



Consolidated Financial Results for the Fiscal Year Ended May 2022 [Japanese GAAP]

June 22, 2022

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 Holding of financial results explanation meeting: Yes (For institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended May 2022 (May 16, 2021-May 15, 2022)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY May 2022	82,905	△ 0.4	747	16.7	793	30.5	316	△ 44.9
FY May 2021	83,240	△ 6.8	640	△ 22.0	607	△ 31.4	574	396.5

(Note) Comprehensive income FY May 2022: 306 million yen (△43.6%) FY May 2021: 544 million yen (480.0%)

	Net income per share	Diluted net income per share	Return on equity	Return on Asset	Operating profit margin
	Yen	Yen	%	%	%
FY May 2022	22.98	22.98	3.6	2.0	0.9
FY May 2021	41.70	41.69	6.8	1.6	0.8

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY May 2022	41,398	8,888	21.2	637.45
FY May 2021	38,299	8,672	22.5	625.59

(Note) Equity FY May 2022: 8,792 million yen FY May 2021: 8,622 million yen

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

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY May 2022	1,282	△ 2,235	1,272	2,957
FY May 2021	3,372	1,201	△ 3,394	2,659

2. Dividends

	Dividend per share					Total dividend (Total)	Dividend payout ratio (consolidated)	Net asset dividend rate (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY May 2021	-	0.00	-	28.00	28.00	128	22.4	1.5
FY May 2022	-	0.00	-	9.34	9.34	128	40.6	1.5
FY May 2023 (forecast)	-	0.00	-	10.00	10.00		19.7	

(Note) The Company conducted a 3-for-1 stock split of common shares effective November 16, 2021. The dividend for the fiscal year ended May 15, 2021 are the actual amount before the stock split.

3. Consolidated Earnings Forecast for the Fiscal Year Ending May 2023 (May 16, 2022 - May 15, 2023)

(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	91,400	10.2	1,200	60.6	1,200	51.3	700	120.9	50.75

※ Notes

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

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

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

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

(3) Number of shares outstanding (common shares)

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

FY May 2022	14,226,000 shares	FY May 2021	14,226,000 shares
FY May 2022	432,747 shares	FY May 2021	442,422 shares
FY May 2022	13,789,595 shares	FY May 2021	13,783,578 shares

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

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

※ Cautionary statement with respect to forecasts

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

○ Table of contents

1. Qualitative information on consolidated financial results for the full year	2
(1) Explanation of operating results	2
(2) Explanation of financial position	4
(3) Overview of current fiscal year's cash flows	5
(4) Future outlook	5
(5) Material events related to going concern assumptions	5
2. Basic policy regarding selection of accounting standards	5
3. Consolidated financial statements and notes	6
(1) Consolidated balance sheet	6
(2) Consolidated statements of income and comprehensive income	8
(3) Consolidated statement of changes in equity	10
(4) Consolidated statements of cash flows	11
(5) Consolidated financial statements and notes	13
(Going concern assumption)	13
(Changes in accounting policies)	13
(Change in method of presentation)	13
(Segment information)	14
(Information about earnings per share)	15
(Important subsequent event)	16

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

(1) Explanation of operating results

In the current consolidated fiscal year (May 16, 2021 to May 15, 2022), the Japanese economy continued to face a severe situation with restrictions on socio-economic activities due to the Declaration of a State of Emergency and the intermittent issuance of priority measures to prevent the spread in various parts of Japan, including Hokkaido, in response to the spread of COVID-19. Also, despite the trend toward normalization of socioeconomic activities, the future economic outlook remains uncertain due to concerns about the re-expansion of the COVID-19 disease, the tense situation in Ukraine, and the impact of rising oil and raw material prices on consumer spending.

In the drugstore industry, in which our Group mainly operates, while the demand for masks and hygiene-related products remained 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, the business environment is undergoing drastic changes, including a decline in demand for cosmetics due to lifestyle changes such as the popularization of remote work, a decrease in demand for common cold remedies as infection prevention measures take hold, the disappearance of inbound demand, intensifying competition across industry boundaries and moves to reorganize the industry.

