

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

July 21, 2015



**Welcia Holdings Co., Ltd.**

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

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## 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 May 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 101.6% against projections, and 121.5% compared with the same period of the previous year. Existing-store sales grew 3.9%. Gross operating profit was 102.1% against projections, and 121.5% over the previous year.
2. Operating income was 105.5% against projections, and 97.4% over the previous year. Ordinary income was 108.0% against projections, and 102.0% over the previous year.
3. Net income was 95.2% against projections, and 100.2% over the previous year.
4. Sales from dispensing remained favorably with an increase of 131.5% from the same period of the previous year, accounting for 13.4% of sales.
5. 22 stores were newly opened compared with 24 stores planned, while 3 stores were closed compared with 4 stores planned.
6. The ratio of drug stores with a dispensing pharmacy reached 63.7%, with the increase of 40 such stores.

## 2. Outline of Financial Results

# Actual results for 1Q 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	112,337	110,620	1,717	101.6%	19,856	121.5%
	100.0%	100.0%				
Gross operating profit	31,062	30,410	652	102.1%	5,500	121.5%
	27.7%	27.5%				
SG&A expenses	27,949	27,460	489	101.8%	5,584	125.0%
	24.9%	24.8%				
Operating income	3,113	2,950	163	105.5%	-84	97.4%
	2.8%	2.7%				
Ordinary income	3,416	3,164	252	108.0%	65	102.0%
	2.9%	2.9%				
Net income	1,664	1,749	-84	95.2%	2	100.2%
	1.5%	1.6%				

# Breakdown of financial results by company for 1Q of FY 2016

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Takiya	Shimizu Yakuhin	Goodwill and others
			Y/Y			
Net sales	112,337	102,282	111.2%	6,484	3,043	526
	100.0%	100.0%		100.0%	100.0%	
Gross operating profit	31,062	28,886	113.2%	1,508	630	37
				*(-154)	*(-139)	
	27.7%	28.2%		23.3%	20.7%	
SG&A expenses	27,949	25,029	112.7%	1,872	868	180
	24.9%	24.4%		28.9%	28.5%	-2
Operating income	3,113	3,856	116.9%	-364	-238	-180
	2.8%	3.8%		-	-	39
Ordinary income	3,416	4,154	119.1%	-346	-233	-180
	3.0%	4.1%		-	-	23
Net income	1,664	2,375	120.1%	-355	-170	-180
	1.5%	2.3%		-	-	-5

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

# Outline of financial results for 1Q of FY2016 [consolidated]

<b>Sales</b>			
1. Existing-store sales (growth rate)	3.9%	Projection: 2.0%	
2. Sales from dispensing	15,084 mil. yen	Year on Year: 131.5%	Ratio to total sales: 13.4%
3. Store openings	22 stores	Projection: 24 stores	
4. Store closures	3 stores	Projection: 4 stores	
<b>Gross margin ratio (*Reflect the change of indication for year-on-year comparison)</b>			
1. Gross margin ratio			
Welcia HD (consolidated)	27.7%	Year on Year: +0.1%	
Welcia Kanto	28.2%	Year on Year: +0.5%	
Takiya	23.3%		
Shimizu Yakuhin	20.7%		
2. Gross margin ratio by segment			
OTC products	36.1%	Year on Year: -1.8%	
Dispensing	36.2%	Year on Year: +3.4%	
<b>SG&amp;A expenses</b>			
1. SG&A ratio	24.9%	Projection: 24.8%	
2. Labor costs/sales ratio	12.5%	Projection: 12.6%	



