

Financial Results Briefing for the Fiscal Year Ending February 2019



Welcia Holdings Co., Ltd.

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

April 17, 2019

▶ Overview of FY2019	.....	4
▶ Results for FY2019	.....	5
▶ Breakdown of financial results by company for FY2019	.....	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 at the time of revision of the fees (in Japan)	.....	11
▶ Promotion of drug stores with dispensing pharmacy (in Japan)	.....	12
▶ Number of employees (as of Feb. 28, 2019)	.....	13
▶ Store openings and closures (in Japan)	.....	14
▶ Summary of consolidated balance sheet (as of Feb. 28, 2019)	.....	15
2. Earnings Forecast for FY2020		
▶ Indicator assumptions and priority measures for FY2020 forecasts	.....	17
▶ Full-year earnings forecasts	.....	18
▶ Full-year earnings forecasts by company	.....	19
▶ Planned store openings and closures (in Japan)	.....	20

1. Outline of Financial Results

- Marudai Sakurai Pharmacy Co., Ltd. was made a subsidiary of the Company through the share acquisition on September 1, 2017.
Year-on-year comparisons are not presented, as the consolidation was made during the previous fiscal year.
- 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.
- MASAYA Co., Ltd. was made a subsidiary of the Company by the share acquisition on December 1, 2018.

1. Outline of financial results	Actual results	Projections	Difference
Net sales	779,148 million yen	780,000 million yen	- 851 million yen
Ordinary income	31,500 million yen	34,100 million yen	- 2,599 million yen
Net income attributable to owners of the Parent	17,423 million yen	19,000 million yen	- 1,576 million yen
2. Indicators	Actual results	Projections	Difference
Existing-store sales growth rate	5.2%	3.8%	1.4%
Store openings (in Japan)	126 stores	124 stores	2 stores
Store closures (in Japan)	20 stores	28 stores	-8 stores
Number of stores as of the end of the term (in Japan)	1,874 stores	1,824 stores	50 stores
Store renovations	223 stores	247 stores	-24 stores
Dispensing pharmacy sales (in Japan)	129,811 million yen	128,700 million yen	1,111 million yen
Composition ratio of sales by category	16.7%	16.5%	0.2%
Number of stores with dispensing pharmacy (in Japan)	1,284 stores	1,326 stores	-42 stores
(Ratio of stores with dispensing pharmacy) *1	69.8%	72.7%	-2.9%
Number of stores open 24 hours	203 stores	-	-
3. Others	Actual results		
Composition ratio of PB products	5.6% (Breakdown: Hapycom 26.1%, Topvalu 24.8%, Welcia PB 48.9%, other 0.2%)		
Number of stores with Welcafe	218 stores	-	-

*1 The ratio of stores with dispensing pharmacy is calculated excluding the number of MASAYA 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	779,148	780,000	- 851	99.9%	695,268	83,880	112.1%
	100.0%	100.0%			100.0%		
Gross operating profit	236,659	235,900	759	100.3%	209,948	26,711	112.7%
	30.4%	30.2%			30.2%		
SG&A expenses	207,614	204,100	3,514	101.7%	181,121	26,492	114.6%
	26.7%	26.1%			26.1%		
Operating income	29,045	31,800	- 2,754	91.3%	28,826	218	100.8%
	3.7%	4.1%			4.1%		
Ordinary income	31,500	34,100	- 2,599	92.4%	30,923	577	101.9%
	4.0%	4.4%			4.4%		
Net income attributable to owners of the parent	17,423	19,000	- 1,576	91.7%	17,166	256	101.5%
	2.2%	2.4%			2.5%		

Breakdown of financial results by company for FY2019

(Unit: million yen)

