

Consolidated Financial Results for the Nine Months Ended November 30, 2023 [Japanese GAAP]



January 9, 2024

Company name: WELCIA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3141

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Scheduled date of filing quarterly securities report: January 9, 2024

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 Nine Months Ended November 30, 2023 (March 1, 2023 - November 30, 2023)

(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, 2023	910,460	7.6	31,105	(1.2)	34,295	(6.2)	20,382	(3.6)
Nine months ended November 30, 2022	845,986	11.8	31,468	5.5	36,568	11.0	21,136	4.6

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

Nine months ended November 30, 2022: ¥21,633 million [7.2%]

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
November 30, 2023	98.44	98.37
November 30, 2022	101.21	101.14

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2023	550,673	237,766	41.9
As of February 28, 2023	537,362	232,384	42.0

(Reference) Equity: As of November 30, 2023: ¥230,855 million

As of February 28, 2023: ¥225,750 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 28, 2023	–	16.00	–	16.00	32.00
Fiscal year ending February 29, 2024	–	17.00	–		
Fiscal year ending February 29, 2024 (Forecast)				17.00	34.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 - February 29, 2024)

(% 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	1,230,000	7.5	48,000	5.2	52,500	0.7	28,000	3.6	133.83

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended November 30, 2023 (from March 1, 2023 to November 30, 2023), the economy moderately recovered as there were signs of an increase in consumer spending due to such factors as the downgrading of COVID-19 to a Class V Infectious Disease, improvements in the employment and income situation, and an increase in the number of foreign visitors to Japan.

On the other hand, the outlook for the Japanese economy remains uncertain, as a slowdown in overseas economies due to such factors as a price hike, the impact of global monetary tightening and concerns over the uncertain outlook for the Chinese economy has posed a downside risk on the Japanese economy.

In the drugstore industry, the primary area of the Group's business, competition continues to intensify due to such factors as the competition for new store sites with the competitors, 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.

In terms of product trends, demand for COVID-19 infection control products and test kits has declined along with the decrease in infections. On the other hand, there is a recovery in inbound demand, reflecting the relaxation of behavioral restrictions in many countries.

Under such circumstances, the Group strove to provide products and services in response to customer needs. In sales of goods, despite the reactionary drop in sales of products such as masks and test kits, which had climbed during the COVID-19 pandemic, existing store sales remained solid as sales of OTC products such as medicines for the common cold and cosmetics grew due to an increase in the number of people who recuperated at home, reflecting an early rise in influenza cases as well, and increasing demand associated with people going out.

In the dispensing division, the number of prescriptions handled increased due primarily to an increase in the number of stores with dispensing pharmacies (2,117 stores as of November 30, 2023) and because public sentiment against visiting a hospital has diminished.

The Group continued to focus on the development and sales of its PB products and expanded the lineup of Karada Welcia and Kurashi Welcia, contributing to profits, and the PB products earned a high reputation for quality. In addition, sales of Topvalu to capture budget-conscious consumer increased.

Furthermore, with the WAON POINT service introduced in this fiscal year, the number of Welcia members, the Group's point members, has surpassed 9.90 million. The Group continues to step up its efforts to attract customers through improvement in the utilization rate of its point-card app.

The Group also managed to optimize selling, general and administrative expenses, by focusing on continuous efforts to optimize store man-hours, and improvements in store operational efficiency primarily through automatic ordering, as well as other initiatives to reduce energy consumption at the stores, although utilities expenses increased significantly due to soaring fuel prices.

As the Group announced earlier, it will quit selling cigarettes by the end of February 2026. Along with this policy, the Group will launch a "Welcia Stop-Smoking Support Program" in December, 2023 to help customers quit smoking. As part of its vision of 2030, the Group aims to become the "No.1 health station in the community." The Group will continue to strive to achieve the goal.

As for store openings and closures, the Group as a whole opened 84 stores and closed 34 stores, for a total of 2,813 stores Group-wide as of November 30, 2023.

