

Financial Results Briefing
for the First Quarter of Fiscal Year Ending
February 2018

July 12, 2017



Welcia Holdings Co., Ltd.

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

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1. Outline of Financial results

Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed CFS Corporation on September 1, 2016.

Since the merger was conducted during the previous term, for the purpose of making year-on-year comparison of the results of Welcia Yakkyoku easy, comparison is made by including the results of the former CFS Corporation from March 1, 2016 onward.

1. Outline of financial results	Actual results	Projections	Difference
Net sales	167,008 million yen	163,950 million yen	3,058 million yen
Ordinary income	6,801 million yen	6,570 million yen	231 million yen
Net income attributable to owners of the Parent	4,326 million yen	3,900 million yen	426 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.1%	3.1%	2.0%
Store openings (in Japan)	22 stores	22 stores	0 stores
Store closures (in Japan)	3 stores	7 stores	-4 stores
Number of stores as of the end of First Quarter (in Japan)	1,551 stores	1,547 stores	4 stores
Store renovations	44 stores	60 stores	-16 stores
Dispensing pharmacy sales	27,758 million yen	27,760 million yen	-1 million yen
(Composition ratio of dispensing sales)	16.6%	16.9%	-0.3%
Number of stores with dispensing pharmacy	1,042 stores	1,040 stores	2 stores
(ratio of stores with dispensing pharmacy)	67.2%	67.2%	-
Number of stores open 24 hours	102 stores	-	-
Number of stores with Welcafe	91 stores	-	-
3. Others			
Composition ratio of PB products	4.5% (Breakdown: HapYcom 36.3%, Top valu 30.9%, Welcia PB 32.8%)		

Results for First Quarter of FY2018

(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	167,008	163,950	3,058	101.9%	153,630	13,377	108.7%
	100.0%	100.0%			100.0%		
Gross operating profit	49,178	47,790	1,388	102.9%	43,101	6,077	114.1%
	29.4%	29.1%			28.1%		
SG&A expenses	42,818	41,660	1,158	102.8%	38,689	4,128	110.7%
	25.6%	25.4%			25.2%		
Operating income	6,360	6,130	230	103.8%	4,411	1,948	144.2%
	3.8%	3.7%			2.9%		
Ordinary income	6,801	6,570	231	103.5%	4,841	1,960	140.5%
	4.1%	4.0%			3.2%		
Net income attributable to owners of the Parent	4,326	3,900	426	110.9%	2,805	1,520	154.2%
	2.6%	2.4%			1.8%		

Breakdown of financial results by company for First Quarter of FY2018

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Goodwill and others
			Y/Y		Y/Y	
Net sales	167,008	162,521	108.6%	3,665	113.4%	820
	100.0%	100.0%		100.0%		
Gross operating profit	49,178	47,957 * 1	114.0%	1,090	117.1%	130
	29.4%	29.5%		29.7%		
SG&A expenses	42,818	41,630	110.8%	976	106.3%	167
	25.6%	25.6%		26.6%		
Operating income	6,360	6,327	140.7%	114	846.8%	-167
	3.8%	3.9%		3.1%		
Ordinary income	6,801	6,763	136.7%	125	671.1%	-167
	4.1%	4.2%		3.4%		
Net income	4,326	4,370	150.0%	92	14015.5%	-167
	2.6%	2.7%		2.5%		

*1 Welcia Yakkyoku's year-on-year comparison includes a valuation loss of 348 million yen of the former CFS Corporation, due to a change of the calculation method under the retail method in the previous term.

Monthly sales growth rate

(Unit: %)

		2016						2017						
		Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Existing stores	Welcia Yakkyoku	4.5	5.3	4.8	2.8	3.6	3.1	3.2	5.1	-1.8	2.6	5.8	6.5	5.2
	Welcia Yakkyoku *1	4.6	5.2	5.0	4.8	5.6	4.8	5.1	6.4	-0.8	3.1	5.9	6.5	5.6
	(former) Takiya	2.7	6.0	1.7	1.6	2.5	1.3							
	(former) CFS				-4	-3.1	-2.6	-3.5	-0.2	-5.7	0.9	5.2	6.1	3.8
	Shimizu Yakuhin	0.8	20.6	14.8	11.5	12.5	12.5	14.4	17.8	7.3	9.6	17.0	14.1	14.0
	Group total	4.4	5.6	5.0	3.0	3.8	3.3	3.4	5.3	-1.6	2.7	6.0	6.6	5.4
All stores	Group total	32.2	33.6	32.3	4.0	5.5	5.6	5.8	7.8	1.5	5.9	9.7	10.7	9.8

