

Financial Results Briefing  
for the First Quarter of Fiscal Year Ending  
February 2019



**Welcia Holdings Co., Ltd.**

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

July 9, 2018

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# 1. Outline of Financial Results

- Marudai Sakurai Pharmacy Co., Ltd. became a subsidiary of the Company on September 1, 2017.
- Ippondo Co.,Ltd. became a subsidiary of the Company on March 1, 2018.
- Results of Welcia Yakkyoku Co., Ltd. compared to the same period of the previous year are calculated together with the results of former Nihonbashi Pharma Co., Ltd.
- Since stores of B.B.ON Co., Ltd. are established together with those of Welcia Yakkyoku Co., Ltd., results of the former are calculated together with those of the latter.

# Overview of FY2019 1Q

1. Outline of financial results	Actual results	Projections	Difference
Net sales	190,017 million yen	188,500 million yen	1,517 million yen
Ordinary income	6,758 million yen	5,230 million yen	1,528 million yen
Net income attributable to owners of the Parent	4,171 million yen	3,130 million yen	1,041 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.4%	3.8%	1.6%
Store openings (in Japan)	26 stores	39 stores	-13 stores
Store closures (in Japan)	7 stores	5 stores	2 stores
Number of stores as of the end of 1Q (in Japan)	1,747 stores	1,762 stores	-15 stores
Store renovations	63 stores	51 stores	12 stores
Dispensing pharmacy sales (in Japan)	31,940 million yen	31,440 million yen	500 million yen
Composition ratio of dispensing sales	16.8%	16.7%	0.1%
Number of stores with dispensing pharmacy (in Japan)	1,183 stores	1,176 stores	7 stores
Ratio of stores with dispensing pharmacy	67.7%	66.7%	1.0%
Number of stores open 24 hours	145 stores	-	-
3. Others	Actual results		
Composition ratio of PB products	5.0% (Breakdown: Hapycom 28.8%, Topvalu 27.4%, Welcia PB 43.4%, other 0.4%)		
Number of stores with Welcafe	161 stores	-	-

# Results for FY2019 1Q

(Unit: million yen)

	Actual results	Projections			Actual results for the same period of the previous year		
			Change	Achievement rate		Change	Y/Y
Net sales	190,017	188,500	1,517	100.8%	167,008	23,009	113.8%
	100.0%	100.0%			100.0%		
Gross operating profit	55,846	54,420	1,426	102.6%	49,178	6,668	113.6%
	29.4%	28.9%			29.4%		
SG&A expences	49,652	49,730	-77	99.8%	42,818	6,834	116.0%
	26.1%	26.4%			25.6%		
Operating income	6,194	4,690	1,504	132.1%	6,360	-166	97.4%
	3.3%	2.5%			3.8%		
Ordinary income	6,758	5,230	1,528	129.2%	6,801	-43	99.4%
	3.6%	2.8%			4.1%		
Net income attributable to owners of the parent	4,171	3,130	1,041	133.3%	4,326	-154	96.4%
	2.2%	1.7%			2.6%		

# Breakdown of financial results by company for FY2019 1Q

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo	Goodwill and others
			Y/Y		Y/Y			
Net sales	190,017	177,089	108.9%	4,163	113.6%	5,609	2,125	1,030
	100.0%	100.0%		100.0%		100.0%	100.0%	
Gross operating profit	55,846	52,397	109.2%	1,224	112.3%	1,458	*1 572	194
	29.4%	29.6%		29.4%		26.0%	26.9%	
SG&A expences	49,652	45,960	110.3%	1,086	111.3%	1,307	760	386
	26.1%	26.0%		26.1%		23.3%	35.7%	
Operating income	6,194	6,436	101.7%	137	120.7%	150	-187	-386
	3.3%	3.6%		3.3%		2.7%	-	
Ordinary income	6,758	6,983	103.2%	155	123.3%	172	-193	-386
	3.6%	3.9%		3.7%		3.1%	-	
Net income	4,171	4,488	102.7%	105	113.8%	110	-138	-386
	2.2%	2.5%		2.5%		2.0%	-	

\*1 Ippondo Co.,Ltd.'s year-on-year comparison includes a valuation loss of 91 million yen due to a change of the calculation method under the retail method in this term.

