

Financial Results Briefing for the Fiscal Year Ended February 2015

April 21, 2015



Welcia Holdings Co., Ltd.

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

1. Outline of the Financial Results

Overview of FY2015

Cumulative financial results for FY2015

Outline of financial results for FY2015 (consolidated)

Monthly sales growth rate

Sales by category (cumulative total)

Gross profit margin by category [cumulative total]

SG&A expenses composition ratio (cumulative total)

Promotion of drug stores with dispensing pharmacy

('Pharmacy for Family')

Change of composition ratio of private-brand (PB) products sales

Number of employees (as of February 28, 2015)

Store openings and closures

2. Earnings forecast for FY2016

Full-year earnings forecast

Impact of changes of accounting rules

Full-year business forecast by company

Impact of consolidation on the business forecast of
Takiya Co., Ltd. and Shimizu Drug Co., Ltd.

Plan for store openings and closures

Measures to be taken and challenges in FY2016

3. New mid-term plan (from FY2016 to FY2018)

(Reference)

Company profile of Takiya Co., Ltd.

Company profile of Shimizu Drug Co., Ltd.

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 forecast 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. Outline of the Financial Results

As the Fiscal Year 2015 only has six months due to the change of book closing month, the year-on-year change is calculated by comparing with figures in the same period of the previous year.

Sales were 99.9% against projections, and 111.4% compared with the same period of the previous year.

1. Existing-store sales grew by 3.8%. Gross profit margin was 99.7% against projections, and 111.3% over the previous year.

Operating income was 82.8% against projections due to the increase of labor costs following the integration, and 82.9% over the previous year. Ordinary income was 83.0% against projections, and 87.7% over the previous year.

3. Net income was 83.3% against projections, and 90.4% over the previous year.

4. Sales from dispensing performed favorably with an increase of 124.0% from the same period of the previous year, accounting for 13.4% of sales.

5. 48 stores were newly opened compared with 47 stores planned, while 12 stores were closed compared with 6 stores planned.

6. The number of drug stores with dispensing pharmacy increased by 24 stores and its ratio reached 69.3%.

Cumulative financial results for FY2015

(Unit: million yen)

	Actual results	Projections	Comparison with projections		Comparison with the previous year	
			Amount	Achievement ratio	Amount	Expressed in percentage
Net sales	191,991	192,200	-208	99.9%	19,664	111.4%
	100.0%	100.0%				
Gross operating profit	57,393	57,570	-176	99.7%	5,834	111.3%
	29.9%	30.0%				
SG&A expenses	51,394	50,320	1,074	102.1%	7,071	116.0%
	26.8%	26.2%				
Operating income	5,999	7,250	-1,251	82.8%	-1,236	82.9%
	3.1%	3.8%				
Ordinary income	6,611	7,970	-1,358	83.0%	-931	87.7%
	3.4%	4.1%				
Net income	3,596	4,320	-723	83.3%	-381	90.4%
	1.9%	2.2%				

* Year-on year change is calculated by comparing with the accumulated results for the 2nd quarter of FY2014.

Sales			
1. Existing-store sales (growth rate)	3.8%	Projection	3.6%
2. Sales from dispensing	25,740 million yen	Year on year: 124.0%	Ratio to total sales: 13.4%
3. Store openings	48 stores	Projection: 47 stores	
4. Store closures	12 stores	Projection: 6 stores	
Gross margin ratio			
1. Gross margin ratio	29.9%	Year on year: ±0.0%	
2. Gross margin ratio by segment			
OTC products	39.6%	Year on year: -0.9%	
Dispensing	36.1%	Year on year: +1.9%	
SG&A expenses			
1. SG&A ratio	26.8%	Projection: 26.2%	
2. Labor costs/sales ratio	12.6%	Projection: 12.2%	

Monthly sales growth rate

		2014										2015		
		Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Existing stores	former Welcia Kanto	18.2%	-8.8%	0.4%	2.1%	1.7%	2.3%	5.6%	5.1%	3.8%	7.6%	5.1%	4.8%	-9.0%
	former Takada	15.6%	-12.2%	-4.2%	-3.6%	-3.0%	-6.2%	-0.3%	-3.0%	-8.0%	-2.1%	-0.4%	0.3%	-15.7%
	former Welcia Kansai	15.1%	-16.4%	-7.7%	-4.4%	-3.6%	-2.4%	-2.5%	-2.9%	-2.4%	-2.2%	-1.4%	-1.4%	-20.4%
	Group Total	17.6%	-9.9%	-0.9%	0.9%	0.7%	0.8%	4.2%	3.5%	1.8%	5.6%	3.9%	3.7%	-10.6%
All stores	Group Total	23.4%	-5.3%	4.6%	6.6%	6.7%	7.6%	11.2%	10.8%	9.0%	13.2%	11.6%	12.0%	4.7%

