



## Consolidated Financial Results for the First Quarter of the Fiscal Year Ending May 2025 [Japanese GAAP]

September 20, 2024

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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 2025 (May 16, 2024-August 15, 2024)

#### (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, 2024	25,087	4.6	230	1.4	241	30.9	104	12.2
August 15, 2023	23,985	11.6	227	212.3	184	142.1	93	201.8

(Note) Comprehensive income Three months ended August 15, 2024: 105 million yen (3.1%)  
 Three months ended August 15, 2023: 102 million yen (225.3%)

Three months ended	Quarterly net income per share	Diluted quarterly net income per share
	Yen	Yen
August 15, 2024	7.55	—
August 15, 2023	6.75	6.75

#### (2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
August 15, 2024	45,655	9,207	19.9
May 15, 2024	44,905	9,240	20.3

(Note) Equity As of August 15, 2024: 9,089 million yen  
 As of May 15, 2024: 9,128 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, 2024	-	0.00	-	10.00	10.00
Ending May 15, 2025	-				
Ending May 15, 2025 (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 2025 (May 16, 2024 - May 15, 2025)

(Percentages represent year-on-year changes)

Full Year	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
	100,000	4.7	1,400	1.1	1,350	1.0	480	2.0	34.67

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

## ※ Notes

## (1) Important changes in the scope of consolidation in the current consolidated cumulative quarter: Yes

New : - companies (Company names) -

Excluded : 2 companies (Company names) RxR Innovation Initiative Co., Ltd., CoelaQanth, Inc.

(Note) For details, please refer to "2. Quarterly consolidated financial statements and notes, (3) Notes to quarterly consolidated financial statements (Notes on significant changes in the scope of consolidation)" on page 9 of the attached materials.

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

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

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

- |   |      |
|---|------|
| ① Changes in accounting policies due to revisions in accounting standards : | 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) Notes to quarterly consolidated financial statements (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, 2024	14,236,564 shares	As of May 15, 2024	14,236,564 shares
② Number of treasury shares as of the end of the period	As of August 15, 2024	391,177 shares	As of May 15, 2024	391,177 shares
③ Average number of shares outstanding during the period (quarterly cumulative)	Three months ended August 15, 2024	13,845,387 shares	Three months ended August 15, 2023	13,803,761 shares

※ Review by a certified public accountant or audit firm of the attached quarterly consolidated financial statements: None

※ 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. Overview of Operating Results

### (1) Overview of operating results for the current quarter

In the consolidated cumulative first quarter (May 16, 2024 to August 15, 2024), the Japanese economy has recovered gradually due in part to a variety of government policies under improved employment and income conditions. However, the outlook remains uncertain due to such factors as rising prices, the situation in the Middle East, and fluctuations in financial and capital markets.

In the drugstore industry, in which the Group mainly operates, while market size has expanded due to aggressive store openings and increased product range among a variety of companies, the business environment surrounding the Group continues to be challenging due to intensifying competition across industry boundaries, competition to open new stores among existing companies, oligopolistic consolidation through M&As, and increasing frugality due to price hikes and declining real wages.

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

In the integrated lifestyle store strategy, we expanded stores handling fresh foods as part of our effort to expand stores with dispensing facilities and our line-robbing effort to expand product categories. The number of stores handling fresh foods was expanded to 36 this fiscal year. We are also working to strengthen our earnings base by promoting a price strategy centered on Everyday Same Low Price (ESLP) and digital marketing with the Satudora app.

As for the regional platform strategy, the membership of Hokkaido's common point card "EZOCA" surpassed 2.15 million with over 250 affiliated stores (1,000 outlets) as of the end of July 2024, and the EZOCA economic zone continues to grow.

Additionally, as part of a comprehensive cooperation agreement with Tobetsu Town, we introduced "Tobetsu EZOCA," our third point card that gives back to the local community and our first in the Sapporo area. Implementing systems that return a portion of shopping expenses to the town is part of our effort toward sustainable community development support through collaboration between the government, the private sector, and local shopping districts. We also opened the Satudora Tobetsu Futomi store in Tobetsu Town, which houses the Tobetsu Town Nishi-Tobetsu branch office.

As our collaboration strategy, we entered into a new wellness partner agreement with Sapporo City and are promoting projects aimed at improving citizens' wellness (extending healthy life expectancy), such as providing health guidance. As of August 2024, we have signed more than 40 different agreements with local governments, businesses, etc.

In terms of organizational strategy, we are proactively working to create and fortify the execution of human resource strategies that will help achieve our business strategies and promote health management, for which we have been certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as a "2024 Certified Health & Productivity Management Outstanding Organization White 500." We have also strengthened our governance structure and applied 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 25,087 million yen (up 4.6%, or 1,102 million yen, year on year), operating profit was 230 million yen (up 1.4%, or 3 million yen, year on year), ordinary profit was 241 million yen (up 30.9%, or 56 million yen, year on year), and profit attributable to owners of parent was 104 million yen (up 12.2%, or 11 million yen, year on year).

