



Consolidated Financial Results for the Fiscal Year Ended May 2025〔Japanese GAAP〕

June 20, 2025

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(Rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended May 2025 (May 16, 2024-May 15, 2025)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY May 2025	100,174	4.9	1,675	21.0	1,648	23.4	767	63.1
FY May 2024	95,520	9.2	1,384	362.2	1,336	308.3	470	439.2

(Note) Comprehensive income FY May 2025: 886 million yen (73.0%) FY May 2024: 512 million yen (659.3%)

	Net income per share	Diluted net income per share	Return on equity	Return on Asset	Operating profit margin
	Yen	Yen	%	%	%
FY May 2025	55.54	—	8.1	3.6	1.7
FY May 2024	34.07	—	5.3	3.0	1.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY May 2025	46,194	9,922	21.2	711.88
FY May 2024	44,905	9,240	20.3	659.31

(Note) Equity FY May 2025: 9,795 million yen FY May 2024: 9,128 million yen

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY May 2025	2,598	△1,669	△935	2,669
FY May 2024	3,542	△1,921	△1,261	2,675

2. Dividends

	Dividend per share					Total dividend (Total)	Dividend payout ratio (consolidated)	Net asset dividend rate (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY May 2024	—	0.00	—	10.00	10.00	138	29.4	1.5
FY May 2025	—	0.00	—	10.00	10.00	137	18.0	1.5
FY May 2026 (forecast)	—	0.00	—	12.00	12.00		20.6	

3. Consolidated Earnings Forecast for the Fiscal Year Ending May 2026 (May 16, 2025 - May 15, 2026)

(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	102,000	1.8	1,800	7.5	1,700	3.1	800	4.2	58.14

※ Notes

(1) Important changes in the scope of consolidation during the period: Yes

New : - companies (Company names) -

Excluded : 2 companies (Company names) RxR Innovation Initiative Co., Ltd., CoelaQanth, Inc.

(Note) For details, please refer to "3. Consolidated financial statements and notes, (5) Notes to consolidated financial statements (Notes on significant changes in the scope of consolidation)" on page 13 of the attached materials.

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

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

(Note) For details, please refer to "3. Consolidated financial statements and notes, (5) Notes to consolidated financial statements (Notes on Changes in accounting policies)" on page 13 of the attached materials.

(3) Number of shares outstanding (common shares)

- ① Number of shares outstanding as of the end of the period (including treasury shares)
- ② Number of treasury shares as of the end of the period
- ③ Average number of shares outstanding during the period

FY May 2025	14,236,564 shares	FY May 2024	14,236,564 shares
FY May 2025	475,909 shares	FY May 2024	391,177 shares
FY May 2025	13,827,025 shares	FY May 2024	13,815,182 shares

※ This summary report is not subject to review 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. Overview of Operating Results

(1) Explanation of operating results

In the current consolidated fiscal year (from May 16, 2024 to May 15, 2025), the Japanese economy experienced a moderate recovery, supported by improvements in the employment and income environment as well as the effects of various policy measures. However, the outlook remains uncertain due to factors such as ongoing inflation, policy developments in the United States, and fluctuations in financial and capital markets.

In the drugstore industry, in which the Group mainly operates, while market size has expanded due to aggressive store openings and increased product range among a variety of companies, 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, oligopolistic consolidation through M&As, and increasing frugality due to price hikes and declining real wages.

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 with dispensing facilities while advancing efforts to handle fresh food as part of our line-robbing effort to expand product categories. The number of stores handling fresh foods was expanded to 46 this fiscal year. 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. Since its release in January 2022, the app has surpassed a cumulative total of one million downloads and has contributed to increased customer visits and enhanced customer engagement by serving as a convenient and enjoyable tool for everyday shopping.

