



## Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending May 2024 [Japanese GAAP]

March 19, 2024

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 Holding of quarterly financial results explanation meeting: No

(Rounded down to the nearest million yen)

### 1. Consolidated financial results for the third quarter of the fiscal year ending May 2024 (May 16, 2023-February 15, 2024)

#### (1) Consolidated operating results (cumulative)

(Percentages represent changes from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Quarterly profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
February 15, 2024	72,116	10.0	922	170.8	871	141.4	475	134.0
February 15, 2023	65,557	4.9	340	△16.9	361	△21.1	203	△24.0

(Note) Comprehensive income Nine months ended February 15, 2024: 495 million yen (133.6%)  
 Nine months ended February 15, 2023: 212 million yen (△17.7%)

	Quarterly net income per share	Diluted quarterly net income per share
Nine months ended	Yen	Yen
February 15, 2024	34.42	34.41
February 15, 2023	14.72	14.72

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
February 15, 2024	44,325	9,204	20.5
May 15, 2023	43,027	8,834	20.3

(Note) Equity As of February 15, 2024: 9,091 million yen  
 As of May 15, 2023: 8,726 million yen

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended May 15, 2023	-	0.00	-	10.00	10.00
Ending May 15, 2024	-	0.00	-		
Ending May 15, 2024 (forecast)				10.00	10.00

(Note) Changes from the recently announced dividend forecast: None

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending May 2024 (May 16, 2023 - May 15, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	95,000	8.6	1,000	233.9	1,000	205.5	300	243.7	21.72

(Note) Changes from the latest announced earnings forecast: None

## ※ Notes

(1) Changes in significant subsidiaries during the current quarterly consolidated cumulative period (changes in the scope of consolidation): None

(2) Application of special accounting methods in preparation of the quarterly consolidated financial statement: Yes

(Note) For details, please refer to "2. Quarterly consolidated financial statements and notes, (3) Notes to quarterly consolidated financial statements (Application of special accounting methods in preparation of the quarterly consolidated financial statement)" on page 9 of the attached materials.

(3) Changes in accounting policies and accounting-based estimates, and restatements

① Changes in accounting policies due to revisions in accounting standards :	None
② Changes in accounting policies other than ① :	None
③ Changes in accounting-based estimates :	None
④ Restatements :	None

(4) Number of shares outstanding (common shares)

① Number of shares outstanding as of the end of the period (including treasury shares)	As of February 15, 2024	14,236,564 shares	As of May 15, 2023	14,236,564 shares
② Number of treasury shares as of the end of the period	As of February 15, 2024	423,506 shares	As of May 15, 2023	432,803 shares
③ Average number of shares outstanding during the period (quarterly cumulative)	Nine months ended February 15, 2024	13,808,925 shares	Nine months ended February 15, 2023	13,798,833 shares

※ Quarterly financial statements are not subject to quarterly reviews by certified public accountants or auditing firms.

## ※ Cautionary statement with respect to forecasts

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available to our company's management at the time these materials were prepared but are not promises regarding future performance. Actual results may differ significantly from these forecasts for a number of reasons.

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## 1. Qualitative Information on the Current Quarterly Financial Results

### (1) Explanation of operating results

During the third quarter consolidated cumulative period (May 16, 2023 to February 15, 2024), the Japanese economy has been gradually recovering as social and economic activities normalized due to the downgrading of COVID-19 to a Class 5 infectious disease. However, uncertainties persist in the outlook due to geopolitical risks and inflationary pressures stemming from elevated energy and raw material prices.

In the drugstore industry, in which the Group mainly operates, the business environment surrounding the Group continues to be challenging due to intensifying competition across industry boundaries, competition to open new stores among existing companies, and oligopolistic consolidation through M&As.

In response to these circumstances, under the theme of "evolving into a regional integrated lifestyle group" in its medium-term management plan ending in May 2026, the Group is engaged in three growth strategies of "integrated lifestyle store strategy," "regional platform strategy," and "collaboration strategy" and organizational strategies, aiming to grow as a group while differentiating ourselves from our competitors by expanding our business domain from retail that only "sells goods" to the area of lifestyle services that provide "goods × services" while strengthening the earnings base of our core retail business.

