

Financial Results Briefing  
for the Third Quarter of Fiscal Year Ending  
February 2018



**Welcia Holdings Co., Ltd.**

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

January 16, 2018

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# 1. Outline of Financial Results

- Financial results of Marudai Sakurai Pharmacy Ltd. are included for the period beginning September 1.
- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed CFS Corporation on September 1, 2016.  
Since the merger was conducted during the previous term, for the purpose of making year-on-year comparison of the results of Welcia Yakkyoku easy, comparison is made by including the results of the former CFS Corporation from March 1, 2016 onward.
- Since stores of B.B.ON Co., Ltd. are established together with those of Welcia Yakkyoku, results of the former are calculated together with those of the latter.

1. Outline of financial results	Actual results	Projections	Difference
Net sales	514,698 million yen	513,487 million yen	1,211 million yen
Ordinary income	21,188 million yen	20,739 million yen	448 million yen
Net income attributable to owners of the Parent	13,092 million yen	12,768 million yen	324 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.5%	4.9%	0.6%
Store openings (in Japan)	79 sotores	84 stores	-5 stores
Store closures (in Japan)	20 sotores	23 stores	-3 stores
Number of stores as of the end of First Half (in Japan)	1662 sotores	1664 stores	-2 stores
Store renovations	149 sotores	162 stores	-13 stores
Dispensing pharmacy sales	84,113 million yen	83,856 million yen	256 million yen
Composition ratio of dispensing sales	16.3%	16.3%	0.0%
Number of stores with dispensing pharmacy	1110 sotores	1165 sotores	-55 stores
(Ratio of stores with dispensing pharmacy)	66.8%	70.0%	-3.2%
Number of stores open 24 hours	121 sotores	-	-
3. Others	Actual results		
Composition ratio of PB products	4.4% (Breakdown: HapYcom 35.4%, Top valu 30.2%, Welcia PB 34.3%, other 0.1%)		
Number of stores with Welcafe	116 stores	-	-

# Actual results for Q3 cumulative total of FY2018

(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	514,698	513,487	1,211	100.2%	464,155	50,543	110.9%
	100.0%	100.0%			100.0%		
Gross operating profit	153,427	152,081	1,345	100.9%	134,706	18,720	113.9%
	29.8%	29.6%			29.0%		
SG&A expences	133,798	132,791	1,007	100.8%	118,237	15,560	113.2%
	26.0%	25.8%			25.5%		
Operating income	19,628	19,290	338	101.8%	16,468	3,159	119.2%
	3.8%	3.8%			3.5%		
Ordinary income	21,188	20,739	448	102.2%	17,706	3,481	119.7%
	4.1%	4.0%			3.8%		
Net income attributable to owners of the Parent	13,092	12,768	324	102.5%	10,307	2,785	127.0%
	2.5%	2.5%			2.2%		

# Breakdown of financial results by company for Q3 cumulative total of FY2018

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Goodwill and others
			Y/Y		Y/Y		
Net sales	514,698	495,852	109.6%	11,161	113.1%	5,279	2,404
	100.0%	100.0%		100.0%		100.0%	
Gross operating profit	153,427	148,412	*1 112.9%	3,354	115.0%	*2 1,263	395
	29.8%	29.9%		30.1%		23.9%	
SG&A expences	133,798	128,682	112.0%	2,985	107.7%	1,244	656
	26.0%	25.9%		26.8%		23.5%	
Operating income	19,628	19,730	118.6%	369	254.7%	18	-656
	3.8%	4.0%		3.3%		0.4%	
Ordinary income	21,188	21,259	118.7%	409	232.2%	254	-656
	4.1%	4.3%		3.7%		4.8%	
Net income	13,092	13,438	126.2%	274	191.1%	165	-656
	2.5%	2.7%		2.5%		3.1%	

\*1 Welcia Yakkyoku's year-on-year comparison includes a valuation loss of 226 million yen of the former CFS Corporation, due to a change of the calculation method under the retail method in the previous term.

\*2 Marudai Sakurai Pharmacy Ltd.'s year-on-year comparison includes a valuation loss of 132 million yen due to a change of the calculation method under the retail method in this term.

