

Financial Results Briefing for the Second Quarter
of the Fiscal Year Ending August 2013
(2Q/FY2013)

April 19, 2013

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 it could make at the time of preparation.
- Please understand that actual results may differ from any forecasts and expectations contained in this material.
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1. Both sales and profits advanced from the same period of the previous year; sales: up 12.2%; gross operating profit: up 14.2%; ordinary income: up 5.1%; and net income: up 28.1%.
2. Sales were 98.5% against projections; growth of existing-store sales was slightly slower than expected.
3. Gross operating profit was almost in line with the target (100.1% against projections). However, operating income and ordinary income fell slightly short of the targets due to greater-than-projected SG&A expenses.
4. Accounting for 26.2% of sales, SG&A expenses were 100.3% against projections on account of greater-than-expected advertising and utilities expenses.
5. Having jumped 20.1% year on year, sales from dispensing remained strong.
6. 92 stores were newly opened compared with the target of 100 store openings (of which 46 are stores previously owned by Drug Fujii), while 16 stores were closed compared with the target of 20 store closures.
7. The ratio of drug stores with dispensing pharmacy (parallel establishment ratio) reached 60.5%. The number of such stores increased by 26 from the preceding year.

1. SG&A expenses are expected to be in line with projections in 2H, underpinned by strengthened management of labor costs.

2. The number of drug stores with dispensing pharmacy is likely to increase in 4Q; the parallel establishment ratio is planned to recover to around 65% by the end of the current fiscal year.

3. Consolidation of Terashima into Welcia Kanto has been progressing smoothly. The consolidation is forecast to exert a positive effect on financial performance in the next fiscal year.

4. A new business category development section will be created to develop urban-type small stores centering on such locations as busy shopping streets and residential areas.

5. Operation will be promoted under the revised management structure which came into effect on March 1.

(Unit: Million yen; %)

	Actual results	Projections	Comparison with projections		Comparison with the previous year	
			Amount	Achievement rate	Amount	In percentage terms
Net sales	158,956	161,310	2,353	98.5	17,267	112.2
	100.0	100.0	-	-	-	-
Gross profit	47,409	47,340	69	100.1	5,901	114.2
	29.8	29.3	-	-	-	-
SG&A expenses	41,699	41,590	109	100.3	5,654	115.7
	26.2	25.7	-	-	-	-
Operating income	5,710	5,750	39	99.3	247	104.5
	3.6	3.6	-	-	-	-
Ordinary income	6,045	6,060	14	99.8	293	105.1
	3.8	3.8	-	-	-	-
Net income	3,389	3,340	49	101.5	742	128.1
	2.1	2.1	-	-	-	-

Breakdown of 1Q-2Q/FY2013 cumulative financial results by company



(Unit: Million yen;%)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Terashima	Welcia Kansai	Goodwill and others
Sales	158,956	96,256	20,543	28,753	13,294	108
	100.0	100.0	100.0	100.0	100.0	
Gross profit	47,409	28,567	6,621	8,476	3,719	23
	29.8	29.7	32.2	29.5	28.0	
SG&A expenses	41,699	24,753	5,823	7,171	3,467	592
	26.2	25.7	28.3	25.0	26.1	
Operating income	5,710	3,813	797	1,305	252	592
	3.6	4.0	3.9	4.5	1.9	
Ordinary income	6,045	4,083	854	1,367	312	592
	3.8	4.2	4.2	4.8	2.3	
Net income	3,389	2,545	522	779	171	592
	2.1	2.6	2.5	2.7	1.3	

* Major goodwill amortization includes 272 million yen by Takada; 184 million yen by Terashima; 81 million yen by Welcia Kansai; and 53 million yen by Drug Fujii.

Outline of 1Q-2Q/FY2013 cumulative financial results (consolidated)



(1) Sales	
1. Existing-store sales	• Actual growth rate: 1.0% Projection: 1.8%
2. Sales from dispensing	• Actual results: 17,205 million yen YoY: +20.1%; ratio of sales from dispensing: 10.8%
3. Store openings	• Actual results: 92 stores (46 new stores and 46 Fujii stores) Projection: 100 stores (54 new stores and 46 Fujii stores)
4. Store closures	• Actual results: 16 stores Projection: 20 stores
(2) Gross margin ratio	
1. Gross margin ratio	• 29.3% ⇒ 29.8% YoY: +0.5 percentage points
Welcia Kanto	• 29.1% ⇒ 29.7% YoY: +0.6 percentage points
Takada	• 31.9% ⇒ 32.2% YoY: +0.3 percentage points
Terashima	• 29.0% ⇒ 29.5% YoY: +0.5 percentage points
Welcia Kansai	• 27.3% ⇒ 28.0% YoY: +0.7 percentage points
2. Gross margin ratio by segment	• OTC products: 40.1% ⇒ 40.5% YoY: +0.4 percentage points
	• Dispensing: 34.5% ⇒ 33.7% YoY: 0.8 percentage points
(3) SG&A expenses	
1. SG&A ratio	• 26.2% Projection: 25.7%
2. Labor costs/sales ratio	• 12.7% Projection: 12.5%

Monthly sales growth rate



Existing stores

(Unit: %)