In the integrated lifestyle store strategy, we expanded stores handling fresh foods, as part of our effort to expand stores with dispensing facilities and our line-robbing effort to expand product categories. We are also working to strengthen our earnings base by promoting a price strategy centered on Everyday Same Low Price (ESLP) and digital marketing with the Satudora app.

As for the regional platform strategy, the membership of Hokkaido's common point card "EZOCA" surpassed 2.15 million with over 250 affiliated stores (1,000 outlets) as of the end of January 2024, and the EZOCA economic zone continues to grow. Additionally, the "Esashi EZOCA," which was launched as part of a comprehensive cooperation agreement with Esashi Town, has introduced a mechanism to return a portion of shopping expenses to the town, aiming to contribute to the revitalization of the local economy. We are also engaged in a MaaS demonstration experiment in the same town to improve mobility, as we aim to implement a revenue cycle model within society by utilizing and verifying data acquired from the Esashi EZOCA.

As part of our collaboration strategy, we have entered into a new partnership agreement with Yamato Transport Co., Ltd. to contribute to the sustainable development of the region and resolution of social issues by supporting the shopping environment in small commercial areas and streamlining logistics. As of February 2024, we have signed more than 40 different agreements with local governments, businesses, etc.

In terms of organizational strategy, we established a D&I Committee in order to create an environment in which diverse human resources can play an active role and also established a new Chief Human Resource Officer (CHRO) as we work to strengthen the creation and execution of human resource strategies that will help achieve our business strategies. We are actively promoting health management through the establishment of a Chief Health Officer (CHO) and the enactment of the Satudora Group Health and Productivity Management Declaration, for which we were certified by the Ministry of Economy, Trade and Industry, and the Nippon Kenko Kaigi as a 2023 Certified Health & Productivity Management Outstanding Organization. We have also strengthened our governance structure and implemented the application of all principles of the Corporate Governance Code.

As a result of the above, consolidated net sales for the third quarter of the current fiscal year were 72,116 million yen (up 10.0%, or 6,558 million yen, year on year), operating profit was 922 million yen (up 170.8%, or 581 million yen, year on year), ordinary profit was 871 million yen (up 141.4%, or 510 million yen, year on year), and profit attributable to owners of parent was 475 million yen (up 134.0%, or 272 million yen, year on year).

An overview of the segment performance is as follows.

#### <Retail Business>

Our operations center on drugstore format stores aimed at becoming a dominant player primarily in Hokkaido and dispensing pharmacies, as well as inbound format stores in tourist areas that many foreign visitors to Japan frequent. As for dispensing pharmacies, in addition to the operation of standalone pharmacies, we have also established them within drugstores.

On the drugstore format store sales front, we aim to promote a price strategy centered on ESLP in order to gain more customer

support and to improve operational efficiency by leveling work operations, as well as expand product categories by strengthening line-robbing, including fresh foods. In addition, we are working to promote digital marketing with the Satudora app.

During the third quarter consolidated cumulative period, despite a decrease in the number of purchases per person due to heightened awareness of the cost of living amid inflation and a decline in sales of infection-related products following stabilization of the COVID-19 pandemic, net sales in the drugstore format exceeded that of the same period last year, driven by the recovery of foot traffic and strong performance of seasonal products.

As for the inbound format, net sales exceeded that of the same period last year as a result of capturing demand from inbound foreign tourists visiting Japan. As for dispensing pharmacies, increased revenue from newly opened dispensing pharmacies as well as increased premiums for the local support system and for the generics dispensing system led to higher sales compared to the same period last year.

The status of store openings and closures is as shown in the table below.

(Status of store openings and closures)

Store classification	Format classification	As of May15, 2023	Openings	Closures	As of February 15, 2024
Drugstores	Drugstore format	176 stores	5 stores	2 stores	179 stores
	(Dispensing pharmacies within drugstores)	(15 stores)	(2 stores)	(-)	(17 stores)
	Inbound format	13 stores	-	3 stores	10 stores
Standalone pharmacies	Standalone pharmacies	10 stores	2 stores	1 store	11 stores
Other stores	The Kurashi Store of Hokkaido	3 stores	-	2 stores	1 store
Total		202 stores	7 stores	8 stores	201 stores

As a result of the above, sales in the retail business segment amounted to 71,117 million yen (up 9.9%, or 6,380 million yen year on year), and segment profit amounted to 869 million yen (up 175.6%, or 554 million yen year on year).

