

Financial Results for the Fiscal Year Ended (FYE) March 15, 2024 [Japanese GAAP] (Consolidated)

April 26, 2024

Company Name	CAWACHI LIMITED		Exchange listed on:	Tokyo Stock Exchange
Security Code	2664	URL	https://www.cawachi.co.jp/	
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Scheduled date of the Ordinary General Meeting of Shareholders	June 12, 2024			
Scheduled commencement date of dividend payment	June 13, 2024			
Scheduled filing date of the securities report	June 13, 2024			
Supplemental information for financial results:	Available			
Investor meeting presentation:	Scheduled (for securities analysts and institutional investors)			
	(Amounts rounded down to the nearest millions of yen.)			

1. Consolidated Financial Results for the FYE March, 2024 (From March 16, 2023 to March 15, 2024)

(1) Consolidated Operating Results (Percent represents comparison changes from the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FYE March, 2024	285,960	1.5	7,601	15.0	8,609	12.2	4,713	12.8
FYE March, 2023	281,871	-	6,611	-	7,672	-	4,177	-

(Note) Comprehensive income: FYE March, 2024 ¥4,732 million (12.8%)
 FYE March, 2023 ¥4,193 million (-%)

	Profit per share	Profit per share – diluted	Profit to Shareholders' equity	Ordinary profit to Assets	Operating profit to Net sales
	yen	yen	%	%	%
FYE March, 2024	211.03	210.79	4.3	4.4	2.7
FYE March, 2023	187.06	186.85	3.9	4.0	2.3

(Reference) Equity method investment gain (loss): FYE March, 2024 ¥ - million
 FYE March, 2023 ¥ - million

(Note) Effective from the beginning of the previous fiscal year, Cawachi Ltd. (the Company) began to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., and the numbers for the FYE March, 2023 are ones after applying it. Therefore, percentage changes compared with the previous fiscal year are not indicated.

(2) Consolidated Financial Positions

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	million yen	million yen	%	yen
FYE March, 2024	196,119	111,295	56.7	4,980.82
FYE March, 2023	194,496	107,725	55.3	4,818.93

(Reference) Shareholders' equity: FYE March, 2024 ¥111,242 million
 FYE March, 2023 ¥107,627 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	million yen	million yen	million yen	million yen
FYE March, 2024	6,402	(5,291)	(3,937)	35,623
FYE March, 2023	9,817	(5,840)	(4,485)	38,450

2. Dividends

	Annual dividends per share					Total amount of annual dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of the year	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FYE March, 2023	-	0.00	-	50.00	50.00	1,116	26.7	1.1
FYE March, 2024	-	0.00	-	80.00	80.00	1,786	37.9	1.6
FYE March, 2025 (forecast)	-	0.00	-	80.00	80.00		31.3	

3. Forecast of Consolidated Results for FYE March, 2025 (March 16, 2024 to March 15, 2025)

(Percentage represents changes from the previous year for Full year, and on YoY basis for Quarterly results.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2Q (cumulative)	149,000	2.1	4,500	2.5	5,000	1.7	3,200	5.0	143.28
Full year	292,000	2.1	8,000	5.2	9,000	4.5	5,700	20.9	255.21

* NOTES

(1) Changes in major subsidiaries during the cumulative quarter under review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None

Newly consolidated: - company (companies) (name of company)

Excluded: - company (companies) (name of company)

(2) Change in accounting policies or estimates and retrospective restatements

1) Change in accounting policies in accordance with revision of accounting standards: None

2) Change in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

4) Retrospective restatements: None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)

FYE March, 2024	24,583,420 shares	FYE March, 2023	24,583,420 shares
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2) Number of shares of treasury stock at the end of the period

FYE March, 2024	2,249,173 shares	FYE March, 2023	2,249,122 shares
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3) Average number of shares issued during the period

FYE March, 2024	22,334,273 shares	FYE March, 2023	22,334,298 shares
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* This summary of consolidated financial results is not subject to audit by certified public accountants or an audit firm.

* Explanation for appropriate use of operating results forecasts, other special notes

Forward-looking statements, including business forecasts, contained in this document are based on information available to the Company and certain assumptions deemed reasonable as of the date of this document, and actual performance and results may differ significantly from the forecasts described here due to various factors. Please refer to “1. Overview of Results of Operations, etc. (1) Overview of Results of Operations for the Current Fiscal Year” of the attached documents for the assumptions underlying the forecasts and cautions when using the forecasts.

