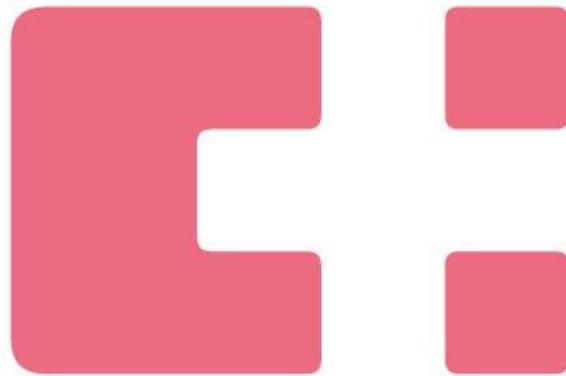


FY03/17 Financial Results Briefing



ココカラファイン

ココロ、カラダ、ゲンキ。

FY03/17 Business Results

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- Revitalization of Existing Stores through Renovations
- Customer Strategy that Leverages Cocokara Club Card
- Establishing One-to-One (Personalized) Marketing Using Diverse Sales Promotion Media
- Further Store Productivity Improvements

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FY03/17 Business Results

[OVERVIEW]

(1H)

Sales rose and profit declined in Q1 and Q2 reflecting a drop in bulk purchases of some products by foreign visitors, lower customer traffic amid unfavorable weather, an increase in costs driven by upfront investment, and impact from drug price and medical care fee revisions.

(2H)

Sales and profit rose in Q3 and Q4 due to gross profit margin improvement (which had been a key issue), cost controls, measures to address drug price and medical care fee revisions, and effects from store renovations over the full year.

[Drugstore Operations]

External Sluggish sales of seasonal products (cold medicine, hay fever drugs, etc.) owing to weather factors.

External From January, impact from lower bulk purchases of some products by foreign visitors eased.

External Duty-free sales remained firm: Full-Year 98bn (+27.8% YoY)

Initiative Store renovations → Full-Year 67 stores (including and small renovations 103 stores)

Initiative Gross profit margin improvement → YoY: 1H-0.1% 2H+0.6% Full-Year+0.2%

Initiative Cost controls → Absorbed upfront spending, and helped keep expense ratio on par with year-earlier level

[Pharmacy Operations]

External Drug price and medical fee revisions, decline in response to year-earlier demand growth for hepatitis C drugs

Initiative Countermeasures helped secure growth in full-year gross profit (YoY+92mn)

Consolidated Income Statement (vs Plan)

(Million yen)

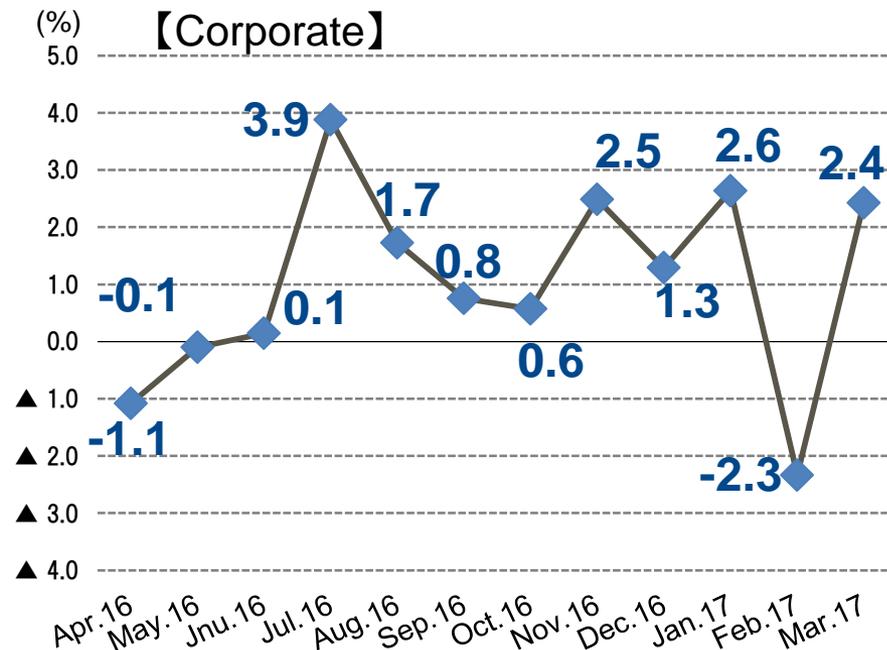
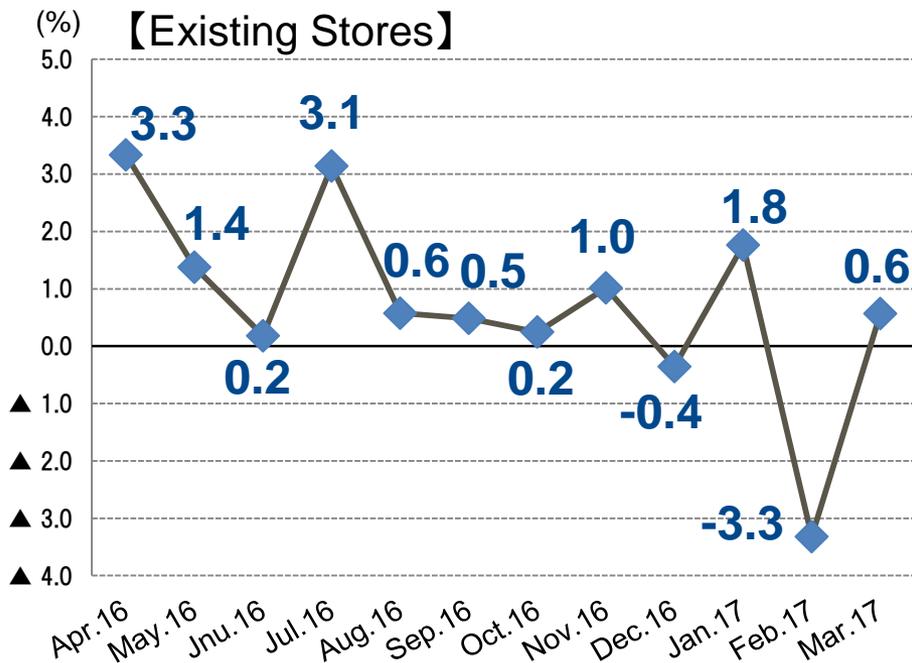
	FY03/17 Plan	FY03/17 Results	vs Plan	vs Plan (%)	Factors
Net sales	377,500 100.0%	377,203 100.0%	-297	99.9	◇ Same-store sales growth (Plan+2.1% → Result+0.8%) ・ Sluggish sales of seasonal products (cold medicine, hay fever drugs, etc.) due to weather factors ◇ New store opening: Plan 20→Result 35 Closing: Plan 30→Result 38 ◇ Increase in clients → rise in wholesale sales
Drugstore & Dispensing	341,270	339,105	-2,165	99.4	
Wholesale & other	36,230	38,098	+1,868	105.2	
Gross profit	97,043 25.7%	97,053 25.7%	+10	100.0	◇ Steady progress with gross profit margin improvement measures for drugstore product sales (Plan 26.6%→Result 26.7%)
SG&A	86,943 23.0%	86,894 23.0%	-49	99.9	◇ Steady progress with cost control measures
Operating income	10,100 2.7%	10,159 2.7%	+59	100.6	
Ordinary income	12,500 3.3%	12,507 3.3%	+7	100.1	
Net income	6,800 1.8%	7,037 1.9%	+237	103.5	

