

Financial Results Briefing of Fiscal Year Ending February 2017

April 18, 2017



Welcia Holdings Co., Ltd.

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

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1. Outline of Financial Results

When Takiya was absorbed on December 1, 2015 and CFS Corporation on September 1, 2016, Welcia Yakkyoku, which is one of our consolidated subsidiaries, served as a survival company of such absorptions.

For the purpose of making year-on-year comparisons of the results of Welcia Yakkyoku easy, comparisons are made by including the results of former Takiya from March 1, 2015 onward and those of former CFS Corporation from September 1, 2015 onward.

1. Business Performance	Projection	Results	Difference
Net sales (million yen)	630,000	623,163	-6,836
Ordinary income (million yen)	23,700	25,723	2,023
Net income attributable to owners of the Parent (million yen)	12,800	14,451	1,651
2. Index	Projection	Results	Difference
Existing-store sales growth rate	3.5%	4.3%	0.8%
Store openings (in Japan)	140 stores	101 stores	-39 stores
Store closures (in Japan)	43 stores	38 stores	-5 stores
No. of stores in Japan as of the end of FY	1,566 stores	1,532 stores	-34 stores
Dispensing pharmacy sales (million yen)	100,000	97,484	-2,515
(Dispensing pharmacy sale composition ratio)	15.9%	15.6%	-0.3%
No. of stores with dispensing pharmacy	1,019 stores	1,025 stores	6 stores
(Ratio of stores with dispensing pharmacy)	65.1%	66.9%	1.8%

3. Key Initiatives	Projection	Results	Difference
Existing-store renovations	206 stores	181 stores	-25 stores
24-hour open stores	100 stores	92 stores	-8 stores
Stores with Welcafe	100 stores	78 stores	-22 stores
4. Others			
PB products' composition ratio	4.9% (HAPYCOM 36.5%, TOPVALU 31.6%, Welcia PB 31.0%, Others 0.9%)		

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	623,163	630,000	-6,836	98.9%	528,402	94,760	117.9%
	100.0%	100.0%			100.0%		
Gross operating profit	183,815	180,000	3,815	102.1%	149,910	33,904	122.6%
	29.5%	28.6%			28.4%		
SG&A expenses	159,736	158,200	1,536	101.0%	131,150	28,586	121.8%
	25.6%	25.1%			24.8%		
Operating income	24,078	21,800	2,278	110.5%	18,759	5,318	128.4%
	3.9%	3.5%			3.6%		
Ordinary Income	25,723	23,700	2,023	108.5%	20,377	5,345	126.2%
	4.1%	3.8%			3.9%		
Net income attributable to owners of the Parent	14,451	12,800	1,651	112.9%	9,527	4,923	151.7%
	2.3%	2.0%			1.8%		

* CFS Corporation has been consolidated since September 2015.

Breakdown of financial results by company of FY 2017

Unit: million yen

	Welcia HD (Consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		CFS Corporation 16/3-8	Goodwill and others
			Y/Y		Y/Y		
Net sales	623,163	546,111	106.2%	13,271	110.5%	60,823	2,956
	100.0%	100.0%		100.0%		100.0%	
Gross operating profit	183,815	160,992	109.8%	3,964	*1 126.1%	18,379	478
						*2 (-226)	
	29.5%	29.5%		29.9%		30.2%	
SG&A expenses	159,736	137,747	108.3%	3,745	105.4%	17,279	715
	25.6%	25.2%		28.3%		28.4%	248
Operating income	24,078	23,245	119.7%	218	-	1,100	-715
	3.9%	4.3%		1.6%		1.8%	229
Ordinary income	25,723	24,741	117.2%	255	-	1,300	-715
	4.1%	4.5%		1.9%		2.1%	142
Net income	14,451	14,179	131.2%	194	-	556	-715
	2.3%	2.6%		1.5%		0.9%	236

*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.