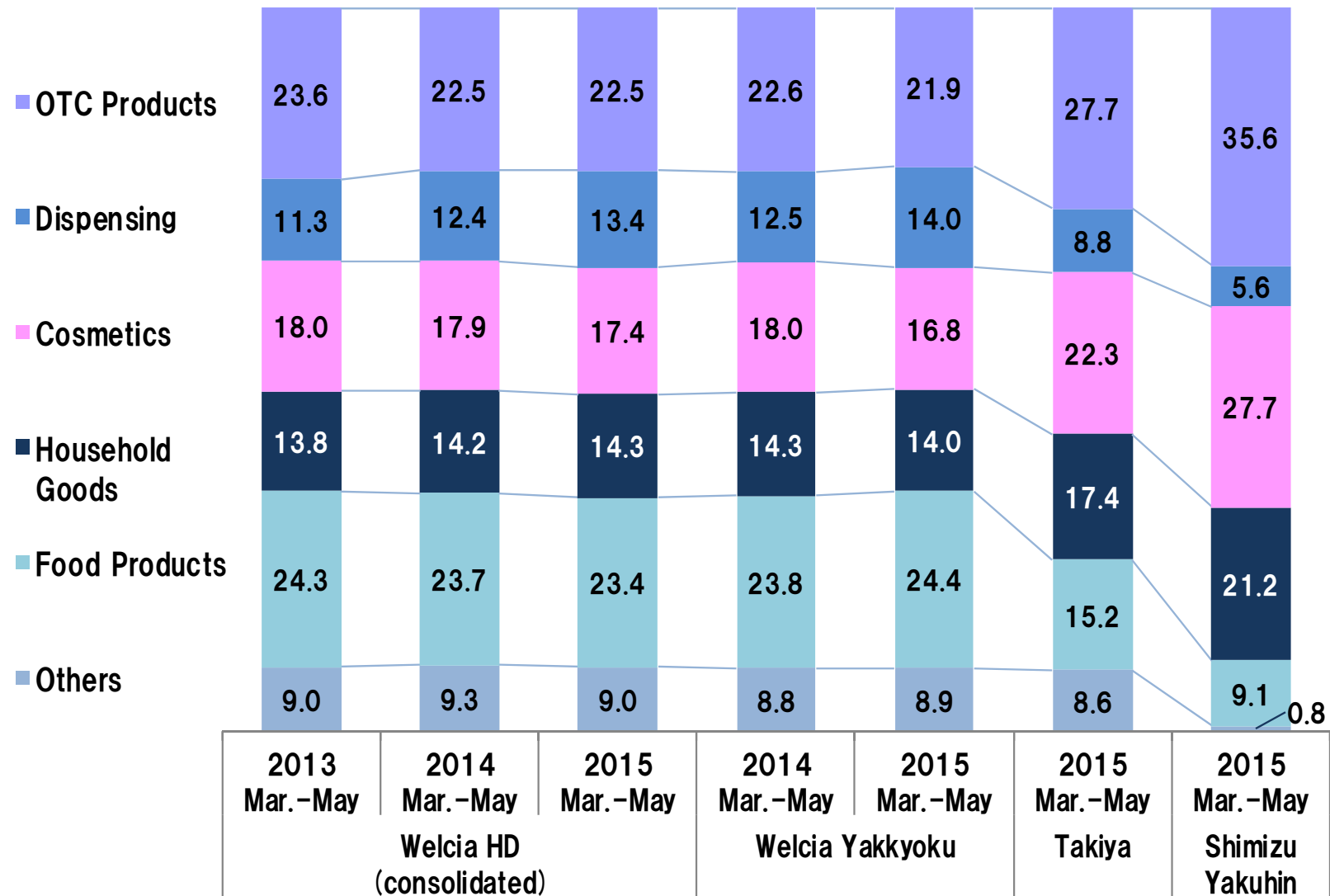
# Monthly sales growth rate

		2014							2015					
		Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing stores	former Welcia Kanto	2.1%	1.7%	2.3%	5.6%	5.1%	3.8%	7.6%	5.1%	4.8%	-9.0%	18.0%	9.7%	7.8%
	former Takada Pharmacy	-3.6%	-3.0%	-6.2%	-0.3%	-3.0%	-8.0%	-2.1%	-0.4%	0.3%	-15.7%	13.7%	6.6%	4.5%
	former Welcia Kansai	-4.4%	-3.6%	-2.4%	-2.5%	-2.9%	-2.4%	-2.2%	-1.4%	-1.4%	-20.4%	15.3%	7.5%	2.3%
	Group total	0.9%	0.7%	0.8%	4.2%	3.5%	1.8%	5.6%	3.9%	3.7%	-10.6%	17.3%	9.2%	6.9%
All stores	Group total	6.6%	6.7%	7.6%	11.2%	10.8%	9.0%	13.2%	11.6%	12.0%	4.7%	37.3%	27.4%	23.9%

\* While Takiya Co., Ltd. and Shimizu Yakuin 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.