Consolidated Income Statement (YoY)

(Million yen)

	FY03/16 Results	FY03/17 Results	Change	YoY (%)	Factors influencing YoY changes
Net sales	373,275 100.0%	377,203 100.0%	+3,928	101.1	<ul style="list-style-type: none"> ◇ Same-store sales growth: +0.8% • Revitalization policy centered on existing store renovation • Fluctuations in inbound-related sales (duty-free sales up, bulk purchases down) • Calendar effect (2016 was leap year) • Pushed down by drug price/medical service fee revisions • Decline in response to year-earlier demand growth for hepatitis C drugs ◇ New store openings: 35 Closings: 38 ◇ Iwasaki Kohkendo FYE change(Feb.→Mar.) → one less month of sales(15bn) ◇ Increase in clients → rise in wholesale sales
Drugstore & Dispensing	339,646	339,105	-541	99.8	
Wholesale & other	33,629	38,098	+4,469	113.3	
Gross profit	96,068 25.7%	97,053 25.7%	+985	101.0	<ul style="list-style-type: none"> ◇ Higher share of wholesale sales weighed down gross profit margin ◇ Gross profit margin for drugstore product sales declined in 1H, but improved in 2H (YoY: 1H-0.1% 2H+0.6% Full-Year+0.2%)
SG&A	84,949 22.8%	86,894 23.0%	+1,945	102.3	<ul style="list-style-type: none"> ◇ Increase in SG&A-to-sales ratio • Increase in number of pharmacists, upfront spending on store renovations, and other factors in 1H
Operating income	11,119 3.0%	10,159 2.7%	-960	91.4	<ul style="list-style-type: none"> ◇ Reduction in Operating income • 1H:-1,466 2H:+506
Ordinary income	13,461 3.6%	12,507 3.3%	-954	92.9	<ul style="list-style-type: none"> ◇ Reduction in Ordinary income • 1H:-1,411 2H:+458
Net income	6,927 1.9%	7,037 1.9%	+110	101.6	<ul style="list-style-type: none"> ◇ Extraordinary losses: -564 • Reduction in asset impairment charges (from 1,393 to 945) • Decrease in unprofitable stores (from 53 in FY03/16 to 38 in FY03/17) ◇ Corporate tax rate: from 40.8% to 37.9%

Monthly Sales Growth Rate



Existing Stores (Total) Sales : +0.8% Number of Customers : +0.0% Customer Transactions : +1.5%

*Customer count and average spend per customer only include retail results, excluding Pharmacy operations

Existing Stores

- Apr.-May: Sluggish demand for summer products
- Aug.-Sep.: Decline in number of customers due to bad weather including typhoons
- Dec.: Sluggish sales of seasonal (winter) products (cold medicine, etc.) due to weather factors
- Feb.: Impact from calendar effect (2016 was leap year)

Corporate

- Apr.: Iwasaki Kohkendo FYE change (Feb→Mar) → one less month of sales(15bn)
- Feb.: Impact from calendar effect (2016 was leap year)

Breakdown of Sales by Product Category

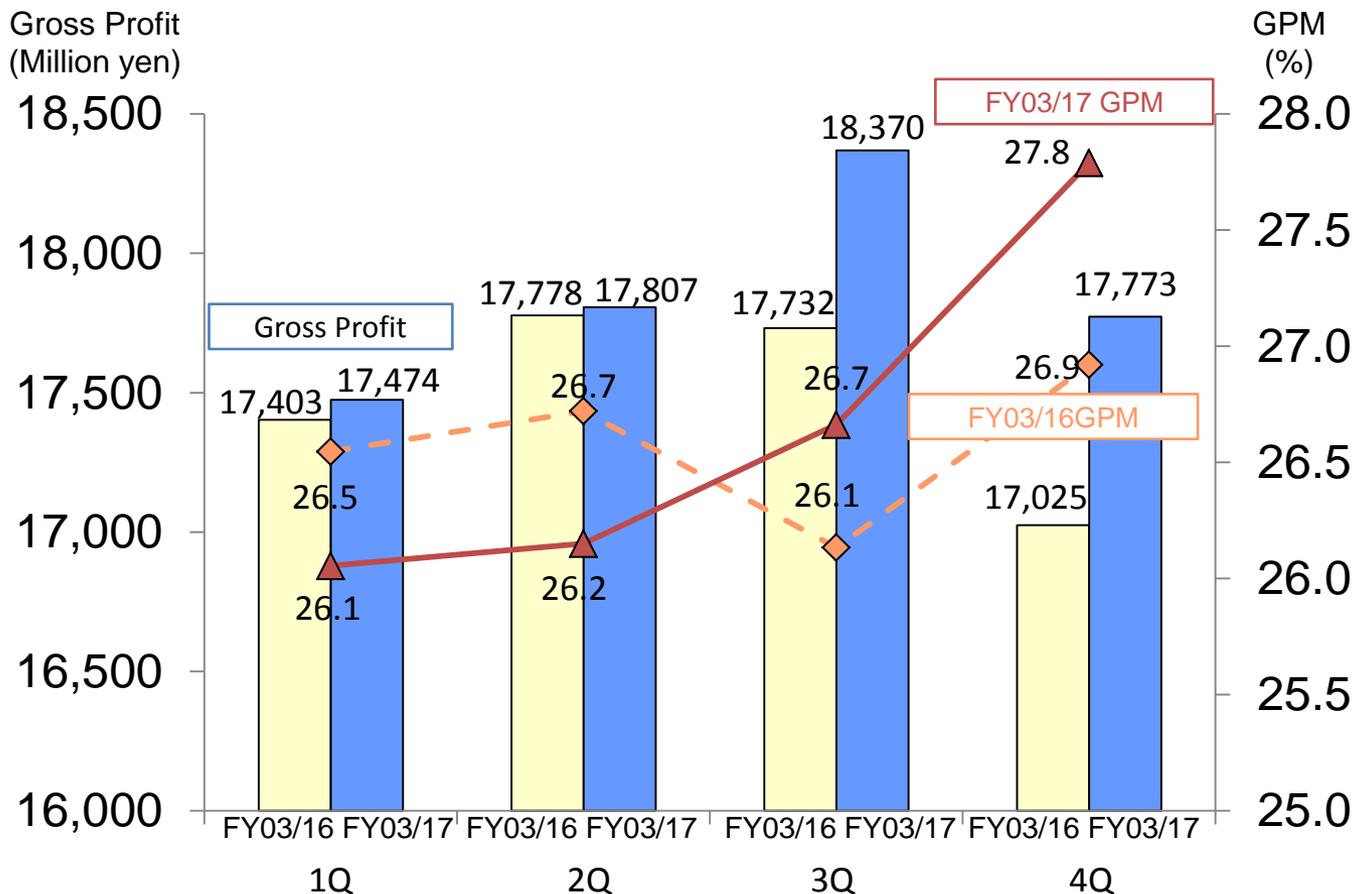
	FY03/16			FY03/17		
	Million yen	Share (%)	YoY (%)	Millions yen	Share (%)	YoY (%)
Pharmaceuticals	105,975	31.2	105.4	103,424	30.5	97.6
Dispensing	50,228	14.8	109.3	48,994	14.4	97.5
Beauty Products	99,286	29.2	108.5	100,363	29.6	101.1
Health Foods	11,431	3.4	111.4	10,479	3.1	91.7
Sanitary Goods	42,329	12.5	106.0	40,996	12.1	96.9
Convenience Goods	46,329	13.6	103.4	47,068	13.9	101.6
Foods	34,294	10.1	110.9	36,772	10.8	107.2
Stores Total	339,646	100.0	106.8	339,105	100.0	99.8
Wholesale	31,388	-	108.3	35,689	-	113.7
Subtotal	371,034	-	106.9	374,795	-	101.0
Long-term Care	2,243	-	101.9	2,410	-	107.5
Inter-segment Eliminations	-2	-	-	-1	-	-
Total	373,275	-	106.9	377,203	-	101.1

