

Consolidated Financial Results for the Six Months Ended August 31, 2022 [Japanese GAAP]



October 4, 2022

Company name: WELCIA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3141

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

Representative: Tadahisa Matsumoto, President and Representative Director

Contact: Takamune Shibazaki, Director, Executive Officer and Chief Financial Officer

Phone: +81-3-5207-5878

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Scheduled date of commencing dividend payments: November 4, 2022

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 Six Months Ended August 31, 2022 (March 1, 2022 - August 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	%
Six months ended August 31, 2022	562,752	10.7	23,988	5.5	27,974	11.2	17,088	10.1
August 31, 2021	508,295	6.6	22,735	(14.1)	25,145	(9.8)	15,527	(10.3)

(Note) Comprehensive income: Six months ended August 31, 2022: ¥17,452 million [12.6%]

Six months ended August 31, 2021: ¥15,495 million [(10.8)%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended August 31, 2022	81.86		81.80	
August 31, 2021	74.58		74.52	

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the first quarter of the current fiscal year. The figures for the six months ended August 31, 2022 reflect the accounting standard, etc.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of August 31, 2022	534,711		223,807		40.7	
As of February 28, 2022	463,048		207,886		43.5	

(Reference) Equity: As of August 31, 2022: ¥217,364 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 first quarter of the current fiscal year. The figures as of August 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	–	16.00			
Fiscal year ending February 28, 2023 (Forecast)			–	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
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

2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. have been adopted from the beginning of the first quarter of the current fiscal year. The above consolidated results forecast figures reflect the accounting standard, etc.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended August 31, 2022 (from March 1, 2022 to August 31, 2022), as severe restrictions imposed on people's movements due to the COVID-19 pandemic were eased, there were progress in returning to normalcy in the economic and social activity and a gradual recovery in consumer spending in Japan. However, the outlook for the Japanese economy still remains uncertain due to factors including a downside risk associated with an accelerated depreciation of the yen and fluctuations in financial and capital markets as well as the influence of a price hike on consumer spending against the background of rising raw material costs and energy prices.

In the drugstore industry, the primary area of the Group's business, the business environment surrounding the Company still continues to be challenging due to such factors as aggressive store openings by competitors, major players expanding their scales of business and satisfying customer needs 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 while implementing measures to prevent infections and thorough hygiene management, and also continued to actively engage in the free PCR and other testing programs in accordance with the Group's mission "promote higher quality of life and healthy lifestyles for our customers." In the sales of goods division, owing to a seventh wave of the COVID-19 pandemic, sales were driven by related products in the OTC segment. However, sales in the cosmetics segment have still not recovered to the level before the pandemic. In the dispensing division, despite the effects of the revision of drug dispensing fees and NHI drug prices, the number of prescriptions handled increased due to the increase in stores with dispensing pharmacies (1,948 stores as of August 31, 2022) as well as the business being not greatly affected by the public sentiment against visiting a hospital even under the pandemic. The Group managed to optimize selling, general and administrative expenses, mainly in terms of its labor costs by continuing efforts to optimize store man-hours and improving store operational efficiency through the promotion of automatic ordering, although utilities expenses were increased by soaring fuel prices.

The Group also made efforts toward the improvement of business efficiency by carrying out an absorption-type merger, effective June 1, 2022, whereby a subsidiary of the Company, Kanamitsu Yakuhin Co., Ltd., was absorbed and WELCIA YAKKYOKU CO., LTD., a subsidiary of the Company, became the surviving company. On the same date, the Group converted Kokumin Co., Ltd. (162 stores) and French Co., Ltd. (three stores), which are based in Osaka Prefecture and operate stores in the Hokkaido, Kanto, Kansai, and Kyushu areas, into subsidiaries through the acquisition of shares.

As for store openings and closures, the Group as a whole opened 80 stores and closed 11 stores, for a total of 2,702 stores Group-wide as of August 31, 2022.

