



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending May 2024 [Japanese GAAP]

December 20, 2023

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 Securities code: 3544 URL: <https://satudora-hd.co.jp>
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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results explanation meeting: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results for the second quarter of the fiscal year ending May 2024 (May 16, 2023-November 15, 2023)

(1) Consolidated operating results (cumulative)

(Percentages represent changes from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
November 15, 2023	47,813	11.3	681	103.4	625	75.2	328	46.1
November 15, 2022	42,952	2.6	334	25.8	357	17.6	224	26.6

(Note) Comprehensive income Six months ended November 15, 2023: 349 million yen (51.7%)
 Six months ended November 15, 2022: 230 million yen (39.2%)

	Quarterly net income per share	Diluted quarterly net income per share
Six months ended	Yen	Yen
November 15, 2023	23.77	23.76
November 15, 2022	16.28	16.28

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
November 15, 2023	44,324	9,058	20.2
May 15, 2023	43,027	8,834	20.3

(Note) Equity As of November 15, 2023: 8,948 million yen
 As of May 15, 2023: 8,726 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended May 15, 2023	-	0.00	-	10.00	10.00
Ending May 15, 2024	-	0.00			
Ending May 15, 2024 (forecast)			-	10.00	10.00

(Note) Changes from the recently announced dividend forecast: None

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	21.72

(Note) Changes from the latest announced earnings forecast: None

※ Notes

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

(2) Application of special accounting methods in preparation of the quarterly consolidated financial statement: Yes

(Note) For details, please refer to "2. Quarterly consolidated financial statements and notes, (3) Notes to quarterly consolidated financial statements (Application of special accounting methods in preparation of the quarterly consolidated financial statement)" on page 9 of the attached materials.

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

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

(4) Number of shares outstanding (common shares)

① Number of shares outstanding as of the end of the period (including treasury shares)	As of November 15, 2023	14,236,564 shares	As of May 15, 2023	14,236,564 shares
② Number of treasury shares as of the end of the period	As of November 15, 2023	422,075 shares	As of May 15, 2023	432,803 shares
③ Average number of shares outstanding during the period (quarterly cumulative)	Six months ended November 15, 2023	13,806,500 shares	Six months ended November 15, 2022	13,796,353 shares

※ Quarterly financial statements are not subject to quarterly reviews 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.

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1. Qualitative Information on the Current Quarterly Financial Results

(1) Explanation of operating results

In the first half of the current consolidated fiscal year (May 16, 2023 to November 15, 2023), the Japanese economy has continued to normalize due to the downgrading of COVID-19 to a Class 5 infectious disease, and while there have been signs of economic recovery, the outlook remains uncertain due to such factors as geopolitical risks, the impact of rising prices due to energy and raw material price hikes, and more.

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, we expanded stores handling fresh foods, as part of our effort to expand stores with dispensing facilities and our line-robbing effort to expand product categories. We are also working to strengthen our earnings base by promoting a price strategy centered on Everyday Same Low Price (ESLP) and digital marketing with the Satudora app.

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 October 2023. The EZOCA ecosystem continues to grow, with the number of partner stores also expanding to 950 stores with 250 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 entered into a new partnership agreement with Yamato Transport Co., Ltd. to contribute to the sustainable development of the region and resolution of social issues by supporting the shopping environment in small commercial areas and streamlining logistics. As of November 2023, we have signed more than 40 different agreements with local governments, businesses, etc.

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 also established a new Chief Human Resource Officer (CHRO) as we work to strengthen the creation and execution of human resource strategies that will help achieve our business strategies. 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. 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, consolidated net sales for the first half of the current fiscal year were 47,813 million yen (up 11.3%, or 4,860 million yen, year on year), operating profit was 681 million yen (up 103.4%, or 346 million yen, year on year), ordinary profit was 625 million yen (up 75.2%, or 268 million yen, year on year), and profit attributable to owners of parent was 328 million yen (up 46.1%, or 103 million yen, year on year).

An overview of the segment performance is as follows.

<Retail Business>

Our operations center on drugstore format stores aimed at becoming a dominant player primarily in Hokkaido and dispensing pharmacies, as well as inbound format stores in tourist areas that many foreign visitors to Japan frequent. As for dispensing pharmacies, in addition to the operation of standalone pharmacies, we have also established them within drugstores.