Monthly sales growth rate

		2016										2017		
		Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
E x i s t i n g s t o r e s	Welcia Yakkyoku	7.3	8.1	6.3	4.5	5.3	4.8	2.8	3.6	3.1	3.2	5.1	-1.8	2.7
	Welcia Yakkyoku *1	8.0	8.7	6.9	4.6	5.2	5.0	4.8	5.6	4.8	5.1	6.4	-0.8	3.1
	(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	-0.2	-5.7	0.9
	Shimizu Yakuhin	7.2	5.6	4.0	0.8	20.6	14.8	11.5	12.5	12.5	14.4	17.8	7.3	9.6
	Group Total	7.3	8.0	6.3	4.4	5.6	5.0	3.0	3.8	3.3	3.4	5.3	-1.6	2.7
S t o r e s	Group Total	37.8	38.0	34.7	32.2	33.6	32.3	4.0	5.5	5.6	5.8	7.8	1.5	5.9

* Takiya and Shimizu Yakuhin have been consolidated since March 2015, and CFS Corporation since September 2015.

* 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 Takiya and CFS Corporation.

Reference: CFS corporation's monthly sales growth rate

Unit / %

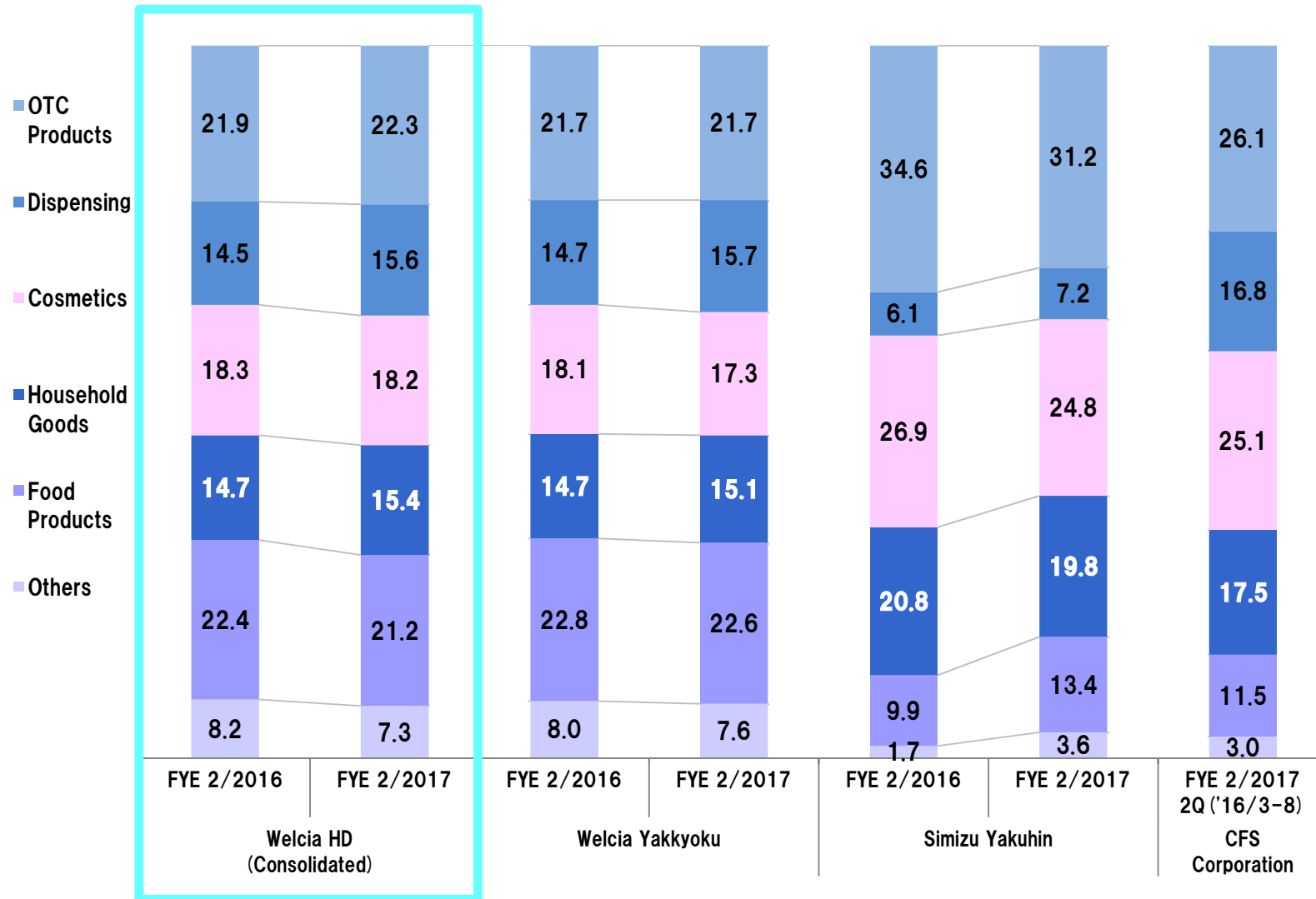
	2015				2016							
	Sep.	Oct.	Nov.	Cec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
Existing Stores	5.5	7.7	2.9	1.9	4.9	8.0	-2.5	-2.3	-6.0	-4.2	-3.7	-3.6
All stores	5.7	8.9	4.0	2.7	6.2	9.4	-1.6	-1.6	-5.7	-4.0	-3.3	-3.4

