

Consolidated Financial Results for the Three Months Ended May 31, 2024 [Japanese GAAP]



July 8, 2024

Company name: WELCIA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3141

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

Representative: Hideaki Kirisawa, Representative Director, President and Chief Operating Officer

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

Phone: +81-3-5207-5878

Scheduled date of filing quarterly securities report: July 8, 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 Three Months Ended May 31, 2024 (March 1, 2024 - May 31, 2024)

(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, 2024	304,734	2.2	5,497	(25.5)	6,534	(23.4)	2,824	(44.9)
May 31, 2023	298,267	11.4	7,381	(4.3)	8,524	(18.8)	5,126	(18.9)

(Note) Comprehensive income: Three months ended May 31, 2024: ¥2,676 million [(48.1)%]

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

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended May 31, 2024	13.67		13.66	
May 31, 2023	24.56		24.54	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2024	557,754	244,008	42.6
As of February 29, 2024	551,860	244,367	43.0

(Reference) Equity: As of May 31, 2024: ¥237,392 million

As of February 29, 2024: ¥237,553 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 29, 2024	–	17.00	–	17.00	34.00
Fiscal year ending February 28, 2025	–				
Fiscal year ending February 28, 2025 (Forecast)		18.00	–	18.00	36.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 - February 28, 2025)

(% 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, 2024	644,300	5.4	26,700	7.9	28,600	6.7	16,000	(1.4)	77.45
Full year	1,287,000	5.7	47,000	8.7	51,000	6.8	27,000	2.1	130.69

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
 (Changes in specified subsidiaries resulting in changes in scope of consolidation):
 Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury stock):

May 31, 2024:	209,677,676 shares
February 29, 2024:	209,656,076 shares
 - 2) Total number of treasury stock at the end of the period:

May 31, 2024:	2,888,450 shares
February 29, 2024:	3,065,122 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended May 31, 2024:	206,658,550 shares
Three months ended May 31, 2023:	208,732,925 shares

(Notes) The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type; February 29, 2024: 2,543,500 shares; May 31, 2024: 2,366,700 shares) and the number of shares of the Company held in the Directors' Remuneration BIP Trust (February 29, 2024: 507,819 shares; May 31, 2024: 507,819 shares) were included in the total number of treasury stock at the end of the period. The number of shares of the Company held in the Stock Benefit Trust (Employee Stock Ownership Association Purchase-type) and the Directors' Remuneration BIP Trust was included in the number of treasury stock, which was to be deducted from the calculation of the average number of shares outstanding during the period (May 31, 2023: 907,032 shares; May 31, 2024: 2,992,780 shares).

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements provided herein are based on information available to the Company and certain assumptions deemed reasonable, and the Company does not promise the achievement of those forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions underlying the forecasts and the notes on the use of the forecasts, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 4 of the attached document.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Principal Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statements of Income	7
Three Months Ended May 31	7
Quarterly Consolidated Statements of Comprehensive Income	8
Three Months Ended May 31	8
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes in case of significant changes in shareholders' equity)	9

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended May 31, 2024 (from March 1, 2024 to May 31, 2024), the economy gradually recovered as there were signs of a pickup in consumer spending due to such factors as 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 the effects of rising prices weighed heavily and real wages have yet to recover.

In the drugstore industry, the primary area of the Group's business, competition is intensifying due to such factors as the competition for new store sites with competitors including those from other industries, 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.

Under such circumstances, the Group strove to provide products and services in response to customer needs. In the sales of goods, sales of cosmetics increased against the backdrop of increasing demand associated with people going out and the Group focused on the development and expanded sales of its PB products and responding to inbound demand. In the dispensing division, the number of prescriptions handled increased due primarily to an increase in the number of stores with dispensing pharmacies (2,167 stores as of May 31, 2024).

With the WAON POINT service introduced in the previous fiscal year, the Group has been able to increase the number of Welcia members, the Group's point members, to 11.76 million. The Group will continue to step up its measures to attract customers through improvement in the penetration rate of its point card and app. The Group continued to focus on the product development of its PB products with an emphasis on improving their functions, quality, and eco-friendly features and made efforts to expand the sales of Karada Welcia and Kurashi Welcia.