■ Most Affected by Lower Reseller Purchases : Pharmaceuticals・Beauty Products・Health Foods・Sanitary Goods

<Other Factors>

- Dispensing : A reduction in government-mandated drug prices and medical care fees
- Beauty Products : Robust sales of high value-added and new products
- Foods : Functional improvements made through store renovations and layout changes
- Wholesale : Increase in number of clients
- Long-term Care : Conversion of Yamamoto Service into subsidiary in April 2016 contributed to earnings

Drugstore product sales: Trend in comparable store gross profit (Cocokarafine Healthcare)



* Store-basis management data

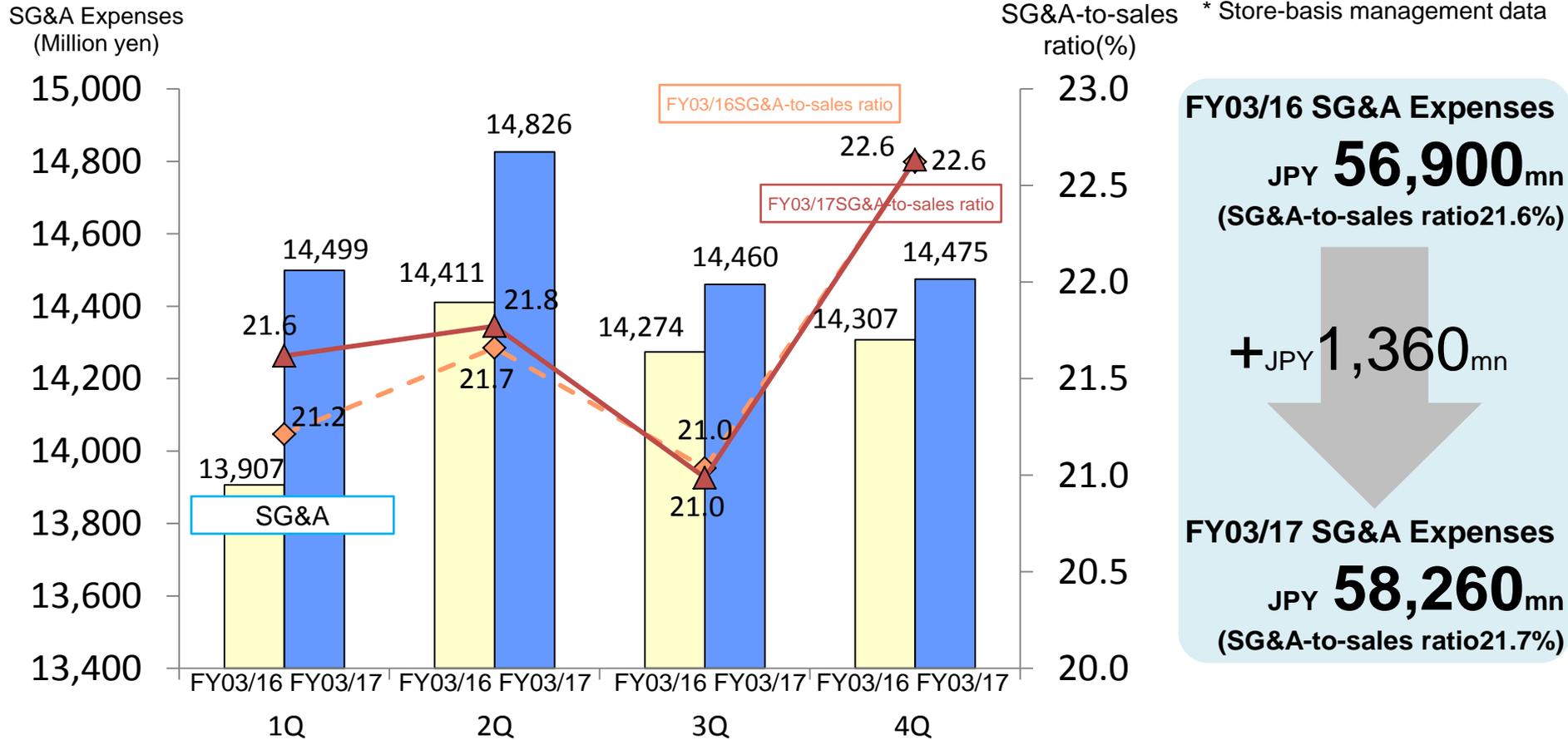
FY03/16 Gross Profit
 JPY **69,939**mn
 (GPM 26.6%)

+ JPY 1,485mn

FY03/17 Gross Profit
 JPY **71,424**mn
 (GPM 26.6%)

From Q3: Sharp YoY profit uptrend from improvement in gross profit margin, fueled by stronger sales of high value-added products, store standardization and increased sales promotion efficiency

Drugstore product sales: Trend in comparable store SG&A expenses (Cocokarafine Healthcare)



FY03/16 SG&A Expenses
 JPY **56,900**mn
 (SG&A-to-sales ratio 21.6%)