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

* CFS Corporation merged with Welcia Yakkyoku in September 2016.

Composition ratio of sales by category

Unit | %



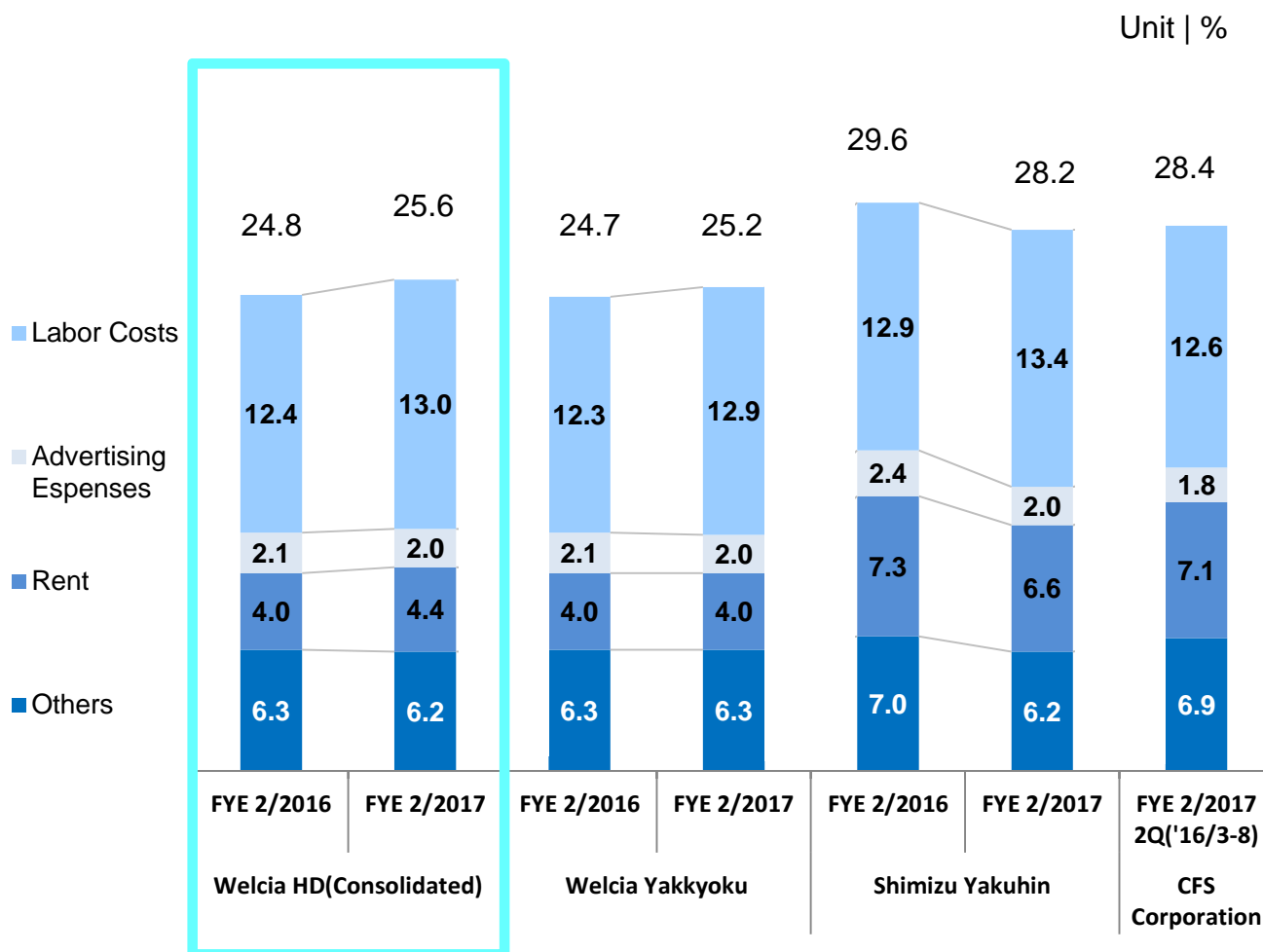
Gross profit margin ratio by category

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Unit %	
		Year-on-year change		Year-on-year change		Year-on-year change	CFS Corporation	FYE 2/2017 2Q('16/3-8)
OTC Products	38.1	1.0	38.3	1.0	36.7	6.6		36.3
Dispensing	37.3	0.6	37.2	0.6	38.6	-1.0		37.9
Cosmetics	32.2	0.9	32.7	1.2	31.1	4.9		29.6
Household Goods	26.1	1.3	26.3	1.4	25.2	3.1		24.8
Food Products	20.3	0.3	20.4	0.4	18.0	3.1		18.6
Others	14.0	0.7	14.2	0.6	14.2	0.9		14.6
Total	29.5	1.1	29.5	1.0	29.9	*1 3.7	*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



Overview

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

Labor Costs

Increased from 12.4% to 13.0% 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.

(Reference)

	Weicia HD (Consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		CFS Corporation