In March 2024, the Group acquired all shares of Xchange Inc., an information systems company, to make it a wholly-owned subsidiary. The Group aims to improve its information systems including the Group's IT infrastructure and applications and make propositions to customers toward new value by utilizing digital technology and data, as well as evolve the Welcia model to enable the sustained enhancement of corporate value. As part of its vision of 2030, the Group aims to become the "No.1 health station in the community" and to this end, it will cease selling cigarettes by the end of February 2026 in an effort to improve the health of the local community, while at the same time, provide the Welcia Stop-Smoking Support Program. As in the last year, this year the Group will continue to set up cooling shelters inside Welcafe and other locations in our stores and work on measure against heat stroke in the local community as a refuge area from the extreme heat. The Welcia Group is committed to fulfilling its role in providing local communities with an infrastructure that offers safety and peace of mind.

As for store openings and closures, the Group as a whole opened 18 stores and closed 11 stores, for a total of 2,832 stores Group-wide as of May 31, 2024.

(Unit: No. of Stores)

	No. of stores as of February 29, 2024	Openings	Closures	No. of stores as of May 31, 2024
WELCIA YAKKYOKU	2,199	12	2	2,209
Kokumin	158	1	2	157
Pupule Himawari	133	2	1	134
Marudai Sakurai Pharmacy	102	1	1	102
Shimizu Yakuhin	71	–	–	71
Marue Wellness Stores	57	1	–	58
FUKUYAKUHIN	25	–	2	23
Yodoya	25	–	–	25
French	2	–	–	2
MASAYA	40	1	2	39
Total in Japan	2,812	18	10	2,820
Welcia-BHG (Singapore)	13	–	1	12
Total	2,825	18	11	2,832

(Note) Of the number of stores as of May 31, 2024, 1,921 stores of WELCIA YAKKYOKU, 66 stores of Kokumin, 31 stores of Pupule Himawari, 46 stores of Marudai Sakurai Pharmacy, 49 stores of Shimizu Yakuhin, 32 stores of Marue Wellness Stores, 10 stores of FUKUYAKUHIN, and 12 stores of Yodoya, or a total of 2,167 stores have dispensing pharmacies.

Sales by category were as indicated below.

Category	Sales (million yen)	Year-on-year change (%)
OTC products	55,592	97.6
Cosmetics	48,171	103.0
Household goods	40,970	103.4
Food products	70,007	104.1
Others	22,137	92.6
Total sales of goods other than dispensing	236,879	101.0
Dispensing	67,615	106.8
Subtotal	304,495	102.2
Commission income	238	53.3
Total	304,734	102.2

As a result of the above, the consolidated operating results for the three months ended May 31, 2024, were ¥304,734 million in net sales (an increase of 2.2% year-on-year), ¥5,497 million in operating income (a decrease of 25.5% year-on-year), ¥6,534 million in ordinary income (a decrease of 23.4% year-on-year), and ¥2,824 million in net income attributable to owners of parent (a decrease of 44.9% year-on-year).

(2) Explanation of Financial Position (Assets)

Total assets as of May 31, 2024 increased by ¥5,893 million compared to the end of the previous fiscal year

to ¥557,754 million. This was primarily due to increases of ¥5,924 million in cash and deposits, ¥7,053 million in merchandise, and ¥1,075 million in goodwill, despite a decrease of ¥707 million in leased assets.

(Liabilities)

Total liabilities as of May 31, 2024 increased by ¥6,253 million compared to the end of the previous fiscal year to ¥313,746 million. This was primarily due to increases of ¥6,812 million in accounts payable - trade, ¥1,239 million in short-term borrowings, and ¥2,339 million in provision for bonuses, despite a decrease of ¥2,648 million in income taxes payable.

