

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



Welcia Holdings Co., Ltd.

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

January 15, 2019

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1. Outline of Financial Results

- Marudai Sakurai Pharmacy Co., Ltd. became a subsidiary of the Company on September 1, 2017. Year-on-year comparisons are not presented, as the consolidation was made during the previous fiscal year.
- 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	579,022 million yen	579,500 million yen	-477 million yen
Ordinary income	21,588 million yen	22,520 million yen	-931 million yen
Net income attributable to owners of the Parent	13,111 million yen	13,500 million yen	-388 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.2%	3.8%	1.4%
Store openings (in Japan)	82 stores	104 stores	-22 stores
Store closures (in Japan)	16 stores	19 stores	-3 stores
Number of stores as of the end of 3Q (in Japan)	1,794 stores	1,813 stores	-19 stores
Store renovations	187 stores	204 stores	-17 stores
Dispensing pharmacy sales (in Japan)	95,287 million yen	94,460 million yen	827 million yen
Composition ratio of dispensing sales	16.5%	16.3%	0.2%
Number of stores with dispensing pharmacy (in Japan)	1,241 stores	1,276 stores	-35 stores
(Ratio of stores with dispensing pharmacy)	69.2%	70.4%	-1.2%
Number of stores open 24 hours	184 stores	-	-
3. Others	Actual results		
Composition ratio of PB products	5.3% (Breakdown: Hapycom 26.7%, Topvalu 26.3%, Welcia PB 46.7%, other 0.3%)		
Number of stores with Welcafe	192 stores	-	-

(Unit: million yen)

	Actual results	Projections			Actual results for the same period of the previous year		
			Difference	Achievement rate		Change	Y/Y
Net sales	579,022	579,500	-477	99.9%	514,698	64,324	112.5%
	100.0%	100.0%			100.0%		
Gross operating profit	173,101	173,080	21	100.0%	153,427	19,674	112.8%
	29.9%	29.9%			29.8%		
SG&A expenses	153,420	152,260	1,160	100.8%	133,798	19,621	114.7%
	26.5%	26.3%			26.0%		
Operating income	19,681	20,820	-1,138	94.5%	19,628	52	100.3%
	3.4%	3.6%			3.8%		
Ordinary income	21,588	22,520	-931	95.9%	21,188	400	101.9%
	3.7%	3.9%			4.1%		
Net income attributable to owners of the parent	13,111	13,500	-388	97.1%	13,092	19	100.1%
	2.3%	2.3%			2.5%		

Breakdown of financial results by company for FY2019 3Q

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo	Goodwill Others
			Y/Y		Y/Y			
Net sales	579,022	539,479	108.8%	12,780	114.5%	17,384	6,383	2,944
	100.0%	100.0%		100.0%		100.0%	100.0%	
Gross operating profit	173,101	162,281	109.3%	3,807	113.5%	4,648	*1 1,795	568
	29.9%	30.1%		29.8%		26.7%	28.1%	
SG&A expences	153,420	141,981	110.3%	3,359	112.5%	4,156	2,332	1,022
	26.5%	26.3%		26.3%		23.9%	36.5%	567
Operating income	19,681	20,300	102.9%	448	121.3%	491	-536	-1,022
	3.4%	3.8%		3.5%		2.8%	-	0
Ordinary income	21,588	22,114	104.0%	502	122.7%	545	-506	-1,022
	3.7%	4.1%		3.9%		3.1%	-	-45
Net income	13,111	13,950	103.8%	331	121.1%	346	-395	-1,022
	2.3%	2.6%		2.6%		2.0%	-	-98

*1 Ippondo Co., Ltd. changed the method for evaluating inventories in this term. Gross operating profit includes the effect of minus 91 million yen.

