

Financial Results Briefing
for the Second Quarter of Fiscal Year Ending
February 2019



Welcia Holdings Co., Ltd.

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

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1. Outline of Financial Results		
▶ Overview of FY2019 2Q	4
▶ Results for FY2019 2Q	5
▶ Breakdown of financial results by company for FY2019 2Q	.....	6
▶ Monthly sales growth rate	.....	7
▶ Composition ratio of sales by category	.....	8
▶ Gross profit margin ratio by category	.....	9
▶ SG&A expenses composition ratio	.....	10
▶ Results in the dispensing sector	.....	11
▶ Promotion of drug stores with dispensing pharmacy	.....	12
▶ Number of employees (as of August 31, 2018)	.....	13
▶ Store openings and closures	.....	14
2. Earnings Forecast for FY2019		
▶ Indicator assumptions and priority measures for FY2019 forecasts	.....	16
▶ Full-year earnings forecasts	.....	17
▶ Full-year earnings forecasts by company	.....	18
▶ Planned store openings and closures	.....	19

1. Outline of Financial Results

- Marudai Sakurai Pharmacy Co., Ltd. became a subsidiary of the Company on September 1, 2017.
- Ippondo Co., Ltd. became a subsidiary of the Company on March 1, 2018.
- Results of Welcia Yakkyoku Co., Ltd. compared to the same period of the previous year are calculated together with the results of former Nihonbashi Pharma Co., Ltd.
- Since stores of B.B.ON Co., Ltd. are established together with those of Welcia Yakkyoku Co., Ltd., results of the former are calculated together with those of the latter.

1. Outline of Financial Results	Actual results	Projections	Difference
Net sales	387,386 million yen	386,200 million yen	1,186 million yen
Ordinary income	16,136 million yen	15,550 million yen	586 million yen
Net income attributable to owners of the Parent	9,897 million yen	9,400 million yen	497 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.2%	3.8%	1.4%
Store openings (in Japan)	53 stores	68 stores	-15 stores
Store closures (in Japan)	14 stores	11 stores	3 stores
Number of stores as of the end of 2Q (in Japan)	1,767 stores	1,785 stores	-18 stores
Store renovations	126 stores	132 stores	-6 stores
Dispensing pharmacy sales(in Japan)	62,878 million yen	62,300 million yen	578 million yen
Composition ratio of dispensing sales	16.2%	16.1%	0.1%
Number of stores with dispensing pharmacy (in Japan)	1,207 stores	1,204 stores	3 stores
Ratio of stores with dispensing pharmacy	68.3%	67.5%	0.8%
Number of stores open 24 hours	165 stores	-	-
3. Others	Actual results		
Composition ratio of PB products	5.0% (Breakdown: Hapycom 27.7%, Topvalu 27.6%, Welcia PB 44.3%, other 0.4%)		
Number of stores with Welcafe	175 stores	-	-

(Unit: million yen)

	Actual results	Projections			Actual results for the same period of the previous year		
			Change	Achievement rate		Change	Y/Y
Net sales	387,386	386,200	1,186	100.3%	340,665	46,721	113.7%
	100.0%	100.0%			100.0%		
Gross operating profit	115,955	115,300	655	100.6%	101,804	14,150	113.9%
	29.9%	29.9%			29.9%		
SG&A expenses	100,925	100,800	125	100.1%	87,342	13,583	115.6%
	26.0%	26.1%			25.7%		
Operating income	15,029	14,500	529	103.6%	14,462	566	103.9%
	3.9%	3.8%			4.2%		
Ordinary income	16,136	15,550	586	103.8%	15,432	703	104.6%
	4.2%	4.0%			4.5%		
Net income attributable to owners of the parent	9,897	9,400	497	105.3%	9,678	218	102.3%
	2.6%	2.4%			2.8%		

Breakdown of financial results by company for FY2019 2Q

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo	Goodwill Others
			Y/Y		Y/Y			
Net sales	387,386	360,931	108.8%	8,547	114.7%	11,649	4,247	2,010
	100.0%	100.0%		100.0%		100.0%	100.0%	
Gross operating profit	115,955	108,737	109.5%	2,551	113.7%	3,099	*1 1,185	381
	29.9%	30.1%		29.9%		26.6%	27.9%	
SG&A expences	100,925	93,252	109.8%	2,212	112.2%	2,734	1,566	772
	26.0%	25.8%		25.9%		23.5%	36.9%	386
Operating income	15,029	15,484	107.4%	339	125.3%	364	-381	-772
	3.9%	4.3%		4.0%		3.1%	-	-5
Ordinary income	16,136	16,527	107.4%	372	126.0%	397	-354	-772
	4.2%	4.6%		4.4%		3.4%	-	-34
Net income	9,897	10,525	107.2%	248	128.5%	252	-279	-772
	2.6%	2.9%		2.9%		2.2%	-	-76

*1 Ippondo Co.,Ltd.'s year-on-year comparison includes a valuation loss of 91 million yen due to a change of the calculation method under the retail method in this term.

