

**Financial Results Briefing
for the First Quarter of Fiscal Year Ending
February 2017**

July 13, 2016



Welcia Holdings Co., Ltd.

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

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1. Overview

As for Welcia Yakkyoku, year-on-year comparison is made with the combined data of Welcia Yakkyoku and (former) Takiya for the same period of the previous year.

Sales were 102.0% against projections, and 136.8% compared with the same period of the previous year. Existing-store sales grew 7.2%. Gross operating profit was 104.1% against projections, and 138.8% over the previous year.

Gross profit margin ratio was 28.1%, up 0.6 percentage point against projections.

SG&A was 101.2% against projections, and 138.4% compared with the same period of the previous year.

SG&A ratio was 25.2%, down 0.2 percentage point against projections.

Operating income was 140.1% against projections, and 141.7% over the previous year. Ordinary income was 135.2% against projections, and 141.7% over the previous year. Net income was 146.1% against projections, and 168.6% over the previous year.

Dispensing pharmacy sales were 105.8% against projections, 161.1% over the previous year, and the composition ratio was 15.8%.

The number of stores with dispensing pharmacy increased by 4 to 898, and the ratio to total stores was 61.0%.

16 stores were newly opened compared with 20 stores planned, while 12 stores were closed compared with 18 stores planned.

2. Outline of Financial Results

Results for First Quarter of FY 2017

Unit: million yen

	Actual results	Projections			Actual results for the same period of the previous year		
			Change	Achievement rate		Change	Expressed in percentage
Net sales	153,630	150,600	3,030	102.0%	112,337	41,293	136.8%
	100.0%	100.0%			100.0%		
Gross operating profit	43,101	41,400	1,701	104.1%	31,062	12,038	138.8%
	28.1%	27.5%			27.7%		
SG&A expenses	38,689	38,250	439	101.2%	27,949	10,740	138.4%
	25.2%	25.4%			24.9%		
Operating income	4,411	3,150	1,261	140.1%	3,113	1,298	141.7%
	2.9%	2.1%			2.8%		
Ordinary income	4,841	3,580	1,261	135.2%	3,416	1,425	141.7%
	3.2%	2.4%			3.0%		
Net income	2,805	1,920	885	146.1%	1,664	1,141	168.6%
	1.8%	1.3%			1.5%		

*CFS Corporation has been consolidated since September 2015.

Breakdown of financial results by company for First Quarter of FY 2017

Unit: million yen

	Welcia HD (consolidated)	Welcia Yakkyoku	Shimizu Yakuhin		CFS Corporation	Goodwill and others
			Y/Y	Y/Y		
Net sales	153,630	119,593	110.0%	3,223	106.2%	30,104
	100.0%	100.0%		100.0%		710
Gross operating profit	43,101	33,386	109.8%	931	147.8%	8,672
					(-348)	
	28.1%	27.9%		28.8%	28.8%	112
SG&A expenses	38,689	28,845	107.2%	918	105.7%	8,716
	25.2%	24.1%		28.4%	28.9%	32
Operating income	4,411	4,541	130.0%	13	-	-43
	2.9%	3.8%		0.4%		-
Ordinary income	4,841	4,881	128.2%	18	-	67
	3.2%	4.1%		0.6%		0.2%
Net income	2,805	2,908	144.0%	0	-	4
	1.8%	2.4%		0.0%		0.0%
						70

* Shimizu Yakuhin recorded valuation loss of 139 million yen due to the change of calculation method under the retail method made in the previous term.

* CFS Corporation recorded valuation loss of 348 million yen due to the change of calculation method under the retail method during the term under review.

Outline of financial results for First Quarter of FY2017

Sales				
1. Existing-store sales growth rate	7.2%	Projection:	3.7%	
2. Dispensing pharmacy sales	24,294 mil. yen	Year on Year:	161.1%	Ratio to total sales: 15.8%
3. Store openings (in Japan)	16 stores	Projection:	20 stores	(Overseas) 1 store to be opened
4. Store closures (in Japan)	12 stores	Projection:	18 stores	(Overseas) No stores to be closed
5. Store renovations	68 stores			
6. PB products' composition ratio	5.2% (HAPYCOM 38.4%, Welcia PB 27.0%, TOPVALU 25.4%, Others 9.3%)			
Gross margin ratio				
1. Gross profit margin ratio				
Welcia HD (consolidated)	28.1%	Year on Year:	+0.4%	
Welcia Yakkyoku	27.9%	Year on Year:	0.0%	
CFS Corporation	28.8%			
Shimizu Yakuhin	28.8%	Year on Year:	+8.1%	
2. Gross margin ratio by segment				
OTC products	37.1%	Year on Year:	+1.0%	
Dispensing	32.4%	Year on Year:	-3.8%	
SG&A expenses				
1. SG&A ratio	25.2%	Projection:	25.4%	
2. Labor costs/sales ratio	12.7%	Projection:	12.6%	

