

**Financial Results Briefing  
for the Third Quarter of Fiscal Year Ending  
February 2016**

January 21, 2016



**Welcia Holdings Co., Ltd.**

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

## 1. Overview

Overview of 3Q cumulative total of FY 2016

## 2. Outline of Financial Results

Actual results for 3Q cumulative total of FY2016

Breakdown of financial results by company for 3Q cumulative total of FY 2016

Outline of financial results for 3Q cumulative total of FY2016 [consolidated]

Monthly sales growth rate

Reference:

Former CFS Corporation's Monthly sales growth rate

Composition ratio of sales by category [3Q] (Cumulative total)

Gross profit margin ratio by category [3Q] (Cumulative total)

SG&A expenses composition ratio [3Q] (Cumulative total)

Promotion of drug stores with dispensing pharmacy

(Change of No. of stores with dispensing pharmacy and No. of prescription handled)

Composition ratio of private-brand (PB) products sales[3Q](Cumulative total)

Number of employees (as of November 30, 2015)

Store openings and closures

Reference:

Former Takiya Co., Ltd's actual results for 3Q cumulative total of FY2016

## 3. Earnings Forecast for FY2016

Full-year forecast by company

Actual results for 1H and earnings forecast for 2H

Plan for store openings and closures

### 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 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.

# 1. Overview

- Due to a change in the accounting term in FY ended February 2015, year-on-year comparison is made with the data for the period from March to November in 2014 in this report.
- Due to the change of our accounting policy, distribution charges are recorded under the “Cost of sales” instead of “Selling, general and administrative expenses” for the purpose of year-on-year comparison.

1. Sales were 101.8% against projections, and 133.5% compared with the same period of the previous year.  
Existing-store sales grew 6.7%. Gross operating profit was 101.9% against projections, and 134.3% over the previous year.
2. Operating income was 107.9% against projections, and 132.1% over the previous year.  
Ordinary income was 108.6% against projections, and 132.0% over the previous year.
3. Net income was 94.1% against projections, and 118.0% over the previous year.
4. 55 stores were newly opened compared with 79 stores planned, while 27 stores were closed compared with 22 stores planned.
5. Sales from dispensing remained favorably with an increase of 149.4% from the same period of the previous year, accounting for 13.9% of sales.
6. The ratio of drug stores with a dispensing pharmacy reached 59.9%, with the increase of 187 such stores (including addition of 138 stores from acquisition of subsidiaries).

## 2. Outline of Financial Results

# Actual results for 3Q cumulative total of FY2016

(Unit: million yen)

	Actual results	Projections	Comparison with projections		Comparison with the previous year	
			Amount	Achievement rate	Amount	Expressed in percentage
Net sales	376,970	370,340	6,630	101.8%	94,652	133.5%
	100.0%	100.0%				
Gross operating profit	105,670	103,740	1,930	101.9%	26,968	134.3%
	28.0%	28.0%				
SG&A expenses	93,575	92,530	1,045	101.1%	24,027	134.5%
	24.8%	25.0%				
Operating income	12,094	11,210	884	107.9%	2,941	132.1%
	3.2%	3.0%				
Ordinary income	13,148	12,110	1,038	108.6%	3,190	132.0%
	3.5%	3.3%				
Net income	6,541	6,950	-408	94.1%	995	118.0%
	1.7%	1.9%				

\* Due to the change of fiscal year end date, business results for the same period in the previous year from March to November 2014 have been provided for comparison purposes.

\* The comparison reflects the change of accounting rules.