	Welcia HD (consolidated)	Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo	MASAYA (3 months)	Goodwill Others
			Y/Y		Y/Y				
Net sales	779,148	724,725	108.8%	17,148	114.3%	23,271	8,611	1,461	
	100.0%	100.0%		100.0%		100.0%	100.0%	100.0%	3,929
Gross operating profit	236,659	221,392	109.5%	5,190	113.4%	6,307	*1 2,517	546	
	30.4%	30.5%		30.3%		27.1%	29.2%	37.4%	704
SG&A expences	207,614	191,543	110.6%	4,601	113.0%	5,612	3,070	525	1,308
	26.7%	26.4%		26.9%		24.1%	35.6%	36.0%	951
Operating income	29,045	29,848	103.5%	589	116.0%	694	- 552	21	- 1,308
	3.7%	4.1%		3.4%		3.0%	-	1.4%	- 246
Ordinary income	31,500	32,121	104.3%	653	115.8%	767	- 524	51	- 1,308
	4.0%	4.4%		3.8%		3.3%	-	3.5%	- 261
Net income	17,423	18,767	106.7%	378	142.2%	508	- 654	43	- 1,308
	2.2%	2.6%		2.2%		2.2%	-	2.9%	- 312

*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: %)

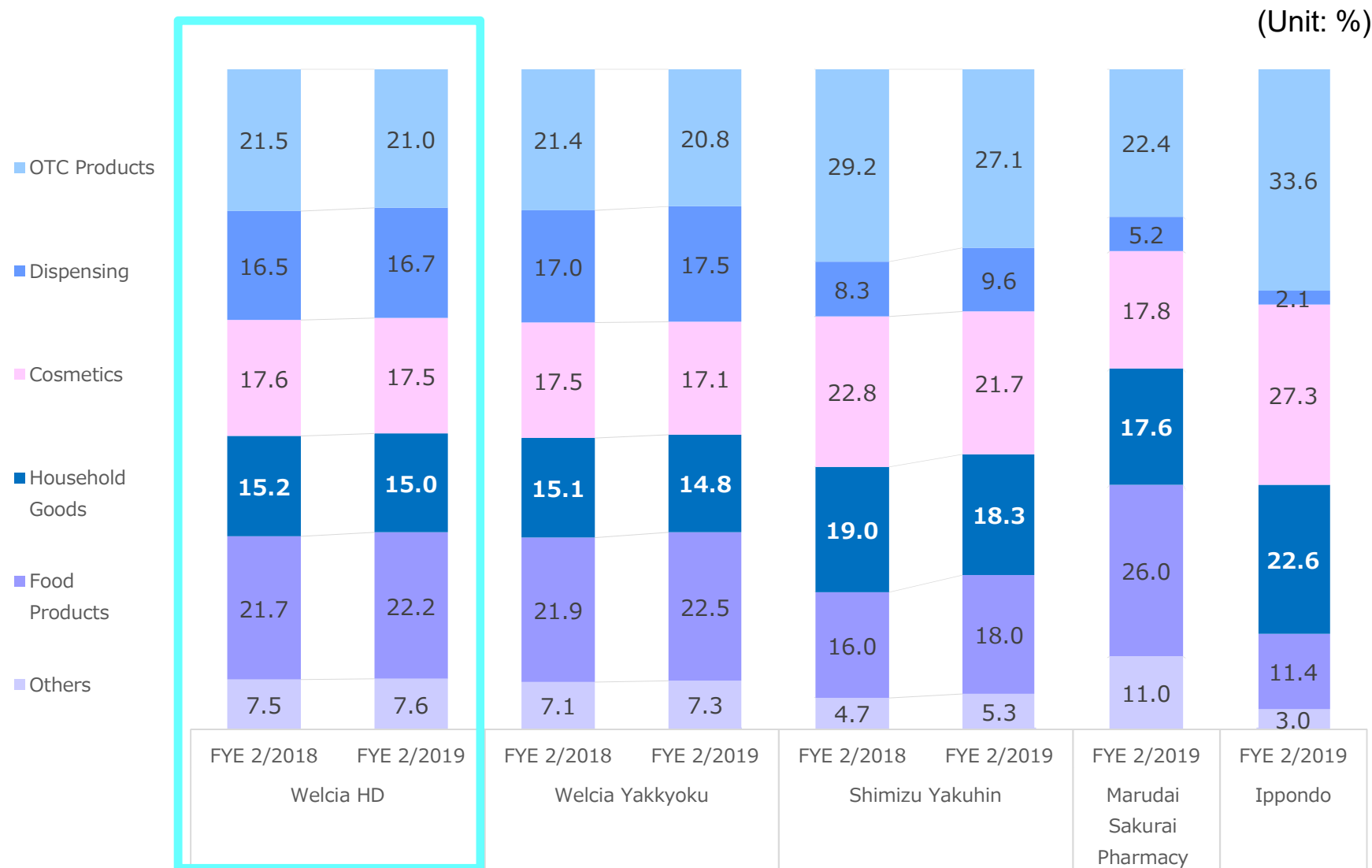
		2018										2019		
		Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jun.	Feb.	Mar.
Existing stores	Welcia Yakkyoku *1	8.8	6.0	1.1	5.0	5.3	4.2	3.7	7.3	4.6	4.4	7.1	4.0	5.0
	(former Ippondo)													20.2
	Shimizu Yakuhin	14.4	10.2	5.6	12.6	12.5	9.0	9.5	12.6	7.5	7.4	9.2	6.0	9.9
	Marudai Sakurai Pharmacy *2							0.8	0.5	4.7	3.9	1.5	-0.6	2.3
Group total	Net sales	9.1	6.1	1.2	5.2	5.5	4.4	3.8	7.2	4.7	4.4	6.9	3.9	5.0
	Customers	5.6	4.5	0.5	3.5	4.2	3.4	1.3	6.7	3.4	2.9	4.8	1.8	3.2
	Sales per customer	3.5	1.6	0.7	1.7	1.3	1.0	2.5	0.5	1.3	1.5	2.1	2.1	1.8
All stores	Net sales	17.6	14.5	9.2	13.5	14.1	12.8	8.6	12.0	9.2	10.2	12.6	9.3	10.0
	Customers	16.3	14.7	10.3	13.6	14.5	13.6	7.6	13.1	9.7	9.7	11.7	8.6	8.0
	Sales per customer	1.3	-0.2	-1.1	-0.1	-0.4	-0.8	1.0	-1.1	-0.5	0.5	0.9	0.7	2.0