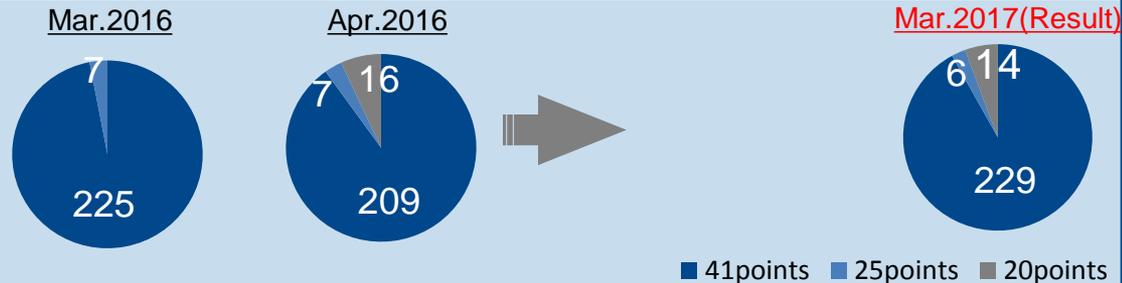
+ JPY 1,360mn

FY03/17 SG&A Expenses
 JPY **58,260**mn
 (SG&A-to-sales ratio 21.7%)

(Figures in parentheses are the number of applicable stores)

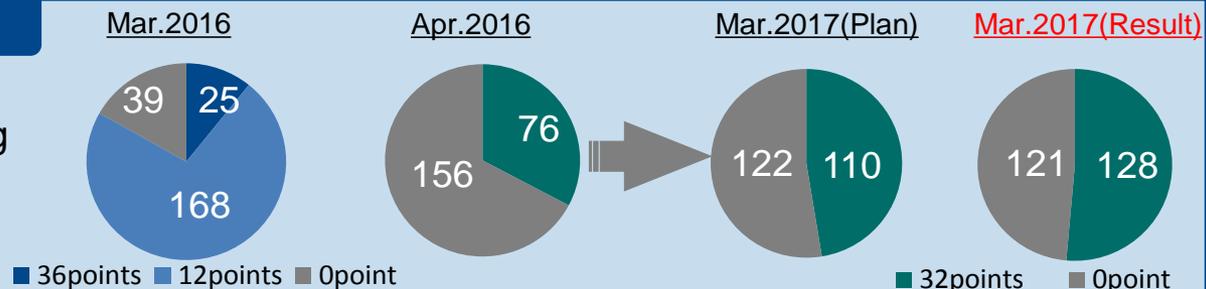
Effect 1 Basic dispensing fee

Changes in conditions to cause premiums at some stores to decline



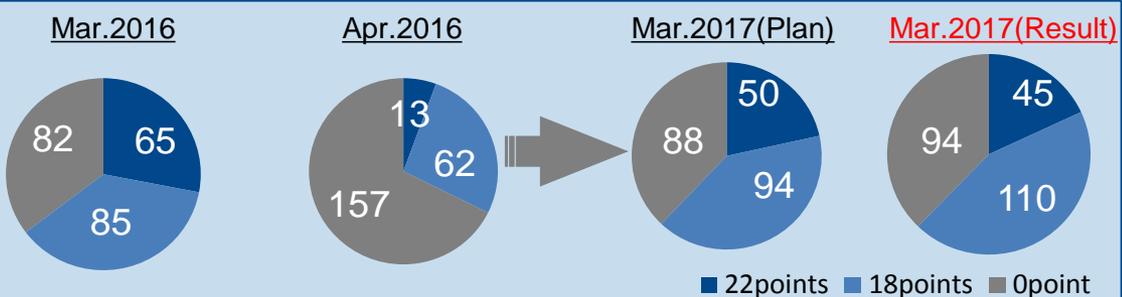
Effect 2 Premiums for standard dispensing