# Breakdown of financial results by company for 3Q cumulative total of FY 2016

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Takiya	Shimizu Yakuin	CFS corporation	Goodwill and others
			Y/Y				
Net sales	376,970	316,374	112.6%	19,224	8,977	30,753	1,639
	100.0%	100.0%		100.0%	100.0%	100.0%	
Gross operating profit	105,670	88,911	113.0%	5,067	2,249	9,308	133
	28.0%	28.1%		*(-154)	*(-184)	30.8%	
SG&A expenses	93,575	76,478	111.4%	5,653	2,679	8,306	542
	24.8%	24.2%		29.5%	29.8%	27.0%	-84
Operating income	12,094	12,433	124.2%	-586	-429	1,001	-542
	3.2%	3.9%		-	-	3.3%	217
Ordinary income	13,148	13,289	120.8%	-549	-387	1,170	-542
	3.5%	4.2%		-	-	3.8%	167
Net income	6,541	7,681	113.6%	-1,080	-293	646	-542
	1.7%	2.4%		-	-	2.1%	130

\* Indicate the impact due to the change of calculation method under the retail method.

\* Welcia HD merged the management of CFS Corporation on September 1, 2015 (results of CFS Corporation subject for review are from September 1, 2015).

# Outline of financial results for 3Q cumulative total of FY2016 [consolidated]

<b>Sales</b>			
1. Existing-store sales (growth rate)	6.7%	Projection: 3.3%	
2. Sales from dispensing	52,297 mil. yen	Year on Year: 149.4%	Ratio to total sales: 13.9%
3. Store openings	55 stores	Projection: 79 stores	(Overseas) 1 store to be opened
4. Store closures	27 stores	Projection: 22 stores	(Overseas) 2 stores to be closed
<b>Gross margin ratio (*Reflect the change of indication for year-on-year comparison)</b>			
1. Gross margin ratio			
Welcia HD (consolidated)	28.0%	Year on Year: +0.1%	
Welcia Yakkyoku	28.1%	Year on Year: +0.1%	
Takiya	26.4%		
Shimizu Yakuhin	25.1%		
CFS Corporation	30.3%		
2. Gross margin ratio by segment			
OTC products	36.6%	Year on Year: -0.6%	
Dispensing	36.6%	Year on Year: +0.7%	
<b>SG&amp;A expenses</b>			
1. SG&A ratio	24.8%	Projection: 25.0%	
2. Labor costs/sales ratio	12.3%	Projection: 12.4%	

\* Results of CFS Corporation subject for review are from September 1, 2015.



# Monthly sales growth rate

		2015											
		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Existing stores	former Welcia Kanto	5.1%	4.8%	-9.0%	18.0%	9.7%	7.8%	7.6%	8.5%				
	former Takada Pharmacy	-0.4%	0.3%	-15.7%	13.7%	6.6%	4.5%	7.1%	11.0%				
	former Welcia Kansai	-1.4%	-1.4%	-20.4%	15.3%	7.5%	2.3%	3.0%	4.8%				
	Group total	3.9%	3.7%	-10.6%	17.3%	9.2%	6.9%	7.2%	8.5%	6.0%	10.6%	9.2%	5.3%
All stores	Group total	11.6%	12.0%	4.7%	37.3%	27.4%	23.9%	23.2%	23.6%	52.9%	58.7%	55.4%	50.2%

