



## Consolidated Financial Results for the Fiscal Year Ended May 2023 [Japanese GAAP]

June 21, 2023

Company name: SATUDORA HOLDINGS CO., LTD. Listing: Tokyo Stock Exchange, Sapporo Securities Exchange  
 Securities code: 3544 URL: <https://satudora-hd.co.jp>  
 Representative: Hiroki Tomiyama, President, CEO  
 Contact: Daisuke Kagaya, Group Leader of Business Management Group, TEL 011-788-5166  
 Scheduled date of holding the ordinary general meeting of shareholders: August 9, 2023  
 Scheduled date of payment of dividend: August 10 2023  
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 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results explanation meeting: Yes (For institutional investors and analysts)

(Rounded down to the nearest million yen)

### 1. Consolidated financial results for the fiscal year ended May 2023 (May 16, 2022-May 15, 2023)

#### (1) Consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY May 2023	87,481	5.5	299	△ 59.9	327	△ 58.7	87	△ 72.5
FY May 2022	82,905	△ 0.4	747	16.7	793	30.5	316	△ 44.9

(Note) Comprehensive income FY May 2023: 67 million yen (△78.0%) FY May 2022: 306 million yen (△43.6%)

	Net income per share	Diluted net income per share	Return on equity	Return on Asset	Operating profit margin
	Yen	Yen	%	%	%
FY May 2023	6.33	6.32	1.0	0.8	0.3
FY May 2022	22.98	22.98	3.6	2.0	0.9

(Note) The Company conducted a 3-for-1 stock split of common shares effective November 16, 2021. As a result, net income per share and diluted net income per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 15, 2022.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY May 2023	43,027	8,834	20.3	632.18
FY May 2022	41,398	8,888	21.2	637.45

(Note) Equity FY May 2023: 8,726 million yen FY May 2022: 8,792 million yen

#### (3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY May 2023	△ 1,769	△ 2,873	4,000	2,315
FY May 2022	1,282	△ 2,235	1,272	2,957

## 2. Dividends

	Dividend per share					Total dividend (Total)	Dividend payout ratio (consolidated)	Net asset dividend rate (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY May 2022	-	0.00	-	9.34	9.34	128	40.6	1.5
FY May 2023	-	0.00	-	10.00	10.00	138	158.1	1.6
FY May 2024 (forecast)	-	0.00	-	10.00	10.00		46.0	

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending May 2024 (May 16, 2023 - May 15, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	95,000	8.6	1,000	233.9	1,000	205.5	300	243.7	21.73

## ※ Notes

(1) Changes in significant subsidiaries during the period (changes in the scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

- |   |      |
|---|------|
| ① Changes in accounting policies due to revisions in accounting standards : | Yes  |
| ② Changes in accounting policies other than ① :                             | None |
| ③ Changes in accounting-based estimates :                                   | None |
| ④ Restatements :  | None |

(Note) For details, please refer to "3. Consolidated financial statements and notes, (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 13 of the attached materials.

(3) Number of shares outstanding (common shares)

- ① Number of shares outstanding as of the end of the period (including treasury shares)
- ② Number of treasury shares as of the end of the period
- ③ Average number of shares outstanding during the period

FY May 2023	14,236,564 shares	FY May 2022	14,226,000 shares
FY May 2023	432,803 shares	FY May 2022	432,747 shares
FY May 2023	13,800,035 shares	FY May 2022	13,789,595 shares

(Note) The Company conducted a 3-for-1 stock split of common shares effective November 16, 2021. As a result, the number of outstanding shares (common stock) is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 15, 2022.

