

# Consolidated Financial Results for the Three Months Ended May 31, 2023 [Japanese GAAP]



July 10, 2023

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: July 10, 2023

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, 2023 (March 1, 2023 - May 31, 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	%
Three months ended								
May 31, 2023	298,267	11.4	7,381	(4.3)	8,524	(18.8)	5,126	(18.9)
May 31, 2022	267,716	7.6	7,713	5.9	10,495	18.6	6,321	19.1

(Note) Comprehensive income: Three months ended May 31, 2023: ¥5,160 million [(20.2)%]

Three months ended May 31, 2022: ¥6,464 million [22.4%]

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
May 31, 2023	24.56		24.54	
May 31, 2022	30.30		30.28	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of May 31, 2023	546,266		226,575		40.2	
As of February 28, 2023	537,362		232,384		42.0	

(Reference) Equity: As of May 31, 2023: ¥219,643 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	–				
Fiscal year ending February 29, 2024 (Forecast)		17.00	–	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
Six months ending August 31, 2023	612,220	8.8	25,740	7.3	28,030	0.2	16,700	(2.3)	79.82
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 three months ended May 31, 2023 (from March 1, 2023 to May 31, 2023), signs of gradual resumption of social and economic activities became evident, as the severe impact of the COVID-19 pandemic eased, the disease itself was downgraded to a Class V Infectious Disease and the flow of people picked up both in Japan and overseas.

However, the outlook for the Japanese economy remains uncertain with the prolonged situation in Ukraine and the rise in consumer prices, which was caused by soaring energy and raw material prices.

In the drugstore industry, the primary area of the Group's business, the business environment surrounding the Company continues to be increasingly challenging 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 has declined along with the decrease in infections. On the other hand, there are signs of recovery in cosmetics, reflecting increased opportunities for people going out, and 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 a result of 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 (2,044 stores as of May 31, 2023). Furthermore, in terms of product development, the Group continued to focus on the development of its PB products and strove to expand the sales of Karada Welcia and Kurashi Welcia. The Group also stepped up its measures to attract customers by introducing the WAON POINT service in March 2023 and allowing customers to use both WAON POINT cards and T-POINT cards, which had been adopted earlier. The Group also managed to optimize selling, general and administrative expenses, by improving store operational efficiency primarily through initiatives to reduce energy consumption at the stores and the promotion of automatic ordering, although utilities expenses were significantly increased by soaring fuel prices.

As for store openings and closures, the Group as a whole opened 38 stores and closed 10 stores, for a total of 2,791 stores Group-wide as of May 31, 2023.

(Unit: No. of Stores)

	No. of stores as of February 28, 2023	Openings	Closures	No. of stores as of May 31, 2023
WELCIA YAKKYOKU	2,145	31	6	2,170
Kokumin	156	1	2	155
Pupule Himawari	134	–	–	134
Marudai Sakurai Pharmacy	96	2	–	98
SHIMIZU YAKUHIN	68	1	–	69
Marue Drug	60	–	1	59
Fukuyakuhin	25	1	–	26
YODOYA	25	–	–	25
French	3	–	–	3
MASAYA	39	1	–	40
Total in Japan	2,751	37	9	2,779
Welcia-BHG (Singapore)	12	1	1	12
Total	2,763	38	10	2,791

(Notes) Of the number of stores as of May 31, 2023, 1,832 stores of WELCIA YAKKYOKU, 51 stores of Kokumin, 21 stores of Pupule Himawari, 42 stores of Marudai Sakurai Pharmacy, 45 stores of SHIMIZU YAKUHIN, 28 stores of Marue Drug, 10 stores of Fukuyakuhin, 10 stores of YODOYA, and 5 stores of Welcia-BHG (Singapore) have dispensing pharmacies, or a total of 2,044 stores have dispensing pharmacies. Of the same number, 1,737 stores of WELCIA YAKKYOKU, 3 stores of Kokumin, 74 stores of Pupule Himawari, 49 stores of Marudai Sakurai Pharmacy, 62 stores of SHIMIZU YAKUHIN, 24 stores of Marue Drug, 17 stores of Fukuyakuhin, and 14 stores of YODOYA offer late-night services, or a total of 1,980 stores offer late-night services.

Sales by category were as indicated below.

Category	Sales (million yen)	Year-on-year change (%)
OTC products	56,942	108.3
Cosmetics	46,768	112.7
Household goods	39,640	107.0
Food products	67,238	111.3
Others	23,915	108.5
Total sales of goods other than dispensing	234,506	109.8
Dispensing	63,313	117.6
Subtotal	297,819	111.4
Commission income	447	151.6
Total	298,267	111.4

As a result of the above, the consolidated operating results for the three months ended May 31, 2023, were ¥298,267 million in net sales (an increase of 11.4% year-on-year), ¥7,381 million in operating income (a decrease of 4.3% year-on-year), ¥8,524 million in ordinary income (a decrease of 18.8% year-on-year), and ¥5,126 million in net income attributable to owners of parent (a decrease of 18.9% year-on-year).