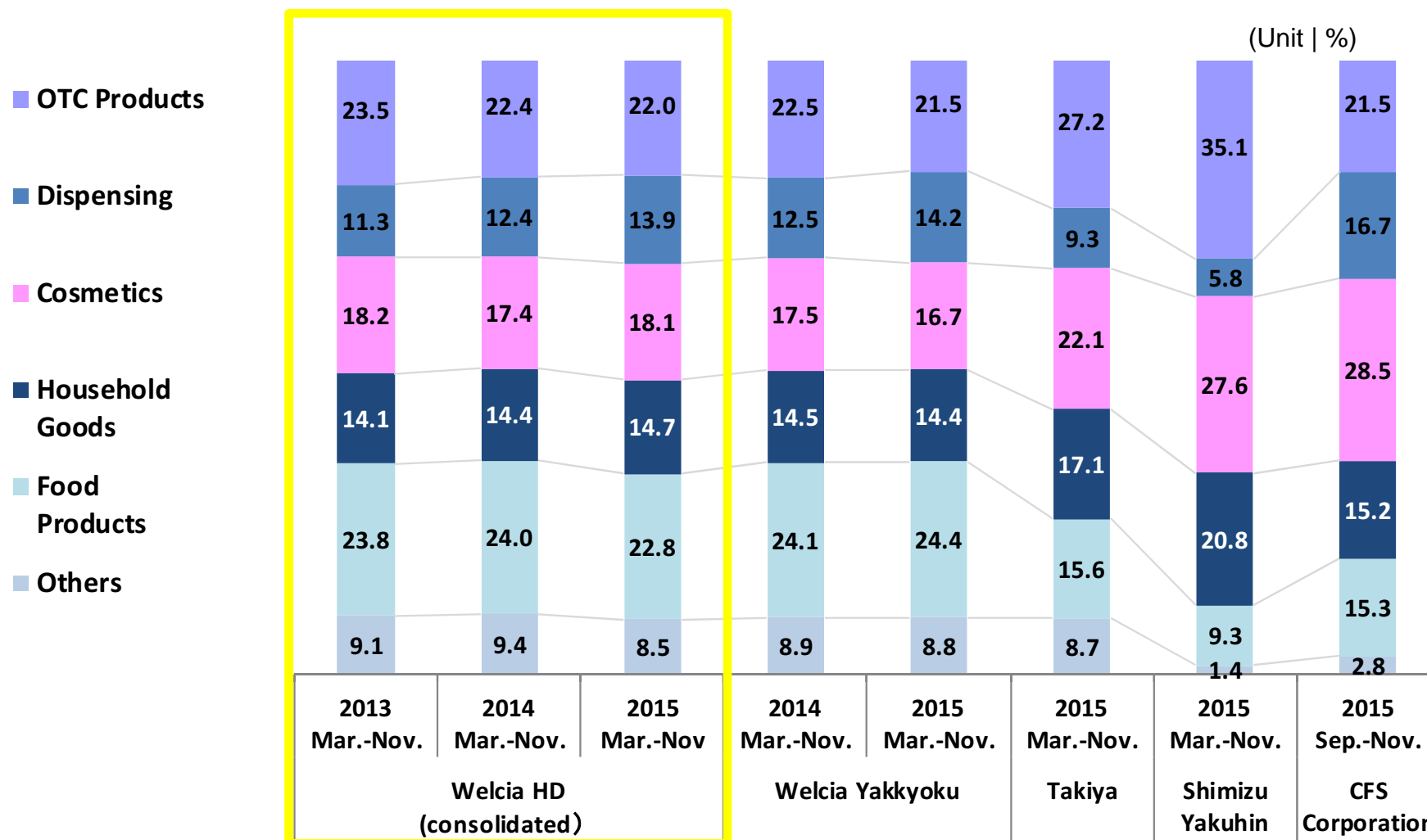
\* While Takiya Co., Ltd. and Shimizu Yakuhin Co., Ltd. are included in the sales growth rate of all stores from March 2015, they are not included in the growth of existing stores, as these stores are regarded as new ones.

\* While CFS Corporation is included in the sales growth rate of all stores from September 2015, they are not included in the growth of existing stores, as these stores are regarded as new ones.

# Reference: CFS Corporation's monthly sales growth rate

	2015											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Existing store	2.3%	4.3%	-14.1%	16.3%	10.8%	6.9%	4.9%	4.7%	5.5%	7.7%	2.9%	1.9%
All stores	1.4%	3.5%	-14.9%	16.5%	11.4%	7.5%	5.2%	4.2%	5.7%	8.9%	4.0%	2.7%