	March 2012-March 2013												
	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Welcia Kanto	9.5	5.5	4.6	2.4	1.8	3.3	2.1	2.1	0.3	3.8	2.5	0.7	8.8
Takada	12.9	2.0	4.7	0.2	1.2	2.1	1.1	1.8	2.4	0.3	1.8	0.4	5.2
Terashima	9.2	0.3	1.8	3.0	0.7	1.1	1.0	0.5	2.2	0.8	0.9	0.4	
Welcia Kansai	3.6	3.2	5.0	1.1	0.5	4.2	1.8	0.3	3.6	3.3	1.0	1.8	7.0
Group total	9.5	3.9	4.1	0.9	1.0	2.1	1.4	1.6	0.6	2.6	1.5	0.4	8.1

All stores

(Unit: %)

	March 2012-March 2013												
	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Group total	3.9	10.7	11.3	7.8	8.4	9.4	13.3	12.8	10.5	13.5	12.7	10.5	20.4

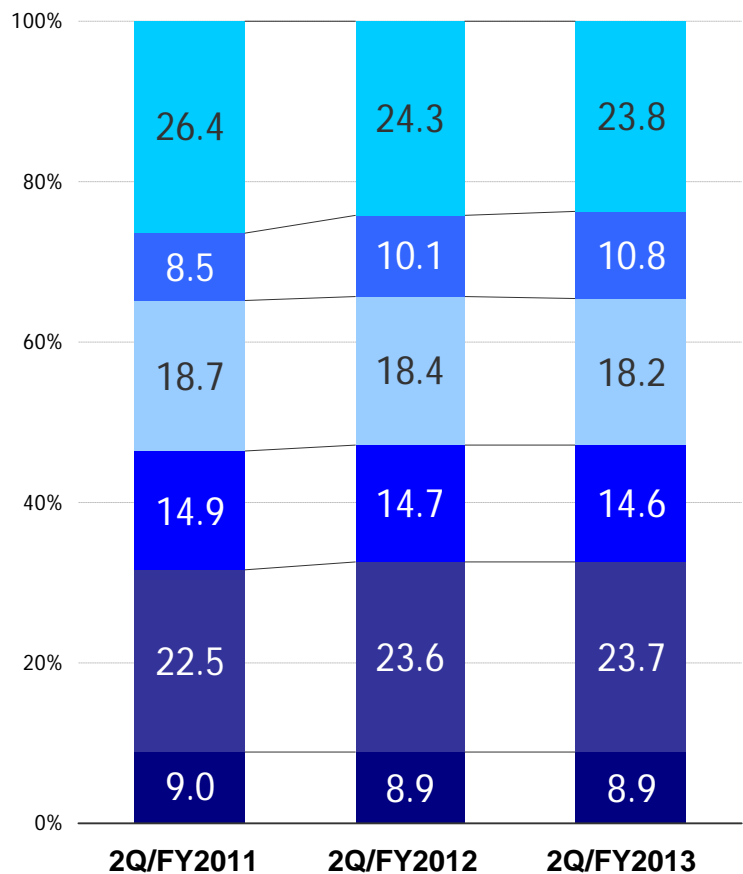
*Welcia Kanto Co., Ltd. merged with Drug Fujii Co., Ltd. on September 1, 2012.

*Welcia Kanto Co., Ltd. took over the drug store business of Terashima Co., Ltd. on March 1, 2013.

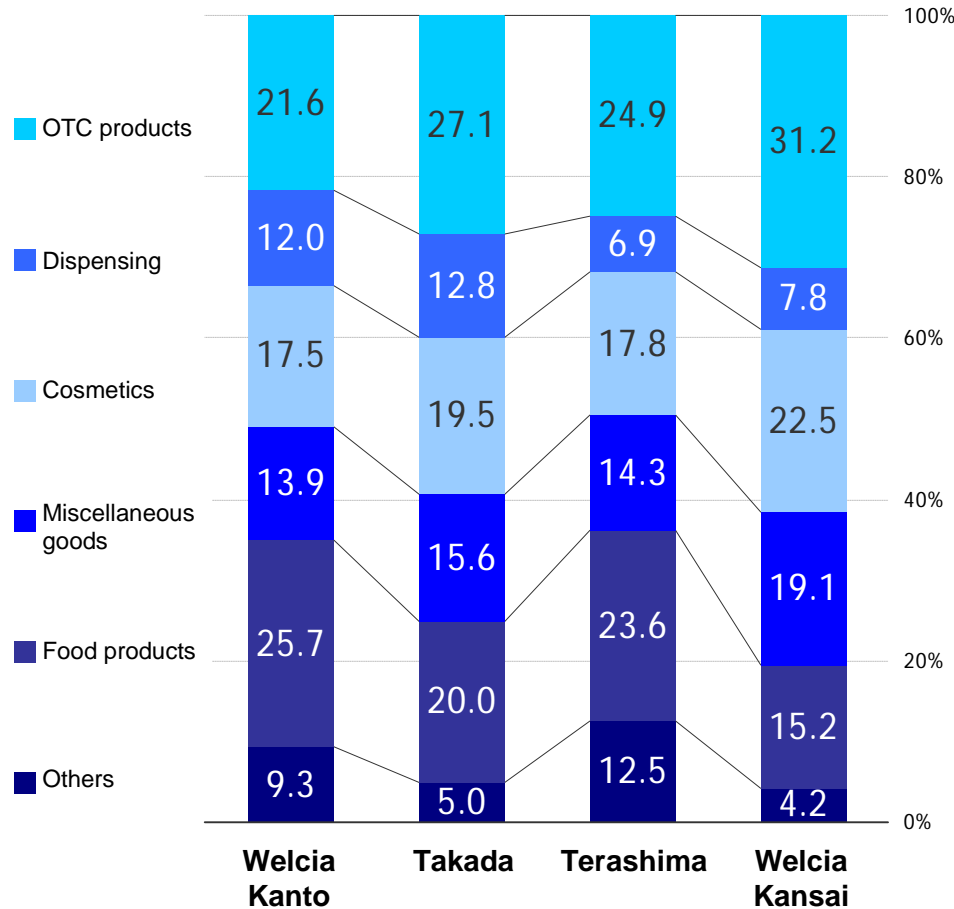
Sales composition ratio by segment (1Q-2Q cumulative total)



