



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 2023 [Japanese GAAP]

September 16, 2022

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 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 2023 (May 16, 2022-August 15, 2022)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 15, 2022	21,496	0.8	72	23.5	76	11.1	30	△ 12.0
August 15, 2021	21,335	△ 1.8	59	△ 50.5	68	△ 49.1	35	-

(Note) Comprehensive income Three months ended August 15, 2022: 31 million yen (△ 4.2%)
 Three months ended August 15, 2021: 32 million yen (- %)

	Quarterly net income per share	Diluted quarterly net income per share
Three months ended August 15, 2022	Yen 2.24	Yen 2.24
August 15, 2021	Yen 2.55	Yen 2.55

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
August 15, 2022	41,561	8,791	20.9
May 15, 2022	41,398	8,888	21.2

(Note) Equity As of August 15, 2022: 8,695 million yen
 As of May 15, 2022: 8,792 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended May 15, 2022	-	0.00	-	9.34	9.34
Ending May 15, 2023	-				
Ending May 15, 2023 (forecast)		0.00	-	10.00	10.00

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

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

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

※ 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, 2022	14,226,000 shares	As of May 15, 2022	14,226,000 shares
② Number of treasury shares as of the end of the period	As of August 15, 2022	432,747 shares	As of May 15, 2022	432,747 shares
③ Average number of shares outstanding during the period (quarterly cumulative)	Three months ended August 15, 2022	13,793,253 shares	Three months ended August 15, 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) are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended May 15, 2022.

※ Quarterly financial statements are not subject to quarterly reviews by certified public accountants or auditing firms.

※ Cautionary statement with respect to forecasts

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

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1. Qualitative Information on the Current Quarterly Financial Results

(1) Explanation of operating results

In the first quarter of the current consolidated fiscal year (May 16, 2022 to August 15, 2022), the Japanese economy showed some movement toward normalization of socio-economic activities due to the easing of behavioral restrictions and other factors amid the continuing impact of the COVID-19 pandemic. However, the future economic outlook remains uncertain due to the increased geopolitical risks from the situation in Ukraine and the impact of rising crude oil and raw material prices on consumer spending. An overview of the segment performance is as follows.

In the drugstore industry, in which the Group mainly operates, the demand for masks and other hygiene-related products remained strong due to the impact of the COVID-19 pandemic. However, the business environment surrounding the Group continues to be challenging due to a decline in demand for cosmetics as lifestyles change, a decrease in demand for common cold remedies as infection prevention measures take root, the disappearance of inbound demand, as well as intensifying competition across industry boundaries, competition to open new stores among existing companies, and oligopolistic consolidation through M&As.

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

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, expansion of stores with dispensing facilities, 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.

In our collaboration strategy, under the comprehensive business alliance with COOP SAPPORO, we have started joint purchasing of food products for both companies and begun selling our PB products at Coop Drug to improve convenience for our customers, members, and other residents of Hokkaido through the supply of more favorable products. Also, we have newly concluded comprehensive cooperation agreements with Sapporo Jikei Gakuen Sapporo Shinyo High School and Tokachi Mainichi Newspaper Inc. to contribute to the sustainable development of the region 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 we are actively promoting health management through the establishment of a Chief Health Officer (CHO) and the enactment of the Satudora Group Health and Productivity Management Declaration. We have also strengthened our governance structure and implemented the application of all principles of the Corporate Governance Code.

As a result of the above, consolidated net sales for the first quarter of the current fiscal year were 21,496 million yen (up 0.8%, or 160 million yen, year on year), operating profit was 72 million yen (up 23.5%, or 13 million yen, year on year), ordinary profit was 76 million yen (up 11.1%, or 7 million yen, year on year), and profit attributable to owners of parent was 30 million yen (down 12.0%, or 4 million yen, year on year).

An overview of the segment performance is as follows.

The classification of reportable segments has been changed from the first quarter of the current fiscal year. Therefore, year-on-year comparisons are calculated based on the reclassified figures for the same period of the previous fiscal year. Details are provided

in "2. Quarterly consolidated financial statements and notes (3) Quarterly consolidated financial statements and notes (Segment information)".

