

Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 [Japanese GAAP]



April 8, 2024

Company name: WELCIA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3141

URL: <https://www.welcia.co.jp/>

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Scheduled date of general shareholders' meeting: May 28, 2024

Scheduled date of commencing dividend payments: May 10, 2024

Scheduled date of filing securities report: May 29, 2024

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 - February 29, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
February 29, 2024	1,217,339	6.4	43,231	(5.3)	47,756	(8.4)	26,451	(2.1)
February 28, 2023	1,144,278	11.5	45,635	6.1	52,149	9.6	27,030	2.2

(Note) Comprehensive income: Fiscal year ended February 29, 2024: ¥26,534 million [(4.7)%]

Fiscal year ended February 28, 2023: ¥27,841 million [5.4%]

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
February 29, 2024	127.83	127.75	11.4	8.8	3.6
February 28, 2023	129.38	129.29	12.7	10.4	4.0

(Reference) Equity in earnings of affiliated companies: Fiscal year ended February 29, 2024: ¥(293) million

Fiscal year ended February 28, 2023: ¥(47) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 29, 2024	551,860	244,367	43.0	1,149.88
As of February 28, 2023	537,362	232,384	42.0	1,078.97

(Reference) Equity: As of February 29, 2024: ¥237,553 million

As of February 28, 2023: ¥225,750 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
February 29, 2024	46,529	(22,028)	(26,812)	30,065
February 28, 2023	60,296	(36,068)	(14,849)	32,307

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 28, 2023	–	16.00	–	16.00	32.00	6,708	24.7	3.1
Fiscal year ended February 29, 2024	–	17.00	–	17.00	34.00	7,127	26.6	3.1
Fiscal year ending February 28, 2025 (Forecast)	–	18.00	–	18.00	36.00		27.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 - February 28, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending August 31, 2024	644,300	5.4	26,700	7.9	28,600	6.7	16,000	(1.4)	77.45
Full year	1,287,000	5.7	47,000	8.7	51,000	6.8	27,000	2.1	130.69

*** Notes:**

(1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (), Excluded: – ()

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the year (including treasury stock):

February 29, 2024: 209,656,076 shares

February 28, 2023: 209,652,876 shares

2) Total number of treasury stock at the end of the year:

February 29, 2024: 3,065,122 shares

February 28, 2023: 425,469 shares

3) Average number of shares outstanding during the year:

Year ended February 29, 2024: 206,921,371 shares

Year ended February 28, 2023: 208,916,426 shares

(Note) The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type; February 29, 2024: 2,543,500 shares) and the number of shares of the Company held in the Directors' Remuneration BIP Trust (February 28, 2023: 412,219 shares; February 29, 2024: 507,819 shares) were included in the total number of treasury stock at the end of the year. The number of shares of the Company held in the ESOP Trust, the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type), and the BIP Trust was included in the number of treasury stock, which was to be deducted from the calculation of the average number of shares outstanding during the year (February 28, 2023: 718,595 shares; February 29, 2024: 2,720,427 shares).

(Reference) Summary of Non-consolidated Financial Results**Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (March 1, 2023 - February 29, 2024)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 29, 2024	13,057	12.3	9,279	5.8	9,234	5.6	8,996	26.4
February 28, 2023	11,623	8.1	8,772	7.4	8,741	6.2	7,119	(13.0)

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
February 29, 2024	43.48	43.45
February 28, 2023	34.08	34.05

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
February 29, 2024	146,386	76,828	52.4	371.12
February 28, 2023	142,180	82,608	58.0	394.05

(Reference) Equity: As of February 29, 2024: ¥76,669 million

As of February 28, 2023: ¥82,446 million

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

*** Explanation of the proper use of financial results forecast and other notes**

The earnings forecasts and other forward-looking statements provided herein are based on information available to the Company and certain assumptions deemed reasonable, and the Company does not promise the achievement of those forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions underlying the forecasts and the notes on the use of the forecasts, please refer to “1. Overview of Operating Results, etc., (4) Future Outlook” on page 5 of the attached document.