Trends in sales composition ratio by segment



2Q/FY2013 sales composition ratio by segment and company

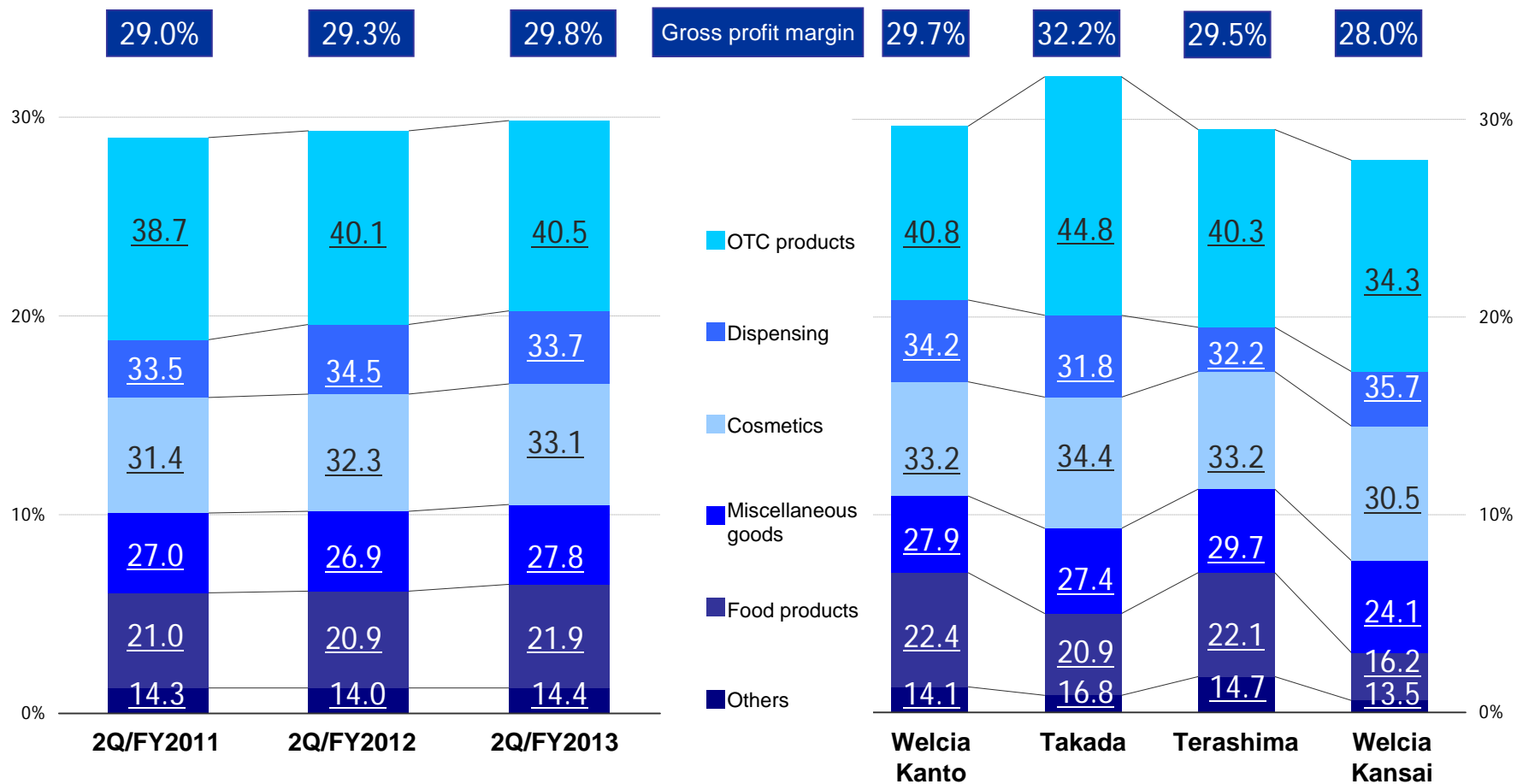


Gross profit margin by segment (1Q-2Q cumulative total)