* Although Takiya Co, Ltd. and Shimizu Drug Co, Ltd. will be included in the sales growth in all stores from March 2015, these will not be included in the sales growth in existing stores, as these are regarded as new stores.

Sales by category (cumulative total)

Category	Actual performance		Actual performance for the same period of the previous year		Year-on-year change
	Amount (million yen)	Composition ratio	Amount (million yen)	Composition ratio	
OTC products	42,462	22.1%	39,568	23.0%	107.3%
Dispensing	25,740	13.4%	20,750	12.0%	124.0%
Sub total (OTC products + Dispensing)	68,203	35.5%	60,318	35.0%	113.1%
Cosmetics	31,418	16.4%	29,935	17.4%	105.0%
Household goods	28,577	14.9%	25,500	14.8%	112.1%
Food products	45,894	23.9%	40,766	23.6%	112.6%
Others	17,896	9.3%	15,805	9.2%	113.2%
Total	191,991	100.0%	172,327	100.0%	111.4%

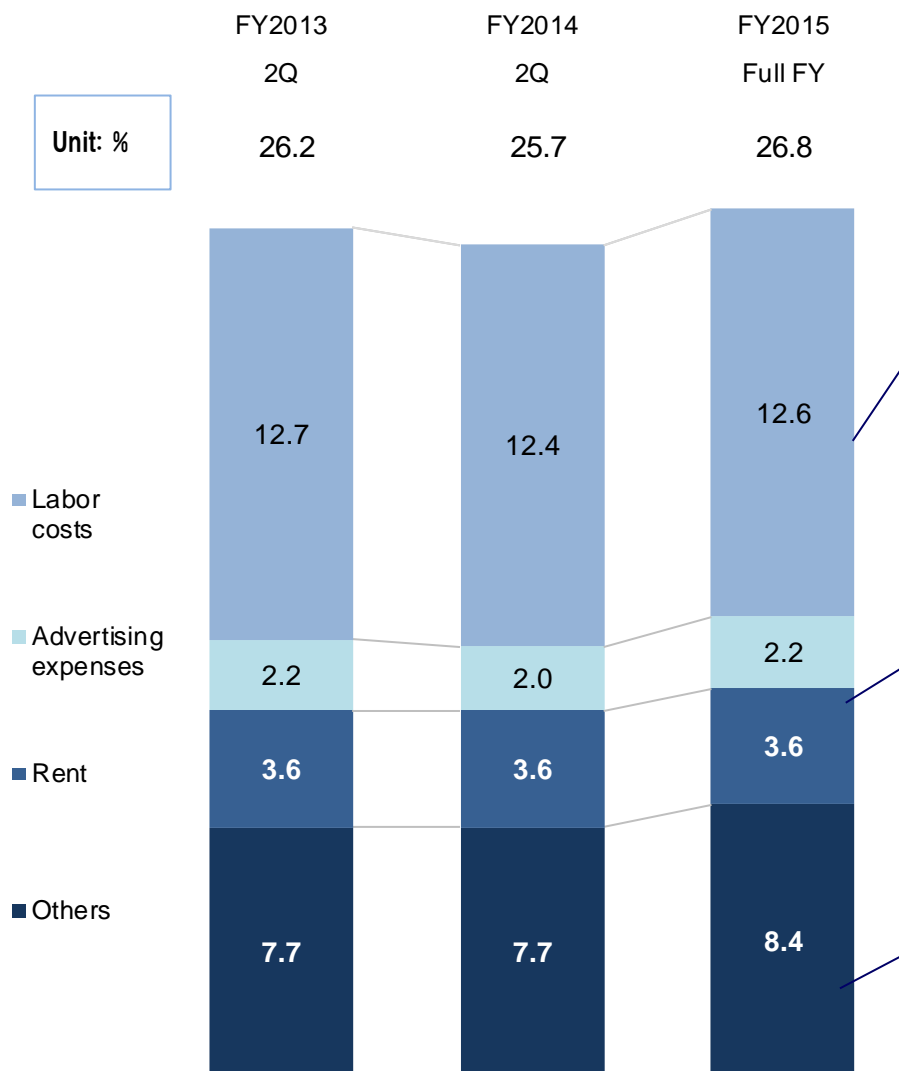
* Year-on-year change is calculated by comparing with the accumulated results for the 2nd quarter of FY2014.