Monthly sales growth rate

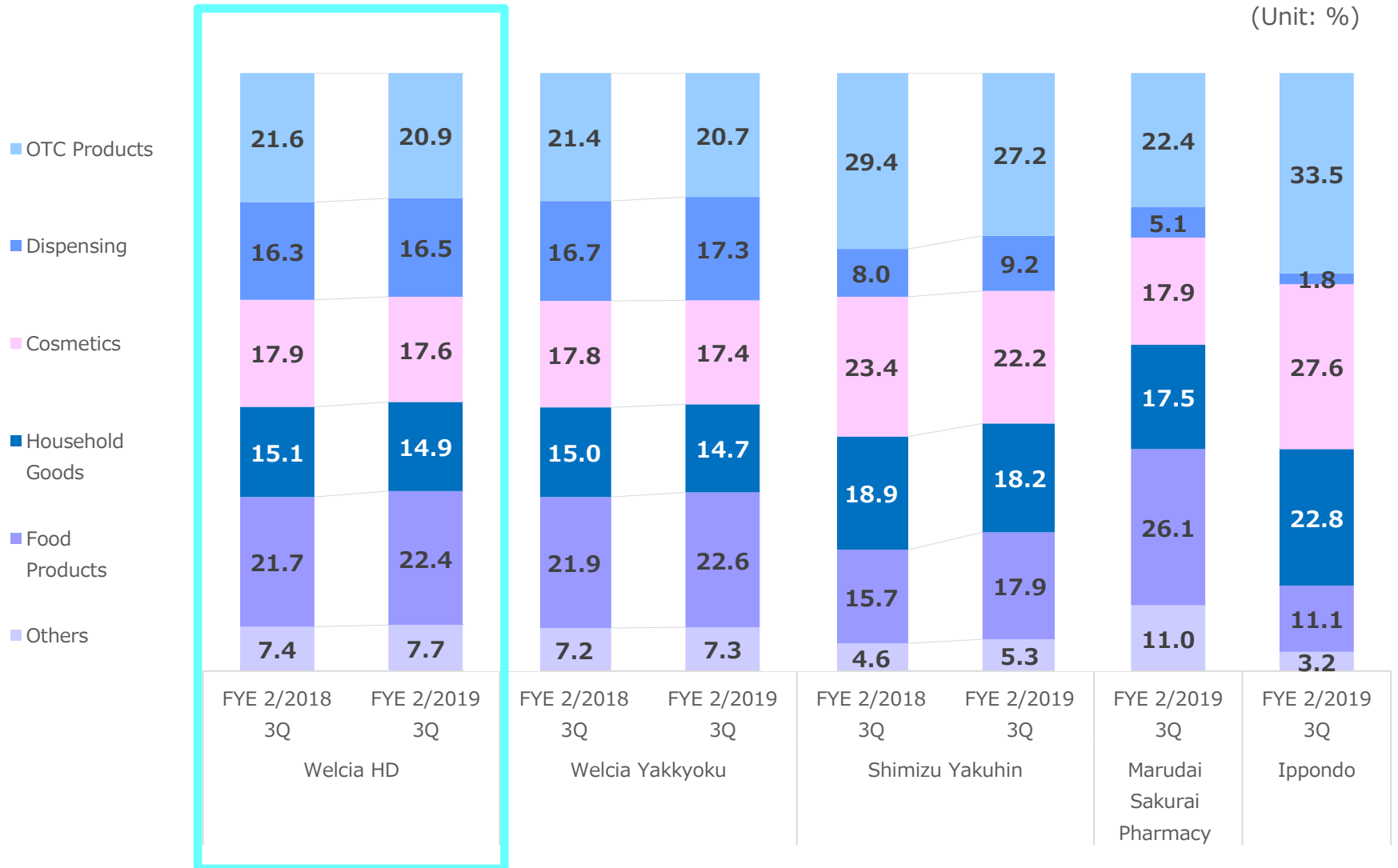
(Unit: %)