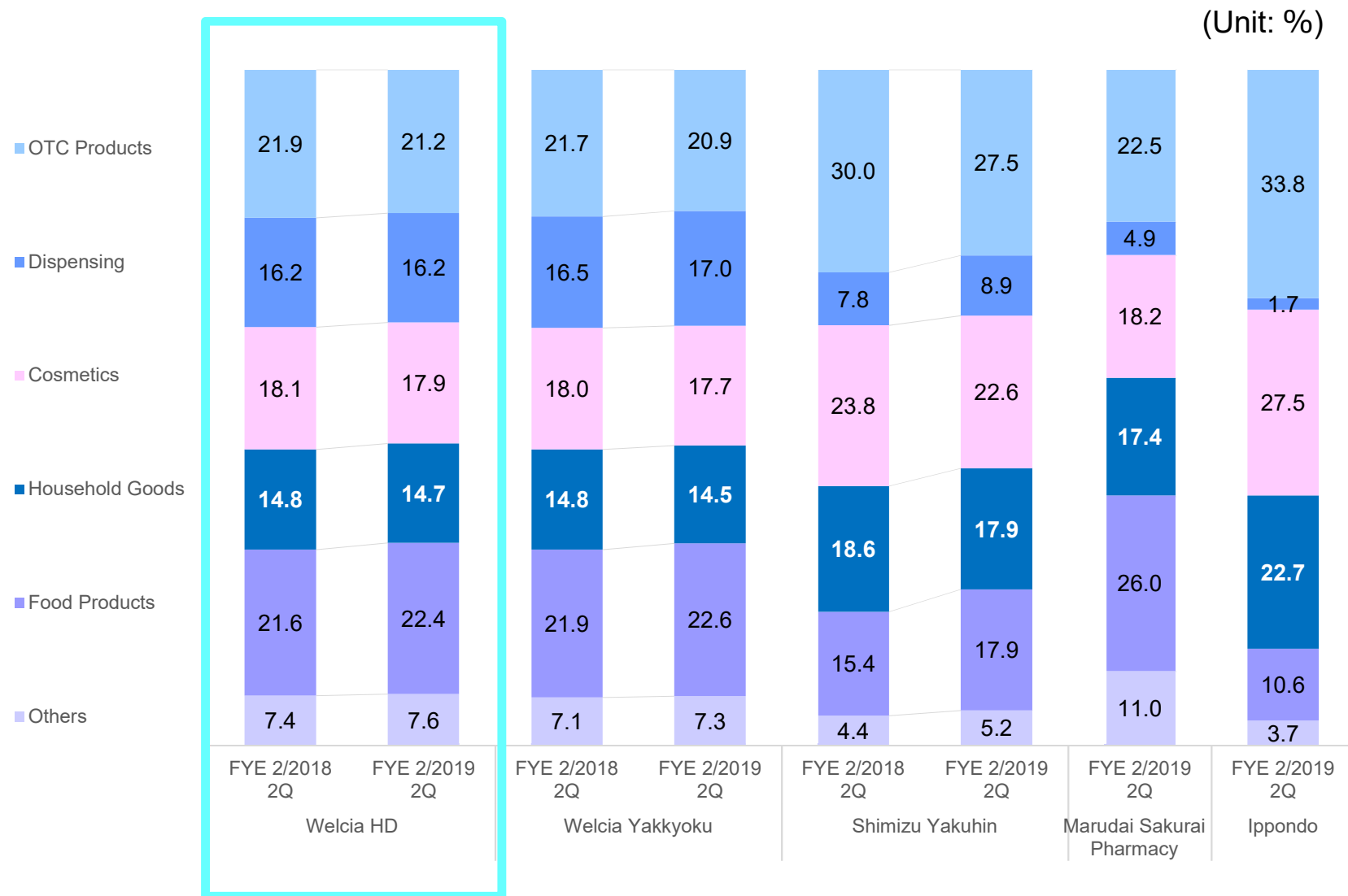
Monthly sales growth rate

(Unit: %)