# Monthly sales growth rate

(Unit: %)

		2016	2017											
		Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Existing Stores	Welcia Yakkyoku *1	3.2	5.1	-1.8	2.6	5.8	6.5	5.2	7.6	4.4	6.4	2.8	6.4	5.8
	Welcia Yakkyoku *2	5.1	6.4	-0.8	3.1	5.9	6.5	5.6	8.0	4.6				
	(former) CFS	-3.5	-0.2	-5.7	0.9	5.2	6.1	3.8	5.8	3.3				
	Shimizu Yakuhin	14.4	17.8	7.3	9.6	17.0	14.1	14.0	13.1	12.6	13.0	10.0	14.1	11.5
	Group total	3.4	5.3	-1.6	2.7	6.0	6.6	5.5	7.7	4.6	6.5	3.0	6.6	6.0
All stores	Group total *3	5.8	7.8	1.5	5.9	9.7	10.7	9.8	12.2	9.2	15.4	11.3	14.4	13.5

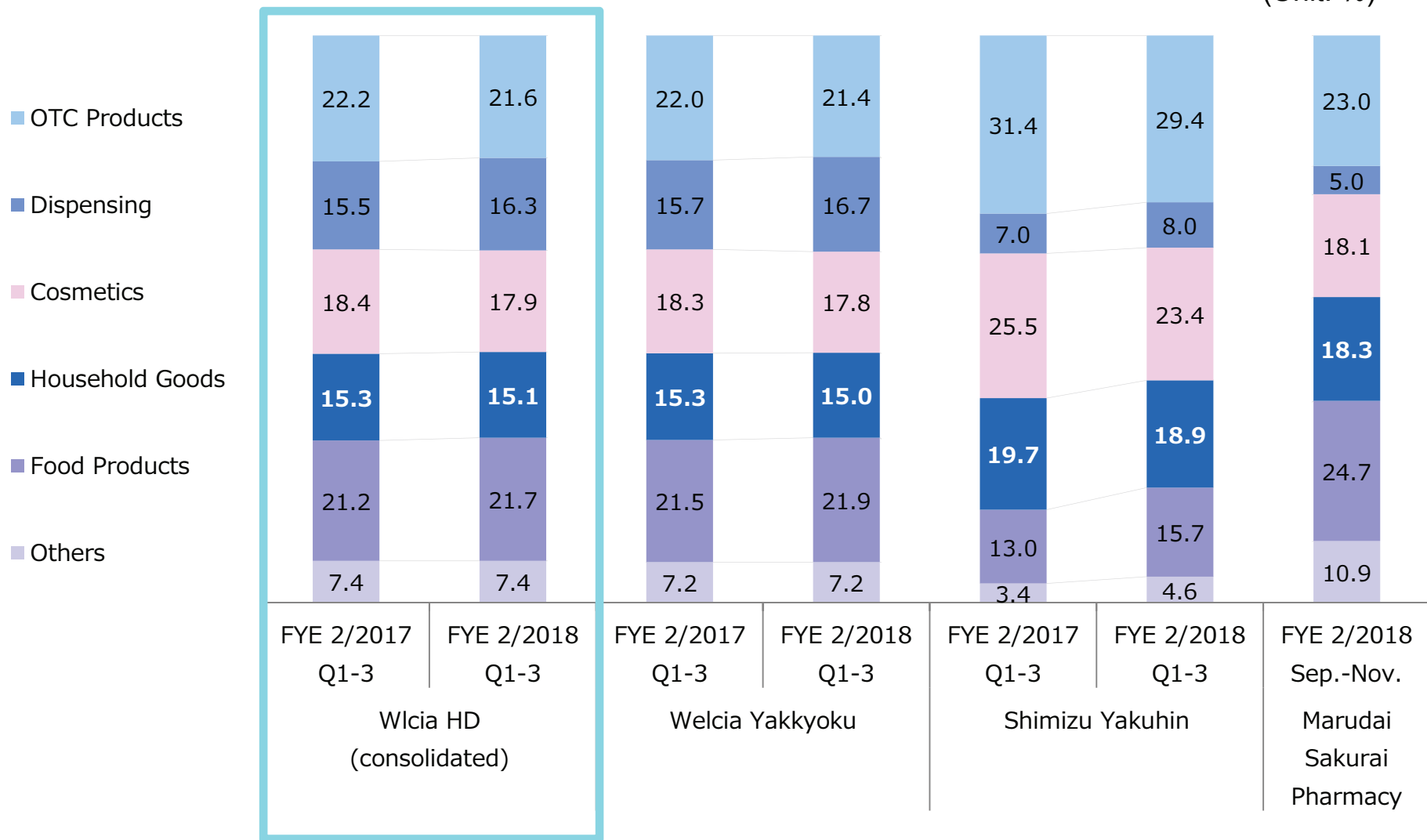
\*1 Welcia Yakkyoku absorbed CFS Corporation in September 2016.