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1. Overview of Results of Operations, etc.

(1) Overview of Results of Operations for the Current Fiscal Year

(Results of operations for the current fiscal year)

During the fiscal year ended March 15, 2024, the Japanese economy showed signs of a gradual recovery as socioeconomic activity normalized due to the shift in the classification of COVID-19. However, uncertainty over the economic outlook remained, mainly affected by soaring resource prices and foreign exchange movements as well as heightened geopolitical risks.

A budget-minded trend in consumer spending has become even more widespread resulting mainly from the increasing burden of living expenses as prices rise and real wages continue to decline, although the economy showed signs of moderate recovery due to an increase in opportunities to go out.

The drugstore sector, to which the Cawachi Group (“the Group”) belongs, remained in a tough environment due to a reactionary drop from the increase in demand for antigen test kits and, masks, etc. in the previous year, and a reactionary drop, etc. from rush demand due to product price hikes. Competitors also continued to open new stores, and the Group has found itself competing with other format retailers following the price hikes in various products.

There was a recovery in inbound demand, etc. due to increased human flow in Japan, and a recovery in beauty-related products due to increased opportunities to go out, etc.

Under these circumstances, the Group has been working to open new stores and establish dispensing pharmacies as a way to enhance our expertise and has also been making efforts to review and respond to sales prices and sales promotions by taking advantage of its logistics framework for central buying, etc. to maintain a relative advantage in the face of a series of gradual price increases. Meanwhile, selling, general & administrative expenses were lower than planned mainly due to efforts to curb personnel expenses by improving work efficiency in conjunction with the start of operation of the new distribution center. Efforts were also made to curb utility expenses primarily due to a decrease in power consumption caused by a mild winter and the extension of measures to mitigate drastic changes by the government.

In terms of new store openings, the Group opened a total of 13 stores: three stores in Ibaraki, two stores each in Iwate and Chiba, and one store each in Miyagi, Yamagata, Fukushima, Tochigi, Gunma, and Yamanashi, all of which are areas in which it currently operates. The Group also opened a total of nine in-store dispensing pharmacies: two in new stores in Chiba, one each in new stores in Yamagata, Ibaraki, and Gunma, two in existing stores in Ibaraki, and one each in existing stores in Yamagata and Gunma. The Group closed a total of two stores—one in Chiba (in-store dispensing pharmacy type) and another in Niigata—for the purpose of relocation as well as two dispensing pharmacies.

Accordingly, the Group has a total of 375 stores (of which 151 have an in-store dispensing pharmacy).

As a result, the Group recorded net sales of 285,960 million yen (year-on-year increase of 1.5%) on a consolidated basis for the current fiscal year under review. The Group recorded operating profits of 7,601 million yen (year-on-year increase of 15.0%), ordinary profit of 8,609 million yen (year-on-year increase of 12.2%), and profit attributable to owners of parent of 4,713 million yen (year-on-year increase of 12.8%).

(Sales)

The Group's net sales by segment are as follows.

Segment	Previous consolidated fiscal year (From March 16, 2022 to March 15, 2023)		Current consolidated fiscal year (From March 16, 2023 to March 15, 2024)		YoY comparison (%)
	Amount (Mil. yen)	(%)	Amount (Mil. yen)	(%)	
Pharmaceuticals	52,780	18.8	52,262	18.4	99.0
Cosmetics	21,421	7.6	22,573	7.9	105.4
Sundries	77,581	27.6	78,724	27.6	101.5
General food	129,164	46.0	131,452	46.1	101.8
Total	280,948	100.0	285,013	100.0	101.4

(Notes) 1. Number of units sold is omitted because the Company has an extensive product range.

2. Amounts above do not include rent revenue from real estate.

(Outlook for the next fiscal year)

For the fiscal year ending March 15, 2025, the Japanese economy is predicted to recover moderately in economic activity against a backdrop of rising stock prices and rising prices as well as increased human flow, a rebound in inbound tourism-related demand, and other factors. On the other hand, the outlook is predicted to remain uncertain as prices are predicted to continue to rise moderately mainly due to heightened geopolitical risks and the impact of exchange rates, etc. The consumer spending environment is expected to remain severe due to economic circumstances and uncertainty about the future on the back of rising product prices and cost-of-living expenses, which have caused consumers to be more aware of protecting their current lifestyles and to be more conscious of saving money.

