

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

October 11, 2016



**Welcia Holdings Co., Ltd.**

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

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# 1. Overview

- As for Welcia Yakkyoku, year-on-year comparison is made with the combined data of Welcia Yakkyoku and(former)Takiya for the same period of the previous year.

Sales were 100.6% against projections, and 134.6% compared with the same period of the previous year. Existing-store sales grew 6.0%.  
Gross operating profit was 103.1% against projections, and 139.6% over the previous year.  
Gross profit margin ratio was 28.8%, up 0.7 percentage point against projections.

SG&A ratio was 100.7% against projections, and 137.9% compared with the same period of the previous year.  
SG&A ratio was 25.1%, down 0.1 percentage point against projections.

Operating income was 123.2% against projections, and 151.8% over the previous year.  
Ordinary income was 119.5% against projections, and 151.5% over the previous year.  
Net income was 125.7% against projections, and 168.0% over the previous year.

Dispensing pharmacy sales were 104.0% against projections, 156.3% over the previous year, and the composition ratio was 15.3%.

The number of stores with dispensing pharmacy increased by 25 to 919, and the ratio to total stores was 62.2%.

25 stores were newly opened compared with 54 stores planned, while 17 stores were closed compared with 32 stores planned.

## 2. Outline of Financial Results

# Results for 2Q 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	310,996	309,100	1,896	100.6%	230,990	80,006	134.6%
	100.0%	100.0%			100.0%		
Gross operating profit	89,600	86,900	2,700	103.1%	64,183	25,416	139.6%
	28.8%	28.1%			27.8%		
SG&A expenses	77,956	77,450	506	100.7%	56,512	21,443	137.9%
	25.1%	25.0%			24.5%		
Operating income	11,643	9,450	2,193	123.2%	7,671	3,972	151.8%
	3.7%	3.1%			3.3%		
Ordinary income	12,427	10,400	2,027	119.5%	8,201	4,225	151.5%
	4.0%	3.4%			3.6%		
Net income attributable to shareholders of the parent company	7,414	5,900	1,514	125.7%	4,413	3,000	168.0%
	2.4%	1.9%			1.9%		

\*CFS Corporation has been consolidated since September 2015.

# Breakdown of financial results by company for 2Q cumulative total of FY2017

Unit: million yen

	Welcia HD (consolidated)	Welcia Yakkyoku	Y/Y	Shimizu Yakuhin	Y/Y	CFS Corporation	Goodwill and others
	Net sales	310,996	242,150	108.2%	6,582	109.0%	60,823
	100.0%	100.0%		100.0%		100.0%	1,440
Gross operating profit	89,600	69,052	110.1%	1,939	*1 138.8%	18,379	
						*2 (-226)	
	28.8%	28.5%		29.5%		30.2%	229
SG&A expenses	77,956	58,437	107.2%	1,834	103.5%	17,279	357
	25.1%	24.1%		27.9%		28.4%	47
Operating income	11,643	10,615	129.2%	104	-	1,100	-357
	3.7%	4.4%		1.6%		1.8%	181
Ordinary income	12,427	11,243	128.1%	123	-	1,300	-357
	4.0%	4.6%		1.9%		2.1%	118
Net income	7,414	6,974	140.9%	109	-	556	-357
	2.4%	2.9%		1.7%		0.9%	132

\*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 2Q cumulative total of FY2017

Sales				
1. Existing-store sales growth rate	6.0%	Projection:	3.7%	
2. Dispensing pharmacy sales	47,572 mil. yen	Year on Year:	156.3%	Ratio to total sales: 15.3%
3. Store openings (in Japan)	25 stores	Projection:	54 stores	(Overseas) 1 store to be opened
4. Store closures (in Japan)	17 stores	Projection:	32 stores	(Overseas) 1 store to be closed
5. Store renovations	108 stores	Projection:	128 stores	
6. PB products' composition ratio	5.1% (TOPVALU 39.6%, Welcia PB 29.8%, HAPYCOM 29.3%, Others 1.3%)			
Gross margin ratio				
1. Gross profit margin ratio				
Welcia HD (consolidated)	28.8%	Year on Year:	+1.0%	
Welcia Yakkyoku	28.5%	Year on Year:	+0.5%	
CFS Corporation	30.2%			
Shimizu Yakuhin	29.5%	Year on Year:	*+6.4%	
2. Gross margin ratio by segment				
OTC products	37.3%	Year on Year:	+1.2%	
Dispensing	35.2%	Year on Year:	-1.4%	
SG&A expenses				
1. SG&A ratio	25.1%	Projection:	25.0%	
2. Labor costs/sales ratio	12.6%	Projection:	12.3%	