As for the regional platform strategy, the membership of Hokkaido's common point card "EZOCA" surpassed 2.3 million with over 300 affiliated stores (1,100 outlets) as of May 2025, and the EZOCA economic zone continues to grow. Regarding the cooperation case with Tobetsu Town, we introduced "Tobetsu EZOCA," our third point card that gives back to the local community and our first in the Sapporo area. Implementing systems that return a portion of shopping expenses to the town is part of our effort toward sustainable community development support through collaboration between the government, the private sector, and local shopping districts. We also opened the Satudora Tobetsu Futomi store in Tobetsu Town, which houses the Tobetsu Town Nishi-Tobetsu branch office. For the cooperation case with Koshimizu Town, we launched a new regional transportation service pilot project, KOSHIMO Taxi (Koshi-Taku), through public-private collaboration, where residents support the region as drivers using their personal vehicles. To operate this project, we conduct EZO point grant service and others utilizing the EZOCA platform. Furthermore, as the fifth initiative of our company's support for sports teams, we issued the "Loco Solare EZOCA" in collaboration with the general incorporated association, Loco Solare, on January 30, 2025.

As our collaboration strategy, we entered into a new comprehensive cooperation agreement with Hidaka Town. This initiative aims to address regional social issues, such as promoting health among local residents and improving community services, to establish Satudora stores as sustainable and cherished within the community. As of May 2025, we have signed more than 40 different agreements with local governments, businesses, etc.

In terms of organizational strategy, we are proactively working to create and fortify the execution of human resource strategies that will help achieve our business strategies and promote health management, for which we have been certified by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as a "2025 Certified Health & Productivity Management Outstanding Organization White 500." We have also strengthened our governance structure and applied all principles of the Corporate Governance Code.

As a result of the above, net sales were 100,174 million yen (up 4.9%, or 4,654 million yen, year on year), operating profit was 1,675 million yen (up 21.0%, or 291 million yen, year on year), ordinary profit was 1,648 million yen (up 23.4%, or 312 million yen, year on year), and profit attributable to owners of parent was 767 million yen (up 63.1%, or 297 million yen, year on year).

An overview of the segment performance is as follows.

Beginning with the consolidated fiscal year under review, the classification of reportable segments has been revised. Accordingly, comparisons with the same period of the previous fiscal year are based on figures restated in accordance with the new segment classification. For details, please refer to “(5) Notes to Consolidated Financial Statements – Notes on segment information, etc.” under “3. Consolidated financial statements and notes.”

<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.

In the consolidated fiscal year under review, although the number of items purchased per customer declined due to heightened consumer awareness of household budget constraints amid rising prices, sales in the drugstore format exceeded the level of the same period of the previous fiscal year. This was attributable to an increase in unit prices resulting from inflation, strong performance in the beauty care category, and a net increase in the number of stores.

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 stores with dispensing facilities and other factors led to higher sales compared to the same period last year.

As a result of the above, sales in the retail business segment amounted to 98,439 million yen (up 4.6%, or 4,297 million yen year on year), and segment profit amounted to 1,532 million yen (up 16.0%, or 211 million yen year on 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 May 15, 2024	Openings	Closures	As of May 15, 2025
Drugstores	Drugstore format	179 stores	6 stores	5 stores	180 stores
	(Dispensing pharmacies within drugstores)	(17 stores)	(5 stores)	(-)	(22 stores)
	Inbound format	9 stores	1 store	-	10 stores
Standalone pharmacies	Standalone pharmacies	11 stores	-	2 stores	9 stores
Other stores	The Kurashi Store of Hokkaido	1 store	-	1 store	-
Total		200 stores	7 stores	8 stores	199 stores

<Marketing Business>

The Group is engaged in the regional marketing and payment service business, primarily utilizing Hokkaido's common point card “EZOCA.” As of the end of May 2025, the membership of Hokkaido's common point card “EZOCA,” our Group's strength, surpassed 2.3 million. In the payment services business, domestic cashless payment continued to perform steadily.

As a result of the above, sales in the marketing business segment amounted to 1,954 million yen (up 24.8%, or 388 million yen year on year), and segment profit amounted to 45 million yen (up 41.9%, or 13 million yen year on year).

<Other Businesses>

The Group is engaged in the development and sales of POS applications aimed at solving issues from the user's perspective, as well as a CVC (Corporate venture capital) service that seeks to generate synergies with existing businesses and create new business opportunities.

The net sales of other businesses amounted to 209 million yen (down 11.0%, or 25 million yen, year on year), while segment profit was 27 million yen (up 133.6%, or 15 million yen, year on year).