- Expansion of house call dispensing
- Family pharmacist initiative



Effect 3 Premiums for generics dispensing systems

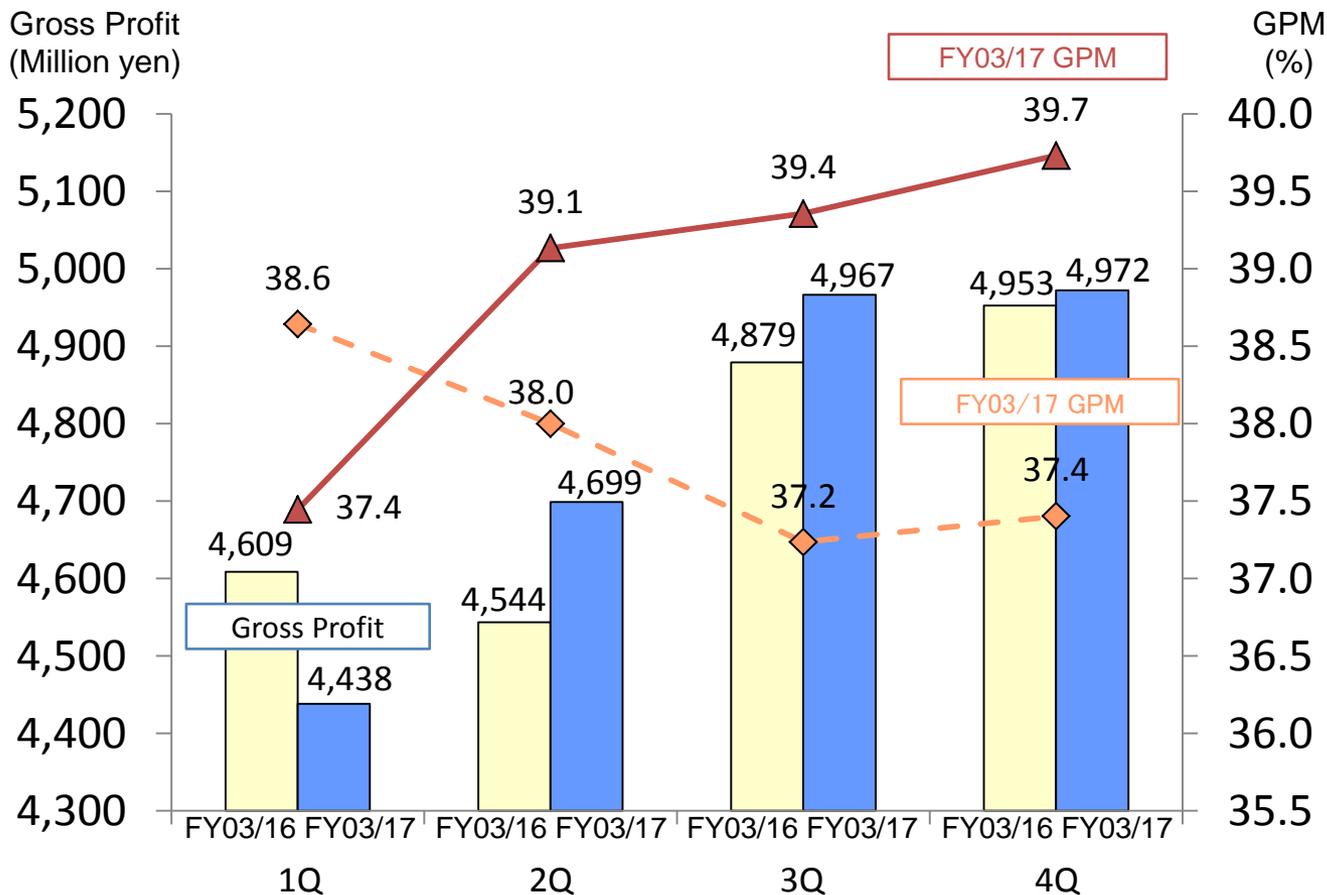
- Generic drug initiative



Effect 4 Drug price revisions

Decline in drug price margins

Dispensing business: Trend in all-store gross profit



FY03/16

Net Sales JPY **50,228mn**
 Gross Profit JPY **18,984mn**
 (GPM37.8%)

Net Sales JPY **-1,234mn**
 Gross Profit JPY **+92mn**

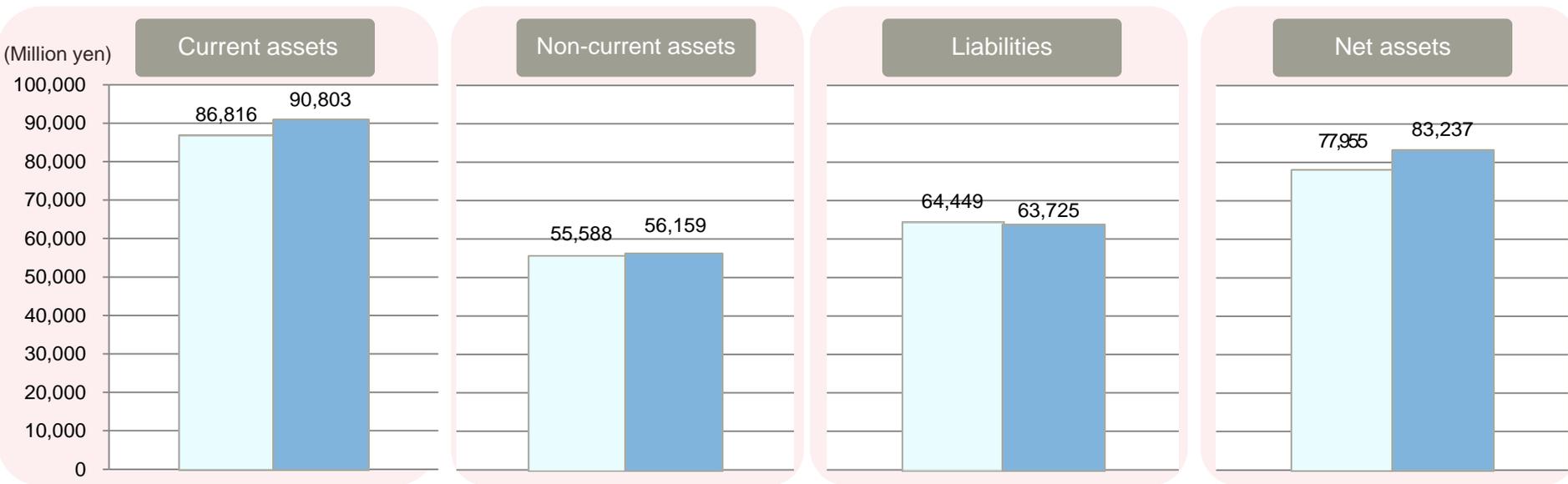
FY03/17

Net Sales JPY **48,994mn**
 Gross Profit JPY **19,076mn**
 (GPM38.9%)

Measures to address medical care fee revisions drove growth in full-year gross profit (YoY+JPY92mn)

Consolidated Balance Sheet

■ End Mar. 2016
 ■ End Mar. 2017

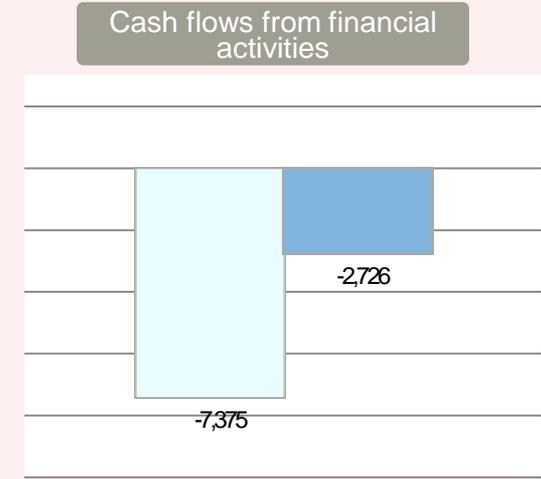
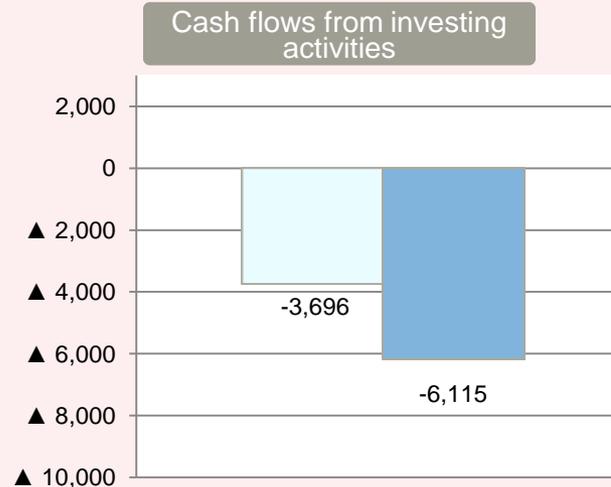
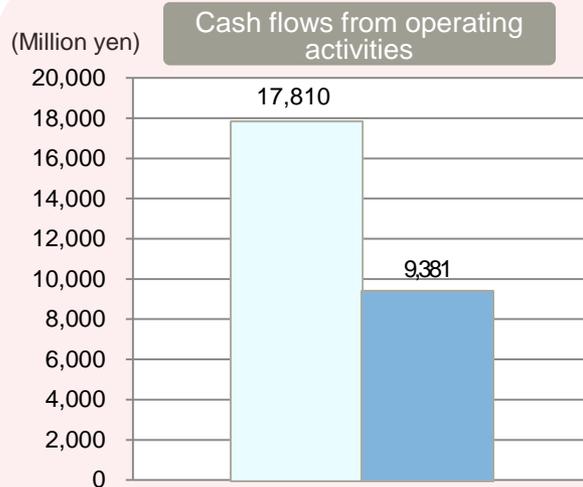


