

Financial Results Briefing for the Third-Quarter  
of the Fiscal Year Ended August 2014  
(3<sup>rd</sup> Quarter / FY2014)

July 22, 2014



**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 forecast and other forward-looking statements found in this material are based on assumptions the Company made with every effort possible make at the time of preparation.
- Please understand that actual results may differ from any forecasts and expectations contained in the 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. Sales were 98.9% against projections, and 108.2% compared with the same period of the previous year. Existing-store sales grew 2.5%. Gross operating profit was 99.7% against projections, and 108.5% over the previous year.
2. Operating income was 103.3% against projections, and 114.1% over the previous year. Ordinary income was 103.8% against projections, and 107.8% over the previous year.
3. Net income was 98.5% against projections, and 95.7% over the previous year. An extraordinary loss of 600 million yen was recorded.
4. SG&A expenses were 99.2% against projections, accounting for 25.8% of sales.
5. 66 stores were newly opened compared with 83 stores planned, while 20 stores were closed compared with 14 stores planned. No changes have been made to the plan to open 100 stores.
6. Sales from dispensing performed favorably with an increase of 19.7% from the same period of the previous year, accounting for 12.2% of sales.
7. The ratio of drug stores with dispensing pharmacies grew 2.0% from the end of previous fiscal year to 66.0%, with the increase of 48 such stores. The ratio of stores providing late-night service was 79.7%, growing 2.2% from the end of previous fiscal year.

## 2. Outline of the Financial Results

(Unit: Million Yen)

	Actual results	Projections	Comparison with projections		Comparison with the previous year	
			Amount	Achievement rate	Amount	Expressed in Percentage
Net Sales	<b>264,808</b>	<b>267,830</b>	<b>▲3,021</b>	<b>98.9%</b>	<b>20,065</b>	<b>108.2%</b>
	100.0%	100.0%				
Gross operating profit	<b>78,774</b>	<b>79,025</b>	<b>▲250</b>	<b>99.7%</b>	<b>6,184</b>	<b>108.5%</b>
	29.7%	29.5%				
SG&A expenses	<b>68,340</b>	<b>68,920</b>	<b>▲579</b>	<b>99.2%</b>	<b>4,896</b>	<b>107.7%</b>
	25.8%	25.7%				
Operating income	<b>10,433</b>	<b>10,105</b>	<b>328</b>	<b>103.3%</b>	<b>1,288</b>	<b>114.1%</b>
	3.9%	3.8%				
Ordinary income	<b>10,892</b>	<b>10,490</b>	<b>402</b>	<b>103.8%</b>	<b>783</b>	<b>107.8%</b>
	4.1%	3.9%				
Net income	<b>5,639</b>	<b>5,725</b>	<b>▲85</b>	<b>98.5%</b>	<b>▲253</b>	<b>95.7%</b>
	2.1%	2.1%				

# Financial results breakdown by company in 3Q/FY2014

(Unit: million yen)

	Welcia Kanto*			Takada			Welcia Kansai			Goodwill and other
	Amount	Composition ratio	Comparison with the previous year	Amount	Ratio to sales	Comparison with the previous year	Amount	Composition ratio	Comparison with the previous year	
Net Sales	209,671	100.0%	109.0%	32,847	100.0%	104.6%	22,138	100.0%	106.7%	150
Gross profit	61,900	29.5%	109.1%	10,540	32.1%	104.5%	6,280	28.4%	109.4%	52
SG&A expenses	52,902	25.2%	108.8%	9,524	29.0%	107.4%	5,789	26.2%	108.3%	637 ▲511
Operating income	8,998	4.3%	110.9%	1,015	3.1%	83.3%	491	2.2%	123.4%	▲637 564
Ordinary income	9,437	4.5%	104.1%	1,115	3.4%	84.8%	587	2.7%	120.8%	▲637 390
Net income	5,460	2.6%	80.5%	672	2.0%	84.6%	277	1.3%	101.1%	▲637 ▲133

\* Financial results for Welcia Kanto include those of WELCIA KAIGO SERVICE for convenience of comparison.