(Unit: No. of Stores)

	No. of stores as of February 28, 2022	Increase resulting from conversion into subsidiary	Increase/decrease resulting from mergers	Openings	Closures	No. of stores as of August 31, 2022
WELCIA YAKKYOKU (Note 1)	2,023	–	26	68	8	2,109
Kokumin (Note 2)	–	162	–	1	1	162
Pupule Himawari	132	–	–	2	–	134
Marudai Sakurai Pharmacy	92	–	–	3	–	95
SHIMIZU YAKUHIN	65	–	–	3	1	67
Marue Drug	58	–	–	1	1	58
YODOYA	25	–	–	–	–	25
French (Note 2)	–	3	–	–	–	3
MASAYA	36	–	–	1	–	37
Kanamitsu Yakuhin (Note 1)	26	–	(26)	–	–	–
Total in Japan	2,457	165	–	79	11	2,690
Welcia-BHG (Singapore)	11	–	–	1	–	12
Total	2,468	165	–	80	11	2,702

- (Notes) 1. The number of stores of WELCIA YAKKYOKU as of August 31, 2022 includes the stores of Kanamitsu Yakuhin, due to WELCIA YAKKYOKU acquiring Kanamitsu Yakuhin through a merger by absorption, effective June 1, 2022.
2. Effective June 1, 2022, the Company converted Kokumin and French into subsidiaries through the acquisition of shares and made them into consolidated subsidiaries.
3. Of the number of stores as of August 31, 2022, 1,762 stores of WELCIA YAKKYOKU, 46 stores of Kokumin, 20 stores of Pupule Himawari, 39 stores of Marudai Sakurai Pharmacy, 43 stores of SHIMIZU YAKUHIN, 23 stores of Marue Drug, 10 stores of YODOYA, and five stores of Welcia-BHG (Singapore) have dispensing pharmacies, or a total of 1,948 stores have dispensing pharmacies. Of the same number, 1,684 stores of WELCIA YAKKYOKU, 9 stores of Kokumin, 13 stores of Pupule Himawari, 48 stores of Marudai Sakurai Pharmacy, 60 stores of SHIMIZU YAKUHIN, 19 stores of Marue Drug, and 14 stores of YODOYA offer late-night services, or a total of 1,847 stores offer late-night services.

Sales by category were as indicated below.

Category	Sales (million yen)
OTC products	115,822
Cosmetics	88,327
Household goods	77,411
Food products	124,928
Others	45,456
Total sales of goods other than dispensing	451,945
Dispensing	110,203
Subtotal	562,148
Commission income	603
Total	562,752

As a result of the above, the consolidated operating results for the six months ended August 31, 2022, were ¥562,752 million in net sales (an increase of 10.7% year-on-year), ¥23,988 million in operating income (an increase of 5.5% year-on-year), ¥27,974 million in ordinary income (an increase of 11.2% year-on-year), and ¥17,088 million in net income attributable to owners of parent (an increase of 10.1% 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 first quarter of the current fiscal year. 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 - (4) 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 August 31, 2022 increased by ¥71,663 million compared to the end of the previous fiscal year to ¥534,711 million. This was primarily due to increases of ¥20,247 million in cash and deposits, ¥6,706 million in accounts receivable - trade, ¥7,150 million in merchandise, ¥6,994 million in buildings and structures, net, ¥15,591 million in goodwill, and ¥8,619 million in guarantee deposits.

(Liabilities)

Total liabilities as of August 31, 2022 increased by ¥55,742 million compared to the end of the previous fiscal year to ¥310,903 million. This was primarily due to a decrease of ¥1,830 million in provision for bonuses despite increases of ¥19,947 million in accounts payable - trade, ¥7,010 million in short-term loans payable, and ¥24,131 million in long-term loans payable.

(Net assets)

Net assets as of August 31, 2022 increased by ¥15,920 million compared to the end of the previous fiscal year to ¥223,807 million. This was primarily due to the recording of net income attributable to owners of parent of ¥17,088 million, despite a decrease of ¥3,144 million in retained earnings due to the dividends from surplus.

(Status of cash flows)

Cash and cash equivalents (hereinafter referred to as the “cash”) as of August 31, 2022 totaled ¥43,240 million, an increase of ¥20,402 million compared to the end of the previous fiscal year.

The status and factors of cash flows in each activity in the six months ended August 31, 2022 are as follows.
(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥35,007 million (an outflow of ¥804 million for the same period a year earlier).

This was mainly attributable to inflow factors of depreciation of ¥9,619 million and an increase in trade payables of ¥13,135 million, both of which are non-cash expenses, and outflow factors of a decrease in provision for bonuses of ¥2,132 million, an increase in trade receivables of ¥3,373 million, an increase in inventories of ¥3,004 million, and income taxes paid of ¥10,902 million, against net income before income taxes and minority interests of ¥27,504 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥23,425 million (an outflow of ¥13,813 million for the same period a year earlier).