Trends in profit margin by segment

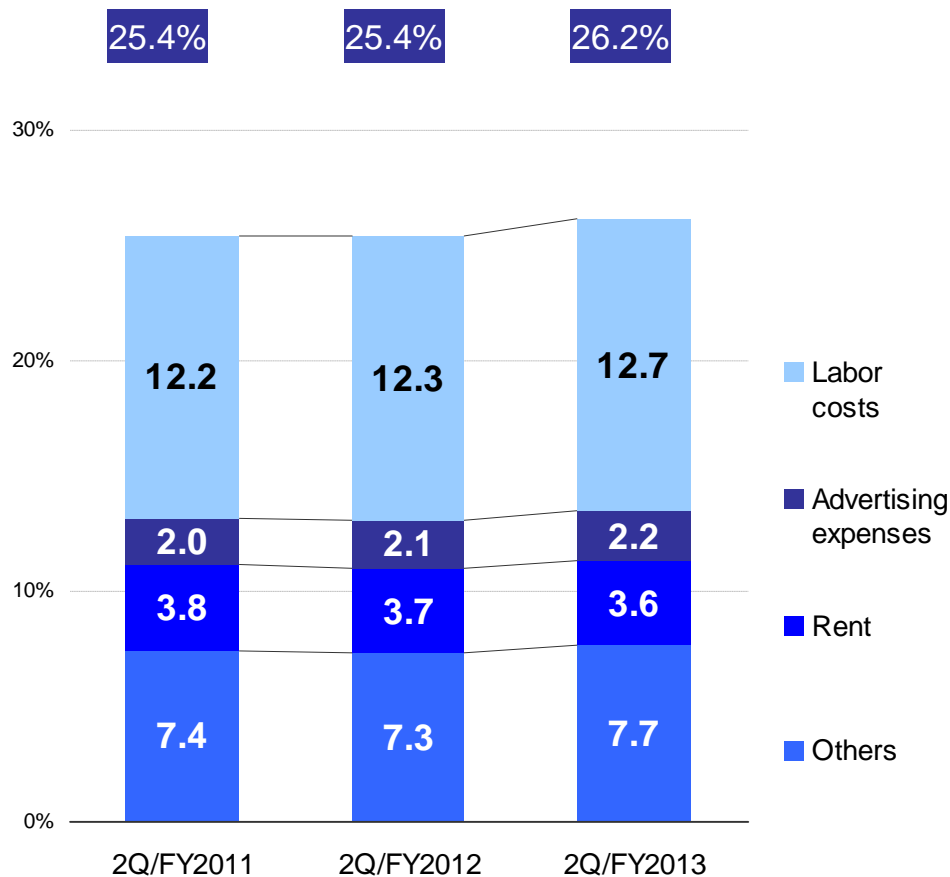
2Q/FY2013 profit margin by segment and company



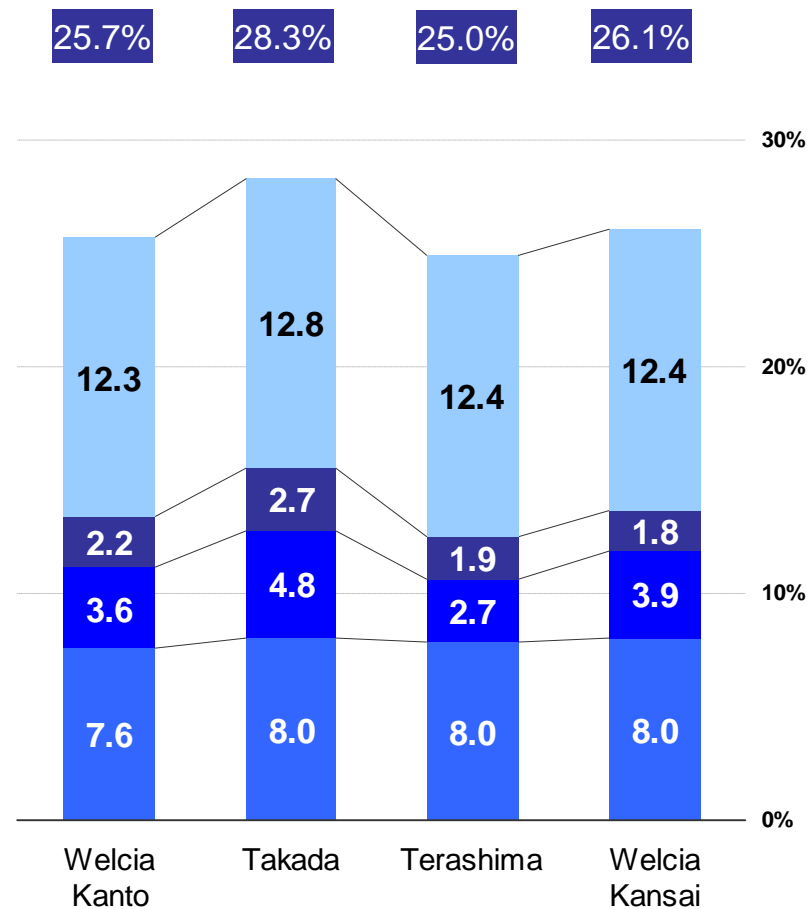
SG&A expenses composition ratio (1Q-2Q cumulative total)