# Composition ratio of sales by category [3Q] (Cumulative total)



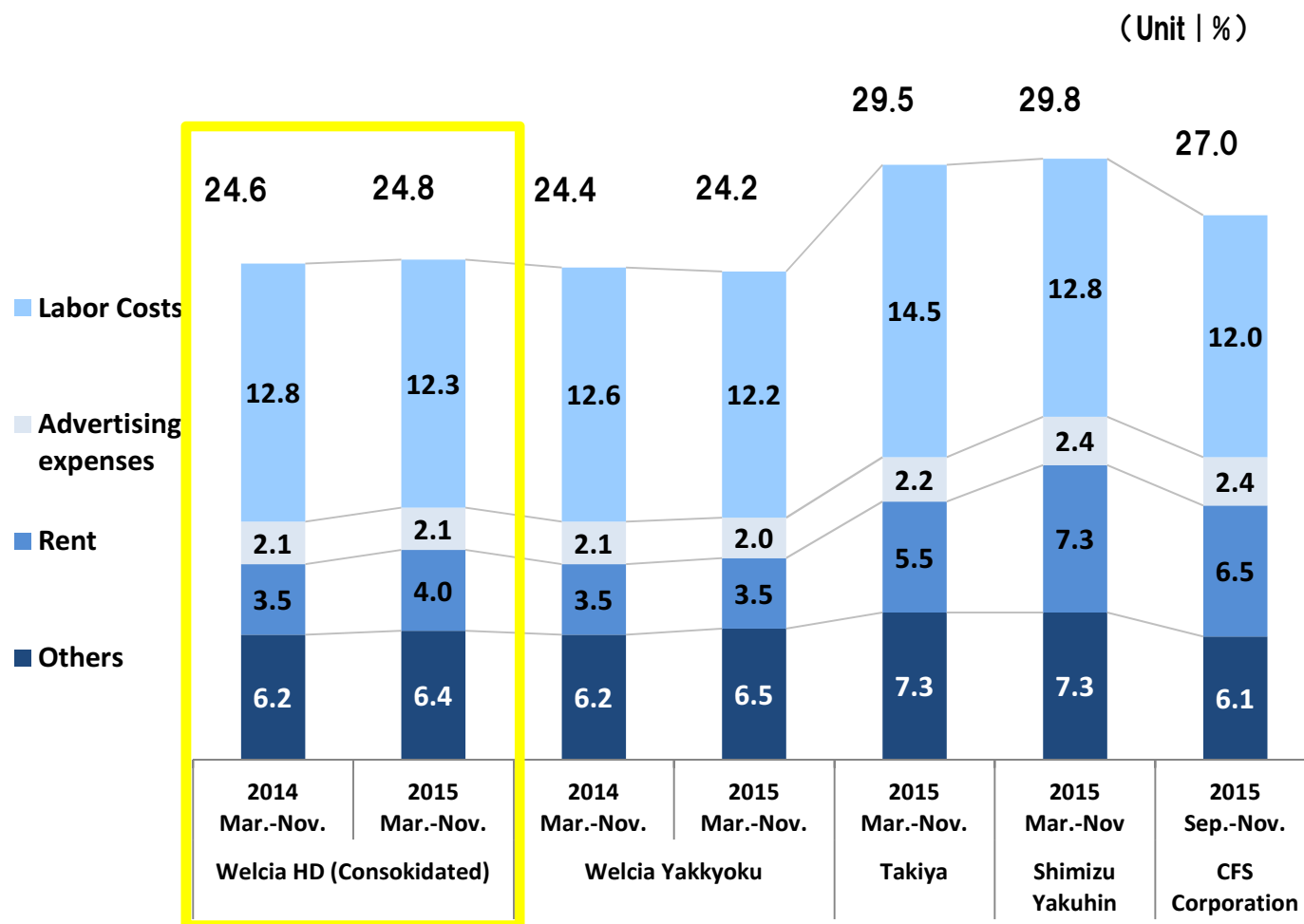
\*Results of CFS Corporation subject for review are from September 1, 2015.