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	4
(3) Overview of Cash Flows for the Fiscal Year under Review	5
(4) Future Outlook	5
(5) Basic Policy for the Distribution of Profit and the Dividend Payout for the Current and Next Fiscal Years	6
2. Basic Approach Concerning Selection of Accounting Standards	6
3. Consolidated Financial Statements and Principal Notes	7
(1) Consolidated Balance Sheets	7
(2) Consolidated Statements of Income and Comprehensive Income	9
(3) Consolidated Statements of Changes in Equity	12
(4) Consolidated Statements of Cash Flows	14
(5) Notes to Consolidated Financial Statements	16
(Notes on going concern assumption)	16
(Additional information)	16
(Segment information, etc.)	18
(Per share information)	18
(Significant subsequent events)	18

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended February 29, 2024 (March 1, 2023 to February 29, 2024), the economy gradually recovered as there were signs of a pickup in consumer spending due to such factors as the downgrading of COVID-19 to a Class V Infectious Disease, improvements in the employment and income situation, and an increase in the number of foreign visitors to Japan. On the other hand, the outlook for the Japanese economy remains uncertain, as a slowdown in overseas economies due to such factors as a price hike, the impact of global monetary tightening and concerns over the uncertain outlook for the Chinese economy has posed a downside risk on the Japanese economy.

In the drugstore industry, the primary area of the Group's business, competition continues to intensify due to such factors as the competition for new store sites with the competitors, major players expanding their scales of business through mergers and acquisitions, and the expansion of customer services involving players from across different industrial sectors and business formats. In terms of product trends, demand for COVID-19 infection control products and test kits has declined along with the decrease in infections. On the other hand, there is a recovery in inbound demand, reflecting the relaxation of behavioral restrictions in many countries.

Under such circumstances, the Group strove to provide products and services in response to customer needs. In sales of goods, the Group focused on increasing the sales of OTC products such as medicines for the common cold and cosmetics against the backdrop of increasing demand associated with people going out, as well as on the development and sales of its PB products. In the dispensing division, the number of prescriptions handled increased due primarily to an increase in the number of stores with dispensing pharmacies (2,159 stores as of February 29, 2024) and because public sentiment against visiting a hospital has diminished. However, there was a reactionary drop in sales of products such as masks and test kits, which had grown during the COVID-19 pandemic.

With the WAON POINT service introduced in this fiscal year, the number of Welcia members, the Group's point members, has steadily increased to 10.72 million as of February 29, 2024. The Group will continue to step up its measures to attract customers through improvement in the penetration rate of its point-card app.

The Group also managed to optimize selling, general and administrative expenses, by focusing on continuous efforts to optimize store man-hours, and improvements in store operational efficiency primarily through automatic ordering, despite increases in labor costs to actively improve the treatment of employees and advertising expenses resulting from revisions made to its point-based loyalty program.

As part of its vision of 2030, the Group aims to become the "No.1 health station in the community" and will continue to strive to achieve the goal. As part of this initiative, the Group has been operating the "Uetan-go" mobile sales vehicles in an effort to fulfill its role in providing local communities with an infrastructure that offers safety and peace of mind. As of February 29, 2024, 17 units of the "Uetan-go" vehicles are in operation. The mobile sales vehicles are going around intermontane areas where the population is aging, with the aim of providing support for the lives of senior citizens who find daily shopping difficult.

As for store openings and closures, the Group as a whole opened 102 stores and closed 40 stores, for a total of 2,825 stores Group-wide as of February 29, 2024.

As a result of the above, the consolidated operating results for the fiscal year ended February 29, 2024 were ¥1,217,339 million in net sales, ¥43,231 million in operating income, ¥47,756 million in ordinary income, and ¥26,451 million in net income attributable to owners of parent.

In addition, WELCIA HOLDINGS CO., LTD., TSURUHA Holdings Inc., and AEON CO., LTD. have mutually decided to initiate talks regarding a business integration with the objective of enhancing health and wellness for local consumers on a global basis. To achieve this goal, the three parties have entered into a Capital and Business Alliance Agreement, aiming at establishing the largest drugstore alliance in Japan and providing ample growth opportunities for their respective employees by leveraging each company's management resources to the utmost and fostering synergies across various domains through collaborative efforts.