		2017	2018											
		Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Existing stores	Welcia Yakkyoku	5.8	5.5	6.3	8.8	6.0	1.1	5.0	5.3	4.2	3.7	7.3	4.6	4.4
	Shimizu Yakuhin	11.5	12.1	15.5	14.4	10.2	5.6	12.6	12.5	9.0	9.5	12.6	7.5	7.4
	Marudai Sakurai Pharmacy *2											0.8	0.5	4.7
Group total	Net sales	6.0	5.7	6.5	9.1	6.1	1.2	5.2	5.5	4.4	3.8	7.2	4.7	4.4
	Customers	2.5	2.5	3.5	5.6	4.5	0.5	3.5	4.2	3.4	1.3	6.7	3.4	2.9
	Sales per customer	3.5	3.2	3.0	3.5	1.6	0.7	1.7	1.3	1.0	2.5	0.5	1.3	1.5
All stores	Net sales	13.5	13.3	13.7	17.6	14.5	9.2	13.5	14.1	12.8	8.6	12.0	9.2	10.2
	Customers	11.0	11.1	11.6	16.3	14.7	10.3	13.6	14.5	13.6	7.6	13.1	9.7	9.7
	Sales per customer	2.5	2.2	2.1	1.3	-0.2	-1.1	-0.1	-0.4	-0.8	1.0	-1.1	-0.5	0.5

*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.

*2 Marudai Sakurai Pharmacy has been included in the existing stores since September 2018.

Composition ratio of sales by category



Gross profit margin ratio by category

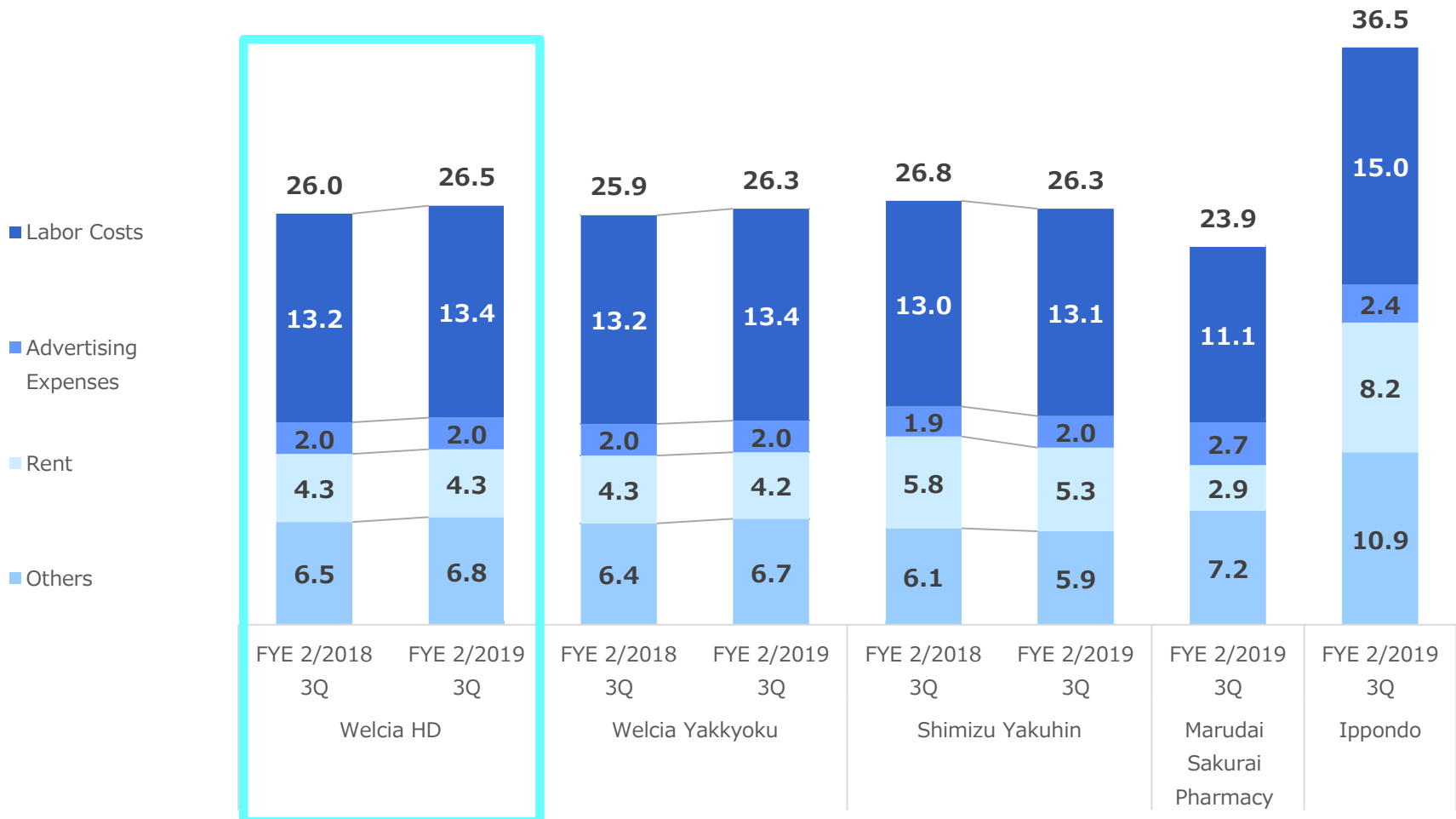
(Unit: %)