\*2 Estimated figures obtained by excluding the results of the former Takiya and the former CFS Corporation.

\*3 Marudai Sakurai Pharmacy Ltd. is included in the calculation of monthly sales growth rate of all stores from September 2017 onwards. However, since its stores are regarded as new stores, it is not included in the calculation of monthly sales growth rate of existing stores.

# Composition ratio of sales by category

(Unit: %)





## Gross profit margin ratio by category

(Unit: %)

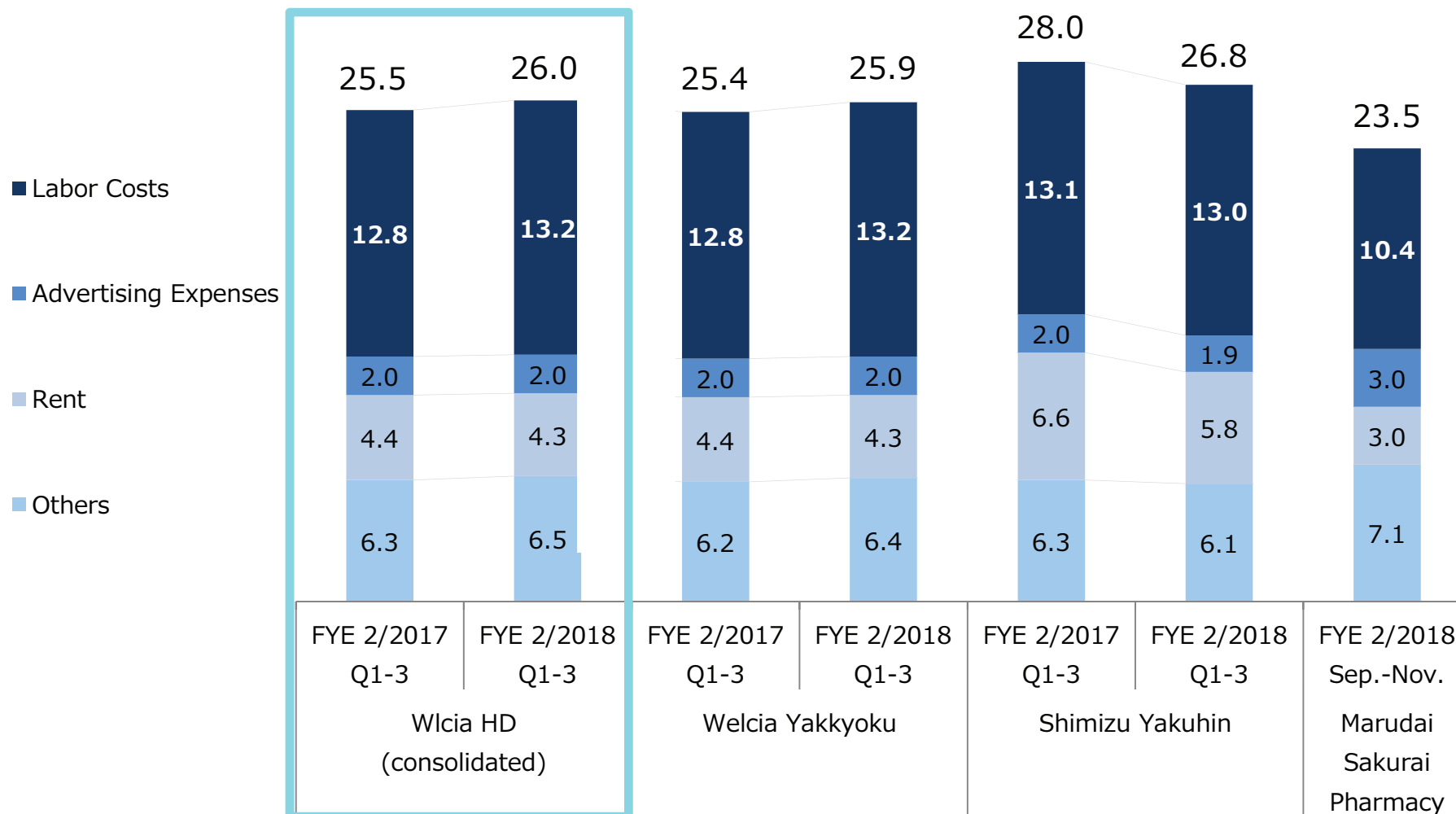
	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy
		Year-on-year change		Year-on-year change		Year-on-year change	
OTC Products	38.1	0.6	38.2	0.7	37.2	1.1	32.9
Dispensing	38.9	2.1	38.9	2.1	39.8	1.3	42.5
Cosmetics	32.7	0.7	32.8	0.7	31.9	1.1	27.4
Household Goods	26.1	0.8	26.2	0.9	24.7	0.0	19.1
Food Products	20.1	0.2	20.2	0.3	19.6	1.8	15.5
Others	14.4	0.4	14.6	0.4	15.4	1.4	17.8
Total	29.8	0.8	29.9	*1 0.8	30.1	0.6	*2 23.9