※ This summary report is not subject to review by certified public accountants or auditing firms

※ Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to our company's management at the time these materials were prepared, but are not promises regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

○ Table of contents

1. Qualitative information on consolidated financial results for the full year	2
(1) Explanation of operating results	2
(2) Explanation of financial position	4
(3) Overview of current fiscal year's cash flows	4
(4) Future outlook	5
(5) Material events related to going concern assumptions	5
2. Basic policy regarding selection of accounting standards	5
3. Consolidated financial statements and notes	6
(1) Consolidated balance sheet	6
(2) Consolidated statements of income and comprehensive income	8
(3) Consolidated statement of changes in equity	10
(4) Consolidated statements of cash flows	11
(5) Notes to consolidated financial statements	13
(Going concern assumption)	13
(Changes in accounting policies)	13
(Change in method of presentation)	13
(Segment information)	13
(Information about earnings per share)	16
(Important subsequent event)	16

## 1. Qualitative Information on Consolidated Financial Results for the Full Year

### (1) Explanation of operating results

In the current consolidated fiscal year (May 16, 2022 to May 15, 2023), Japanese economy activities began normalizing due to the easing of behavioral restrictions and other factors amid the continuing impact of the COVID-19 pandemic. However, the future economic outlook remains uncertain due to such factors as the impact of rising energy and raw material prices on consumer spending.

In the drugstore industry, in which the Group mainly operates, the business environment surrounding the Group continues to be challenging due to intensifying competition across industry boundaries, competition to open new stores among existing companies, and oligopolistic consolidation through M&As.

In response to these circumstances, under the theme of "evolving into a regional integrated lifestyle group" in its medium-term management plan ending in May 2026, the Group is engaged in three growth strategies of "integrated lifestyle store strategy," "regional platform strategy," and "collaboration strategy" and organizational strategies, aiming to grow as a group while differentiating ourselves from our competitors by expanding our business domain from retail that only "sells goods" to the area of lifestyle services that provide "goods × services" while strengthening the earnings base of our core retail business.

In the integrated lifestyle store strategy, the number of stores handling fresh foods increased by 18 this fiscal year as part of our line-robbing effort to expand product categories. In addition, we are working to create stores that are supported by local residents through comprehensive efforts to provide lifestyle services, such as expanding the number of stores with dispensing facilities and continuing to hold in-store nutritional consultation sessions with nutritionists.

As for the regional platform strategy, the number of members of Hokkaido's common point card "EZOCA" surpassed 2.1 million as of the end of April 2023. The EZOCA ecosystem continues to grow, with the number of partner stores also expanding to 800 stores with 200 companies. The "Esashi EZOCA," which was launched as part of the initiatives based on a comprehensive cooperation agreement with Esashi Town, incorporates a system whereby a portion of the customer's purchase price is returned to the town with the aim of contributing to the revitalization of the local economy. Together with the town, we are also engaged in a MaaS demonstration experiment to improve transportation convenience to implement a revenue cycle model within society by utilizing and verifying data acquired from the Esashi EZOCA.

As part of our collaboration strategy, we have newly concluded various agreements with Sapporo Jikei Gakuen Sapporo Shinyo High School, Hokkaido Bunkyo University, Kamikawa Town, Koshimizu Town, Tobetsu Town, Kuriyama Town, Tokachi Mainichi Newspaper, Inc. and NisekoMachi Co., Ltd. to contribute to the sustainable development of the region and resolution of social issues. As of May 2023, we have signed more than 40 different agreements with local governments, businesses, etc. Furthermore, the effective and sustained promotion of these strategies requires a greater sense of speed, including in its collaboration with various companies in Japan and abroad beyond the Group as well as the acquisition of new insight and technology and more. Therefore, we established a corporate venture capital company (S Ventures Co., Ltd.) in October 2022 that invests in early to middle stage startup companies in Japan and abroad to produce synergy between existing businesses as well as create new businesses.