Trends in SG&A expenses composition ratio

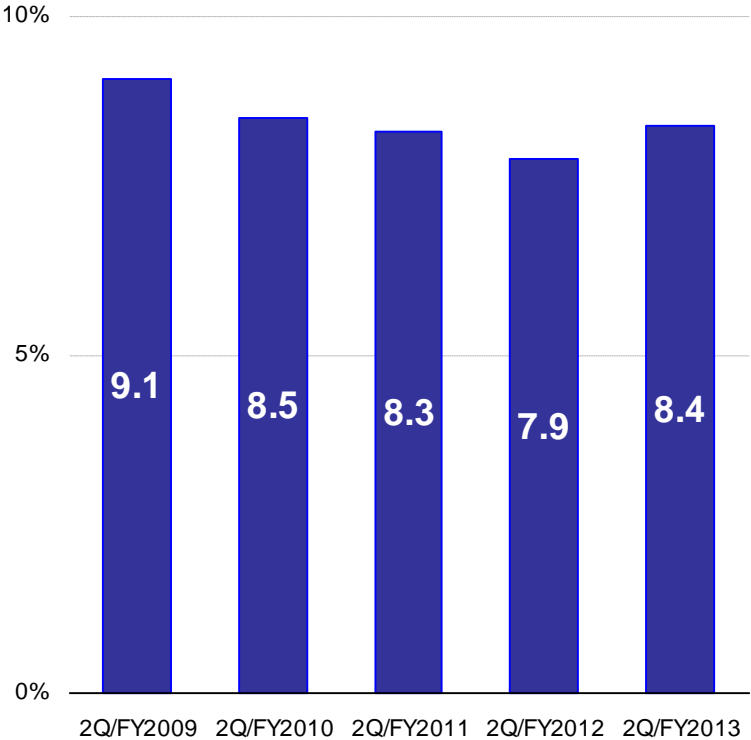


2Q/FY2013 SG&A expenses composition ratio by company

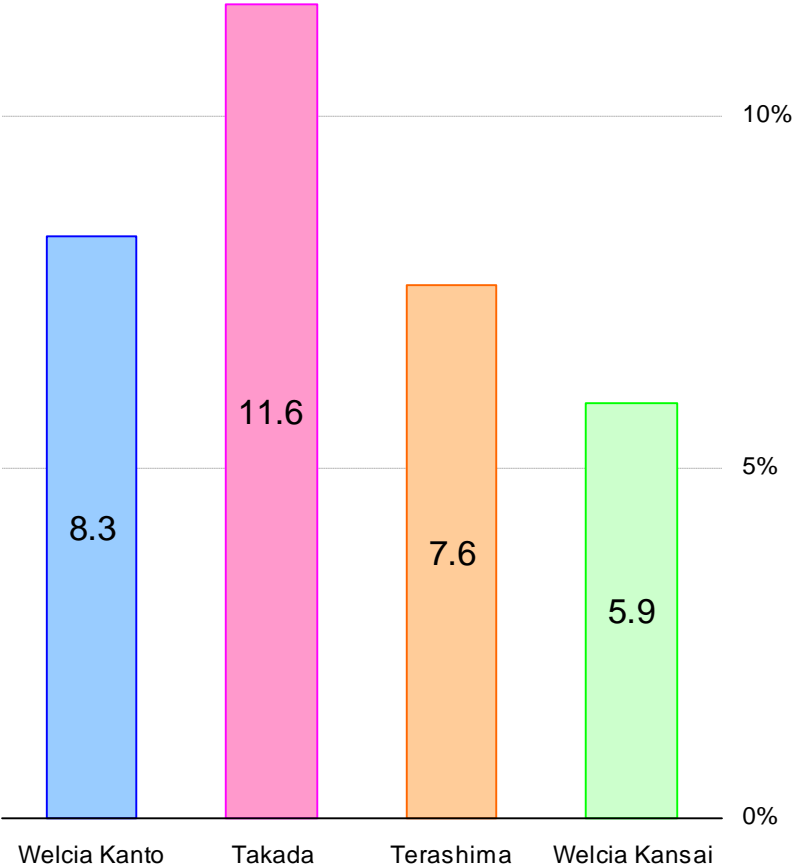




Trends in sales composition ratio of PB products



2Q/FY2013 sales composition ratio of PB products by company



Number of employees (February 28, 2013)



	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Terashima	Welcia Kansai
Number of employees	3,540	2,033	484	568	393
Number of temporary employees (based on 8h/employee)	7,962	4,565	920	1,822	650
Sales per employee (thousand yen)	13,819	14,588	14,631	12,030	12,746

Number of pharmacists (enrollment)	1,951	1,330	182	305	129
Number of registered sales clerks (enrollment)	3,965	2,235	621	718	391
Number of stores	840	476	138	140	86
Number of pharmacists per store	2.3	2.8	1.3	2.2	1.5
Number of registered sales clerks per store	4.7	4.7	4.5	5.1	4.5