Sales			
1. Existing-store sales (growth rate)	2.5%	Projection: 2.7%	
2. Sales from dispensing	32,218 mil. yen	Year On Year: 119.7%	Ratio to total sales: 12.2%
3. Store openings	66 stores	Projection: 83 stores	
4. Store closures	20 stores	Projection: 14 stores	
Gross margin ratio			
1. Gross margin ratio			
Welcia Holdings (consolidated)	29.7%	Year On Year: ±0.0%	
Welcia Kanto*	29.5%	Year On Year: ±0.0%	
Takada	32.1%	Year On Year: ±0.0%	
Welcia Kansai	28.4%	Year On Year: +0.7%	
2. Gross margin ratio by segment			
OTC products	40.3%	Year On Year: ▲0.1%	
Dispensing	33.7%	Year On Year: +0.2%	
SG&A expenses			
1. SG&A ratio	25.8%	Projection: 25.7%	
2. Labor costs/sales ratio	12.5%	Projection: 12.4%	

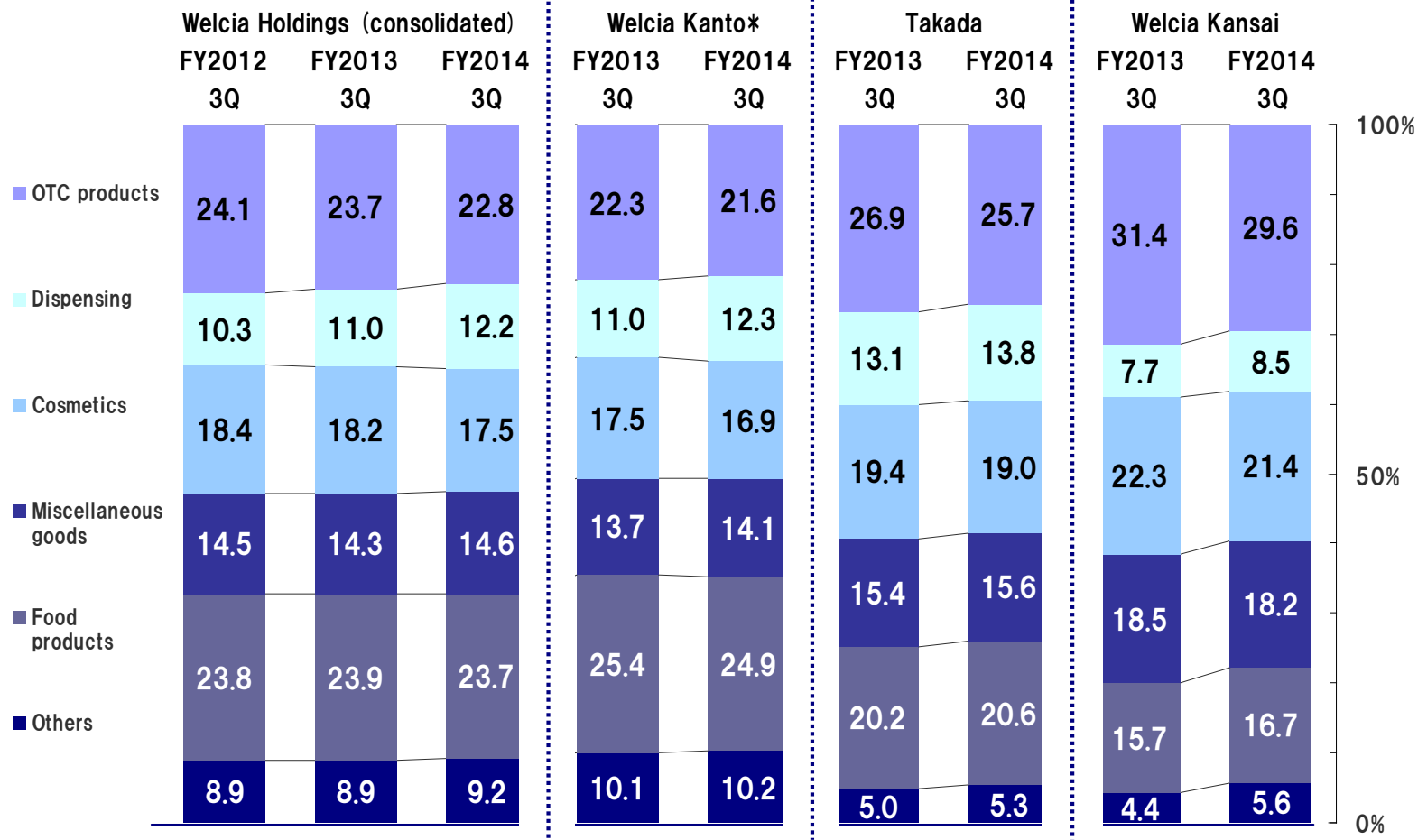
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# Monthly sales growth rate