(Net assets)

Net assets as of May 31, 2024 decreased by ¥359 million compared to the end of the previous fiscal year to ¥244,008 million. This was primarily due to the recording of net income attributable to owners of parent of ¥2,824 million, despite a decrease of ¥3,563 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 29, 2024” (on April 8, 2024).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	30,533	36,457
Accounts receivable - trade	63,197	65,555
Merchandise	137,092	144,146
Other	28,809	19,325
Allowance for doubtful accounts	(31)	(29)
Total current assets	259,601	265,455
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	107,932	108,202
Land	20,632	20,616
Leased assets, net	48,409	47,701
Other, net	6,649	6,455
Total property, plant and equipment	183,623	182,976
Intangible assets		
Goodwill	32,547	33,622
Other	6,388	6,655
Total intangible assets	38,936	40,278
Investments and other assets		
Guarantee deposits	48,764	48,932
Other	21,014	20,191
Allowance for doubtful accounts	(80)	(80)
Total investments and other assets	69,698	69,043
Total noncurrent assets	292,258	292,298
Total assets	551,860	557,754

(Million yen)

	As of February 29, 2024	As of May 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	159,865	166,677
Short-term loans payable	13,015	14,255
Lease obligations	10,200	10,175
Accounts payable - other	14,016	13,296
Income taxes payable	5,737	3,089
Provision for bonuses	5,617	7,957
Provision for bonuses for directors (and other officers)	65	2
Contract liabilities	66	116
Other	13,894	14,730
Total current liabilities	222,481	230,301
Noncurrent liabilities		
Long-term loans payable	27,386	26,507
Lease obligations	32,098	31,152
Asset retirement obligations	13,048	13,111
Retirement benefits-related liabilities	8,207	8,413
Allowance for executive stock benefit	885	911
Other	3,385	3,348
Total noncurrent liabilities	85,011	83,444
Total liabilities	307,492	313,746
Net assets		
Shareholders' equity		
Capital stock	7,748	7,760
Capital surplus	51,682	51,694
Retained earnings	186,099	185,359
Treasury stock	(8,942)	(8,415)
Total shareholders' equity	236,587	236,400
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	452	468
Foreign currency translation adjustment	198	214
Accumulated adjustment related to retirement benefits	314	309
Total accumulated other comprehensive income	965	992
Subscription rights to shares	158	134
Non-controlling interests	6,654	6,481
Total net assets	244,367	244,008
Total liabilities and net assets	551,860	557,754

(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, 2023	For the three months ended May 31, 2024
Net sales	298,267	304,734
Cost of sales	210,457	215,724
Gross profit	87,809	89,009
Selling, general and administrative expenses	80,427	83,511
Operating income	7,381	5,497
Non-operating income		
Interest and dividend income	2	3
Rental income from real estate	375	398
Sponsorship money income	208	185
Other	883	797
Total non-operating income	1,470	1,385
Non-operating expenses		
Interest expenses	179	184
Share of loss of entities accounted for using equity method	63	68
Rent cost of real estate	72	78
Other	10	18
Total non-operating expenses	327	349
Ordinary income	8,524	6,534
Extraordinary income		
Gain on sale of noncurrent assets	9	3
Compensation income	151	–
Total extraordinary income	161	3
Extraordinary loss		
Loss on retirement of noncurrent assets	34	14
Impairment loss	8	37
Loss on store closings	23	7
Other	10	4
Total extraordinary losses	77	64
Net income before income taxes	8,608	6,473
Income taxes - current	3,622	2,950
Income taxes - deferred	(129)	887
Total income taxes	3,492	3,838
Net income	5,115	2,635
Loss attributable to non-controlling interests	(10)	(189)
Net income attributable to owners of parent	5,126	2,824

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended May 31

(Million yen)

	For the three months ended May 31, 2023	For the three months ended May 31, 2024
Net income	5,115	2,635
Other comprehensive income		
Valuation difference on available-for-sale securities	8	16
Foreign currency translation adjustment	37	30
Remeasurements of defined benefit plans	(0)	(5)
Total other comprehensive income	45	41
Comprehensive income	5,160	2,676
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,153	2,850
Comprehensive income attributable to non-controlling interests	6	(173)

(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.