Under such circumstances, while implementing infection prevention measures and thorough hygiene management, our Group provided workplace COVID-19 vaccinations and continued to operate stores in order to fulfill our role as a social infrastructure for local communities and supplier of products in the region. We also provide vaccination support such as dispatching pharmacists to some areas in Hokkaido. In addition, on December 17, 2021, based on the view that it is essential for the Company to enhance its business value and achieve sustainable growth and medium- to long-term corporate value enhancement, we selected the Prime Market in the new market segment of the Tokyo Stock Exchange, Inc. and submitted a plan to comply with the listing maintenance standards for the new market segment.

Under the theme of "evolving into a regional integrated lifestyle group" in the medium-term management plan ending in May 15, 2026, our Group is pursuing three growth strategies (integrated lifestyle store strategy, regional platform strategy, and collaboration strategy) and an organizational strategy.

The integrated lifestyle store strategy includes expansion of the number of stores that provide fresh foods, which is part of our line-robbing efforts to expand our product categories, and provision of lifestyle services such as continuous in-store nutritional consultation sessions with nutritionists in an attempt to create stores that are supported by local residents.

The regional platform strategy includes the continuously growing "EZOCA" ecosystem centered on Hokkaido's common point card "EZOCA," the members of which surpassed 2 million in August 2021. The number of "EZOCA" partner stores expanded to 747 stores with 164 companies. "Esashi EZOCA" was launched as part of the initiatives based on a comprehensive cooperation agreement with Esashi Town. A portion of the purchase amount will be donated to the town, aiming to contribute to the revitalization of the local economy. Together with the town, we are also engaged in a MaaS demonstration experiment to maintain and secure public transportation, aiming to establish a sustainable service by utilizing data acquired from the Esashi EZOCA.

The collaboration strategy includes a franchise store agreement with the daily necessities division of COOP SAPPORO store business which was concluded in May 2021 under the comprehensive business alliance. This agreement will lead to improved convenience for our customers, members, and other residents of Hokkaido through the supply of more favorable products. We also concluded various agreements with the city of Hakodate, Taiki Town and Sapporo University, aiming to contribute to the revitalization of the region, the improvement of services for residents, and the resolution of social issues.

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 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. In addition, we have identified

material issues (materiality) in order to establish our Group's sustainable business operations and to contribute to the sustainability of society by positioning them as the foundation for advancing our management strategies.

As a result of the above, net sales were 82,905 million yen (down 0.4%, or 335 million yen, year on year), operating profit was 747 million yen (up 16.7%, or 106 million yen, year on year), ordinary profit was 793 million yen (up 30.5%, or 185 million yen, year on year), and profit attributable to owners of parent was 316 million yen (down 44.9%, or 257 million yen, year on year).

As a side note, effective from the beginning of the current consolidated fiscal year, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. Details are provided in "3. Consolidated financial statements and notes, (5) 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. On the sales front, we aim to promote a low-price strategy centered on Everyday Same Low Price (ESLP) in order to gain more customer support and to improve operational efficiency by leveling work operations. We also aim to expand product categories by strengthening line robbing, including fresh foods. In addition, we are working to improve the quality and speed of decision-making through the area divisional organization and to promote digital marketing with official apps. As for dispensing pharmacies, in addition to the operation of near hospital pharmacies, we have also established them within drugstores. At the same time, we are working to provide lifestyle services such as fitness businesses and specific health guidance by registered dietitians.

Thanks to the patronage of our customers and the support of our stakeholders, Sapporo Drugstore Co., Ltd. celebrated its 50th anniversary since the opening of its first store. The company is planning and holding a fair to commemorate the 50th anniversary and making efforts to be the most familiar and beloved company by staying close to the lives of the community for another 50 years as well.

During the consolidated fiscal year under review, the special demands for hygiene-related products, which occurred in the same period of the previous fiscal year, subsided. On the other hand, 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. Net sales in the drugstore format increased year on year, excluding the impact of the adoption of the revenue recognition standard, as a result of a net increase in the number of stores, in addition to an increase in the price per customer due to an increase in the number of items purchased and other factors. 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 eased restraint on visits to medical institutions during the COVID-19, net sales grew year on year, partly due to the increased sales from the dispensing pharmacies within a drugstore which opened in the previous fiscal 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 May 15, 2021	Openings	Closures	As of May 15, 2022
Drugstores	Drugstore format	171 stores	7 stores	3 stores	175 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	7 stores	6 stores	201 stores

As a result of the above, sales in the retail business segment amounted to 82,051 million yen (down 0.9%, or 709 million yen year on year), and segment profit amounted to 659 million yen (up 11.7%, or 68 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 157 million yen (up 47.9%, or 50 million yen year on year), and segment profit amounted to 34 million yen (up 78.5%, or 15 million yen year on year).

