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Consolidated Financial Results for the Nine Months Ended November 30, 2024 [Japanese GAAP]



January 8, 2025

Company name: WELCIA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3141

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

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Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on financial results: Available

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

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

1. Consolidated Financial Results for the Nine Months Ended November 30, 2024 (March 1, 2024 - November 30, 2024)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended November 30, 2024	951,916	4.6	22,856	(26.5)	26,352	(23.2)	14,778	(27.5)
Nine months ended November 30, 2023	910,460	7.6	31,105	(1.2)	34,295	(6.2)	20,382	(3.6)

(Note) Comprehensive income: Nine months ended November 30, 2024: ¥14,335 million [(30.2)%]

Nine months ended November 30, 2023: ¥20,548 million [(5.0)%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
Nine months ended November 30, 2024	71.41	71.36
Nine months ended November 30, 2023	98.44	98.37

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2024	632,021	253,525	39.1
As of February 29, 2024	551,860	244,367	43.0

(Reference) Equity: As of November 30, 2024: ¥247,175 million

As of February 29, 2024: ¥237,553 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 29, 2024	–	17.00	–	17.00	34.00
Fiscal year ending February 28, 2025	–	18.00	–		
Fiscal year ending February 28, 2025 (Forecast)				18.00	36.00

(Note) Revision to the forecast for dividends announced most recently: None

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,295,000	6.4	34,000	(21.4)	38,000	(20.4)	19,000	(28.2)	91.72

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – (), Excluded: – ()

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

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

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

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

November 30, 2024:	209,713,800 shares
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February 29, 2024:	209,656,076 shares
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2) Total number of treasury stock at the end of the period:

November 30, 2024:	2,343,221 shares
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February 29, 2024:	3,065,122 shares
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3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Nine months ended November 30, 2024:	206,964,330 shares
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Nine months ended November 30, 2023:	207,063,803 shares
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(Note) The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type; February 29, 2024: 2,543,500 shares; November 30, 2024: 1,914,600 shares) and the number of shares of the Company held in the Directors’ Remuneration BIP Trust (February 29, 2024: 507,819 shares; November 30, 2024: 417,743 shares) were included in the total number of treasury stock at the end of the period. The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the BIP Trust was included in the number of treasury stock, which was to be deducted from the calculation of the average number of shares outstanding during the period (November 30, 2023: 2,577,838 shares; November 30, 2024: 2,719,092 shares).

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

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

The earnings forecasts and other forward-looking statements provided herein are based on information available to the Company and certain assumptions deemed reasonable, and the Company does not promise the achievement of those forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions underlying the forecasts and the notes on the use of the forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attached document.

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[Interim Review Report (Japanese only)]

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended November 30, 2024 (from March 1, 2024 to November 30, 2024), real wages and consumer spending made a minor recovery due to such factors as improvements in the employment and income situation, and an increase in the number of foreign visitors to Japan. However, this did not result in a full-scale economic recovery. On the other hand, the outlook for the Japanese economy remains uncertain due to such factors as rising prices, future policy trends in the U.S., and trends in conflict areas around the world.

In the drugstore industry, the primary area of the Group's business, competition is intensifying due to such factors as the competition for new store sites with competitors including those from other industries, major players expanding their scales of business through mergers and acquisitions, and the expansion of customer services involving players from across different industrial sectors and business formats.

Under such circumstances, the Group strove to provide products and services in response to customer needs. In the sales of goods, the Group focused on the development and expanded sales of its PB products and the operation of its point service despite a decrease in sales caused by the discontinuation of cigarette sales. In the dispensing division, the number of prescriptions handled increased due primarily to an increase in the number of stores with dispensing pharmacies (2,267 stores as of November 30, 2024). As a result, sales of goods and dispensing services at existing stores remained solid compared with the previous year.

With the WAON POINT service introduced in the previous fiscal year, the Group has been able to increase the number of Welcia members, the Group's point members, to 13.30 million. The Group will continue to step up its measures to attract customers through improvement in the penetration rate of its point card and app. The Group continued to focus on the product development of its PB products with an emphasis on improving their functions, quality, and eco-friendly features and made efforts to expand the sales of Karada Welcia and Kurashi Welcia.

In September 2024, the Group made Welpark Co., Ltd., which operates 144 stores in Tokyo and three other prefectures in the Kanto area, a wholly-owned subsidiary, and in October 2024, the Group made WELCIA PARTNERS Co, inc. (formerly Tepco Partners Co., Ltd.), which operates the nursing care business in the Tokyo metropolitan area, a wholly-owned subsidiary. The Group will promote measures centered on the Welcia model by integrating major local companies into the Group and enhancing its scale while improving quality.