(2) Explanation of financial position

(Assets)

As of the end of the consolidated fiscal year under review, current assets totaled 21,696 million yen, an increase of 1,268 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 526 million yen increase in accounts receivable and a 522 million yen increase in accounts receivable - other, despite a 189 million yen decrease in merchandise. Non-current assets amounted to 24,498 million yen, an increase of 20 million yen compared to the end of the previous consolidated fiscal year. This was primarily due to a 475 million yen increase in intangible assets, which outweighed a 153 million yen decrease in property, plant and equipment and a 221 million yen decrease in leasehold and guarantee deposits.

As a result, total assets were 46,194 million yen, representing an increase of 1,289 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

As of the end of the consolidated fiscal year under review, current liabilities totaled 19,139 million yen, a decrease of 3,054 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 4,800 million yen decrease in short-term borrowings, despite increases of 595 million yen in accounts payable, 765 million yen in the current portion of long-term borrowings, and 444 million yen in accrued expenses. Non-current liabilities amounted to 17,132 million yen, an increase of 3,662 million yen compared to the end of the previous consolidated fiscal year. This was primarily attributable to a 3,530 million yen increase in long-term borrowings.

As a result, total liabilities came to 36,272 million yen, representing an increase of 607 million yen from the end of the previous consolidated fiscal year.

(Net assets)

As of the end of the consolidated fiscal year under review, total net assets amounted to 9,922 million yen, an increase of 681 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 767 million yen increase in retained earnings resulting from profit attributable to owners of the parent, despite a 138 million yen decrease due to dividend payments. As a result, the equity ratio stood at 21.2%, compared to 20.3% at the end of the previous consolidated fiscal year.

(3) Overview of current fiscal year's cash flows

The balance of cash and cash equivalents (hereinafter referred to as "capital") for the current consolidated fiscal year was 2,669 million yen.

The status of each cash flow and its factors in the current consolidated fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,598 million yen (compared to 3,542 million yen in the same period of the previous fiscal year). This primarily reflects positive factors such as depreciation expense of 1,387 million yen, and an increase in accounts payable of 595 million yen, as well as negative factors including an increase in accounts receivable of 537 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,669 million yen (compared to 1,921 million yen used in the same period of the previous

fiscal year). This was mainly due to expenditures of 1,277 million yen for the acquisition of tangible fixed assets and 550 million yen for the acquisition of intangible fixed assets.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 935 million yen (compared to 1,261 million yen used in the same period of the previous fiscal year). This mainly reflects proceeds from long-term borrowings of 5,400 million yen, a decrease in short-term borrowings of 4,790 million yen, repayments of long-term borrowings amounting to 1,103 million yen, and dividend payments of 138 million yen.

(4) Future outlook

Regarding the outlook for the domestic economy during the next consolidated fiscal year, a moderate economic recovery is expected to continue, supported by improvements in employment and income conditions as well as the effects of various policies. However, the economic outlook remains uncertain due to factors such as ongoing inflation, policy developments in the United States, and fluctuations in financial and capital markets. As for the business environment surrounding the Group, while the drugstore industry is expanding its market size through active store openings and expanded product assortments by various companies, the challenging environment is expected to persist due to rising prices, increased cost-consciousness stemming from declining real wages, intensified competition across industry boundaries, fierce store-opening competition among existing companies, and market concentration through mergers and acquisitions.

Under these circumstances, the Group has been working on its medium-term management plan, with the theme of “Evolving into a Comprehensive Regional Lifestyle Group,” targeting the fiscal year ending May 2026 as the final year. However, due to factors such as rising construction costs causing store opening plans to fall short of initial expectations, as well as changes in the business environment including inflation driven by soaring raw material prices, increased utility expenses, and rising personnel costs associated with wage increases, achieving the plan’s targets has become difficult. On the other hand, the Group has made progress in building a foundation for sustainable growth in Hokkaido through further expansion of the member base of Hokkaido’s common point card “EZOCA” and the creation of tangible and intangible regional assets in collaboration with local governments and businesses. Additionally, efforts to promote digital transformation (DX) and reform business processes aimed at securing stable earnings across the entire Group, including organizational enhancements, are steadily advancing.

In light of these circumstances, the Group has reviewed the current medium-term management plan and formulated a new three-year medium-term management plan covering the period from the fiscal year ending May 2026 to the fiscal year ending May 2028.