	FYE 2/2016	FYE 2/2017	FYE 2/2016	FYE 2/2017	FYE 2/2016	FYE 2/2017	FYE 2/2014 2Q('16/3-8)
Dispensing pharmacy sales (million yen)	76,487	97,484	75,752	85,946	735	960	10,224
No. of prescriptions (in the thousands)	7,287	9,901	7,197	8,613	90	113	1,123
Prescription unit price (yen)	10,495	9,845	10,524	9,977	8,151	8,444	9,097
No. of stores with dispensing pharmacy at the end of the term	894	1,025	883	1,007	10	17	(109)
Ratio of stores with dispensing pharmacy	60.9%	66.9%	62.5%	68.2%	17.9%	31.5%	(33.2%)

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

Number of employees (as of February 28, 2017)

	Welcia HD (Consolidated)		Welcia Yakkyoku	Shimizu Yakuhin
		Change from the previous term-end		
No. of employees	6,776	557	6,326	194
No. of temporary employees (based on 8h/employee)	14,187	1,139	12,527	309
No. of pharmacists (enrollment)	3,754	488	3,684	55
No. of registered sales clerks (enrollment)	8,776	848	8,479	273
No. of stores	1,535	63	1,477	54
No. of pharmacists per store	2.45	0.23	2.49	1.02
No. of registerd sales clerks per store	5.72	0.33	5.74	5.06

