

# Financial Results Briefing for the Fiscal Year Ending February 2018



**Welcia Holdings Co., Ltd.**

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

April 17, 2018

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# 1. Outline of Financial Results

- Financial results of Marudai Sakurai Pharmacy Co., Ltd. are included for the period beginning September 1, 2017.  
The financial results cover the period from September 1, 2017 to February 28, 2018.
- 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	695,268 million yen	692,000 million yen	3,268 million yen
Ordinary income	30,923 million yen	28,800 million yen	2,123 million yen
Net income attributable to owners of the Parent	17,166 million yen	15,800 million yen	1,366 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.6%	4.5%	1.1%
Store openings (in Japan)	108 stores	119 stores	-11 stores
Store closures (in Japan)	24 stores	27 stores	-3 stores
Number of stores as of the end of FY (in Japan)	1,687 stores	1,695 stores	-8 stores
Store renovations	193 stores	193 stores	0 store
Dispensing pharmacy sales	114,824 million yen	115,200 million yen	-375 million yen
Composition ratio of dispensing sales	16.5%	16.6%	-0.1%
Number of stores with dispensing pharmacy	1,158 stores	1,247 stores	-89 stores
(Ratio of stores with dispensing pharmacy)	68.6%	73.6%	-5.0%
Number of stores open 24 hours	135 stores	-	-
3. Others	Actual results		
Composition ratio of PB products	5.0% (Breakdown: Hapycom 31.8%, Topvalu 28.6%, Welcia PB 39.0%, other 0.6%)		
Number of stores with Welcafe	148 stores	-	-

# Results for FY2018

(Unit: million yen)

	Actual results	Projections			Actual results for the same period of the previous year		
			Change	Achievement rate		Change	YY
Net sales	695,268	692,000	3,268	100.5%	623,163	72,105	111.6%
	100.0%	100.0%			100.0%		
Gross operating profit	209,948	205,750	4,198	102.0%	183,815	26,132	114.2%
	30.2%	29.7%			29.5%		
SG&A expences	181,121	178,850	2,271	101.3%	159,736	21,384	113.4%
	26.1%	25.8%			25.6%		
Operating income	28,826	26,900	1,926	107.2%	24,078	4,748	119.7%
	4.1%	3.9%			3.9%		
Ordinary income	30,923	28,800	2,123	107.4%	25,723	5,199	120.2%
	4.4%	4.2%			4.1%		
Net income attributable to owners of the Parent	17,166	15,800	1,366	108.7%	14,451	2,715	118.8%
	2.5%	2.3%			2.3%		

# Breakdown of financial results by company for FY2018

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Goodwill and others
			Y/Y		Y/Y		
Net sales	695,268	666,196	109.7%	15,008	113.1%	10,733	
	100.0%	100.0%		100.0%		100.0%	3,330
Gross operating profit	209,948	202,083	*1 112.6%	4,578	115.5%	*2 2,724	
	30.2%	30.3%		30.5%		25.4%	562
SG&A expences	181,121	173,236	111.7%	4,070	108.7%	2,484	979
	26.1%	26.0%		27.1%		23.2%	349
Operating income	28,826	28,847	118.4%	507	231.9%	239	- 979
	4.1%	4.3%		3.4%		2.2%	212
Ordinary income	30,923	30,787	118.1%	564	221.4%	514	- 979
	4.4%	4.6%		3.8%		4.8%	- 36
Net income	17,166	17,579	119.2%	266	136.9%	333	- 979
	2.5%	2.6%		1.8%		3.1%	- 33

\*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 Co., 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: %)

		2017										2018		
		Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing Stores	Welcia Yakkyoku *1	2.6	5.8	6.5	5.2	7.6	4.4	6.4	2.8	6.4	5.8	5.5	6.3	8.8
	Welcia Yakkyoku *2	3.1	5.9	6.5	5.6	8.0	4.6							
	(former) CFS	0.9	5.2	6.1	3.8	5.8	3.3							
	Shimizu Yakuhin	9.6	17.0	14.1	14.0	13.1	12.6	13.0	10.0	14.1	11.5	12.1	15.5	14.4
	Group total	2.7	6.0	6.6	5.5	7.7	4.6	6.5	3.0	6.6	6.0	5.7	6.5	9.1
All stores	Group total *3	5.9	9.7	10.7	9.8	12.2	9.2	15.4	11.3	14.4	13.5	13.3	13.7	17.6