Comparison with end March 2016

						(Million yen)	
Current assets	+3,987	Non-current assets	+571	Liabilities	-723	Net assets	+5,282
Cash and Equivalents	+541	Property, plant and equipment	-268	Current liabilities	-1,061	Retained earnings	+5,197
Accounts receivable--trade	+1,209	Intangible fixed assets	+828	Non-current liabilities	+337		
Inventories	+328	Investments and other assets	+11				
Accounts receivable-other	+1,971						

Consolidated Cash Flow Statement

FY03/16 FY03/17



Situation in FY03/17

(Unit: JPYmn)

Cash flows from operating activities

Income before income taxes and minority interests	11,339
Depreciation and amortization	3,698
Increase (decrease) in accounts receivable - other	-1,265
Income taxes paid	-7,154

Cash flows from investing activities

Purchase of property, plant and equipment	-3,404
Purchase of intangible fixed assets	-761
Payments for transfer of business	-407
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-837

Cash flows from financial activities

Increase (decrease) in short-term borrowings	-600
Cash dividends paid	-1,842

Net increase (decrease) in cash and cash equivalents

539

FY03/17 Key Measures

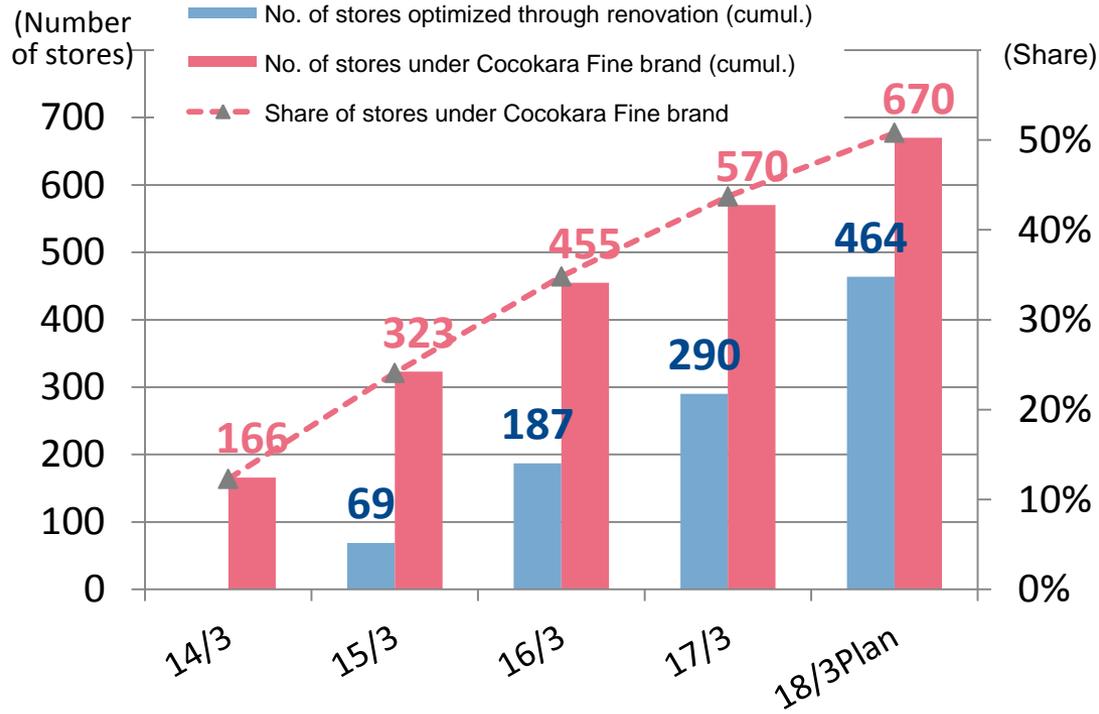
- Revitalization of existing stores through renovations
 - Optimization by store formats
 - Trend in renovated store numbers
- Customer strategy that leverages Cocokara Club Card
 - Promotion of customer loyalty based on adoption and usage of prepaid payment functionality
- Establishing one-to-one (personalized) marketing using diverse sales promotion media
 - Expanding interaction with customers and providing highly convenient services
- Further store productivity improvements
 - ICT deployment to improve in-store work efficiency and added value

Revitalization of Existing Stores through Renovations

From FY03/15, promoted store optimization based on store formats through renovations
 Expanded the number of stores under the Cocokara Fine brand in conjunction with new store openings and store renovations

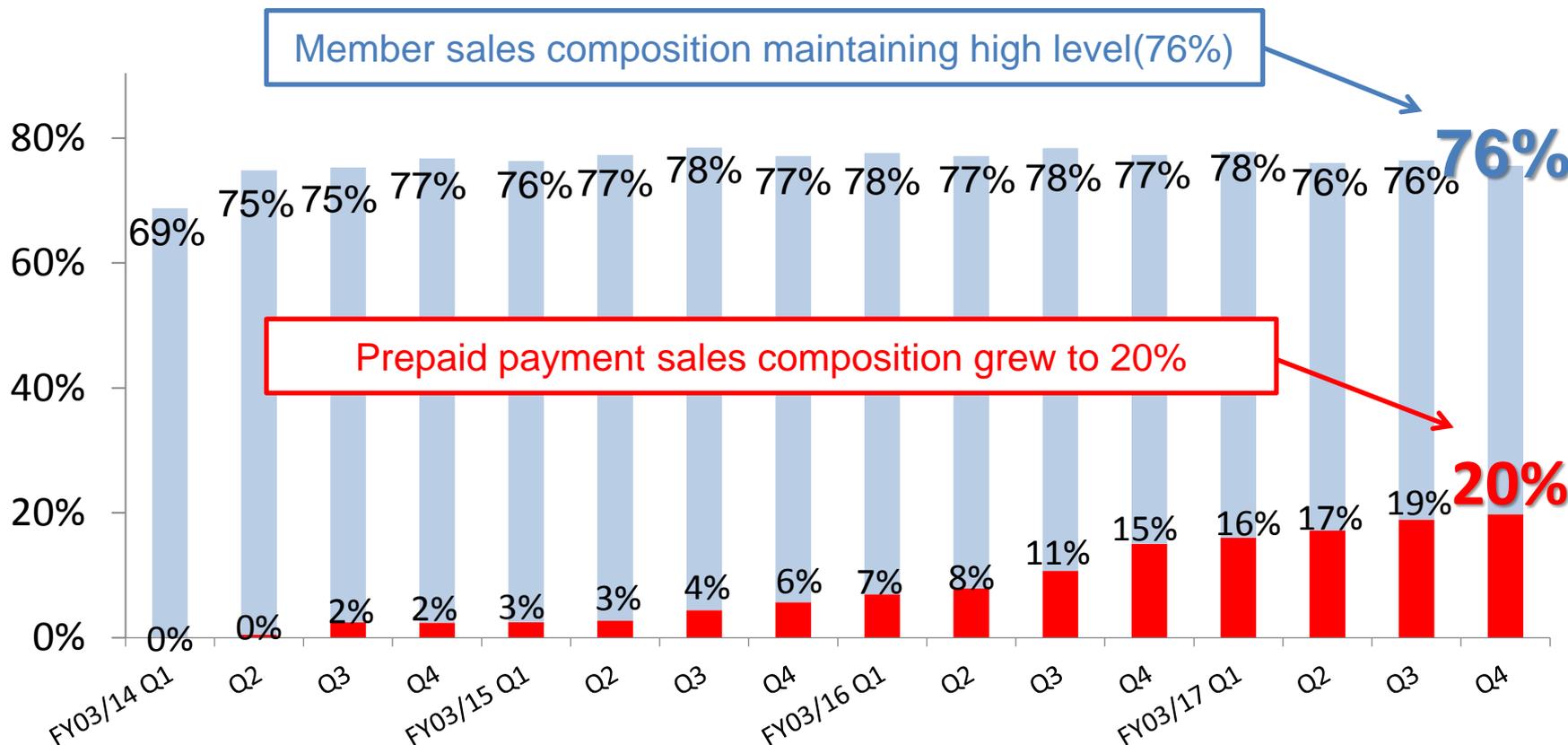
	FY03/17 result	FY03/18 plan
Number of renovated stores (including sign changes and small renovations)	103stores	174stores
(Of which, over JPY5mn)	67stores	89stores