The new medium-term management plan is centered on the theme of “Building a Structure to Generate Profits Locally.” Over the three-year period covered by this plan, the Group will focus on (1) improving gross profit margin, (2) controlling selling, general and administrative expenses, (3) enhancing capital efficiency, and (4) strengthening shareholder returns, aiming to achieve stable profitability. Regarding the dividend policy, the Group will shift from the conventional stable dividend policy to a progressive dividend policy, setting a minimum annual dividend of 10 yen per share and targeting a consolidated payout ratio of 30% to enhance shareholder returns.

Based on the above, for the coming fiscal year, we forecast consolidated net sales of 102,000 million yen, operating profit of 1,800 million yen, ordinary profit of 1,700 million yen, and profit attributable to owners of parent of 800 million.

(5) Material events related to going concern assumptions

Not applicable.

2. Basic policy regarding selection of accounting standards

The Group applies Japanese accounting standards to ensure comparability with other companies in the same industry in Japan.

3. Consolidated financial statements and notes

(1) Consolidated balance sheet

	(Millions of yen)	
	Previous consolidated fiscal year (May 15, 2024)	Current consolidated fiscal year (May 15, 2025)
Assets		
Current assets		
Cash and deposits	2,675	2,669
Accounts receivable - trade	2,810	3,336
Merchandise	10,657	10,467
Accrued receivable - other	3,809	4,331
Income taxes receivable	15	0
Other	459	889
Total current assets	20,428	21,696
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,034	16,224
Accumulated depreciation	△6,537	△7,137
Buildings and structures, net	8,496	9,086
Tools, furniture and fixtures	4,199	4,079
Accumulated depreciation	△3,628	△3,648
Tools, furniture and fixtures, net	570	430
Land	4,051	4,048
Leased assets	2,159	2,459
Accumulated depreciation	△1,035	△1,250
Leased assets, net	1,124	1,209
Construction in progress	714	29
Total property, plant and equipment	14,957	14,804
Intangible assets	471	946
Investments and other assets		
Investment securities	716	802
Leasehold and guarantee deposits	6,683	6,462
Deferred Tax Assets	1,275	1,095
Other	383	397
Allowance for doubtful accounts	△11	△11
Total investment and other assets	9,047	8,746
Total non-current assets	24,477	24,498
Total assets	44,905	46,194

(Millions of yen)

	Previous consolidated fiscal year (May 15, 2024)	Current consolidated fiscal year (May 15, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	9,276	9,871
Short-term borrowings	5,000	200
Current portion of long-term borrowings	966	1,732
Accounts payable - other	4,922	5,367
Lease obligations	165	272
Income taxes payable	302	90
Accrued consumption taxes	26	43
Provision for bonuses	643	677
Other	891	884
Total current liabilities	22,194	19,139
Non-current liabilities		
Long-term borrowings	10,173	13,704
Lease obligations	1,089	1,298
Retirement benefit liability	737	671
Asset retirement obligations	819	824
Other	649	634
Total non-current liabilities	13,470	17,132
Total liabilities	35,664	36,272
Net assets		
Shareholders' equity		
Share capital	1,003	1,003
Capital surplus	2,105	2,107
Retained earnings	6,352	6,982
Treasury shares	△269	△337
Total shareholders' equity	9,192	9,754
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	3
Deferred gains or losses on hedges	△10	13
Foreign currency translation adjustment	△64	△64
Remeasurements of defined benefit plans	9	88
Total accumulated other comprehensive income	△63	40
Non-controlling interests	112	126
Total net assets	9,240	9,922
Total liabilities and net assets	44,905	46,194

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

	(Millions of yen)	
	Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)	Current consolidated fiscal year (May 16, 2024 - May 15, 2025)
Net sales	95,520	100,174
Cost of sales	71,962	74,582
Gross profit	23,557	25,592
Selling, general and administrative expenses	22,173	23,917
Operating profit	1,384	1,675
Non-operating income		
Interest and dividend income	23	24
Gain on donation of non-current assets	9	6
Subsidy income	12	32
Gain on sale of goods	19	20
Other	91	93
Total non-operating income	154	177
Non-operating expenses		
Interest expenses	146	187
Commission expenses	42	2
Other	13	13
Total non-operating expenses	202	203
Ordinary profit	1,336	1,648
Extraordinary income		
Gain on sales of non-current assets	0	11
Gain on sale of investment securities	12	—
Gain on sale of shares of subsidiaries and associates	—	1
Total extraordinary income	13	12
Extraordinary losses		
Loss on retirement of non-current assets	13	7
Loss on sale of non-current assets	0	—
Loss on valuation of investment securities	—	10
Impairment losses	344	339
Loss on store closings	99	74
Total extraordinary losses	458	431
Profit before income taxes	891	1,229
Income taxes-current	487	314
Income taxes-deferred	△75	132
Total income taxes	411	447
Profit	479	781
Profit attributable to non-controlling interests	9	13
Profit attributable to owners of parent	470	767

