

**Financial Results Briefing
for the Third Quarter of Fiscal Year Ending
February 2017**

January 17, 2017



Welcia Holdings Co., Ltd.

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

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1. Overview

For the purpose of making year-on-year comparison of the results of Welcia Yakkyoku easy, comparison is made by including the results of former Takiya from March 1, the date of its merger, onward and those of former CFS Corporation from September 1, the date of its merger, onward.

Sales were 99.4% against projections, and 123.1% compared with the same period of the previous year. Existing-store sales grew 5.0%.

Gross operating profit was 102.0% against projections, and 127.5% over the previous year. Gross profit margin ratio was 29.0%, up 0.7 percentage point against projections.

SG&A ratio was 100.5% against projections, and 126.4% compared with the same period of the previous year.

SG&A ratio was 25.5%, up 0.3 percentage point against projections.

Operating income was 113.9% against projections, and 136.2% over the previous year. Ordinary income was 111.4% against projections, and 134.7% over the previous year. Net income was 112.4% against projections, and 157.6% over the previous year.

Dispensing pharmacy sales were 100.2% against projections, 137.3% over the previous year, and the composition ratio was 15.5%.

The number of stores with dispensing pharmacy increased by 79 to 973, and the ratio to total stores was 64.7%.

64 stores were newly opened compared with 98 stores planned, while 29 stores were closed compared with 39 stores planned.

2. Outline of Financial Results

Actual results for 3Q cumulative total of FY2017

Unit: million yen

| | Actual results | Projections | | | Actual results for the same period of the previous year | | |
|---|----------------|-------------|--------|------------------|---|--------|-------------------------|
| | | | Change | Achievement rate | | Change | Expressed in percentage |
| Net sales | 464,155 | 466,860 | -2,704 | 99.4% | 376,970 | 87,184 | 123.1% |
| | 100.0% | 100.0% | | | 100.0% | | |
| Gross operating profit | 134,706 | 132,070 | 2,636 | 102.0% | 105,670 | 29,036 | 127.5% |
| | 29.0% | 28.3% | | | 28.0% | | |
| SG&A expenses | 118,237 | 117,610 | 627 | 100.5% | 93,575 | 24,662 | 126.4% |
| | 25.5% | 25.2% | | | 24.8% | | |
| Operating income | 16,468 | 14,460 | 2,008 | 113.9% | 12,094 | 4,374 | 136.2% |
| | 3.5% | 3.1% | | | 3.2% | | |
| Ordinary income | 17,706 | 15,890 | 1,816 | 111.4% | 13,148 | 4,557 | 134.7% |
| | 3.8% | 3.4% | | | 3.5% | | |
| Net income attributable to owners of the Parent | 10,307 | 9,170 | 1,137 | 112.4% | 6,541 | 3,765 | 157.6% |
| | 2.2% | 2.0% | | | 1.7% | | |

* CFS Corporation has been consolidated since September 2015.

Breakdown of financial results by company for 3Q cumulative total of FY 2017

Unit: million yen

| | Welcia HD (consolidated) | Welcia Yakkyoku | Shimizu Yakuhin | | CFS Corporation 2Q('16/3-8) | Goodwill and others |
|------------------------------|-----------------------------|-----------------|-----------------|--------|-----------------------------------|------------------------|
| | | | Y/Y | Y/Y | | |
| Net sales | 464,155 | 391,269 | 106.8% | 9,872 | 110.0% | 60,823 |
| | 100.0% | 100.0% | | 100.0% | | 100.0% |
| Gross operating profit | 134,706 | 113,053 | 109.5% | 2,916 | * ₁ 129.7% | 18,379 |
| | | | | | | * ₂ (-226) |
| | 29.0% | 28.9% | | 29.5% | | 30.2% |
| SG&A expenses | 118,237 | 97,528 | 107.8% | 2,771 | 103.4% | 17,279 |
| | 25.5% | 24.9% | | 28.0% | | 28.4% |
| Operating income | 16,468 | 15,525 | 121.2% | 145 | - | 1,100 |
| | 3.5% | 4.0% | | 1.5% | | 1.8% |
| Ordinary income | 17,706 | 16,603 | 119.4% | 176 | - | 1,300 |
| | 3.8% | 4.2% | | 1.8% | | 2.1% |
| Net income | 10,307 | 10,089 | 139.2% | 143 | - | 556 |
| | 2.2% | 2.6% | | 1.5% | | 0.9% |