Trend in renovated store numbers

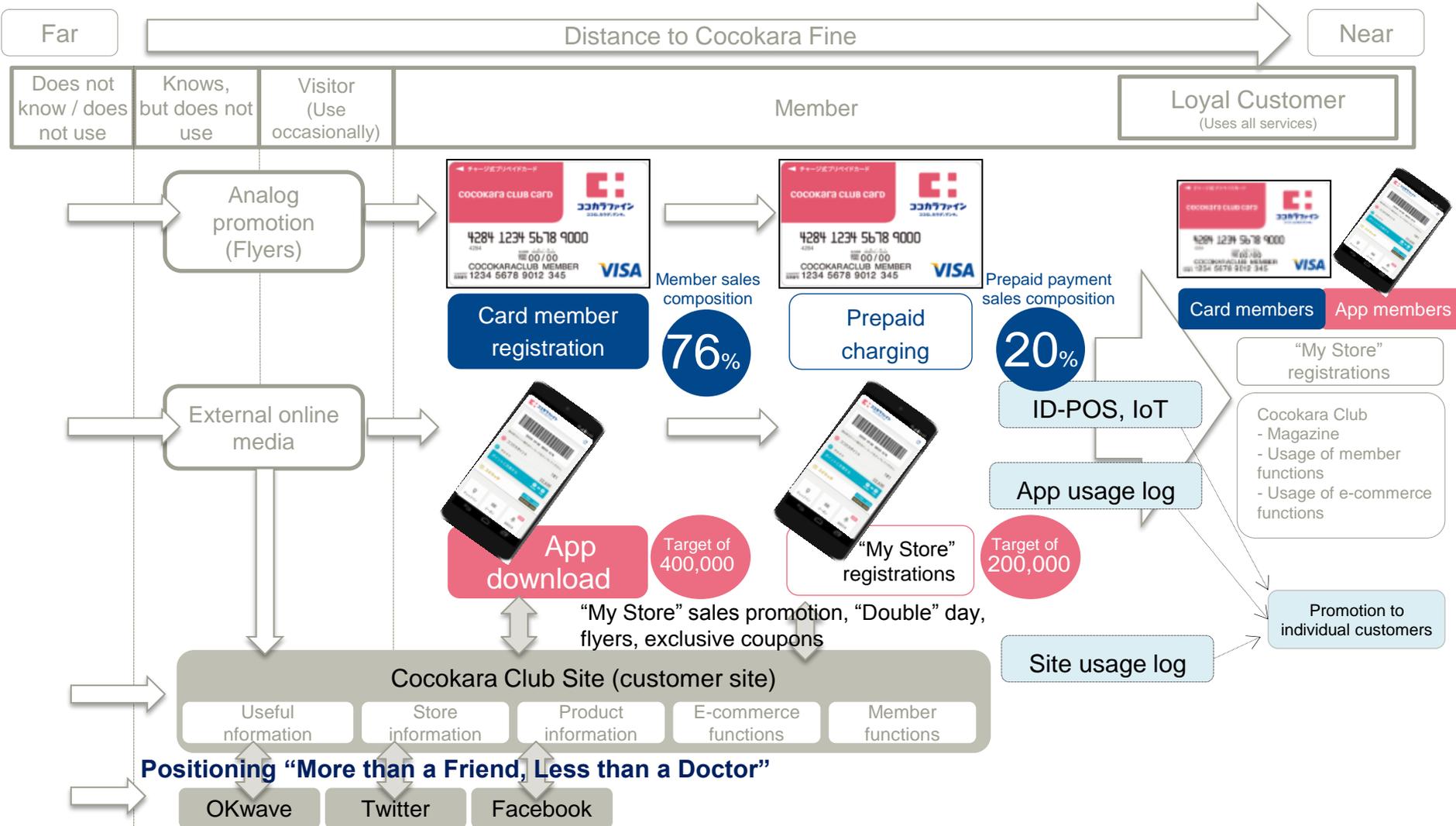


Promotion of customer loyalty based on adoption and usage of prepaid payment functionality

Sales composition within total drugstore product sales



Expanding interaction with customers and providing highly convenient services



ICT deployment to improve in-store work efficiency and added value

- Price adjustment via the **POS**
- Use of a **PC** in the store office for product searches and viewing sale histories
- Use of a **PDA** on the sales floor for ordering

In-store movement = inefficient

Jun.2016
Device unification

Set up in-store
Wi-Fi network



Increased in-store work efficiency

Launch of Aoi app

- Price adjustment
- Viewing sale histories
- Ordering

Daily work reduction of 20 minutes per store

Annual efficiency gain of about 150,000 hours

Reduction in opportunity losses

10% decrease in inventory shortages

Further advances

- Automated orders
- Measures to counter losses

Considering introduction of apps to increase efficiency of in-store functions

Promotion

Eg. Product explanation, videos, skin diagnosis, etc.