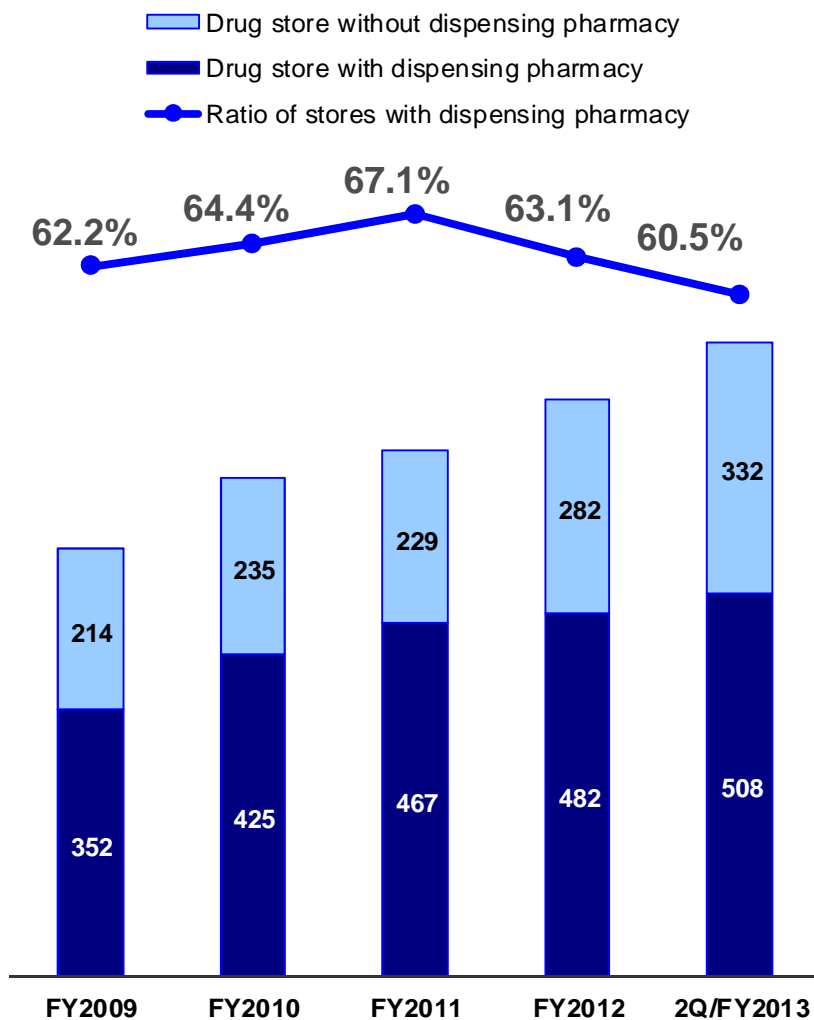
Store openings and closures



	August 31, 2012	Store openings		Store closures		Drug Fujii	February 28, 2013
		Actual results	Projection	Actual results	Projection		
Welcia Kanto	415	27	31	12	14	46	476
Takada	132	8	9	2	2		138
Terashima	136	6	7	2	2		140
Welcia Kansai	81	5	7	0	2		86
Total	764	46	54	16	20	46	840



Trends in the number of drug stores with dispensing pharmacy and ratio of such stores