Consolidated statement of comprehensive income

	(Millions of yen)	
	Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)	Current consolidated fiscal year (May 16, 2024 - May 15, 2025)
Profit	479	781
Other comprehensive income		
Valuation difference on available-for-sale securities	1	2
Deferred gains or losses on hedges	25	23
Foreign currency translation adjustment	0	△0
Remeasurements of defined benefit plans	5	79
Total other comprehensive income	32	104
Comprehensive income	512	886
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	503	872
Comprehensive income attributable to non-controlling interests	9	13

(3) Consolidated statement of changes in equity

Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,003	2,098	6,019	△299	8,822	△0	△35	△65	3	△96	4	103	8,834
Changes during period													
Dividends of surplus			△138		△138								△138
Profit attributable to owners of parent			470		470								470
Purchase of treasury shares					—								—
Disposal of treasury shares		2		30	32								32
Capital increase of consolidated subsidiaries		3			3								3
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation					—								—
Net changes of items other than shareholders' equity						1	25	0	5	32	△4	8	36
Total changes during period	—	6	332	30	369	1	25	0	5	32	△4	8	406
Balance at end of period	1,003	2,105	6,352	△269	9,192	1	△10	△64	9	△63	—	112	9,240

Current consolidated fiscal year (May 16, 2024 - May 15, 2025)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,003	2,105	6,352	△269	9,192	1	△10	△64	9	△63	—	112	9,240
Changes during period													
Dividends of surplus			△138		△138								△138
Profit attributable to owners of parent			767		767								767
Purchase of treasury shares				△78	△78								△78
Disposal of treasury shares		1		9	11								11
Capital increase of consolidated subsidiaries					—								—
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation			△0		△0								△0
Net changes of items other than shareholders' equity						2	23	△0	79	104	—	14	119
Total changes during period	—	1	629	△68	562	2	23	△0	79	104	—	14	681
Balance at end of period	1,003	2,107	6,982	△337	9,754	3	13	△64	88	40	—	126	9,922

(4) Consolidated statements of cash flows

	(Millions of yen)	
	Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)	Current consolidated fiscal year (May 16, 2024 - May 15, 2025)
Cash flows from operating activities		
Profit before income taxes	891	1,229
Depreciation and amortization	1,327	1,387
Impairment loss	344	339
Increase (decrease) in provision for bonuses	50	33
Increase (decrease) in retirement benefit liability	47	55
Interest and dividend income	△23	△24
Gain on donation of non-current assets	△9	△6
Interest expenses	146	187
Loss (gain) on sales of non-current assets	0	△11
Loss on retirement of non-current assets	13	7
Loss on store closings	99	74
Loss (gain) on sale of investment securities	△12	—
Loss (gain) on valuation of investment securities	—	10
Loss (gain) on sale of shares of subsidiaries and associates	—	△1
Decrease (increase) in trade receivables	△177	△537
Decrease (increase) in inventories	197	186
Increase (decrease) in trade payables	745	595
Increase (decrease) in accrued consumption taxes	19	△9
Other	484	△227
Subtotal	4,145	3,287
Interest and dividends received	1	1
Interest paid	△146	△186
Income taxes paid	△473	△519
Income taxes refund	14	16
Net cash provided by (used in) operating activities	3,542	2,598
Cash flows from investing activities		
Purchase of property, plant and equipment	△1,447	△1,277
Proceeds from sales of property, plant and equipment	0	85
Purchase of intangible assets	△240	△550
Purchase of investment securities	△222	△124
Proceeds from sales of investment securities	215	18
Payments of leasehold and guarantee deposits	△518	△171
Proceeds from refund of leasehold and guarantee deposits	295	367
Guarantee deposits received	8	29
Refund of guarantee deposits received	△10	△10
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	△1
Other	△2	△35
Net cash provided by (used in) investing activities	△1,921	△1,669