		2013						2014					
		Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing stores	Welcia Kanto	3.5%	2.7%	4.8%	0.5%	2.8%	3.4%	3.9%	3.6%	18.2%	▲8.8%	0.4%	2.1%
	Takada	▲0.6%	1.4%	▲1.8%	▲1.6%	5.5%	0.5%	1.1%	▲0.4%	15.6%	▲12.2%	▲4.2%	▲3.6%
	Welcia Kansai	▲1.5%	1.2%	▲1.2%	▲1.2%	1.6%	▲1.9%	1.0%	0.5%	15.1%	▲16.4%	▲7.7%	▲4.4%
	Group total	2.5%	2.4%	3.5%	0.1%	3.0%	2.5%	3.3%	2.7%	17.6%	▲9.9%	▲0.9%	0.9%
All stores	Group total	13.9%	13.6%	9.9%	6.3%	9.2%	8.4%	9.0%	7.7%	23.4%	▲5.3%	4.6%	6.6%



# Sales composition ratio by segment (3Q)



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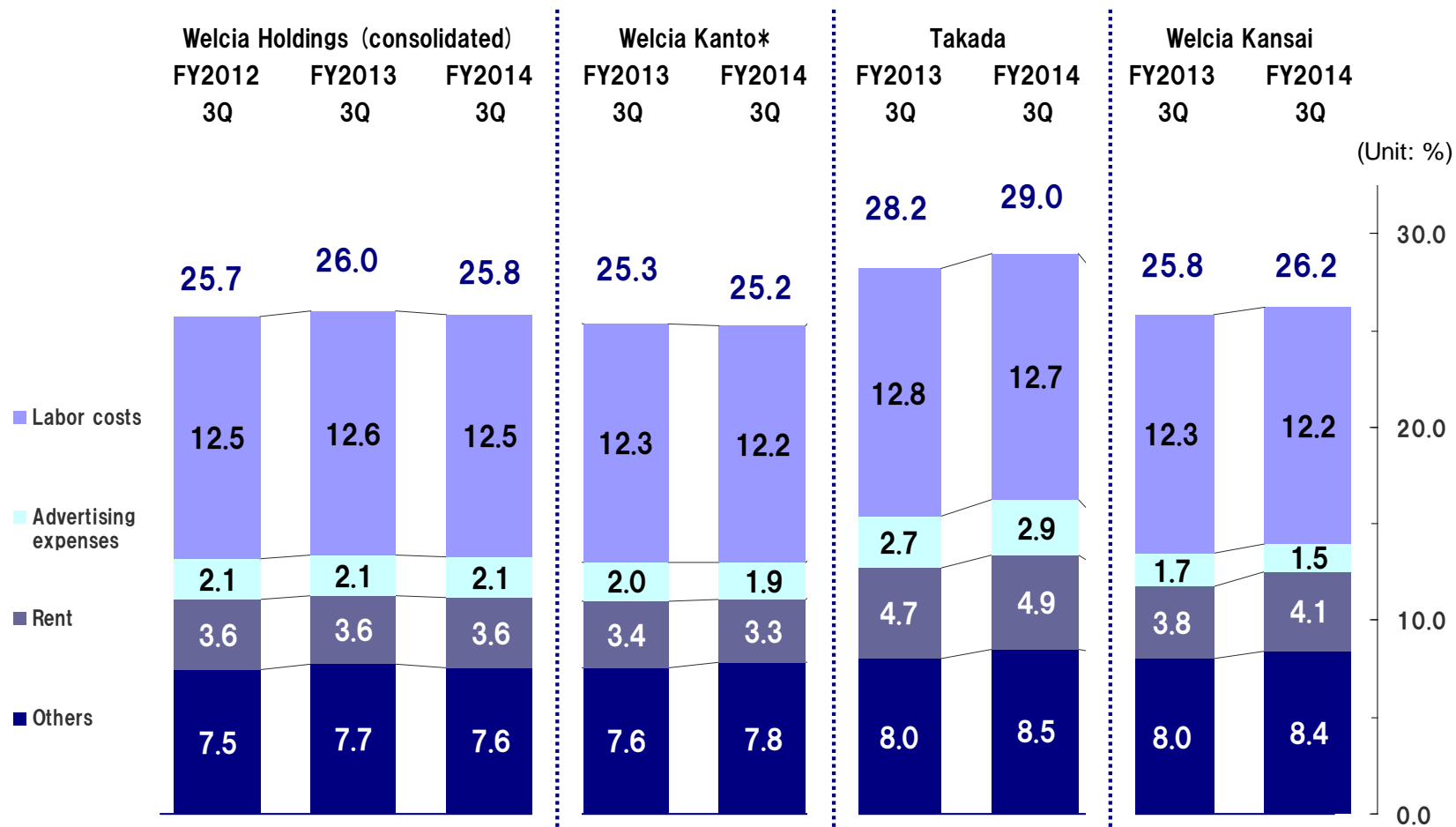
# Gross profit margin by segment (3Q)