<Other Businesses>

Our 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 April 2022, the number of members of "EZOCA," Hokkaido's common point card, which is our Group's strength, surpassed 2 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 the increased needs for contactless payment for infection prevention.

Net sales in other business segment amounted to 1,069 million yen (up 43.8%, or 325 million yen year on year), and segment profit amounted to 6 million yen (a segment loss of 22 million yen in the same period of the previous fiscal year, an increase of 28 million yen year on year).

(2) Explanation of financial position**(Assets)**

Current assets at the end of the current consolidated fiscal year were 20,069 million yen, an increase of 1,802 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 317 million yen in accounts receivable, 363 million yen in merchandise, and 730 million yen in accounts receivable-other. Non-current assets amounted to 21,329 million yen, an increase of 1,299 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 781 million yen in property, plant and equipment and 263 million yen in leasehold and guarantee deposits.

As a result, total assets were 41,398 million yen, an increase of 3,099 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities at the end of the current consolidated fiscal year were 18,366 million yen, an increase of 1,748 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 699 million yen in accounts payable-trade, 638 million yen in current portion of long-term borrowings, and 849 million yen in accounts payable-other. Non-current liabilities amounted to 14,143 million yen, an increase of 1,134 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase in long-term borrowings of 585 million yen.

As a result, total liabilities were 32,510 million yen, an increase of 2,882 million yen from the end of the previous consolidated fiscal year.

(Net assets)

Total net assets at the end of the current consolidated fiscal year were 8,888 million yen, an increase of 216 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 128 million yen in retained earnings due to dividends of surplus, and also an increase of 316 million yen due to profit attributable to owners of parent.

As a result, the equity ratio was 21.2% (22.5% at the end of the previous consolidated fiscal year).

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

The balance of cash and cash equivalents (hereinafter referred to as “capital”) for the current consolidated fiscal year was 2,957 million yen.

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

(Cash flows from operating activities)

Capital obtained as a result of operating activities amounted to 1,282 million yen (acquired 3,372 million yen, in the same period of the previous fiscal year). This was mainly due to factors such as profit before income taxes of 431 million yen, depreciation and amortization of 1,203 million yen, an increase in trade payables of 699 million yen, as well as an increase in trade receivables of 317 million yen and increase in inventories of 335 million yen.

(Cash flows from investing activities)

Capital used for investing activities amounted to 2,235 million yen (acquired 1,201 million yen, in the same period of the previous fiscal year). This was mainly due to expenditures of 1,884 million yen for the purchase of property, plant and equipment and 514 million yen for payments for leasehold and guarantee deposits.

(Cash flows from financing activities)

Capital obtained as a result of operating activities amounted to 1,272 million yen (expenditures of 3,394 million yen, in the same period of the previous fiscal year). This was mainly due to a net increase of 200 million yen in short-term borrowings, proceeds from long-term borrowings of 1,600 million yen, repayment of long-term borrowings of 375 million yen, and cash dividends paid of 128 million yen.

(4) Future outlook

The Japanese economy for the coming fiscal year is expected to pick up due to the effects of various government policies, although the impact of COVID-19 is uncertain. On the other hand, the economic outlook is expected to remain uncertain due to geopolitical risks from the situation in Ukraine and the rising prices of crude oil and raw materials.

As for the environment surrounding our Group, while the drugstore industry's market size is expanding due to the aggressive opening of new stores and expansion of product lineups by various companies, the business environment is expected to remain severe due to competition among existing companies to open new stores and consolidation of oligopoly through M&As. We also expect that the growing requirements for one-stop shopping and cashless payment will continue.