On the drugstore format store sales front, we aim to promote a price strategy centered on ESLP in order to gain more customer support and to improve operational efficiency by leveling work operations, as well as expand product categories by strengthening line-robbing, including fresh foods. In addition, we are working to promote digital marketing with the Satudora app.

During the first half of the current consolidated fiscal year, despite a decrease in the number of items purchased per customer in response to conservative spending due to price hikes as well as a decrease in sales of relevant products as the COVID-19 pandemic subsides, returning traffic and strong performance of seasonal products resulted in higher sales compared to the same period last year for the drugstore format.

In terms of the inbound format, closed stores were gradually reopened and were able to capture demand from foreign visitors to Japan, resulting in higher sales compared to the same period last year. As for dispensing pharmacies, increased revenue from newly opened dispensing pharmacies as well as increased premiums for the local support system and for the generics dispensing system led to higher sales compared to the same period last year.

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 May15, 2023	Openings	Closures	As of November 15, 2023
Drugstores	Drugstore format	176 stores	3 stores	2 stores	177 stores
	(Dispensing pharmacies within drugstores)	(15 stores)	(1 store)	(-)	(16 stores)
	Inbound format	13 stores	-	3 stores	10 stores
Standalone pharmacies	Standalone pharmacies	10 stores	1 store	-	11 stores
Other stores	The Kurashi Store of Hokkaido	3 stores	-	2 stores	1 store
Total		202 stores	4 stores	7 stores	199 stores

As a result of the above, sales in the retail business segment amounted to 47,166 million yen (up 11.2%, or 4,733 million yen year on year), and segment profit amounted to 663 million yen (up 100.6%, or 332 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 October 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.

Other Business segment sales amounted to 861 million yen (up 20.5%, or 146 million yen year on year) with segment profits of 7 million yen (a segment loss of 0 million yen in the same period of the previous fiscal year, an increase of 8 million yen year on year).

(2) Explanation of financial position

Total assets at the end of the second quarter of the current consolidated fiscal year were 44,324 million yen, an increase of 1,297 million yen from the end of the previous consolidated fiscal year. This was due mainly to increases of 344 million yen in cash and deposits, 191 million yen in accounts receivable-trade, and 757 million yen in property, plant and equipment.

Total liabilities were 35,266 million yen, an increase of 1,073 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 966 million yen in accounts payable-trade and 322 million yen in current liabilities-other despite a decrease of 497 million yen in long-term borrowings (including long-term borrowings scheduled to be repaid within one year).

Total net assets were 9,058 million yen, an increase of 223 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 328 million yen in retained earnings due to quarterly net profit attributable to owners of parent, despite the decrease of 138 million yen in retained earnings due to dividend payments.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

There are no changes to the forecast of consolidated financial results for the fiscal year ending May 15, 2024 from the forecast released on June 21, 2023.

2. Quarterly consolidated financial statements and notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of May 15, 2023	As of November 15, 2023
Assets		
Current assets		
Cash and deposits	2,315	2,660
Accounts receivable-trade	2,632	2,823
Merchandise	10,852	10,912
Other	3,819	3,749
Total current assets	19,620	20,145
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,373	8,577
Land	3,972	4,036
Other, net	1,850	2,340
Total property, plant and equipment	14,197	14,954
Intangible assets	397	448
Investments and other assets		
Leasehold and guarantee deposits	6,512	6,584
Other	2,311	2,203
Allowance for doubtful accounts	△11	△11
Total investment and other assets	8,812	8,776
Total non-current assets	23,406	24,179
Total assets	43,027	44,324

(Millions of yen)

	As of May 15, 2023	As of November 15, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	8,531	9,497
Short-term borrowings	5,500	5,600
Current portion of long-term borrowings	994	988
Income taxes payable	289	251
Provision for bonuses	592	733
Other	4,888	5,211
Total current liabilities	20,795	22,281
Non-current liabilities		
Long-term borrowings	10,740	10,248
Retirement benefit liability	689	716
Asset retirement obligations	729	745
Other	1,237	1,273
Total non-current liabilities	13,397	12,984
Total liabilities	34,192	35,266
Net assets		
Shareholders' equity		
Share capital	1,003	1,003
Capital surplus	2,098	2,103
Retained earnings	6,019	6,210
Treasury shares	△299	△291
Total shareholders' equity	8,822	9,025
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△0	2
Deferred gains or losses on hedges	△35	△18
Foreign currency translation adjustment	△65	△64
Remeasurements of defined benefit plans	3	3
Total accumulated other comprehensive income	△96	△77
Share acquisition rights	4	4
Non-controlling interests	103	105
Total net assets	8,834	9,058
Total liabilities and net assets	43,027	44,324