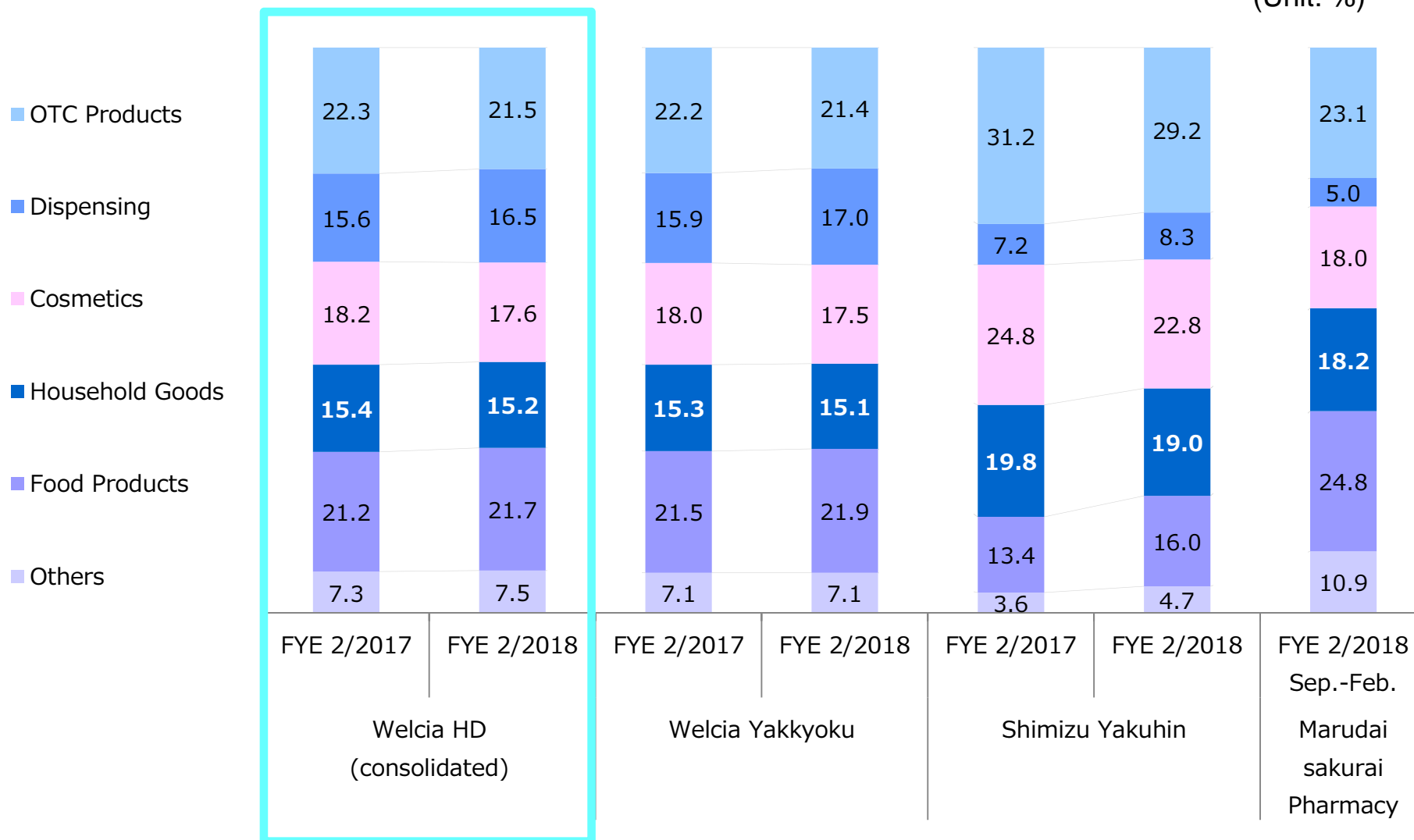
\* 1 Welcia Yakkyoku absorbed CFS Corporation in September 2016.