		2017				2018									
		Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	
Existing stores	Welcia Yakkyoku	6.4	2.8	6.4	5.8	5.5	6.3	8.8	6.0	1.1	5.0	5.3	4.2	3.7	
	Shimizu Yakuhin	13.0	10.0	14.1	11.5	12.1	15.5	14.4	10.2	5.6	12.6	12.5	9.0	9.5	
	Marudai Sakurai Pharmacy													0.8	
	Net sales	6.5	3.0	6.6	6.0	5.7	6.5	9.1	6.1	1.2	5.2	5.5	4.4	3.8	
Group total	Customers	3.7	-1.2	3.3	2.5	2.5	3.5	5.6	4.5	0.5	3.5	4.2	3.4	1.3	
	Sales per customer	2.8	4.2	3.3	3.5	3.2	3.0	3.5	1.6	0.7	1.7	1.3	1.0	2.5	
All stores	Net sales	15.4	11.3	14.4	13.5	13.3	13.7	17.6	14.5	9.2	13.5	14.1	12.8	8.6	
	Group total *1	Customers	13.8	8.2	12.2	11.0	11.1	11.6	16.3	14.7	10.3	13.6	14.5	13.6	7.6
	Sales per customer	1.6	3.1	2.2	2.5	2.2	2.1	1.3	-0.2	-1.1	-0.1	-0.4	-0.8	1.0	

*1 Ippondo Co., Ltd. is included in the calculation of monthly sales growth rate of all stores from March 2018 onwards. However, since the stores of the company are regarded as new stores, it is not included in the calculation of monthly sales growth rate of existing stores.

Composition ratio of sales by category



Gross profit margin ratio by category

(Unit: %)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo
		Year-on-year change		Year-on-year change		Year-on-year change		
OTC Products	39.1	1.0	39.3	1.2	38.1	1.1	36.9	34.3
Dispensing	37.4	-1.2	37.4	-1.2	37.0	-2.6	38.3	41.9
Cosmetics	33.2	0.6	33.4	0.8	32.7	0.7	30.4	29.1
Household Goods	27.0	0.3	27.2	0.5	26.4	0.7	24.2	22.0
Food Products	20.3	0.0	20.4	0.1	17.7	-0.8	17.7	16.9
Others	15.0	0.7	14.9	0.4	15.0	0.0	18.8	22.7
Total	29.9	0.0	30.1	0.2	29.9	-0.2	26.6	*1 27.9

*1 Ippondo Co., Ltd. changed the calculation method under the retail method in this term. Gross operating profit includes an effect of minus 91 million yen.

SG&A expenses composition ratio

(Unit: %)



Results in the dispensing sector

	FYE 2/2016	FYE 2/2017	Comparison with the previous term	FYE 2/2018	FYE 2/2019	Comparison with the previous term
	2Q	2Q		2Q	2Q	
Dispensing pharmacy sales (million yen)	30,437	47,572	156.3%	55,289	62,878	113.7%
No. of prescriptions (in the thousands)	2,968	4,753	160.2%	5,540	6,525	117.8%
Prescription unit price (yen)	10,255	10,008	97.6%	9,979	9,636	96.6%
Gross operating profit (%)	36.6%	35.2%	- 1.4%	38.6%	37.4%	-1.2%
No. of stores with dispensing pharmacy (stores)	750	919	169	1,070	1,207	137
Ratio of stores with dispensing pharmacy (%)	65.2%	62.2%	- 3.0%	68.3%	68.3%	0.0%

* Results were based only on the domestic market.

* Dispensation fees were revised in FYE 2/2017 and FYE 2/2019.

Promotion of drug stores with dispensing pharmacy

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo
	FYE 2/2018 2Q	FYE 2/2019 2Q	FYE 2/2018 2Q	FYE 2/2019 2Q	FYE 2/2018 2Q	FYE 2/2019 2Q	FYE 2/2019 2Q	FYE 2/2019 2Q
Dispensing fees (million yen)	55,289	62,878	54,620	61,467	584	762	575	72
No. of prescriptions (in the thousands)	5,540	6,525	5,461	6,355	66	85	72	12
Prescription unit price (yen)	9,979	9,636	10,001	9,671	8,786	8,891	7,965	6,051
No. of stores with dispensing pharmacy at the end of the term	1,070	1,207	1,052	1,166	18	24	15	2
Ratio of stores with dispensing pharmacy (%)	68.3%	68.3%	69.6%	73.3%	33.3%	42.9%	19.0%	4.9%

* Results were based only on the domestic market.

Number of employees (as of August 31, 2018)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy	Ippondo
		Change from the previous term-end				
No. of employees	8,673	866	7,713	207	356	109
No. of temporary employees (based on 8h/employee)	18,864	2,419	17,465	437	529	232
No. of pharmacists (enrollment)	4,516	357	4,401	63	36	8
No. of registered sales clerks (enrollment)	10,868	364	10,073	283	402	90
No. of stores	1,767	80	1,591	56	79	41
No. of pharmacists per store	2.56	0.09	2.77	1.13	0.46	0.20
No. of registered sales clerks per store	6.15	-0.08	6.33	5.05	5.09	2.20

* The number of pharmacists and the number of registered sales clerks consist of people who are domestic qualified persons only.

