



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 2022 [Japanese GAAP]

September 17, 2021

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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: No
 Holding of quarterly financial results explanation meeting: No

(Rounded down to the nearest million yen)

1. Consolidated financial results for the first quarter of the fiscal year ending May 2022 (May 16, 2021-August 15, 2021)

(1) Consolidated operating results (cumulative)

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

| Three months ended | 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 | % |
| August 15, 2021 | 21,335 | △ 1.8 | 59 | △ 50.5 | 68 | △ 49.1 | 35 | - |
| August 15, 2020 | 21,733 | △ 4.3 | 119 | - | 134 | - | △ 5 | - |

(Note) Comprehensive income Three months ended August 15, 2021: 32 million yen (-%)
 Three months ended August 15, 2020: △ 10 million yen (-%)

| Three months ended | Quarterly net income per share | Diluted quarterly net income per share |
|--------------------|--------------------------------|--|
| | Yen | Yen |
| August 15, 2021 | 7.64 | 7.64 |
| August 15, 2020 | △ 1.10 | - |

(2) Consolidated financial position

| As of | Total assets | Net assets | Equity ratio |
|-----------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| August 15, 2021 | 39,888 | 8,576 | 21.4 |
| May 15, 2021 | 38,299 | 8,672 | 22.5 |

(Note) Equity As of August 15, 2021: 8,523 million yen
 As of May 15, 2021: 8,622 million yen

2. Dividends

| Fiscal year | Dividend per share | | | | |
|--------------------------------|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| Ended May 15, 2021 | - | 0.00 | - | 28.00 | 28.00 |
| Ending May 15, 2022 | - | - | - | - | - |
| Ending May 15, 2022 (forecast) | - | 0.00 | - | 9.34 | 9.34 |

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

The Company is scheduled to conduct a 3-for-1 stock split of common shares effective November 16, 2021. The dividend forecast for the fiscal year ending May 15, 2022 takes into account this stock split. If the stock split is not taken into account, the year-end dividend per share for the fiscal year ending May 15, 2022 (forecast) will be 28.00 yen.

3. Consolidated Earnings Forecast for the Fiscal Year Ending May 2022 (May 16, 2021 - May 15, 2022)

(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 | 85,000 | 2.1 | 700 | 9.3 | 700 | 15.2 | 200 | △ 65.2 | 14.51 |

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

The Company is scheduled to conduct a 3-for-1 stock split of common shares effective November 16, 2021. The net income per share in the consolidated earnings forecast for the fiscal year ending May 15, 2022 takes into account this stock split. If the stock split is not taken into account, net income per share in the consolidated earnings forecast for the fiscal year ending May 15, 2022 will be 43.53 yen.

※ Notes

(1) Changes in significant subsidiaries during the current quarterly consolidated cumulative period (changes in 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) Quarterly consolidated financial statements and notes (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 : | 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 "2. Quarterly consolidated financial statements and notes, (3) Quarterly consolidated financial statements and notes (Changes in accounting policies)" on page 9 of the attached materials

(4) Number of shares outstanding (common shares)

| | | | | |
|--|------------------------------------|------------------|------------------------------------|------------------|
| ① Number of shares outstanding as of the end of the period (including treasury shares) | As of August 15, 2021 | 4,742,000 shares | As of May 15, 2021 | 4,742,000 shares |
| ② Number of treasury shares as of the end of the period | As of August 15, 2021 | 147,474 shares | As of May 15, 2021 | 147,474 shares |
| ③ Average number of shares outstanding during the period (quarterly cumulative) | Three months ended August 15, 2021 | 4,594,526 shares | Three months ended August 15, 2020 | 4,594,526 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

During the first quarter of the current consolidated fiscal year (May 16, 2021 to August 15, 2021), the Japanese economy showed some signs of recovery amid the continuing impact of the COVID-19, but the situation remained severe due to sluggish personal consumption, lackluster corporate earnings and business confidence, as well as disappearance of inbound demand. In addition, the economic situation in Hokkaido remained challenging due to the re-issuance of the Declaration of a State of Emergency and the application of priority measures to prevent the spread of the virus, which greatly restricted socio-economic activities. Although there are expectations that the COVID-19 vaccination will bring some positive changes to the current economic situation, the future remains uncertain due to the spread of mutated strains of the virus and other continuous pandemic related factors.