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

\* 3 Marudai Sakurai Pharmacy Co., Ltd. and Ippondo Co., Ltd. are included in the calculation of monthly sales growth rate of all stores from September 2017 and March 2018 respectively onwards. However, since the stores of both companies 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: %)

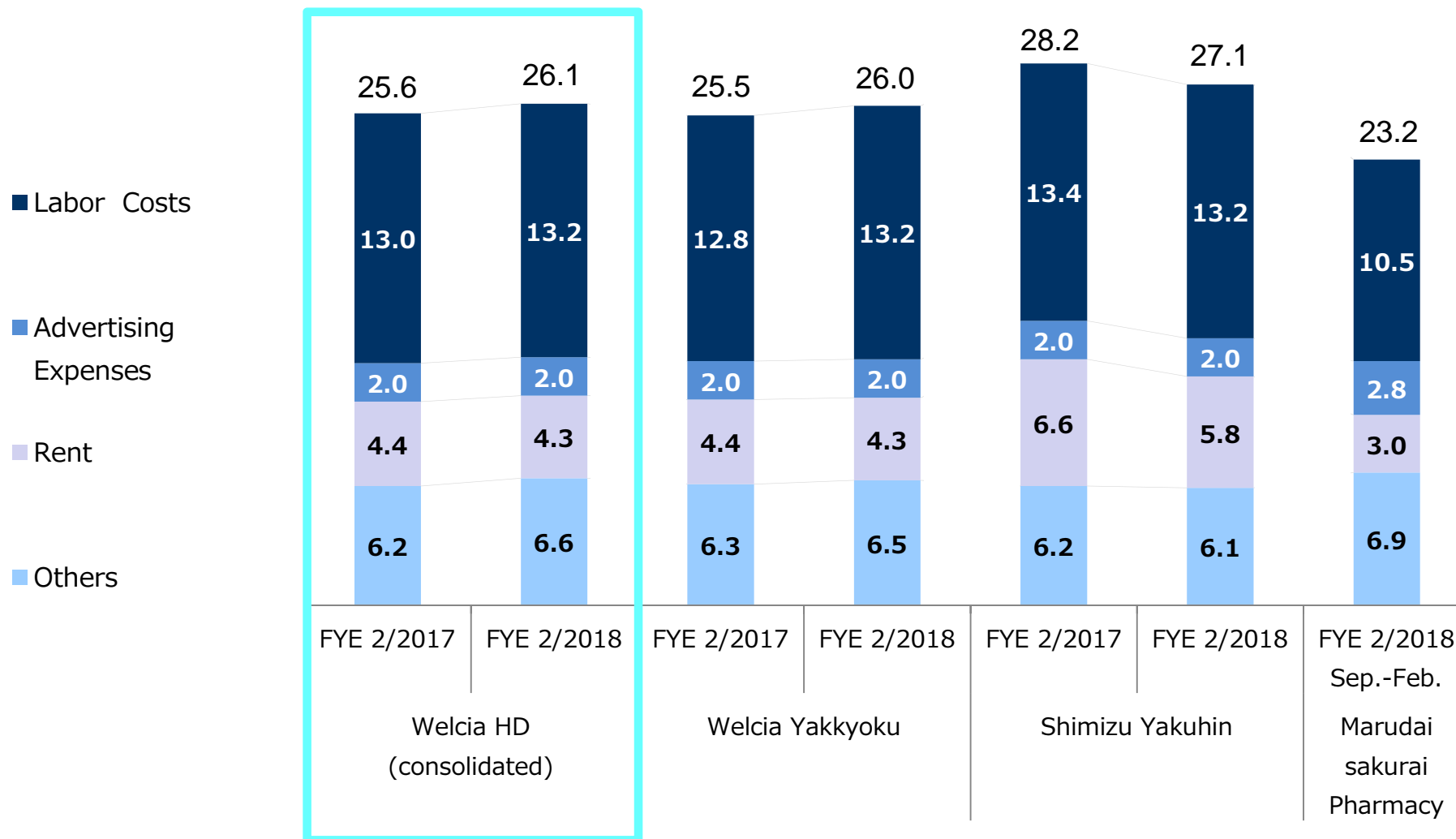
	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuin		Marudai Sakurai Pharmacy
		Year-on-year change		Year-on-year change		Year-on-year change	
OTC Products	38.9	0.8	39.0	0.9	38.3	1.6	36.2
Dispensing	39.1	1.8	39.1	1.8	39.7	1.1	41.9
Cosmetics	32.9	0.7	33.0	0.7	32.3	1.2	28.4
Household Goods	26.7	0.6	26.8	0.7	25.5	0.3	21.3
Food Products	20.4	0.1	20.5	0.2	19.2	1.2	15.9
Others	14.6	0.6	14.7	0.5	15.5	1.3	18.2
Total	30.2	0.7	30.3	*1 0.7	30.5	0.6	*2 25.4