*₁ Shimizu Yakuhin recorded valuation loss of 139 million yen due to the change of calculation method under the retail method made in the previous term.

*₂ CFS Corporation recorded valuation loss of 226 million yen due to the change of calculation method under the retail method during the term under review.

Outline of financial results for 3Q cumulative total of FY2017

| Sales | | | | |
|-------------------------------------|---|---------------|--------------------|---------------------------------|
| 1. Existing-store sales growth rate | 5.0% | Projection: | 3.9% | |
| 2. Dispensing pharmacy sales | 71,783 mil. yen | Year on Year: | 137.3% | Ratio to total sales: 15.5% |
| 3. Store openings (in Japan) | 64 stores | Projection: | 98 stores | (Overseas) 1 store to be opened |
| 4. Store closures (in Japan) | 29 stores | Projection: | 39 stores | (Overseas) 1 store to be closed |
| 5. Store renovations | 126 stores | Projection: | 182 stores | |
| 6. PB products' composition ratio | 4.9% (HAPYCOM 35.5%, TOPVALU 32.6%, Welcia PB 30.8%, Others 1.1%) | | | |
| Gross margin ratio | | | | |
| 1. Gross profit margin ratio | | | | |
| Welcia HD (consolidated) | 29.0% | Year on Year: | 1.0% | |
| Welcia Yakkyoku | 28.9% ^{*1} | Year on Year: | 0.7% | |
| Shimizu Yakuhin | 29.5% | Year on Year: | 4.4% ^{*2} | |
| 2. Gross margin ratio by segment | | | | |
| OTC products | 37.5% | Year on Year: | 0.9% | |
| Dispensing | 36.8% | Year on Year: | 0.2% | |
| SG&A expenses | | | | |
| 1. SG&A ratio | 25.5% | Projection: | 25.2% | |
| 2. Labor costs/sales ratio | 12.8% | Projection: | 12.3% | |

*1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.

*2 Shimizu Yakuhin recorded valuation loss of 139 million yen due to the change of calculation method under the retail method made in the previous term.

Monthly sales growth rate

Unit /%

| | | 2015 | 2016 | | | | | | | | | | | |
|--|-----------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | | Dec. | Jan. | Feb. | Mar. | Apr. | May. | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
| E x i s t i n g s t o r e s | Welcia Yakkyoku | 5.3 | 7.9 | 15.9 | 7.3 | 8.1 | 6.3 | 4.5 | 5.3 | 4.8 | 2.8 | 3.6 | 3.1 | 3.2 |
| | Welcia Yakkyoku *1 | | | | 8.0 | 8.7 | 6.9 | 4.6 | 5.2 | 5.0 | 4.8 | 5.6 | 4.8 | 5.1 |
| | (former)Takiya | | | | -3.8 | -2.9 | -2.8 | 2.7 | 6.0 | 1.7 | 1.6 | 2.5 | 1.3 | |
| | (former)CFS | | | | | | | | | | -4.0 | -3.1 | -2.6 | -3.5 |
| | Shimizu Yakuhin | | | | 7.2 | 5.6 | 4.0 | 0.8 | 20.6 | 14.8 | 11.5 | 12.5 | 12.5 | 14.4 |
| | Group Total | 5.3 | 7.9 | 15.9 | 7.3 | 8.0 | 6.3 | 4.4 | 5.6 | 5.0 | 3.0 | 3.8 | 3.3 | 3.4 |
| S t o r e s | Group Total | 50.2 | 52.3 | 62.5 | 37.8 | 38.0 | 34.7 | 32.2 | 33.6 | 32.3 | 4.0 | 5.5 | 5.6 | 5.8 |

* Former Takiya and Shimizu Yakuhin have been respectively recognized as existing stores since March 2016.