# Gross profit margin ratio by category [3Q] (Cumulative total)

	Welcia HD(consolidated)		Welcia Yakkyoku		Takiya	Shimizu Yakuhin	CFS Corporation
	Gross Operating Margin (%)	Year-on-year change	Gross Operating Margin (%)	Year-on-year change	Gross Operating Margin (%)	Gross Operating Margin (%)	Gross Operating Margin (%)
OTC Products	36.6	-0.5	37.0	-0.1	36.8	28.2	36.5
Dispensing	36.6	+0.7	36.3	+0.4	36.2	40.4	38.9
Cosmetics	31.7	-0.2	32.4	+0.5	27.3	25.3	31.3
Houshold Goods	24.3	-0.6	24.8	-0.1	19.6	21.0	23.8
Food Products	19.6	-0.2	19.7	-0.1	16.1	13.9	20.2
Others	13.2	+0.1	13.7	+0.2	12.1	13.6	10.5
<b>Total</b>	<b>28.0</b>	<b>+0.1</b>	<b>28.1</b>	<b>+0.1</b>	<b>26.4</b>	<b>25.1</b>	<b>30.3</b>

\*Results of CFS Corporation subject for review are from September 1, 2015.

# SG&A expenses composition ratio [3Q] (Cumulative total)



## Overview

As the ratio of Takiya (29.5%), Shimizu Yakuhin (29.8%) and CFS(27.0%) are both high, the expense ratio was increased on a consolidated basis.

## Labor Costs

12.8% → 12.3%

Due to the Improvement of man-hour management

## Advertising expenses

The expense ratio of Takiya, Shimizu Yakuhin and CFS is higher compared with Welcia Yakkyoku due to the difference of marketing measures.

## Rent

3.5% → 4.0%

The expense ratio of Takiya, Shimizu Yakuhin and CFS is higher compared with Welcia Yakkyoku.

## Others

6.2% → 6.4%

Due to the cost for introducing new main system, store renovation costs, and consumption tax

\*Results of Welcia Yakkyoku for the period from March to November in 2014 were calculated by aggregating the results of Welcia Kanto, Takada Yakkyoku, and Welcia Kansai for the comparison purpose.

\*Results of CFS Corporation subject for review are from September 1, 2015.

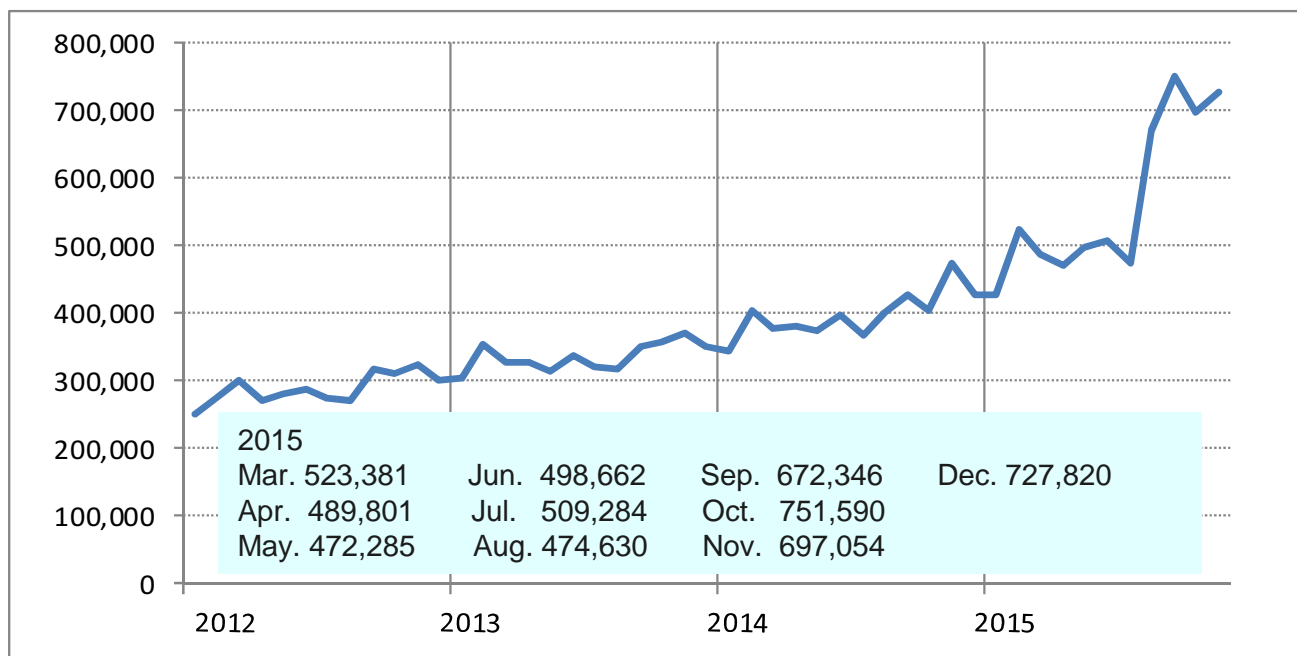
Promotion of drug stores with dispensing pharmacy  
 (Change of No. of stores with dispensing pharmacy and No. of prescription handled)

