

# Consolidated Financial Results for the Three Months Ended May 31, 2022 [Japanese GAAP]



July 5, 2022

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 filing quarterly securities report: July 5, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: Available

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

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

## 1. Consolidated Financial Results for the Three Months Ended May 31, 2022 (March 1, 2022 - May 31, 2022)

(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	%
Three months ended May 31, 2022	267,716	7.6	7,713	5.9	10,495	18.6	6,321	19.1
May 31, 2021	248,861	7.0	7,282	(30.8)	8,851	(21.3)	5,307	(19.6)

(Note) Comprehensive income: Three months ended May 31, 2022: ¥6,464 million [22.4 %]

Three months ended May 31, 2021: ¥5,279 million [(20.7)%]

	Net income per share	Diluted net income per share
	have Yen	Yen
Three months ended May 31, 2022	30.30	30.28
May 31, 2021	25.50	25.48

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the three months ended May 31, 2022. The figures for the three months ended May 31, 2022 reflect the accounting standard, etc.

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	493,764	212,033	41.7
As of February 28, 2022	463,048	207,886	43.5

(Reference) Equity: As of May 31, 2022: ¥205,656 million

As of February 28, 2022: ¥201,602 million

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the three months ended May 31, 2022. The figures for the three months ended May 31, 2022 reflect the accounting standard, etc.

## 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 28, 2022	–	15.00	–	15.00	30.00
Fiscal year ending February 28, 2023	–				
Fiscal year ending February 28, 2023 (Forecast)		16.00	–	16.00	32.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 - February 28, 2023)

(% 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
First half (cumulative)	555,800	9.3	25,360	11.5	28,540	13.5	17,560	13.1	84.20
Full year	1,110,000	8.2	47,000	9.3	51,600	8.4	28,400	7.4	136.17

(Notes) 1. Revision to the financial results forecast announced most recently: None

- The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the three months ended May 31, 2022. The above consolidated results forecast figures reflect the accounting standard, etc.

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in scope of consolidation):  
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: Yes  
2) Changes in accounting policies other than 1) above: None  
3) Changes in accounting estimates: None  
4) Retrospective restatement: None  
(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of the attached document.

- (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):
- |                    |                    |
|--------------------|--------------------|
| May 31, 2022:      | 209,633,676 shares |
| February 28, 2022: | 209,633,676 shares |
- 2) Total number of treasury stock at the end of the period:
- |                    |                  |
|--------------------|------------------|
| May 31, 2022:      | 894,960 shares   |
| February 28, 2022: | 1,077,900 shares |
- 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):
- |                                  |                    |
|----------------------------------|--------------------|
| Three months ended May 31, 2022: | 208,639,189 shares |
| Three months ended May 31, 2021: | 208,094,371 shares |

(Note) The number of shares of the Company held in the Employees’ Stock Ownership ESOP Trust (February 28, 2022: 624,800 shares; May 31, 2022: 441,700 shares) and the number of shares of the Company held in the Directors’ Remuneration BIP Trust (February 28, 2022: 440,442 shares; May 31, 2022: 440,442 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 Employees’ Stock Ownership ESOP 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 (May 31, 2021: 1,502,114 shares; May 31, 2022: 981,682 shares).

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* 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 3 of the attached document.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022), as severe restrictions imposed due to the COVID-19 pandemic began to be eased, there were moves toward returning to normalcy with the lifting of the semi-emergency coronavirus measures across the country and other circumstances. However, the outlook for the Japanese economy still remains uncertain amid concerns about the impact of the resurgence of infection in China and the prolonged turmoil in Ukraine, as well as factors including a decline in consumer confidence due to rising raw material costs and energy prices, depreciation of the yen and fluctuations in financial and capital markets.

In the drugstore industry, the primary area of the Group's business, the environment for business continues to be challenging due to such factors as aggressive store openings by competitors, major players expanding their scales of business through mergers and acquisitions, and competition involving players from across different industrial sectors and business formats.