# Composition ratio of sales by category [1Q]

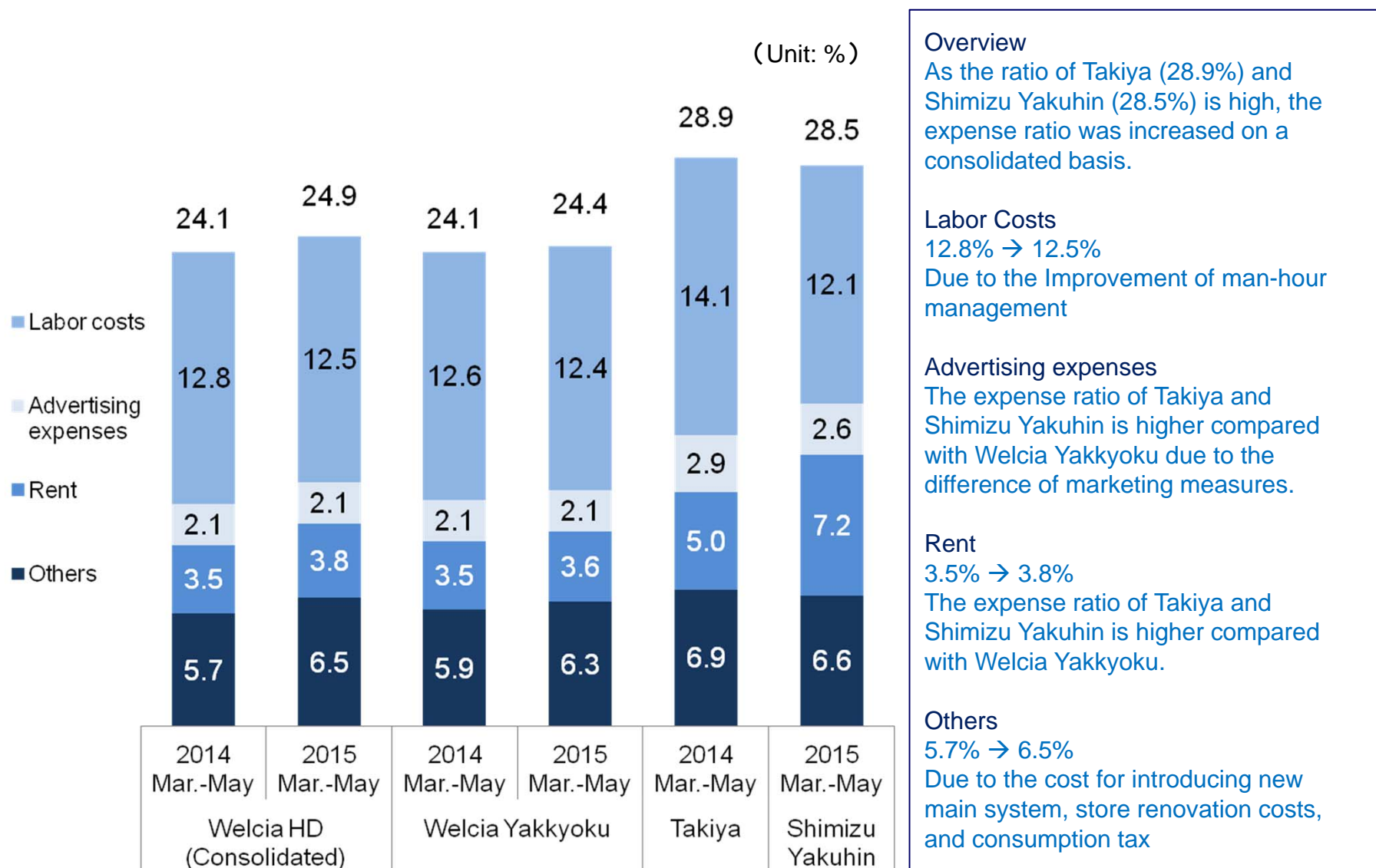
(Unit | %)