* Shimizu Yakuhin recorded valuation loss of 139 million yen due to the change of calculation method under the retail method made in the previous term.

Monthly sales growth rate

Unit: %

		2015							2016					
		Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing stores	Welcia Yakkyoku	6.9	7.2	8.5	6.0	10.6	9.2	5.3	7.9	15.9	7.3	8.1	6.3	4.5
	Welcia Yakkyoku * Excl. Takiya										8.0	8.7	6.9	4.6
	(former) Takiya										-3.8	-2.9	-2.8	2.7
	Shimizu Yakuhin										7.2	5.6	4.0	0.8
	Group total	6.9	7.2	8.5	6.0	10.6	9.2	5.3	7.9	15.9	7.3	8.0	6.3	4.4
All stores	Group total	23.9	23.2	23.6	52.9	58.7	55.4	50.2	52.3	62.5	37.8	38.0	34.7	32.2

* Former Takiya and Shimizu Yakuhin have been respectively recognized as existing stores since March 2016.

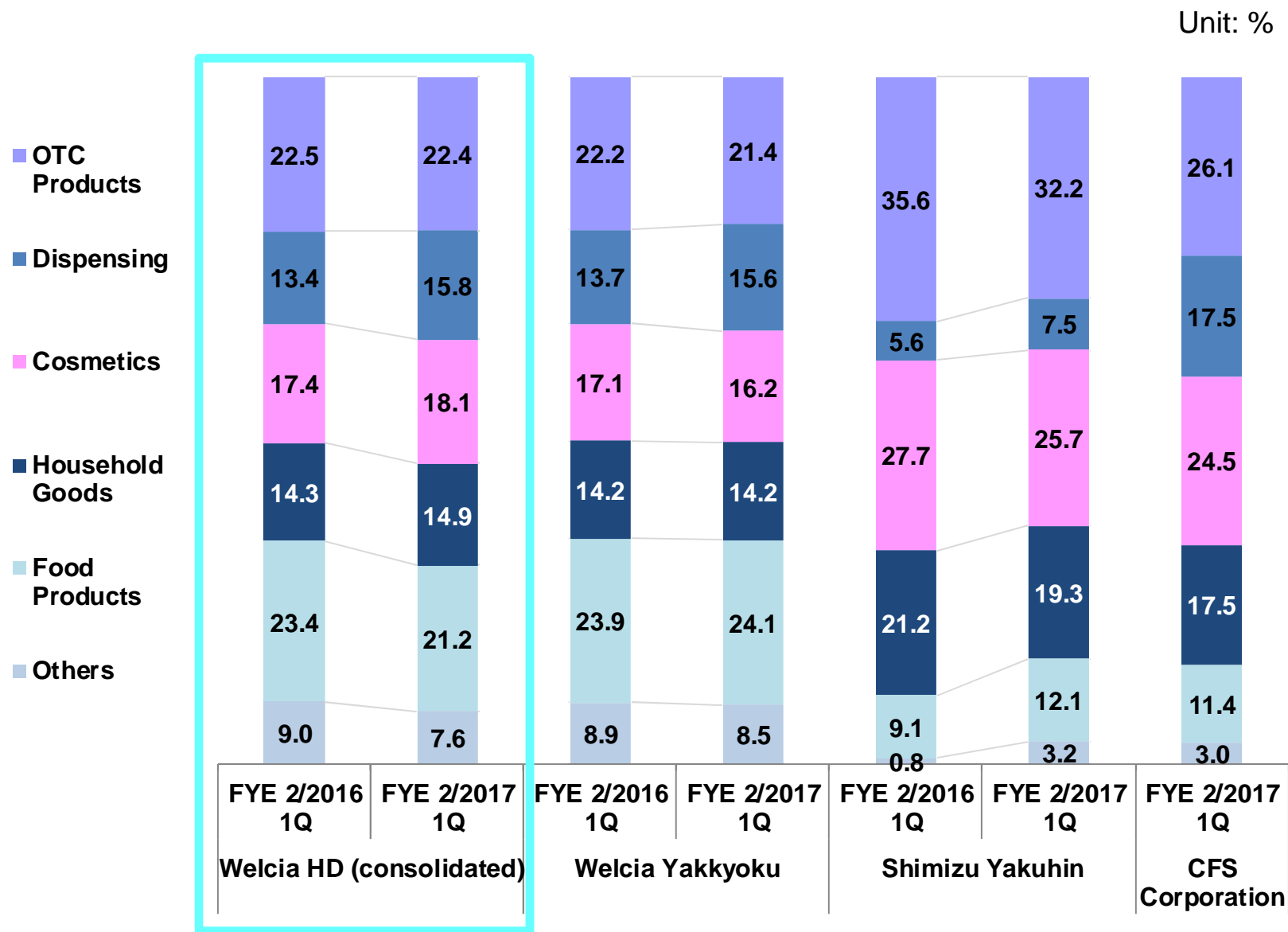
Reference: CFS corporation's Monthly sales growth rate