(Unit: No. of Stores)

	No. of stores as of February 28, 2023	Openings	Closures	No. of stores as of November 30, 2023
WELCIA YAKKYOKU	2,145	64	18	2,191
Kokumin	156	3	4	155
Pupule Himawari	134	–	1	133
Marudai Sakurai Pharmacy	96	5	–	101
Shimizu Yakuhin	68	3	1	70
Marue Wellness Stores	60	3	5	58
FUKUYAKUHIN	25	1	1	25
Yodoya	25	–	–	25
French	3	–	1	2
MASAYA	39	1	–	40
Total in Japan	2,751	80	31	2,800
Welcia-BHG (Singapore)	12	4	3	13
Total	2,763	84	34	2,813

(Note) Of the number of stores as of November 30, 2023, 1,885 stores of WELCIA YAKKYOKU, 60 stores of Kokumin, 27 stores of Pupule Himawari, 44 stores of Marudai Sakurai Pharmacy, 47 stores of Shimizu Yakuhin, 29 stores of Marue Wellness Stores, 10 stores of FUKUYAKUHIN, 11 stores of Yodoya, and 4 stores of Welcia-BHG (Singapore) have dispensing pharmacies, or a total of 2,117 stores have dispensing pharmacies. Of the same number, 1,762 stores of WELCIA YAKKYOKU, 8 stores of Kokumin, 76 stores of Pupule Himawari, 54 stores of Marudai Sakurai Pharmacy, 63 stores of Shimizu Yakuhin, 31 stores of Marue Wellness Stores, 17 stores of FUKUYAKUHIN, and 17 stores of Yodoya offer late-night services, or a total of 2,028 stores offer late-night services.

Sales by category were as indicated below.

Category	Sales (million yen)	Year-on-year change (%)
OTC products	174,427	101.8
Cosmetics	144,600	109.3
Household goods	124,136	106.2
Food products	205,509	109.4
Others	70,599	102.9
Total sales of goods other than dispensing	719,274	106.2
Dispensing	190,191	113.2
Subtotal	909,465	107.6
Commission income	994	110.0
Total	910,460	107.6

As a result of the above, the consolidated operating results for the nine months ended November 30, 2023, were ¥910,460 million in net sales (an increase of 7.6% year-on-year), ¥31,105 million in operating income (a decrease of 1.2% year-on-year), ¥34,295 million in ordinary income (a decrease of 6.2% year-on-year), and ¥20,382 million in net income attributable to owners of parent (a decrease of 3.6% year-on-year).

(2) Explanation of Financial Position

(Assets)

Total assets as of November 30, 2023 increased by ¥13,311 million compared to the end of the previous fiscal year to ¥550,673 million. This was primarily due to increases of ¥8,585 million in accounts receivable - trade, ¥14,934 million in merchandise, and ¥4,450 million in buildings and structures, net, despite decreases of ¥3,028 million in cash and deposits, ¥1,094 million in leased assets, net, and ¥2,752 million in goodwill.

(Liabilities)

Total liabilities as of November 30, 2023 increased by ¥7,929 million compared to the end of the previous fiscal year to ¥312,907 million. This was primarily due to increases of ¥11,919 million in accounts payable - trade, and ¥2,467 million in accounts payable - other, despite a decrease of ¥8,304 million in income taxes payable.

(Net assets)

Net assets as of November 30, 2023 increased by ¥5,381 million compared to the end of the previous fiscal year to ¥237,766 million. This was primarily due to the recording of net income attributable to owners of parent of ¥20,382 million, despite a decrease of ¥6,918 million in retained earnings due to the dividends of surplus, and a decrease of ¥8,470 million due to an increase in treasury stock from the reintroduction of the Employees' Stock Ownership ESOP Trust and other reasons.