(Unit: %)

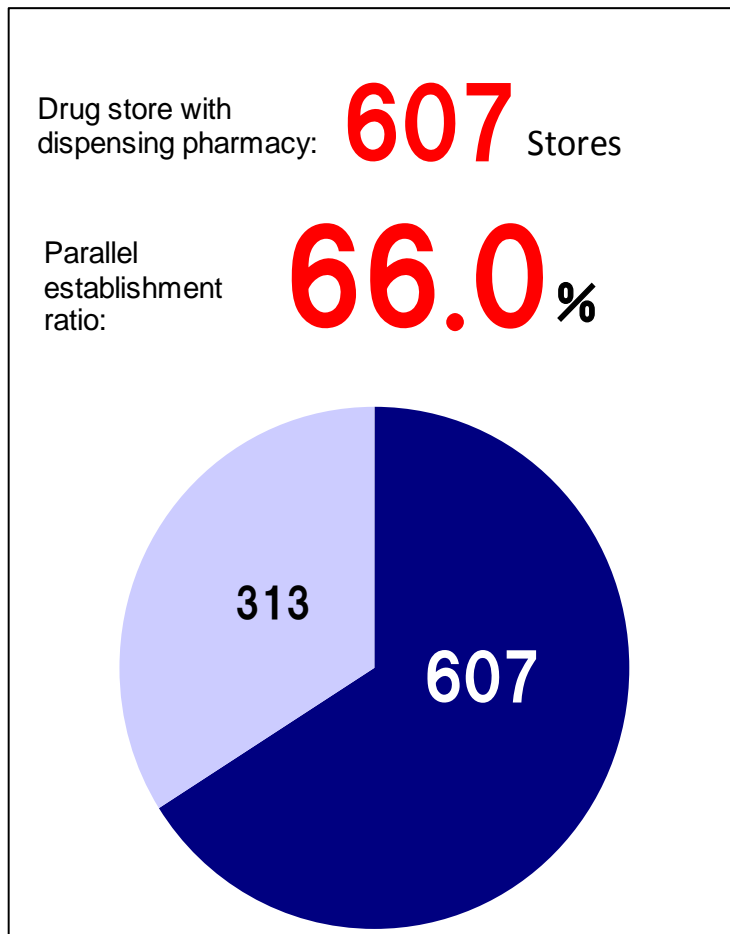
	Welcia HD (consolidated)		Welcia Kanto*		Takada		Welcia Kansai	
	Actual results	Year On Year	Actual results	Year On Year	Actual results	Year On Year	Actual results	Year On Year
OTC products	40.3	▲0.1	40.3	▲0.3	44.6	▲0.3	35.4	+1.6
Dispensing	33.7	+0.2	33.9	+0.2	32.4	+0.8	35.0	▲0.5
Cosmetics	33.6	+0.5	33.8	+0.5	34.5	+0.2	31.3	+0.7
Miscellaneous goods	27.0	▲0.3	27.2	▲0.7	27.3	+0.3	25.6	+1.9
Food products	22.5	+0.7	23.0	+0.7	21.4	+0.3	16.8	+0.7
Others	13.9	▲0.3	13.6	▲0.4	17.6	+0.7	13.6	▲0.3
Total	29.7	±0.0	29.5	±0.0	32.1	±0.0	28.4	+0.7

\* Financial results for Welcia Kanto include those of WELCIA KAIGO SERVICE for convenience of comparison.