*1 Welcia Yakkyoku merged with Ippondo in March 2019.

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

*3 Ippondo and MASAYA are included in the calculation of monthly sales growth rate of all stores from March 2018 and Dec. 2018 onwards respectively. However, since the stores of the companies are regarded as new stores, they are 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

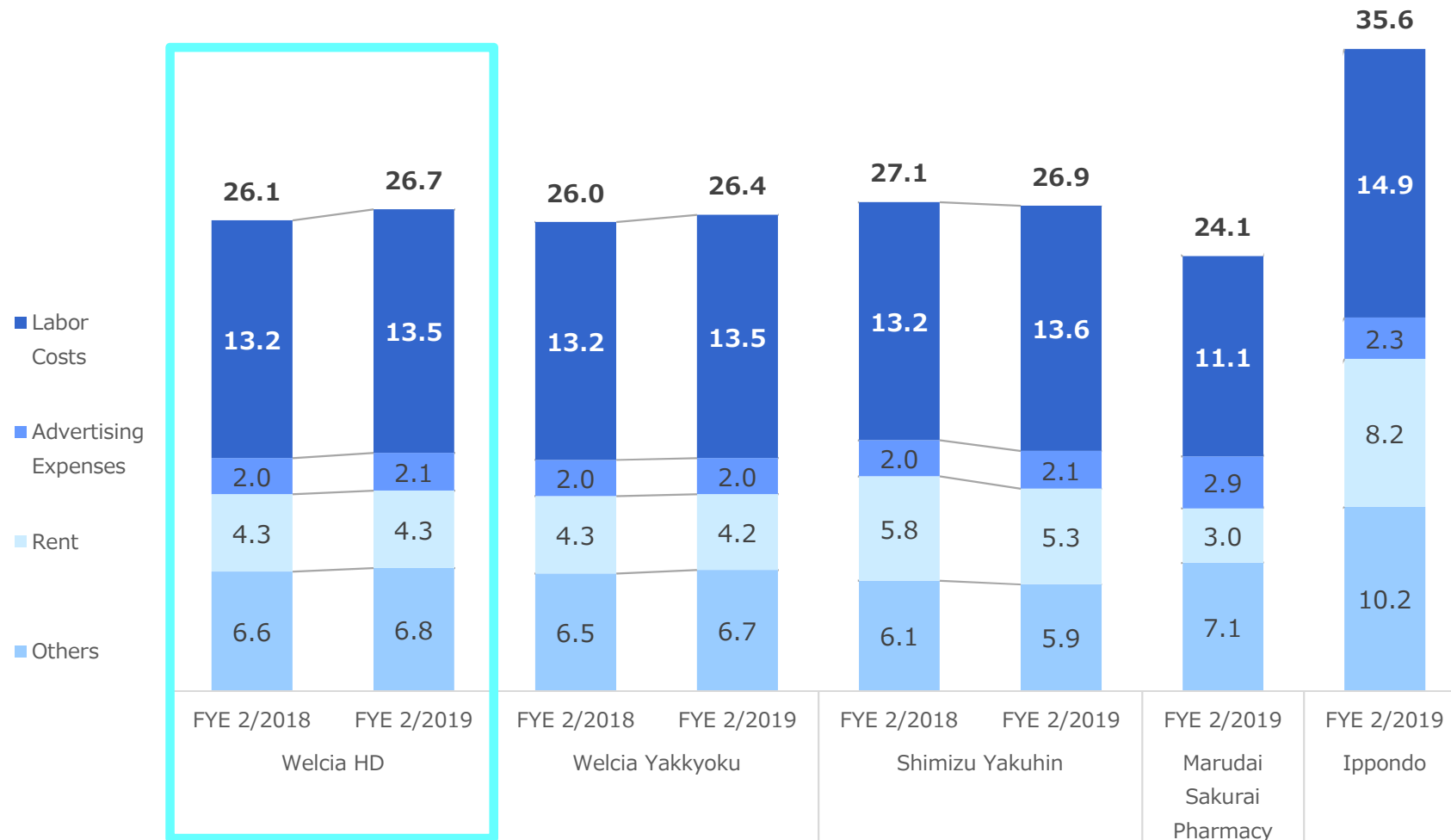
(Unit: %)