\* 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								
		Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
Existing stores	Welcia Yakkyoku	6.0	10.6	9.2	5.3	7.9	15.9	7.3	8.1	6.3	4.5	5.3	4.8	2.8
	Welcia Yakkyoku * Excl. Takiya and CFS							8.0	8.7	6.9	4.6	5.2	5.0	4.8
	(former)Takiya							-3.8	-2.9	-2.8	2.7	6.0	1.7	1.6
	(former)CFS													-4.0
	Shimizu Yakuhin							7.2	5.6	4.0	0.8	20.6	14.8	11.5
	Group total	6.0	10.6	9.2	5.3	7.9	15.9	7.3	8.0	6.3	4.4	5.6	5.0	3.0
All stores	Group total	52.9	58.7	55.4	50.2	52.3	62.5	37.8	38.0	34.7	32.2	33.6	32.3	4.0

\* 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.

# Reference: CFS corporation's monthly sales growth rate

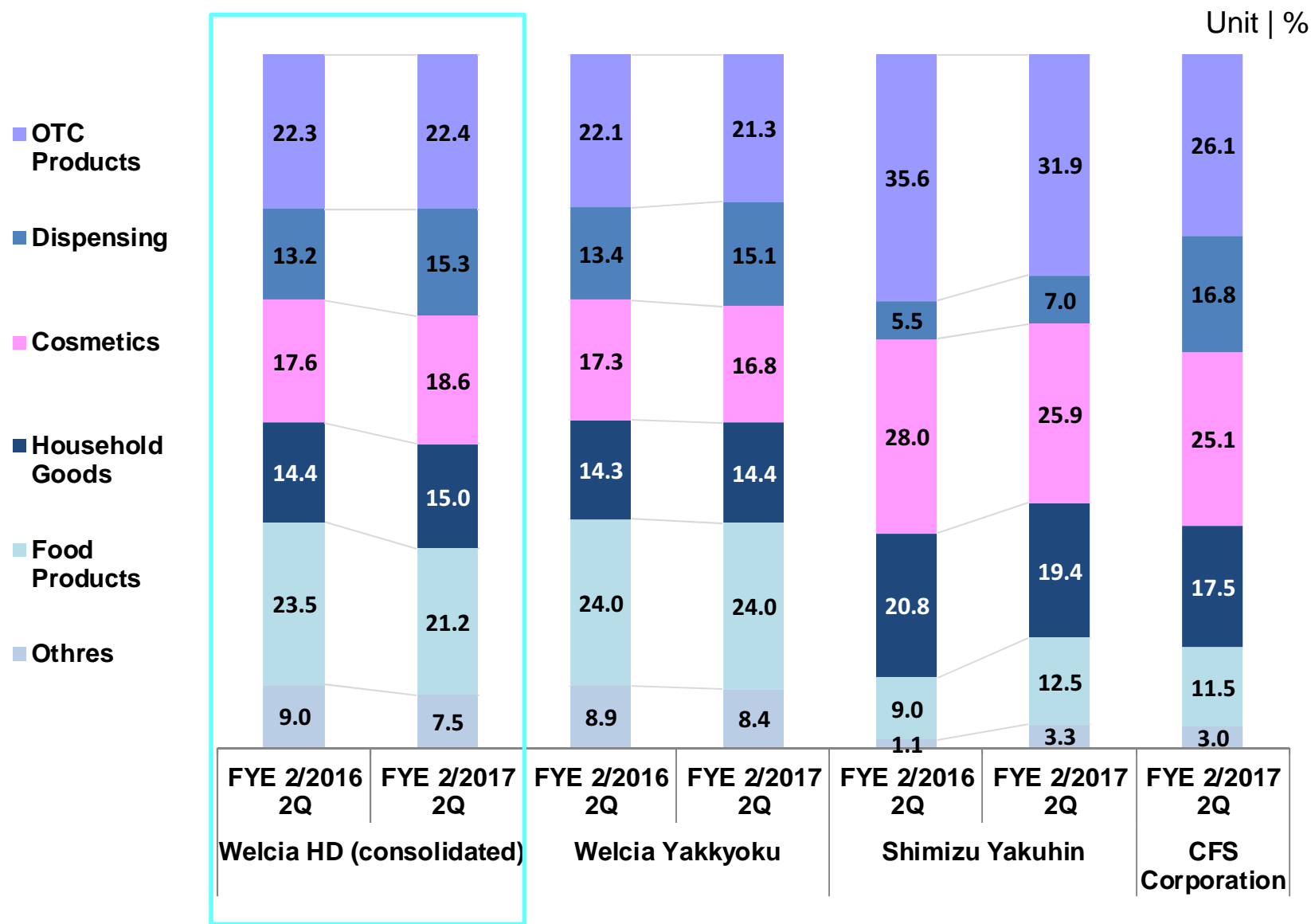
Unit | %

	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 [for 2Q cumulative total of FY2017]



\* CFS Corporation's actual results for the previous term are not shown as it has been consolidated since Sep. 2015.