In the drugstore industry, in which our Group mainly operates, while the demand for hygiene-related products, groceries, and daily necessities remains strong due to the impact of the COVID-19 infection, it was affected by a reactionary decline in hoarding demand, which surged in the same period of the previous year. The digital shift by consumers also continues to progress, as they are increasingly using cashless payment methods due to their growing preference for contactless transactions. Moreover, in addition to a decline in demand for cosmetics due to lifestyle changes such as the popularization of remote work, the business environment is undergoing drastic changes such as the disappearance of inbound demand, intensification of competition across industry boundaries, and moves to reorganize the industry.

Under such circumstances, while implementing infection prevention measures and thorough hygiene management, the Group continued to operate its stores in order to fulfill its role as a social infrastructure for local communities and supplier of products in the region. In addition to this, we are striving to ensure the safety of our employees and customers through the implementation of COVID-19 vaccinations in the workplace.

Under the theme of "evolving into a regional integrated lifestyle group", the Group is pursuing the following four strategies in its medium-term management plan, which ends in the fiscal year ending May 15, 2026. These strategies are: an integrated lifestyle store strategy, regional platform strategy, collaboration strategy, and organizational strategy.

In May 2021, as part of initiatives based on a comprehensive cooperation agreement with Esashi town, we launched the "Esashi EZOCA," the first local government original version of the Hokkaido common point card "EZOCA." Through this point card, we are aiming to contribute to the revitalization of the local economy through a system where a portion of the purchase price is returned to the community. We also make contributions to community healthcare by deploying pharmacists to support vaccination. In addition to these efforts, we are aiming to contribute to the revitalization of the region and the improvement of services for residents through a broad range of collaborations, including the conclusion of a new comprehensive cooperation agreement with Taiki Town in July 2021.

In May 2021, the Group concluded a franchise store agreement with the daily necessities division of COOP SAPPORO store business as part of a comprehensive business alliance with COOP SAPPORO. This agreement will lead to improved convenience for our customers, members, and other residents of Hokkaido through the development of more favorable products.

As a result of the above, consolidated net sales for the first quarter of the current fiscal year were 21,335 million yen (down 1.8%, or 398 million yen, year on year), operating profit was 59 million yen (down 50.5%, or 60 million yen, year on year), ordinary profit was 68 million yen (down 49.1%, or 65 million yen, year on year), and profit attributable to owners of parent was 35 million yen (compared to a net loss attributable to owners of parent of 5 million yen year on year, an increase of 40 million yen).

As a side note, effective from the first quarter of the current consolidated fiscal year, the Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. Details are provided in "2. Quarterly consolidated financial statements and notes (3) Quarterly consolidated financial statements and notes (Changes in accounting policies)".

An overview of the segment performance is as follows.

<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. In terms of strategy, by promoting a low-price strategy centered on Everyday Same Low Price (ESLP), the Group aims to develop stores that are supported by customers and improve operational efficiency by leveling work operations. In addition, we are continuing our efforts to improve the quality and speed of decision-making through an area divisional organization. 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 specific health guidance by registered dietitians.