# Gross profit margin ratio by category [1Q]

	Welcia HD (consolidated)		Welcia Yakkyoku		Takiya	Shimizu Yakuhin
	Gross Operating Margin (%)	Year-on-year change	Gross Operating Margin (%)	Year-on-year change	Gross Operating Margin (%)	Gross Operating Margin (%)
OTC Products	36.1	-1.8	37.1	-0.8	31.8	22.7
Dispensing	36.2	+3.4	36.2	+3.4	35.9	34.9
Cosmetics	30.6	-1.2	31.7	-0.1	23.8	20.2
Household Goods	24.2	+0.1	25.1	+1.0	16.4	17.8
Food Products	20.1	+0.4	20.4	+0.7	14.3	13.3
Others	13.1	-0.4	13.7	-0.1	11.0	12.9
Total	27.7	+0.1	28.2	+0.5	23.3	20.7

# SG&A expenses composition ratio [1Q]



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

# Promotion of drug stores with dispensing pharmacy

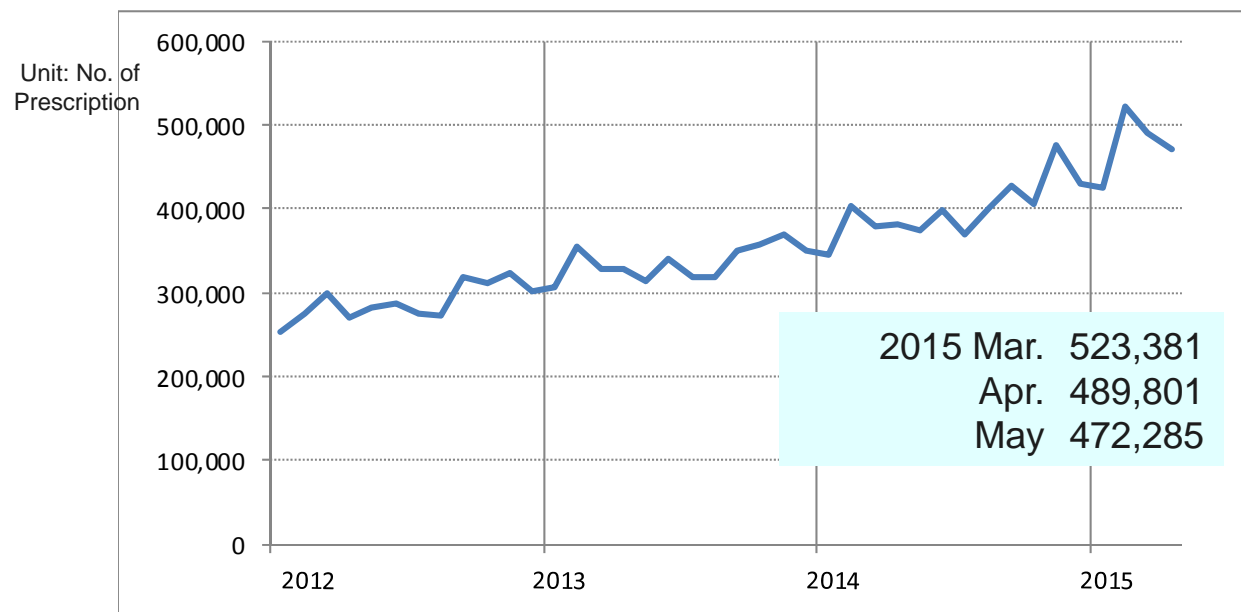
(Change of No. of stores with dispensing pharmacy and No. of prescription handled)