Under these circumstances, in the coming consolidated fiscal year, we will strengthen the earnings base of our core retail business by opening new stores, expanding the handling of fresh food, and pursuing ESLP, in order to "evolve into a regional integrated lifestyle group," the theme of our medium-term management plan ending May 15, 2026. We will also expand our business domain from a retailer that only “sells goods” to a lifestyle services provider that provides “goods × services” by expanding the EZOCA ecosystem, selling cloud POS and EZOCA-related data externally, and further expanding cashless payment services, etc. We will strive for the growth of the entire group while differentiating ourselves from our competitors. We will also work to strengthen partnerships with COOP SAPPORO, local governments and companies, and promote digital marketing. Furthermore, we expect a gradual recovery in inbound demand.

Based on the above, for the coming fiscal year, we forecast consolidated net sales of 91,400 million yen, operating profit of 1,200 million yen, ordinary profit of 1,200 million yen, and profit attributable to owners of parent of 700 million..

(5) Material events related to going concern assumptions

Not applicable.

2. Basic policy regarding selection of accounting standards

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

3. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Millions of yen)

	Previous consolidated fiscal year (May 15, 2021)	Current consolidated fiscal year (May 15, 2022)
Assets		
Current assets		
Cash and deposits	2,659	2,957
Accounts receivable - trade	2,768	3,085
Merchandise	10,407	10,771
Accrued receivable - other	1,951	2,681
Income taxes receivable	15	88
Other	464	484
Total current assets	18,267	20,069
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,578	12,651
Accumulated depreciation	△4,757	△5,293
Buildings and structures, net	6,821	7,358
Tools, furniture and fixtures	3,706	3,933
Accumulated depreciation	△2,846	△3,104
Tools, furniture and fixtures, net	859	829
Land	4,013	3,869
Leased assets	1,273	1,770
Accumulated depreciation	△938	△989
Leased assets, net	334	781
Construction in progress	267	239
Total property, plant and equipment	12,296	13,077
Intangible assets	428	451
Investments and other assets		
Investment securities	75	263
Leasehold and guarantee deposits	5,958	6,222
Deferred Tax Assets	815	896
Other	532	435
Allowance for doubtful accounts	△76	△18
Total investment and other assets	7,305	7,799
Total non-current assets	20,030	21,329
Deferred assets		
Organization expenses	1	-
Total deferred assets	1	-
Total assets	38,299	41,398

(Millions of yen)

	Previous consolidated fiscal year (May 15, 2021)	Current consolidated fiscal year (May 15, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	11,634	12,334
Short-term borrowings	100	300
Current portion of long-term borrowings	375	1,014
Accounts payable - other	2,396	3,246
Lease obligations	48	59
Income taxes payable	227	51
Accrued consumption taxes	488	30
Provision for bonuses	519	536
Other	826	794
Total current liabilities	16,617	18,366
Non-current liabilities		
Long-term borrowings	11,148	11,734
Lease obligations	332	769
Retirement benefit liability	573	634
Asset retirement obligations	472	532
Other	481	472
Total non-current liabilities	13,009	14,143
Total liabilities	29,627	32,510
Net assets		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	2,099	2,095
Retained earnings	5,873	6,061
Treasury shares	△306	△299
Total shareholders' equity	8,666	8,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4	1
Foreign currency translation adjustment	△42	△65
Remeasurements of defined benefit plans	△5	△0
Total accumulated other comprehensive income	△43	△65
Share acquisition rights	4	4
Non-controlling interests	44	91
Total net assets	8,672	8,888
Total liabilities and net assets	38,299	41,398

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)	Current consolidated fiscal year (May 16, 2021 - May 15, 2022)
Net sales	83,240	82,905
Cost of sales	62,757	62,862
Gross profit	20,483	20,042
Selling, general and administrative expenses	19,842	19,295
Operating profit	640	747
Non-operating income		
Interest and dividend income	19	19
Gain on donation of non-current assets	29	25
Foreign exchange gains	40	22
Other	98	75
Total non-operating income	187	143
Non-operating expenses		
Interest expenses	62	92
Commission expenses	146	2
Other	10	2
Total non-operating expenses	220	97
Ordinary profit	607	793
Extraordinary income		
Gain on sales of non-current assets	740	41
Total extraordinary income	740	41
Extraordinary losses		
Loss on retirement of non-current assets	80	14
Impairment losses	183	376
Loss on store closings	108	12
Total extraordinary losses	373	402
Profit before income taxes	974	431
Income taxes-current	413	184
Income taxes-deferred	△20	△81
Total income taxes	393	102
Profit	581	328
Profit (loss) attributable to non-controlling interests	6	11
Profit (loss) attributable to owners of parent	574	316