# Gross profit margin ratio by category [for 2Q cumulative total of FY2017]

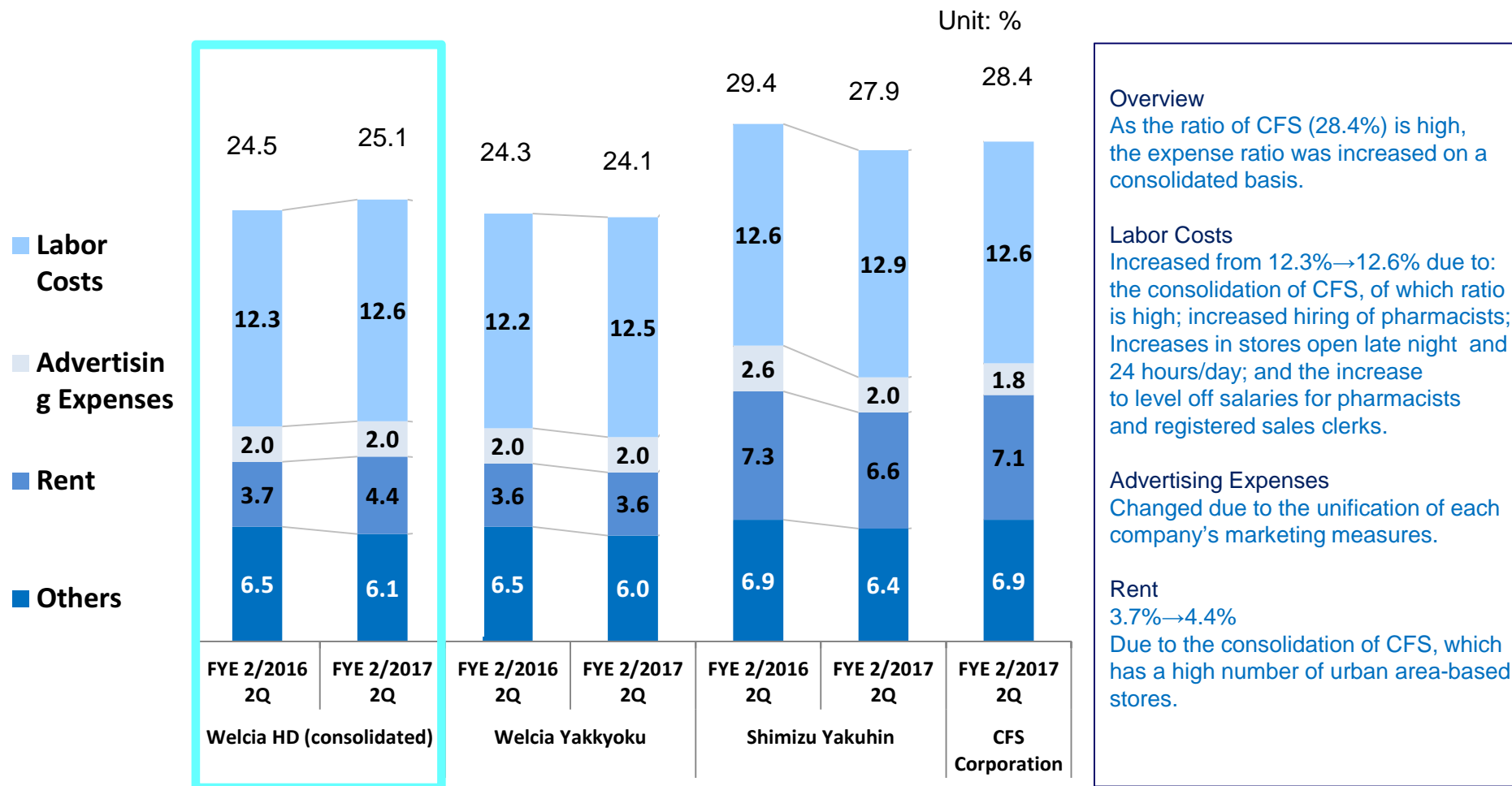
Unit | %

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		CFS Corporation
		Year-on-year change		Year-on-year change		Year-on-year change	
OTC Products	37.3	1.2	37.6	1	35.5	10.7	36.3
Dispensing	35.2	-1.4	34.4	-2.1	37.3	-4.3	37.9
Cosmetics	31.8	0.4	32.7	0.8	30.6	8.2	29.6
Household Goods	25.7	1.1	25.9	1.2	25.3	4.5	24.8
Food Products	20.1	0.3	20.3	0.5	17.8	3.6	18.6
Othres	14.1	0.9	14.2	0.6	13.9	0.5	14.6
Total	28.8	1	28.5	0.5	29.5	*1 6.4	*2 30.2