* The former CFS Corporation has been recognized as existing stores since September 2016.

* Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.

*** 1 Estimated figures obtained by excluding the results of former Takiya and former CFS Corporation.**

Reference: CFS corporation's monthly sales growth rate

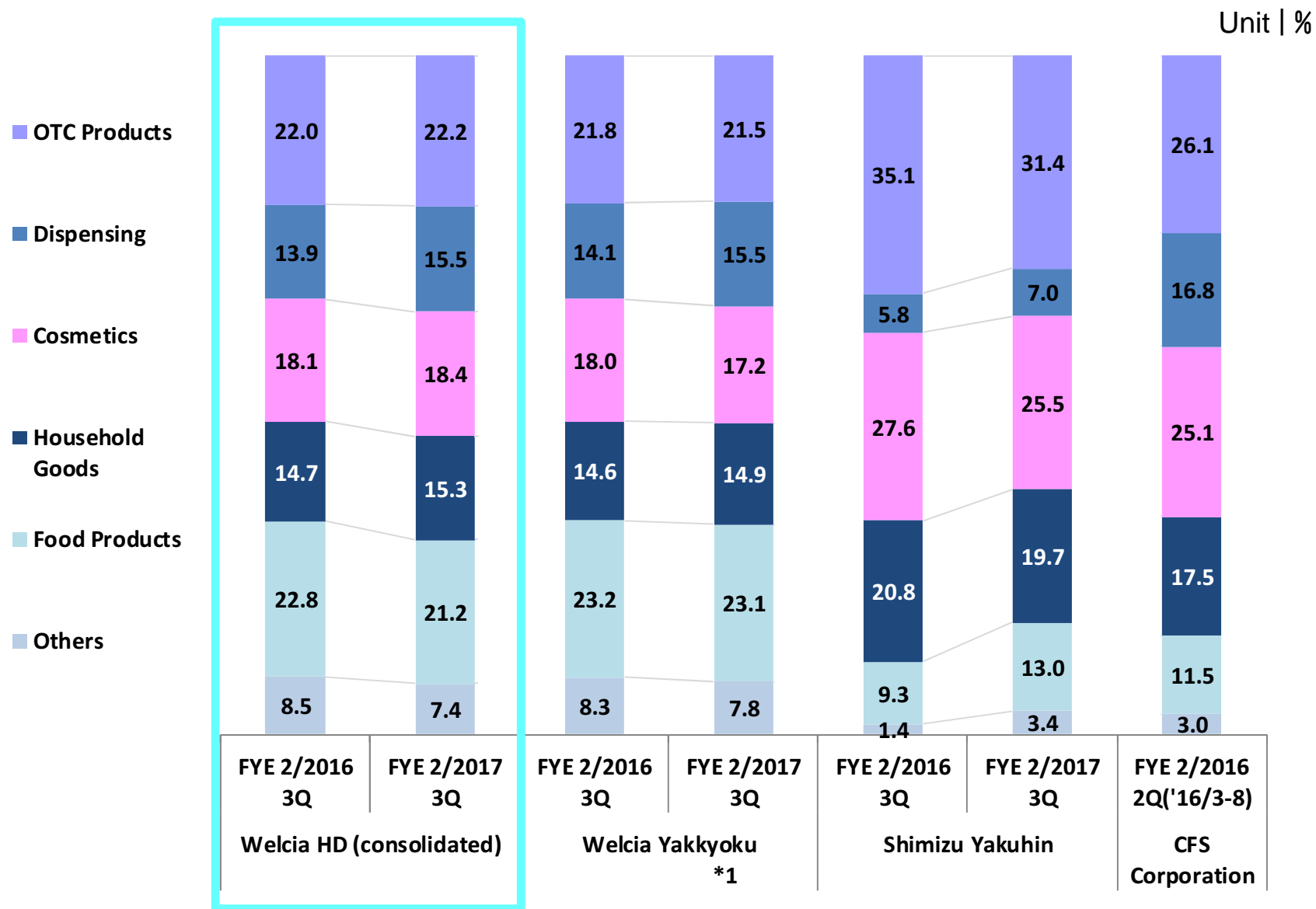
Unit / %

| | 2015 | | | | 2016 | | | | | | | |
|-----------------|------|------|------|------|------|------|------|------|------|------|------|------|
| | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. |
| Exisitng stores | 5.5 | 7.7 | 2.9 | 1.9 | 4.9 | 8.0 | -2.5 | -2.3 | -6.0 | -4.2 | -3.7 | -3.6 |
| All stores | 5.7 | 8.9 | 4.0 | 2.7 | 6.2 | 9.4 | -1.6 | -1.6 | -5.7 | -4.0 | -3.3 | -3.4 |

* CFS Corporation carried out the integration of systems/marketing in March 2016.

* CFS Corporatoin merged with Welcia Yakkyoku in September 2016.

Composition ratio of sales by category [3Q cumulative total of FY2017]



*1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.

Gross profit margin ratio by category [3Q cumulative total of FY2017]