Store openings and closures

Unit: No. of stores

		FYE 2/2016	Openings		Closures		Increase/decrease resulting from merger	FYE 2/2017
			Planned	Actual	Planned	Actual		
By Company	Welcia Yakkyoku	1,103	126	94	23	28	308	1,477
	CFS Corporation	309	12	7	18	8	-308	0
	Shimizu Yakuhin	56	2	0	2	2	0	54
	Nihonbashi Pharma	1	0	0	0	0	0	1
By Area	Tohoku	26	9	10	0	0	0	36
	Kanto	801	80	52	17	21	0	832
	Chubu	389	24	21	18	11	0	399
	Kinki	253	27	18	8	6	0	265
Total (in Japan)		1,469	140	101	43	38	0	1,532
Reference	No. of stores with dispensing pharmacy	894						1,025
	Ratio of stores with dispensing pharmacy	60.9%						66.9%

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

*1 Welcia Yakkyoku absorbed CFS Corporation in September 2016.

Consolidated Balance Sheet (Summary) [as of February 28, 2017]

(Unit: million yen)

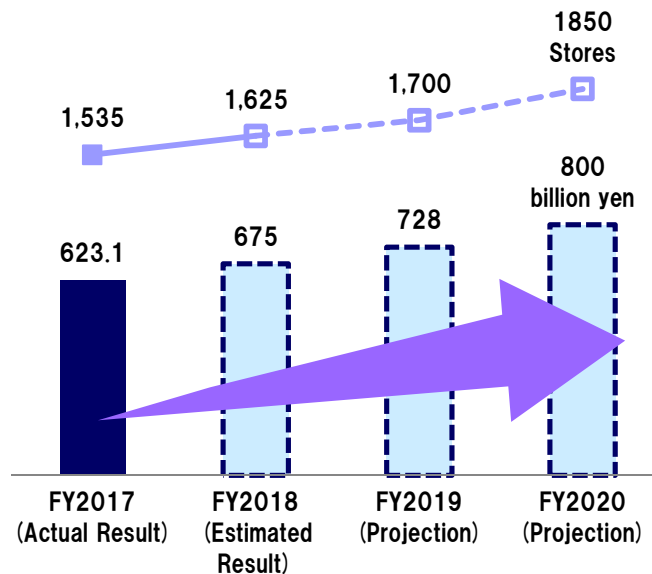
Accounting Title	FY 2016	FY 2017	Change	Accounting Title	FY 2016	FY 2017	Change
(Assets)				(Liabilities)			
Current assets	105,857	112,848	6,991	Current liabilities	100,576	104,548	3,972
Cash and deposits	13,469	15,888	2,419	Accounts payable-trade	71,414	79,200	7,785
Accounts receivable-trade	19,490	19,759	269	Short-term loans payable (including those due within one year)	6,848	2,897	-3,951
Merchandise	63,905	68,272	4,366	Other	22,312	22,450	138
Other	8,991	8,927	-64	Noncurrent liabilities	22,650	26,245	3,595
Noncurrent assets	121,147	134,177	13,030	Long-term loans payable	6,278	3,647	-2,631
Property, plant and equipment	82,438	95,334	12,895	Lease obligations	8,169	12,120	3,951
Buildings and structures	46,197	53,108	6,910	Asset retirement obligations	4,244	6,279	2,035
Land	10,834	11,051	216	Other	3,958	4,198	240
Lease assets	19,761	25,163	5,401	Total liabilities	123,226	130,793	7,567
Other	5,644	6,011	366	(Net Assets)			
Intangible assets	7,999	6,327	-1,672	Shareholders' equity	103,573	115,926	12,353
Goodwill	5,374	3,838	-1,535	Capital stock	7,736	7,736	0
Other	2,625	2,488	-137	Capital surplus	51,651	51,656	5
Investment and other assets	30,708	32,516	1,807	Retained earnings and other	44,185	56,533	12,347
Guarantee deposits	24,208	25,862	1,653	Accumulated other comprehensive income	35	8	-27
Deferred tax assets	4,292	4,598	305	Subscription rights to shares	161	291	130
Other	2,207	2,056	-150	Non Controlling Interest	8	6	-2
				Total net assets	103,779	116,233	12,454
Total assets	227,005	247,026	20,021	Total liabilities and net assets	227,005	247,026	20,021