This was mainly due to an outflow of ¥10,699 million for purchase of property, plant and equipment, an outflow of ¥11,021 million for purchase of shares of subsidiaries resulting in change in scope of consolidation, and an outflow of ¥2,608 million for payments of leasehold deposits.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥8,728 million (an outflow of ¥8,172 million for the same period a year earlier).

This was mainly due to net decrease in short-term loans payable of ¥899 million, ¥20,960 million in proceeds from long-term loans payable, ¥5,019 million in repayments of long-term loans payable, ¥4,752 million in repayments of finance lease obligations, and ¥3,144 million in dividends paid.

(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 August 31, 2022
Assets		
Current assets		
Cash and deposits	23,401	43,649
Accounts receivable - trade	49,710	56,416
Merchandise	116,230	123,380
Other	18,656	19,498
Allowance for doubtful accounts	(1)	(3)
Total current assets	207,998	242,942
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	100,199	107,194
Land	15,494	20,442
Leased assets, net	45,340	44,848
Other, net	7,363	8,308
Total property, plant and equipment	168,397	180,793
Intangible assets		
Goodwill	22,799	38,391
Other	2,895	3,142
Total intangible assets	25,694	41,533
Investments and other assets		
Guarantee deposits	41,882	50,501
Other	19,097	19,090
Allowance for doubtful accounts	(22)	(149)
Total investments and other assets	60,957	69,441
Total noncurrent assets	255,049	291,769
Total assets	463,048	534,711

(Million yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	133,524	153,471
Short-term loans payable	8,991	16,002
Lease obligations	8,962	9,257
Accounts payable - other	10,362	11,128
Income taxes payable	9,944	9,505
Provision for bonuses	4,898	3,067
Provision for bonuses for directors (and other officers)	51	31
Provision for point card certificates	155	–
Contract liabilities	–	435
Other	12,134	14,543
Total current liabilities	189,024	217,444
Noncurrent liabilities		
Long-term loans payable	17,560	41,691
Lease obligations	26,996	26,404
Asset retirement obligations	11,418	12,431
Retirement benefits-related liabilities	6,457	8,004
Allowance for executive stock benefit	722	718
Other	2,981	4,207
Total noncurrent liabilities	66,136	93,459
Total liabilities	255,161	310,903
Net assets		
Shareholders' equity		
Capital stock	7,736	7,747
Capital surplus	51,670	51,681
Retained earnings	146,032	159,978
Treasury stock	(3,841)	(2,232)
Total shareholders' equity	201,597	217,174
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	295	365
Foreign currency translation adjustment	41	126
Accumulated adjustment related to retirement benefits	(332)	(300)
Total accumulated other comprehensive income	4	190
Subscription rights to shares	183	161
Minority interests	6,101	6,281
Total net assets	207,886	223,807
Total liabilities and net assets	463,048	534,711

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Six Months Ended August 31

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Net sales	508,295	562,752
Cost of sales	350,480	392,127
Gross profit	157,814	170,624
Selling, general and administrative expenses	135,078	146,636
Operating income	22,735	23,988
Non-operating income		
Interest and dividend income	6	10
Rental income from real estate	477	705
Sponsorship money income	153	369
Subsidy income	956	1,900
Other	1,250	1,456
Total non-operating income	2,844	4,442
Non-operating expenses		
Interest expenses	222	285
Share of loss of entities accounted for using equity method	1	8
Rent cost of real estate	82	111
Other	127	50
Total non-operating expenses	434	456
Ordinary income	25,145	27,974
Extraordinary income		
Gain on sale of noncurrent assets	4	5
Other	3	–
Total extraordinary income	7	5
Extraordinary loss		
Loss on retirement of noncurrent assets	156	31
Impairment loss	106	357
COVID-related loss	11	–
Other	35	86
Total extraordinary losses	310	475
Net income before income taxes and minority interests	24,842	27,504
Income taxes - current	8,179	9,512
Income taxes - deferred	1,178	803
Total income taxes	9,357	10,315
Net income	15,485	17,188
Profit (loss) attributable to non-controlling interests	(41)	100
Net income attributable to owners of parent	15,527	17,088

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended August 31

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Net income	15,485	17,188
Other comprehensive income		
Other valuation difference on available-for-sale securities	(40)	70
Foreign currency translation adjustment	22	165
Remeasurements of defined benefit plans	27	27
Total other comprehensive income	10	263
Comprehensive income	15,495	17,452
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,526	17,274
Comprehensive income attributable to non-controlling interests	(30)	177