	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	39.0	0.9	39.2	1.0	38.1	0.9	37.5	34.8
Dispensing	37.8	-1.1	37.8	-1.1	37.0	-2.8	38.4	42.9
Cosmetics	33.2	0.5	33.4	0.6	32.7	0.8	31.6	29.5
Household Goods	26.6	0.5	26.9	0.7	25.5	0.8	23.3	22.1
Food Products	20.2	0.1	20.3	0.1	18.8	-0.8	17.4	16.5
Others	15.0	0.6	14.8	0.2	14.4	-1.0	19.0	21.2
Total	29.9	0.1	30.1	0.2	29.8	-0.3	26.7	*1 28.1

*1 Ippondo Co., Ltd. changed the method for evaluating inventories in this term. Gross operating profit includes the effect of minus 91 million yen.

SG&A expenses composition ratio

(Unit: %)



	FYE 2/2016	FYE 2/2017	Year-on-year change	FYE 2/2018	FYE 2/2019	Year-on-year change
	3Q	3Q		3Q	3Q	
Dispensing pharmacy sales (million yen)	52,297	71,783	137.3%	84,113	95,287	113.3%
No. of prescriptions (in the thousands)	5,089	7,261	142.7%	8,455	9,933	117.5%
Prescription unit price (yen)	10,276	9,885	96.2%	9,947	9,592	96.4%
Gross operating profit (%)	36.6%	36.8%	0.2%	38.9%	37.8%	-1.1%
No. of stores with dispensing pharmacy (stores)	874	973	99	1,110	1,241	131
Ratio of stores with dispensing pharmacy (%)	59.9%	64.7%	4.8%	66.8%	69.2%	2.4%

Promotion of drug stores with dispensing pharmacy (in Japan)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo
	FYE 2/2018 3Q	FYE 2/2019 3Q	FYE 2/2018 3Q	FYE 2/2019 3Q	FYE 2/2018 3Q	FYE 2/2019 3Q	FYE 2/2019 3Q	FYE 2/2019 3Q
Dispensing fees (million yen)	84,113	95,287	82,956	93,102	893	1,177	889	117
No. of prescriptions (in the thousands)	8,455	9,933	8,322	9,671	101	131	111	19
Prescription unit price (yen)	9,947	9,592	9,967	9,626	8,817	8,977	8,014	5,906
No. of stores with dispensing pharmacy (stores)	1,110	1,241	1,080	1,197	20	24	15	5
Ratio of stores with dispensing pharmacy (%)	66.8%	69.2%	70.4%	74.0%	37.0%	42.9%	19.0%	12.2%