As part of its vision of 2030, the Group aims to become the "No.1 health station in the community" and to this end, it discontinued the sale of cigarettes in an effort to improve the health of the local community, while at the same time, it intends to provide the Welcia Stop-Smoking Support Program. The Welcia Group is committed to fulfilling its role in providing local communities with an infrastructure that offers safety and peace of mind through activities such as the Welcafe local collaborative community space, which won the GOOD DESIGN AWARD 2024, and the "Uetan-go" mobile sales vehicles, which also won the award.

As for store openings and closures, the Group as a whole opened 64 stores and closed 40 stores, for a total of 3,014 stores Group-wide as of November 30, 2024.

(Unit: No. of Stores)

	No. of stores as of February 29, 2024	New stores increased by making subsidiaries	Increase/decrease due to merger	Openings	Closures	No. of stores as of November 30, 2024
WELCIA YAKKYOKU ^(Note 1)	2,199	–	21	43	18	2,245
Kokumin	158	–	–	5	5	158
Pupule Himawari	133	–	–	3	2	134
Welpark ^(Note 2)	–	144	–	–	1	143
Marudai Sakurai Pharmacy	102	–	–	5	4	103
Shimizu Yakuhin	71	–	–	1	–	72
Marue Wellness Stores	57	–	–	3	4	56
FUKUYAKUHIN	25	–	–	–	2	23
Yodoya	25	–	–	1	–	26
French	2	–	–	–	–	2
Towoshiya Pharmacy ^(Note 1)	–	21	(21)	–	–	–
MASAYA	40	–	–	3	3	40
Total in Japan	2,812	165	–	64	39	3,002
Welcia-BHG (Singapore)	13	–	–	–	1	12
Total	2,825	165	–	64	40	3,014

(Notes) 1. In June 2024, the Company acquired shares in Towoshiya Pharmacy and made it a wholly-owned subsidiary, and in September 2024, WELCIA YAKKYOKU absorbed Towoshiya Pharmacy.

2. In September 2024, the Company acquired shares in Welpark and made it a wholly-owned subsidiary.

3. Of the number of stores as of November 30, 2024, 1,978 stores of WELCIA YAKKYOKU, 71 stores of Kokumin, 36 stores of Pupule Himawari, 46 stores of Marudai Sakurai Pharmacy, 50 stores of Shimizu Yakuhin, 33 stores of Marue Wellness Stores, 11 stores of FUKUYAKUHIN, 14 stores of Yodoya, and 28 stores of Welpark, or a total of 2,267 stores have dispensing pharmacies.

Sales by category were as indicated below.

Category	Sales (million yen)	Year-on-year change (%)
OTC products	172,183	98.7
Cosmetics	152,348	105.4
Household goods	131,338	105.8
Food products	221,282	107.7
Others	65,596	92.9
Total sales of goods other than dispensing	742,749	103.3
Dispensing	208,445	109.6
Subtotal	951,194	104.6
Commission income	722	72.6
Total	951,916	104.6

As a result of the above, the consolidated operating results for the nine months ended November 30, 2024, were ¥951,916 million in net sales (an increase of 4.6% year-on-year), ¥22,856 million in operating income (a decrease of 26.5% year-on-year), ¥26,352 million in ordinary income (a decrease of 23.2% year-on-year), and ¥14,778 million in net income attributable to owners of parent (a decrease of 27.5% year-on-year).

(2) Explanation of Financial Position

(Assets)

Total assets as of November 30, 2024 increased by ¥80,161 million compared to the end of the previous fiscal year to ¥632,021 million. This was primarily due to increases of ¥41,098 million in cash and deposits, ¥18,591 million in accounts receivable - trade, and contract assets, ¥20,109 million in merchandise, and ¥4,959 million in goodwill.

(Liabilities)

Total liabilities as of November 30, 2024 increased by ¥71,003 million compared to the end of the previous fiscal year to ¥378,496 million. This was primarily due to increases of ¥64,242 million in accounts payable - trade, and ¥3,651 million in accounts payable - other, despite decreases of ¥3,166 million in income taxes payable, and ¥2,957 million in provision for bonuses.