During the first quarter of the current fiscal year, the special demands for hygiene-related products, groceries, and daily necessities, which occurred in the same period of the previous fiscal year, subsided, and in response to the growing need for one-stop shopping, the number of customers decreased due to a decline in the frequency of customer visits despite an increase in the average spend per customer due to the increased number of items purchased. As a result, sales in the drugstore-format were lower than those in the same period of the previous fiscal year. In terms of the inbound-format, sales continued to be marginal due to the slowdown in the number of foreign visitors to Japan. As for dispensing pharmacies, amid a trend of relaxation in the outdoor activities' restrictions due to the COVID-19, visits to medical institutions rose in numbers and net sales grew year on year, partly due to the increased sales from the dispensing pharmacy within a drugstore which opened in the previous fiscal year.

In terms of store openings and closings, the table below shows the results of our efforts to close unprofitable stores.

(Status of store openings and closures)

| Store classification | Format classification | End of May 2021 | Openings | Closures | End of August 2021 |
|----------------------|-------------------------------|-----------------|----------|----------|--------------------|
| Drugstores | Drugstore format | 171 stores | - | 1 store | 170 stores |
| | Inbound format | 17 stores | - | 3 stores | 14 stores |
| Pharmacies | Near hospital pharmacies | 10 stores | - | - | 10 stores |
| Other stores | The Kurashi Store of Hokkaido | 2 stores | - | - | 2 stores |
| Total | | 200 stores | - | 4 stores | 196 stores |

As a result of the above, sales in the retail business segment amounted to 21,139 million yen (down 2.4%, or 529 million yen year on year), and segment profit amounted to 37 million yen (down 68.7%, or 81 million yen year on year).

<IT Solutions Business>

Based on the technology developed for the Group, we are engaged in the sale of POS applications and other products that aim to solve issues from the user's point of view.

Net sales in the IT Solutions business segment amounted to 55 million yen (up339.0%, or 42 million yen year on year), and segment profit amounted to 19 million yen (a segment loss of 1 million yen in the same period of previous fiscal year, an increase of 20 million yen year on year).

<Other Businesses>

The Group is engaged in the regional marketing business that utilizes the Hokkaido common point card "EZOCA", payment service business and the operation of programming schools for elementary and junior high school students, and information provision services for domestic and overseas companies looking for solutions to issues on the theme of retail and communities. As of the end of July 2021, the number of members of "EZOCA," Hokkaido's common point card, which is the Group's strength, surpassed 1.99 million. In the payment service business, cashless payment targeted at inbound customers was sluggish due to the disappearance of inbound demand, but domestic cashless payment expanded due to increased needs for contactless payment for infection prevention.

Other Business segment sales amounted to 235 million yen (up 66.3% or 93 million yen year on year), and segment loss amounted to 12 million yen (a segment loss of 13 million yen in the same period of the previous fiscal year, an increase of 0 million yen year on year).

(2) Explanation of financial position

Total assets at the end of the first quarter of the current consolidated fiscal year were 39,888 million yen, an increase of 1,588 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of both cash and deposits by 1,384 million yen and other current assets by 174 million yen, respectively.

Total liabilities were 31,311 million yen, an increase of 1,684 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of both 897 million yen in accounts payable - trade and 592 million yen in other current liabilities, respectively.

Total net assets were 8,576 million yen, a decrease of 95 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 despite an increase of 35 million yen in retained earnings due to quarterly net profit attributable to owners of parent.

(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, 2022 from the forecast released on June 22, 2021.

2. Quarterly consolidated financial statements and notes**(1) Quarterly consolidated balance sheet**

(Millions of yen)

| | As of May 15, 2021 | As of August 15, 2021 |
|-------------------------------------|--------------------|-----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,659 | 4,044 |
| Accounts receivable-trade | 2,768 | 2,898 |
| Merchandise | 10,407 | 10,261 |
| Other | 2,431 | 2,605 |
| Total current assets | 18,267 | 19,808 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 6,821 | 6,709 |
| Land | 4,013 | 3,869 |
| Other, net | 1,461 | 1,637 |
| Total property, plant and equipment | 12,296 | 12,215 |
| Intangible assets | 428 | 422 |
| Investments and other assets | | |
| Leasehold and guarantee deposits | 5,958 | 5,909 |
| Other | 1,423 | 1,608 |
| Allowance for doubtful accounts | △76 | △76 |
| Total investment and other assets | 7,305 | 7,441 |
| Total non-current assets | 20,030 | 20,079 |
| Deferred assets | 1 | - |
| Total assets | 38,299 | 39,888 |