■ Change of No. of Stores with Dispensing Pharmacy Unit: number of Stores

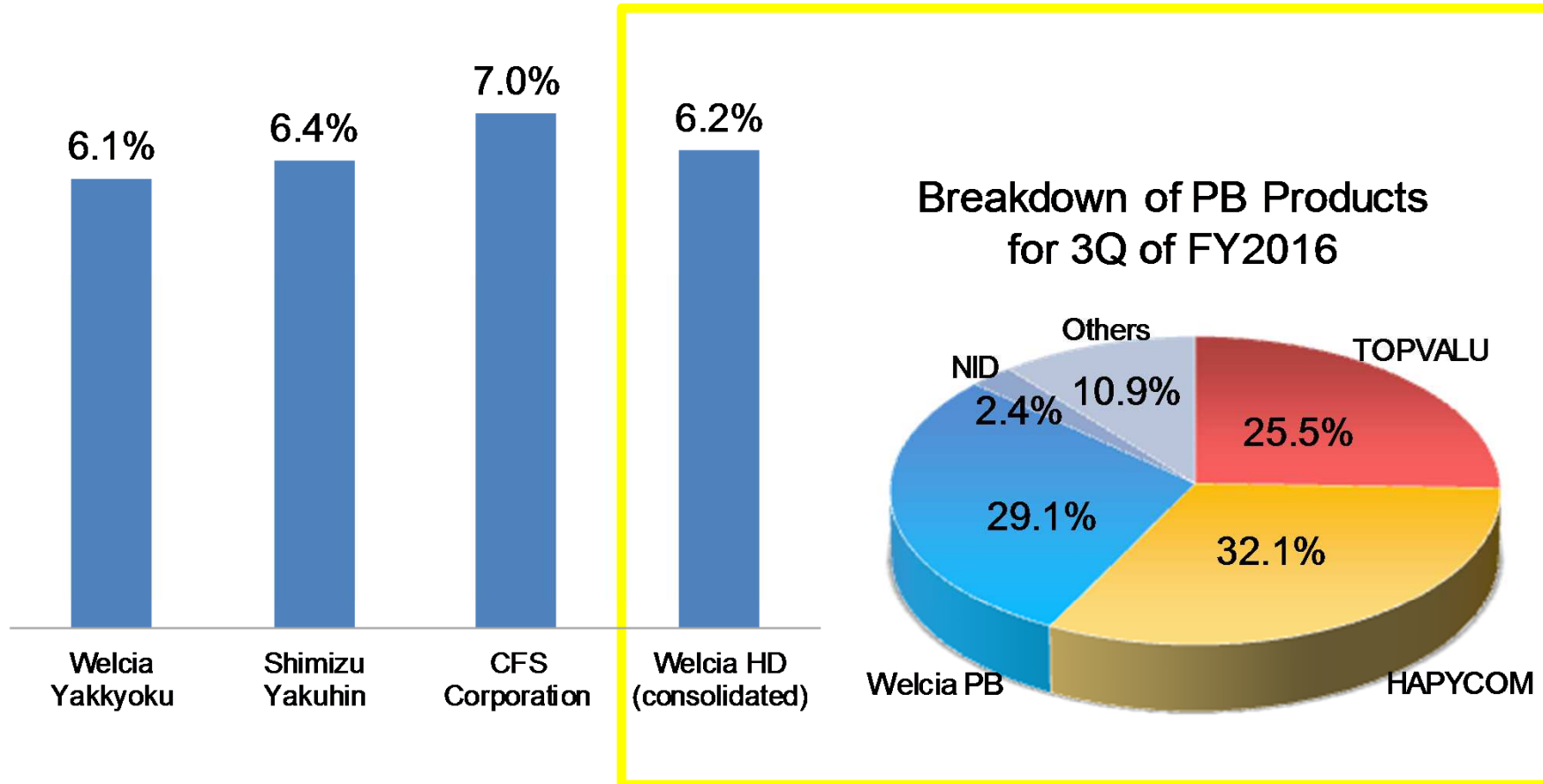
	As of Feb. 28, 2015		Increase by acquiring subsidiaries	As of Nov. 30, 2015	
	No. of stores with dispensing pharmacy	Ratio of stores with dispensing pharmacy		No. of stores with dispensing pharmacy	Ratio of stores with dispensing pharmacy
Welcia Yakkyoku	687	69.6%		729	72.0%
Takiya			+27	31	37.8%
Shimizu Yakuhin			+7	10	17.9%
CFS Corporation			+104	104	33.5%
Group Total	687	69.6%	+138	874	59.9%