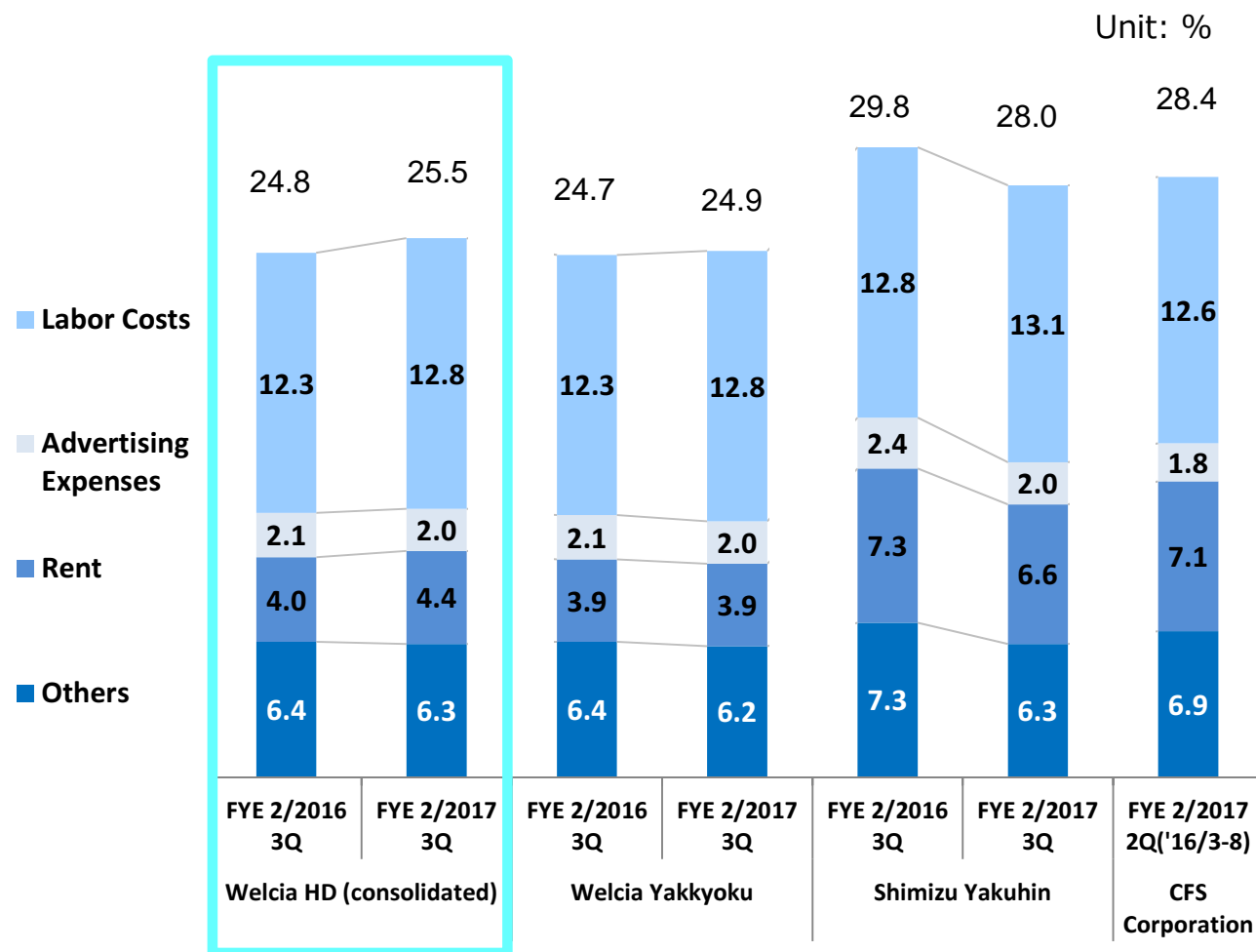
| | Welcia HD (consolidated) | | Welcia Yakkyoku *1 | | Shimizu Yakuhin | | CFS Corporation | |
|--------------------|-----------------------------|------------------------|--------------------|------------------------|-----------------|------------------------|--------------------|----------|
| | | Year-on-year change | | Year-on-year change | | Year-on-year change | 2Q('16/3-8) | Unit % |
| OTC Products | 37.5 | 0.9 | 37.7 | 0.8 | 36.1 | 7.9 | 36.3 | |
| Dispensing | 36.8 | 0.2 | 36.6 | 0.1 | 38.5 | -1.9 | 37.9 | |
| Cosmetics | 32.0 | 0.3 | 32.6 | 0.6 | 30.8 | 5.5 | 29.6 | |
| Household Goods | 25.3 | 1.0 | 25.4 | 1.0 | 24.7 | 3.7 | 24.8 | |
| Food Products | 19.9 | 0.3 | 20.0 | 0.4 | 17.8 | 3.9 | 18.6 | |
| Others | 14.0 | 0.8 | 14.1 | 0.6 | 14.0 | 0.4 | 14.6 | |
| Total | 29.0 | 1.0 | 28.9 | 0.7 | 29.5 | *2 4.4 | *3 30.2 | |

*1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporatoin in September 2016.

*2 Shimizu Yakuhin recorded valuation loss of 140 million yen due to the change of calculation method under the retail method made in the previous term.

*3 CFS Corporation recorded valuation loss of 226 million yen due to the change of calculation method under the retail method during the term.

SG&A expenses composition ratio [3Q cumulative total of FY2017]



Overview

Since CFS's results for 2Q was high at 28.4%, the consolidated-basis ratio increased.

Labor Costs

Increased from 12.3% to 12.8% due primarily to the increased number of pharmacists employed, the absorption of CFS whose labor costs ratio is high, the increased number of stores staying open until late at night or around the clock and bringing the level of salary of registered drug salesperson in line with that of pharmacist.

Rent

Increased from 4.0% to 4.4% due to the absorption of CFS operating a lot of stores in urban areas.

*1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.