# Monthly sales growth rate

(Unit: %)

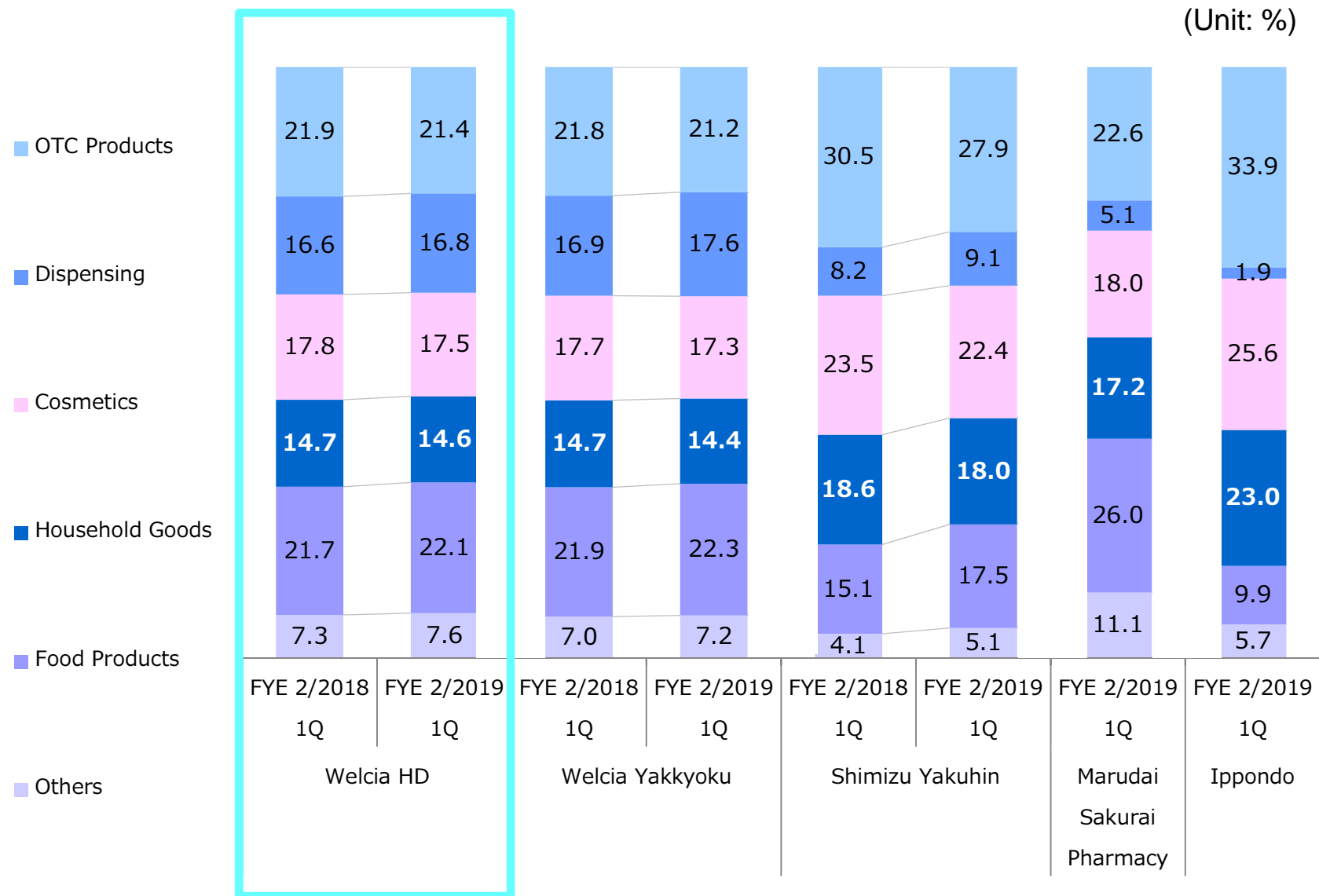
		2017						2018						
		Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing stores	Welcia Yakkyoku *1	5.2	7.6	4.4	6.4	2.8	6.4	5.8	5.5	6.3	8.8	6.0	1.1	5.0
	Welcia Yakkyoku *2	5.6	8.0	4.6										
	(former) CFS	3.8	5.8	3.3										
	Shimizu Yakuhin	14.0	13.1	12.6	13.0	10.0	14.1	11.5	12.1	15.5	14.4	10.2	5.6	12.6
Group total	Net sales	5.5	7.7	4.6	6.5	3.0	6.6	6.0	5.7	6.5	9.1	6.1	1.2	5.2
	Customers	2.6	4.8	2.3	3.7	-1.2	3.3	2.5	2.5	3.5	5.6	4.5	0.5	3.5
	Sales per customer	2.9	2.9	2.3	2.8	4.2	3.3	3.5	3.2	3.0	3.5	1.6	0.7	1.7
All stores	Net sales	9.8	12.2	9.2	15.4	11.3	14.4	13.5	13.3	13.7	17.6	14.5	9.2	13.5
	Customers	7.7	10.3	8.1	13.8	8.2	12.2	11.0	11.1	11.6	16.3	14.7	10.3	13.6
	Sales per customer	2.1	1.9	1.1	1.6	3.1	2.2	2.5	2.2	2.1	1.3	-0.2	-1.1	-0.1