Number of employees (as of November 30, 2018)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy	Ippondo
		Change from the previous term-end				
No. of employees	8,718	911	7,758	208	360	110
No. of temporary employees (based on 8h/employee)	19,495	3,050	18,107	414	529	258
No. of pharmacists (in Japan) (enrollment)	4,566	407	4,445	65	38	10
No. of registered sales clerks (in Japan) (enrollment)	10,954	450	10,116	330	399	89
No. of stores	1,794	107	1,618	56	79	41
No. of pharmacists per store	2.55	0.08	2.75	1.16	0.48	0.24
No. of registered sales clerks per store	6.11	-0.12%	6.25	5.89	5.05	2.17

Store openings and closures (in Japan)

(Unit: No. of stores)

		28-Feb-18	Openings		Closures		Increase/decrease resulting from acquisition of 100% ownership	30-Nov-18
			Planned	Actual	Planned	Actual		
By company	Welcia Yakkyoku	1,559	91	73	17	14	0	1,618
	Shimizu Yakuhin	54	4	3	1	1	0	56
	Marudai Sakurai Pharmacy	74	9	6	1	1	0	79
	Ippondo	-	0	0	0	0	41	41
By area	Tohoku	119	22	17	1	1	0	135
	Kanto	856	35	27	5	5	41	919
	Chubu	418	21	17	8	7	0	428
	Kinki	294	26	21	5	3	0	312
Total (in Japan)		1,687	104	82	19	16	41	1,794
Reference	No. of stores with dispensing pharmacy	1,158						1,241
	Ratio of stores with dispensing pharmacy	68.6%						69.2%

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

(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 expenses	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 (in Japan)

(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	
			Planned	Projected	Planned	Projected	Planned	Projected	Planned	Projected
By company	Welcia Yakkyoku	1,559	0	0	110	113	25	18	1,644	1,654
	Shimizu Yakuhin	54	0	0	4	4	1	1	57	57
	Marudai Sakurai Pharmacy	74	0	0	10	7	2	1	82	80
	Ippondo	0	41	41	0	2	0	0	41	43
By area	Tohoku	119	0	0	24	19	2	1	141	137
	Kanto	856	41	41	38	49	7	6	928	940
	Chubu	418	0	0	34	26	13	8	439	436
	Kinki	294	0	0	28	32	6	5	316	321
Total (in Japan)		1,687	41	41	124	126	28	20	1,824	1,834
Reference	No. of stores with dispensing pharmacy	1,158							1,326	1,287
	Ratio of stores with dispensing pharmacy	68.6%							72.7%	70.2%

On December 1, 2018, the Company acquired the shares of MASAYA KK and made it a wholly-owned subsidiary.

Trade name	MASAYA Co., Ltd.
Head office	2-6-56 Omotecho Okayama-shi, Okayama
Representative	Nobuyuki Tsunamoto, Representative Director
Established	June 1958
Business	Cosmetics shop
No. of stores	34 stores (wholly-owned subsidiaries as of Dec. 1, 2018)
Products	Face-to-face selling of ALBION, Clé de Peau Beauté (Shiseido), TWANY (Kanebo), COSME DECORTE (Kose), and other cosmetics of domestic speciality stores
Store information	Operations mainly within shopping malls in Okayama and 15 other prefectures 29 COLOR STUDIO cosmetics shops and 5 MASAYA stores, totaling 34 stores



No. of stores by prefecture

Ibaraki	4	Nara	2	Shimane	1
Gunma	1	Osaka	4	Ehime	2
Saitama	1	Hyogo	1	Kochi	1
Chiba	2	Okayama	8	Miyazaki	1
Tokyo	1	Hiroshima	1		
Kyoto	2	Tottori	2	Total	34

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.