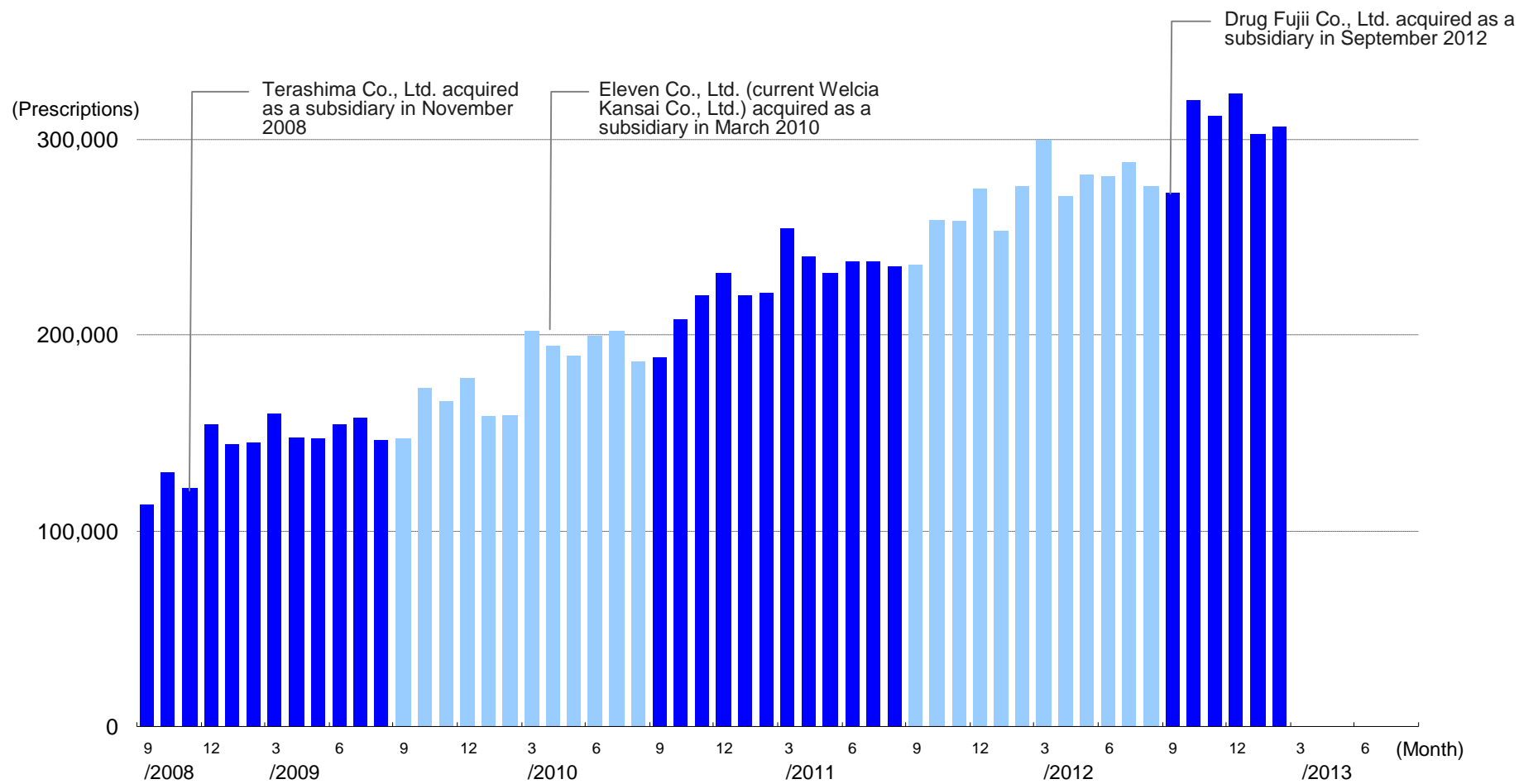
Drug store with dispensing pharmacy: **508** stores
(+26 stores)

Parallel establishment ratio: **60.5%**
(as of the end of February 2013)

Breakdown by company
(Parenthesized figures are those as of the end of August 2012)

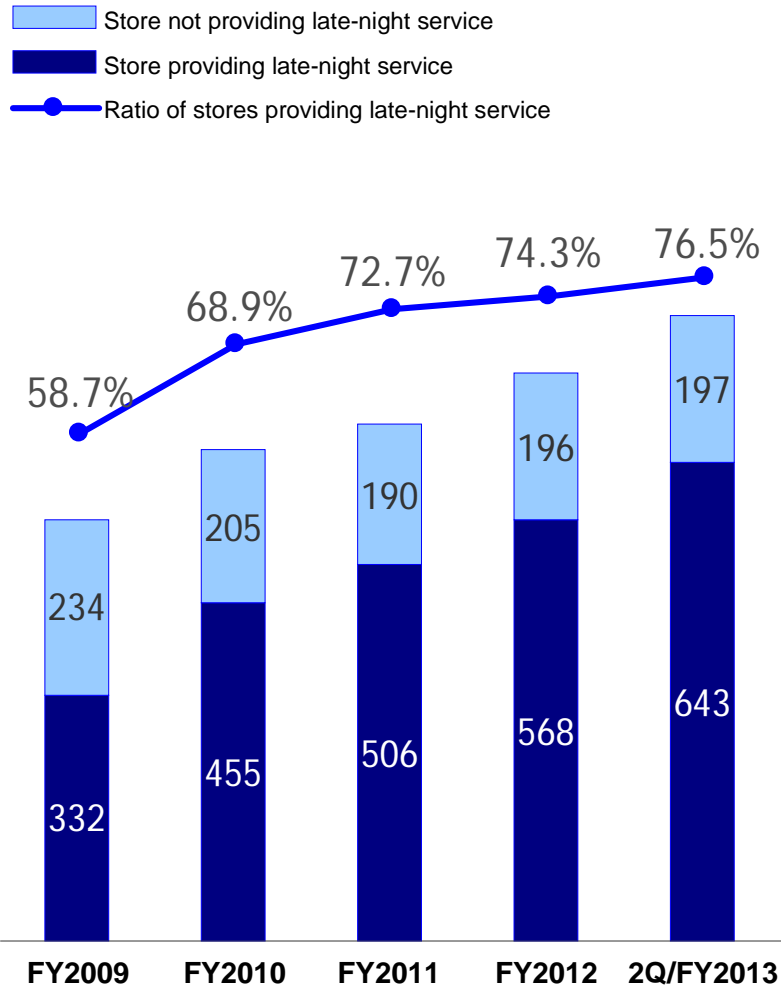
	Drug store with dispensing pharmacy	Parallel establishment ratio
Welcia Kanto	326 (308)	68.5% (74.2%)
Takada	69 (68)	50.0% (51.5%)
Terashima	84 (79)	60.0% (58.1%)
Welcia Kansai	29 (27)	33.7% (33.3%)
Total	508 (482)	60.5% (63.1%)