\*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's year-on-year change includes a valuation loss of 132 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 13.0% 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	FYE 2/2018	FYE 2/2017	FYE 2/2018	FYE 2/2017	FYE 2/2018	FYE 2/2018 Sep.-Feb.
Dispensing pharmacy sales (million yen)	97,484	114,824	96,421	112,962	960	1,245	532
No. of prescriptions (in the thousands)	9,901	11,550	9,774	11,332	113	139	65
Prescription unit price (yen)	9,845	9,941	9,865	9,968	8,444	8,896	8,110
No. of stores with dispensing pharmacy at the end of the term	1,025	1,158	1,007	1,124	17	21	13
Ratio of stores with dispensing pharmacy	66.9%	68.6%	68.2%	72.1%	31.5%	38.9%	17.6%

Overseas stores are not included in the table above.

# Number of employees (as of Feb. 28, 2018)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy
		Change from the previous term-end			
No. of employees	7,807	1,031	7,002	184	336
No. of temporary employees (based on 8h/employee)	16,445	2,258	15,437	366	450
No. of pharmacists (enrollment)	4,159	405	4,062	57	29
No. of registered sales clerks (enrollment)	10,504	1,728	9,783	289	410
No. of stores	1,687	152	1,559	54	74
No. of pharmacists per store	2.47	0.02	2.61	1.06	0.39
No. of registered sales clerks per store	6.23	0.51	6.28	5.35	5.54

# Store openings and closures

(Unit: stores)

		28-Feb-17	Openings		Closures		Increase/decrease resulting from merger	Increase/decrease resulting from subsidiaries	28-Feb-18
			Planned	Actual	Planned	Actual			
By Company	Welcia Yakkyoku	1,477	110	105	24	24	1	0	1,559
	Shimizu Yakuin	54	3	0	2	0	0	0	54
	Nihonbashi Pharma	1	0	0	0	0	- 1	0	0
	Marudai Sakurai Pharmacy	0	6	3	1	0	0	71	74
By Area	Tohoku	36	19	12	1	0	0	71	119
	Kanto	832	47	34	10	10	0	0	856
	Chubu	399	26	30	9	11	0	0	418
	Kinki	265	27	32	7	3	0	0	294
<b>Total (in Japan)</b>		<b>1,532</b>	<b>119</b>	<b>108</b>	<b>27</b>	<b>24</b>	<b>0</b>	<b>71</b>	<b>1,687</b>
Reference	No. of stores with dispensing pharmacy	1,025							1,158
	Ratio of stores with dispensing pharmacy	66.9%							68.6%

\* Nihonbashi Pharma Co., Ltd. was merged into Welcia Yakkyoku Co., Ltd. In June 2017.