Unit: %

	2015							2016					
	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing stores	6.9	4.9	4.7	5.5	7.7	2.9	1.9	4.9	8.0	-2.5	-2.3	-6.0	-4.2
All stores	7.5	5.2	4.2	5.7	8.9	4.0	2.7	6.2	9.4	-1.6	-1.6	-5.7	-4.0

* CFS Corporation carried out the integration of systems/marketing in March 2016.

Composition ratio of sales by category [1Q]



* CFS Corporation's actual results for the previous term are not shown as it has been consolidated since Sep. 2015.

Gross profit margin ratio by category [1Q]

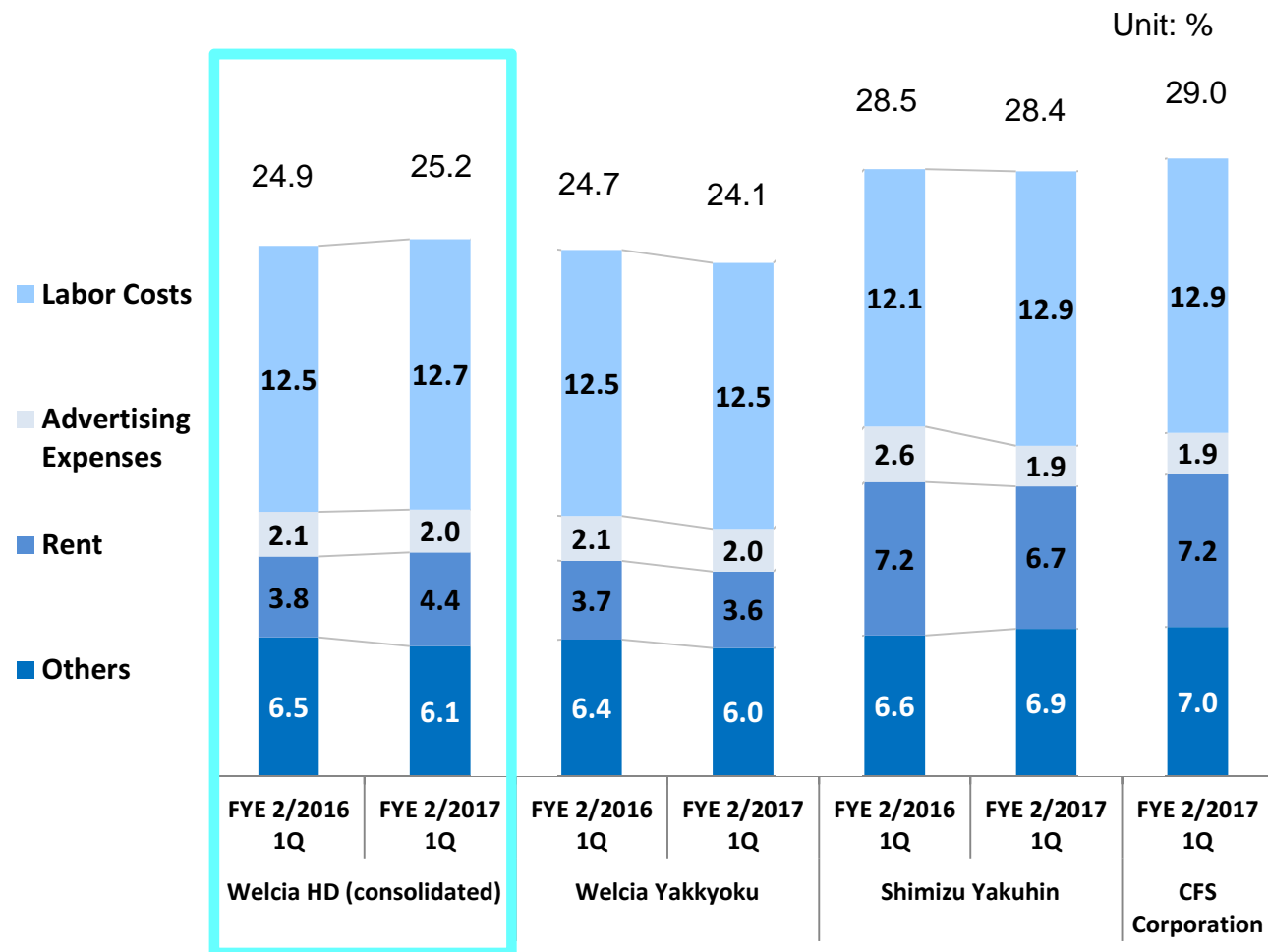
Unit: %

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		CFS Corporation
		Year-on-year change		Year-on-year change		Year-on-year change	
OTC Products	37.1	1.0	37.9	1.2	35.5	12.8	34.9
Dispensing	32.4	-3.8	31.9	-4.3	34.4	0.5	34.1
Cosmetics	31.3	0.7	32.4	1.3	30.2	10.0	28.4
Household Goods	24.5	0.3	24.7	0.2	23.9	6.1	24.1
Food Products	20.2	0.1	20.4	0.2	16.6	3.3	18.8
Othres	13.6	0.5	13.7	0.2	13.5	0.6	14.0
Total	28.1	0.4	27.9	0.0	28.8	8.1	28.8

* Shimizu Yakuhin recorded valuation loss of 139 million yen due to the change of calculation method under the retail method made in the previous term.

* CFS Corporation recorded valuation loss of 348 million yen due to the change of calculation method under the retail method during the term.

SG&A expenses composition ratio [1Q]



Overview