<Retail Business>

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

During the consolidated cumulative first quarter, demand for common cold remedies and cosmetics, which had been affected by the COVID-19 pandemic, gradually picked up, and average customer spending rose. However, the number of customers decreased due to a decline in the frequency of customer visits, reflecting the growing awareness of customers to protect their lives from rising prices, resulting in lower sales in the drugstore format than in the same period last 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, net sales grew year on year due in part to the implementation of vaccine and test packages and the effect of increased sales of medical antigen test kits.

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

(Status of store openings and closures)

Store classification	Format classification	As of May15, 2022	Openings	Closures	As of August 15, 2022
Drugstores	Drugstore format	175 stores	-	1 store	174 stores
	Inbound format	14 stores	-	-	14 stores
Pharmacies	Near hospital pharmacies	10 stores	-	-	10 stores
Other stores	The Kurashi Store of Hokkaido	2 stores	-	-	2 stores
Total		201 stores	-	1 store	200 stores

As a result of the above, sales in the retail business segment amounted to 21,257 million yen (up 0.6%, or 117 million yen year on year), and segment profit amounted to 79 million yen (up 113.3%, or 42 million yen year on year).

<Other Businesses>

The Group is engaged in the regional marketing and payment service businesses utilizing the Hokkaido common point card "EZOCA", development and sales of POS applications and other services aimed at solving issues from the user's perspective, operation of programming schools for elementary and junior high school students, and information provision services for domestic and overseas corporations. As of the end of July 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 need for contactless payment.

Net sales in the other businesses segment amounted to 334 million yen (up 15.2%, or 44 million yen year on year), and segment loss amounted to 10 million yen (a segment profit of 6 million yen in the same period of the previous fiscal year, a decrease of 16 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 41,561 million yen, an increase of 162 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 421 million yen in property, plant and equipment, and 147 million in leasehold and guarantee deposits, despite a decrease of 639 million yen in accounts receivable-trade due to the last day of the previous consolidated fiscal year being a holiday for financial institutions.

Total liabilities were 32,769 million yen, an increase of 259 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 628 million yen in other current liabilities and a decrease of 268 million yen in long-term borrowings (including current portion of long-term borrowings), despite an increase of 4,200 million yen in short-term borrowings and a decrease of 4,167 million yen in accounts payable-trade due to the last day of the previous consolidated fiscal year being a holiday for financial institutions.

Total net assets were 8,791 million yen, a decrease of 97 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 30 million yen in retained earnings due to quarterly net profit attributable to owners of parent, despite the decrease of 128 million yen in retained earnings due to dividend payments.

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

There are no changes to the forecast of consolidated financial results for the fiscal year ending May 15, 2023 from the forecast released on June 22, 2022.

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

(Millions of yen)

	As of May 15, 2022	As of August 15, 2022
Assets		
Current assets		
Cash and deposits	2,957	2,854
Accounts receivable-trade	3,085	2,445
Merchandise	10,771	10,780
Other	3,255	3,341
Total current assets	20,069	19,422
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,358	7,365
Land	3,869	3,973
Other, net	1,850	2,160
Total property, plant and equipment	13,077	13,499
Intangible assets	451	457
Investments and other assets		
Leasehold and guarantee deposits	6,222	6,369
Other	1,595	1,829
Allowance for doubtful accounts	△18	△18
Total investment and other assets	7,799	8,181
Total non-current assets	21,329	22,138
Total assets	41,398	41,561

(Millions of yen)