(Millions of yen)

| | As of May 15, 2021 | As of August 15, 2021 |
|---|--------------------|-----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 11,634 | 12,531 |
| Short-term borrowings | 100 | - |
| Current portion of long-term borrowings | 375 | 507 |
| Income taxes payable | 227 | 46 |
| Provision for bonuses | 519 | 413 |
| Other | 3,760 | 4,353 |
| Total current liabilities | 16,617 | 17,851 |
| Non-current liabilities | | |
| Long-term borrowings | 11,148 | 11,595 |
| Retirement benefit liability | 573 | 589 |
| Asset retirement obligations | 472 | 474 |
| Other | 814 | 799 |
| Total non-current liabilities | 13,009 | 13,460 |
| Total liabilities | 29,627 | 31,311 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,000 | 1,000 |
| Capital surplus | 2,099 | 2,099 |
| Retained earnings | 5,873 | 5,779 |
| Treasury shares | △306 | △306 |
| Total shareholders' equity | 8,666 | 8,572 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 4 | 4 |
| Foreign currency translation adjustment | △42 | △49 |
| Remeasurements of defined benefit plans | △5 | △4 |
| Total accumulated other comprehensive income | △43 | △49 |
| Share acquisition rights | 4 | 4 |
| Non-controlling interests | 44 | 48 |
| Total net assets | 8,672 | 8,576 |
| Total liabilities and net assets | 38,299 | 39,888 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

Consolidated cumulative first quarter

(Millions of yen)

| | Three months ended August 15, 2020 | Three months ended August 15, 2021 |
|---|---------------------------------------|---------------------------------------|
| Net sales | 21,733 | 21,335 |
| Cost of sales | 16,611 | 16,439 |
| Gross profit | 5,122 | 4,896 |
| Selling, general and administrative expenses | 5,003 | 4,837 |
| Operating profit | 119 | 59 |
| Non-operating income | | |
| Interest and dividend income | 4 | 4 |
| Gain on donation of non-current assets | 10 | 9 |
| Foreign exchange gains | 5 | 7 |
| Other | 13 | 10 |
| Total non-operating income | 34 | 32 |
| Non-operating expenses | | |
| Interest expenses | 17 | 20 |
| Other | 2 | 2 |
| Total non-operating expenses | 19 | 22 |
| Ordinary profit | 134 | 68 |
| Extraordinary income | | |
| Gain on sales of non-current assets | - | 41 |
| Total extraordinary income | - | 41 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 32 | 0 |
| Loss on store closings | 40 | 6 |
| Impairment losses | 45 | - |
| Total extraordinary losses | 117 | 6 |
| Quarterly profit before income taxes | 16 | 103 |
| Total income taxes | 22 | 64 |
| Quarterly profit (loss) | △5 | 38 |
| Quarterly profit (loss) attributable to non-controlling interests | △0 | 3 |
| Quarterly profit (loss) attributable to owners of parent | △5 | 35 |

Quarterly consolidated statement of comprehensive income

Consolidated cumulative first quarter

(Millions of yen)

| | Three months ended August 15, 2020 | Three months ended August 15, 2021 |
|--|---------------------------------------|---------------------------------------|
| Quarterly profit (loss) | △5 | 38 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1 | △0 |
| Foreign currency translation adjustment | △6 | △6 |
| Remeasurements of defined benefit plans | 0 | 0 |
| Total other comprehensive income | △4 | △5 |
| Quarterly comprehensive income | △10 | 32 |
| Comprehensive income attributable to: | | |
| Comprehensive quarterly income attributable to owners of parent | △9 | 29 |
| Comprehensive quarterly income attributable to non-controlling interests | △0 | 3 |