(Unit: No. of Stores)

	No. of stores as of February 28, 2023	Openings	Closures	No. of stores as of February 29, 2024
WELCIA YAKKYOKU	2,145	76	22	2,199
Kokumin	156	6	4	158
Pupule Himawari	134	–	1	133
Marudai Sakurai Pharmacy	96	6	–	102
Shimizu Yakuhin	68	5	2	71
Marue Wellness Stores	60	3	6	57
FUKUYAKUHIN	25	1	1	25
Yodoya	25	–	–	25
French	3	–	1	2
MASAYA	39	1	–	40
Total in Japan	2,751	98	37	2,812
Welcia-BHG (Singapore)	12	4	3	13
Total	2,763	102	40	2,825

(Note) Of the number of stores as of February 29, 2024, 1,913 stores of WELCIA YAKKYOKU, 63 stores of Kokumin, 30 stores of Pupule Himawari, 46 stores of Marudai Sakurai Pharmacy, 49 stores of Shimizu Yakuhin, 32 stores of Marue Wellness Stores, 10 stores of FUKUYAKUHIN, 12 stores of Yodoya, and 4 stores of Welcia-BHG (Singapore) have dispensing pharmacies, or a total of 2,159 stores have dispensing pharmacies.

Sales by category

(Unit: Million yen)

Category	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024	Year-on-year change (%)
OTC products	233,558	231,841	99.3
Cosmetics	176,608	191,032	108.2
Household goods	158,615	167,269	105.5
Food products	253,863	275,422	108.5
Others	92,232	93,629	101.5
Total sales of goods other than dispensing	914,878	959,195	104.8
Dispensing	228,106	256,889	112.6
Subtotal	1,142,984	1,216,084	106.4
Commission income	1,293	1,254	97.0
Total	1,144,278	1,217,339	106.4

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets increased by ¥16,904 million compared to the end of the previous fiscal year to ¥259,601 million. This was primarily due to increases of ¥8,920 million in accounts receivable – trade and ¥8,257 million in merchandise, despite a decrease of ¥2,320 million in cash and deposits.

Noncurrent assets decreased by ¥2,406 million compared to the end of the previous fiscal year to ¥292,258 million. This was primarily due to decreases of ¥2,753 million in leased assets, net, and ¥3,934 million in goodwill, despite increases of ¥839 million in buildings and structures, net, ¥919 million in guarantee deposits, and ¥1,451 million in deferred tax assets.

As a result, total assets as of February 29, 2024 increased by ¥14,497 million compared to the end of the previous fiscal year to ¥551,860 million.

(Liabilities)

Current liabilities increased by ¥5,847 million compared to the end of the previous fiscal year to ¥222,481 million. This was primarily due to a decrease of ¥5,059 million in income taxes payable, despite increases of ¥6,682 million in accounts payable – trade, ¥878 million in short-term loans payable, and ¥2,075 million in accounts payable – other.

Noncurrent liabilities decreased by ¥3,332 million compared to the end of the previous fiscal year to ¥85,011 million. This was primarily due to increases of ¥383 million in asset retirement obligations and ¥682 million in retirement benefits-related liabilities, despite decreases of ¥2,263 million in long-term loans payable and ¥1,899 million in lease obligations.

As a result, total liabilities as of February 29, 2024 increased by ¥2,515 million compared to the end of the previous fiscal year to ¥307,492 million.

(Net assets)

Net assets as of February 29, 2024 increased by ¥11,982 million compared to the end of the previous fiscal year to ¥244,367 million. This was primarily due to the recording of net income attributable to owners of parent of ¥26,451 million, despite a decrease of ¥6,918 million in retained earnings due to dividends of surplus, and a decrease of ¥7,858 million due to an increase in treasury stock owing to the reintroduction of the Employees' ESOP Trust and other factors.

As a result, equity ratio increased by 1.0 percentage point to 43.0%.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year ended February 29, 2024 decreased by ¥2,242 million compared to the end of the previous fiscal year to ¥30,065 million.

The status and factors of cash flows in each activity in the fiscal year ended February 29, 2024 are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥46,529 million.