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

(Reference) Financial results of Marudai Sakurai Pharmacy Co., Ltd. for FY2018 (Sep. 1, 2017 - Feb. 28, 2018)

(Unit: million yen)

	Actual results	Projections		
			Change	Achievement rate
Net sales	10,733	10,400	333	103.2%
	100.0%	100.0%		
Gross operating profit	2,724	2,750	- 25	99.1%
	25.4%	26.4%		
SG&A expenses	2,484	2,449	35	101.5%
	23.2%	23.5%		
Operating income	239	301	- 61	79.5%
	2.2%	2.9%		
Ordinary income	514	571	- 56	90.2%
	4.8%	5.5%		
Net income	333	360	- 26	92.7%
	3.1%	3.5%		

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

# Summary of consolidated balance sheet (as of Feb. 28, 2018)

(Unit: million yen)

Account title	FY 2/2017	FY 2/2018	Change	Account title	FY 2/2017	FY 2/2018	Change
<b>Assets</b>				<b>Liabilities</b>			
Current assets	112,848	130,180	17,331	Current liabilities	104,548	120,878	16,330
Cash and deposits	15,888	16,481	592	Accounts payable - trade	79,200	89,127	9,926
Accounts receivable - trade	19,759	23,514	3,754	Short-term loans payable	2,897	4,436	1,539
Merchandise	68,272	76,312	8,040	Other	22,450	27,314	4,863
Other	8,927	13,870	4,942	Non-current liabilities	26,245	40,877	14,632
Non-current assets	134,177	162,058	27,880	Long-term loans payable	3,647	11,355	7,707
Property, plant and equipment	95,334	113,423	18,089	Lease obligations	12,120	16,894	4,774
Buildings and structures	53,108	62,756	9,648	Asset retirement obligations	6,279	7,005	726
Land	11,051	12,410	1,358	Other	4,198	5,621	1,423
Leased assets	25,163	31,838	6,674	Total liabilities	130,793	161,756	30,962
Other	6,011	6,419	407	<b>Nets assets</b>			
Intangible assets	6,327	14,230	7,903	Shareholders' equity	115,926	129,381	13,454
Goodwill	3,838	11,813	7,974	Capital stock	7,736	7,736	0
Other	2,488	2,417	- 71	Capital surplus	51,656	51,667	11
Investments and other assets	32,516	34,403	1,887	Other capital surplus	56,533	69,977	13,443
Guarantee deposits	25,862	26,743	881	Accumulated other comprehensive income	8	78	70
Deferred tax assets	4,598	5,064	466	Subscription rights to shares	291	272	- 19
Other	2,056	2,595	539	Non-controlling interests	6	750	743
				Total net assets	116,233	130,482	14,249
<b>Total assets</b>	<b>247,026</b>	<b>292,238</b>	<b>45,212</b>	<b>Total liabilities and net assets</b>	<b>247,026</b>	<b>292,238</b>	<b>45,212</b>

The main reason for the increase was the conversion of Marudai Sakura Pharmacy Co., Ltd. into a subsidiary on September 1, 2017.

## 2. Earnings Forecast for FY2019

- Marudai Sakurai Pharmacy Co., Ltd. was made a subsidiary through the acquisition of its shares effective September 1, 2017.
- Ippondo Co., Ltd. was made a subsidiary through the acquisition of its shares effective March 1, 2018.



### 1. Projections

▶ Net sales	780.0 billion yen (Y/Y change: 112.2%)
▶ Ordinary income	34.1 billion yen (Y/Y change: 110.3%)
▶ Net income	19.0 billion yen (Y/Y change 110.7%)

### 2. Indicator assumptions

▶ Existing-store sales growth rate	3.8%
▶ Store openings	127 stores (in Japan: 124; overseas 3)
▶ Store closures	29 stores
▶ Number of stores as of end of the fiscal year	1,832 stores (in Japan: 1,824; overseas 8)
▶ Dispensing pharmacy sales	128.7 billion yen (Y/Y change: 112.1%)
▶ No. of stores with dispensing pharmacy (in Japan)	1,326 stores (Ratio of stores with dispensing 72.7%)

### 3. Priority measures

▶ Store renovations	247 stores
▶ Opening new pharmacies	172 stores
▶ Stores open 24 hours	100 stores
▶ Welcafe	80 stores

# Full-year earnings forecasts

(Unit: million yen)