\*1 Welcia Yakkyoku's year-on-year change includes a valuation loss of 226 million yen of the former CFS Corporation due to a change of the calculation method under the retail method in the previous term.

\*2 Marudai Sakurai Pharmacy Ltd.'s year-on-year change includes a valuation loss of 13 million yen due to a change of the calculation method under the retail method in this term.

# SG&A expenses composition ratio

(Unit: %)



Labor costs rose from 12.8% to 13.2% due to employment of an increasing number of pharmacists and registered sales clerks as well as an increasing number of stores open late-night and 24 hours.

# Promotion of drug stores with dispensing pharmacy

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy
	FYE 2/2017 Q1-3	FYE 2/2018 Q1-3	FYE 2/2017 Q1-3	FYE 2/2018 Q1-3	FYE 2/2017 Q1-3	FYE 2/2018 Q1-3	FYE 2/2018 Sept.-Nov.
Dispensing pharmacy sales (million yen)	71,783	84,113	70,990	82,871	689	893	263
No. of prescriptions (in the thousands)	7,261	8,455	7,165	8,309	82	101	32
Prescription unit price (yen)	9,885	9,947	9,907	9,973	8,338	8,817	8,217
No. of stores with dispensing pharmacy at the end of the term	973	1,110	956	1,080	16	20	10
Ratio of stores with dispensing pharmacy	64.7%	66.8%	66.0%	70.4%	29.6%	37.0%	13.5%

\* Overseas stores are not included in the table above.

# Number of employees (as of November 30, 2017)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy
		Change from the previous term-end			
No. of employees	7,784	1,008	6,989	188	335
No. of temporary employees (based on 8h/employee)	16,754	2,567	15,734	372	456
No. of pharmacists (enrollment)	4,091	337	4,007	54	21
No. of registered sales clerks (enrollment)	9,490	714	8,835	285	349
No. of stores	1,666	131	1,534	54	74
No. of pharmacists per store	2.46	0.01	2.61	1.00	0.28
No. of registered sales clerks per store	5.70	- 0.02	5.76	5.28	4.72

# Store openings and closures

(Unit: stores)

		28-Feb-17	Openings		Closures		Increase/decrease resulting from merger	30-Nov-17
			Planned	Actual	Planned	Actual		
By Company	Welcia Yakkyoku	1,477	81	76	21	20	1	1,534
	Shimizu Yakuhin	54	0	0	2	0	0	54
	Nihonbashi Pharma	1	0	0	0	0	-1	0
	Marudai Sakurai Pharmacy	0	3	3	0	0	71	74
By Area	Tohoku	36	13	9	0	0	71	116
	Kanto	832	31	21	9	9	0	844
	Chubu	399	22	23	8	8	0	414
	Kinki	265	18	26	6	3	0	288
<b>Total (in Japan)</b>		<b>1,532</b>	<b>84</b>	<b>79</b>	<b>23</b>	<b>20</b>	<b>71</b>	<b>1,662</b>
Reference	No. of stores with dispensing pharmacy	1,025						1,110
	Ratio of stores with dispensing pharmacy	66.9%						66.8%

\* The number of overseas stores is not included in the table above.