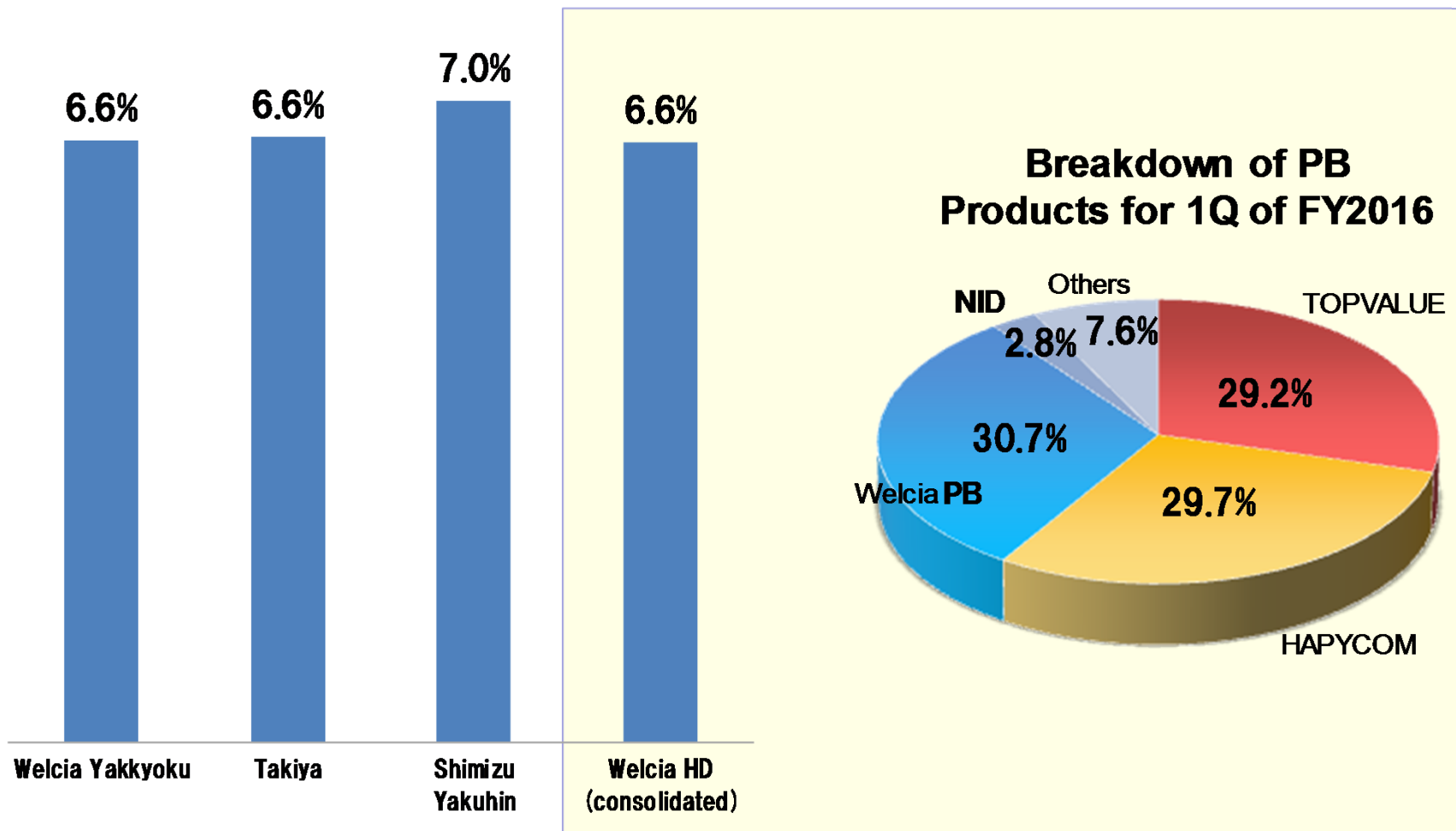
## ■ Change of No. of Stores with Dispensing Pharmacy