As the ratio of CFS (29.0%) is high, the expense ratio was increased on a consolidated basis.

Labor Costs

Increased from 12.5%→12.7% due to: the consolidation of CFS, of which ratio is high; extension of Shimizu Yakuhin's late night service hours; and the increase to level off allowances for pharmacists and registered sales clerks.

Advertising Expenses

Changed due to the unification of each company's marketing measures.

Rent

3.8%→4.4%

Due to the consolidation of CFS, which has a high number of urban area-based stores.

Promotion of drug stores with dispensing pharmacy [1Q]

(Reference)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		CFS Corporation		CFS Corporation
	FYE 2/2016 1Q	FYE 2/2017 1Q	FYE 2/2016 1Q	FYE 2/2017 1Q	FYE 2/2016 1Q	FYE 2/2017 1Q	FYE 2/2016 1Q	FYE 2/2017 1Q	FYE 2/2016 1Q
No. of stores with dispensing pharmacy at the end of the term	727	898	720	781	7	11		105	103
Ratio of stores with dispensing pharmacy	63.7%	61.0%	66.4%	70.6%	12.3%	20.0%		33.9%	33.2%
Dispensing pharmacy sales (million yen)	15,084	24,294	14,912	18,675	171	243		5,272	5,005
No. of prescriptions (in the thousands)	1,485	2,391	1,463	1,784	21	28		570	555
Prescription unit price (yen)	10,155	10,160	10,188	10,466	7,912	8,590		9,246	9,019

* CFS Corporations's actual results for 1Q/2016 are shown just for your reference as it was merged as of September 1, 2015.