(3) Quarterly consolidated financial statements and notes

(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 first quarter consolidated accounting period, and multiplying the quarterly net profit (loss) before income taxes by the relevant estimated effective tax rate.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020. Hereinafter, "Revenue Recognition Accounting Standard"), etc. will be applied from the beginning of the current consolidated first quarter. Revenue is recognized at the point in time when control of the promised goods or services is transferred to the customer, in the amount estimated to be received in exchange for such goods or services. Traditionally, the amount equivalent to the points granted to customers at the time of sale of products based on the points program operated by other companies was treated as selling, general and administrative expenses. However, the method has been changed, and revenue is recognized on a net amount basis based on the judgment that such amount should be regarded as collected on behalf of third parties when calculating the transaction price.

The application of the Revenue Recognition Accounting Standard follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. However, there is no impact on retained earnings at the beginning of the current consolidated first quarter.

As a result, net sales, gross profit, and selling, general and administrative expenses for the current consolidated cumulative first quarter decreased by 319 million yen, but there was no impact on operating profit, ordinary profit, and quarterly profit before income taxes. In accordance with the transitional treatment stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the results do not include information that dissects revenue from contracts with customers for the previous consolidated cumulative first quarter.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019. Hereinafter, "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 Fair Value Measurement Accounting Standard, etc. will be applied prospectively following transitional treatment based on paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). Note that there was no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates concerning the impact of the spread of the COVID-19 infection)

There have been no major changes to the assumptions, including those regarding the future spread of the COVID-19 infection

and the timing of its end, that were described in the Annual Securities Report (Significant Accounting Estimates) for the previous consolidated fiscal year.

(Segment information)

【Segment Information】

Previous consolidated cumulative first quarter (May 16, 2020 - August 15, 2020)

1. Information on the amount of net sales, profits or losses for each reportable segment.

(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 | IT Solutions Business | Total | | | | |
| Net Sales | | | | | | | |
| External sales | 21,667 | 10 | 21,677 | 56 | 21,733 | - | 21,733 |
| Inter-segment sales and transfers | 2 | 2 | 4 | 85 | 89 | △89 | - |
| Total | 21,669 | 12 | 21,681 | 141 | 21,823 | △89 | 21,733 |
| Segment profit or loss | 118 | △1 | 117 | △13 | 103 | 15 | 119 |

(Notes)

1. The "Other" category is a business segment that is not included in the reportable segments and includes the marketing business and the education business.
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.

Current consolidated cumulative first quarter (May 16, 2021 - August 15, 2021)

1. 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 | IT Solutions Business | Total | | | | |
| Net sales | | | | | | | |
| Drugstore | 19,860 | - | 19,860 | - | 19,860 | - | 19,860 |
| Inbound | 103 | - | 103 | - | 103 | - | 103 |
| Pharmacies | 880 | - | 880 | - | 880 | - | 880 |
| Other | 122 | 53 | 176 | 151 | 327 | - | 327 |
| Revenue arising from contracts with customers | 20,967 | 53 | 21,021 | 151 | 21,172 | - | 21,172 |
| Other revenues | 159 | - | 159 | 3 | 162 | - | 162 |
| External sales | 21,126 | 53 | 21,180 | 155 | 21,335 | - | 21,335 |
| Inter-segment sales and transfers | 12 | 1 | 14 | 80 | 94 | △94 | - |
| Total | 21,139 | 55 | 21,194 | 235 | 21,430 | △94 | 21,335 |
| Segment profit or loss | 37 | 19 | 56 | △12 | 43 | 15 | 59 |

(Notes)

1. The "Other" category is a business segment that is not included in the reportable segments and includes the marketing business and the education business.
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.