This was mainly attributable to inflow factors of depreciation of ¥20,808 million and impairment loss of ¥7,136 million, both of which are non-cash expenses, as well as an increase in trade payables of ¥6,646 million, and to outflow factors of an increase in trade receivables of ¥8,905 million, an increase in inventories of ¥8,416 million, and income taxes paid of ¥21,392 million, against net income before income taxes of ¥40,333 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥22,028 million.

This was mainly due to an outflow of ¥14,874 million for purchase of property, plant and equipment, an outflow of ¥3,484 million for purchase of intangible assets, and an outflow of ¥3,924 million for payments of leasehold deposits.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥26,812 million.

This was mainly due to ¥9,843 million in proceeds from long-term loans payable, ¥6,912 million in dividends paid, ¥11,057 million in repayments of long-term loans payable, ¥10,950 million in repayments of finance lease obligations, and ¥9,699 million in purchase of treasury shares.

(4) Future Outlook

The drugstore industry, the primary area of the Group’s business, has seen an expansion in scale due to the opening of new stores by major players in the same industry as well as industry restructuring, and an intensification in competition across industries and business formats. In addition, the rise in consumer prices, including those for food products, in response to the weak yen and soaring import prices, has further strengthened the tendency of consumers to economize. In the long term, Japan’s declining birthrate and aging population will also bring us face to face with the necessity of actively improving the treatment of employees to address labor shortages as well as changes in consumer needs due to a growing elderly population.

Recognizing that these severe changes in the business environment offer opportunities for growth, the Company formulated its “medium-term management plan for the fiscal year ending February 29, 2024 to the fiscal year ending February 28, 2026” (hereinafter referred to as the “medium-term management plan”) and has been proceeding with the plan. Under the corporate philosophy “To promote higher quality of life and healthy lifestyles for our customers,” the medium-term management plan promotes the Welcia model centered on four key policies (“dispensing pharmacies,” “counseling services,” “late-night services,” and “long-term care”) and aims to realize the goal “No.1 health station in the community” by 2030. In the next fiscal year, aiming to enhance the competitiveness of its stores, the Company will promote the remodeling of stores, the establishment of more stores with dispensing pharmacies, and the enhancement of product lines and counseling capabilities. The Company will also work on the development of private brand products that are unique and have a story to tell, as well as the development of new store formats such as food-intensive stores, small urban stores, and mobile stores. Furthermore, the Company will work on the expansion of its business domain by enhancing health-related services and the strengthening of its nursing care business.

Through such initiatives, in its consolidated financial results forecasts for the fiscal year ending February 28, 2025, the Company projects net sales of ¥1,287,000 million, operating income of ¥47,000 million, ordinary income of ¥51,000 million, and net income attributable to owners of parent of ¥27,000 million.

(5) Basic Policy for the Distribution of Profit and the Dividend Payout for the Current and Next Fiscal Years

In terms of dividends for the distribution of profits, the Company takes its financial position, profit levels, payout ratios, and other factors into comprehensive consideration, while also ensuring that cash is secured for re-investment and the stable continuation of dividends. In accordance with this policy, the Company plans to issue year-end dividends of ¥17.00 per share for the year ended February 29, 2024. As the Company also issued interim dividends of ¥17.00 per share of common stock, annual dividends are expected to be ¥34.00 per share.

The Company also plans to issue dividends of ¥36.00 per share of common stock (interim dividends of ¥18.00 per share and year-end dividends of ¥18.00 per share) for the fiscal year ending February 28, 2025.

The Company's policy for internal reserves is to allocate them to the equipment fund for the opening of new stores, the refurbishment of existing stores, and other initiatives to further enhance profitability.