In terms of organizational strategy, we established a D&I Committee in order to create an environment in which diverse human resources can play an active role, and we are actively promoting health management through the establishment of a Chief Health Officer (CHO) and the enactment of the Satudora Group Health and Productivity Management Declaration, for which we were certified by the Ministry of Economy, Trade and Industry, and the Nippon Kenko Kaigi as a 2023 Certified Health & Productivity Management Outstanding Organization on March 8, 2023. We have also strengthened our governance structure and implemented the application of all principles of the Corporate Governance Code.

As a result of the above, net sales were 87,481 million yen (up 5.5%, or 4,575million yen, year on year), while operating profit was 299 million yen (down 59.9%, or 447 million yen, year on year) and ordinary profit was 327 million yen (down 58.7%, or 465 million yen, year on year) due to loss of valuation on alcohol sanitizers and other products related to the COVID-19 pandemic. The inclusion of extraordinary losses (impairment loss, etc.) led to profit attributable to owners of the parent of 87 million yen (down 72.5%, or 229 million yen, year on year).

An overview of the segment performance is as follows.

The classification of reportable segments has been changed from the first quarter of the current fiscal year. Therefore, year-on-year comparisons are calculated based on the reclassified figures for the same period of the previous fiscal year. Details are provided in " 3. Consolidated financial statements and note (5) Notes to consolidated financial statements (Segment information)".

#### <Retail Business>

We operate a chain of drugstore-format stores aimed at becoming a dominant player primarily in Hokkaido, as well as dispensing pharmacies and inbound format stores in tourist areas and other locations which many foreign visitors to Japan frequent. On the sales front, we aim to promote a low-price strategy centered on Everyday Same Low Price (ESLP) in order to gain more customer support and to improve operational efficiency by leveling work operations. We also aim to expand product categories by strengthening line-robbing, including fresh foods. In addition, we are working to promote digital marketing with our official apps. As for dispensing pharmacies, in addition to the operation of near hospital pharmacies, we have also established them within drugstores. At the same time, we are working to provide lifestyle services such as fitness businesses and nutrition counseling sessions by registered dietitians.

During the consolidated fiscal year under review, the number of customers decreased due to a decline in the frequency of customer visits, as customers became increasingly aware of the need to protect their lives in the face of rising prices. However, sales were higher than the previous year due to the increased sales from the implementation of vaccine and test packages and medical antigen test kits, as well as the reopening of inbound-format stores, that had been temporarily closed, in response to the recovery in the number of foreign visitors to Japan. However, operating profit was a lower year on year due to the recording of loss of valuation on alcohol sanitizers and other products related to the COVID-19 pandemic.

The status of store openings and closures is as shown in the table below.

(Status of store openings and closures)

Store classification	Format classification	As of May 15, 2022	Openings	Closures	As of May 15, 2023
Drugstores	Drugstore format	175 stores	7 stores	6 stores	176 stores
	Inbound format	14 stores	-	1 store	13 stores
Pharmacies	Near hospital pharmacies	10 stores	-	-	10 stores
Other stores	The Kurashi Store of Hokkaido	2 stores	1 store	-	3 stores
Total		201 stores	8 stores	7 stores	202 stores

As a result of the above, sales in the retail business segment amounted to 86,346 million yen (up 5.2%, or 4,294 million yen year on year), and segment profit amounted to 287 million yen (down 56.4%, or 372 million yen year on year).

#### <Other Businesses>

The Group is engaged in the regional marketing and payment service businesses utilizing the Hokkaido's common point card "EZOCA", development and sales of POS applications and other services aimed at solving issues from the user's perspective, operation of programming schools for elementary and junior high school students, and information provision services for domestic and overseas corporations, a CVC service to produce synergy between existing businesses as well as create new business, and more.

As of the end of April 2023, the number of members of "EZOCA," Hokkaido's common point card, which is our Group's strength, surpassed 2.1 million. In the payment service business, domestic cashless payment expanded due to the increased need for contactless payment, but in the POS system development business, we experienced decreases in reaction to orders for large projects in the previous fiscal year resulting in net sales in the other businesses segment of 1,527 million yen (up 24.6%, or 301 million yen year on year) and segment profit of 13 million yen (down 67.6%, or 27 million yen year on year).