(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, 2023" (on April 10, 2023).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	32,854	29,826
Accounts receivable - trade	54,276	62,861
Merchandise	128,835	143,770
Other	26,740	16,734
Allowance for doubtful accounts	(10)	(28)
Total current assets	242,697	253,165
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	107,093	111,543
Land	20,451	20,625
Leased assets, net	51,163	50,068
Other, net	7,132	7,815
Total property, plant and equipment	185,840	190,052
Intangible assets		
Goodwill	36,482	33,730
Other	3,765	5,529
Total intangible assets	40,248	39,259
Investments and other assets		
Guarantee deposits	47,844	48,587
Other	20,862	19,689
Allowance for doubtful accounts	(130)	(80)
Total investments and other assets	68,576	68,196
Total noncurrent assets	294,665	297,508
Total assets	537,362	550,673

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	153,182	165,102
Short-term loans payable	12,137	13,194
Lease obligations	10,288	10,195
Accounts payable - other	11,941	14,409
Income taxes payable	10,796	2,491
Provision for bonuses	5,361	2,422
Provision for bonuses for directors (and other officers)	94	87
Contract liabilities	143	204
Other	12,686	16,948
Total current liabilities	216,633	225,057
Noncurrent liabilities		
Long-term loans payable	29,649	30,057
Lease obligations	33,997	32,521
Asset retirement obligations	12,665	12,989
Retirement benefits-related liabilities	7,524	8,046
Allowance for executive stock benefit	781	864
Other	3,724	3,371
Total noncurrent liabilities	88,344	87,850
Total liabilities	304,977	312,907
Net assets		
Shareholders' equity		
Capital stock	7,747	7,748
Capital surplus	51,681	51,682
Retained earnings	166,566	180,030
Treasury stock	(1,084)	(9,554)
Total shareholders' equity	224,909	229,907
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	373	428
Foreign currency translation adjustment	139	193
Accumulated adjustment related to retirement benefits	327	326
Total accumulated other comprehensive income	840	948
Subscription rights to shares	161	158
Non-controlling interests	6,472	6,752
Total net assets	232,384	237,766
Total liabilities and net assets	537,362	550,673

(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, 2022	For the nine months ended November 30, 2023
Net sales	845,986	910,460
Cost of sales	590,735	635,702
Gross profit	255,251	274,757
Selling, general and administrative expenses	223,783	243,652
Operating income	31,468	31,105
Non-operating income		
Interest and dividend income	13	18
Rental income from real estate	1,127	1,143
Sponsorship money income	635	639
Subsidy income	1,903	39
Other	2,160	2,425
Total non-operating income	5,840	4,265
Non-operating expenses		
Interest expenses	441	538
Share of loss of entities accounted for using equity method	17	210
Rent cost of real estate	201	283
Other	80	43
Total non-operating expenses	740	1,075
Ordinary income	36,568	34,295
Extraordinary income		
Gain on sale of noncurrent assets	35	15
Gain on sale of investment securities	–	12
Compensation income	–	151
Total extraordinary income	35	179
Extraordinary loss		
Loss on sale of noncurrent assets	48	–
Loss on retirement of noncurrent assets	51	147
Impairment loss	541	627
Provision for loss on guarantees	1,120	–
Other	189	131
Total extraordinary losses	1,951	907
Net income before income taxes	34,652	33,567
Income taxes - current	13,321	12,201
Income taxes - deferred	124	979
Total income taxes	13,445	13,180
Net income	21,207	20,387
Profit attributable to non-controlling interests	70	4
Net income attributable to owners of parent	21,136	20,382

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended November 30

(Million yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Net income	21,207	20,387
Other comprehensive income		
Valuation difference on available-for-sale securities	191	55
Foreign currency translation adjustment	190	105
Remeasurements of defined benefit plans	45	(1)
Total other comprehensive income	426	160
Comprehensive income	21,633	20,548
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,473	20,490
Comprehensive income attributable to non-controlling interests	160	57

(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.