	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	39.8	0.9	40.0	1.0	39.0	0.7	38.0	36.4
Dispensing	38.1	-1.0	38.1	-1.0	37.3	-2.4	38.9	43.6
Cosmetics	33.5	0.6	33.6	0.6	32.9	0.6	31.6	30.3
Household Goods	27.3	0.6	27.5	0.7	26.3	0.8	24.2	23.3
Food Products	20.5	0.1	20.7	0.2	18.8	-0.4	17.7	16.9
Others	15.1	0.5	15.0	0.3	14.7	-0.8	19.0	20.5
Total	30.4	0.2	30.5	0.2	30.3	-0.2	27.1	*1 29.2

*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	FYE 2/2018		FYE 2/2019	
			Year-on-year change	Year-on-year change	Year-on-year change	Year-on-year change
Dispensing pharmacy sales (million yen)	76,487	97,484	127.5%	114,824	#####	113.1%
No. of prescriptions (in the thousands)	7,287	9,901	135.9%	11,550	13,542	117.2%
Prescription unit price (yen)	10,495	9,845	93.8%	9,941	9,585	96.4%
Gross operating profit (%)	36.7%	37.3%	0.6%	39.1%	38.1%	- 1.0%
No. of stores with dispensing pharmacy (stores)	894	1,025	131	1,158	1,284	126
Ratio of stores with dispensing pharmacy (%)	60.9%	66.9%	6.0%	68.6%	*1 69.8%	1.2%

*1 The ratio of stores with dispensing pharmacy is calculated excluding the number of MASAYA stores.

Promotion of drug stores with dispensing pharmacy (in Japan)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy	Ippondo
	FYE 2/2018	FYE 2/2019	FYE 2/2018	FYE 2/2019	FYE 2/2018	FYE 2/2019	FYE 2/2019	FYE 2/2019
Dispensing fees (million yen)	114,824	129,811	113,047	126,793	1,245	1,635	1,203	178
No. of prescriptions (in the	11,550	13,542	11,345	13,183	139	180	149	30
Prescription unit price (yen)	9,941	9,585	9,964	9,617	8,896	9,078	8,073	5,859
No. of stores with dispensing pharmacy (stores)	1,158	1,284	1,124	1,234	21	24	18	8
Ratio of stores with dispensing pharmacy (%)	68.6%	*1 #####	72.1%	74.3%	38.9%	42.1%	22.5%	18.6%

*1 The ratio of stores with dispensing pharmacy is calculated excluding the number of MASAYA stores.