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

■ Change of No. of Prescription Handled Unit: No. of Prescription



# Composition ratio of private-brand (PB) products sales [3Q] (Cumulative total)



\*Results of CFS Corporation subject for review are from September 1, 2015.

## Number of employees (as of November 30, 2015)

	Welcia HD (consolidated)	Welcia Yakkyoku	Takiya	Shimizu Yakuhin	CFS Corporation
Number of employees	6,287	4,293	374	219	1,187
Number of temporary employees (based on 8h/employee)	12,932	9,836	593	240	2,085
Sales per employee (unit: thousand yen)	19,614	22,391	19,880	19,559	9,398
Number of pharmacists (enrollment)	3,272	2,277	209	55	730
Number of registered sales clerks (enrollment)	7,292	5,315	396	246	1,333
Number of stores	1,464	1,012	82	56	310
Number of pharmacists per store	2.23	2.25	2.55	0.98	2.35
Number of registered sales clerks per store	4.98	5.25	4.83	4.39	4.30

\*Results of CFS Corporation subject for review are from September 1, 2015.



# Store openings and closures

Unit: number of Stores

		Feb.28, 2015	Increase by acquiring subsidiaries	Openings		Closures		Nov.30, 2015
				Actual	Planned	Actual	Planned	
By Company	Welcia Yakkyoku	987		45	68	20	17	1,012
	Takiya		+78	6	7	2	1	82
	Shimizu Yakuhin		+57	1	1	2	-	56
	CFS Corporation		+310	3	3	3	4	310
By Area	Tohoku	22		3	3	-	-	25
	Kanto	577	+204	29	45	14	15	796
	Chubu	279	+103	10	15	5	4	387
	Kinki	109	+138	13	16	8	3	252
Total		987	+445	55	79	27	22	1,460

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

\*Results of CFS Corporation subject for review are from September 1, 2015.

Reference: Former Takiya Co., Ltd's actual results for 3Q of  
FY2016 (Cumulative total)

Unit: million yen

	Actual	Projections	Comparison with projections	
			Amount	Achievement rate
Sales	19,224	20,268	-1,043	94.8%
	100.0%	100.0%		
Gross operating profit	5,067	5,504	-436	92.1%
	26.4%	27.2%		
SG&A expenses	5,636	5,558	78	101.4%
	29.5%	27.4%		
Operating income	-586	-54	-532	-
	-	-		
Ordinary income	-549	-52	-497	-
	-	-		
Net income	-1,080	-67	-1,013	-
	-	-		