## (2) Explanation of financial position

### (Assets)

Current assets at the end of the current consolidated fiscal year were 19,620 million yen, an decrease of 448 million yen from the end of the previous consolidated fiscal year. This was mainly due to an decrease of 453 million yen in accounts receivable-trade due to the last day of the previous consolidated fiscal year being a holiday for financial institutions, as well as an increase of 690 million yen in accounts receivable-other, and a decrease of 641 million yen in Cash and deposits. Non-current assets amounted to 23,406 million yen, an increase of 2,077 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,119 million yen in property, plant and equipment , 445 million yen in investment securities and 289 million yen in leasehold and guarantee deposits.

As a result, total assets were 43,027 million yen, an increase of 1,628 million yen from the end of the previous consolidated fiscal year.

### (Liabilities)

Current liabilities at the end of the current consolidated fiscal year were 20,795 million yen, an increase of 2,429 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 5,200 million yen in short-term borrowings and a decrease of 3,803 million yen in accounts payable-trade due to the last day of the previous consolidated fiscal year being a holiday for financial institutions, as well as an increase of 770 million yen in accounts payable - other. Non-current liabilities amounted to 13,397 million yen, an decrease of 746 million yen from the end of the previous consolidated fiscal year. This was mainly due to an decrease in long-term borrowings of 994 million yen.

As a result, total liabilities were 34,192 million yen, an increase of 1,682 million yen from the end of the previous consolidated fiscal year.

### (Net assets)

Total net assets at the end of the current consolidated fiscal year were 8,834 million yen, an decrease of 54 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 128 million yen in retained earnings due to dividends of surplus, and also an increase of 87 million yen due to profit attributable to owners of parent.

As a result, the equity ratio was 20.3% (21.2% at the end of the previous consolidated fiscal year).

## (3) Overview of current fiscal year's cash flows

The balance of cash and cash equivalents (hereinafter referred to as “capital”) for the current consolidated fiscal year was 2,315 million yen.

The status of each cash flow and its factors in the current consolidated fiscal year are as follows.

### (Cash flows from operating activities)

Capital used for operating activities amounted to 1,769 million yen (acquired 1,282 million yen, in the same period of the previous fiscal year). This was mainly due to increases in depreciation and amortization of 1,279 million yen and a decrease in notes and accounts receivable - trade of 453 million yen on a financial institution holiday, and decreases in notes and accounts payable - trade of 3,803 million yen on a financial institution holiday.

### (Cash flows from investing activities)

Capital used for investing activities amounted to 2,873 million yen (expenditures of 2,235 million yen, in the same period of the previous fiscal year). This was mainly due to expenditures of 2,036 million yen for the purchase of property, plant and equipment , 460 million yen for the purchase of investment securities and 612 million yen for payments for leasehold and guarantee deposits.

### (Cash flows from financing activities)

Capital obtained as a result of financing activities amounted to 4,000 million yen (acquired 1,272 million yen, in the same period of the previous fiscal year). This was mainly due to a net increase of 5,200 million yen in short-term borrowings due to financial institutions holidays, repayment of long-term borrowings of 1,014 million yen, and cash dividends paid of 128 million yen.

#### (4) Future outlook

While the downgrade of the legal status of COVID-19 to a Class 5 infectious disease is expected to lead to greater normalization of socioeconomic activities, the outlook for the Japanese economy for the coming fiscal year is expected to remain uncertain due to geopolitical risks from the situation in Ukraine and the rising prices of energy and raw materials.

As for the environment surrounding our Group, while the drugstore industry's market size is expanding due to the aggressive opening of new stores and expansion of product lineups by various companies, the business environment is expected to remain severe due to intensifying competition across industry boundaries, competition among existing companies to open new stores, and oligopoly through M&As.