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)	Current consolidated fiscal year (May 16, 2021 - May 15, 2022)
Profit	581	328
Other comprehensive income		
Valuation difference on available-for-sale securities	1	△3
Foreign currency translation adjustment	△38	△22
Remeasurements of defined benefit plans	0	4
Total other comprehensive income	△36	△21
Comprehensive income	544	306
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	537	295
Comprehensive income attributable to non-controlling interests	6	11

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,000	2,099	5,427	△306	8,220	3	△4	△5	△6	2	35	8,251
Changes during period												
Dividends of surplus			△128		△128							△128
Profit attributable to owners of parent			574		574							574
Disposal of treasury shares					-							-
Capital increase of consolidated subsidiaries					-							-
Net changes of items other than shareholders' equity						1	△38	0	△36	2	9	△25
Total changes during period	-	-	446	-	446	1	△38	0	△36	2	9	420
Balance at end of period	1,000	2,099	5,873	△306	8,666	4	△42	△5	△43	4	44	8,672

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

(Millions of yen)

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

(4) Consolidated statements of cash flows

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)	Current consolidated fiscal year (May 16, 2021 - May 15, 2022)
Cash flows from operating activities		
Profit before income taxes	974	431
Depreciation and amortization	1,164	1,203
Impairment loss	183	376
Increase (decrease) in Allowance for doubtful accounts	-	△58
Increase (decrease) in provision for bonuses	6	16
Increase (decrease) in retirement benefit liability	55	60
Interest and dividend income	△19	△19
Gain on donation of non-current assets	△29	△25
Loss (gain) on sales of non-current assets	△740	△41
Interest expenses	62	92
Loss on retirement of non-current assets	80	14
Loss on store closings	108	12
Amortization of deferred assets	7	1
Decrease (increase) in trade receivables	△845	△317
Decrease (increase) in inventories	△1,338	△335
Increase (decrease) in trade payables	3,575	699
Increase (decrease) in accrued consumption taxes	340	△462
Other	316	65
Subtotal	3,905	1,715
Interest and dividends received	2	0
Interest paid	△61	△90
Income taxes paid	△481	△359
Income taxes refund	7	15
Net cash provided by (used in) operating activities	3,372	1,282
Cash flows from investing activities		
Purchase of property, plant and equipment	△2,113	△1,884
Proceeds from sales of property, plant and equipment	3,910	249
Purchase of intangible assets	△165	△148
Purchase of investment securities	-	△202
Payments of leasehold and guarantee deposits	△639	△514
Proceeds from refund of leasehold and guarantee deposits	261	250
Guarantee deposits received	36	2
Refund of guarantee deposits received	△13	△11
Loan advances	△220	-
Collection of loans receivable	200	20
Other	△54	5
Net cash provided by (used in) investing activities	1,201	△2,235

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)	Current consolidated fiscal year (May 16, 2021 - May 15, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△2,400	200
Proceeds from long-term borrowings	11,800	1,600
Repayments of long-term borrowings	△12,619	△375
Repayments of lease obligations	△48	△53
Dividends paid	△128	△128
Proceeds from capital increase of consolidated subsidiaries	-	31
Other	2	-
Net cash provided by (used in) financing activities	△3,394	1,272
Effect of exchange rate change on cash and cash equivalents	△38	△22
Net increase (decrease) in cash and cash equivalents	1,140	297
Cash and cash equivalents at beginning of period	1,518	2,659
Cash and cash equivalents at end of period	2,659	2,957

(5) Consolidated financial statements and notes

(Going concern assumption)

Not applicable.

(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. has been applied by our Company from the beginning of the current consolidated fiscal year. 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 provision of Paragraph 84 of the Revenue Recognition Accounting Standard. However, there is no impact on retained earnings at the beginning of the current consolidated fiscal year.

As a result, net sales, gross profit, and selling, general and administrative expenses for the current consolidated fiscal year decreased by 1,277 million yen, but there was no impact on operating profit, ordinary profit, and profit before income taxes. In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the results do not include information that dissects revenue from contracts with customers for the previous consolidated fiscal year.

(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") has been applied from the beginning of the current consolidated fiscal year, 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 consolidated financial statements.