2. Mid-term Plan (from FY 2018 to FY 2020)

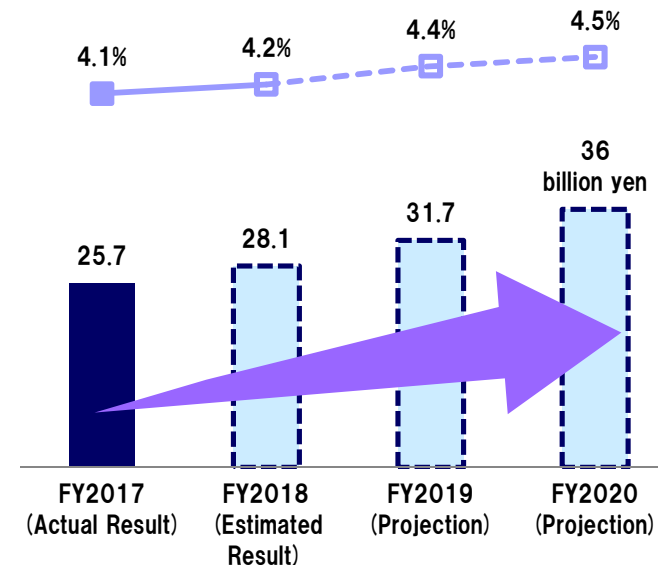
Position of Mid-term Plan

During these three years, we will improve the specialty and convenience of our service by promoting active store openings and M&A strategies to ensure sustainable and long-term growth to respond to the rapidly accelerating hyper-aging society with fewer children.

Sales and total number of stores



Ordinary income and its ratio to net sales



1. Dispensing

Aim to be the *Kakaritsuke Yakkyoku* (family pharmacy) of local communities as a drug store with high specialty

- (1) Increase stores with dispensing pharmacy and enhance employment of pharmacists (target ratio of stores with dispensing pharmacy: 85%)
- (2) Promotion of home dispensing
- (3) Enhance education of pharmacists and dispensing staff
- (4) Establish a system where we can contribute to local communities to prevent diseases and provide health supports as a *Kakaritsuke Yakkyoku* and use of Welcafe as a tool for such contribution

2. Store opening

Aim to deepen presence in existing areas and develop new area

- (1) Continue active opening of new stores
(More than 100 stores per fiscal year)
- (2) Open stores in Kinki and Tohoku areas intensively
- (3) Promote development of small-sized store model for urban life

3. Products

Respond to needs of elderly people, 24-hour open stores, small-sized stores for urban life and store areas

- (1) Develop selection of merchandise for 24-hour open stores and small-sized stores for urban life
- (2) Ensure variety of local products
- (3) Ensure variety of healthy merchandise selected by drug stores

4. Existing Stores

Operate stores with high specialty that can respond to specific needs of local communities

- (1) Increase 24-hour open stores
- (2) Promote renovation of existing stores for revitalization
- (3) Enhance staff ability to operate stores and to provide counselling services

5. HR

Develop working environment allowing employees to work according to their motivation and capacity

- (1) Introduce new HR system and disseminate to all employees
- (2) Enhance efforts to educate staff
- (3) Working-style innovation

6. IT & Distribution

Respond to various sales strategies and changes resulting from M&A, etc.