(Net assets)

Net assets as of November 30, 2024 increased by ¥9,158 million compared to the end of the previous fiscal year to ¥253,525 million. This was primarily due to the recording of net income attributable to owners of parent of ¥14,778 million, despite a decrease of ¥7,338 million in retained earnings due to the dividends of surplus.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There has been no change to the full-year consolidated financial results forecast announced in the “Notice Concerning Revisions to Full-Year Consolidated Financial Results Forecasts” on October 7, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	30,533	71,632
Accounts receivable - trade, and contract assets	63,197	81,788
Merchandise	137,092	157,202
Other	28,809	16,989
Allowance for doubtful accounts	(31)	(31)
Total current assets	259,601	327,582
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	107,932	111,380
Land	20,632	21,009
Leased assets, net	48,409	48,090
Other, net	6,649	6,973
Total property, plant and equipment	183,623	187,454
Intangible assets		
Goodwill	32,547	37,507
Other	6,388	7,354
Total intangible assets	38,936	44,862
Investments and other assets		
Guarantee deposits	48,764	51,145
Other	21,014	21,106
Allowance for doubtful accounts	(80)	(129)
Total investments and other assets	69,698	72,122
Total noncurrent assets	292,258	304,438
Total assets	551,860	632,021

(Million yen)

	As of February 29, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	159,865	224,108
Short-term loans payable	13,015	13,268
Lease obligations	10,200	10,338
Accounts payable - other	14,016	17,668
Income taxes payable	5,737	2,571
Provision for bonuses	5,617	2,660
Provision for bonuses for directors (and other officers)	65	15
Contract liabilities	66	851
Other	13,894	20,098
Total current liabilities	222,481	291,581
Noncurrent liabilities		
Long-term loans payable	27,386	28,016
Lease obligations	32,098	31,175
Asset retirement obligations	13,048	14,534
Retirement benefits-related liabilities	8,207	9,482
Allowance for executive stock benefit	885	743
Other	3,385	2,962
Total noncurrent liabilities	85,011	86,914
Total liabilities	307,492	378,496
Net assets		
Shareholders' equity		
Capital stock	7,748	7,792
Capital surplus	51,682	51,726
Retained earnings	186,099	193,539
Treasury stock	(8,942)	(6,825)
Total shareholders' equity	236,587	246,233
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	452	440
Foreign currency translation adjustment	198	204
Accumulated adjustment related to retirement benefits	314	298
Total accumulated other comprehensive income	965	942
Subscription rights to shares	158	114
Non-controlling interests	6,654	6,235
Total net assets	244,367	253,525
Total liabilities and net assets	551,860	632,021

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended November 30

(Million yen)

	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
Net sales	910,460	951,916
Cost of sales	635,702	666,952
Gross profit	274,757	284,964
Selling, general and administrative expenses	243,652	262,108
Operating income	31,105	22,856
Non-operating income		
Interest and dividend income	18	17
Rental income from real estate	1,143	1,204
Sponsorship money income	639	663
Other	2,464	2,637
Total non-operating income	4,265	4,522
Non-operating expenses		
Interest expenses	538	580
Share of loss of entities accounted for using equity method	210	106
Provision of allowance for doubtful accounts	–	31
Rent cost of real estate	283	225
Other	43	82
Total non-operating expenses	1,075	1,026
Ordinary income	34,295	26,352
Extraordinary income		
Gain on sale of noncurrent assets	15	5
Gain on sale of investment securities	12	2
Compensation income	151	–
Total extraordinary income	179	8
Extraordinary loss		
Loss on retirement of noncurrent assets	147	112
Impairment loss	627	376
Other	131	317
Total extraordinary losses	907	805
Net income before income taxes	33,567	25,555
Income taxes - current	12,201	9,811
Income taxes - deferred	979	1,388
Total income taxes	13,180	11,200
Net income	20,387	14,355
Profit (loss) attributable to non-controlling interests	4	(423)
Net income attributable to owners of parent	20,382	14,778

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended November 30

(Million yen)

	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
Net income	20,387	14,355
Other comprehensive income		
Valuation difference on available-for-sale securities	55	(12)
Foreign currency translation adjustment	105	10
Remeasurements of defined benefit plans	(1)	(17)
Total other comprehensive income	160	(19)
Comprehensive income	20,548	14,335
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	20,490	14,755
Comprehensive income attributable to non-controlling interests	57	(419)

(3) Notes to Quarterly Consolidated Financial Statements

(Entry of material matters that serve as the basis for the preparation of quarterly consolidated financial statements)

The quarterly consolidated financial statements are prepared in accordance with Article 4, Paragraph 1 of the Tokyo Stock Exchange's standards for preparation of quarterly financial statements, and accounting standards for quarterly financial statements that are generally accepted as fair and appropriate in Japan.