In these circumstances, in order to cope with the rapidly changing business environment, the Group will promote productivity improvement measures through a new logistics framework and work on systemization and mechanization based on DX promotion measures to improve overall productivity in order to further strengthen its business infrastructure. In addition, the Company will rein in rising utility bills by continuously introducing power-saving equipment, etc.

Further, as a differentiation measure against increasingly fierce competition, we will continue to open dispensing pharmacies in our new stores. At the same time, we will make progress with measures for enhancing our expertise by strengthening functions that enable qualified specialists to provide counseling in order to maintain and step up people's health, including disease prevention and beauty, and extend their health longevity while enhancing our product lineup catering for people's growing health awareness as a measure to enhance their health and beauty care. Furthermore, we will make every effort to improve the quality of consumers' living and customer satisfaction by making further progress in building local community-based stores with functions as local infrastructure. We will do this while focusing on offering products that value safety at reasonable prices in an effort to respond to the consumption environment where people are increasingly conscious about protecting their living.

Regarding new store openings and closings, the Group plans to open 13 stores mainly in the areas where it currently operates, and to close two stores. Furthermore, to further make progress on measures for expertise enhancement, the Group plans to launch seven in-store dispensing pharmacies at new and existing stores.

From the above, the Group forecasts, for the fiscal year ending March 2025, net sales will be 292,000 million yen, operating profit will be 8,000 million yen, ordinary profit will be 9,000 million yen, and profit attributable to owners of parent will be 5,700 million yen.

(2) Overview of Financial Position for the Current Fiscal Year

1) Assets, liabilities and net assets

Assets increased 1,623 million yen compared with the end of the previous fiscal year, to 196,119 million yen. This was mainly due to an increase in accounts receivable-trade and merchandise despite a decrease in cash and deposits.

Liabilities decreased 1,946 million yen compared with the end of the previous fiscal year, to 84,824 million yen.

This was due primarily to a decrease in long-term borrowings.

Net assets increased 3,569 million yen compared with the end of the previous fiscal year to 111,295 million yen.

This was due primarily to an increase in retained earnings.

Equity ratio increased to 56.7% (year-on-year increase of 1.4 points).

2) Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) as of the end of the fiscal year under review amounted to 35,623 million yen (2,826 million yen decrease compared with the end of the previous fiscal year).

(Cash flow from operating activities)

Net cash provided by operating activities amounted to 6,402 million yen (year-on-year decrease of 3,414 million yen). This was due primarily to an increase in trade receivables of 3,851 million yen (year-on-year decrease of 3,098 million yen), despite profit before income taxes of 7,153 million yen (year-on-year increase of 581 million yen), and depreciation of 4,306 million yen (year-on-year decrease of 43 million yen).

(Cash flow from investing activities)

Net cash used in investing activities amounted to 5,291 million yen (year-on-year decrease of 549 million yen). This was due primarily to the fact that purchases of property, plant and equipment associated with the opening of new stores amounted to 4,835 million yen (year-on-year decrease of 416 million yen).

(Cash flows from financing activities)

Net cash used in financing activities amounted to 3,937 million yen (year-on-year decrease of 548 million yen). This was due primarily to the fact that while proceeds from long-term borrowings were 5,720 million yen (year-on-year decrease of 780 million yen), repayments of long-term borrowings were 8,540 million yen (year-on-year decrease of 1,329 million yen), and dividends paid were 1,116 million yen (year-on-year increase of 0 yen).

(Trends of Cash Flow-related Indicators)

	FYE3/2020	FYE3/2021	FYE3/2022	FYE3/2023	FYE3/2024
Equity ratio (%)	50.3	51.9	54.5	55.3	56.7
Equity ratio on market value (%)	20.9	33.6	27.5	25.3	30.3
Ratio of interest-bearing debts to cash flows (years)	2.4	1.7	3.3	2.0	2.6
Interest coverage ratio (multiples)	178.8	246.8	138.0	235.1	181.1

Equity Ratio: Shareholders' equity/Total assets

Equity ratio on market value: Market capitalization/Total assets

Ratio of interest-bearing debt to cash flow: Interest-bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest expenses

Note 1: All figures are calculated based on consolidated financial results.