	As of May 15, 2022	As of August 15, 2022
Liabilities		
Current liabilities		
Accounts payable-trade	12,334	8,166
Short-term borrowings	300	4,500
Current portion of long-term borrowings	1,014	994
Income taxes payable	51	30
Provision for bonuses	536	426
Other	4,130	4,758
Total current liabilities	18,366	18,877
Non-current liabilities		
Long-term borrowings	11,734	11,486
Retirement benefit liability	634	645
Asset retirement obligations	532	534
Other	1,241	1,227
Total non-current liabilities	14,143	13,892
Total liabilities	32,510	32,769
Net assets		
Shareholders' equity		
Share capital	1,000	1,000
Capital surplus	2,095	2,095
Retained earnings	6,061	5,963
Treasury shares	△299	△299
Total shareholders' equity	8,857	8,759
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	1
Foreign currency translation adjustment	△65	△65
Remeasurements of defined benefit plans	△0	△0
Total accumulated other comprehensive income	△65	△64
Share acquisition rights	4	4
Non-controlling interests	91	91
Total net assets	8,888	8,791
Total liabilities and net assets	41,398	41,561

(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, 2021	Three months ended August 15, 2022
Net sales	21,335	21,496
Cost of sales	16,439	16,327
Gross profit	4,896	5,168
Selling, general and administrative expenses	4,837	5,096
Operating profit	59	72
Non-operating income		
Interest and dividend income	4	5
Gain on donation of non-current assets	9	-
Foreign exchange gains	7	5
Other	10	24
Total non-operating income	32	34
Non-operating expenses		
Interest expenses	20	30
Other	2	0
Total non-operating expenses	22	31
Ordinary profit	68	76
Extraordinary income		
Gain on sales of non-current assets	41	-
Total extraordinary income	41	-
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Loss on store closings	6	-
Total extraordinary losses	6	-
Quarterly profit before income taxes	103	76
Total income taxes	64	45
Quarterly profit	38	30
Quarterly profit (loss) attributable to non-controlling interests	3	△0
Quarterly profit attributable to owners of parent	35	30

Quarterly consolidated statement of comprehensive income

Consolidated cumulative first quarter

(Millions of yen)

	Three months ended August 15, 2021	Three months ended August 15, 2022
Quarterly profit	38	30
Other comprehensive income		
Valuation difference on available-for-sale securities	△0	△0
Foreign currency translation adjustment	△6	0
Remeasurements of defined benefit plans	0	0
Total other comprehensive income	△5	0
Quarterly comprehensive income	32	31
Comprehensive income attributable to:		
Comprehensive quarterly income attributable to owners of parent	29	31
Comprehensive quarterly income attributable to non-controlling interests	3	△0

(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 before income taxes by the relevant estimated effective tax rate.

(Changes in accounting policies)

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

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

(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, 2021 - August 15, 2021)

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

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in the quarterly consolidated statement of income (Note) 3
	Retail Business				
Net sales					
Drugstore	19,860	-	19,860	-	19,860
Inbound	103	-	103	-	103
Pharmacy	880	-	880	-	880
Other	122	205	327	-	327
Revenue arising from contracts with customers	20,967	205	21,172	-	21,172
Other revenues	159	3	162	-	162
External sales	21,126	208	21,335	-	21,335
Inter-segment sales and transfers	12	81	94	△94	-
Total	21,139	290	21,430	△94	21,335
Segment profit	37	6	43	15	59

(Notes)

1. The “Other” category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

Current consolidated cumulative first quarter (May 16, 2022 - August 15, 2022)

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				
Net sales					
Drugstore	19,740	-	19,740	-	19,740
Inbound	137	-	137	-	137
Pharmacy	1,029	-	1,029	-	1,029
Other	150	243	393	-	393
Revenue arising from contracts with customers	21,058	243	21,301	-	21,301
Other revenues	185	9	194	-	194
External sales	21,243	252	21,496	-	21,496
Inter-segment sales and transfers	13	82	95	△95	-
Total	21,257	334	21,592	△95	21,496
Segment profit or loss	79	△10	68	3	72

(Notes)

1. The “Other” category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit or loss is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

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

Effective from the current consolidated first quarter, the “IT Solutions Business” has been reclassified from a reportable segment to “Other” due to its low quantitative materiality.

The segment information for the first quarter of the previous consolidated first quarter is disclosed based on the reportable segment classification for the current consolidated first quarter.