\*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.

# SG&A expenses composition ratio [for 2Q cumulative total of FY2017]



\* CFS Corporation's actual results for the previous term are not shown as it has been consolidated since Sep. 2015.

Promotion of drug stores with dispensing pharmacy [for 2Q cumulative total of FY2017]

(Reference)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		CFS Corporation		CFS Corporation
	FYE 2/2016 2Q	FYE 2/2017 2Q	FYE 2/2016 2Q	FYE 2/2017 2Q	FYE 2/2016 2Q	FYE 2/2017 2Q	FYE 2/2016 2Q	FYE 2/2017 2Q	FYE 2/2016 2Q
No. of stores with dispensing pharmacy at the end of the term	750	919	742	798	8	11		109	103
Ratio of stores with dispensing pharmacy	65.2%	62.2%	67.9%	71.7%	14.0%	20.0%		35.4%	33.2%
Dispensing pharmacy sales (million yen)	30,437	47,572	30,104	36,700	333	460		10,224	9,919
No. of prescriptions (in the thousands)	2,968	4,753	2,926	3,549	41	54		1,123	1,087
Prescription unit price (yen)	10,255	10,008	10,288	10,339	7,937	8,427		9,098	9,128

\* CFS Corporations's actual results for 2Q/2016 are shown just for your reference as it was merged as of September 1, 2015.

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

# Number of employees (as of August 31, 2016)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	CFS Corporation
		Change from the previous term-end			
No. of employees	6,733	514	5,116	201	1,178
No. of temporary employees (based on 8h/employee)	14,081	1,033	11,224	293	2,369
No. of pharmacists (enrollment)	3,690	424	2,830	55	797
No. of registered sales clerks (enrollment)	8,035	107	6,360	246	1,415
No. of stores	1,480	8	1,113	55	308
No. of pharmacists per store	2.49	0.27	2.54	1.00	2.59
No. of registered sales clerks per store	5.43	0.04	5.71	4.47	4.59

# Store openings and closures

Unit: No. of stores

		29-Feb-16	Openings		Closures		31-Aug-16
			Planned	Actual	Planned	Actual	
By Company	Welcia Yakkyoku	1,103	42	18	13	8	1,113
	CFS Corporation	309	12	7	18	8	308
	Shimizu Yakuhin	56	0	0	1	1	55
	Nihonbashi Pharma	1	0	0	0	0	1
By Area	Tohoku	26	3	3	0	0	29
	Kanto	801	35	14	14	8	807
	Chubu	389	7	4	14	7	386
	Kinki	253	9	4	4	2	255
<b>Total (in Japan)</b>		<b>1,469</b>	<b>54</b>	<b>25</b>	<b>32</b>	<b>17</b>	<b>1,477</b>
Reference	No. of stores with dispensing pharmacy	894					919
	Ratio of stores with dispensing pharmacy	60.9%					62.2%

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



## **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 (2Q total)	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 attributable to shareholders of the parent company	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.

# Plan for store openings and closures

Unit: No. of stores

		Actual number at the beginning of the term	First half (Actual)		Increase due to merger	Second half (Projected)		Number at the end of the term
			Store opening	Store closures		Store opening	Store closures	
By Company	Welcia Yakkyoku	1,103	18	8	308	84	25	1,480
	CFS Corporation	309	7	8	-308	0	0	0
	Shimizu Yakuhin	56	0	1	0	0	1	54
	Nihonbashi Pharma	1	0	0	0	0	0	1
By Area	Tohoku	26	3	0	0	7	0	36
	Kanto	801	14	8	0	44	9	842
	Chubu	389	4	7	0	16	11	391
	Kinki	253	4	2	0	17	6	266
Total (in Japan)		1,469	25	17	0	84	26	1,535
(Reference)	No. of stores with dispensing pharmacy	894						1,019
	Ratio of stores with dispensing pharmacy	60.9%						66.4%

\*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.