Under these circumstances, in the coming consolidated fiscal year, we will strengthen the earnings base of our core retail business by opening new stores, expanding the handling of fresh food, pursuing ESLP, and promoting digital marketing based on the Satsudora app to "evolve into a regional integrated lifestyle group," the theme of our medium-term management plan ending May 15, 2026. By expanding our business domain from a retailer that only "sells goods" to a lifestyle services provider that provides "goods × services" by expanding the EZOCA ecosystem, selling cloud POS and EZOCA-related data externally, and further expanding cashless payment services and more, we will strive for the growth of the entire group while differentiating ourselves from our competitors. Demand from inbound travelers is expected to recover further, and demand for both cosmetics, influenced by lifestyle changes, and drugs, influenced by the establishment of infection prevention measures, are also expected to recover gradually.

Based on the above, for the coming fiscal year, we forecast consolidated net sales of 95,000 million yen, operating profit of 1,000 million yen, ordinary profit of 1,000 million yen, and profit attributable to owners of parent of 300 million.

#### (5) Material events related to going concern assumptions

Not applicable.

## 2. Basic policy regarding selection of accounting standards

The Group applies Japanese accounting standards to ensure comparability with other companies in the same industry in Japan.

**3. Consolidated financial statements and notes****(1) Consolidated balance sheet**

(Millions of yen)

	Previous consolidated fiscal year (May 15, 2022)	Current consolidated fiscal year (May 15, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,957	2,315
Accounts receivable - trade	3,085	2,632
Merchandise	10,771	10,852
Accrued receivable - other	2,681	3,372
Income taxes receivable	88	14
Other	484	431
Total current assets	20,069	19,620
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,651	14,269
Accumulated depreciation	△5,293	△5,896
Buildings and structures, net	7,358	8,373
Tools, furniture and fixtures	3,933	4,186
Accumulated depreciation	△3,104	△3,405
Tools, furniture and fixtures, net	829	780
Land	3,869	3,972
Leased assets	1,770	1,878
Accumulated depreciation	△989	△1,072
Leased assets, net	781	805
Construction in progress	239	264
Total property, plant and equipment	13,077	14,197
Intangible assets	451	397
Investments and other assets		
Investment securities	263	708
Leasehold and guarantee deposits	6,222	6,512
Deferred Tax Assets	896	1,215
Other	435	387
Allowance for doubtful accounts	△18	△11
Total investment and other assets	7,799	8,812
Total non-current assets	21,329	23,406
<b>Total assets</b>	<b>41,398</b>	<b>43,027</b>



(Millions of yen)

	Previous consolidated fiscal year (May 15, 2022)	Current consolidated fiscal year (May 15, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	12,334	8,531
Short-term borrowings	300	5,500
Current portion of long-term borrowings	1,014	994
Accounts payable - other	3,246	4,017
Lease obligations	59	82
Income taxes payable	51	289
Accrued consumption taxes	30	20
Provision for bonuses	536	592
Other	794	768
Total current liabilities	18,366	20,795
Non-current liabilities		
Long-term borrowings	11,734	10,740
Lease obligations	769	794
Retirement benefit liability	634	689
Asset retirement obligations	532	729
Other	472	442
Total non-current liabilities	14,143	13,397
Total liabilities	32,510	34,192
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,000	1,003
Capital surplus	2,095	2,098
Retained earnings	6,061	6,019
Treasury shares	△299	△299
Total shareholders' equity	8,857	8,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	△0
Deferred gains or losses on hedges	-	△35
Foreign currency translation adjustment	△65	△65
Remeasurements of defined benefit plans	△0	3
Total accumulated other comprehensive income	△65	△96
Share acquisition rights	4	4
Non-controlling interests	91	103
Total net assets	8,888	8,834
Total liabilities and net assets	41,398	43,027