An overview of the segment performance is as follows.

#### <Retail Business>

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

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

During the cumulative consolidated first quarter, an increase in average spending per customer due to price hikes and the gradual recovery of demand for cosmetics resulted in higher sales for the drugstore format compared to the same period last year.

As for the inbound format, net sales exceeded that of the same period last year as a result of capturing demand from inbound foreign tourists visiting Japan. As for dispensing pharmacies, increased revenue from stores with dispensing facilities opened in the previous fiscal year, as well as increased premiums for the local support system and the generics dispensing system, led to higher sales compared to the same period last year.

As a result of the above, sales in the retail business segment amounted to 24,692 million yen (up 4.3%, or 1,019 million yen year on year), while segment profit was 215 million yen (down 2.7%, or 5 million yen year on year) due to increased costs from base wage increases and cash register modifications to accommodate new banknotes.

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, 2024	Openings	Closures	As of August 15, 2024
Drugstores	Drugstore format	179 stores	1 store	-	180 stores
	(Dispensing pharmacies within drugstores)	(17 stores)	(1 store)	(-)	(18 stores)
	Inbound format	9 stores	-	-	9 stores
Standalone pharmacies	Standalone pharmacies	11 stores	-	-	11 stores
Other stores	The Kurashi Store of Hokkaido	1 stores	-	1 store	0 store
Total		200 stores	1 store	1 store	200 stores

#### <Other Businesses>

The Group is engaged in the regional marketing and payment service businesses utilizing Hokkaido's common point card "EZOCA," development and sales of POS applications and other services aimed at solving issues from the user's perspective, and a CVC service to produce synergy between existing businesses as well as create new business. As of the end of July 2024, the membership of Hokkaido's common point card "EZOCA," which is our Group's strength, surpassed 2.15 million. In the payment service business, domestic cashless payment continued to perform well due to the increased need for contactless payment.

The net sales of other businesses amounted to 502 million yen (up 18.7%, or 79 million yen, year on year), while segment profit was 24 million yen (up 1080.8%, or 22 million yen, year on year).

## (2) Overview of financial position for the current quarter

Total assets at the end of the first quarter of the current consolidated fiscal year were 45,655 million yen, an increase of 750 million yen from the end of the previous consolidated fiscal year. This was due mainly to increases of 222 million yen in cash and deposits, 226 million yen in current assets and others, and 199 million yen in property, plant, and equipment.

Total liabilities were 36,447 million yen, an increase of 782 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 1,244 million yen in accounts payable-trade, 429 million yen in accounts payable-other, and 551 million yen in long-term borrowings (including the current portion of long-term borrowings), despite a decrease of 1,100 million yen in short-term borrowings.

Total net assets were 9,207 million yen, a decrease of 32 million yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease of 138 million yen in retained earnings due to dividend payments, despite the increase of 104 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, 2025 from the forecast released on June 20, 2024.

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

(Millions of yen)

	As of May 15, 2024	As of August 15, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	2,675	2,898
Accounts receivable-trade	2,810	2,947
Merchandise	10,657	10,630
Other	4,284	4,511
<b>Total current assets</b>	<b>20,428</b>	<b>20,987</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,496	9,018
Land	4,051	4,051
Other, net	2,409	2,087
<b>Total property, plant and equipment</b>	<b>14,957</b>	<b>15,157</b>
Intangible assets	471	512
Investments and other assets		
Leasehold and guarantee deposits	6,683	6,628
Other	2,375	2,381
Allowance for doubtful accounts	△11	△11
<b>Total investment and other assets</b>	<b>9,047</b>	<b>8,997</b>
<b>Total non-current assets</b>	<b>24,477</b>	<b>24,668</b>
<b>Total assets</b>	<b>44,905</b>	<b>45,655</b>

(Millions of yen)

	As of May 15, 2024	As of August 15, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	9,276	10,521
Short-term borrowings	5,000	3,900
Current portion of long-term borrowings	966	955
Accounts payable - other	4,922	5,352
Income taxes payable	302	104
Provision for bonuses	643	473
Other	1,082	1,056
Total current liabilities	22,194	22,364
Non-current liabilities		
Long-term borrowings	10,173	10,736
Retirement benefit liability	737	753
Asset retirement obligations	819	805
Other	1,739	1,787
Total non-current liabilities	13,470	14,083
Total liabilities	35,664	36,447
Net assets		
Shareholders' equity		
Share capital	1,003	1,003
Capital surplus	2,105	2,105
Retained earnings	6,352	6,318
Treasury shares	△269	△269
Total shareholders' equity	9,192	9,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	0
Deferred gains or losses on hedges	△10	△14
Foreign currency translation adjustment	△64	△64
Remeasurements of defined benefit plans	9	8
Total accumulated other comprehensive income	△63	△68
Non-controlling interests	112	118
Total net assets	9,240	9,207
Total liabilities and net assets	44,905	45,655