Number of employees (as of February 28, 2019)

	Welcia HD (consolidated)		Welcia Yakkyoku	Shimizu Yakuhin	Marudai Sakurai Pharmacy	Ippondo
		Change from the previous term-end				
No. of employees	8,936	1,129	7,801	216	367	111
No. of temporary employees (based on 8h/employee)	19,001	2,556	17,638	416	519	243
No. of pharmacists (in Japan) (enrollment)	4,625	466	4,496	72	41	9
No. of registered sales clerks (in Japan) (enrollment)	11,949	1,445	11,038	352	444	96
No. of pharmacists per store	*1 2.51	0.05	2.71	1.26	0.51	0.21
No. of registered sales clerks per store	*1 6.48	0.28	6.65	6.18	5.55	2.23

*1 The numbers of pharmacists / resistered sales clerks per store are calculated excluding the number of MASAYA stores.

Store openings and closures (in Japan)

(Unit: No. of stores)

		28-Feb-18	Openings		Closures		Increase/decrease resulting from acquisition of 100% ownership	28-Feb-19
			Planned	Actual	Planned	Actual		
By company	Welcia Yakkvoku	1,559	110	113	25	18	6	1,660
	Shimizu Yakuhin	54	4	4	1	1	0	57
	Marudai Sakurai Pharmacy	74	10	7	2	1	0	80
	Ippondo	-	0	2	0	0	41	43
	MASAYA	-	0	0	0	0	34	34
By area	Tohoku	119	24	19	2	1	0	137
	Kanto	856	38	50	7	6	50	950
	Chubu	418	34	25	13	8	0	435
	Kinki	294	28	32	6	5	9	330
	Chugoku	-	0	6	0	0	18	18
	Shikoku	-	0	0	0	0	3	3
	Kyushu	-	0	0	0	0	1	1
Total (in Japan)		1,687	124	126	28	20	81	1,874

Summary of consolidated balance sheet (as of Feb. 28, 2019)

(Unit: million yen)

Account title	FY 2/2018	FY 2/2019	Change	Account title	FY 2/2018	FY 2/2019	Change
Assets				Liabilities			
Current assets	130,180	144,036	13,855	Current liabilities	120,878	140,711	19,832
Cash and deposits	16,481	19,364	2,883	Accounts payable - trade	89,127	98,302	9,175
Accounts receivable - trade	23,514	27,347	3,832	Short-term loans payable	4,436	11,635	7,198
Merchandise	76,312	84,527	8,214	Other	27,314	30,772	3,458
Other	13,870	12,796	-1,074	Non-current liabilities	40,877	42,830	1,952
Non-current assets	162,058	183,453	21,395	Long-term loans payable	11,355	8,447	-2,908
Property, plant and equipment	113,423	124,322	10,898	Lease obligations	16,894	19,425	2,531
Buildings, plant and equipment	62,756	70,944	8,187	Asset retirement obligations	7,005	7,992	986
Land	12,410	12,919	509	Other	5,621	6,964	1,342
Leased assets	31,838	34,790	2,952	Total liabilities	161,756	183,541	21,785
Other	6,419	5,668	-751	Net assets			
Intangible assets	14,230	18,810	4,579	Shareholders' equity	129,381	143,020	13,639
Good will	11,813	16,181	4,368	Capital stock	7,736	7,736	0
Other	2,417	2,629	211	Capital surplus	51,667	51,669	2
Investments and other assets	34,403	40,320	5,916	Other capital surplus	69,977	83,614	13,637
Guarantee deposits	26,743	31,460	4,716	Accumulated other comprehensive income	78	29	-49
Deferred tax assets	5,064	6,319	1,254	Subscription rights to shares	272	236	-35
Other	2,595	2,540	-54	Non-controlling interests	750	661	-88
				Total net assets	130,482	143,948	13,465
Total assets	292,238	327,489	35,250	Total liabilities and net assets	292,238	327,489	35,250

2. Earnings Forecast for FY2020

- MASAYA was made a subsidiary of the Company through the share acquisition on December 1, 2018.
- Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Ippondo Co., Ltd. on March 1, 2019.

Results of Welcia Yakkyoku Co., Ltd. compared to the same period of the previous year are calculated together with the results of Ippondo.