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

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

Composition ratio of sales by category

(Unit: %)



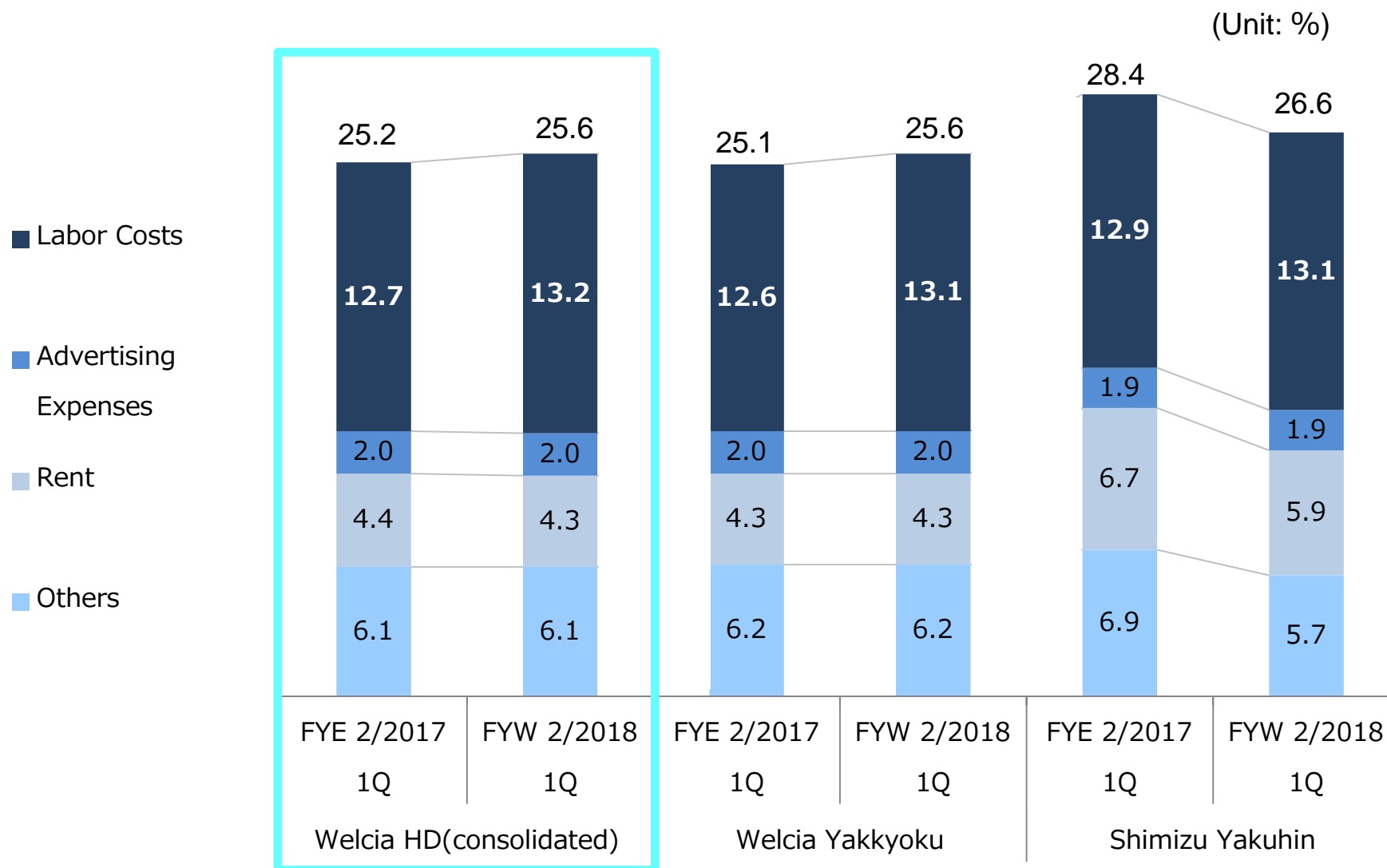
Gross profit margin ratio by category

(Unit: %)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin	
		Year-on-year change		Year-on-year change		Year-on-year change
OTC Products	37.9	0.8	37.9	0.7	36.9	1.4
Dispensing	38.5	6.1	38.5	6.1	40.2	5.8
Cosmetics	32.2	0.9	32.2	0.9	31.4	1.2
Household Goods	24.9	0.4	24.9	0.3	24.1	0.2
Food Products	20.0	-0.2	20.0	-0.2	18.3	1.7
Others	14.0	0.4	14.3	0.6	14.5	1.0
Total	29.4	1.3	29.5	*1 1.4	29.7	0.9

*1 Welcia Yakkyoku's year-on-year comparison includes a valuation loss of 226 million yen of the former CFS Corporation due to a change of the calculation method under the retail method in the previous term.