2. Basic Approach Concerning Selection of Accounting Standards

The Group has adopted Japanese GAAP for its accounting standards in consideration of comparability of consolidated financial statements across periods and among companies. With regard to applying International Financial Reporting Standards (IFRS), the Company's policy is to respond appropriately after consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	32,854	30,533
Accounts receivable - trade	54,276	63,197
Merchandise	128,835	137,092
Other	26,740	28,809
Allowance for doubtful accounts	(10)	(31)
Total current assets	242,697	259,601
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	211,218	221,807
Accumulated depreciation	(104,124)	(113,874)
Buildings and structures, net	107,093	107,932
Land	20,451	20,632
Leased assets		
Accumulated depreciation	(41,692)	(44,725)
Leased assets, net	51,163	48,409
Other	28,872	32,474
Accumulated depreciation	(21,740)	(25,825)
Other, net	7,132	6,649
Total property, plant and equipment	185,840	183,623
Intangible assets		
Goodwill	36,482	32,547
Other	3,765	6,388
Total intangible assets	40,248	38,936
Investments and other assets		
Investment securities	1,461	1,208
Long-term loans receivable	53	34
Guarantee deposits	47,844	48,764
Deferred tax assets	16,080	17,532
Other	3,266	2,239
Allowance for doubtful accounts	(130)	(80)
Total investments and other assets	68,576	69,698
Total noncurrent assets	294,665	292,258
Total assets	537,362	551,860

(Million yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	153,182	159,865
Short-term loans payable	12,137	13,015
Lease obligations	10,288	10,200
Accounts payable - other	11,941	14,016
Income taxes payable	10,796	5,737
Provision for bonuses	5,361	5,617
Provision for bonuses for directors (and other officers)	94	65
Contract liabilities	143	66
Other	12,686	13,894
Total current liabilities	216,633	222,481
Noncurrent liabilities		
Long-term loans payable	29,649	27,386
Lease obligations	33,997	32,098
Asset retirement obligations	12,665	13,048
Retirement benefits-related liabilities	7,524	8,207
Deferred tax liabilities	523	470
Allowance for executive stock benefit	781	885
Other	3,201	2,914
Total noncurrent liabilities	88,344	85,011
Total liabilities	304,977	307,492
Net assets		
Shareholders' equity		
Capital stock	7,747	7,748
Capital surplus	51,681	51,682
Retained earnings	166,566	186,099
Treasury stock	(1,084)	(8,942)
Total shareholders' equity	224,909	236,587
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	452
Foreign currency translation adjustment	139	198
Accumulated adjustment related to retirement benefits	327	314
Total accumulated other comprehensive income	840	965
Subscription rights to shares	161	158
Non-controlling interests	6,472	6,654
Total net assets	232,384	244,367
Total liabilities and net assets	537,362	551,860

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net sales	1,144,278	1,217,339
Cost of sales	795,023	847,231
Gross profit	349,254	370,107
Selling, general and administrative expenses		
Advertising expenses	5,077	5,955
Salaries	122,018	132,465
Bonuses	5,216	5,800
Provision for bonuses	5,324	5,582
Provision for share awards for directors (and other officers)	126	104
Retirement benefit expenses	2,177	2,097
Rent expenses on real estate	52,483	56,624
Depreciation	19,558	20,490
Commission expenses	22,832	25,588
Rent expenses	751	757
Amortization of goodwill	3,362	3,584
Other	64,690	67,825
Total selling, general and administrative expenses	303,619	326,875
Operating income	45,635	43,231
Non-operating income		
Interest income	4	15
Dividend income	16	11
Rental income from real estate	1,499	1,578
Gain on receipt of donated noncurrent assets	133	161
Commission income	468	428
Subsidy income	2,029	43
Sponsorship money income	883	929
Other	2,492	2,830
Total non-operating income	7,527	5,999
Non-operating expenses		
Interest expenses	600	723
Share of loss of entities accounted for using equity method	47	293
Rent cost of real estate	274	360
Other	92	96
Total non-operating expenses	1,014	1,474
Ordinary income	52,149	47,756

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Extraordinary income		
Gain on sale of noncurrent assets	42	15
Gain on sale of investment securities	163	29
Compensation income	–	151
Total extraordinary income	205	197
Extraordinary loss		
Loss on sale of noncurrent assets	48	–
Loss on retirement of noncurrent assets	115	263
Impairment loss	6,230	7,136
Loss on guarantees	1,110	–
Other	283	220
Total extraordinary losses	7,787	7,620
Net income before income taxes	44,566	40,333
Income taxes - current	19,603	15,544
Income taxes - deferred	(2,098)	(1,548)
Total income taxes	17,505	13,996
Net income	27,061	26,337
Profit (loss) attributable to non-controlling interests	31	(114)
Net income attributable to owners of parent	27,030	26,451