\* 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





## Gross profit margin ratio by category

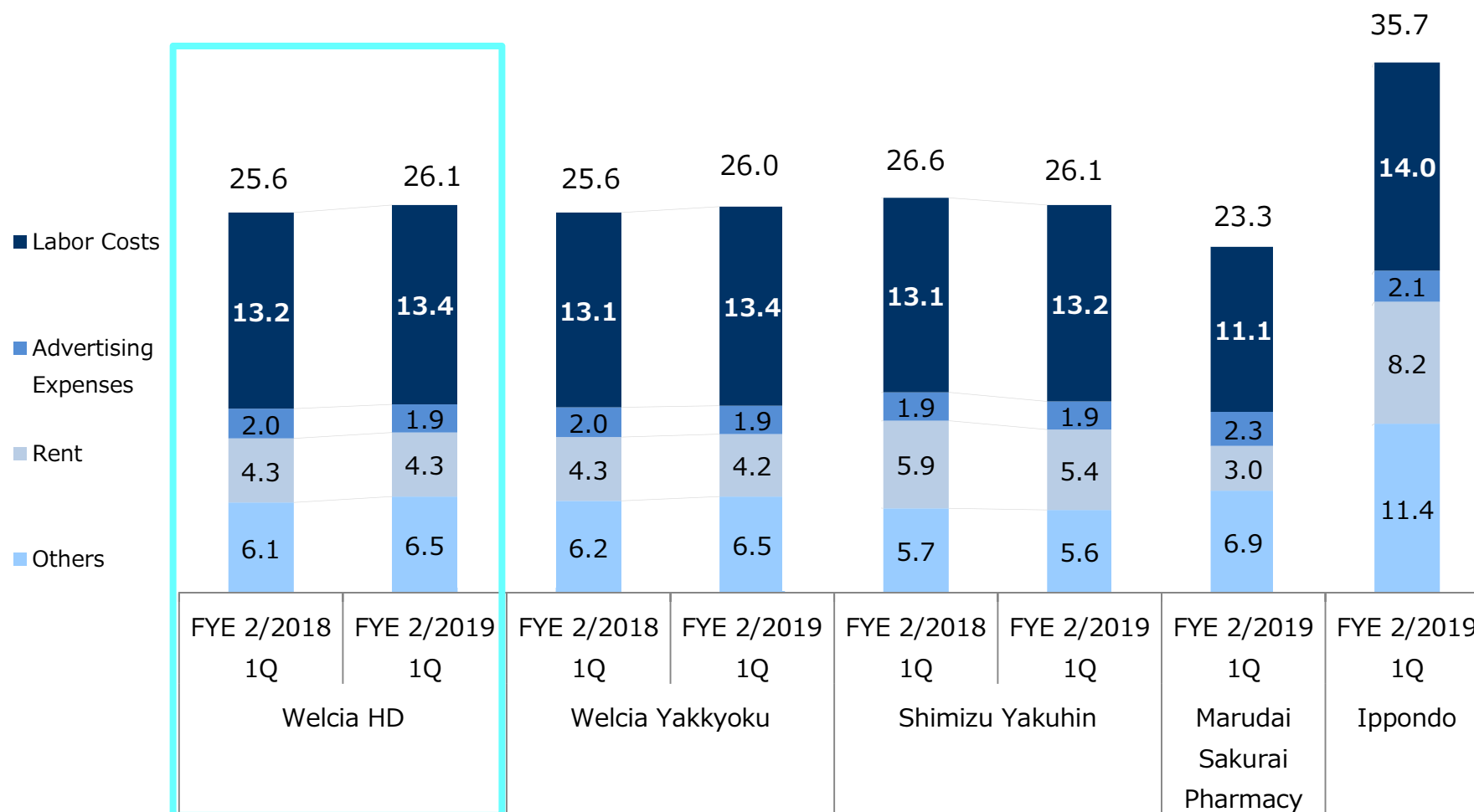
(Unit: %)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo
		Year-on-year change		Year-on-year change		Year-on-year change		
OTC Products	39.7	1.8	39.9	2.0	38.6	1.7	38.1	33.9
Dispensing	34.8	-3.7	34.8	-3.7	34.9	-5.3	35.5	39.0
Cosmetics	32.6	0.4	32.9	0.7	31.7	0.3	29.3	27.3
Household Goods	25.3	0.4	25.6	0.7	23.9	-0.2	21.8	20.1
Food Products	20.3	0.3	20.4	0.4	18.8	0.5	17.4	17.1
Others	15.1	1.1	15.0	0.7	14.9	0.4	18.4	24.2
Total	29.4	0.0	29.6	0.1	29.4	-0.3	26.0	*1 26.9