	1H		2H		Full-year		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Sales	386,200	100.0%	393,800	100.0%	780,000	100.0%	112.2%
Gross operating profit	115,300	29.9%	120,600	30.6%	235,900	30.2%	112.4%
SG&A expenses	100,800	26.1%	103,300	26.2%	204,100	26.1%	112.7%
Operating income	14,500	3.8%	17,300	4.4%	31,800	4.1%	110.3%
Ordinary income	15,550	4.0%	18,550	4.7%	34,100	4.4%	110.3%
Net income attributable to shareholders of the Parent	9,400	2.4%	9,600	2.4%	19,000	2.4%	110.7%
Existing-store sales growth rate	3.8%		3.7%		3.8%		

# Full-year earnings forecasts by company

(Unit: million yen)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo	Goodwill and others
		Y/Y		Y/Y		Y/Y			
Sales	780,000	112.2%	725,586	108.9%	16,427	109.5%	23,905	9,469	4,613
	100.0%		100.0%		100.0%		100.0%	100.0%	
Gross operating profit	235,900	112.4%	220,233	109.0%	4,978	108.7%	6,602	3,141	946
	30.2%		30.4%		30.3%		27.6%	33.2%	
SG&A expenses	204,100	112.7%	188,694	108.9%	4,401	108.1%	5,618	3,142	1,270
	26.1%		26.1%		26.8%		23.5%	33.2%	975
Operating income	31,800	110.3%	31,539	109.3%	577	113.6%	984	-1	- 1,270
	4.1%		4.3%		3.5%		4.1%	-	- 29
Ordinary income	34,100	110.3%	33,786	109.7%	617	111.2%	1,025	-33	- 1,270
	4.4%		4.7%		3.8%		4.3%	-	- 25
Net income	19,000	110.7%	19,401	110.3%	284	106.6%	649	- 40	- 1,270
	2.4%		2.7%		1.7%		2.7%	-	- 24

# Planned store openings and closures

(Unit: No. of stores)

		Actual number at the beginning of the term	Increase/decrease resulting from M&A	Openings	Closures	Estimated number at the end of the term
By company	Welcia Yakkyoku	1,559	0	110	25	1,644
	Shimizu Yakuhin	54	0	4	1	57
	Marudai Sakurai Pharmacy	74	0	10	2	82
	Ippondo	0	41	0	0	41
By area	Tohoku	119	0	24	2	141
	Kanto	856	41	38	7	928
	Chubu	418	0	34	13	439
	Kinki	294	0	28	6	316
Total (in Japan)		1,687	41	124	28	1,824
Reference	No. of stores with dispensing pharmacy	1,158				1,326
	Ratio of stores with dispensing pharmacy	68.6%				72.7%

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

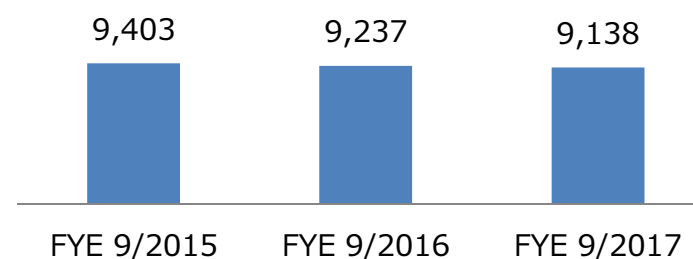
# (Reference) Overview of Ippondo Co., Ltd.

Name	Ippondo Co., Ltd.
Head office	23-6 Ueno 3-chome, Taito-ku, Tokyo 110-0005 6F, Mitsubishi UFJ Trust and Banking Corporation Ueno Building
Representative	Toshiaki Nishino, Representative Director
Established	December 1951
Lines of business	Operation of drugstores and dispensing pharmacies
No. of stores	41 (as of March 1, 2018)



- \* Computer systems, sales promotion, ledgers, and logistics were integrated on March 1, 2018.
- \* Renaming of stores to Welcia is complete.
- \* Remodeling of 40 stores is planned for FY2019.

(Reference) Trends in net sales (Unit: millions yen)



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.