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Net income	27,061	26,337
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	77
Foreign currency translation adjustment	190	117
Remeasurements of defined benefit plans	661	2
Total other comprehensive income	780	197
Comprehensive income	27,841	26,534
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,714	26,574
Comprehensive income attributable to non-controlling interests	127	(40)

(3) Consolidated Statements of Changes in Equity
Fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,736	51,670	146,032	(3,841)	201,597
Cumulative effects of changes in accounting policies			2		2
Restated balance	7,736	51,670	146,034	(3,841)	201,599
Changes during period					
Issuance of new shares	10	10			21
Dividends of surplus			(6,498)		(6,498)
Net income attributable to owners of parent			27,030		27,030
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		2,758	2,758
Net changes in items other than shareholders' equity					
Total changes during period	10	10	20,531	2,756	23,310
Balance at end of period	7,747	51,681	166,566	(1,084)	224,909

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated adjustment related to retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of period	295	41	(332)	4	183	6,101	207,886
Cumulative effects of changes in accounting policies						1	4
Restated balance	295	41	(332)	4	183	6,103	207,891
Changes during period							
Issuance of new shares							21
Dividends of surplus							(6,498)
Net income attributable to owners of parent							27,030
Purchase of treasury stock							(1)
Disposal of treasury stock							2,758
Net changes in items other than shareholders' equity	78	97	659	835	(21)	369	1,183
Total changes during period	78	97	659	835	(21)	369	24,493
Balance at end of period	373	139	327	840	161	6,472	232,384

Fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	7,747	51,681	166,566	(1,084)	224,909
Changes during period					
Issuance of new shares	1	1			2
Dividends of surplus			(6,918)		(6,918)
Net income attributable to owners of parent			26,451		26,451
Purchase of treasury stock				(9,699)	(9,699)
Disposal of treasury stock				1,841	1,841
Net changes in items other than shareholders' equity					
Total changes during period	1	1	19,533	(7,858)	11,677
Balance at end of period	7,748	51,682	186,099	(8,942)	236,587

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated adjustment related to retirement benefits	Total accumulated other comprehensive income			
Balance at beginning of period	373	139	327	840	161	6,472	232,384
Changes during period							
Issuance of new shares							2
Dividends of surplus							(6,918)
Net income attributable to owners of parent							26,451
Purchase of treasury stock							(9,699)
Disposal of treasury stock							1,841
Net changes in items other than shareholders' equity	78	59	(12)	125	(2)	182	304
Total changes during period	78	59	(12)	125	(2)	182	11,982
Balance at end of period	452	198	314	965	158	6,654	244,367

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from operating activities		
Net income before income taxes	44,566	40,333
Depreciation	19,863	20,808
Impairment loss	6,230	7,136
Amortization of goodwill	3,362	3,584
Increase (decrease) in allowance for doubtful accounts	(14)	(28)
Increase (decrease) in provision for bonuses	157	256
Increase (decrease) in retirement benefits-related liabilities	1,013	686
Increase (decrease) in allowance for executive stock benefit	59	104
Increase (decrease) in provision for point card certificates	(447)	–
Increase (decrease) in provision for bonuses for directors (and other officers)	43	(29)
Interest and dividend income	(21)	(26)
Interest expenses	600	723
Loss (gain) on sale of investment securities	(154)	(19)
Rent expenses offset by construction assistance fund receivables	1,262	1,233
Loss on sale of noncurrent assets	48	–
Loss on retirement of noncurrent assets	115	263
Gain on receipt of donated noncurrent assets	(133)	(161)
Decrease (increase) in trade receivables	(924)	(8,905)
Decrease (increase) in inventories	(7,941)	(8,416)
Increase (decrease) in trade payables	12,075	6,646
Increase (decrease) in accounts payable - other	928	1,747
Increase (decrease) in accrued consumption taxes	1,600	1,918
Other, net	(2,553)	(899)
Subtotal	79,738	66,953
Interest and dividends received	22	26
Interest paid	(582)	(715)
Income taxes paid	(20,589)	(21,392)
Income taxes refund	1,706	1,657
Net cash provided by (used in) operating activities	60,296	46,529
Cash flows from investing activities		
Payments into time deposits	(711)	(708)
Proceeds from withdrawal of time deposits	816	786
Purchase of property, plant and equipment	(18,373)	(14,874)
Proceeds from sale of property, plant and equipment	183	15
Purchase of intangible assets	(1,428)	(3,484)
Purchase of shares of subsidiaries and associates	(441)	–
Payments into subsidiaries and affiliates	(5,000)	(10,000)
Collection of deposit in subsidiaries and affiliates	–	10,000
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(11,443)	–
Payments of leasehold deposits	(4,832)	(3,924)
Proceeds from refund of leasehold deposits	4,049	541
Other, net	1,113	(380)
Net cash provided by (used in) investing activities	(36,068)	(22,028)