\*1 Ippondo Co.,Ltd.'s year-on-year comparison includes a valuation loss of 91 million yen due to a change of the calculation method under the retail method in this term.

# SG&A expenses composition ratio

(Unit: %)



## Results in the dispensing sector

	FYE 2/2016	FYE 2/2017	Comparison with the previous term	FYE 2/2018	FYE 2/2019	Comparison with the previous term
	1Q	1Q		1Q	1Q	
Dispensing pharmacy sales (million yen)	15,084	24,294	161.1%	27,758	31,940	115.1%
No. of prescriptions (in the thousands)	1,485	2,396	161.3%	2,784	3,305	118.7%
Prescription unit price (yen)	10,155	10,138	99.8%	9,970	9,664	96.9%
Gross operating profit (%)	36.2	32.4	-3.8	38.5	34.8	-3.7
No. of stores with dispensing pharmacy (stores)	727	898	171	1,042	1,183	141
Ratio of stores with dispensing pharmacy (%)	63.7%	61.0%	-2.7	67.2%	67.7%	0.5

\* Results were based only on the domestic market.

\* Dispensation fees were revised in FYE 2/2017 and FYE 2/2019.

# Promotion of drug stores with dispensing pharmacy

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ipsono
	FYE 2/2018 1Q	FYE 2/2019 1Q	FYE 2/2018 1Q	FYE 2/2019 1Q	FYE 2/2018 1Q	FYE 2/2019 1Q	FYE 2/2019 1Q	FYE 2/2019 1Q
Dispensing fees (million yen)	27,758	31,940	27,459	31,236	299	379	283	40
No. of prescriptions (in the thousands)	2,784	3,305	2,750	3,219	34	43	35	6
Prescription unit price (yen)	9,970	9,664	9,985	9,701	8,762	8,752	7,970	6,534
No. of stores with dispensing pharmacy at the end of the term	1,042	1,183	1,025	1,145	17	24	13	1
Ratio of stores with dispensing pharmacy	67.2%	67.7%	68.5%	72.7%	31.5%	42.9%	17.1%	2.4%

\*Results were based only on the domestic market.

# Number of employees (as of May 31, 2018)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy	Ippondo
		Change from the previous term-end				
No. of employees	8,718	911	7,767	212	344	110
No. of temporary employees (based on 8h/employee)	17,717	1,272	16,455	379	490	212
No. of pharmacists (enrollment)	4,479	320	4,372	57	33	7
No. of registered sales clerks (enrollment)	10,874	370	10,063	286	406	97
No. of stores	1,747	60	1,574	56	76	41
No. of pharmacists per store	2.56	0.09	2.78	1.02	0.43	0.17
No. of registered sales clerks per store	6.20	-0.03	6.39	5.11	5.34	2.37

\* The number of pharmacists and the number of registered sales clerks consist of people who are domestic qualified persons only.

# Store openings and closures

(Unit: stores)

		28-Feb-18	Openings		Closures		Increase/ decrease resulting from subsidiaries	31-May-18
			Planned	Actual	Planned	Actual		
By Company	Welcia Yakkyoku	1,559	33	21	4	6	0	1,574
	Shimizu Yakuhin	54	2	2	0	0	0	56
	Marudai Sakurai Pharmacy	74	4	3	1	1	0	76
	Ippondo	-	0	0	0	0	41	41
By Area	Tohoku	119	9	6	1	1	0	124
	Kanto	856	16	10	0	1	41	906
	Chubu	418	3	4	4	5	0	417
	Kinki	294	11	6	0	0	0	300
<b>Total (in Japan)</b>		<b>1,687</b>	<b>39</b>	<b>26</b>	<b>5</b>	<b>7</b>	<b>41</b>	<b>1,747</b>
Reference	No. of stores with dispensing pharmacy	1,158						1,183
	Ratio of stores with dispensing pharmacy	68.6%						67.7%

\* Results were based only on the domestic market.

## 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.

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.