(Millions of yen)

	Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)	Current consolidated fiscal year (May 16, 2024 - May 15, 2025)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△500	△4,790
Proceeds from long-term borrowings	400	5,400
Repayments of long-term borrowings	△994	△1,103
Purchase of treasury shares	—	△78
Proceeds from sale and leaseback transactions	67	—
Repayments of lease obligations	△120	△225
Proceeds from exercise of employee share options	21	—
Dividends paid	△138	△138
Proceeds from share issuance to non-controlling shareholders	3	—
Net cash provided by (used in) financing activities	△1,261	△935
Effect of exchange rate change on cash and cash equivalents	0	△0
Net increase (decrease) in cash and cash equivalents	360	△6
Cash and cash equivalents at beginning of period	2,315	2,675
Cash and cash equivalents at end of period	2,675	2,669

(5) Notes to consolidated financial statements

(Going concern assumption)

Not applicable.

(Notes on Changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes " and others)

The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; "2022 Revised Accounting Standard") and other related standards from the beginning of the current consolidated fiscal year.

Regarding the revision of the accounting classification of corporation tax and others (taxation on other comprehensive income), the Company follows the transitional treatment in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso to Paragraph 65-2 (2) of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; "2022 Revised Implementation Guidance"). This change in accounting policy has no effect on the current consolidated financial statements.

Moreover, the Company has applied the 2022 Revised Implementation Guidance regarding the revision to the handling of deferred gains or losses on sales of subsidiary shares between consolidated companies for tax purposes in consolidated financial statements from the beginning of the current consolidated fiscal year. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the consolidated financial statements for the previous consolidated fiscal year have been adjusted retrospectively. This change in accounting policy has no effect on the consolidated financial statements for the previous consolidated fiscal year.

(Notes on Changes in Presentation Method)

(Consolidated Statement of Income)

"Subsidy income," which was included in "Other" under "Non-operating income" in the previous fiscal year, is presented separately from the fiscal year under review due to its increased monetary materiality. In addition, "Foreign exchange gains" under "Non-operating income," which was separately presented in the previous fiscal year, is included in "Other" in the current fiscal year due to its decreased monetary materiality. To reflect this change in presentation, some items in the consolidated financial statement in the prior fiscal year have been reclassified.

As a result, 1 million presented as "Foreign exchange gains" and 102 million presented as "Other" under "Non-operating income" in the consolidated statements of income for the previous fiscal year have been reclassified as 12 million of "Subsidy income" and 91 million of "Other."

(Notes on significant changes in the scope of consolidation)

During the current consolidated fiscal year, the Company excluded RxR Innovation Initiative Co., Ltd. from the scope of consolidation due to the transfer of all its shares.

CoelaQanth, Inc., a consolidated subsidiary during the current consolidated fiscal year, was also excluded from the scope of consolidation as it was absorbed by a consolidated subsidiary SAPPORO DRUG STORE CO., LTD., as the surviving company.

(Notes on segment information, etc)

(Segment Information)

1. Overview of reportable segments

Our reportable segments have separate financial information available from our constituent units and are subject to regular review by the Board of Directors to determine resource allocation decisions and assess performance.

The Group's reportable segments are the "retail business" and the "marketing business," which operate drugstores and dispensing pharmacies, etc.

In addition, the Company changed the method of presenting the "marketing business" as a reportable segment from the fiscal year under review due to its increased quantitative materiality.

Segment information for the previous fiscal year is disclosed based on the classification of reportable segments for the fiscal year under review.

2. Calculation method for the amount of sales, profit or loss, assets, liabilities and other items for each reportable segment

The method of accounting for the reported business segments is in line with the accounting policies adopted to prepare the consolidated financial statements.

Profit for the reportable segments is based on operating profit. Internal rates of return and transfers between segments are based on prevailing market prices.

3. Information on the amount of net sales, profits or losses, assets, liabilities, and other items for each reportable segment and information on revenue breakdown.

Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)

(Millions of yen)

	Reportable Segment			Other (Note) 1	Total	Adjustments (Note)2	Amount shown in consolidated financial statements (Note) 3
	Retail Business	Marketing Business	Total				
Net sales							
Drugstore	82,323	—	82,323	—	82,323	—	82,323
Inbound	5,863	—	5,863	—	5,863	—	5,863
Pharmacy	4,395	—	4,395	—	4,395	—	4,395
Marketing	—	126	126	—	126	—	126
Payment Service	—	1,070	1,070	—	1,070	—	1,070
Other	797	33	831	130	961	—	961
Revenue arising from contracts with customers	93,380	1,231	94,611	130	94,742	—	94,742
Other revenues	706	—	706	71	777	—	777
External sales	94,086	1,231	95,318	201	95,520	—	95,520
Inter-segment sales and transfers	55	335	391	33	424	△424	—
Total	94,142	1,566	95,709	234	95,944	△424	95,520
Segment profit	1,321	31	1,352	11	1,364	19	1,384
Segment assets	40,968	4,388	45,357	832	46,190	△1,284	44,905
Other							
Depreciation	1,295	9	1,305	21	1,326	0	1,327
Impairment loss	344	—	344	—	344	—	344
Increase in property, plant and equipment and intangible assets	2,421	11	2,433	183	2,617	△4	2,612

(Notes)

- The “Other” category is a business segment that is not included in the reportable segments and includes the IT Solutions business and the education business, etc.
- The 19 million yen adjustment to segment profit includes elimination of income and loss inter-segment transactions of 664 million yen and expenses related to the operation of the holding company of -664 million yen.
The -1,284 million yen adjustment to segment assets was eliminated by offsetting with consolidated subsidiaries of -10,251 million yen and the assets of the holding company not allocated to the reportable segment which were 8,966 million yen.
- Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statement.

Current consolidated fiscal year (May 16, 2024- May 15, 2025)

(Millions of yen)

	Reportable Segment			Other (Note) 1	Total	Adjustments (Note)2	Amount shown in consolidated financial statements (Note) 3
	Retail Business	Marketing Business	Total				
Net sales							
Drugstore	85,586	—	85,586	—	85,586	—	85,586
Inbound	6,661	—	6,661	—	6,661	—	6,661
Pharmacy	4,585	—	4,585	—	4,585	—	4,585
Marketing	—	192	192	—	192	—	192
Payment Service	—	1,398	1,398	—	1,398	—	1,398
Other	811	—	811	124	935	—	935
Revenue arising from contracts with customers	97,644	1,591	99,236	124	99,360	—	99,360
Other revenues	749	—	749	64	814	—	814
External sales	98,394	1,591	99,985	189	100,174	—	100,174
Inter-segment sales and transfers	45	362	408	20	428	△428	—
Total	98,439	1,954	100,394	209	100,603	△428	100,174
Segment profit	1,532	45	1,577	27	1,604	70	1,675
Segment assets	41,699	5,054	46,753	1,082	47,835	△1,641	46,194
Other							
Depreciation (Note) 4	1,344	9	1,353	33	1,387	0	1,387
Impairment loss	339	—	339	—	339	—	339
Increase in property, plant and equipment and intangible assets	1,937	92	2,030	86	2,116	△1	2,115

(Notes)

- The "Other" category is a business segment that is not included in the reportable segments and includes the IT Solutions business, etc.
- The 70 million yen adjustment to segment profit includes elimination of income and loss inter-segment transactions of 765 million yen and expenses related to the operation of the holding company of -694 million yen.
The -1,641 million yen adjustment to segment assets was eliminated by offsetting with consolidated subsidiaries of -10,608 million yen and the assets of the holding company not allocated to the reportable segment which were 8,967 million yen.
- Segment profit is adjusted to be consistent with operating profit shown on the consolidated income statement.
- "Depreciation" includes amortization of long-term prepaid expenses.

(Information about earning per share)

	Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)	Current consolidated fiscal year (May 16, 2024 - May 15, 2025)
Net assets Per Share	659.31 yen	711.88 yen
Net income per share	34.07 yen	55.54 yen

(Note)

1. The diluted net income per share for the current consolidated fiscal year is not mentioned due to the absence of share dilution.
2. The basis for calculating net income per share.

Items	Previous consolidated fiscal year (May 16, 2023 - May 15, 2024)	Current consolidated fiscal year (May 16, 2024 - May 15, 2025)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	470	767
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to the owners of the parent company in relation to common shares (millions of yen)	470	767
Average number of shares of common shares during the period	13,815,182	13,827,025

(Important subsequent event)

Not applicable.