Under such circumstances, the Group continued to operate its business to provide products and services, while implementing measures to prevent infections and thorough hygiene management, and also actively engaged in the free PCR and other testing programs. Sales of goods division were driven by seasonal products in the OTC segment and others, but the number of customers for existing stores continued to decrease, partly in a rebound from the previous year's stay-home demand. In the cosmetics segment, sales have not recovered to the level before the pandemic, although sales of products such as makeup-related products are recovering with the increase in opportunities for people to go out. In the dispensing division, the number of prescriptions handled increased due primarily to hospital visits returning to normal with increased outings and the increase in stores with dispensing pharmacies (1,864 stores as of May 31, 2022), despite the effects of the revision of drug dispensing fees and NHI drug prices. Additionally, the Group managed to optimize selling, general and administrative expenses, mainly in terms of its labor costs by managing store man-hours for optimization and improving store operational efficiency through the promotion of automatic ordering, although utilities expenses were increased by soaring fuel prices.

As for store openings and closures, the Group as a whole opened 41 stores and closed four stores, to have a total of 2,505 stores as of May 31, 2022.

(Unit: No. of Stores)

	No. of stores as of February 28, 2022	Openings	Closures	No. of stores as of May 31, 2022
WELCIA YAKKYOKU	2,023	38	2	2,059
Pupule Himawari	132	–	–	132
Marudai Sakurai Pharmacy	92	1	–	93
SHIMIZU YAKUHIN	65	–	1	64
Marue Drug	58	–	1	57
YODOYA	25	–	–	25
Kanamitsu Yakuhin	26	–	–	26
MASAYA	36	1	–	37
Total in Japan	2,457	40	4	2,493
Welcia-BHG (Singapore)	11	1	–	12
Total	2,468	41	4	2,505

(Note) Of the number of stores as of May 31, 2022, 1,712 stores of WELCIA YAKKYOKU, 19 stores of Pupule Himawari, 37 stores of Marudai Sakurai Pharmacy, 40 stores of SHIMIZU YAKUHIN, 22 stores of Marue Drug, 10 stores of YODOYA, 19 stores of Kanamitsu Yakuhin, and five stores of

Welcia-BHG (Singapore) have dispensing pharmacies, or a total of 1,864 stores have dispensing pharmacies. Of the same number, 1,653 stores of WELCIA YAKKYOKU, 13 stores of Pupule Himawari, 48 stores of Marudai Sakurai Pharmacy, 58 stores of SHIMIZU YAKUHIN, 18 stores of Marue Drug, 14 stores of YODOYA, and nine stores of Kanamitsu Yakuhin offer late-night services, or a total of 1,813 stores offer late-night services.

Sales by category were as indicated below.

	Category	Sales (million yen)
	OTC products	52,555
	Cosmetics	41,497
	Household goods	37,061
	Food products	60,401
	Others	22,048
	Total sales of goods other than dispensing	213,564
	Dispensing	53,857
	Subtotal	267,421
	Commission income	295
	Total	267,716

As a result of the above, the consolidated operating results for the three months ended May 31, 2022, were ¥267,716 million in net sales (an increase of 7.6% year-on-year), ¥7,713 million in operating income (an increase of 5.9% year-on-year), ¥10,495 million in ordinary income (an increase of 18.6% year-on-year), and ¥6,321 million in net income attributable to owners of parent (an increase of 19.1% year-on-year).

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the three months ended May 31, 2022. Therefore, figures based on calculation methods based on different standards are used for year-on-year comparisons. For further details, refer to 2. Quarterly Consolidated Financial Statements and Principal Notes - (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies) (Application of the Accounting Standard for Revenue Recognition etc.).

## (2) Explanation of Financial Position

### (Assets)

Total assets as of May 31, 2022 increased by ¥30,715 million compared to the end of the previous fiscal year to ¥493,764 million. This was primarily due to the increases in cash and deposits of ¥24,051 million, ¥6,623 million in merchandise, and ¥2,395 million in buildings and structures, net.

### (Liabilities)

Total liabilities as of May 31, 2022 increased by ¥26,569 million compared to the end of the previous fiscal year to ¥281,730 million. This was primarily due to the increases of ¥14,765 million in long-term loans payable, ¥10,144 million in accounts payable - trade, ¥2,677 million in short-term loans payable and ¥2,333 million in provision for bonuses despite a decrease of ¥5,402 million in income taxes payable.

### (Net assets)

Net assets as of May 31, 2022 increased by ¥4,146 million compared to the end of the previous fiscal year to ¥212,033 million. This was primarily due to the recording of net income attributable to owners of parent of ¥6,321 million, despite a decrease of ¥3,144 million in retained earnings due to the dividends from surplus.

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

There has been no change from the consolidated financial results forecast announced in the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2022” (on April 7, 2022).