(Reference) Financial results of Marudai Sakurai Pharmacy Ltd.  
in Sept.-Nov. 2018

(Unit: million yen)

	Actual results	Projections		
			Change	Achievement rate
Net sales	5,279	4,962	317	106.4%
	100.0%	100.0%		
Gross operating profit	1,263	1,207	56	104.7%
	23.9%	24.3%		
SG&A expenses	1,244	1,194	50	104.2%
	23.5%	24.0%		
Operating income	18	13	5	145.0%
	0.4%	0.3%		
Ordinary income	254	257	-2	98.9%
	4.8%	5.2%		
Net income	165	161	4	102.8%
	3.1%	3.2%		

Includes a valuation loss of 132 million yen due to a change of the calculation method under the retail method.

## 2. Earnings Forecast for FY2018

- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed CFS Corporation on September 1, 2016.  
Since the merger was conducted during the previous term, for the purpose of facilitating year-on-year comparison of the results of Welcia Yakkyoku, comparison is made by including the results of former CFS Corporation from March 1, 2016 onward.
- On October 4, 2017, consolidated earnings forecast announced on April 18, 2017 was revised.

# Projections (announced on October 4, 2017)

(Unit: million yen)

	1H/Actual		2H		Full-year		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Sales	340,665	100.0%	351,334	100.0%	692,000	100.0%	111.0%
Gross operating profit	101,804	29.9%	103,945	29.6%	205,750	29.7%	111.9%
SG&A expenses	87,342	25.7%	91,507	26.1%	178,850	25.8%	112.0%
Operating income	14,462	4.2%	12,437	3.5%	26,900	3.9%	111.7%
Ordinary income	15,432	4.5%	13,367	3.8%	28,800	4.2%	112.0%
Net income attributable to shareholders of the parent company	9,678	2.8%	6,121	1.7%	15,800	2.3%	109.3%
Existing-store sales growth rate	5.5%		3.5%		4.5%		



# Projections by company (announced on October 4, 2017)

(Unit: million yen)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy		Goodwill and others
		Y/Y		Y/Y		Y/Y		Y/Y	
Sales	692,000	111.0%	663,403	109.3%	14,651	110.4%	10,400	-	
	100.0%		100.0%		100.0%		100.0%		3,546
Gross operating profit	205,750	111.9%	197,952	110.3%	4,404	111.1%	2,750	-	
	29.7%		29.8%		30.1%		26.4%		644
SG&A expenses	178,850	112.0%	170,799	110.1%	3,967	105.9%	2,449	-	980
	25.8%		25.7%		27.1%		23.5%		654
Operating income	26,900	111.7%	27,153	111.4%	436	199.6%	301	-	-980
	3.9%		4.1%		3.0%		2.9%		-10
Ordinary income	28,800	112.0%	29,080	111.6%	480	188.6%	571	-	-980
	4.2%		4.4%		3.3%		5.5%		-351
Net income	15,800	109.3%	16,529	112.1%	217	111.5%	360	-	-980
	2.3%		2.5%		1.5%		3.5%		-326

# Planned store openings and closures

(Unit: No. of stores)

		Actual number at the beginning of the term	Openings		Closures		Increase/decrease resulting from merger	Increase/decrease resulting from acquisition of 100% ownership	Estimated number at the end of the term	
			Planned	Projected	Planned	Projected			Planned	Projected
By company	Welcia Yakkyoku	1,477	110	105	24	24	1	0	1,564	1,559
	Shimizu Yakuhin	54	3	0	2	0	0	0	55	54
	Nihonbashi Pharma	1	0	0	0	0	-1	—	0	0
	Marudai Sakurai Pharmacy	—	6	3	1	0	—	71	76	74
By area	Tohoku	36	19	12	1	0	0	71	125	119
	Kanto	832	47	34	10	10	0	0	869	856
	Chubu	399	26	30	9	11	0	0	416	418
	Kinki	265	27	32	7	3	0	0	285	294
Total (in Japan)		1,532	119	108	27	24	0	71	1,695	1,687
Reference	No. of stores with dispensing pharmacy	1,025							1,247	1,159
	Ratio of stores with dispensing pharmacy	66.9%							73.6%	68.7%

\* The number of overseas stores 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.

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