#### <Other Businesses>

The Group is engaged in the regional marketing and payment service businesses utilizing the Hokkaido's common point card "EZOCA", development and sales of POS applications and other services aimed at solving issues from the user's perspective, operation of programming schools for elementary and junior high school students, and information provision services for domestic and overseas corporations, a CVC service to produce synergy between existing businesses as well as create new business, and more.

As of the end of January 2024, the membership of Hokkaido's common point card "EZOCA," which is our Group's strength, surpassed 2.15 million. In the payment service business, domestic cashless payment performed well amid increasing demand for contactless payment.

The net sales of other businesses amounted to 1,319 million yen (up 18.1%, or 202 million yen, year on year), while segment profit was 15 million yen (up 534.8%, or 12 million yen, year on year).

## (2) Explanation of financial position

Total assets at the end of the third quarter consolidated accounting period were 44,325 million yen, an increase of 1,298 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 491 million yen in cash and deposits, and 676 million yen in property, plant and equipment.

Total liabilities were 35,121 million yen, an increase of 928 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 878 million yen in accounts payable-trade and 400 million yen in short-term borrowings, despite a decrease of 345 million yen in long-term borrowings (including the current portion of long-term borrowings).

Total net assets were 9,204 million yen, an increase of 369 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 475 million yen in retained earnings due to quarterly net profit attributable to owners of parent, despite the decrease of 138 million yen in retained earnings due to dividend payments.

## (3) Explanation of consolidated financial forecasts and other forward-looking statements

There are no changes to the forecast of consolidated financial results for the fiscal year ending May 15, 2024 from the forecast released on June 21, 2023.

## 2. Quarterly consolidated financial statements and notes

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of May 15, 2023	As of February 15, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	2,315	2,807
Accounts receivable-trade	2,632	2,765
Merchandise	10,852	10,643
Other	3,819	3,911
Total current assets	19,620	20,127
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,373	8,807
Land	3,972	4,036
Other, net	1,850	2,029
Total property, plant and equipment	14,197	14,873
Intangible assets	397	458
Investments and other assets		
Leasehold and guarantee deposits	6,512	6,650
Other	2,311	2,227
Allowance for doubtful accounts	△11	△11
Total investment and other assets	8,812	8,866
Total non-current assets	23,406	24,198
<b>Total assets</b>	<b>43,027</b>	<b>44,325</b>

(Millions of yen)

	As of May 15, 2023	As of February 15, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	8,531	9,409
Short-term borrowings	5,500	5,900
Current portion of long-term borrowings	994	970
Income taxes payable	289	153
Provision for bonuses	592	362
Other	4,888	5,014
<b>Total current liabilities</b>	<b>20,795</b>	<b>21,811</b>
Non-current liabilities		
Long-term borrowings	10,740	10,418
Retirement benefit liability	689	731
Asset retirement obligations	729	759
Other	1,237	1,400
<b>Total non-current liabilities</b>	<b>13,397</b>	<b>13,310</b>
<b>Total liabilities</b>	<b>34,192</b>	<b>35,121</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,003	1,003
Capital surplus	2,098	2,103
Retained earnings	6,019	6,357
Treasury shares	△299	△291
<b>Total shareholders' equity</b>	<b>8,822</b>	<b>9,172</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△0	1
Deferred gains or losses on hedges	△35	△21
Foreign currency translation adjustment	△65	△64
Remeasurements of defined benefit plans	3	3
<b>Total accumulated other comprehensive income</b>	<b>△96</b>	<b>△81</b>
Share acquisition rights	4	4
Non-controlling interests	103	108
<b>Total net assets</b>	<b>8,834</b>	<b>9,204</b>
<b>Total liabilities and net assets</b>	<b>43,027</b>	<b>44,325</b>



## (2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statement of income

Consolidated cumulative third quarter

(Millions of yen)