## **3. Earnings Forecast for FY2016**

# Full-year forecast by company

Unit: million yen

	Welcia HD (consolidated)	Welcia Yakkyoku (after merger with Takiya)		Takiya 3Q cumulative total	Shimizu Yakuhin	CFS Corporation	Goodwill and others
		4Q cumulative total	Y/Y				
Sales	520,600	422,762	111.6%	20,268	12,410	62,900	
	100.0%	100.0%		100.0%	100.0%	100.0%	2,260
Gross operating profit	147,500	119,626	112.2%	5,504	3,300	18,900	
	28.3%	28.3%		27.2%	26.6%	30.0%	170
SG&A expenses	129,650	103,302	111.5%	5,558	3,500	16,750	723
	24.9%	24.4%		27.4%	28.2%	26.6%	-183
Operating income	17,850	16,324	116.3%	-54	-200	2,150	-723
	3.4%	3.9%		-	-	3.4%	353
Ordinary income	19,250	17,412	113.7%	-52	-190	2,600	-723
	3.7%	4.1%		-	-	4.1%	203
Net income	10,300	9,937	116.9%	-67	-180	1,300	-723
	2.0%	2.4%		-	-	2.1%	33

\* Year-on-year change of Welcia Pharmacy is calculated based on the total of the result of Welcia Kanto, Takada Pharmacy, and Welcia Kansai for the 2nd half of FY2014 and the result of Welcia Pharmacy for FY2015, comparing with the figures.

\* The comparison reflects the change of accounting rules.

\* Results of CFS Corporation subject for review are from September 1, 2015.

\* Welcia Yakkyoku merged with Takiya on December 1, 2015. The above forecast for Welcia Yakkyoku includes Takiya's 4Q results.

# Actual results for 1H and earnings forecast for 2H

Unit: million yen

	1H (Actual results)		2H				Full-year		Y/Y
	Amount	Composition ratio	Amount			Composition ratio	Amount	Composition ratio	
			Welcia HD (excluding CFS)	CFS	Totaling				
Sales	230,990	100.0%	226,710	62,900	289,610	100.0%	520,600	100.0%	136.8%
Gross operating profit	64,183	27.8%	64,417	18,900	83,317	28.8%	147,500	28.3%	138.2%
SG&A expenses	56,512	24.5%	56,388	16,750	73,138	25.3%	129,650	24.9%	138.3%
Operating income	7,671	3.3%	8,029	2,150	10,179	3.5%	17,850	3.4%	137.6%
Ordinary income	8,201	3.6%	8,449	2,600	11,049	3.8%	19,250	3.7%	137.1%
Net income	4,413	1.9%	4,587	1,300	5,887	2.0%	10,300	2.0%	138.2%
Existing-store sales growth rate	5.8%		3.9%		3.9%		4.8%		

\* The year-on-year change represents the comparison with business results for the year from March 2014 to February 2015.

\* Results of CFS Corporation subject for review are from September 1, 2015.

# Plan for store openings and closures

Unit: number of stores

		Feb.28, 2015	Increase due to a new subsidiary	Openings		Closures		Expected No.of stores as of the end of Feb. 2015	
				Expectation	Plan	Expectation	Plan	Expectation	Plan
By Company	Welcia Yakkyoku	987		62	100	26	18	1,105	1,159
	Takiya		+ 78	6	13	2	1	—	—
	Shimizu Yakuhin		+ 57	1	1	2	—	56	58
	CFS Corporation		+ 310	4	5	5	7	309	308
By Area	Tohoku	22		4	3	—	—	26	25
	Kanto	577	+ 204	39	73	20	19	800	835
	Chubu	279	+ 103	14	21	7	4	389	399
	Kinki	109	+ 138	16	22	8	3	255	266
Total		987	+ 445	73	119	35	26	1,470	1,525
Reference	with dispensing pharmacy	687	+ 138					893	954
	Parallel establishment ratio	69.6%						60.7%	62.6%

\* Takiya Co. Ltd. and Shimizu Yakuhin Co., Ltd. were merged into Welcia HD on March 1, 2015.

\* We also merged CFS Corporation on September 1, 2015.

\* Takiya Co. Ltd. was merged into Welcia Yakkyoku on December 1, 2015, and its expected number of stores as of the end of the term is included in that of Welcia Yakkyoku.

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