Gross profit margin by category (cumulative total)

Category	Actual results		Actual results of the same period in the previous year		Year-on-year change
	Amount (million yen)	Gross operating margin	Amount (million yen)	Gross operating margin	
OTC products	16,825	39.6%	16,018	40.5%	105.0%
Dispensing	9,301	36.1%	7,106	34.2%	130.9%
Sub total (OTC products + Dispensing)	26,126	38.3%	23,124	38.3%	113.0%
Cosmetics	10,685	34.0%	10,067	33.6%	106.1%
Household products	7,659	26.8%	7,028	27.6%	109.0%
Food products	10,480	22.8%	9,139	22.4%	114.7%
Others	2,441	13.6%	2,198	13.9%	111.1%
Total	57,393	29.9%	51,559	29.9%	111.3%

* Year-on-year change is calculated by comparing with the accumulated results of the 2nd quarter of FY 2014.

SG&A expenses composition ratio (cumulative total)



Labor costs

- Temporary increase due to integration
- Registered sales clerks

	Actual results		Projection		Comparison
1Q	12,127	12.9%	11,623	12.3%	504
2Q	12,129	12.4%	11,869	12.1%	260
Full FY	24,256	12.6%	23,492	12.2%	764

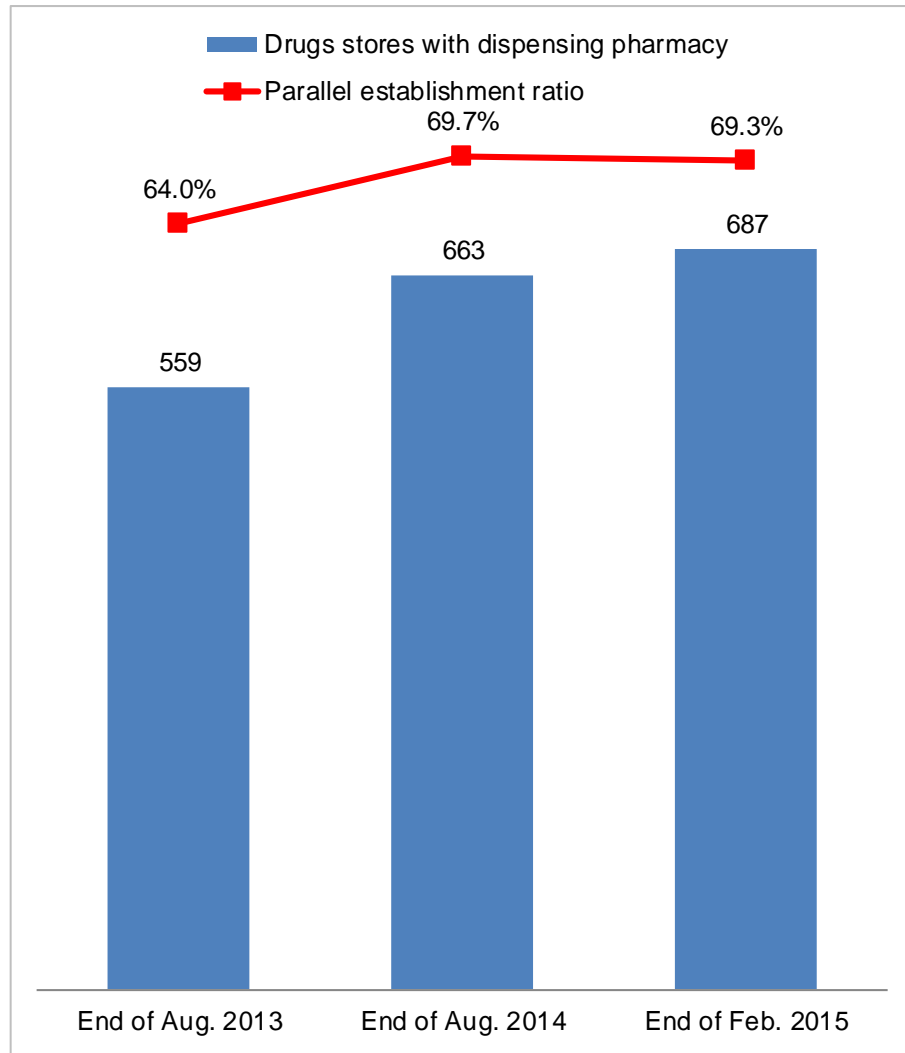
Advertising expenses

- Leaflets for Welcia commemoration sales campaign
- TV commercial films
- T-point

Others

- Store renovation: 95 stores (Former Kanto: 15, former Takada: 57 former Kansai: 23), consumables, depreciation costs, repair costs
- Non-deductible consumption tax (dispensing)

Promotion of drug stores with dispensing pharmacy (‘Pharmacy for Family’)

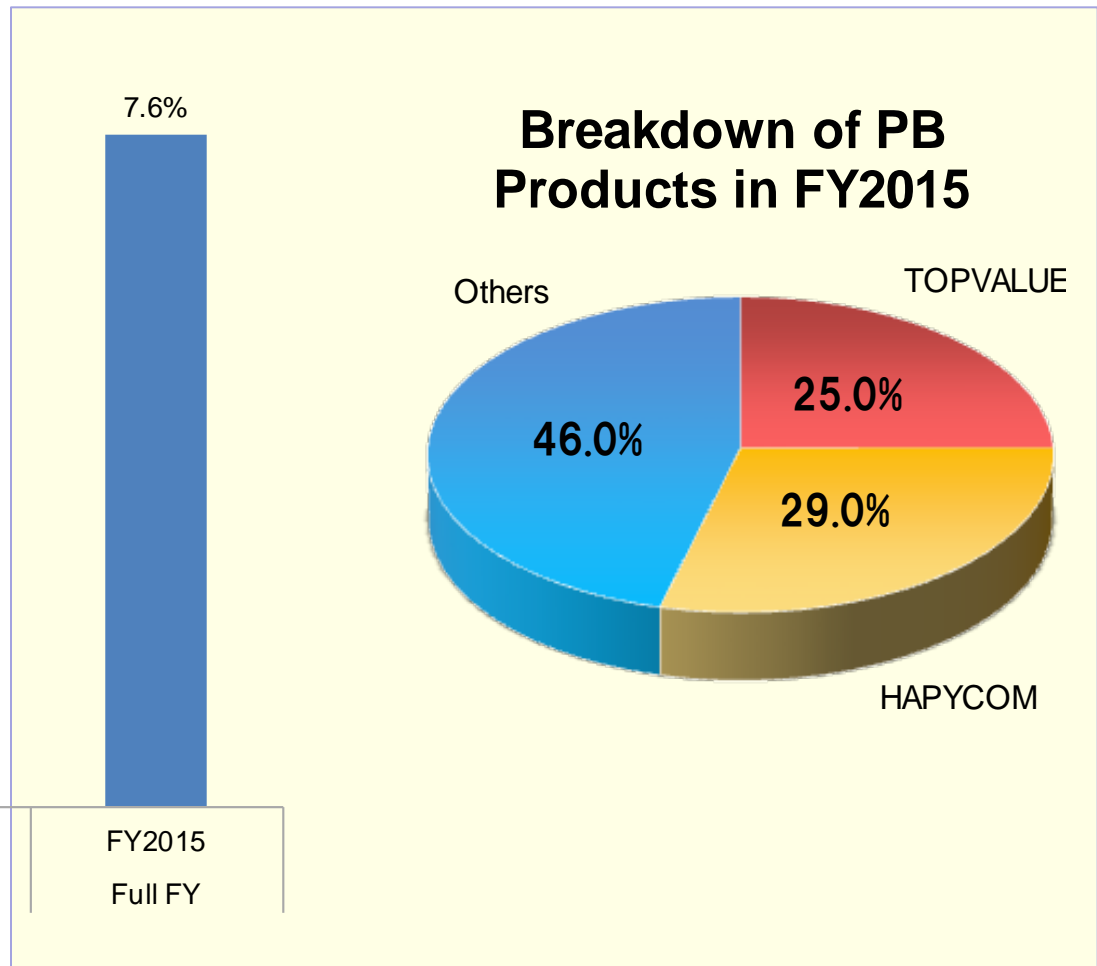
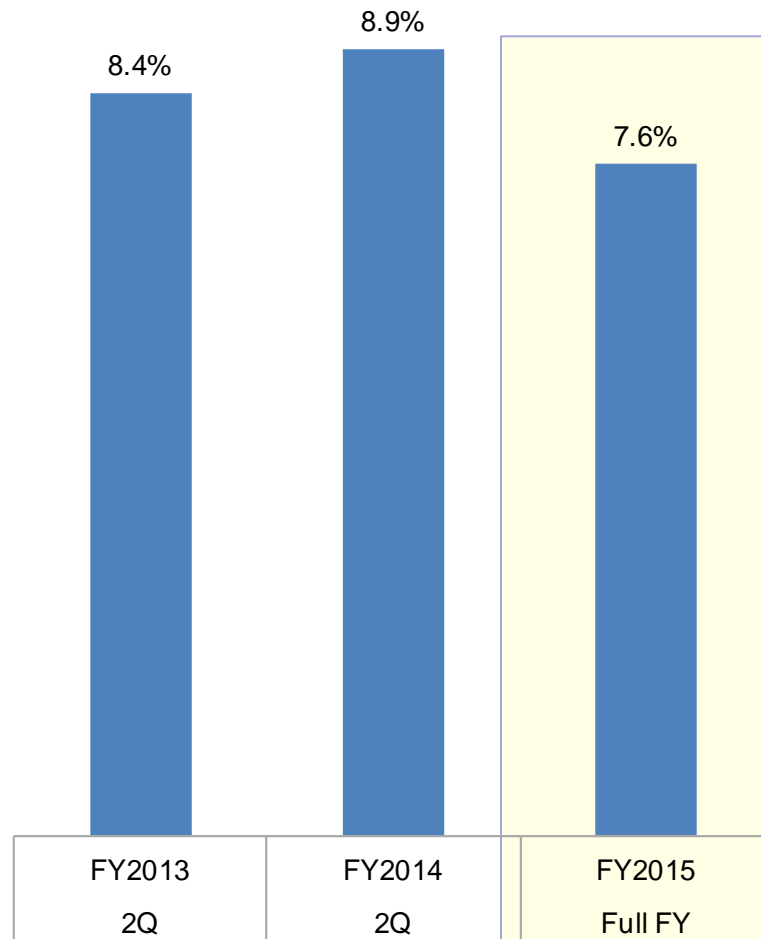


