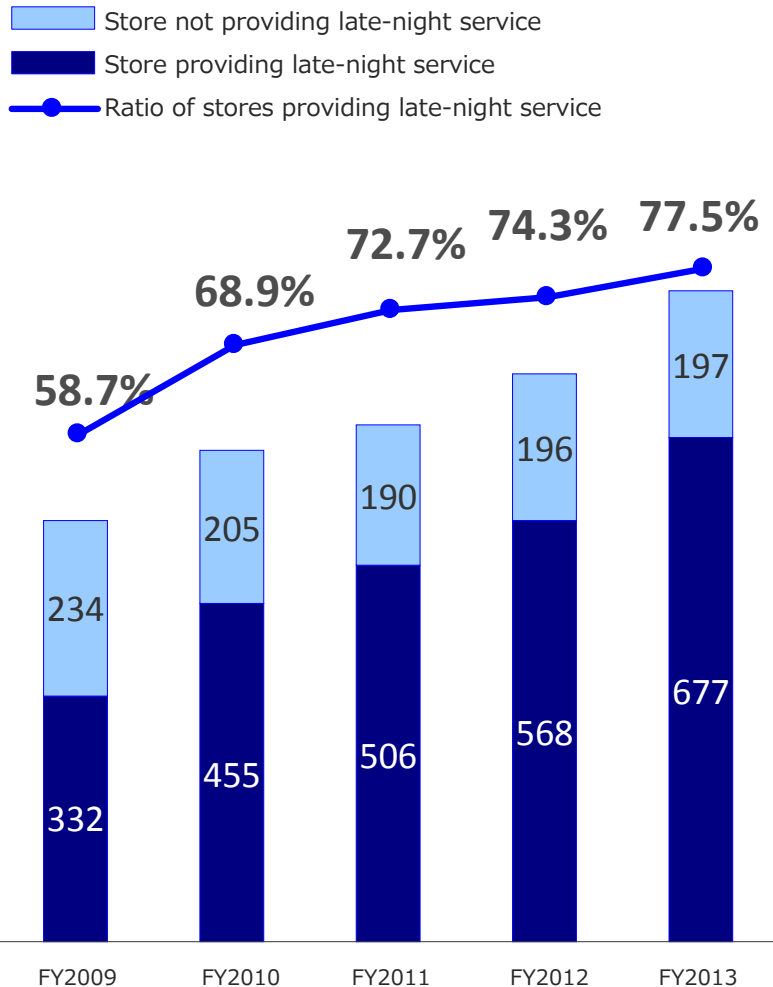
Welcia Kanto's data for FY2012 includes the number of stores of Terashima.

Strategic fields: Trends in the number of prescriptions handled

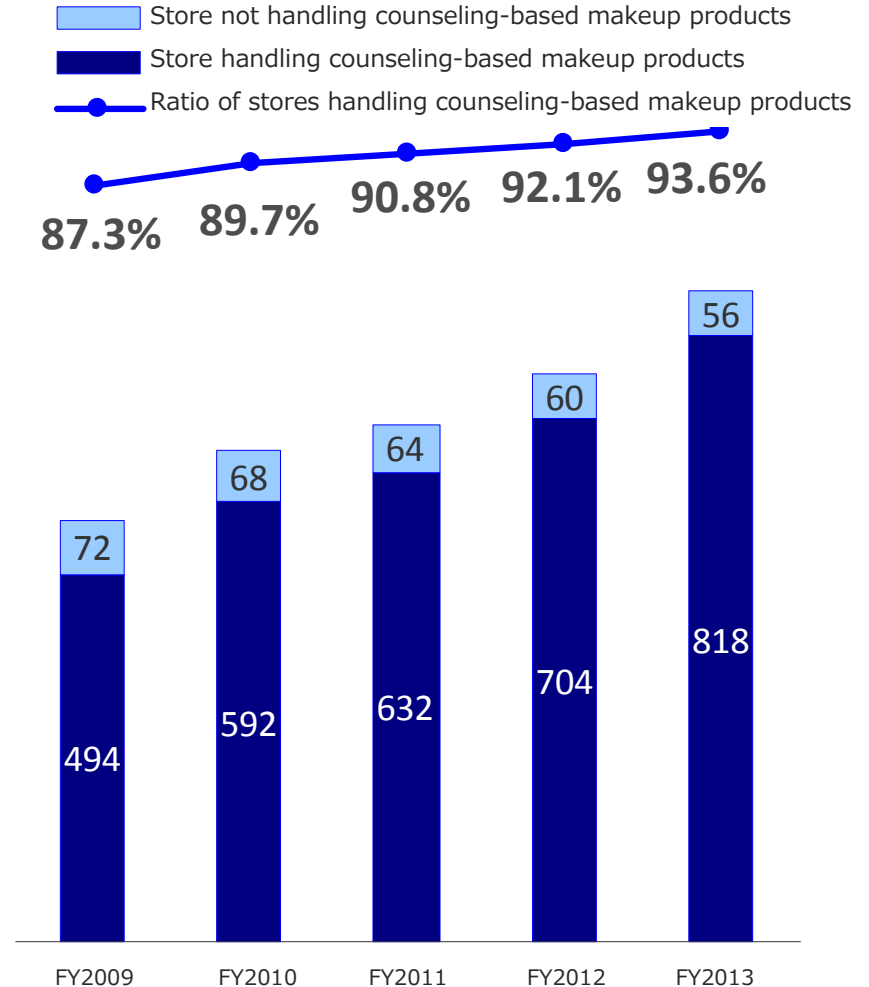


	FY2009	FY2010	FY2011	FY2012	FY2013
Number of prescriptions	1,720,289	2,155,063	2,726,184	3,255,779	3,822,367
Sales from dispensing (million yen)	14,003	18,128	23,892	29,911	36,425

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



3. Earnings Forecast for FY2014

(Unit: million yen; %)

	First half		Second half		Full FY2014		Comparison with FY2013 in percentage Terms
	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 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 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 (including Mie Prefecture)	89	12	2	99
	Total	874	100	15	959