Promotion of drug stores with dispensing pharmacy [3Q cumulative total of FY2017]

(Reference)

| | Welcia HD (consolidated) | | Welcia Yakkyoku ^{*1} | | Shimizu Yakuhin | | CFS Corporation |
|---|-----------------------------|------------------|-------------------------------|------------------|------------------|------------------|---------------------------|
| | FYE 2/2016 3Q | FYE 2/2017 3Q | FYE 2/2016 3Q *2 | FYE 2/2017 3Q | FYE 2/2016 3Q | FYE 2/2017 3Q | FYE 2/2017 2Q('16/3-8) |
| No. of stores with dispensing pharmacy at the end of the term | 874 | 973 | 864 | 956 | 10 | 16 | (109) |
| Ratio of stores with dispensing pharmacy | 59.9% | 64.7% | 61.5% | 66.0% | 17.9% | 29.6% | (35.4%) |
| Dispensing pharmacy sales (million yen) | 52,297 | 71,783 | 51,779 | 60,604 | 518 | 689 | 10,224 |
| No. of prescriptions (in the thousands) | 5,089 | 7,261 | 5,023 | 6,017 | 65 | 82 | 1,123 |
| Prescription unit price (yen) | 10,276 | 9,885 | 10,306 | 10,070 | 7,966 | 8,338 | 9,097 |

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

*1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.

*2 The number of stores with dispensing pharmacy of Welcia Yakkyoku at the end of FYE 2/2016 3Q includes that of CFS Corporation.

Number of employees (as of November 30, 2016)

| | Welcia HD (consolidated) | | Welcia Yakkyoku ^{*1} | Shimizu Yakuhin |
|---|-----------------------------|--------------------------------------|-------------------------------|-----------------|
| | | Change from the previous term-end | | |
| No. of employees | 6,781 | 562 | 6,333 | 199 |
| No. of temporary employees (based on 8h/employee) | 14,191 | 1,143 | 13,665 | 327 |
| No. of pharmacists (enrollment) | 3,741 | 475 | 3,645 | 54 |
| No. of registered sales clerks (enrollment) | 8,050 | 122 | 7,762 | 268 |
| No. of stores | 1,507 | 35 | 1,449 | 54 |
| No. of pharmacists per store | 2.48 | 0.26 | 2.51 | 1.00 |
| No. of registered sales clerks per store | 5.34 | -0.05 | 5.35 | 4.96 |

*1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.

Store openings and closures

Unit: No. of stores

| | | 29-Feb-16 | Openings | | Closures | | Increase/ decrease resulting from merger | 31-Aug-16 |
|------------------|---|-----------|----------|--------|----------|--------|---|-----------|
| | | | Planned | Actual | Planned | Actual | | |
| By Company | Welcia Yakkyoku ^{*1} | 1,103 | 86 | 57 | 20 | 19 | 308 | 1,449 |
| | CFS Corporation | 309 | 12 | 7 | 18 | 8 | -308 | 0 |
| | Shimizu Yakuhin | 56 | 0 | 0 | 1 | 2 | 0 | 54 |
| | Nihonbashi Pharma | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| By Area | Tohoku | 26 | 5 | 7 | 0 | 0 | 0 | 33 |
| | Kanto | 801 | 56 | 32 | 17 | 17 | 0 | 816 |
| | Chubu | 389 | 19 | 13 | 18 | 8 | 0 | 394 |
| | Kinki | 253 | 18 | 12 | 4 | 4 | 0 | 261 |
| Total (in Japan) | | 1,469 | 98 | 64 | 39 | 29 | 0 | 1,504 |
| Reference | No. of stores with dispensing pharmacy | 894 | | | | | | 973 |
| | Ratio of stores with dispensing pharmacy | 60.9% | | | | | | 64.7% |

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

***1 Welcia Yakkyoku absorbed Takiya in December 2015 and CFS Corporation in September 2016.**

3. Earnings Forecast for FY2017

First-half performance and second-half forecast

Unit: million yen

| | 1H (Actual) | | 2H | | Full-year | | Y/Y |
|---|-------------|------------------|---------|------------------|-----------|------------------|--------|
| | Amount | Compositon ratio | Amount | Compositon ratio | Amount | Compositon ratio | |
| Sales | 310,996 | 100.0% | 319,003 | 100.0% | 630,000 | 100.0% | 119.2% |
| Gross operating profit | 89,600 | 28.8% | 90,399 | 28.3% | 180,000 | 28.6% | 120.1% |
| SG&A expenses | 77,956 | 25.1% | 80,243 | 25.2% | 158,200 | 25.1% | 120.6% |
| Operating income | 11,643 | 3.7% | 10,156 | 3.2% | 21,800 | 3.5% | 116.2% |
| Ordinary income | 12,427 | 4.0% | 11,272 | 3.5% | 23,700 | 3.8% | 116.3% |
| Net income attributable to shareholders of the parent company | 7,414 | 2.4% | 5,385 | 1.7% | 12,800 | 2.0% | 134.3% |