Trends in the number of prescriptions handled

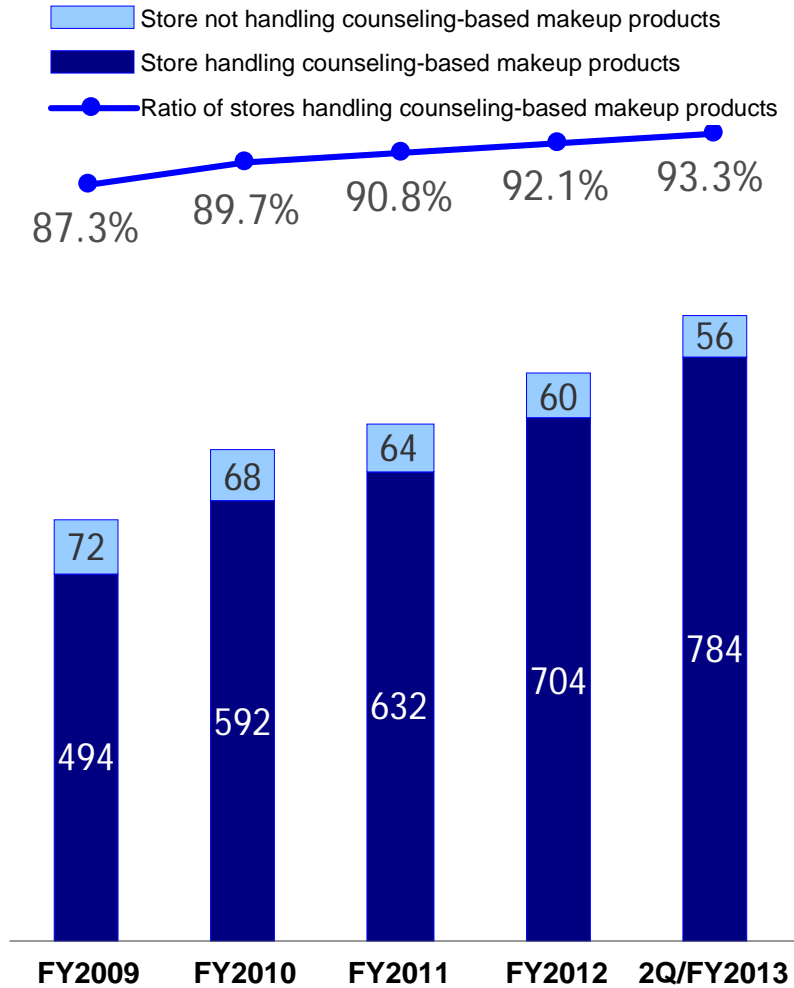


	FY2009	FY2010	FY2011	FY2012	2Q/FY2013
Number of prescriptions	1,720,289	2,155,063	2,726,184	3,255,779	1,837,387
Sales from dispensing (million yen)	14,003	18,128	23,892	29,911	17,205

Trends in the number of stores opening until midnight and ratio of such stores



Trends in the number of stores with cosmetics counseling and ratio of such stores



1H actual results and 2H earnings forecast



(Unit: million yen; %)

	1H (actual results)		2H		Full FY2013		Comparison with FY2012 in percentage terms
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	
Net sales	158,956	100.0	174,044	100.0	333,000	100.0	113.5
Gross profit	47,409	29.8	50,131	28.8	97,540	29.3	112.8
SG&A expenses	41,699	26.2	43,301	24.9	85,000	25.5	113.4
Operating income	5,710	3.6	6,830	3.9	12,540	3.8	109.1
Ordinary income	6,045	3.8	7,115	4.1	13,160	4.0	107.1
Net income	3,389	2.1	3,111	1.8	6,500	2.0	110.2

Full-year earnings forecast by company



(Unit: million yen; %)

	Welcia Holdings (consolidated)	Welcia Kanto	Takada	Terashima	Welcia Kansai	Goodwill and other
Sales	333,000	230,900	43,560	29,560	28,410	570
	100.0	100.0	100.0	100.0	100.0	
Gross profit	97,540	67,070	13,980	8,470	7,880	140
	29.3	29.0	32.1	28.7	27.7	
SG&A expenses	85,000	57,500	12,220	7,150	7,130	1,016
	25.5	24.9	28.1	24.2	25.1	
Operating income	12,540	9,570	1,760	1,320	750	1,016
	3.8	4.1	4.0	4.5	2.6	
Ordinary income	13,160	10,050	1,840	1,380	850	1,016
	4.0	4.4	4.2	4.7	3.0	
Current net income	6,500	6,270	980	740	400	1,016
	2.0	2.7	2.2	2.5	1.4	

*Terashima Co., Ltd. forecasted earnings by adding 2H earnings to 1H results in its nursing business.

Plan for store openings and closures in 2H



	March 1, 2013	Store openings	Store closures	Estimated no. of stores at the end of FY2013
By company				
Welcia Kanto	616	19	5	630
Takada	138	7	2	143
Welcia Kansai	86	4	4	86
By area				
Tohoku	13	5	-	18
Kanto	495	9	3	501
Chubu	246	12	4	254
Kinki (including Mie Prefecture)	86	4	4	86
Total	840	30	11	859