# SG&A expenses composition ratio (3Q)

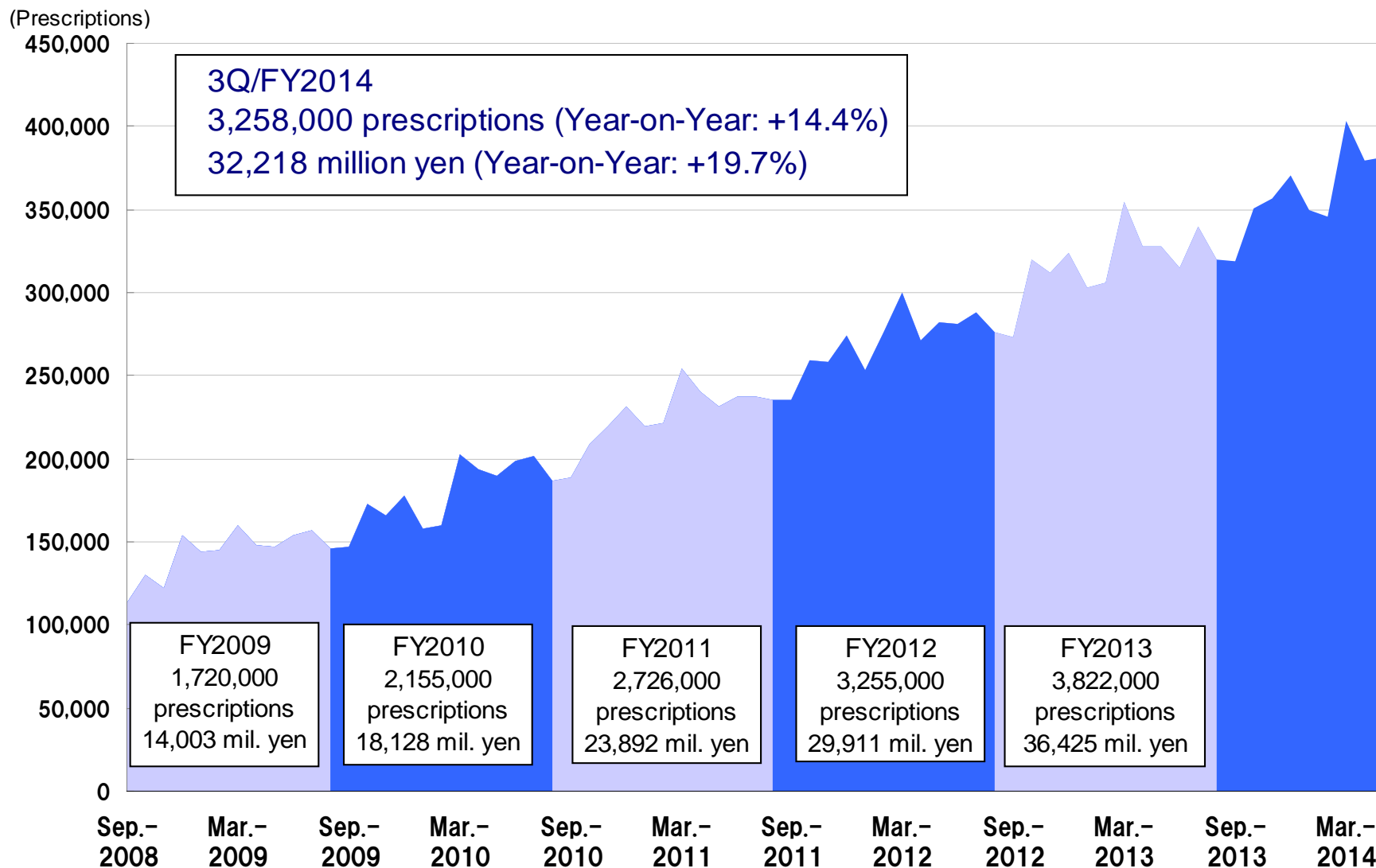


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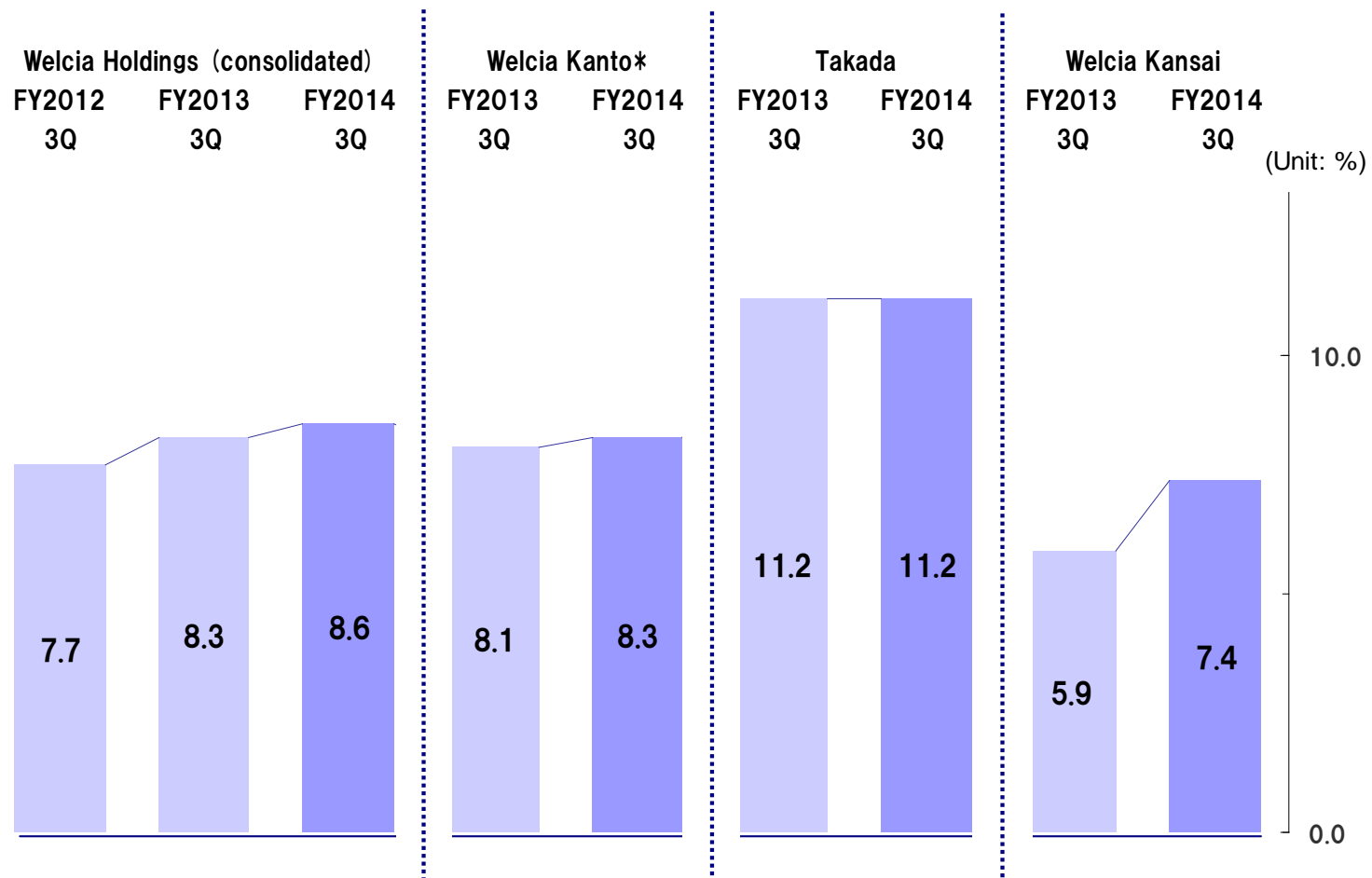


		End of May. 2014	End of Aug. 2013	Increase/decrease
Welcia Kanto	With dispensing pharmacy	486	451	35
	Parallel establishment ratio	71.4%	70.1%	1.3%
Takada	With dispensing pharmacy	82	75	7
	Parallel establishment ratio	56.9%	52.8%	4.1%
Welcia Kansai	With dispensing pharmacy	39	33	6
	Parallel establishment ratio	41.1%	37.1%	4.0%
Total	With dispensing pharmacy	607	559	48
	Parallel establishment ratio	66.0%	64.0%	2.0%

# Trends in the number of prescriptions handled



# Sales expansion of private-brand (PB) products



\* Financial results for Welcia Kanto include those of WELCIA KAIGO SERVICE for convenience of comparison.