2. Notes related to changes in reportable segments, etc.

As described in the changes in accounting policies, the Accounting Standard for Revenue Recognition, etc. has been applied from the beginning of the current consolidated first quarter, and since the accounting method for revenue recognition has been changed, the method for calculating business segment profit (loss) has been changed as well.

As a result of this change, net sales in the Retail Business segment for the current consolidated cumulative first quarter decreased by 319 million yen compared with the conventional method. There was no impact on segment profit.

(Important subsequent event)

(Stock split and partial amendments to the Articles of Incorporation in connection with the stock split)

At a meeting of the Board of Directors held on September 17, 2021, the Company resolved to conduct a stock split and partial amendments to the Articles of Incorporation in conjunction with the stock split.

1. Purpose of the stock split

In order to create an easy-to-invest environment, the amount per investment unit will be reduced to improve the liquidity of the shares and expand the investor base.

2. Overview of stock split

(1) Stock split method

The split will be recorded to have been conducted on Monday, November 15, 2021, at a ratio of three (3) shares per one (1) share of common shares held by shareholders registered or recorded in the final shareholders' register as of the record date.

(2) Number of shares to increase due to stock split

| | |
|---|-------------------|
| Total number of issued shares of the Company before the stock split | 4,742,000 shares |
| Number of shares to increase due to this split | 9,484,000 shares |
| Number of issued shares of the Company after the stock split | 14,226,000 shares |
| Number of shares that can be issued after the stock split | 56,904,000 shares |

(3) Stock split schedule

| | |
|------------------------------------|----------------------------|
| Announcement of the reference date | Friday, October 29, 2021 |
| Reference date | Monday, November 15, 2021 |
| Effective date | Tuesday, November 16, 2021 |

3. Effects on the information about earning per share

Information about earnings per share, on the assumption that this stock split was conducted at the beginning of the previous consolidated fiscal year is as follows.

| | Previous consolidated cumulative first quarter (May 16, 2020 – August 15, 2020) | Current consolidated cumulative first quarter (May 16, 2021 – August 15, 2021) |
|------------------------------|--|---|
| Net income per share | △0.37 yen | 2.55 yen |
| Diluted net income per share | - | 2.55 yen |

(Note)

Diluted net income per share data for the previous consolidated cumulative first quarter is not shown in the above table, as net income per share was negative although there are residual shares.

4. Partial amendments to the Articles of Incorporation in connection with the stock split

(1) Reason for Amendment of the Articles of Incorporation

In accordance with this stock split, the Company will amend Article 6 (number of authorized shares) of the Company's Articles of Incorporation as of November 16, 2021 by resolution of the Board of Directors in compliance with the provisions of Article 184, Paragraph 2 of the Companies Act.

(2) Amendments to the Articles of Incorporation

The details of the amendments are as follows.

(Underlines indicate changes.)

| Current Articles of Incorporation | After the change |
|---|---|
| Chapter 2: Shares (Total number of issuable shares) Article 6. The total number of issuable shares of the company is <u>18,968,000 shares</u> | Chapter 2: Shares (Total number of issuable shares) Article 6. The total number of issuable shares of the company is <u>56,904,000 shares</u> |

(3) Schedule for Amendment of the Articles of Incorporation

| | |
|---|----------------------------|
| Resolution by the Board of Directors to amend the Articles of Incorporation | Friday, September 17, 2021 |
| Effective date of the amendment to the Articles of Incorporation | Tuesday, November 16, 2021 |

5. Other

(1) Changes in the amount of share capital

There will be no changes in the amount of share capital at the time of this stock split.

(2) Adjustment of share acquisition rights

In accordance with this stock split, the exercise price per share of share acquisition rights will be adjusted as follows starting on Tuesday, November 16, 2021.

| | Exercise price before adjustment | Exercise price after adjustment |
|--|----------------------------------|---------------------------------|
| 1 st Share acquisition rights | 1,976 yen | 659 yen |