Note 2: Market capitalization is calculated based on number of shares issued excluding treasury stock.

Note 3: Cash flows are based on operating cash flows.

Note 4: Interest-bearing debt represents debt posted on the consolidated balance sheet and accompanied by interest payments.

(3) Principles of Appropriation of Profits and Dividend Payment for the Current Fiscal Year and the Next Fiscal Year

The Group recognizes that returning profit to shareholders is a top-priority management issue, and its basic policy is to continue to pay progressive dividends while retaining the necessary internal reserves to ensure stable growth by enhancing and strengthening its management base, taking into account future business prospects.

The Group is planning to propose an ordinary dividend of 80 yen per share by increasing the dividend by 30 yen per share for the current fiscal year in the 57th Ordinary General Meeting of Shareholders scheduled to be held on June 12, 2024.

The Group also plans to distribute an ordinary dividend of 80 yen per share in the following fiscal year.

Internal reserves will be used as funds to open new stores and to make renovations and system investments, etc.

2. Basic Policy on Selecting Accounting Standards

The Group has adopted Japanese accounting standards to ensure that its operating results are comparable with competitors in Japan.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 15, 2023	As of March 15, 2024
Assets		
Current assets		
Cash and deposits	38,450	35,623
Accounts receivable - trade	6,604	10,456
Merchandise	32,961	34,699
Supplies	32	30
Other	5,474	5,209
Total current assets	83,523	86,018
Non-current assets		
Property, plant and equipment		
Buildings and structures	114,911	117,360
Accumulated depreciation	(74,785)	(77,208)
Buildings and structures, net	40,126	40,152
Land	49,292	49,170
Construction in progress	791	178
Other	25,016	25,452
Accumulated depreciation	(21,839)	(22,418)
Other, net	3,177	3,034
Total property, plant and equipment	93,388	92,535
Intangible assets		
Other	5,243	5,387
Total intangible assets	5,243	5,387
Investments and other assets		
Investment securities	101	129
Leasehold and guarantee deposits	7,633	7,474
Deferred tax assets	4,285	4,275
Other	321	298
Total investments and other assets	12,342	12,177
Total non-current assets	110,973	110,100
Total assets	194,496	196,119

(Millions of yen)

	As of March 15, 2023	As of March 15, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	41,923	42,011
Current portion of long-term borrowings	7,909	6,706
Income taxes payable	1,424	1,400
Provision for bonuses	1,204	1,351
Contract liabilities	2,046	2,096
Other	7,927	8,109
Total current liabilities	62,435	61,675
Non-current liabilities		
Long-term borrowings	11,640	10,023
Retirement benefit liability	8,693	8,959
Asset retirement obligations	3,078	3,243
Other	922	922
Total non-current liabilities	24,335	23,148
Total liabilities	86,771	84,824
Net assets		
Shareholders' equity		
Share capital	13,001	13,001
Capital surplus	14,902	14,902
Retained earnings	84,070	87,666
Treasury shares	(4,362)	(4,363)
Total shareholders' equity	107,612	111,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15	34
Total accumulated other comprehensive income	15	34
Share acquisition rights	98	52
Total net assets	107,725	111,295
Total liabilities and net assets	194,496	196,119

**(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)**

(Millions of yen)

	Fiscal year ended March 15, 2023	Fiscal year ended March 15, 2024
Net sales	281,871	285,960
Cost of sales	217,824	220,158
Gross profit	64,047	65,801
Selling, general and administrative expenses	57,435	58,200
Operating profit	6,611	7,601
Non-operating income		
Interest income	21	19
Dividend income	2	3
Commission income	824	799
Revenue from sales of electric power	186	176
Other	407	461
Total non-operating income	1,442	1,460
Non-operating expenses		
Interest expenses	41	35
Commission expenses	142	136
Depreciation	59	56
Loss on tax purpose reduction entry of non-current assets	-	59
Other	137	164
Total non-operating expenses	381	452
Ordinary profit	7,672	8,609
Extraordinary income		
Gain on sale of non-current assets	10	0
Insurance claim income	137	73
Gain on reversal of share acquisition rights	-	45
Other	-	25
Total extraordinary income	148	145
Extraordinary losses		
Loss on sale of non-current assets	9	48
Loss on retirement of non-current assets	64	27
Impairment losses	911	1,117
Loss on store closings	29	303
Other	235	104
Total extraordinary losses	1,248	1,601
Profit before income taxes	6,572	7,153
Income taxes - current	2,604	2,437
Income taxes - deferred	(209)	2
Total income taxes	2,394	2,440
Profit	4,177	4,713
Profit attributable to owners of parent	4,177	4,713