# Number of employees (as of May 31, 2014)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Welcia Kansai
Number of employees	4,188	3,012	534	448
Number of temporary employees (based on 8h/employee)	8,227	6,411	1,026	674
Sales per employee (unit: thousand yen)	21,329	22,125	21,056	19,731
Number of pharmacists (enrollment)	2,079	1,733	197	143
Number of registered sales clerks (enrollment)	4,494	3,402	658	433
Number of stores	920	681	144	95
Number of pharmacists per store	2.26	2.54	1.37	1.51
Number of registered sales clerks per store	4.88	5.00	4.57	4.56

	August 31, 2013	Store openings		Store closures		May 31, 2014
		Actual results	Projection	Actual results	Projection	
Welcia Kanto	<b>643</b>	<b>50</b>	<b>61</b>	<b>12</b>	<b>9</b>	<b>681</b>
Takada	<b>142</b>	<b>6</b>	<b>11</b>	<b>4</b>	<b>3</b>	<b>144</b>
Welcia Kansai	<b>89</b>	<b>10</b>	<b>11</b>	<b>4</b>	<b>2</b>	<b>95</b>
<b>Total</b>	<b>874</b>	<b>66</b>	<b>83</b>	<b>20</b>	<b>14</b>	<b>920</b>

## Number of stores by prefecture (as of May 31, 2014)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Miyagi	1	Kanagawa	20	Mie	8
Fukushima	18	Niigata	37	Shiga	4
Ibaraki	123	Toyama	37	Kyoto	2
Tochigi	42	Ishikawa	5	Osaka	57
Gunma	41	Yamanashi	29	Hyogo	18
Saitama	145	Nagano	20	Nara	2
Chiba	95	Shizuoka	121	Wakayama	4
Tokyo	76	Aichi	15	Total	920



## 3. Earnings Forecast FY2014

# 1H actual results and 2H earnings forecast

(Unit: million yen)

	A First Half (actual results)		A Second Half		Full FY2014		Comparison with FY2013
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	
Sales	172,327	100.0%	194,172	100.0%	366,500	100.0%	109.6%
Gross operating profit	51,559	29.9%	56,540	29.1%	108,100	29.5%	109.1%
SG&A expenses	44,323	25.7%	49,376	25.4%	93,700	25.6%	108.4%
Operating income	7,235	4.2%	7,164	3.7%	14,400	3.9%	114.2%
Ordinary income	7,542	4.4%	7,457	3.8%	15,000	4.1%	108.6%
Current net income	3,977	2.3%	3,822	2.0%	7,800	2.1%	101.7%

# Full-year earnings forecast by company

(Unit: million yen)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Welcia Kansai	Goodwill and other
Net Sales	366,500	286,770	46,800	31,040	
	100.0%	100.0%	100.0%	100.0%	1,890
Gross operating profit	108,100	84,130	15,070	8,720	
	29.5%	29.3%	32.2%	28.1%	180
SG&A expenses	93,700	71,830	13,155	7,840	831
	25.6%	25.0%	28.1%	25.3%	44
Operating income	14,400	12,300	1,915	880	▲831
	3.9%	4.3%	4.1%	2.8%	136
Ordinary income	15,000	12,780	2,035	1,005	▲831
	4.1%	4.5%	4.3%	3.2%	11
Current net income	7,800	7,310	1,075	595	▲831
	2.1%	2.5%	2.3%	1.9%	▲349

		August 31, 2013	Store openings	Store closures	Estimated number of stores at the end of FY2014
By company	Welcia Kanto	643	82	15	710
	Takada	142	8	4	146
	Welcia Kansai	89	10	5	94
By area	Tohoku	15	5	0	20
	Kanto	513	53	10	556
	Chubu	257	24	9	272
	Kinki	89	18	5	102
Total		874	100	24	950