## (2) Explanation of Financial Position

### (Assets)

Total assets as of May 31, 2023 increased by ¥8,904 million compared to the end of the previous fiscal year to ¥546,266 million. This was primarily due to increases of ¥4,567 million in cash and deposits, ¥9,660 million in merchandise, and ¥1,770 million in buildings and structures, net.

### (Liabilities)

Total liabilities as of May 31, 2023 increased by ¥14,713 million compared to the end of the previous fiscal year to ¥319,691 million. This was primarily due to increases of ¥8,185 million in accounts payable - trade, ¥2,765 million in provision for bonuses, and ¥6,707 million in long-term loans payable, despite a decrease of ¥7,161 million in income taxes payable.

### (Net assets)

Net assets as of May 31, 2023 decreased by ¥5,809 million compared to the end of the previous fiscal year to ¥226,575 million. This was primarily due to the recording of net income attributable to owners of parent of ¥5,126 million, despite a decrease of ¥3,354 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 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 May 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	32,854	37,422
Accounts receivable - trade	54,276	56,776
Merchandise	128,835	138,496
Other	26,740	18,061
Allowance for doubtful accounts	(10)	(28)
Total current assets	242,697	250,728
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	107,093	108,863
Land	20,451	20,451
Leased assets, net	51,163	50,683
Other, net	7,132	6,716
Total property, plant and equipment	185,840	186,715
Intangible assets		
Goodwill	36,482	35,565
Other	3,765	4,274
Total intangible assets	40,248	39,839
Investments and other assets		
Guarantee deposits	47,844	48,266
Other	20,862	20,798
Allowance for doubtful accounts	(130)	(80)
Total investments and other assets	68,576	68,983
Total noncurrent assets	294,665	295,538
Total assets	537,362	546,266



(Million yen)

	As of February 28, 2023	As of May 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	153,182	161,368
Short-term loans payable	12,137	12,499
Lease obligations	10,288	10,395
Accounts payable - other	11,941	13,279
Income taxes payable	10,796	3,635
Provision for bonuses	5,361	8,127
Provision for bonuses for directors (and other officers)	94	–
Contract liabilities	143	134
Other	12,686	15,457
Total current liabilities	216,633	224,897
Noncurrent liabilities		
Long-term loans payable	29,649	36,357
Lease obligations	33,997	33,411
Asset retirement obligations	12,665	12,827
Retirement benefits-related liabilities	7,524	7,721
Allowance for executive stock benefit	781	810
Other	3,724	3,664
Total noncurrent liabilities	88,344	94,793
Total liabilities	304,977	319,691
Net assets		
Shareholders' equity		
Capital stock	7,747	7,748
Capital surplus	51,681	51,682
Retained earnings	166,566	168,338
Treasury stock	(1,084)	(8,993)
Total shareholders' equity	224,909	218,775
Accumulated other comprehensive income		
Other valuation difference on available-for-sale securities	373	382
Foreign currency translation adjustment	139	158
Accumulated adjustment related to retirement benefits	327	326
Total accumulated other comprehensive income	840	867
Subscription rights to shares	161	158
Minority interests	6,472	6,773
Total net assets	232,384	226,575
Total liabilities and net assets	537,362	546,266

(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, 2022	For the three months ended May 31, 2023
Net sales	267,716	298,267
Cost of sales	189,284	210,457
Gross profit	78,431	87,809
Selling, general and administrative expenses	70,717	80,427
Operating income	7,713	7,381
Non-operating income		
Interest and dividend income	0	2
Rental income from real estate	315	375
Sponsorship money income	218	208
Subsidy income	1,877	17
Other	583	865
Total non-operating income	2,995	1,470
Non-operating expenses		
Interest expenses	130	179
Share of loss of entities accounted for using equity method	1	63
Rent cost of real estate	40	72
Other	40	10
Total non-operating expenses	213	327
Ordinary income	10,495	8,524
Extraordinary income		
Gain on sale of noncurrent assets	5	9
Compensation income	–	151
Total extraordinary income	5	161
Extraordinary loss		
Loss on retirement of noncurrent assets	10	34
Impairment loss	101	8
Loss on store closings	–	23
Other	5	10
Total extraordinary losses	118	77
Net income before income taxes and minority interests	10,383	8,608
Income taxes - current	4,549	3,622
Income taxes - deferred	(512)	(129)
Total income taxes	4,037	3,492
Net income	6,346	5,115
Profit (loss) attributable to non-controlling interests	24	(10)
Net income attributable to owners of parent	6,321	5,126

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 31

(Million yen)

	For the three months ended May 31, 2022	For the three months ended May 31, 2023
Net income	6,346	5,115
Other comprehensive income		
Other valuation difference on available-for-sale securities	1	8
Foreign currency translation adjustment	106	37
Remeasurements of defined benefit plans	10	(0)
Total other comprehensive income	118	45
Comprehensive income	6,464	5,160
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,391	5,153
Comprehensive income attributable to non-controlling interests	72	6

(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.