1. Projections

- ▶ Net sales 850 billion yen (Y/Y change: 109.1%)
- ▶ Ordinary income 35.6 billion yen (Y/Y change: 113.0%)
- ▶ Net income attributable to owners of the Parent 20 billion yen (Y/Y change: 114.8%)

2. Indicators

- ▶ Existing-store sales growth rate 4.0%
- ▶ Store openings 127 stores (in Japan: 123 ; overseas: 4)
- ▶ Store closures 29 stores
- ▶ No. of stores as of end of the fiscal year 1,976 stores (in Japan: 1968 ; overseas: 8)
- ▶ Dispensing pharmacy sales 143.8 billion yen (Y/Y change: 110.8 %)
- ▶ No. of stores with dispensing pharmacy (in Japan) 1,423 stores (Ratio of stores with dispensing 73.6 %)

3. Priority measures

- ▶ Store renovations 205 stores
- ▶ Opening new pharmacies 142 stores
- ▶ Stores open 24 hours 50 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	421,700	100.0%	428,300	100.0%	850,000	100.0%	109.1%
Gross operating profit	127,200	30.2%	130,700	30.5%	257,900	30.3%	109.0%
SG&A expenses	110,800	26.3%	114,100	26.6%	224,900	26.4%	108.3%
Operating income	16,400	3.9%	16,600	3.9%	33,000	3.9%	113.6%
Ordinary income	17,600	4.2%	18,000	4.2%	35,600	4.2%	113.0%
Net income attributable to shareholders of the Parent	10,700	2.5%	9,300	2.2%	20,000	2.4%	114.8%
Existing-store sales growth rate	3.9%		4.1%		4.0%		

Full-year earnings forecasts by company

(Unit: million yen)

	Welcia HD (consolidated)		Welcia Yakkyoku		Shimizu Yakuhin		Marudai Sakurai Pharmacy		MASAYA	Goodwill and others
		Y/Y		Y/Y		Y/Y		Y/Y		
Sales	850,000	109.1%	794,418	108.3%	18,500	107.9%	25,637	110.2%	6,993	
	100.0%		100.0%		100.0%		100.0%		100.0%	4,452
Gross operating profit	257,900	109.0%	241,954	108.1%	5,532	106.6%	6,952	110.2%	2,588	
	30.3%		30.5%		29.9%		27.1%		37.0%	874
SG&A expences	224,900	108.3%	209,628	107.7%	4,885	106.2%	6,012	107.1%	2,415	1,140
	26.4%		26.4%		26.4%		23.4%		34.5%	820
Operating income	33,000	113.6%	32,326	110.3%	647	109.8%	940	135.3%	173	- 1,140
	3.9%		4.1%		3.5%		3.7%		2.5%	54
Ordinary income	35,600	113.0%	34,810	110.2%	697	106.0%	1,001	130.4%	216	- 1,140
	4.2%		4.4%		3.8%		3.9%		3.1%	16
Net income	20,000	114.8%	19,923	110.0%	421	111.1%	648	147.8%	125	- 1,140
	2.4%		2.5%		2.3%		2.5%		1.8%	23

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
By company	Welcia Yakkyoku	1,660	43	110	25	1,788
	Shimizu Yakuhin	57	0	4	1	60
	Marudai Sakurai Pharmacy	80	0	9	3	86
	MASAYA	34	0	0	0	34
	Ippondo	43	*1 - 43	0	0	0
By area	Tohoku	137	0	19	3	153
	Kanto	950	0	40	7	983
	Chubu	435	0	36	8	463
	Kinki	330	0	27	11	346
	Chugoku	18	0	1	0	19
	Shikoku	3	0	0	0	3
	Kyusyu	1	0	0	0	1
Total (in Japan)		1,874	0	123	29	1,968
Reference	No. of stores with dispensing pharmacy	1,284		142	3	1,423
	Ratio of stores with dispensing pharmacy	*2 69.8%				*2 73.6%

*1 Welcia Yakkyoku, a consolidated subsidiary and the surviving company, absorbed Ippondo Co., Ltd. on March 1, 2019.

*2 The ratio of stores with dispensing pharmacy is calculated excluding the number of MASAYA stores.

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.