(Consolidated statements of comprehensive income)

(Millions of yen)

	Fiscal year ended March 15, 2023	Fiscal year ended March 15, 2024
Profit	4,177	4,713
Other comprehensive income		
Valuation difference on available-for-sale securities	15	19
Total other comprehensive income	15	19
Comprehensive income	4,193	4,732
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,193	4,732

(3) Consolidated statements of changes in equity

Fiscal year ended March 15, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,001	14,901	81,008	(4,387)	104,524
Changes during period					
Dividends of surplus			(1,116)		(1,116)
Disposal of treasury shares		1		24	26
Profit attributable to owners of parent			4,177		4,177
Net changes in items other than shareholders' equity					
Total changes during period	–	1	3,061	24	3,088
Balance at end of period	13,001	14,902	84,070	(4,362)	107,612

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(0)	(0)	126	104,649
Changes during period				
Dividends of surplus				(1,116)
Disposal of treasury shares				26
Profit attributable to owners of parent				4,177
Net changes in items other than shareholders' equity	15	15	(28)	(12)
Total changes during period	15	15	(28)	3,075
Balance at end of period	15	15	98	107,725

Fiscal year ended March 15, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,001	14,902	84,070	(4,362)	107,612
Changes during period					
Dividends of surplus			(1,116)		(1,116)
Purchase of treasury shares				(0)	(0)
Profit attributable to owners of parent			4,713		4,713
Net changes in items other than shareholders' equity					
Total changes during period	–	–	3,596	(0)	3,596
Balance at end of period	13,001	14,902	87,666	(4,363)	111,208

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	15	15	98	107,725
Changes during period				
Dividends of surplus				(1,116)
Purchase of treasury shares				(0)
Profit attributable to owners of parent				4,713
Net changes in items other than shareholders' equity	19	19	(45)	(26)
Total changes during period	19	19	(45)	3,569
Balance at end of period	34	34	52	111,295

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 15, 2023	Fiscal year ended March 15, 2024
Cash flows from operating activities		
Profit before income taxes	6,572	7,153
Depreciation	4,350	4,306
Impairment losses	911	1,117
Loss on store closings	–	303
Loss on retirement of non-current assets	9	17
Increase (decrease) in provision for bonuses	16	147
Increase (decrease) in retirement benefit liability	476	265
Interest and dividend income	(24)	(23)
Interest expenses	41	35
Loss (gain) on sale of non-current assets	2	48
Increase(decrease) in contract liabilities	169	49
Decrease (increase) in trade receivables	(753)	(3,851)
Decrease (increase) in inventories	(1,560)	(1,735)
Increase (decrease) in trade payables	1,297	88
Other, net	1,019	1,256
Subtotal	12,527	9,178
Interest and dividends received	3	3
Interest paid	(42)	(34)
Income taxes paid	(2,671)	(2,744)
Net cash provided by (used in) operating activities	9,817	6,402
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,252)	(4,835)
Proceeds from sale of property, plant and equipment	50	94
Purchase of intangible assets	(455)	(544)
Purchase of long-term prepaid expenses	(55)	(46)
Payments of leasehold and guarantee deposits	(244)	(168)
Proceeds from refund of leasehold and guarantee deposits	112	209
Other, net	4	0
Net cash provided by (used in) investing activities	(5,840)	(5,291)
Cash flows from financing activities		
Proceeds from long-term borrowings	6,500	5,720
Repayments of long-term borrowings	(9,869)	(8,540)
Purchase of treasury shares	–	(0)
Proceeds from disposal of treasury shares	0	–
Dividends paid	(1,116)	(1,116)
Net cash provided by (used in) financing activities	(4,485)	(3,937)
Net increase (decrease) in cash and cash equivalents	(509)	(2,826)
Cash and cash equivalents at beginning of period	38,959	38,450
Cash and cash equivalents at end of period	38,450	35,623