## (2) Consolidated statements of income and comprehensive income

## Consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)	Current consolidated fiscal year (May 16, 2022 - May 15, 2023)
Net sales	82,905	87,481
Cost of sales	62,862	66,244
Gross profit	20,042	21,236
Selling, general and administrative expenses	19,295	20,937
Operating profit	747	299
Non-operating income		
Interest and dividend income	19	20
Gain on donation of non-current assets	25	17
Foreign exchange gains	22	5
Gain on sale of goods	8	19
Other	66	101
Total non-operating income	143	163
Non-operating expenses		
Interest expenses	92	126
Commission expenses	2	1
Other	2	8
Total non-operating expenses	97	136
Ordinary profit	793	327
Extraordinary income		
Gain on sales of non-current assets	41	2
Gain on sale of investment securities	-	29
Total extraordinary income	41	32
Extraordinary losses		
Loss on valuation of investment securities	-	2
Loss on retirement of non-current assets	14	1
Impairment losses	376	177
Loss on store closings	12	2
Total extraordinary losses	402	183
Profit before income taxes	431	176
Income taxes-current	184	380
Income taxes-deferred	△81	△302
Total income taxes	102	77
Profit	328	98
Profit attributable to non-controlling interests	11	11
Profit attributable to owners of parent	316	87

## Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)	Current consolidated fiscal year (May 16, 2022 - May 15, 2023)
Profit	328	98
Other comprehensive income		
Valuation difference on available-for-sale securities	△3	△1
Deferred gains or losses on hedges	-	△35
Foreign currency translation adjustment	△22	0
Remeasurements of defined benefit plans	4	4
Total other comprehensive income	△21	△31
Comprehensive income	306	67
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	295	55
Comprehensive income attributable to non-controlling interests	11	11

## (3) Consolidated statement of changes in equity

Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,000	2,099	5,873	△306	8,666	4	-	△42	△5	△43	4	44	8,672
Changes during period													
Dividends of surplus			△128		△128								△128
Profit attributable to owners of parent			316		316								316
Purchase of treasury shares					-								-
Disposal of treasury shares		0		6	6								6
Capital increase of consolidated subsidiaries		△3			△3							35	31
Issuance of new stock					-								-
Net changes of items other than shareholders' equity						△3	-	△22	4	△21	-	11	△9
Total changes during period	-	△3	188	6	191	△3	-	△22	4	△21	-	46	216
Balance at end of period	1,000	2,095	6,061	△299	8,857	1	-	△65	△0	△65	4	91	8,888

Current consolidated fiscal year (May 16, 2022 - May 15, 2023)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,000	2,095	6,061	△299	8,857	1	-	△65	△0	△65	4	91	8,888
Changes during period													
Dividends of surplus			△128		△128								△128
Profit attributable to owners of parent			87		87								87
Purchase of treasury shares				△0	△0								△0
Disposal of treasury shares					-								-
Capital increase of consolidated subsidiaries					-								-
Issuance of new stock	3	3			6								6
Net changes of items other than shareholders' equity					-	△1	△35	0	4	△31	-	11	△19
Total changes during period	3	3	△41	△0	△34	△1	△35	0	4	△31	-	11	△54
Balance at end of period	1,003	2,098	6,019	△299	8,822	△0	△35	△65	3	△96	4	103	8,834