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of May 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	23,401	47,453
Accounts receivable - trade	49,710	49,632
Merchandise	116,230	122,853
Other	18,656	14,587
Allowance for doubtful accounts	(1)	(1)
Total current assets	207,998	234,525
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	100,199	102,594
Land	15,494	15,468
Leased assets, net	45,340	45,074
Other, net	7,363	8,828
Total property, plant and equipment	168,397	171,966
Intangible assets		
Goodwill	22,799	22,212
Other	2,895	2,916
Total intangible assets	25,694	25,128
Investments and other assets		
Guarantee deposits	41,882	42,619
Other	19,097	19,545
Allowance for doubtful accounts	(22)	(22)
Total investments and other assets	60,957	62,142
Total noncurrent assets	255,049	259,238
Total assets	463,048	493,764

(Million yen)

	As of February 28, 2022	As of May 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	133,524	143,668
Short-term loans payable	8,991	11,669
Lease obligations	8,962	9,122
Accounts payable - other	10,362	9,531
Income taxes payable	9,944	4,542
Provision for bonuses	4,898	7,231
Provision for bonuses for directors (and other officers)	51	–
Provision for point card certificates	155	–
Contract liabilities	–	122
Other	12,134	14,837
Total current liabilities	189,024	200,726
Noncurrent liabilities		
Long-term loans payable	17,560	32,326
Lease obligations	26,996	26,629
Asset retirement obligations	11,418	11,617
Retirement benefits-related liabilities	6,457	6,713
Allowance for executive stock benefit	722	754
Other	2,981	2,962
Total noncurrent liabilities	66,136	81,003
Total liabilities	255,161	281,730
<b>Net assets</b>		
Shareholders' equity		
Capital stock	7,736	7,736
Capital surplus	51,670	51,670
Retained earnings	146,032	149,230
Treasury stock	(3,841)	(3,054)
Total shareholders' equity	201,597	205,581
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	295	296
Foreign currency translation adjustment	41	96
Accumulated adjustment related to retirement benefits	(332)	(318)
Total accumulated other comprehensive income	4	74
Subscription rights to shares	183	183
Minority interests	6,101	6,194
Total net assets	207,886	212,033
Total liabilities and net assets	463,048	493,764



## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income

Three Months Ended May 31

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Net sales	248,861	267,716
Cost of sales	174,242	189,284
Gross profit	74,618	78,431
Selling, general and administrative expenses	67,336	70,717
Operating income	7,282	7,713
Non-operating income		
Interest and dividend income	0	0
Share of profit of entities accounted for using equity method	3	–
Rental income from real estate	239	315
Sponsorship money income	74	218
Subsidy income	946	1,877
Other	562	583
Total non-operating income	1,826	2,995
Non-operating expenses		
Interest expenses	110	130
Share of loss of entities accounted for using equity method	–	1
Rent cost of real estate	40	40
Loss on valuation of supplies	66	–
Other	40	40
Total non-operating expenses	257	213
Ordinary income	8,851	10,495
Extraordinary income		
Gain on sale of noncurrent assets	1	5
Total extraordinary income	1	5
Extraordinary loss		
Loss on retirement of noncurrent assets	102	10
Impairment loss	–	101
COVID-related loss	11	–
Other	15	5
Total extraordinary losses	128	118
Net income before income taxes and minority interests	8,723	10,383
Income taxes - current	3,459	4,549
Income taxes - deferred	1	(512)
Total income taxes	3,460	4,037
Net income	5,263	6,346
Profit (loss) attributable to non-controlling interests	(44)	24
Net income attributable to owners of parent	5,307	6,321

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 31

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Net income	5,263	6,346
Other comprehensive income		
Other valuation difference on available-for-sale securities	(39)	1
Foreign currency translation adjustment	42	106
Remeasurements of defined benefit plans	13	10
Total other comprehensive income	16	118
Comprehensive income	5,279	6,464
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,302	6,391
Comprehensive income attributable to non-controlling interests	(23)	72

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

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

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the three months ended May 31, 2022. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Major changes due to the application of Revenue Recognition Standard etc. are described below.

The Company has changed its method of accounting regarding points awarded with the sale of merchandise to customers under a point program operated by another company. The Company previously presented the amount equivalent to the points awarded under "selling, general and administrative expenses," but now it recognizes as revenue only the transaction price minus the amount equivalent to the points awarded. The Company has also changed its method of accounting regarding transactions in which the Company acts as an agent in the provision of a good or service. The Company previously recognized the total amount of consideration received from the customer as revenue, but now it recognizes the net amount of consideration received from the customer less the amount to be paid to the other party concerned.