(Change in method of presentation)

(Consolidated balance sheet related)

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

Accordingly, the 2,415 million yen presented as "other" under "current assets" in the consolidated balance sheets for the previous fiscal year has been reclassified as "accounts receivable-other" of 1,951 million yen and "other" of 464 million yen.

(Segment Information)

(Segment Information)

1. Overview of reportable segments

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

The Group is engaged in two businesses: the "retail business" that operates drug stores and dispensing pharmacies, and the "IT solution business" that sells POS applications and others. Therefore, the reportable segments are "Retail Business" and "IT Solution Business".

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

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

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

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 fiscal year, 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 fiscal year decreased by 1,277 million yen compared with the conventional method. There was no impact on segment profit.

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

Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)

(Millions of yen)

	Reportable Segment			Other (Note) 1	Total Adjustment	Amount shown on consolidated financial statements (Note) 2	Amount shown in consolidated financial statements (Note) 3
	Retail Business	IT Solutions Business	Total				
Net Sales							
External sales	82,726	98	82,824	416	83,240	—	83,240
Inter-segment sales and transfers	34	8	42	327	370	△370	—
Total	82,761	106	82,867	743	83,611	△370	83,240
Segment profit or loss	590	19	609	△22	587	53	640
Segment assets	36,522	84	36,606	1,944	38,551	△251	38,299
Other							
Depreciation	1,150	4	1,155	9	1,164	△0	1,164
Impairment loss	183	—	183	—	183	—	183
Increase in property, plant and equipment and intangible assets	2,125	0	2,125	6	2,132	12	2,145

(Notes)

- The "Other" category is a business segment that is not included in the reportable segments and includes the marketing business and the education business.
- The 53 million yen adjustment to segment profit includes elimination of income and loss inter-segment transactions of 625 million yen and expenses related to the operation of the holding company of -571 million yen.
The -251 million yen adjustment to segment assets was eliminated by offsetting with consolidated subsidiaries of -8,914 million yen and the assets of the holding company not allocated to the reportable segment which were 8,662 million yen.
- Segment profit or loss are adjusted to be consistent with operating profit shown on the consolidated income statement.

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

(Millions of yen)

	Reportable Segment			Other (Note) 1	Total Adjustment	Amount shown on consolidated financial statements (Note) 2	Amount shown in consolidated financial statements (Note) 3
	Retail Business	IT Solutions Business	Total				
Net Sales							
Drugstore	76,619	—	76,619	—	76,619	—	76,619
Inbound	443	—	443	—	443	—	443
Pharmacies	3,726	—	3,726	—	3,726	—	3,726
Other	541	151	692	738	1,431	—	1,431
Revenue arising from contracts with customers	81,331	151	81,482	738	82,221	—	82,221
Other revenues	667	—	667	16	683	—	683
External sales	81,998	151	82,149	755	82,905	—	82,905
Inter-segment sales and transfers	53	6	59	313	373	△373	-
Total	82,051	157	82,209	1,069	83,278	△373	82,905
Segment profit	659	34	694	6	700	47	747
Segment assets	38,655	93	38,748	2,956	41,704	△305	41,398
Other							
Depreciation	1,195	0	1,195	9	1,205	△1	1,203
Impairment loss	376	-	376	—	376	—	376
Increase in property, plant and equipment and intangible assets	2,610	1	2,612	14	2,626	△11	2,615

(Notes)

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

(Information about earning per share)

	Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)	Current consolidated fiscal year (May 16, 2021 - May 15, 2022)
Book value Per Share	625.59 yen	637.45 yen
Net income per share	41.70 yen	22.98 yen
Diluted net income per share	41.69 yen	22.98 yen

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

Items	Previous consolidated fiscal year (May 16, 2020 - May 15, 2021)	Current consolidated fiscal year (May 16, 2021 - May 15, 2022)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	574	316
Amount not attributable to common shareholders (millions of yen)	-	-
Net income attributable to the owners of the parent company in relation to common shares (millions of yen)	574	316
Average number of shares of common shares during the period	13,783,578	13,789,595
Diluted net income per share		
Net income adjustment amount attributable to owners of the parent company (millions of yen)	-	-
Increase in the number of common shares	2,218	2,420

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

(Important subsequent event)

Not applicable.