Cumulative total in FY2015

- Number of prescriptions handled
2,566 prescriptions
(Year-on-year: +22.6%)

2014	Sept.	400,000 prescriptions
	Oct.	428,000 prescriptions
	Nov.	405,000 prescriptions
	Dec.	476,000 prescriptions
2015	Jan.	429,000 prescriptions
	Feb.	426,000 prescriptions

- Sales from dispensing
25,470 million yen
(Year-on-year: +24.0%)
- Composition ratio of sales from dispensing
13.4% (Year-on-year: +1.4%)



Number of employees (as of February 28, 2015)

	As of end of February 2015	As of end of February 2014	Change
Number of employees	4,105	3,756	349
Number of temporary employees (based on 8h/employee)	9,427	8,264	1163
Sales per employee (unit: thousand yen)	14,118	14,336	-218
Number of pharmacists (enrollment)	2,095	1,968	127
Number of registered sales clerks (enrollment)	5,133	4,402	731
Number of stores	987	899	88
Number of pharmacists per store	2.12	2.19	-0.07
Number of registered sales clerks per store	5.20	4.90	0.30

* The number of employees of and that of stores belonging to Lianhua Meiriling (Shanghai) Co., Ltd. that became a consolidated subsidiary in November 2014 are not included in the table above.

(Unit: number of store)

Prefecture	End of Aug. 2014	Openings	Closures	End of Feb. 2015	Prefecture	End of Aug. 2014	Openings	Closures	End of Feb. 2015
Miyagi	1	1		2	Nagano	21	1		22
Fukushima	19	1		20	Gifu	0	1		1
Tohoku Total	20	2	0	22	Shizuoka	122	3	2	123
Ibaraki	126	7	2	131	Aichi	16			16
Tochigi	43	2		45	Chubu Total	273	11	5	279
Gunma	41	4		45	Mie	8	1		9
Saitama	149	3	5	147	Shiga	8	2		10
Chiba	100	7		107	Kyoto	4			4
Tokyo	77	2		79	Osaka	57	4		61
Kanagawa	21	2		23	Hyogo	18			18
Kanto Total	557	27	7	577	Nara	2	1		3
Niigata	40	5		45	Wakayama	4			4
Toyama	38		3	35	Kinki Total	101	8	0	109
Ishikawa	7	1		8	Grand Total	951	48	12	987
Yamanashi	29			29					

* Five stores belonging to Lianhua Meiriling (Shanghai) Co., Ltd. that became a consolidated subsidiary in November 2014 are not included in the table above.

2. Earnings Forecast for FY2016

(Unit: million yen)

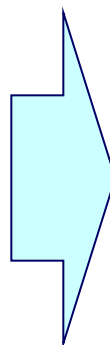
	1st Half		2nd Half		Full Year	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
Sales	226,700	100.0%	231,000	100.0%	457,700	100.0%
Gross operating profit	62,900	27.7%	65,700	28.4%	128,600	28.1%
SG&A expenses	55,520	24.4%	57,380	24.8%	112,900	24.7%
Operating income	7,380	3.3%	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%	

For the purpose of ensuring consistent account rules from FY2016, we will include “Logistics fees” in “Sales costs”, not in “SG&A expenses”

Before the change

(Unit: million yen)

	Actual result in the previous year*	Projection in FY2016	Year-on-year change
Sales	380,460	457,700	120.3%
	100.0%	100.0%	
Gross operating profit	113,258	135,826	119.9%
	29.8%	29.7%	
SG&A expenses	100,286	120,126	119.8%
	26.4%	26.3%	
Operating income	12,971	15,700	121.0%
	3.4%	3.4%	
Ordinary income	14,043	16,650	118.6%
	3.7%	3.6%	
Net income	7,454	9,000	120.7%
	2.0%	2.0%	



After the change

(Unit: million yen)

	Actual result in the previous year*	Projection in FY2016	Year-on-year change
Sales	380,460	457,700	120.3%
	100.0%	100.0%	
Gross operating profit	106,740	128,600	120.5%
	28.1%	28.1%	
SG&A expenses	93,768	112,900	120.4%
	24.6%	24.7%	
Operating income	12,971	15,700	121.0%
	3.4%	3.4%	
Ordinary income	14,043	16,650	118.6%
	3.7%	3.6%	
Net income	7,454	9,000	120.7%
	2.0%	2.0%	

* Year-on-year change above is calculated based on the total of 2nd half of FY2014 and FY2015 figures, comparing with the figures.

Full-year forecast by company

(Unit: million yen) <Reference>

	Welcia HD (consolidated)	Welcia Pharmacy	Y/Y	Takiya	Shimizu Drug	Goodwill and others	Welcia HD (consolidated) in FY2014
Sales	457,700	415,820	109.8%	27,210	12,410		360,797
	100.0%	100.0%		100.0%	100.0%	2,260	100.0%
Gross operating profit	128,600	117,590	110.3%	7,540	3,300		101,293
	28.1%	28.3%		27.7%	26.6%	170	28.1%
SG&A expenses	112,900	101,370	109.4%	7,490	3,500	723	87,086
	24.7%	24.4%		27.5%	28.2%	-183	24.2%
Operating income	15,700	16,220	115.6%	50	-200	-723	14,207
	3.4%	3.9%		0.2%	-	353	3.9%
Ordinary income	16,650	17,310	113.1%	50	-190	-723	14,973
	3.6%	4.2%		0.2%	-	203	4.2%
Net income	9,000	9,900	116.5%	-30	-180	-723	7,835
	2.0%	2.4%		-	-	33	2.2%

* 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.

Impact of consolidation on the business forecast of Takiya Co., Ltd. and Shimizu Drug Co., Ltd.

Takiya Co., Ltd.

(Unit: million yen)

	Before the consolidation	Impact of consolidation	Business forecast	
Sales	27,210	-	27,210	Change of valuation method
Gross operating profit	7,496	44	7,540	-150
SG&A expenses	7,246	244	7,490	
Operating income	250	-200	50	
Ordinary income	250	-200	50	
Net income	100	-130	-30	

Shimizu Drug Co., Ltd.