SG&A expenses composition ratio



Labor costs

rose from 12.7% to 13.2% due to employment of an increasing number of pharmacists and an increasing number of stores open late-night and 24 hours.

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin	
	FYE 2/2017 1Q	FYE 2/2018 1Q	FYE 2/2017 1Q	FYE 2/2018 1Q	FYE 2/2017 1Q	FYE 2/2018 1Q
Dispensing pharmacy sales (million yen)	24,294	27,758	23,948	27,374	243	299
No. of prescriptions (in the thousands)	2,396	2,784	2,354	2,737	28	34
Prescription unit price (yen)	10,138	9,970	10,170	9,999	8,590	8,762
No. of stores with dispensing pharmacy at the end of the term	898	1,042	886	1,024	11	17
Ratio of stores with dispensing pharmacy	61.0%	67.2%	62.5%	68.4%	20.0%	31.5%

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

Number of employees (as of May 31, 2017)

	Welcia Hd (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin
		Change from the previous term-end		
No. of employees	7,345	569	6,898	192
No. of temporary employees (based on 8h/employee)	15,125	938	14,584	348
No. of pharmacists (enrollment)	4,011	257	3,943	55
No. of registered sales clerks (enrollment)	8,982	206	8,692	265
No. of stores	1,554	19	1,496	54
No. of pharmacists per store	2.58	0.13	2.64	1.02
No. of registered sales clerks per store	5.78	0.06	5.81	4.91

Store openings and closures

(Unit: No. of stores)

		28-Feb-17	Openings		Closures		31-May-17
			Planned	Actual	Planned	Actual	
By Company	Welcia Yakkyoku	1,477	22	22	7	3	1,496
	Shimizu Yakuhin	54	0	0	0	0	54
	Nihonbashi Pharma	1	0	0	0	0	1
By Area	Tohoku	36	2	2	0	0	38
	Kanto	832	6	5	5	2	835
	Chubu	399	5	6	2	1	404
	Kinki	265	9	9	0	0	274
Total (in Japan)		1,532	22	22	7	3	1,551
Reference	No. of stores with dispensing pharmacy	1,025					1,042
	Ratio of stores with dispensing pharmacy	66.9%					67.2%

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

2. Earnings Forecast for FY2018

- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed CFS Corporation on September 1, 2016.
Since the merger was conducted during the previous term, for the purpose of facilitating year-on-year comparison of the results of Welcia Yakkyoku, comparison is made by including the results of former CFS Corporation from March 1, 2016 onward.
- Business results of Marudai Sakurai Pharmacy Ltd. are not included in the forecast.

Full-year forecast

(Unit: million yen)

	1H		2H		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%	
	100.0%		100.0%		100.0%		3,548
Gross operating profit	199,400	108.5%	194,491	108.4%	4,254	107.3%	
	29.5%		29.6%		29.8%		655
SG&A expenses	173,100	108.4%	167,730	108.1%	3,875	103.5%	668
	25.6%		25.5%		27.2%		827
Operating income	26,300	109.2%	26,761	109.8%	379	173.1%	-668
	3.9%		4.1%		2.7%		-172
Ordinary income	28,100	109.2%	28,592	109.7%	421	165.0%	-668
	4.2%		4.4%		3.0%		-245
Net income	15,000	103.8%	15,665	106.2%	205	105.3%	-668
	2.2%		2.4%		1.4%		-202

Planned store openings and closures

(Unit: No. of stores)

		Actual number at the beginning of the term	Planned openings	Planned closures	Increase/ decrease resulting from merger	Planned number at the end of the term
By Company	Welcia Yakkyoku	1,477	110	24	1	1,564
	Shimizu Yakuhin	54	3	2	0	55
	Nihonbashi Pharma	1	0	0	-1	0
By Area	Tohoku	36	13	0	0	49
	Kanto	832	47	10	0	869
	Chubu	399	26	9	0	416
	Kinki	265	27	7	0	285
Total (in Japan)		1,532	113	26	0	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.

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.