(Million yen)

	For the fiscal year ended February 28, 2023	For the fiscal year ended February 29, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,660)	(170)
Proceeds from long-term loans payable	21,740	9,843
Repayments of long-term loans payable	(19,270)	(11,057)
Redemption of bonds	(50)	–
Proceeds from issuance of shares	0	0
Dividends paid	(6,502)	(6,912)
Repayments of finance lease obligations	(9,863)	(10,950)
Proceeds from sale of treasury shares	2,758	1,841
Purchase of treasury shares	(1)	(9,699)
Proceeds from share issuance to non-controlling shareholders	–	293
Net cash provided by (used in) financing activities	(14,849)	(26,812)
Effect of exchange rate change on cash and cash equivalents	92	68
Net increase (decrease) in cash and cash equivalents	9,470	(2,242)
Cash and cash equivalents at beginning of period	22,837	32,307
Cash and cash equivalents at end of period	32,307	30,065

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

Conclusion of Capital and Business Alliance Agreement with TSURUHA Holdings Inc. and AEON CO., LTD.

WELCIA HOLDINGS CO., LTD. (hereinafter referred to as “Welcia HD”) entered into a Capital and Business Alliance Agreement (hereinafter referred to as the “Capital and Business Alliance Agreement”) with TSURUHA Holdings Inc. (hereinafter referred to as “Tsuruha HD”) and AEON CO., LTD. (hereinafter referred to as “AEON”), the parent company of Welcia HD, on February 28, 2024. The outline of the agreement is as follows.

1. Purpose and Rationale of the Capital and Business Alliance

In the face of an increasingly challenging business environment in the drugstore industry marked by expanding medical disparities, health disparities, and regional disparities, Welcia HD, Tsuruha HD, and AEON confront constraints on new store openings, declining drug prices, and heightened price competition. Recognizing the need for fundamental reform in the face of an increasingly challenging business environment, Welcia HD, Tsuruha HD, and AEON aspire to establish the largest drugstore alliance in Japan. With a focus on acquiring substantial competitiveness, the alliance aims to evolve into the leading global company in Asia by leveraging collective management resources and fostering synergies through collaboration. The decision to forge this Capital and Business Alliance and initiate discussions on business integration reflects the commitment to unlocking boundless growth opportunities for employees and achieving elevated levels of health and wellness for local consumers.

The Capital and Business Alliance Agreement is founded on a robust partnership among Welcia HD, Tsuruha HD, and AEON, united by a shared philosophy of contributing to people's health and wellness. This alliance aims to foster mutual growth and enhance corporate value collectively.

2. Details of the Capital and Business Alliance

1) Details of Business Alliance

The specifics of the business alliance outlined in the Capital and Business Alliance Agreement among Welcia HD, Tsuruha HD, and AEON are as follows. The concrete selection of actions, along with their timing, conditions, and other particulars, will be subject to further discussions and mutual agreement among the companies.