Number of employees (as of May 31, 2016)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	CFS Corporation
		Change from the previous term-end			
No. of employees	6,762	543	5,127	203	1,197
No. of temporary employees (based on 8h/employee)	13,576	528	10,857	273	2,268
No. of pharmacists (enrollment)	3,631	365	2,789	56	780
No. of registered sales clerks (enrollment)	8,092	164	6,383	264	1,442
No. of stores	1,477	5	1,107	55	310
No. of pharmacists per store	2.46	0.24	2.52	1.02	2.52
No. of registered sales clerks per store	5.48	0.09	5.77	4.80	4.65

Store openings and closures

Unit: No. of stores

		29-Feb-16	Openings		Closures		31-May-16
			Planned	Actual	Planned	Actual	
By Company	Welcia Yakkyoku	1,103	14	10	6	6	1,107
	CFS Corporation	309	6	6	11	5	310
	Shimizu Yakuhin	56	0	0	1	1	55
	Nihonbashi Pharma	1	0	0	0	0	1
By Area	Tohoku	26	2	2	0	0	28
	Kanto	801	12	9	8	6	804
	Chubu	389	4	3	9	5	387
	Kinki	253	2	2	1	1	254
Total (in Japan)		1,469	20	16	18	12	1,473
Reference	No. of stores with dispensing pharmacy	894					898
	Ratio of stores with dispensing pharmacy	60.9%					61.0%

* The number of stores belonging to Lianhua Meiriling Business (Shanghai) Co., Ltd. is not included in the table above.

3. Earnings Forecast for FY2017

Full-year forecast

Unit: million yen

	1H		2H		Full-year		
	Amount	Compositon ratio	Amount	Compositon ratio	Amount	Compositon ratio	Y/Y
Sales	309,100	100.0%	320,900	100.0%	630,000	100.0%	119.2%
Gross operating profit	86,900	28.1%	93,100	29.0%	180,000	28.6%	120.1%
SG&A expenses	77,450	25.1%	80,750	25.2%	158,200	25.1%	120.6%
Operating income	9,450	3.1%	12,350	3.8%	21,800	3.5%	116.2%
Ordinary income	10,400	3.4%	13,300	4.1%	23,700	3.8%	116.3%
Net income attributable to shareholders of the parent company	5,900	1.9%	6,900	2.2%	12,800	2.0%	134.3%
Existing-store sales growth rate	3.7%		3.3%		3.5%		
(Referene) CFS Corporation's exisitng-store sales growth rate	1.6%		3.4%		2.5%		

* CFS Corporation's existing stores refer to those on an unconsolidated basis.

Full-year forecast by company

Unit: million yen

	Welcia HD (consolidated)		Welcia Yakkyoku		CFS Corporation	Shimizu Yakuhin	Goodwill and others
		Y/Y		Y/Y			
Sales	630,000	119.2%	484,870	107.3%	129,600	12,650	2,880
	100.0%		100.0%		100.0%	100.0%	
Gross operating profit	180,000	120.1%	137,510	107.6%	38,330	3,730	430
	28.6%		28.4%		29.6%	29.5%	
SG&A expenses	158,200	120.6%	119,050	107.7%	34,560	3,680	715
	25.1%		24.6%		26.7%	29.1%	
Operating income	21,800	116.2%	18,460	106.8%	3,770	50	-715
	3.5%		3.8%		2.9%	0.4%	
Ordinary income	23,700	116.3%	19,600	105.7%	4,520	85	-715
	3.8%		4.0%		3.5%	0.7%	
Net income attributable to shareholders of the parent company	12,800	134.3%	11,160	114.8%	2,230	10	-715
	2.0%		2.3%		1.7%	0.1%	

Plan for store openings and closures

Unit: No. of stores

		Actual number at the beginning of the term	Store openings	Store closures	Estimated number at the end of the term
By Company	Welcia Yakkyoku	1,103	113	23	1,193
	CFS Corporation	309	25	18	316
	Shimizu Yakuhin	56	2	2	56
	Nihonbashi Pharma	1	0	0	1
By Area	Tohoku	26	9	0	35
	Kanto	801	80	17	864
	Chubu	389	24	18	395
	Kinki	253	27	8	272
Total (in Japan)		1,469	140	43	1,566
(Reference)	No. of stores with dispensing pharmacy	894			1,019
	Ratio of stores with dispensing pharmacy	60.9%			65.1%

*The number of stores belonging to Lianhua Meiriling Business (Shanghai) Co., Ltd. is not included in the table above.

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.
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