(Unit: million yen)

	Before the consolidation	Impact of consolidation	Business forecast	
Sales	11,196	494	12,410	Change of valuation method
Gross operating profit	3,375	-75	3,300	-246
SG&A expenses	3,345	155	3,500	
Operating income	30	-230	-200	
Ordinary income	40	-230	-190	
Net income	40	-220	-180	

* Impact of consolidation includes the change of valuation method of inventories and costs for change of systems, registers, and sales promotion.

* No goodwill is generated due to the integration of these two companies.

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 Pharmacy	987		100	18	1,069
	Takiya		+ 78	13	1	90
	Shimizu		+ 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
Total		987	+ 135	114	19	1217
(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).

1. Plan to achieve 457.7 billion yen of sales, 16.65 billion yen of ordinary income with the ordinary income ratio of 3.6%, and 9 billion yen of net income.

2. Promptly introduce the Welcia model to Takiya and Shimizu Drug both of which were subsidized in March.

3. For the purpose of reducing the SG&A expenses, take an action for optimizing the labor costs to achieve the labor cost ratio to 12.4%.

Plan to newly open 114 stores and close 19 stores in Japan.
4. Also continue the renovation of stores of former Takada Pharmacy and former Welcia Kansai.

Plan to achieve 60.1 billion yen of sales from dispensing with sales ratio of 13.1%,
5. and 850 stores with dispensing pharmacy with parallel establishment ratio of 69.8%. Actively support the local comprehensive care system.

Target of business result for FY2018

Sales: 700 billion yen Ordinary income ratio: 4.2% or higher

Number of stores: 1,800

Mid-term group strategy

(1) Establishment of Welcia model

Former Takada, former Kansai, Takiya, Shimizu Drug

Promotion of home dispensing and home care

(3) Business strategy

Early unification of MD and sales promotion

Improvement of service level (education at a store)

(2) Store open strategy

Development of small store format

(Use of CFS know-how)

Transformation of large stores to Welcia store (CFS)

(4) Enhancement of management base

Enhancement of human resource development

Centralization of HQ functions

Establishment of business expansion base in Kansai area

* These plans are assumed the approval of management integration at the shareholders meeting of CFS Corporation.

Name Takiya Co., Ltd.

HQ Address 16-17, Kitadaimotsucho, Amagasaki, Hyogo

Representative Kazumasa Ishii, President and Representative Director

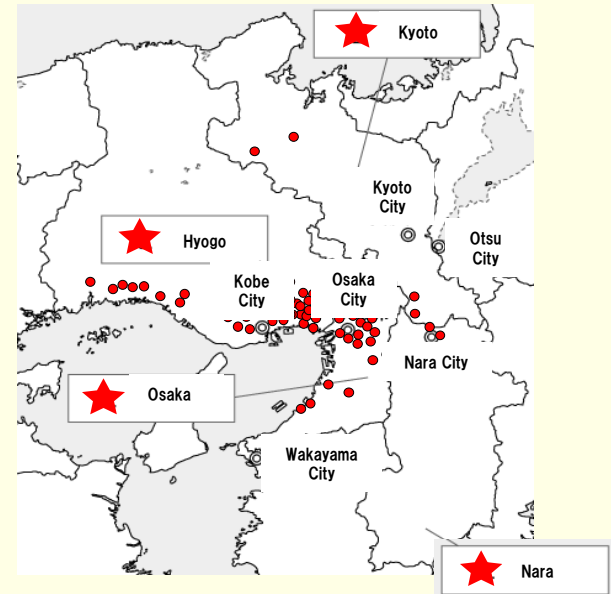
Business Operation of drugs stores and dispensing pharmacies

No. of Stores 78 stores
(Hyogo: 45, Osaka: 26, Kyoto: 4, Nara: 3)

With dispensing 27 stores

Night hour operation 40 stores

(As of end of February 2015)



Name Shimizu Drug Co, Ltd.

HQ Address 113, Kita-higashinocho, Nishi-7Jo, Shimokyo-ku, Kyoto-shi, Kyoto

Representative Shinji Ishida, President and Representative Director

Business Operation of drug stores and dispensing pharmacies

No. of stores 57 stores (Kyoto)

With dispensing 7 stores

Night hour operation 0 stores

(As of end of February 2015)