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Cash flows from operating activities		
Net income before income taxes and minority interests	24,842	27,504
Depreciation	8,055	9,619
Impairment losses	106	357
Amortization of goodwill	916	1,506
Increase (decrease) in allowance for doubtful accounts	(0)	(2)
Increase (decrease) in provision for bonuses	(2,118)	(2,132)
Increase (decrease) in provision for bonuses for directors (and other officers)	(118)	(19)
Increase (decrease) in retirement benefits-related liabilities	480	525
Increase (decrease) in allowance for executive stock benefit	(59)	(3)
Increase (decrease) in provision for point card certificates	(0)	(447)
Interest and dividend income	(6)	(10)
Interest expenses	222	285
Rent expenses offset by construction assistance fund receivables	530	633
Gain on sale of noncurrent assets	(4)	(5)
Loss on retirement of noncurrent assets	156	31
Gain on receipt of donated noncurrent assets	(101)	(53)
Decrease (increase) in trade receivables	(869)	(3,373)
Decrease (increase) in inventories	(2,181)	(3,004)
Increase (decrease) in trade payables	(19,167)	13,135
Increase (decrease) in contract liability	–	439
Increase (decrease) in accrued consumption taxes	157	387
Increase (decrease) in accounts payable - other	(3,093)	111
Other, net	(1,320)	(1,027)
Subtotal	6,426	44,460
Interest and dividends received	6	10
Interest paid	(227)	(265)
Income taxes paid	(8,618)	(10,902)
Income taxes refund	1,608	1,704
Net cash provided by (used in) operating activities	(804)	35,007
Cash flows from investing activities		
Payments into time deposits	(946)	(300)
Proceeds from withdrawal of time deposits	608	464
Purchase of property, plant and equipment	(10,028)	(10,699)
Proceeds from sale of property, plant and equipment	4	115
Purchase of intangible assets	(372)	(476)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(11,021)
Payments of leasehold deposits	(2,939)	(2,608)
Proceeds from refund of leasehold deposits	104	148
Other, net	(242)	951
Net cash provided by (used in) investing activities	(13,813)	(23,425)

(Million yen)

	For the six months ended August 31, 2021	For the six months ended August 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(59)	(899)
Proceeds from long-term loans payable	–	20,960
Repayments of long-term loans payable	(2,330)	(5,019)
Redemption of bonds	(55)	(25)
Dividends paid	(3,143)	(3,144)
Repayments of finance lease obligations	(4,118)	(4,752)
Purchase of treasury shares	(1)	(1)
Proceeds from sale of treasury shares	1,161	1,609
Proceeds from share issuance to non-controlling shareholders	396	–
Proceeds from issuance of shares	–	0
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(21)	–
Net cash provided by (used in) financing activities	(8,172)	8,728
Effect of exchange rate change on cash and cash equivalents	12	92
Net increase (decrease) in cash and cash equivalents	(22,778)	20,402
Cash and cash equivalents at beginning of period	50,937	22,837
Cash and cash equivalents at end of period	28,159	43,240

(4) 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 first quarter of the current fiscal year. 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 first quarter of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of this change, for the six months ended August 31, 2022, net sales decreased by 11,212 million yen, cost of sales decreased by 2,634 million yen, selling, general and administrative expenses decreased by 8,585 million yen, and operating profit, ordinary profit, and net income before income taxes and minority interests increased by 7 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 six 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 first quarter of the current fiscal year, 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.

(Business combination)

(Business combination by acquisition)

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) French Co., Ltd.

Name: French Co., Ltd.

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 French Co., Ltd.)

2) French Co., Ltd.

100%

(7) Primary reason for determining the acquiring company

The Company's cash acquisition of shares

2. Period of business results of the acquired companies in the quarterly consolidated statements of income for the six months ended August 31, 2022

From June 1, 2022 to August 31, 2022

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

1) Kokumin Co., Ltd.

Acquisition price	Cash	20,398 million yen
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Acquisition cost		20,398 million yen

2) French Co., Ltd.

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

4. Description and amount of major acquisition-related costs

Advisory fees, etc. 418 million yen

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

(1) Resulting amount of goodwill

¥16,901 million

The above amount is an amount calculated provisionally.

(2) Reason for goodwill

The goodwill resulted from the fact that the acquisition cost was greater than net assets at fair value at the time of the business combination.

(3) Amortization method and amortization period

Goodwill will be amortized over a period of 13 years by the straight-line method.