## (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, 2023	Three months ended August 15, 2024
Net sales	23,985	25,087
Cost of sales	18,263	18,918
Gross profit	5,721	6,168
Selling, general and administrative expenses	5,493	5,937
Operating profit	227	230
Non-operating income		
Interest and dividend income	5	5
Subsidy income	8	16
Gain on donation of non-current assets	2	1
Foreign exchange gains	0	0
Other	18	28
Total non-operating income	35	51
Non-operating expenses		
Interest expenses	36	40
Commission expenses	41	0
Other	1	0
Total non-operating expenses	78	41
Ordinary profit	184	241
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	-	1
Total extraordinary income	-	1
Quarterly profit before income taxes	184	242
Total income taxes	89	131
Quarterly profit	94	110
Quarterly profit attributable to non-controlling interests	1	5
Quarterly profit attributable to owners of parent	93	104

## Quarterly consolidated statement of comprehensive income

## Consolidated cumulative first quarter

(Millions of yen)

	Three months ended August 15, 2023	Three months ended August 15, 2024
Quarterly profit	94	110
Other comprehensive income		
Valuation difference on available-for-sale securities	0	△0
Deferred gains or losses on hedges	7	△4
Foreign currency translation adjustment	△0	0
Remeasurements of defined benefit plans	△0	△0
Total other comprehensive income	7	△4
Quarterly comprehensive income	102	105
Comprehensive income attributable to:		
Comprehensive quarterly income attributable to owners of parent	100	99
Comprehensive quarterly income attributable to non-controlling interests	1	5

### (3) Notes to quarterly consolidated financial statements

(Changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes " and others)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; "2022 Revised Accounting Standard") and other related standards from the beginning of the first quarter of the current consolidated fiscal year.

Regarding the revision of the accounting classification of corporation tax and others (taxation on other comprehensive income), the Company follows the transitional treatment in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; "2022 Revised Implementation Guidance"). This change in accounting policy has no effect on the quarterly consolidated financial statements.

Moreover, the Company has applied the 2022 Revised Implementation Guidance regarding the revision to the handling of deferred gains or losses on sales of subsidiary shares between consolidated companies for tax purposes in consolidated financial statements from the beginning of the first quarter of the current consolidated fiscal year. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous consolidated fiscal year have been adjusted retrospectively. This change in accounting policy has no effect on the quarterly consolidated financial statements for the previous quarter and the consolidated financial statements for the previous consolidated fiscal year.

(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.

(Notes on significant changes in the scope of consolidation)

During the first quarter of the current consolidated fiscal year, the Company excluded RxR Innovation Initiative Co., Ltd. from the scope of consolidation due to the transfer of all its shares.

CoelaQanth, Inc., a consolidated subsidiary during the first quarter of the current consolidated fiscal year, was also excluded from the scope of consolidation as it was absorbed by a consolidated subsidiary SAPPORO DRUG STORE CO., LTD., as the surviving company.

(Notes on segment information, etc)

## 【Segment Information】

## I. Previous consolidated cumulative first quarter (May 16, 2023 - August 15, 2023)

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

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in the quarterly consolidated statement of income (Note) 3
	Retail Business				
Net sales					
Drugstore	20,934	—	20,934	—	20,934
Inbound	1,286	—	1,286	—	1,286
Pharmacy	1,057	—	1,057	—	1,057
Other	201	310	511	—	511
Revenue arising from contracts with customers	23,480	310	23,790	—	23,790
Other revenues	179	15	194	—	194
External sales	23,659	325	23,985	—	23,985
Inter-segment sales and transfers	13	97	111	△111	—
Total	23,673	423	24,096	△111	23,985
Segment profit	221	2	223	4	227

(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.

## II. Current consolidated cumulative first quarter (May 16, 2024 - August 15, 2024)

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	21,781	—	21,781	—	21,781
Inbound	1,389	—	1,389	—	1,389
Pharmacy	1,122	—	1,122	—	1,122
Other	204	390	595	—	595
Revenue arising from contracts with customers	24,497	390	24,888	—	24,888
Other revenues	183	14	198	—	198
External sales	24,681	405	25,087	—	25,087
Inter-segment sales and transfers	11	96	108	△108	—
Total	24,692	502	25,195	△108	25,087
Segment profit	215	24	239	△8	230

(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, 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.

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

No applicable items.

(Going concern assumption)

Not applicable.

(Notes to cash flow statements)

The Company has not created a quarterly consolidated cash flow statement for the cumulative consolidated first quarter. The depreciation (including amortization of intangible assets) for the cumulative consolidated first quarter is as follows.

	Three months ended August 15, 2023	Three months ended August 15, 2024
Depreciation	310 million yen	316 million yen