Payments

Eg. Payment option not using a cash-register

Member Information

Eg. Simplified support for special orders

Knowledge sharing

Eg. Internal use of social networking services

FY03/18 Forecasts

Store Openings and Closings (Actual and Planned)

		FY03/16 Results		FY03/17 Results		FY03/18 Plan	
			Prescriptions		Prescriptions		Prescriptions
Open ※	Drugstore	16	1	17	2	23	6
	Standalone dispensaries	3	3	18	18	10	10
		19	4	35	20	33	16
Close ※	Drugstore	-51	-4	-37	-2	-17	-2
	Standalone dispensaries	-2	-2	-1	-1	-1	-1
		-53	-6	-38	-3	-18	-3
Store format change	Drugstore	-6	-6	-1	-1	-1	-1
	Standalone dispensaries	6	6	1	1	1	1
		0	0	0	0	0	0
End of period	Drugstore	1,178	103	1,157	102	1,162	105
	Standalone dispensaries	129	129	147	147	157	157
		1,307	232	1,304	249	1,319	262

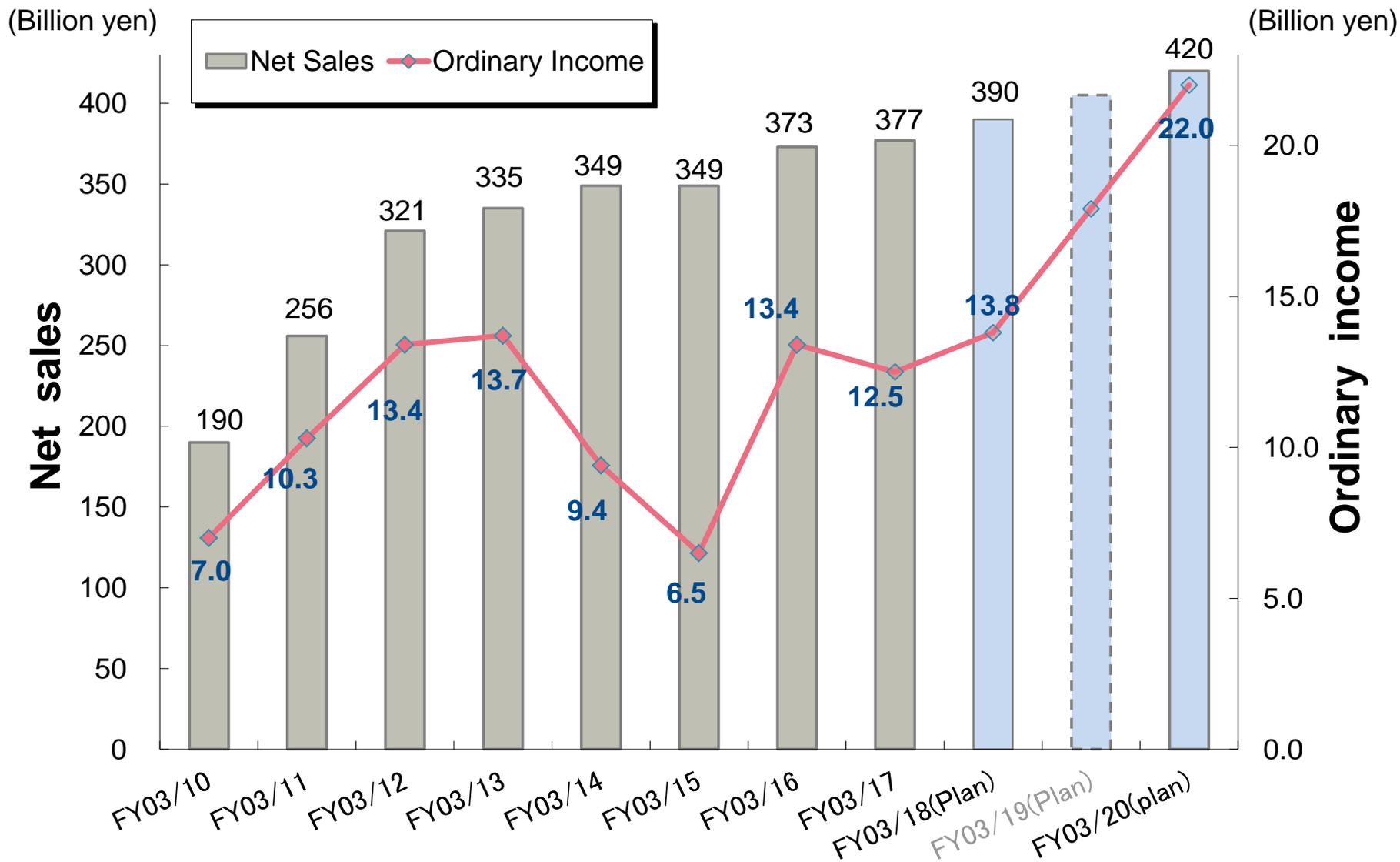
* Store openings and closures include changes in dispensing bases

(Million yen)

	FY03/17 Results	FY03/18 Plan
Capital investment	6,419	5,700
Total cash flow	11,059	11,857
Net income	7,037	7,900
Depreciation	3,698	3,667
Amortization of goodwill	324	290

	1H (Apr.-Sep.)					Full-Year				
	FY03/17 Results		FY03/18 Forecast			FY03/17 Results		FY03/18 Forecast		
	Million yen	% of net sales	Million yen	% of net sales	YoY (%)	Million yen	% of net sales	Million yen	% of net sales	YoY (%)
Net sales	188,485	100.0	195,000	100.0	103.5	377,203	100.0	390,000	100.0	103.4
Drugstore & Dispensing	169,924	90.2	175,507	90.0	103.3	339,105	89.9	350,770	89.9	103.4
Wholesale & other	18,561	9.8	19,492	10.0	105.0	38,098	10.1	39,229	10.1	103.0
Gross profit	47,680	25.3	50,273	25.8	105.4	97,053	25.7	101,873	26.1	105.0
SG&A	43,784	23.2	45,173	23.2	103.2	86,894	23.0	90,473	23.2	104.1
Operating income	3,896	2.1	5,100	2.6	130.9	10,159	2.7	11,400	2.9	112.2
Ordinary income	5,158	2.7	6,300	3.2	122.1	12,507	3.3	13,800	3.5	110.3
Net income	2,915	1.5	3,700	1.9	126.9	7,037	1.9	7,900	2.0	112.3

Consolidated Sales & Ordinary Income (Trends and Plan)



Medium-term plan through FY03/20.

FY03/17	
Net sales	JPY377.2bn
Ordinary income (Ratio to net sales)	JPY12.5bn (3.3%)
ROA (Ordinary income)	8.6%
ROE (Net income)	8.7%

FY03/20	
Net sales	JPY420bn
Ordinary income (Ratio to net sales)	JPY22bn(5.2%)

Numerical management targets	
ROA (Ordinary income)	10% or higher
ROE (Net income)	10% or higher

Cocokara Fine Inc.

<http://corp.cocokarafine.co.jp/english/>

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Some of the information appearing on this book contains mention of the future performance of the Company. These forward-looking statements do not guarantee future performance and include risk and uncertainties. The actual performance of the Company may differ from such statements due to changes in the business environment or other factors.