- (a). Collaborative efforts in store development, including the dispensing of prescription drugs
- (b). Collaborative efforts in procurement and product development, as well as electricity
- (c). Collaborative efforts to enhance logistics efficiency
- (d). Alliance in payment settlement, point systems, digital marketing, insurance, etc.
- (e). Joint development and reciprocal supply of private brand products
- (f). Collaborative efforts in promoting Digital Transformation (DX) and E-commerce (EC)

- (g). Exchange of management expertise
- (h). Research and promotion of the food and drug business
- (i). Exchange of human resources and personnel information

2) Details of Capital Alliance

The Capital Alliance Agreement encompasses an overview, a definitive agreement to execute the transactions outlined in (i) below, and a foundational agreement pertaining to each of the transactions described in (ii) and (iii) below.

Following the conclusion of these transactions, Welcia HD will join the Tsuruha Group as a wholly-owned subsidiary of Tsuruha HD. Simultaneously, Tsuruha HD will become a consolidated subsidiary of AEON and serve as a key subsidiary within the AEON Group's Health and Wellness Business.

- (i). AEON will procure additional common shares of Tsuruha HD (“Tsuruha HD shares”) and designate Tsuruha HD as an equity method affiliate.
- (ii). Welcia HD and Tsuruha HD will consolidate their operations through a share exchange, with Tsuruha HD serving as the parent company and Welcia HD becoming a wholly-owned subsidiary. If alternative methods better fulfill the objectives of this Capital and Business Alliance Agreement, other approaches may be considered through mutual agreement.
- (iii). Following the fulfillment of (ii) mentioned above, AEON will secure additional voting rights in Tsuruha HD shares, ensuring that AEON possesses a majority, yet less than 51%, of the voting rights in Tsuruha HD shares. Subsequently, AEON will designate Tsuruha HD as a consolidated subsidiary.

Welcia HD, Tsuruha HD, and AEON have committed to finalizing an agreement on the transactions outlined in (ii) and (iii) above by December 31, 2027, following the execution of this Capital and Business Alliance Agreement. The parties intend to engage in discussions and negotiations in a spirit of good faith to conclude a definitive agreement.

(Segment information, etc.)

[Segment information]

Segment information is omitted as the Company has only one segment, namely retail business centered on OTC products, dispensing, cosmetics, etc.

(Per share information)

	Fiscal year ended Feb. 28, 2023 (Mar. 1, 2022 – Feb. 28, 2023)	Fiscal year ended Feb. 29, 2024 (Mar. 1, 2023 – Feb. 29, 2024)
Net assets per share	¥1,078.97	¥1,149.88
Net income per share	¥129.38	¥127.83
Diluted net income per share	¥129.29	¥127.75

(Notes) 1. The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type; February 29, 2024: 2,543,500 shares) and the number of shares of the Company held in the Directors' Remuneration BIP Trust (February 28, 2023: 412,219 shares; February 29, 2024: 507,819 shares) were included in the total number of treasury stock at the end of the year. The number of shares of the Company held in the Employees' Stock Ownership ESOP Trust, the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type), and the Directors' Remuneration BIP Trust was included in the number of treasury stock, which was to be deducted from the calculation of the average number of shares outstanding during the year (February 28, 2023: 718,595 shares; February 29, 2024: 2,720,427 shares).

2. The basis for the calculation of basic earnings and diluted earnings per share is as follows.

Item	Fiscal year ended Feb. 28, 2023 (Mar. 1, 2022 – Feb. 28, 2023)	Fiscal year ended Feb. 29, 2024 (Mar. 1, 2023 – Feb. 29, 2024)
Net income per share		
Net income attributable to owners of parent (Million yen)	27,030	26,451
Amount not attributable to common shareholders (Million yen)	–	–
Net income attributable to owners of parent relating to common shares (Million yen)	27,030	26,451
Average number of common shares outstanding during the fiscal year (Thousand shares)	208,916	206,921
Diluted net income per share		
Adjustment for net income attributable to owners of parent (Million yen)	–	–
(of which, interest paid after adjustment for income taxes) (Million yen)	–	–
Increase in number of common shares (Thousand shares)	155	139
(of which, share acquisition rights) (Thousand shares)	(155)	(139)
Overview of residual shares not included in the calculation of diluted net income per share due to their non-dilutive effect		–

(Significant subsequent events)

Not applicable.