The Company applies the Revenue Recognition Standard and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the three months ended May 31, 2022, with the new accounting policies applied from the beginning balance.

As a result of this change, for the three months ended May 31, 2022, net sales decreased by 5,461 million yen, cost of sales decreased by 1,270 million yen, selling, general and administrative expenses decreased by 4,218 million yen, and operating profit, ordinary profit, and net income before income taxes and minority interests increased by 28 million yen, respectively. The beginning balance of retained earnings increased by 4 million yen.

With the application of the Revenue Recognition Standard and other standards, "provision for point card certificates," which was presented under "current liabilities" in the consolidated balance sheet of the previous period, has been presented as "contract liabilities."

However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous period have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the

disaggregation of revenue from contracts with customers for the first three months of the previous period is not presented.

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

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the reporting period, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard and other standards in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated quarterly financial statements.

(Significant subsequent events)

(Business combination by acquisition)

The Company resolved, at the Board of Directors meeting held on January 18, 2022, to acquire shares in Kokumin Co., Ltd. and Kabushiki Kaisha French and to form a capital and business partnership (conversion to subsidiary) with these two companies. The Company acquired the shares on June 1, 2022.

#### 1. Overview of business combination

##### (1) Name, description and scale of business of the acquired companies

###### 1) Kokumin Co., Ltd.

Name: Kokumin Co., Ltd.

Business: Operation of pharmacies and drugstores

Capital: ¥91 million

###### 2) Kabushiki Kaisha French

Name: Kabushiki Kaisha French

Business: Operation of pharmacies

Capital: ¥18 million

##### (2) Main reasons for the business combination

The Group’s mission is to “promote higher quality of life and healthy lifestyles for our customers” as we aim to be a provider of key support for people’s lives and a one-stop store that offers specialist support by proposing high value-added products and services focused on health. We are evolving our business model centered on the operation of drugstores with dispensing pharmacies, counseling services, late-night services, and long-term care services. And we offer counseling and courteous customer services based on the expertise of employees such as pharmacists, registered sales clerks, beauty care advisors, registered dietitians, and dispensing clerks as we provide products with regional characteristics and enhance services that improve customer convenience. In this way, we aim to create stores that support the health and beauty of our area customers and their affluent living. Mainly based in the Kanto area, our service operations cover regions extending from the Tohoku area to the Kyushu area.

Meanwhile, the mission of Kokumin and French is: “to serve the beauty and health of the nation” and, in line with their vision of “We aim to be specialists that are close to customers and support healthy lifestyles,” they operate highly specialized drugstores in large retail complexes, airports, in and close to railway stations, shopping districts, residential areas, and other favorable locations in major cities in Hokkaido, Kanto, Kansai, Kyushu, and other areas. They also operate dispensing pharmacies in diverse locations, primarily locations in front of university hospitals and large general hospitals, but also including inside clinic malls and railway station terminals.

The Group is seeking to expand its urban-type stores, which it intends to strengthen going forward, and its network of stores nationwide, and also expects to expand its business scale and strengthen its business structure by sharing the management resources owned by each company, such as know-how and human resources.

(3) Date of business combination

June 1, 2022

4) Legal form of business combination

Share acquisition in cash

(5) Name after business combination

No changes

(6) Percentage of voting rights acquired

1) Kokumin Co., Ltd.

93.86% (reached 100% with the acquisition of shares in Kabushiki Kaisha French)

2) Kabushiki Kaisha French

100%

(7) Primary reason for determining the acquiring company

The Company’s cash acquisition of shares

2. Cost of acquisition of the acquired companies and breakdown thereof

1) Kokumin Co., Ltd.

Acquisition price	Cash	20,398 million yen
<hr/>		
Acquisition cost		20,398 million yen

2) Kabushiki Kaisha French

Acquisition price	Cash	1,333 million yen
<hr/>		
Acquisition cost		1,333 million yen

3. Description and amount of major acquisition-related costs

Advisory fees, etc.                      418 million yen

4. Resulting amount of goodwill, reason for goodwill, amortization method, and amortization period

Not determined at this time.

5. Amount of assets received and liabilities assumed on the date of business combination and their major breakdown  
Not determined at this time.