- (1) Support sales operation and streamline administrative jobs through IT promotion
- (2) Respond to expansion of store areas by improving distribution center network (Kansai and Chubu areas)
- (3) Enrich functions of distribution centers (Expansion of DC transactions)

7. Overseas Business

Launch new business in Southeast Asia

(1) In addition to China, start business in Singapore

8. Capital Policy

Aim to improve profitability by keeping good balance between growth, financial stability and returns to shareholders

(1) Use the ratio of ordinary income to net sales as profitability index
(Target for FY 2020: 4.5%)

(2) Ensure continuous and stable payout ratio for return to shareholders
(Payout ratio: more than 20%)

3. Earnings Forecast for FY2017

For the purpose of making year-on-year comparisons of the results of Welcia Yakkyoku easy, comparisons are made by including the results of former CFS Corporation to those of Welcia Yakkyoku.

1. Projections

- ▶ Sales: 675 billion yen (108.3% YOY)
- ▶ Ordinary income: 28.1 billion yen (109.2% YOY)
- ▶ Net income: 15 billion yen (103.8% YOY)

2. Assumptions

- ▶ Existing-store sales growth rate: 3.3%
- ▶ Store openings: 116 stores (including 3 overseas stores); Store closures: 26 stores
- ▶ Number of stores: 1,625 stores (1,619 domestic stores, 6 overseas stores)
- ▶ Dispensing pharmacy sales: 114 billion yen (116.9% YOY)
- ▶ Number of stores with dispensing pharmacy: 1,234 stores
(ratio of stores with dispensing pharmacy: more than 75.0%)

3. Key initiatives

- ▶ Store renovations: 191 stores
- ▶ Store openings: 212 stores
- ▶ Increasing the number of 24-hour open stores to 100
- ▶ Increasing the number of stores with Welcafe to 80

Full-year forecast

Unit: million yen

	First Half		Second Half		Full-year		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Sales	333,800	100.0%	341,200	100.0%	675,000	100.0%	108.3%
Gross operating profit	98,200	29.4%	101,200	29.7%	199,400	29.5%	108.5%
SG&A expenses	84,740	25.4%	88,360	25.9%	173,100	25.6%	108.4%
Operating income	13,460	4.0%	12,840	3.8%	26,300	3.9%	109.2%
Ordinary income	14,310	4.3%	13,790	4.0%	28,100	4.2%	109.2%
Net income attributable to shareholders of the parent company	8,570	2.6%	6,430	1.9%	15,000	2.2%	103.8%
Existing-store sales growth rate	3.2%		3.5%		3.3%		

Full-year forecast by company

Unit: million yen

	Welcia HD (Consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Goodwill and others
		Y/Y		Y/Y		Y/Y	
Sales	675,000	108.3%	657,181	108.2%	14,271	107.5%	3,548
	100.0%		100.0%		100.0%		
Gross operating Profit	199,400	108.5%	194,491	108.4%	4,254	107.3%	655
	29.5%		29.6%		29.8%		
SG&A expenses	173,100	108.4%	167,730	108.1%	3,875	103.5%	668
	25.6%		25.5%		27.2%		
Operating income	26,300	109.2%	26,761	109.8%	379	173.1%	-668
	3.9%		4.1%		2.7%		
Ordinary income	28,100	109.2%	28,592	109.7%	421	165.0%	-668
	4.2%		4.4%		3.0%		
Net income	15,000	103.8%	15,665	106.2%	205	105.3%	-668
	2.2%		2.4%		1.4%		

Projected store openings and closures

Unit: No. of stores

		Actual number at the beginning of the term	Increase resulting from merger	Openings	Closures	Number at the end of the term
				Planned	Planned	Planned
By Company	Welcia Yakkyoku	1,477	1	110	24	1,564
	Shimizu Yakuhin	54	0	3	2	55
	Nihonbashi Pharma	1	-1	0	0	0
By Area	Tohoku	36	0	13	0	49
	Kanto	832	0	47	10	869
	Chubu	399	0	26	9	416
	Kinki	265	0	27	7	285
Total (in Japan)		1,532	0	113	26	1,619
Reference	No. of stores with dispensing pharmacy	1,025				1,234
	Ratio of stores with dispensing pharmacy	66.9%				76.2%

*The number of overseas stores is not included in the table above.

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.