Full-year forecast by company

Unit: million yen

| | Welcia HD (consolidated) | | Welcia Yakkyoku (After merger of CFS Corporation) | | CFS Corporation (For half a year) | Shimizu Yakuhin | Goodwill and others |
|---------------------------|--------------------------|--------|--|--------|---|--------------------|------------------------|
| | | Y/Y | | Y/Y | | | |
| Sales | 630,000 | 119.2% | 553,646 | 107.3% | 60,823 | 12,650 | 2,880 |
| | 100.0% | | 100.0% | | 100.0% | 100.0% | |
| Gross operating profit | 180,000 | 120.1% | 157,460 | 107.6% | 18,379 | 3,730 | 430 |
| | 28.6% | | 28.4% | | 30.2% | 29.5% | |
| SG&A expenses | 158,200 | 120.6% | 136,330 | 107.7% | 17,279 | 3,680 | 715 |
| | 25.1% | | 24.6% | | 28.4% | 29.1% | 195 |
| Operating income | 21,800 | 116.2% | 21,129 | 106.8% | 1,100 | 50 | -715 |
| | 3.5% | | 3.8% | | 1.8% | 0.4% | 235 |
| Ordinary income | 23,700 | 116.3% | 22,819 | 105.7% | 1,300 | 85 | -715 |
| | 3.8% | | 4.1% | | 2.1% | 0.7% | 210 |
| Net income | 12,800 | 134.3% | 12,833 | 114.8% | 556 | 10 | -715 |
| | 2.0% | | 2.3% | | 0.9% | 0.1% | 115 |

* Welcia Yakkyoku merged with CFS Corporation on September 1, 2016.

* Welcia Yakkyoku's performance projections include second-half forecasts for CFS Corporation.

Projected store openings and closures

Unit: No. of stores

| | | Actual number at the beginning of the term | Openings | | Closures | | Increase/ decrease resulting from merger | Number at the end of the term | |
|------------------|---|--|----------|-----------|----------|-----------|---|----------------------------------|---------|
| | | | Planned | Projected | Planned | Projected | | projected | Planned |
| By Company | Welcia Yakkyoku ^{*1} | 1,103 | 126 | 94 | 23 | 28 | 308 | 1,477 | 1,509 |
| | CFS Corporation | 309 | 12 | 7 | 18 | 8 | -308 | 0 | 0 |
| | Shimizu Yakuhin | 56 | 2 | 0 | 2 | 2 | 0 | 54 | 56 |
| | Nihonbashi Pharma | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| By Area | Tohoku | 26 | 9 | 10 | 0 | 0 | 0 | 36 | 35 |
| | Kanto | 801 | 80 | 52 | 17 | 21 | 0 | 832 | 864 |
| | Chubu | 389 | 24 | 21 | 18 | 11 | 0 | 399 | 395 |
| | Kinki | 253 | 27 | 18 | 8 | 6 | 0 | 265 | 272 |
| Total (in Japan) | | 1,469 | 140 | 101 | 43 | 38 | 0 | 1,532 | 1,566 |
| Reference | No. of stores with dispensing pharmacy | 894 | | | | | | 1,024 | 1,019 |
| | Ratio of stores with dispensing pharmacy | 60.9% | | | | | | 66.8% | 65.1% |

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

* Welcia Yakkyoku merged with CFS Corporation on September 1, 2016.

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.