## (4) Consolidated statements of cash flows

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)	Current consolidated fiscal year (May 16, 2022 - May 15, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	431	176
Depreciation and amortization	1,203	1,279
Impairment loss	376	177
Increase (decrease) in Allowance for doubtful accounts	△58	△6
Increase (decrease) in provision for bonuses	16	56
Increase (decrease) in retirement benefit liability	60	55
Interest and dividend income	△19	△20
Gain on donation of non-current assets	△25	△17
Loss (gain) on sales of non-current assets	△41	△2
Interest expenses	92	126
Loss on retirement of non-current assets	14	1
Loss on store closings	12	2
Loss (gain) on sale of investment securities	-	△29
Amortization of deferred assets	1	-
Decrease (increase) in trade receivables	△317	453
Decrease (increase) in inventories	△335	7
Increase (decrease) in trade payables	699	△3,803
Increase (decrease) in accrued consumption taxes	△462	△82
Other	65	51
<b>Subtotal</b>	<b>1,715</b>	<b>△1,574</b>
Interest and dividends received	0	1
Interest paid	△90	△125
Income taxes paid	△359	△158
Income taxes refund	15	88
<b>Net cash provided by (used in) operating activities</b>	<b>1,282</b>	<b>△1,769</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	△1,884	△2,036
Proceeds from sales of property, plant and equipment	249	25
Purchase of intangible assets	△148	△134
Purchase of investment securities	△202	△460
Proceeds from sales of investment securities	-	34
Payments of leasehold and guarantee deposits	△514	△612
Proceeds from refund of leasehold and guarantee deposits	250	320
Guarantee deposits received	2	9
Refund of guarantee deposits received	△11	△13
Collection of loans receivable	20	-
Other	5	△5
<b>Net cash provided by (used in) investing activities</b>	<b>△2,235</b>	<b>△2,873</b>

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)	Current consolidated fiscal year (May 16, 2022 - May 15, 2023)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	200	5,200
Proceeds from long-term borrowings	1,600	-
Repayments of long-term borrowings	△375	△1,014
Repayments of lease obligations	△53	△56
Dividends paid	△128	△128
Proceeds from capital increase of consolidated subsidiaries	31	-
Other	-	△0
Net cash provided by (used in) financing activities	1,272	4,000
Effect of exchange rate change on cash and cash equivalents	△22	0
Net increase (decrease) in cash and cash equivalents	297	△641
Cash and cash equivalents at beginning of period	2,659	2,957
Cash and cash equivalents at end of period	2,957	2,315

## (5) Notes to consolidated financial statements

### (Going concern assumption)

Not applicable.

### (Changes in accounting policies)

#### (Application of the Guidance on Accounting Standard for Fair Value Measurement)

The "Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021. Hereinafter, the "Guidance on Fair Value Measurement Accounting Standard") will be applied from the beginning of the current consolidated first quarter, and the new accounting policies stipulated by the Guidance on Fair Value Measurement Accounting Standard will be applied prospectively following transitional treatment based on Paragraph 27-2 of the Guidance on Fair Value Measurement Accounting Standard. This change has no impact on the quarterly consolidated financial statements.

### (Change in method of presentation)

#### (Consolidated balance sheet related)

"Gain on sale of goods," which was included in "other" under "non-operating income" in the previous consolidated fiscal year, is presented as a separate line item in the current consolidated fiscal year due to its increased importance in terms of its amount. To reflect this change in presentation, we have reclassified the consolidated financial statements for the previous consolidated fiscal year.

Accordingly, the 75 million yen presented as "other" under "non-operating income" in the consolidated balance sheets for the previous fiscal year has been reclassified as "gain on sale of goods" of 8 million yen and "other" of 66 million yen.

### (Segment Information)

#### (Segment Information)

##### 1. Overview of reportable segments

Our reportable segments have separate financial information available from our constituent units and are subject to regular review by the Board of Directors to determine resource allocation decisions and assess performance.

The Group is engaged in one business: the "retail business" that operates drug stores and dispensing pharmacies.

Effective from the current consolidated fiscal year, the "IT Solutions Business" has been reclassified from a reportable segment to "Other" due to its low quantitative materiality.

The segment information for the previous consolidated fiscal year is disclosed based on the reportable segment classification for the current consolidated fiscal year.

##### 2. Calculation method for the amount of sales, profit or loss, assets, liabilities and other items for each reportable segment

The method of accounting for the reported business segments is in line with the accounting policies adopted to prepare the consolidated financial statements.