(Notes to segment information, etc.)

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

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on quarterly consolidated statements of cash flows)

The quarterly consolidated statements of cash flows for the nine months ended November 30, 2024 have not been prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the nine months ended November 30 are as follows.

	(Million yen)	
	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
Depreciation	15,393	15,832
Amortization of goodwill	2,752	2,726

(Shareholders' equity, etc.)

For the nine months ended November 30, 2023 (March 1, 2023 to November 30, 2023)

1. Amount of dividend payments

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividend
Board of Directors meeting held on April 10, 2023 ^(Note 1)	Common shares	3,354	16.00	February 28, 2023	May 9, 2023	Retained earnings
Board of Directors meeting held on October 10, 2023 ^(Note 2)	Common shares	3,563	17.00	August 31, 2023	November 9, 2023	Retained earnings

(Notes) 1. The total amount of dividends includes ¥6.0 million in dividends from shares of the Company held in the Directors' Remuneration BIP Trust.

2. The total amount of dividends includes ¥58.0 million in dividends from shares of the Company held in the Employees' Stock Ownership ESOP Trust and the Directors' Remuneration BIP Trust.

2. Dividends with record dates falling within the nine months ended November 30, 2024 with the effective date falling after the last day of the nine months ended November 30, 2024

Not applicable.

For the nine months ended November 30, 2024 (March 1, 2024 to November 30, 2024)

1. Amount of dividend payments

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date	Source of dividend
Board of Directors meeting held on April 8, 2024 ^(Note 1)	Common shares	3,563	17.00	February 29, 2024	May 10, 2024	Retained earnings
Board of Directors meeting held on October 7, 2024 ^(Note 2)	Common shares	3,774	18.00	August 31, 2024	November 8, 2024	Retained earnings

(Notes) 1. The total amount of dividends includes ¥51.0 million in dividends from shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust.

2. The total amount of dividends includes ¥45.0 million in dividends from shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust.

2. Dividends with record dates falling within the nine months ended November 30, 2024 with the effective date falling after the last day of the nine months ended November 30, 2024

Not applicable.

(Revenue recognition)

Information on the disaggregation of revenue from contracts with customers

For the nine months ended November 30, 2023 (March 1, 2023 to November 30, 2023)

Category		Amount (Million yen)
	OTC products	174,427
	Cosmetics	144,600
	Household goods	124,136
	Food products	205,509
	Others	70,599
	Total sales of goods other than dispensing	719,274
	Dispensing	190,191
	Product total	909,465
	Commission income	994
	Revenue from contracts with customers	910,460
	Sales to external customers	910,460

For the nine months ended November 30, 2024 (March 1, 2024 to November 30, 2024)

Category		Amount (Million yen)
	OTC products	172,183
	Cosmetics	152,348
	Household goods	131,338
	Food products	221,282
	Others	65,596
	Total sales of goods other than dispensing	742,749
	Dispensing	208,445
	Product total	951,194
	Commission income	722
	Revenue from contracts with customers	951,916
	Sales to external customers	951,916

(Per share information)

The amount of net income per share and its basis for calculation, and the amount of diluted net income per share and its basis for calculation are as follows.

Category	For the nine months ended November 30, 2023	For the nine months ended November 30, 2024
(1) Net income per share	¥98.44	¥71.41
(Basis for calculation)		
Net income attributable to owners of parent (Million yen)	20,382	14,778
Amount not attributable to common shareholders (Million yen)	–	–
Net income attributable to owners of parent relating to common shares (Million yen)	20,382	14,778
Average number of common shares during the period (Thousand shares)	207,063	206,964
(2) Diluted net income per share	98.37	71.36
(Basis for calculation)		
Adjustment for net income attributable to owners of parent (Million yen)	–	–
Increase in number of common shares (Thousand shares)	139	148
Overview of residual shares not included in the calculation of diluted net income per share due to their non-dilutive effect, but which have changed significantly since the end of the previous fiscal year	–	–

(Note) When calculating net income per share, shares of the Company remaining in the trust that are recorded as treasury stock under shareholders' equity are included in treasury stock that is deducted in the calculation of the average number of shares outstanding during the period.

The average number of shares of treasury stock outstanding during the period that was deducted when calculating net income per share was 2,577,838 shares for the nine months ended November 30, 2023 and 2,719,092 shares for the nine months ended November 30, 2024.