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

Consolidated cumulative second quarter

(Millions of yen)

	Six months ended November 15, 2022	Six months ended November 15, 2023
Net sales	42,952	47,813
Cost of sales	32,405	36,174
Gross profit	10,547	11,638
Selling, general and administrative expenses	10,213	10,957
Operating profit	334	681
Non-operating income		
Interest and dividend income	9	10
Gain on donation of non-current assets	9	7
Foreign exchange gains	5	0
Other	59	46
Total non-operating income	84	65
Non-operating expenses		
Interest expenses	61	71
Commission expenses	0	41
Other	0	7
Total non-operating expenses	62	121
Ordinary profit	357	625
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sale of investment securities	29	12
Total extraordinary income	29	13
Extraordinary losses		
Loss on store closings	2	36
Loss on retirement of non-current assets	-	6
Total extraordinary losses	2	43
Quarterly profit before income taxes	384	595
Total income taxes	155	264
Quarterly profit	228	330
Quarterly profit attributable to non-controlling interests	4	2
Quarterly profit attributable to owners of parent	224	328

Quarterly consolidated statement of comprehensive income

Consolidated cumulative second quarter

(Millions of yen)

	Six months ended November 15, 2022	Six months ended November 15, 2023
Quarterly profit	228	330
Other comprehensive income		
Valuation difference on available-for-sale securities	0	2
Deferred gains or losses on hedges	-	17
Foreign currency translation adjustment	1	0
Remeasurements of defined benefit plans	0	△0
Total other comprehensive income	1	19
Quarterly comprehensive income	230	349
Comprehensive income attributable to:		
Comprehensive quarterly income attributable to owners of parent	226	347
Comprehensive quarterly income attributable to non-controlling interests	4	2

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Notes in the event of any significant changes in the amount of shareholders' equity)

No applicable items.

(Application of special accounting methods in the preparation of the quarterly consolidated financial statement)

(Calculation of income tax expense)

Income tax expense is calculated by making a reasonable estimate of the effective tax rate after the application of tax effect accounting to the profit before income taxes for the consolidated fiscal year, including the current second quarter consolidated accounting period, and multiplying the quarterly net profit before income taxes by the relevant estimated effective tax rate.

(Segment information)

【Segment Information】

I. Previous consolidated cumulative second quarter (May 16, 2022 - November 15, 2022)

Information on net sales and profits (losses) for each reportable segment, and information on revenue breakdown

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in the quarterly consolidated statement of income (Note) 3
	Retail Business				
Net sales					
Drugstore	39,275	—	39,275	—	39,275
Inbound	317	—	317	—	317
Pharmacy	2,101	—	2,101	—	2,101
Other	346	524	870	—	870
Revenue arising from contracts with customers	42,040	524	42,564	—	42,564
Other revenues	365	22	388	—	388
External sales	42,406	546	42,952	—	42,952
Inter-segment sales and transfers	26	169	195	△195	—
Total	42,433	715	43,148	△195	42,952
Segment profit or loss	330	△0	329	4	334

(Notes)

1. 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.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit or loss is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

II. Current consolidated cumulative second quarter (May 16, 2023 - November 15, 2023)

Information on net sales and profits for each reportable segment, and information on revenue breakdown

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in the quarterly consolidated statement of income (Note) 3
	Retail Business				
Net sales					
Drugstore	41,556	—	41,556	—	41,556
Inbound	2,621	—	2,621	—	2,621
Pharmacy	2,169	—	2,169	—	2,169
Other	431	641	1,073	—	1,073
Revenue arising from contracts with customers	46,778	641	47,420	—	47,420
Other revenues	360	33	393	—	393
External sales	47,138	675	47,813	—	47,813
Inter-segment sales and transfers	27	186	214	△214	—
Total	47,166	861	48,028	△214	47,813
Segment profit	663	7	670	10	681

(Notes)

1. 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.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.