Store openings and closures

(Unit: stores)

		28-Feb-18	Openings		Closures		Increase/ decrease resulting from subsidiaries	31-Aug-18
			Planned	Actual	Planned	Actual		
By Company	Welcia Yakkyoku	1,559	59	44	10	12	0	1,591
	Shimizu Yakuhin	54	2	3	0	1	0	56
	Marudai Sakurai Pharmacy	74	7	6	1	1	0	79
	Ippondo	-	0	0	0	0	41	41
By Area	Tohoku	119	16	14	1	1	0	132
	Kanto	856	23	18	1	4	41	911
	Chubu	418	13	10	6	7	0	421
	Kinki	294	16	11	3	2	0	303
Total (in Japan)		1,687	68	53	11	14	41	1,767
Reference	No. of stores with dispensing pharmacy	1,158						1,207
	Ratio of stores with dispensing pharmacy	68.6%						68.3%

*Results were based only on the domestic market.

2. Earnings Forecast for FY2019

- Marudai Sakurai Pharmacy Co., Ltd. was made a subsidiary through the acquisition of its shares effective September 1, 2017.
- Ippondo Co., Ltd. was made a subsidiary through the acquisition of its shares effective March 1, 2018.

1. Projections

▶ Net sales	780.0 billion yen (Y/Y change: 112.2%)
▶ Ordinary income	34.1 billion yen (Y/Y change: 110.3%)
▶ Net income attributable to owners of the parent	19.0 billion yen (Y/Y change 110.7%)

2. Indicator assumptions

▶ Existing-store sales growth rate	3.8%
▶ Store openings	127 stores (in Japan: 124; overseas 3)
▶ Store closures	29 stores
▶ Number of stores as of end of the fiscal year	1,832 stores (in Japan: 1,824; overseas 8)
▶ Dispensing pharmacy sales	128.7 billion yen (Y/Y change: 112.1%)
▶ No. of stores with dispensing pharmacy (in Japan)	1,326 stores (Ratio of stores with dispensing 72.7%)

3. Priority measures

▶ Store renovations	247 stores
▶ Opening new pharmacies	172 stores
▶ Stores open 24 hours	100 stores
▶ Welcafe	80 stores

Full-year earnings forecasts

(Unit: million yen)

	1H		2H		Full-year		
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio	Y/Y
Sales	387,386	100.0%	392,613	100.0%	780,000	100.0%	112.2%
Gross operating profit	115,955	29.9%	119,944	30.6%	235,900	30.2%	112.4%
SG&A expenses	100,925	26.0%	103,174	26.3%	204,100	26.1%	112.7%
Operating income	15,029	3.9%	16,770	4.3%	31,800	4.1%	110.3%
Ordinary income	16,136	4.2%	17,963	4.6%	34,100	4.4%	110.3%
Net income attributable to shareholders of the Parent	9,897	2.6%	9,102	2.3%	19,000	2.4%	110.7%

Full-year earnings forecasts by company

(Unit: million yen)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo	Goodwill and others
		Y/Y		Y/Y		Y/Y			
Sales	780,000	112.2%	725,586	108.9%	16,427	109.5%	23,905	9,469	4,613
	100.0%		100.0%		100.0%		100.0%	100.0%	
Gross operating profit	235,900	112.4%	220,233	109.0%	4,978	108.7%	6,602	3,141	946
	30.2%		30.4%		30.3%		27.6%	33.2%	
SG&A expences	204,100	112.7%	188,694	108.9%	4,401	108.1%	5,618	3,142	1,270
	26.1%		26.1%		26.8%		23.5%	33.2%	975
Operating income	31,800	110.3%	31,539	109.3%	577	113.6%	984	-1	- 1,270
	4.1%		4.3%		3.5%		4.1%	-	- 29
Ordinary income	34,100	110.3%	33,786	109.7%	617	111.2%	1,025	-33	- 1,270
	4.4%		4.7%		3.8%		4.3%	-	- 25
Net income	19,000	110.7%	19,401	110.3%	284	106.6%	649	- 40	- 1,270
	2.4%		2.7%		1.7%		2.7%	-	- 24

Planned store openings and closures

(Unit: No. of stores)

		Actual number at the beginning of the term	Increase/decrease resulting from M&A	Openings	Closures	Estimated number at the end of the term
By company	Welcia Yakkyoku	1,559	0	110	25	1,644
	Shimizu Yakuhin	54	0	4	1	57
	Marudai Sakurai Pharmacy	74	0	10	2	82
	Ippondo	0	41	0	0	41
By area	Tohoku	119	0	24	2	141
	Kanto	856	41	38	7	928
	Chubu	418	0	34	13	439
	Kinki	294	0	28	6	316
Total (in Japan)		1,687	41	124	28	1,824
Reference	No. of stores with dispensing pharmacy	1,158				1,326
	Ratio of stores with dispensing pharmacy	68.6%				72.7%

* 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.
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- 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.