Profit for the reportable segments is based on operating profit. Internal rates of return and transfers between segments are based on prevailing market prices.

3. Information on the amount of net sales, profits or losses, assets, liabilities, and other items for each reportable segment and information on revenue breakdown.

Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in consolidated financial statements (Note) 3
	Retail Business				
Net sales					
Drugstore	76,619	—	76,619	—	76,619
Inbound	443	—	443	—	443
Pharmacy	3,726	—	3,726	—	3,726
Other	541	889	1,431	—	1,431
Revenue arising from contracts with customers	81,331	889	82,221	—	82,221
Other revenues	667	16	683	—	683
External sales	81,998	906	82,905	—	82,905
Inter-segment sales and transfers	53	319	373	△373	—
Total	82,051	1,226	83,278	△373	82,905
Segment profit	659	41	700	47	747
Segment assets	38,655	3,049	41,704	△305	41,398
Other					
Depreciation	1,195	9	1,205	△1	1,203
Impairment loss	376	-	376	—	376
Increase in property, plant and equipment and intangible assets	2,610	15	2,626	△11	2,615

(Notes)

- The "Other" category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
- The 47 million yen adjustment to segment profit includes elimination of income and loss inter-segment transactions of 619 million yen and expenses related to the operation of the holding company of -572 million yen.  
The -305 million yen adjustment to segment assets was eliminated by offsetting with consolidated subsidiaries of -9,003 million yen and the assets of the holding company not allocated to the reportable segment which were 8,697 million yen.
- Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statement.



## Current consolidated fiscal year (May 16, 2022- May 15, 2023)

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in consolidated financial statements (Note) 3
	Retail Business				
Net sales					
Drugstore	78,229	—	78,229	—	78,229
Inbound	2,534	—	2,534	—	2,534
Pharmacy	4,155	—	4,155	—	4,155
Other	663	1,132	1,795	—	1,795
Revenue arising from contracts with customers	85,582	1,132	86,715	—	86,715
Other revenues	709	56	766	—	766
External sales	86,292	1,188	87,481	—	87,481
Inter-segment sales and transfers	54	338	393	△393	—
Total	86,346	1,527	87,874	△393	87,481
Segment profit	287	13	300	△1	299
Segment assets	40,156	4,283	44,440	△1,412	43,027
Other					
Depreciation	1,260	20	1,280	△1	1,279
Impairment loss	177	—	177	—	177
Increase in property, plant and equipment and intangible assets	2,233	310	2,544	△4	2,540

(Notes)

- The “Other” category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
- The -1 million yen adjustment to segment profit includes elimination of income and loss inter-segment transactions of 650 million yen and expenses related to the operation of the holding company of -652 million yen.  
The -1,412 million yen adjustment to segment assets was eliminated by offsetting with consolidated subsidiaries of -10,565 million yen and the assets of the holding company not allocated to the reportable segment which were 9,152 million yen.
- Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statement.

## (Information about earning per share)

	Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)	Current consolidated fiscal year (May 16, 2022 - May 15, 2023)
Net assets Per Share	637.45 yen	632.18 yen
Net income per share	22.98 yen	6.33 yen
Diluted net income per share	22.98 yen	6.32 yen

(Note) 1. The basis for calculating net income per share and diluted net income per share is as follows.

Items	Previous consolidated fiscal year (May 16, 2021 - May 15, 2022)	Current consolidated fiscal year (May 16, 2022 - May 15, 2023)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	316	87
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to the owners of the parent company in relation to common shares (millions of yen)	316	87
Average number of shares of common shares during the period	13,789,595	13,800,035
Diluted net income per share		
Net income adjustment amount attributable to owners of the parent company (millions of yen)	—	—
Increase in the number of common shares	2,420	5,319

2. The Company conducted a 3-for-1 stock split of common shares effective November 16, 2021. Net assets per share, net income per share and diluted net income per share are calculated on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

## (Important subsequent event)

Not applicable.