	As of Feb. 28, 2015		Increase by acquiring subsidiaries	As of May 31, 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%		692	69.1%
Takiya			+27	28	34.1%
Shimizu Yakuhin			+7	7	12.3%
Group Total	687	69.6%	+34	727	63.7%

\* 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





# Number of employees (as of May 31, 2015)

	Welcia HD (consolidated)	Welcia Yakkyoku	Takiya	Shimizu Yakuhin
Number of employees	5,067	4,261	380	209
Number of temporary employees (based on 8h/employee)	10,172	9,230	555	206
Sales per employee (unit: thousand yen)	7,371	7,581	6,935	7,334
Number of pharmacists (enrollment)	2,474	2,235	185	53
Number of registered sales clerks (enrollment)	5,778	5,169	392	214
Number of stores	1,145	1,002	82	57
Number of pharmacists per store	2.16	2.23	2.26	0.93
Number of registered sales clerks per store	5.05	5.16	4.78	3.75

# Store openings and closures

Unit: number of store

		Feb. 28, 2015	Increase by acquiring subsidiaries	Openings		Closures		May. 31, 2015
				Actual	Planned	Actual	Planned	
By company	Welcia Yakkyoku	987		18	19	3	4	1,002
	Takiya		+78	4	5	-	-	82
	Shimizu Yakuhin		+57	-	-	-	-	57
By area	Tohoku	22		-	-	-	-	22
	Kanto	577		12	14	-	1	589
	Chubu	279		2	1	1	1	280
	Kinki	109	+135	8	9	2	2	250
Total		987	+135	22	24	3	4	1,141

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



## 3. Earnings Forecast for FY2016

- We have made no change on the plan announced at the start of the FY.
- The results of CFS Corporation, which will join our group as of September 1, 2015, are not included in the forecast.

# Full-year earnings forecast

(Unit: million yen)

	1st Half		2nd Half		Full Year	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Sales	226,700	100.0%	231,000	100.0%	457,700	100.0%
Gross operating profit	62,900	27.7%	65,700	28.4%	128,600	28.1%
SG&A expenses	55,520	24.4%	57,380	24.8%	112,900	24.7%
Operating income	7,380	3.3%	8,320	3.6%	15,700	3.4%
Ordinary income	7,830	3.5%	8,820	3.8%	16,650	3.6%
Net income	4,430	2.0%	4,570	2.0%	9,000	2.0%
Growth in existing stores	3.1%		3.9%		3.5%	

# Full-year forecast by company

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Takiya	Shimizu Yakuhin	Goodwill and others
			Y/Y			
Sales	457,700	415,820	109.8%	27,210	12,410	2,260
	100.0%	100.0%		100.0%	100.0%	
Gross operating profit	128,600	117,590	110.3%	7,540	3,300	170
	28.1%	28.3%		27.7%	26.6%	
SG&A expenses	112,900	101,370	109.4%	7,490	3,500	723
	24.7%	24.4%		27.5%	28.2%	-183
Operating income	15,700	16,220	115.6%	50	-200	-723
	3.4%	3.9%		0.2%	-	353
Ordinary income	16,650	17,310	113.1%	50	-190	-723
	3.6%	4.2%		0.2%	-	203
Net income	9,000	9,900	116.5%	-30	-180	-723
	2.0%	2.4%		-	-	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.

# Plan for store openings and closures

Unit: number of store

		Feb. 28, 2015	Mar. 1, 2015	Openings	Closures	Expected No. of Stores as of the end of Feb. 2016
By company	Welcia Yakkyoku	987		100	18	1,069
	Takiya		+ 78	13	1	90
	Shimizu Yakuhin		+ 57	1	-	58
By area	Tohoku	22		3	-	25
	Kanto	577		70	14	633
	Chubu	279		19	2	296
	Kinki	109	+ 135	22	3	263
<b>Total</b>		<b>987</b>	<b>+ 135</b>	<b>114</b>	<b>19</b>	<b>1217</b>
(Reference)	With dispensing pharmacy	687	+ 34			850
	Parallel establishment ratio	69.6%				69.8%

\*In addition to the above, we plan to newly open two stores and close one store overseas (in China).