	Nine months ended February 15, 2023	Nine months ended February 15, 2024
Net sales	65,557	72,116
Cost of sales	49,587	54,700
Gross profit	15,970	17,416
Selling, general and administrative expenses	15,630	16,494
Operating profit	340	922
Non-operating income		
Interest and dividend income	15	17
Gain on donation of non-current assets	17	9
Foreign exchange gains	6	1
Other	74	81
Total non-operating income	113	108
Non-operating expenses		
Interest expenses	91	107
Commission expenses	1	42
Other	0	9
Total non-operating expenses	93	159
Ordinary profit	361	871
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sale of investment securities	29	12
Total extraordinary income	30	13
Extraordinary losses		
Loss on retirement of non-current assets	-	7
Loss on sale of non-current assets	-	0
Impairment losses	36	7
Loss on store closings	2	36
Total extraordinary losses	38	52
Quarterly profit before income taxes	352	832
Total income taxes	141	351
Quarterly profit	210	480
Quarterly profit attributable to non-controlling interests	7	5
Quarterly profit attributable to owners of parent	203	475

## Quarterly consolidated statement of comprehensive income

## Consolidated cumulative third quarter

(Millions of yen)

	Nine months ended February 15, 2023	Nine months ended February 15, 2024
Quarterly profit	210	480
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Deferred gains or losses on hedges	-	13
Foreign currency translation adjustment	0	0
Remeasurements of defined benefit plans, net of tax	0	△0
Total other comprehensive income	1	15
Quarterly comprehensive income	212	495
Comprehensive income attributable to:		
Comprehensive quarterly income attributable to owners of parent	204	490
Comprehensive quarterly income attributable to non-controlling interests	7	5

**(3) Notes to quarterly consolidated financial statements**

(Going concern assumption)

Not applicable.

(Notes in the event of any significant changes in the amount of shareholders' equity)

No applicable items.

(Application of special accounting methods in the preparation of the quarterly consolidated financial statement)

(Calculation of income tax expense)

Income tax expense is calculated by making a reasonable estimate of the effective tax rate after the application of tax effect accounting to the profit before income taxes for the consolidated fiscal year, including the current third quarter consolidated accounting period, and multiplying the quarterly net profit before income taxes by the relevant estimated effective tax rate.

## (Segment information)

## 【Segment Information】

## I. Previous consolidated cumulative third quarter (May 16, 2022 - February 15, 2023)

## Information on net sales and profits for each reportable segment, and information on revenue breakdown

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in the quarterly consolidated statement of income (Note) 3
	Retail Business				
Net sales					
Drugstore	59,094	—	59,094	—	59,094
Inbound	1,416	—	1,416	—	1,416
Pharmacy	3,169	—	3,169	—	3,169
Other	477	824	1,302	—	1,302
Revenue arising from contracts with customers	64,157	824	64,982	—	64,982
Other revenues	539	36	575	—	575
External sales	64,696	861	65,557	—	65,557
Inter-segment sales and transfers	40	256	296	△296	—
Total	64,737	1,117	65,854	△296	65,557
Segment profit	315	2	317	22	340

(Notes)

1. The “Other” category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

## II. Current consolidated cumulative third quarter (May 16, 2023 - February 15, 2024)

## Information on net sales and profits for each reportable segment, and information on revenue breakdown

(Millions of yen)

	Reportable Segment	Other (Note) 1	Total	Adjustments (Note)2	Amount shown in the quarterly consolidated statement of income (Note) 3
	Retail Business				
Net sales					
Drugstore	62,221	—	62,221	—	62,221
Inbound	4,406	—	4,406	—	4,406
Pharmacy	3,299	—	3,299	—	3,299
Other	613	989	1,603	—	1,603
Revenue arising from contracts with customers	70,540	989	71,530	—	71,530
Other revenues	534	52	586	—	586
External sales	71,075	1,041	72,116	—	72,116
Inter-segment sales and transfers	41	278	320	△320	—
Total	71,117	1,319	72,436	△320	72,116
Segment profit	869	15	884	37	922

(Notes)

1. The “Other” category is a business segment that is not included in the reportable segments and includes the IT Solutions business, the marketing business, the education business, etc.
2. The adjustments include the elimination of reportable inter-segment profit and loss transactions and expenses related to the operation of the holding company.
3. Segment profit is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.